

Consolidated Financial Results (Tanshin) for the Three Months Ended June 30, 2016
(Based on Japanese GAAP)

August 10, 2016

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 10, 2016 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)

I. Consolidated financial results for the three months ended June 30, 2016 (April 1, 2016 – June 30, 2016)

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

	Net sales		Operating income		Ordinary income*		Net income attributable to owners of the parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Apr.1- June 30, 2016	271	60.4	-358	—	-322	—	-325	—
Apr.1- June 30, 2015	169	73.2	-320	—	-269	—	-267	—

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

Notes: Comprehensive income for the three months ended June 30, 2016: JPY -319 million (—%)
 for the three months ended June 30, 2015: JPY -270 million (—%)

	Net income per share	Diluted net income per share
	JPY	JPY
Apr.1- June 30, 2016	-1.55	—
Apr.1- June 30, 2015	-1.32	—

Notes

- (i) Dilutive shares exist but diluted net income per share of each term is not recorded due to net loss per share.
- (ii) CYBERDYNE, INC. implemented stock splits of 1 to 2 for each Common 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 implemented at the beginning of the previous fiscal year (April 1, 2015).

2. Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
Three months ended June 30, 2016	47,232	46,684	98.8
The fiscal year ended March 31, 2015	47,534	27,063	55.8

cf. shareholders' equity JPY 46,686 million as of three month ended June 30, 2016

JPY 26,527 million as of the fiscal year ended March 31, 2015

II. Dividends

	Dividend payments for each term and the year				
	1st quarter (Apr.1- June 30, 2016)	2nd quarter (Apr.1- Sep 30, 2016)	3rd quarter (Apr.1- Dec 31, 2016)	Year end (Apr.1- Mar 31, 2017)	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal year ended March 31, 2016	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2017	—	—	—	—	—
Fiscal year ending March 31, 2017 (estimated)	—	0.00	—	0.00	0.00

Notes

- (i) Changes from the latest released dividend forecasts: none
- (ii) The table of “Dividends” indicates dividend payments on Common Shares. Dividends on Class Share (non-listed) for which the number of share units differs from Common Shares are shown below as “Dividends on Class Shares”.

III. Forecast of consolidated financial results for the fiscal year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

As the business of CYBERDYNE, INC. and its group companies (collectively referred to as the “Group”) is based on a new market with innovative technologies, there are many uncertain factors that could have an impact on its performance, making it difficult to provide a forecast with accurate figures. CYBERDYNE, INC. (the “Company”) will announce the forecast of consolidated financial results once information necessary to make reasonable judgment becomes available.

*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 consolidated financial statements for the three months ended June 30, 2016 : none
3. Changes in accounting policies, accounting estimates, and restatement of error corrections
 - (i) Changes in accounting policies due to revisions of accounting standards, and other regulations: yes
 - (ii) Changes in accounting policies due to reasons other than (i): none
 - (iii) Changes in accounting estimates: none
 - (iv) Restatement of prior period financial statements after error corrections: none

4. Total number of issued shares (Common Shares)

(i) Total number of issued shares at the end of each period (including treasury shares)			
As of June 30, 2016	215,047,609 shares	As of March 31, 2016	203,276,000 shares
(ii) Total number of treasury shares at the end of each period			
As of June 30, 2016	138 shares	As of March 31, 2016	138 shares
(iii) Average number of shares during each three-month period			
Apr.1 – June 30, 2016	210,133,148 shares	Apr.1 – June 30, 2015	203,276,000 shares

Notes

- (i) Class B Shares are ranked the same as Common Shares and paid the same amount as Common Shares with regard to dividends of surplus and distribution of residual assets. 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 Common Shares.
- (ii) The Company implemented stock splits of 1 to 2 for each Common Share and Class B Share on August 1, 2015. Therefore the number of issued shares is calculated, assuming that the stock splits were implemented at the beginning of the previous consolidated fiscal year (April 1, 2015).

