Annual Report 2015

CYBERDYNE

Contents

FORWARD-LOOKING STATEMENTS

What Is Cybernics?

"Cybernics" (adjective: Cybernic) 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. Cybernics is championed by Dr. Yoshiyuki Sankai, a professor at the University of Tsukuba in Japan. Cybernic technology means the practical application of Cybernics to technology.

Robot Suit HAL®

Robot Suit HAL® is the world's first cyborg-type robot. HAL® was designed and developed to support and expand the physical capabilities of its human users. The name HAL® is short for Hybrid Assistive Limb®. The word "hybrid" refers both to the fact that HAL® is a type of hybrid formed from a human being and a robot, and also to the fact that HAL® provides a mixture of voluntary control and autonomous control. The word "assistive" refers to the fact that HAL® helps human beings, and the word "limb" refers to any or all of our arms and legs. The foregoing explains the derivation of the name HAL® in the product Robot Suit HAL®, and furthermore, the name HAL® is also used for any related Cybernic devices that employ the same principle as Robot Suit HAL®.

CE Marking

CE Marking is a standard conformity mark that must be affixed to products specified as being sold in the European Union ("EU"). Products displaying CE Marking are guaranteed the quality to be freely sold and distributed in the EU. HAL® for Medical Use (Lower Limb Type) was accredited Certification of Conformity to the EU Medical Devices Directive (Directive 93/42/EEC), so it displays CE Marking (CE 0197/Class IIa) as a recognized medical device in the EU.

Zentrum für Neurorobotales Bewegungstraining
(Center for Neurorobotic Movement Training)
Cyberdyne Care Robotics GmbH in Bochum, Germany

Corporate Philosophy
—Technology should be for humans and their society.

Challenges for the Future!

The Group researches and develops Cybernic technology as a technology that can support human beings in a fully comprehensive manner, especially covering fields ranging from medicine and living support to labor support. The Group is engaged in creating a total system for the optimal combination of humans, robotics and information systems through activities stretching from basic research to the promotion of Cybernic technology as an integral part of our communities.

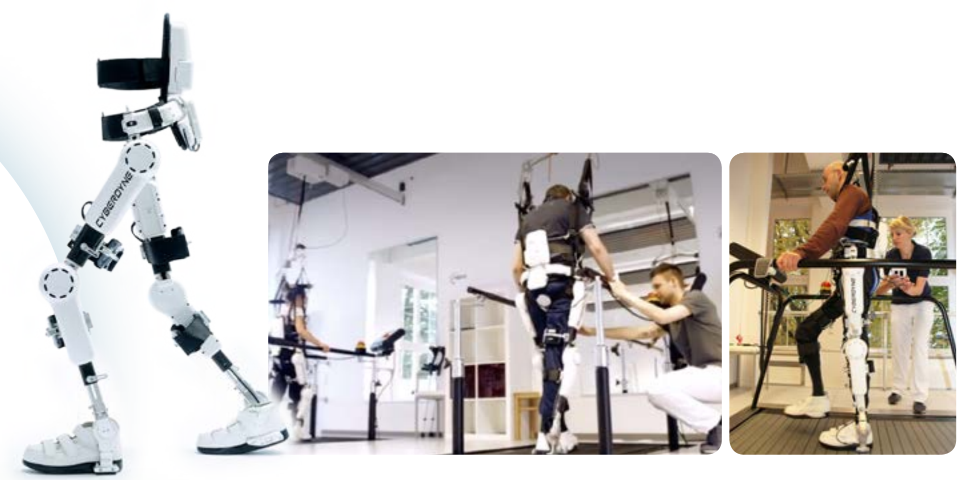
The Group works to drive forward Cybernic technology, and to develop businesses in the core fields of medicine, living support, and labor support.

HAL® is a representative result of the Group's research and development—an advanced technology that supports humans, created by an optimal combination of humans, robotics and information systems. The Group is building various proprietary business domains centered around HAL®.

Cybernic technology

MEDICINE

In this business field, the Company administers robotic medical devices (medical robots), such as HAL® for Medical Use (Lower Limb Type), that provide functional improvement therapy services for patients with disorders related to the brain, nerves, or muscular system. The Group provides these devices to specialist users (or the institutions that use them), and also conducts related businesses.

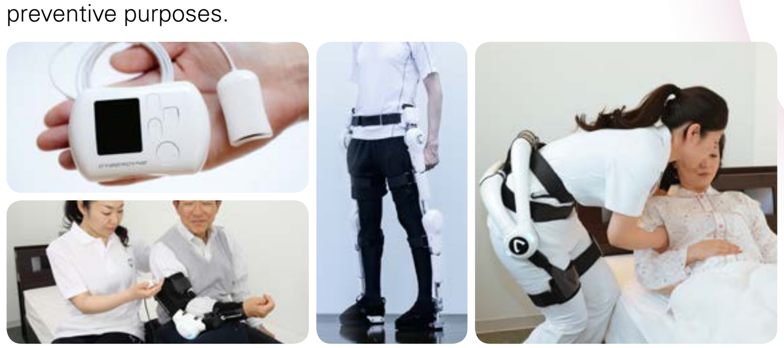


LIVING SUPPORT

In this business field, the Group provides a variety of robots. HAL® for Living Support (Lower Limb Type) and HAL® for Living Support (Single Joint Type) are devices that support the independent movement of elderly people and people with disabilities.

