

CYBERDYNE Inc. (7779) Consolidated Financial Results (Tanshin) for the Three Months Ended June 30, 2015
Consolidated Financial Results (Tanshin) for the Three Months Ended June 30, 2015
 (Based on Japanese GAAP)

August 14, 2015

Name of listed company : CYBERDYNE Inc. Stock exchange listing : Mothers Section of TSE
 Stock code : 7779 URL : <http://www.cyberdyne.jp/>
 Representative (title) : President and CEO Name : Yoshiyuki Sankai
 Contact (title) : Director and CFO Name : Shinji Uga
 Tel. +81-29-869-9981

Scheduled date for release of three- month report : August 14, 2015 Scheduled start of dividend payment: —

Additional materials for the financial results : none

Information meeting for the financial results : none

(rounded down to the nearest JPY 1 million)

1. Consolidated financial results for the three months ended June 30, 2015 (April 1, 2015 – June 30, 2015)

(1) Consolidated result of operations (percentages denote year-on-year change)

	Net sales		Operating income		Ordinary income*		Net income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Three months ended June 30, 2015	169	73.2	-320	—	-269	—	-267	—
Three months ended June 30, 2014	97	—	-319	—	-186	—	-188	—

*Income/loss before income tax, also called “Pretax income” or “Ordinary profit”

Note: Comprehensive income for the three months ended June 30, 2015: JPY -270million (—%)
 for the three months ended June 30, 2014: JPY -188million (—%)

	Net income per share	Diluted net income per share
	JPY	JPY
Three months ended June 30, 2015	-1.32	—
Three months ended June 30, 2014	-1.00	—

Note:

- Dilutive shares exist but diluted net income per share of each term is not recorded due to net loss per share.
- The company implemented stock splits of 1 to 5 for each ordinary share and Class B share on August 1, 2014 and 1 to 2 for each ordinary share and Class B share on August 1, 2015. Net income (loss) per share for each term is calculated, assuming that the stock splits were executed at the beginning of the previous fiscal year (April 1, 2014).

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of June 30, 2015	47,983	27,506	56.2
As of June 30, 2014	48,289	27,777	56.4

cf. shareholders' equity JPY 26,976 million as of June 30, 2015

JPY 27,244 million as of the fiscal year ended March 31, 2015

2. Dividends

	Dividend payments for each term and the year				
	1st quarter	2nd quarter	3rd quarter	Fiscal year end	Total
Fiscal year ended March 31, 2015	JPY —	JPY 0.00	JPY —	JPY 0.00	JPY 0.00
Fiscal year ending March 31, 2016	—				
Fiscal year ending March 31, 2016 (estimated)	—	0.00	—	0.00	0.00

Note

1. Changes from the latest released dividend forecasts: none
2. The table of “Dividends” indicates dividend payments on ordinary shares. Dividends on Class B shares (non-listed) for which the number of share units differs from its ordinary shares are shown below as “Dividends on Class Shares”.

3. Forecast of consolidated financial results for the year ending March 31, 2016 (April 1, 2015 –March 31, 2016)

(percentages indicate changes from the previous year)

	Net sales		Operating income		Ordinary income*		Net income attributable to owners of the parent		Net income per share
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	(JPY)
Full year	1,000	58.5	—	—	—600	—33.8	—600	—34.4	—2.95

* Income/loss before income tax, also called “Pretax income” or “Ordinary profit”

Note:

1. Changes from the latest released forecasts of consolidated financial results for the fiscal year: none
2. Net income per share in the forecast of consolidated financial results for the year ending March 31, 2016 is calculated, taking the stock split of 1 to 2 for each ordinary share and Class B share effective as of August 1, 2015 into consideration.
3. The company often carries out research and development (hereinafter R&D) projects based on subsidies from administrative bodies, which are equivalent to expenses for the R&D projects. In such cases, the R&D expenses (sales and administrative costs) and the corresponding subsidy incomes (non-operating income) are posted at the same time. Due to this accounting operation, operating income/loss estimates might fluctuate drastically, depending on the existence of sizable R&D projects. Therefore, in order to avoid the risk of misunderstanding, operating income/loss estimates are not disclosed.