*Indication regarding execution of quarterly 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

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, the Company cannot assure materialization of these forecasts. Actual business and other results might differ substantially from the forecasts due to various factors. Please refer to “3. Explanation with regards of forecast of consolidated financial results and other forward-looking statements” in the section of “Qualitative information regarding settlement of accounts for the three months ended June 30, 2016” at page 4

Dividends on Class Shares

Details of dividends on the Company’s class shares for which the number of share units differs from its Common 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, 2016	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2017	—				
Fiscal year ending March 31, 2017 (estimation)		0.00	—	0.00	0.00

Note:

The Company issued Class B Shares which were accorded the same rights as its Common Shares with regard to dividends and distribution of residual assets, but for which share units differ from Common Shares.

○ Contents of the Attached Material

- I. Qualitative information regarding settlement of accounts for the three months ended June 30, 2016.....1
 - 1. **Explanation of results of operation** 1
 - 2. **Explanation of financial position** 3
 - Explanation related to the forecast of consolidated financial results and other forward-looking statements** 4
- II. Matters regarding summary information (Notes).....4
 - 1. **Changes in key subsidiaries during the three months under review** . 4
 - 2. **Application of special accounting for preparing cumulative quarterly consolidated financial statements.** 4
 - 3. **Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections.** 4
- III. Quarterly Consolidated Financial Statements.....5
 - 1. **Quarterly consolidated balance sheets** 5
 - 2. **Quarterly consolidated statements of income and consolidated statements of comprehensive income** 6
 - Quarterly consolidated statements of income (cumulative)** 6
 - 3. **Notes to quarterly consolidated financial statements** 7
 - (Notes on premise of going concern)7
 - (Notes to significant changes in the amount of shareholder’s equity)7
 - (Segment information)7
 - (Important subsequent event)7

I. Qualitative information regarding settlement of accounts for the three months ended June 30, 2016

1. Explanation of results of operation

All forward-looking statements included in this explanation were determined reasonable by the Group based on currently available information as of the three-month period ended June 30, 2016 and certain assumptions made by the Group.

From May 15 to May 17, 2016, ministers and representatives from Japan, U.S., U.K., Canada, Germany, France, Italy and European Union gathered for the G7 Science & Technology Ministers' Meeting in Tsukuba, Ibaraki, Japan. At the Memorial Symposium held on the opening day, Dr. Yoshiyuki Sankai, CEO of CYBERDYNE, INC. and Professor of Tsukuba University, conducted a keynote speech, and also addressed the G7 Ministers of Science with a speech during the discussions on "Global Health- Health Care, Science and Technology", as part of the agenda for the Ministers' Meeting on May 16. On May 17, a group of G7 representatives visited the Company to take a tour which featured a product lineup including the cyborg-type robot HAL® and a chance to take part in a demonstration experience.

On the final day, the Joint Statement "Tsukuba Communiqué" was adopted, stating that the G7 countries and many of the emerging economies are facing the challenges of rapidly aging societies. The G7 recognized that science-based innovation has an important role to play in addressing some of the most urgent of these challenges, including promotion of social systems that support healthy long life and good quality elderly care through utilization of robotics as well as reducing the burden on families and society by integrating social science research with medical care, Information and Communication Technology ("ICT"), and robotics assistance. As the concept of "Tsukuba Communiqué" is similar to the Company's goal of achieving a "Zero Intensive Nursing-care Society®", the Group will continue to accelerate its research and development and its business development in order to contribute solutions to the various social issues by utilizing its innovative Cybernics* technology as well as pushing forward with its endeavors to create a "human-assistive industry," a new industry focusing on medicine, living support and labor support.

