



Press Release

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Company:	CYBERDYNE, INC.
Name of Representative:	Yoshiyuki Sankai, President and CEO
Code:	7779 (Mothers Section of the Tokyo Stock Exchange)
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Notice Regarding the Issuance of Stock Options (Stock Acquisition Rights)

At the Board of Directors meeting held on July 26, 2016, CYBERDYNE, INC. (the "Company"), in accordance with Articles 236 and 238 of the Companies Act, resolved to issue the 2016 2nd series stock option ("Stock Options") to be subscribed to the directors, the Audit and Supervisory Board members, and employees of the Company and its subsidiaries (the "Group"). Since these Stock Options will be issued at a fair price to the allottees under conditions that are not particularly favorable, the issuance will be conducted without the approval of the Meeting of the Shareholders. Furthermore, these stock options will be issued, not as remuneration for the allottees, but based on each individual's investment decision.

I. Purpose and reason for the issuance of Stock Options

Aiming to improve the Group's business performance and increase corporate value, the Stock Options will be issued to the directors, the Audit and Supervisory Board members, and employees of the Group and its subsidiaries in order to further raise motivation and morale, and increase unity within the Group.

If all of these Stock Options are exercised, the resulting increase of the Company's Common Shares will be the equivalent of 0.024% of the total number of shares issued. However, these Stock Options will be issued with the exercise condition of a predetermined performance goal, and the achievement of this goal will contribute to an increase in corporate and shareholder value. Therefore, this issuance of Stock Options is assumed to be favorable for the Company shareholders and so the impact caused by this dilution is thought to be within reason.

II. Terms and conditions for issuance of Stock Options (2016 2nd series stock option of CYBERDYNE, INC.)

1. Total number of Stock Options:

509 Units

The total number of shares that can be issued as a result of exercising these Stock Options is set at 50,900 Common Shares of the Company, and if the number of granted shares per Stock Option ("Number of Granted Shares") is adjusted due to 3. (1) listed below, the total number of shares that can be issued will be adjusted to the product of the number of Stock Options and the adjusted Number of Granted Shares.

2. Money to be paid in exchange for Stock Options

The issue price per Stock Option is set at JPY 200. This issue price was determined based on results of calculations by Monte Carlo simulation, a common option pricing model, by a third party evaluation institution, Plutus Consulting K.K., taking into account the Company's stock quote.

3. Details of the Stock Options

(i) Class and number of shares covered by the Stock Options:

The class of shares covered by the Stock Options shall be Common Shares of the Company, and the Number of Granted Shares shall be one hundred (100) Common Shares.

However, the Number of Granted Shares shall be adjusted according to the following formula if the Company splits (including allotment of shares of common stock of the Company without contribution; the same shall apply to any reference to a share split hereinafter) or consolidates shares of its common stock after the date for the allotment of the Stock Options (the "Allotment Date"). This adjustment shall be limited to the stock options that have not been exercised as of the date of this adjustment, and fractions less than one (1) share arising as a result of such adjustment shall be rounded down.

$$\text{Number of Granted Shares after adjustment} = \frac{\text{Number of Granted Shares before adjustment}}{\text{Share split or share consolidation ratio}} \times$$

In addition to the above, if the Company conducts any merger or corporate split, or if any other events occur that requires an adjustment of the Number of Granted Shares in a manner similar to the adjustments related to such events, the Company may adjust the Number of Granted Shares to a reasonable extent as appropriate.

(ii) Value of property to be contributed upon exercise of the Stock Options and the method of its calculation:

The value of property to be contributed upon the exercise of each Stock Option shall be the amount obtained by multiplying the amount to be paid-in for one (1) share to be delivered by exercising such Stock Option (the "Exercise Price") by the Number of Granted Shares.