*Notes

(1) Changes in key subsidiaries during the three-month period under review (changes in specific subsidiaries resulting in changes of consolidation scope): none

new: — (company name: —)

excluded: — (company name: —)

(2) Application of special accounting for preparing three-month consolidated financial statements: none

(3) Changes in accounting policies, accounting estimates, and restatement of error corrections

1) Changes in accounting policies due to revisions of accounting standards, and other regulations: none

2) Changes in accounting policies due to reasons other than 1): none

3) Changes in accounting estimates: none

4) Restatement of prior period financial statements after error corrections: none

(4) Total number of issued shares (ordinary shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2015	203,276,000 shares	As of March 31, 2015	203,276,000 shares
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2) Total number of treasury shares at the end of the period

As of June 30, 2015	0 shares	As of March 31, 2015	0 shares
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3) Average number of shares during the three-month period

Apr. 1 - June 30, 2015	203,276,000 shares	Apr. 1 - June 30, 2014	188,540,571 shares
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Note:

1. Class B shares are ranked the same as ordinary shares and paid the same amount as ordinary shares with regard to dividends of surplus and distribution of residual property. Therefore the total number of issued shares at each end of period and the average number of shares during each period include Class B shares as ordinary shares.

2. The company implemented stock splits of 1 to 5 for each ordinary share and Class B share on August 1, 2014 and 1 to 2 for each ordinary share and Class B share on August 1, 2015. Therefore the number of issued shares are calculated, assuming that the stock splits were executed at the beginning of the previous consolidated fiscal year (April 1, 2014).

*Indication regarding execution of three-month review procedures

Though this three-month financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Law, at the time of disclosure of this three-month financial results report, the quarterly review procedures for the three-month consolidated financial statements have been completed.

*Proper use of the financial results forecast, and other special matters

1. Financial results forecast

Descriptions about the future of the company in this document, such as the financial results forecast, are based on information currently available to the company and on certain assumptions deemed to be reasonable.

Nevertheless, materialization of them cannot be assured by the company. Actual business and other results might differ substantially from the forecast due to various factors.

2. Stock split

In accordance with the board resolution dated May 25, 2015, the company implemented a stock split of 1 to 2 for each ordinary share and Class B share effective as of August 1, 2015. With regard to influence of the stock split on the financial results forecast as of the financial year ending March 31, 2016 above, see “3. Forecast of consolidated financial results for the year ending March 31, 2016 (April 1, 2015 –March 31, 2016)” above.

Dividends on Class Shares

Details of dividends on the company’s class shares for which the number of share units differs from its ordinary shares are as below.

Class B shares	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Fiscal year end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal year ended March 31, 2015	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2016	—				
Fiscal year ending March 31,		0.00	—	0.00	0.00

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2016 (estimation)					
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Note:

The company issued Class B shares which were accorded the same rights as its ordinary shares with regard to dividends of surplus and distribution of residual property, but for which share units differ from ordinary shares.

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1. Qualitative information regarding settlement of accounts for the three months ended June 30, 2015

(1) Explanation of results of operation

Future matters contained herein are assumed by CYBERDYNE Group (also referred to as “the company group”) based on information currently available to it as of June 30, 2015 and on certain assumptions deemed to be reasonable.

In the three-month period ended June 30, 2015, the Japanese government formulated Robot Revolution Initiative (= RRI) to materialize Robot Revolution based on New Robot Strategy of Japan in order to cope with evolution of industrial structures envisaged in various areas such as production/distribution/sales, transportation, health/medicine, and public services attributable to rapid development of big data, AI, IoT etc. Looking ahead, the government is likely to advance measures as national strategies that promote robotics to foster virtuous cycles in the economy.

Robotics in the fields of medicine, nursing care, welfare and life support, in which the company group operates, have been designated a key industry in the government’s national growth strategy for creating a healthy and long-lived society. The robotics industry is expected to grow sharply in step with advances in R&D, along with the implementation of policies designed to encourage the use of robots, and deregulation. The company group has been researching and developing innovative Cybernics* technologies for the optimal combination of robotics with humans. These technologies provide a way to address the social priority of helping people who require intensive nursing care, a goal that is shared by all developed countries with long life expectancies. The company group is taking on the challenge of creating a Zero Intensive Nursing Care® Society by promoting robotics as an integral part of the infrastructure in the daily lives and communities.