**"Cybernetics (adjective: Cybernetic)" is a new academic field that is centered around cybernetics, mechatronics and informatics fused/combined with various other fields including brain/neuroscience, robotics, biology, behavioral science, psychology, law, ethics, and business administration. Cybernetics is championed by Dr. Yoshiyuki Sankai. Cybernetic technology means the practical application of Cybernetics to technology.*

In the field of medicine, the Ministry of Health, Labour and Welfare ("MHLW") announced its explanation regarding the technical fee for the treatment of rare neuromuscular disease patients using HAL® for Medical Use (Lower Limb Type) in April 25, 2016. This is the first public health insurance reimbursement price for treatment with robots established in the world. According to this explanation, the insurance price that could be claimed ranges from JPY 85,100 to JPY 49,600 and the patients will be able

to continue to claim the insurance fees indefinitely as long as the effect of each treatment can be confirmed. The Company will continue to accelerate its clinical studies with medical facilities in Japan and in other countries, to expand the diseases covered by the insurance for treatment with HAL® to include other diseases such as stroke and spinal cord injury. Further, the Company also started a joint-research project with a notable medical institution to accelerate the realization of the world's first cutting-edge research on Functional Regeneration Treatment which could make treatment with HAL® applicable for an even wider range of patients suffering from paralysis. As for HAL® for Living Support (Single Joint Type) and the Vital Sensors, the Company is currently taking necessary steps toward obtaining medical device approval for these devices. In Europe, the Company has already acquired medical device certification, and has been providing the medical treatment service with HAL® in Germany. There, public workers' compensation insurance covers the treatment with HAL® for Medical Use, and in order to expand the number of patients covered by insurance for the treatment with HAL®, the Company applied to the Institute for the Hospital Remuneration System ("InEK") on October 27 of 2015 for public health insurance coverage of all paraplegic patients in the acute to recovery phases. The Company also applied to the Federal Joint Committee ("G-BA") for public health insurance coverage of the treatment with HAL® for all paraplegic patients after acute and recovery phases. Also in the United States, in anticipation of obtaining medical device approval for HAL® for Medical Use (Lower Limb Type) by the U.S. Food and Drug Administration ("FDA"), the Company began the process of establishing an American incorporation CYBERDYNE USA Inc. Noting various insurance coverage as an important milestone for its future business in the U.S., the Company will continue to strategically approach its entrance into the U.S. market.

Though the Company had a total of 145 units of HAL® for Medical Use (Lower Limb Type) in operation as of June 30, 2016, including units used in Japan and other countries for clinical tests that continue to be conducted in order to expand its target diseases, with the determination of the public health insurance coverage for treatment with HAL® for Medical Use (Lower Limb Type), the Company will fully commence the implementation of this device into various medical facilities. Furthermore, 173 units of HAL® for Living Support (Single Joint Type) were in operation as of the end of June 30, 2016, introduced mainly to hospitals within Japan for clinical studies.

In the field of living support, HAL® for Living Support (Lower Limb Type) has been used in care facilities and hospitals within Japan for the purpose of assisting independent movement, and as of the end of June 30, 2016, 473 units were in operation. 293 units of HAL® for Care Support (Lumbar Type), a device capable of reducing the load on the lower back of care givers and improving the work environment in care facilities that suffer from high turnover rates, were in operation as of the end of June 30 2016. An increase of operating units from the subsidy project of the Ministry of Health, Labour and Welfare for assisting welfare facilities with installation of robotic devices is expected after the third quarter of the fiscal year ending March 31, 2017.

In the field of labor support, as of the end of June 30, 2016, there were 235 units of HAL® for Labor Support (Lumbar Type), a device capable of reducing the load on the lower back of workers and

improving the work environment in order to maintain the labor force of distribution warehouses, construction sites and factories of various types that suffer from an aging population and declining birthrate. Situations appropriate for using HAL® for Labor Support (Lumbar Type) is expected to expand significantly once additional functions and features such as waterproofing are installed. For the Cleaning Robot and Transport Robot, 17 units were in operation as of the end of June 30, 2016 and the Company is looking to expand the introduction of these robots in Airports as well as other facilities.