The Exercise Price shall be JPY 2,355

If the Company splits or consolidates shares of common stock of the Company after the Allotment Date, the Company shall adjust the Exercise Price by using the

formula set forth below. Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest whole number.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Share split or share consolidation ratio}}$$

Furthermore, if the Company issues new shares or disposes treasury shares at a price lower than the market price (excluding issuance of new shares based on the exercise of stock options or the disposal of treasury shares and the transfer of treasury shares due to conversion of securities), the Exercise Price shall be adjusted using the formula set forth below. Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest whole number.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of new shares to be issued} \times \text{Amount to be paid-in per share}}{\text{Market price per share prior to new issuance}}}{\text{Number of issued shares} + \text{Number of new shares to be issued}}$$

The “Number of issued shares” in the formula above shall be the total number of issued shares of common stock of the Company minus the number of treasury shares of common stock of the Company, and in the case of disposition of treasury shares, the “Number of new shares to be issued” in the formula above shall be replaced with the “Number of treasury shares to be disposed of.”

In addition to the above, if the Company conducts any merger or corporate split after the Allotment Date, or if any other events occur that require an adjustment of the Exercise Price in a manner similar to the adjustments related to such events after the Allotment Date, the Company may adjust the Exercise Price to a reasonable extent as appropriate.

(iii) Exercise period for the Stock Options:

From: July 1, 2017 To: August 24, 2021

(iv) Increase of stated capital and capital reserve:

- (1) The amount of the increase of stated capital upon the issuance of shares by the exercise of Stock Options shall be one-half (1/2) of the maximum amount of the increase of stated capital to be calculated pursuant to Article 17, paragraph 1 of the Ordinance on Accounting of Companies. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest whole number.
- (2) The amount of the increase of capital reserves in issuance of shares upon exercise of Stock Options shall be the maximum amount of increase of stated capital set

forth in the above clause (1) above less the amount of increase of stated capital set forth in clause (1) above.

(v) Restrictions on Acquisition of the Stock Options by Transfer:

Any acquisition of the Stock Options by transfer shall be subject to approval by resolution of the Board of Directors of the Company.

(vi) Conditions on the exercise of the Stock Options

- (1) Stock Options can be exercised only if they meet the conditions set forth in (a) and (b) below as of the fiscal year ended March 31, 2017 and the fiscal year ended March 31, 2018, from the first day of the month following the filing date of the securities report of the period in which these conditions are first met.

- (a) Sales exceeds JPY 3,000 Million
(b) Ordinary income* becomes profitable

In the determination of sales and ordinary income mentioned above, the sales and ordinary income of the Consolidated Financial Statement (if the Consolidated Financial Statement has not been made, the Financial Statement) entered in the Company's securities report shall be referenced, and if any significant changes to the referenced items occur as a result of the application of international financial reporting standards, indices that ought to be referenced separately shall be determined by the Board of Directors.

* Income/loss before income tax without extraordinary income/loss, also called "Pretax income" or "Ordinary profit"

- (2) In the event that a Stock Option holder dies, and one of the heirs of the Stock Option holder (hereinafter referred to as "Heir") inherits all of the Stock Options held by the departed, the Heir is able to exercise the Stock Options. If the Heir dies, the heirs of the Heir cannot inherit the Stock Options.
- (3) If the total number of issued shares will exceed the number of authorized shares due to the exercise of Stock Options, the Stock Options cannot be exercised.
- (4) Stock Options less than one (1) cannot be exercised.
- (5) Other conditions for the exercise of Stock Options will be determined by the Stock Option Allotment Contract signed between the Company and the allottee based on the resolution of the Board of Directors of the Company.

4. Allotment date for the Stock Options:

August 25, 2016

5. Conditions on acquisition of the Stock Options:

- (i) In the case that a merger agreement where the Company will be absorbed, or a split agreement or split plan where the Company will become the split company, or a share exchange agreement or share transfer plan where the Company will become a

wholly owned subsidiary, is approved by a General Meeting of Shareholders (if an approval by the Meeting of Shareholders is not required, resolution by the Board of Directors), the Company, upon arrival of a day separately determined by the Company's Board of Directors, may acquire all Stock Options at no cost.