**“Cybernics (adjective: cybernic)” is the new academic field that is a fusion of various fields, namely, cybernetics, mechatronics and information technology (core areas) and robotics, brain/neuroscience, biology, behavioral science, psychology, law, ethics, and kansei science (a fusion of human, machine, and information systems). Cybernics is championed by Dr. Yoshiyuki Sankai, Professor of the University of Tsukuba Graduate School and CEO of the company.*

In the medical field, promoting clinical research of HAL® for Medical Use (Lower Limb Type) domestically and internationally, CYBERDYNE Group engages in the therapeutic services business with the device in Germany. In the U.S., the world’s largest medical market, CYBERDYNE Group submitted to the Food and Drug Administration (FDA) in November 2014 a request for approval of HAL® for Medical Use (Lower Limb Type) as a medical device, with the intention of receiving approval during 2015. In Europe, where the device has already been approved as a medical device, HAL® for Medical Use (Lower Limb Type) is covered under the German public workers’ compensation insurance system for functional improvement therapy. Now the company group is engaging in clinical investigations, aiming at an increase of objective impairments of the insurance, enlargement of insurance covered regions and addition of insurance coverage under public medical insurance schemes. In Japan, the company group applied HAL® for Medical Use (Lower Limb Type) as a new medical device for the treatment of patients with rare neuro-muscular diseases under the scope of the Pharmaceutical and Medical Device Act in Japan, aiming at approval by the end of 2015. Investigator initiated clinical trials of the device for the treatment of enlarged disorders, namely brain and spinal cord disorders have also been started. In December 2014, HAL® for Medical Use

(Lower Limb Type) was approved by the Prime Minister for treatments partially covered by insurance, so-called mixed billing, in National Strategic Special Zones in the Tokyo area. As of June 30, 2015, 121 units of HAL® for Medical Use (Lower Limb Type) were used at our subsidiary in Germany that provides medical care services and at hospitals for clinical trials in Japan.

In the nursing care and welfare field, HAL® for Care Support (Lumbar Type) was commercialized in March, 2015. Totally 112 units were in operation mainly at nursing care facilities as of June 30, 2015. A total of 377 units of HAL® for Living Support (Lower Limb Type) were used at welfare facilities and hospitals in Japan as of June 30, 2015. CYBERDYNE Group has also commercialized HAL® for Living Support (Single Joint Type), an ultra-compact and lightweight model in February 2015, and 53 units were deployed mainly in domestic hospitals as of June 30, 2015.

In the life and labor support fields, CYBERDYNE has commercialized HAL® for Labor Support (Lumbar Type) last year. As of June 30, 2015, 61 units of the device were mainly used at construction sites and factories. CYBERDYNE also launched a new automated delivery robot mounted AI in March 2015. A total of three of these robots were deployed on factory floors as of June 30, 2015. Haneda International Airport has decided introduction of these robots, adding cleaning robots mounted AI as next generation robots.

Net sales JPY169,580 thousand was posted for the three months ended June 30, 2015 (73.2% increase on a year-on-year basis) due to increase of leasing sales due to newly launched products in the previous term and increased service fees in subsidiaries. Cost of sales for the period was JPY66,989 thousand (8.8% decrease on a year-on-year basis) due to elimination of one-time expenses for subsidiaries and other. Consequently gross income for the period rose to JPY102,590 thousand (319.8% increase on a year-on-year basis).

In the same period, research and development expenses JPY125,744 thousand (2.1% increase on a year-on-year basis) were posted in line with continuation of new product development and clinical investigations. Other selling, general and administrative expenses of the same period rose to JPY297,419 thousand (34.5% increase on a year-on-year basis) mainly due to an increase of direct selling expenses in alignment with a rise of sales and an increase of pro forma standard tax attributable to the financing in the previous fiscal year. Consequently operating loss for the period stood at JPY 320,573 thousand (0.3 % increase on a year-on-year basis).

During the three months ended June 30, 2015, non-operating income that mainly consisted of subsidy income and grants for research received plunged to JPY 63,127 thousand (54.6 % decrease on a year-on-year basis), while non-operating expenses that mainly consisted of interest expenses rose to JPY 12,112 thousand (94.4 % increase on a year-on-year basis). Consequently ordinary loss for the period grew to JPY 269,558 thousand (44.2 % increase on a year-on-year basis).

