



Press Release

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CYBERDYNE, INC.'s view on the research report released by Citron Research

On August 15, 2016, Citron Research published a research report (the "Research Report") regarding their view on the market price of shares for CYBERDYNE, INC. (the "Company"). The information provided in this Research Report was missing crucial details regarding the Company and also included several incorrect statements. The resulting analysis did not fully comprehend the business characteristics of the Company, inappropriately grouping the Company's products with other "exoskeleton" devices that have different abilities, purpose, and target market. As such, the Company is providing important information related to the items in the Research Report for shareholders and investors to consider and to prevent unnecessary confusion.

I. Unique features of the robotic treatment device and the medical technologies developed by the Company

In the Research Report, Citron Research makes claims that include "Cyberdyne is now just one among many strong competitors in the exoskeleton market" and "Cyberdyne does not lead this niche in either sales or research," but their viewpoint results from an inaccurate analysis.

- **HAL for Medical Use (Lower Limb type) ("HAL") is a unique robotic treatment device and does not compete with other "exoskeleton" devices.**

HAL is the only robotic treatment device that utilizes bio-electrical signals that are related to commands from the patient's brain in order to control the assistance provided by the device in real-time. This voluntarily-initiated, patient-intended movement and the corresponding timely feedback allow HAL to improve and regenerate the patient's own physical functions. Instead of providing a device that can mechanically make a patient walk while it is worn, the Company designed HAL with the purpose of providing treatment to improve and regenerate the patient's own physical functions. Since HAL is the only robotic treatment device that has shown this medical treatment effect, it differs in abilities, purpose, and target market from the other devices mentioned in the Research Report. These unique features of HAL make it a singular robotic treatment device and the Company does not recognize other devices as its competitors.

- **Treatment with HAL is covered by public insurance systems and its business model is firmly established**

In Germany, public worker's compensation insurance has been covering the treatment with HAL to improve and regenerate physical functions of patients with paralysis from diseases like spinal cord injury since August 2013. Furthermore, in

Japan, HAL obtained manufacturing and distribution approval from the Ministry of Health, Labour and Welfare as a new medical device to delay the progress of slowly progressive rare neuromuscular diseases in November 2015. In April 2016, the remuneration price for the world's first robotic medical treatment covered by public health insurance was determined, and the treatment in medical institutes will be available soon.

With coverage by these public insurance systems, the Company has established a business model that provides medical institutions who implement HAL treatment with a stable source of income while collecting a portion of this revenue. This information about the characteristics of the Company's business model and coverage by public insurance systems for treatment with HAL were missing from the Research Report, but the Company employs a completely different business model from other companies, and it encourages its shareholders and investors to take this important fact into consideration. In addition, the Company is advancing its clinical trials, collaborating with Japanese and foreign medical institutions, in order to expand the diseases covered by these insurance systems to include stroke, spinal cord injuries and other diseases.

- **Through clinical trials, HAL has demonstrated a medical treatment effect of improving and regenerating its patient's own physical functions.**

HAL's intended purpose is to utilize its unique ability to realize the patient's intended movement from their bio-electrical signals and induce change in the patient's own ability to walk. As mentioned above, treatment with HAL is covered by public insurance systems, which indicates that the clinical data for this treatment effect was evaluated as medical evidence, and was accepted from the perspective of statistics and health economics.

The Research Report also did not mention this insurance-acknowledged, medical treatment effect, but the Company raises this subject to provide a more complete picture of the Company's business potential. HAL is an innovative robotic treatment device that allows for the treatment to improve and regenerate physical functions of patients who suffer from diseases of the brain, nerves, and muscles systems, including spinal cord injuries, and slowly progressive rare neuromuscular diseases that have been considered intractable even with modern medicine.

II. Approval from the U.S. Food and Drug Administration ("FDA")

In the Research Report, Citron Research makes claims that "it is now 20 months since the alleged revised 510k submission to the FDA and still no approval" has been obtained. "By comparison, when earning their own 510K approvals, both ReWalk and Ekso Bionics obtained their approvals in just a matter of a few months." It also claims that "perhaps Cyberdyne does not want approval." These statements are inaccurate, and the Company offers the correct information below.