As the result of the aforementioned, in the consolidated financial result of three months ended June 30, 2016, the Company recorded net sales of JPY 271,930 thousand (60.4% increase year on year), mainly due to a substantial increase in the operating numbers of the new products such as HAL® for Care/Labor Support (Lumbar Type), while maintaining sales cost to JPY 90,777 thousand (35.5% increase year on year), attributable to cost reduction due to mass production and improvement of cost of service in the Company's subsidiaries. As a result, the gross profit increased significantly to JPY 181,153 thousand (76.6% increase year on year) and the gross profit margin was ameliorated to 66.6% (6.1% increase year on year).

Research and development expenses increased significantly to JPY 232,397 thousand (84.8% increase year on year), due to acceleration of consigned research projects from the Impulsing Paradigm Change through Disruptive Technologies Program ("ImPACT") conducted by the Japan Science and Technology Agency ("JST") and other selling, general and administrative expenses remained around JPY 306,998 (3.2% increase year on year) thousand, mainly due to the increase of taxes and dues such as business tax (capital base). As a result, operating loss was recorded at JPY 358,243 thousand (11.8% increase year on year).

Non-operating income was recorded at JPY 144,434 thousand (128.8% increase year on year), mainly due to a significant increase of consigned research income, Non-operating expense was recorded at JPY 109,025 thousand (800.1% decrease year on year) due to a recording of JPY 96,231 thousand in the stock issuance expenses, an lump sum caused by the exercise of stock acquisition rights included in the convertible bonds. As a result, ordinary loss was recorded at JPY 322,834 thousand (19.8% increase year on year). Further, because income taxes-deferred recorded at JPY 1,945 thousand and net loss attributable to owners of the parents recorded at JPY 0, net loss attributable to owners of the parent for for the fiscal year ending March 31, 2017 was recorded at JPY 325,041 thousand (21.3% increase year on year).

2. Explanation of financial position

【Status of assets, liabilities and net assets】

(i) Assets:

For the three months ended June 30, 2016, total assets decreased JPY 301,932 thousand compared to the end of the previous fiscal year and recorded JPY 47,232,537 thousand. This was mainly attributed to an increase of JPY 5,623,635 thousand in construction in progress, a decrease of JPY 4,091,326 thousand in cash and deposits, and a decrease of JPY 1,499,980 thousand in securities.

(ii) Liabilities:

For the three months ended June 30, 2016, total liabilities decreased JPY 19,922,293 thousand compared to the three months ended June 30 of the previous fiscal year and recorded JPY 548,242 thousand. This was mainly due to the redemption of convertible bonds.

(iii) Net assets:

For the three months ended June 30, 2016, net assets increased JPY 191,620,361 thousand compared to the three months ended June 30 of the previous fiscal year and recorded JPY 46,684,295 thousand. This was mainly due to the conversion of convertible bonds according to the exercise of stock acquisition rights.

Explanation related to the forecast of consolidated financial results and other forward-looking statements

As the business of the Group is based on a new market with innovative technologies, there are many uncertain factors that could have an impact on its performance, making it difficult to provide forecast with accurate figures. The Company will announce the forecast of consolidated financial results once information necessary to make reasonable judgment becomes available.

II. Matters regarding summary information (Notes)

1. Changes in key subsidiaries during the three months under review
No items to report.
2. Application of special accounting for preparing cumulative 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)

Following the revision of the Corporation Tax Act, the Group applied the "Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (PITF No.32 of June 17, 2016)," to the three-month period ended June 30, 2016. Accordingly, the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 was changed from declining-balance method to straight-line method.

The impact on the consolidated financial statements of the three-month period ended June 30, 2016 is minimal.