As a result, net loss attributable to owners of the parent JPY 267,994 thousand (42.4 % increase on a year-on-year basis) was posted for the three months ended June 30, 2015.

(2) Explanation of financial position

[Status of assets, liabilities and net assets]

i) Assets:

As of June 30, 2015, total assets decreased JPY 305,262 thousand to JPY47,983,790 thousand in comparison to

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the end of the previous fiscal year. This was mainly attributable to a decrease of other in current assets.

ii) Liabilities:

Total liabilities was down JPY 34,659 thousand to JPY20,477,095 thousand as of June 30, 2015 compared with the end of the previous fiscal year. This was mainly due to a decrease of income taxes payable.

iii) Net assets:

Net assets as of June 30, 2015 fell JPY270,603 thousand to JPY 27,506,695 thousand from the previous fiscal year end. This reflects reduced retained earnings caused by posting of quarterly net loss.

(3) Explanation of forecast of consolidated financial results and other forward-looking statements

No change was made from the latest forecasts of consolidated financial results for the fiscal year ending March 31, 2016, which were released on May 15, 2015.

2. Matters regarding summary information (Notes)

(1) Changes in key subsidiaries during the three month under review

No items to report.

(2) Application of special accounting for preparing quarterly consolidated financial statements

No items to report.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

(Changes in accounting policies)

The company group applied the “Accounting Standard for Business Combination”(ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements”(ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestiture”(ASBJ Statement No. 7, September 13, 2013) from the three months ended June 30, 2013 and changed the manner in which quarterly net loss was presented, and changed “minority interests” to “non-controlling interests.” To reflect these changes, the company group reclassified the quarterly consolidated financial statements for the first quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

3. Quarterly Consolidated Financial Statements**(1) Quarterly consolidated balance sheets**

	(Unit JPY thousand)	
	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	29,722,189	29,917,152
Accounts receivable	207,622	84,158
Securities	12,499,668	12,499,668
Merchandise and finished goods	52,779	106,032
Work in process	21,956	30,807
Raw materials and supplies	264,473	215,535
Other	640,906	138,372
Allowance for doubtful accounts	-1,350	-507
Total current assets	43,408,245	42,991,218
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	768,907	756,668
Assets for rent, net	179,397	286,866
Land	3,143,151	3,143,151
Other, net	236,474	245,230
Total property, plant and equipment	4,327,931	4,431,916
Intangible assets	58,211	66,683
Investments and other assets		
Investment securities	314,850	314,850
Other	179,814	179,122
Total investments and other assets	494,664	493,972
Total non-current assets	4,880,807	4,992,572
Total assets	48,289,052	47,983,790
Liabilities		
Current liabilities		
Accounts payables	92,195	67,754
Income taxes payable	69,899	25,097
Other	295,071	324,156
Total current liabilities	457,167	417,009
Non-current liabilities		
Convertible bond	19,883,974	19,894,851
Asset retirement obligations	70,171	70,527
Other	100,442	94,707
Total non-current liabilities	20,054,587	20,060,085
Total liabilities	20,511,754	20,477,095
Net assets		
Shareholders' equity		
Capital stock	16,511,767	16,511,767
Capital surplus	16,447,767	16,447,767
Retained earnings	-5,714,957	-5,982,952
Total shareholders' equity	27,244,576	26,976,582
Other comprehensive income		
Foreign currency translation adjustment	-442	-416
Total accumulated other comprehensive income	-442	-416
Stock acquisition rights	530,529	530,529
Minority interests	2,634	-
Total net assets	27,777,298	27,506,695
Total liabilities and net assets	48,289,052	47,983,790

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

Quarterly consolidated statements of income (cumulative)