- (ii) If the Stock Option holder loses their ability to exercise Stock Options due to the regulations set forth in 3. (vi) above, before they exercise their Stock Options, the Company may obtain their Stock Options at no cost.

6. Handling of the Stock Options upon Reorganization

In the event of a merger (limited to a merger by which the Company is absorbed), an absorption-type split or incorporation-type split (in each case limited to a split by which the Company becomes a split company), or a share exchange or share transfer (in each case limited to cases where the Company becomes a wholly owned subsidiary) (collectively, the "Reorganization") the Stock Option holders holding outstanding Stock Options (the "Outstanding Stock Options") immediately prior to the effective date of the Reorganization shall receive, in each case, stock options of the company resulting from the Reorganization (the "Reorganized Company") listed in Article 236, paragraph 1, item 8(a) through (e) of the Companies Act; provided that the relevant absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan shall prescribe to the effect that the stock options of the Reorganized Company will be delivered to the holders of the Outstanding Stock Options in accordance with each of the following items.

- (i) Number of stock options of the Reorganized Company to be delivered
The number of stock options equal to the number of Outstanding Stock Options held by each Stock Option holder shall be delivered.
- (ii) Class of shares of the Reorganized Company covered by the stock options
Shares of common stock of the Reorganized Company shall be covered.
- (iii) Number of shares of the Reorganized Company covered by the stock options
The number shall be determined in accordance with Section 3. (i) above, taking into consideration various factors such as the conditions applicable to the Reorganization.
- (iv) Value of property to be contributed upon exercise of the stock options
The value of property to be contributed upon exercise of each stock option to be delivered shall be determined by multiplying (a) the exercise price after the Reorganization to be obtained by adjusting the Exercise Price set forth in Section 3. (ii) above after taking into consideration relevant factors such as the conditions applicable to the Reorganization by (b) the number of shares of the Reorganized Company covered by the stock options, which is determined pursuant to item 6. (iii) above.
- (v) Exercise period for the stock options
The exercise period shall commence on the commencement date of the exercise period of the Stock Options set forth in Section 3. (iii) above or the effective date of

the Reorganization, whichever is later, and end on the expiration date of the exercise period of the Stock Options set forth in Section 3. (iii) above.

- (vi) Matters regarding increase of stated capital and capital reserve in issuance of shares upon exercise of the stock options

To be determined in accordance with Section 3. (iv) above.

- (vii) Restrictions on acquisition of the stock options by transfer

Any acquisition of the stock options by transfer shall be subject to approval by resolution of the Board of Directors of the Reorganized Company.

- (viii) Other conditions on exercise of the stock options

To be determined in accordance with Section 3. (vi) above.

- (ix) Conditions on acquisition of the stock options

To be determined in accordance with Section 3. (vi) above.

- (x) Other conditions shall be determined in accordance with the conditions of the Reorganized Company.

7. Matters regarding warrants of the Stock Options

The Company does not issue warrants of the Stock Options

8. Amount to be paid-in for the Stock Options:

August 25, 2016

9. Application date

August 9, 2016

10. Allottees of the Stock Options and their numbers

Directors	7 people	61 units
Audit and Supervisory Board members	3 people	20 units
Employees	115 people	389 units
Subsidiary Employees	22 people	39 units

III. Matters concerning transactions with the controlling shareholder

- 1. Compliance to the guidelines for the appropriateness of transactions with the controlling shareholder, and for the measures to protect minority shareholders

Because part of this issuance of Stock Options will be allocated to the Company's President and CEO Dr. Yoshiyuki Sankai, the guidelines for the appropriateness of transactions with the controlling shareholder apply.

The "Guidelines for the measures to protect minority shareholders upon transactions with the controlling shareholder" stated in the Corporate Governance report released by the Company on July 25, 2016 is repeated below, and this issuance of Stock Options was decided based on these guidelines.