III. Quarterly Consolidated Financial Statements

1. Quarterly consolidated balance sheets

(Unit JPY thousand)

	Previous fiscal year ended March 31, 2016	Three months ended June 30, 2016
Assets		
Current assets		
Cash and deposits	14,458,798	10,367,471
Accounts receivable	217,347	101,592
Securities	25,500,386	24,000,405
Merchandise and finished goods	149,939	152,382
Work in process	13,519	8,914
Raw materials and supplies	286,167	392,399
Other	425,280	114,160
Allowance for doubtful accounts	-758	-608
Total current assets	41,050,680	35,136,716
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	702,620	709,909
Assets for rent, net	460,527	439,002
Land	3,214,303	3,214,303
Construction in progress	699,992	6,323,628
Other, net	254,767	259,958
Total property, plant and equipment	5,332,211	10,946,802
Intangible assets	65,658	64,613
Investments and other assets		
Investment securities	914,830	914,830
Other	171,089	169,575
Total investments and other assets	1,085,919	1,084,405
Total non-current assets	6,483,790	12,095,821
Total assets	47,534,470	47,232,537
Liabilities		
Current liabilities		
Accounts payables	48,120	48,676
Convertible bonds with stock acquisition rights scheduled for redemption within one year	19,927,483	—
Income taxes payable	63,804	47,569
Other	283,151	309,555
Total current liabilities	20,322,560	405,801
Non-current liabilities		
Asset retirement obligations	71,613	71,976
Other	76,362	70,465
Total non-current liabilities	147,975	142,441
Total liabilities	20,470,536	548,242
Net assets		
Shareholders' equity		
Capital stock	16,511,767	26,743,881
Capital surplus	16,447,767	26,679,881
Retained earnings	-6,433,015	-6,758,056
Treasury share	-204	-204
Total shareholders' equity	26,526,314	46,665,500
Other comprehensive income		
Foreign currency translation adjustment	772	6,421
Total accumulated other comprehensive income	772	6,421
Stock acquisition rights	536,847	12,372
Minority interests	—	—
Total net assets	27,063,934	46,684,295
Total liabilities and net assets	47,534,470	47,232,537

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, 2015	Three months ended June 30, 2016
Net sales	169,580	271,930
Costs of sales	66,989	90,777
Gross profit	102,590	181,153
Selling, general and administrative expenses		
Research and development expenses	125,744	232,397
Other selling, general and administrative expenses	297,419	306,998
Total selling, general and administrative expenses	423,163	539,396
Operating loss	-320,573	-358,243
Non-operating income		
Interest income	7,200	2,797
Subsidy income	21,544	8,047
Grants for research received	25,149	124,386
Other	9,232	9,203
Total non-operating income	63,127	144,434
Non-operating expenses		
Interest expenses	11,594	6,736
Share issuance cost	—	96,231
Other	518	6,057
Total non-operating expenses	12,112	109,025
Ordinary loss (*)	-269,558	-322,834
Extraordinary income		
Gain on sale of fixed assets	—	40
Total extraordinary income	—	—
Extraordinary loss		
Loss on sale of fixed assets	—	302
Total extraordinary loss	—	302
Net loss before provision for income taxes	-269,558	-323,095
Income taxes-current	1,605	2,273
Income taxes-deferred	-367	-327
Total income taxes	1,237	1,945
Net loss	-270,796	-325,041
Net loss attributable to non-controlling interests	-2,801	—
Net loss attributable to owners of the parent	-267,994	-325,041

* 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, 2015	Three months ended June 30, 2016
Net loss before minority interest	-270,796	-325,041
Other comprehensive income		
Foreign currency translation adjustment	25	5,648
Total other comprehensive income	25	5,648
Total comprehensive loss	-270,770	-319,392
(Comprehensive loss attributable to)		
Owners of the parent	-267,975	-319,392
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)

During the three months ended June 30, 2016, the Company exercised its stock acquisition rights to redeem early its Euro Yen Zero Coupon Convertible Bonds due 2017. As a result of this conversion, capital stock increased by JPY 10,232,113 thousand to a total of JPY 26,743,881 thousand and capital surplus increased by JPY 10,232,113 thousand to a total 26,679,881 thousand as of the three months ended June 30, 2016.

(Segment information)

The three months ended March 31, 2015 (from April 1, 2015 to June 30, 2015):

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

The three months ended March 31, 2016(from April 1, 2016 to June 30, 2016):

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

(Important subsequent event)

There are no items to report.