- **Circumstances with regards to FDA application**

As referenced below, the Company submitted a "De Novo" application for HAL as a new medical device on November 2014. However, the Company announced in June 2015 that it resubmitted the application under a simpler 510 (k) process after discussions with the FDA¹. Approximately 14 months have passed since the 510 (k) submission.

In addition, the ReWalk device and the Ekso device respectively required 12 months (submission in June 2013 and approval in June 2014)² and 15 months (submission in December 2014 and approval in April 2016)³ for FDA approval.

- **Aim to obtain FDA approval as a robotic treatment device that is differentiated from existing devices at the earliest possible time.**

As stated in I. above, HAL's uniqueness in terms of its abilities, purpose and target market makes it a singular robotic treatment device. Currently, the Company is

¹ November 15, 2014, the Company starts De Novo application as new medical device

http://www.cyberdyne.jp/english/company/PressReleases_detail.html?id=1460

June 22, 2015, Reapplication by the Company under simpler 510 (k) process.

http://www.cyberdyne.jp/company/PressReleases_detail.html?id=3177 (in Japanese only)

² <http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfpmn/denovo.cfm?ID=DEN130034>

³ <http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfPMN/pmn.cfm?ID=K143690>

deliberating ways for the differences between HAL and the other existing devices to be recognized for the Company's future expansion into the US market, and is discussing details with the FDA.

III. Intellectual property of the Company

In the Research Report, Citron Research makes claims that "despite the advances made in technology and by its competitors over the last decade, there is nothing new for Cyberdyne since 2005." "To make matters worse, Cyberdyne doesn't even own the patents underlying its intellectual property." These statements are inaccurate, and the Company offers the correct information below.

- **Application and acquirement of multiple patents every year in different academic fields**

The Company employs an intellectual property strategy based on the so-called "Open-Close Strategy," and is pioneering its field with innovative core technologies while firmly advancing its development of a new market by combining different fields. As of August 19, 2016, the Company has 119 published patents in Japan (of which 77 are registered patents), while a considerable number of patents remain unpublished. Further, in the technology field, the Company possesses multiple patents that cover current business projects such as those related to HAL, as well as future business prospects such as those related to the vital sensor systems (such as a non-invasive arteriosclerosis meter), regenerative medicine (such as neuronal cell cultivation technology), and technologies related to autonomous moving objects.

Thus the claim made by the Research Report that the Company has not acquired any new patents since 2005 is inaccurate.

- **Patents are jointly held by the Company and the University of Tsukuba, Japan and the Company holds exclusive license.**

As a general rule, all patents, excluding those held exclusively by the Company, are jointly held by the Company and the University of Tsukuba (in a patent holding ratio of 50% each). Furthermore, the Company holds exclusive license (exclusive property) for these jointly held patents, and it conducts all intellectual property management including their invention, their patent application in Japan and abroad, and the acquisition of their rights.

IV. Other factual inaccuracies and inappropriate content

The Research Report contains other factual inaccuracies and content that emphasize certain facts while ignoring other relevant contextual information. The main issues are provided below.

Citron Research's viewpoint	The Company's viewpoint
(p.2) What we do know is that a full 25% of Cyberdyne's miniscule 2015 sales were transacted with its largest shareholder: Related party Daiwa House, and its strategic partner, the University of Tsukuba.	The information to the left is not based on information from the financial results of the fiscal year ended March 31, 2015, but is instead based on outdated information from the financial results of the fiscal year ended March 31, 2014. As of March 31, 2015, the transactions with Daiwa House make up only 11% of Cyberdyne's sales and sales to the University of Tsukuba make up only 0.7%.
(p.3) graph	The source for the numbers in the graph is not provided, but the estimates for the first quarter of the fiscal year ending March 31, 2017 are not what Cyberdyne has announced.
(p.3) What investors cannot ignore is the catastrophically declining growth in their core technology and product:	The data points for Mar. 2016 and Jun. 2016 show a lower value than what is publicly disclosed. The correct values are 16% and 6% respectively.