"When conducting transactions with the controlling shareholders, the Company has established a guideline to make those transactions the same as any other general transactions, taking into consideration the market price and opinions from external experts. An external auditor of the Company^{*1} will conduct an audit to determine whether the relevant transaction is necessary and appropriate and the result of the audit will be thoroughly discussed at a Board of Directors meeting. The Company implements measures to protect minority shareholders by prohibiting interested parties, including the controlling shareholder, from participating in the resolution at the Board of Directors meeting^{*2}.

Dr. Yoshiyuki Sankai, the controlling shareholders of the Company, also serves as a Professor at the University of Tsukuba and as a Project Manager ("PM") of the Impulsing Paradigm Change through Disruptive Technologies Program hosted by the Cabinet Office ("ImPACT"). As Dr. Sankai is involved with the Company, Tsukuba University and the Japan Science and Technology Agency ("JST"), which is acting as the executive agency of ImPACT, all decisions related to conflicts of interest, including transactions and conclusions of joint research agreements with the University of Tsukuba or JST are made by the Board of Directors. A structure to prevent conflicts of interest has been established, under which the decisions concerning the University of Tsukuba are made by the five directors (of whom three are outside directors) who are not affiliated with the University of Tsukuba, and the decisions concerning the JST are made by the six directors (of whom three are outside directors) who are not affiliated with JST."

*1 Out of 3 members of the Audit and Supervisory Board, all 3 members are external auditors and 1 member is a full-time Audit and Supervisory Board member.

*2 Out of 7 members of the Board of Directors, 3 members are external directors.

2. Measures to ensure fairness and to avoid conflicts of interest

These Stock Options will be issued in accordance with the rules and procedures established by the Company. In addition, the issue price was determined based on results of calculations by Monte Carlo simulation, a common option pricing model, by a third party evaluation institution, Plutus Consulting K.K., taking into account the Company's stock quote. Furthermore, the details and conditions of the issuance of these Stock Options, including the method of calculating the payment price for the right to exercise these options, do not deviate from the details and conditions of other general issuances of stock options, and are therefore appropriate.

Furthermore, in order to avoid conflict of interest, the controlling shareholder President and CEO Dr. Yoshiyuki Sankai did not participate in the deliberations and resolution of the issuance of Stock Options allocated to him.

3. Outline of opinions regarding whether this transaction is not disadvantageous for the minority shareholders, obtained from people who have no shared interest with the controlling shareholder

In accordance with the resolution made by the Company's Board of Directors meeting held today, the Company has decided the validity of the details and conditions for the resolution of this issuance of Stock Options.

For this decision, the Company obtained the opinions of outside director Mr. Kazumasa Yoshida and outside auditor Mr. Kenichiro Okamura, both of whom have no shared interest with the controlling shareholder, on July 26, 2016. They have stated that though the allocation of this issuance of Stock Options to the President and CEO Dr. Yoshiyuki

Sankai, falls under the category of "Important Transactions with the Controlling Shareholder" stipulated by the Tokyo Stock Exchange, it will not be detrimental to the minority shareholders for the following reasons.

- (i) It is clear that the controlling shareholder and President and CEO Dr. Yoshiyuki Sankai's responsibility is to improve the Company's business performance.
- (ii) The purpose of this issuance of Stock Options is to further raise motivation and morale toward improving the Company's business performance.
- (iii) The impact of this issuance of Stock Options on the dilution of the stock price is extremely limited, and rather, the shareholding ratio of the controlling shareholder Dr. Yoshiyuki Sankai will decrease after exercise of these Stock Options.
- (iv) Since the issue price of this issuance of Stock Options was determined based on results of calculations by Monte Carlo simulation, a common option pricing model, by a third party evaluation institution, Plutus Consulting K.K., the fairness of the issue price is ensured.
- (v) The details of this issuance of Stock Options is common and there are no items to point out in the issuance procedure.
- (vi) This issuance of Stock Options will contribute to the improvement of the Company's corporate value, and as a result, is assumed to be favorable for all shareholders including minority shareholders.