	(Unit JPY thousand)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Net sales	97,922	169,580
Costs of sales	73,482	66,989
Gross profit	24,439	102,590
Selling, general and administrative expenses		
Research and development expenses	123,085	125,744
Other selling, general and administrative expenses	221,114	297,419
Total selling, general and administrative expenses	344,199	423,163
Operating loss	-319,759	-320,573
Non-operating income		
Interest income	1	7,200
Subsidy income	115,075	21,544
Grants for research received	17,638	25,149
Other	6,366	9,232
Total non-operating income	139,083	63,127
Non-operating expenses		
Interest expenses	904	11,594
Share issuance cost	4,666	—
Other	661	518
Total non-operating expenses	6,231	12,112
Ordinary loss (*)	-186,908	-269,558
Loss before provision for income taxes	-186,908	-269,558
Income taxes-current	1,658	1,605
Income taxes-deferred	-406	-367
Total income taxes	1,251	1,237
Net loss	-188,160	-270,796
Net loss attributable to non-controlling interests	—	-2,801
Net loss attributable to owners of the parent	-188,160	-267,994

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

Quarterly consolidated statements of comprehensive income (cumulative)

	(Unit JPY thousand)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Net loss before minority interest	-188,160	-270,796
Other comprehensive income		
Foreign currency translation adjustment	-298	25
Total other comprehensive income	-298	25
Total comprehensive loss	-188,458	-270,770
(Comprehensive loss attributable to)		
Owners of the parent	-188,458	-267,975
Non-controlling interests	-	-2,795

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

There are no items to report.

(Notes to significant changes in the amount of shareholder's equity)

There are no items to report.

(Segment information)

The three months of the consolidated fiscal year ended March 31, 2015 (from April 1, 2014 to June 30, 2014):

Since the company group had a single segment, segment information was omitted.

The three months of the consolidated fiscal year ending March 31, 2016 (from April 1, 2015 to June 30, 2015):

Since the company group had a single segment, segment information was omitted.

(Important subsequent event)

The Company implemented a stock split on August 1, 2015, based on the resolutions of the Board of Directors' meeting held on May 25, 2015 and the 11th ordinary shareholders' meeting and the necessary class share holders' meeting held on June 24, 2015.

(1) Purpose of the stock split

The Company implemented the stock split with the purpose of improving liquidity and expanding the investor base.

(2) Outline of stock split

(i) Stock split method

The stock split was implemented on August 1, 2015, at the rate of two-for-one share of each outstanding common stock and Class B stock based on the shareholders registered as at July 31, 2015.

(ii) Number of shares increased with the stock split

	Shares	
	Common stock	Class B stock
Total number of shares issued before the stock split	62,788,000	38,850,000
Increase in number of shares as a result of the stock split	62,788,000	38,850,000
Total number of shares issued after the stock split	125,576,000	77,700,000
Total number of shares authorized to be issued after the stock split	618,300,000	77,700,000

(iii) Stock split schedule

Public notice date of the record date: July 16, 2015

Record date : July 31, 2015

Effective date : August 1, 2015

(3) Adjustment of conversion price of convertible bonds

In accordance with the stock split, the Company shall adjust the conversion price of the convertible bonds on or after August 1, 2015, as follows:

Issue	Euro Yen Zero coupon convertible bond due 2017
Conversion price before adjustment	JPY3,790
Conversion price after adjustment	JPY1,895
Effective date	August 1, 2015

(4) Amendment of certain articles of incorporation

(i) Reason:

In accordance with the aforementioned stock split, the total number of shares authorized to be issued, as well as the total number of common shares and Class B shares authorized to be issued, were increased at the same rate as the stock split. The amendments were made to effect this change.

(ii) Amendment detail (amendments are underlined)

<u>Current articles of incorporation</u>	<u>Articles of incorporation after amendments</u>
(Total number of shares authorized to be issued and the total number of classified shares authorized to be issued)	(Total number of shares authorized to be issued and the total number of classified shares authorized to be issued)
Article 6-1 The total number of shares authorized to be issued by the company shall be 348,000,000.	Article 6-1 The total number of shares authorized to be issued by the company shall be 696,000,000.
Article 6-2 The total number of class shares authorized to be issued by the company shall be as follows: (1) Common stock 309,150,000 (2) Class B stock 38,850,000	Article 6-2 The total number of class shares authorized to be issued by the company shall be as follows: (1) Common stock 618,300,000 (2) Class B stock 77,700,000

(iii) Schedule

Date of resolution by the general meeting of shareholders	June 24, 2015
Effective date	August 1, 2015

(5) Impact on per share information

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(Unit JPY)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Quarterly EPS (Loss)	-1.00	-1.32

Note

Although there were dilutive shares, diluted net income per share is not disclosed due to posting of a net loss per share.