<p>(p.10) Research & Development 不言実行。</p> <p>It is obvious that Cyberdyne does not have the financials to support its market valuation. Is the future any better? NO! While Sankai is busy talking about innovation, he has not dedicated any significant investment in R&D to the efforts despite the fact that Parker Hannifin, Panasonic, Honda and the other real leaders in robotics are spending billions of \$USD to advance robotics technology into the marketplace to take future market share</p> <p>CEO Sankai is aware of this as Cyberdyne has published in its most recent annual report:</p> <p>“Research and development activities for creation of innovative technologies and new industries: Research and development activities of the Group are based on three keywords: “challenge,” “overseas development” and “innovation.” -- Cyberdyne, FY 2016 Consolidated Financial Statements (p.11)</p>	<p>The citation on the left refers to the part of the Securities Report released on June 27, 2016 that explains the “Issues to be addressed” in management policies. The quote was not an acknowledgement of Cyberdyne’s lack of effort to invest heavily in R&D, but rather an explanation of its reaffirmation of the significance of continued investment in R&D.</p> <p>Below is Cyberdyne’s explanation provided in the Securities Report.</p> <p>1) Research and development activities for creation of innovative technologies and new industries Research and development activities of the Group are based on three keywords: “challenge,” “overseas development” and “innovation.” As an innovative company that supports an aging society, the Group carries out multifaceted research and development aimed at realizing “implementation for society,” including “creation of innovative technologies” and “creation of new industries,” and promoting business, and research and development of business strategies. To create robotic medical devices, which make full use of cutting-edge Cybernic technologies, the Group will cooperate with universities and research institutions, hospitals, administrative organs, corporations, etc. in Japan and push forward with research and development of compound therapies with pharmaceuticals and regenerative medicine.</p>
<p>(p.11) Lets start here. This is a list of patents from Cyberdyne's 2015 annual report. Despite the advances made in technology and by its competitors over the last decade, there is nothing new for Cyberdyne since 2005.</p>	<p>The 4 patents cited in this report as the list of patents were mentioned in the 2015 Annual Report in order to help illustrate the basic motion principle of HAL, and do not represent a complete list of the patents held by the Company (In the 2015 Annual Report, the following note is included).</p> <p>“CVC, which integrates a human’s intention to move with machine motion, is the world’s first technology that improves, supports, and enhances the wearer’s body functions. Its basic patents (Japan) are listed below.”</p> <p>For information regarding patents held by the Company, please refer to 3).</p>
<p>(p.18) Appropriating Prime Minister Shinzo Abe’s image and quotes – completely inappropriately. This in a country where it is not legal to promote sales of drugs and medical technologies!</p> <p>OF course, CEO Sankai brags about the above video in corporate PR. More no-cost, no-value, no-point-except-stock-promotion noise. http://www.cyberdyne.jp/english/company/PressReleases_detail.html?id=3147</p> <p>Then there’s this one. Etc., etc. https://www.youtube.com/watch?v=vm35YzviaqM</p>	<p>All of the videos that are cited were planned by the Japanese Government, and were produced and released by the Cabinet Office.</p>

<p>Telling the truth is never ethically challenged. What is ethically challenged, in our opinion, is the campaign of misinformation and promotion that will eventually hurt investors, which has been perpetuated by Cyberdyne itself! The fairest and most efficient markets are free markets, and the ability to tell the “other side of the story” is important to keep balance in the marketplace.</p>	<p>This report does not identify the specific contents of the “misinformation” perpetuated by Cyberdyne to which it refers.</p>
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Further, this Research Report included numerous inadequate statements and since the Company takes its dialogue with its shareholders and investors seriously, it will not spare any effort to clarify any misunderstandings. However, the Company will firmly address any activities that deliberately announce irrational information.

The Company assumes its shareholders and investors exercise care when making investment decisions.