HAL® for Care Support (Lumbar Type) mitigates the risk of back injuries for caregivers by reducing the load on their lumbar during assistance activities, such as transferring care aid, for elderly or disabled people.

Also, the Group is developing a vital sensing system for preventive purposes.



LABOR SUPPORT

In this business field, the Group provides HAL® for Labor Support (Lumbar Type) which supports the heavy-labor operations of factory and construction workers.

The Group also provides Cleaning Robots and Transport Robots with built-in artificial intelligence ("AI").

The World's First[*1] Cyborg-Type Robot, HAL®

HAL® is the world's first[*1] cyborg-type robot, by which a wearer's bodily functions can be improved, supported and enhanced.

Wearing HAL® leads to a fusion of "man", "machine" and "information". HAL® assists a physically challenged person's movements and enables him or her to exert greater motor energy than usual. HAL® is also considered to be a system that accelerates the motor learning of cerebral nerves. Application of HAL® to various fields, such as motion assistance in the nursing care field, assistance with heavy labor in factories and assistance with activities on disaster sites, is prospected.

[*1] The international patent relevant to HAL® was accredited as a Notable Invention by the World Intellectual Property Organization ("WIPO").

What HAL® Changes Is the Brain Map

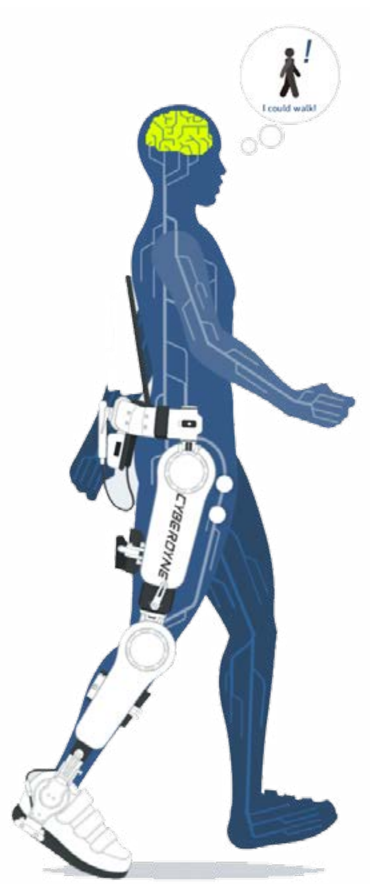
Major causes of lower limb disabilities are disorders of the neuromuscular system. In those cases, the brain cannot use ordinary neural pathways and cannot order the legs to move.

HAL® for Medical Use (Lower Limb Type) is the only robotic remedial device that can teach the brain how to move the legs.

HAL® Moves as You Intend

When a person moves their body, various signals are sent from the brain to the muscles through nerves. Those signals leak onto the skin surface as bio-electric signals ("BES"). HAL® for Medical Use (Lower Limb Type) reads the wearer's BES, compensates muscle power of the lower limbs accordingly, and assists the wearer with walking, standing up and sitting down using his or her own legs.

HAL®'s Motion Principle



1 THINK

First, think "I want to walk!"

When a person moves their body, he or she first thinks about the motions in their brain. By thinking "I want to walk," the brain transmits necessary signals for movement to the muscles through nerves.

MORE INFO
The speed of signals that are conveyed from the brain to each muscle is approximately between 150 km/h and 400 km/h, which is far beyond the speed of a Shinkansen bullet train.

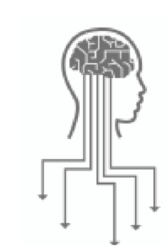
The technology to recognize and understand those high-speed signals at a glance is indispensable for HAL®.

2 SEND

Once the signals are received, the muscles move.

In a healthy body, each muscle is able to receive signals from the brain and move as strongly and as fast as intended.

MORE INFO
In order to produce complex bodily motions for walking, the brain controls a number of muscles based on various types of information from the whole body.
The device that was developed as an application of this principle was HAL®.



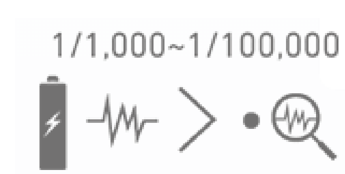
3 READ

HAL® reads signals.

Signals sent to muscles by the brain leak onto the skin surface as very faint signals known as BES. HAL® is able to read BES by attaching originally developed detectors on the surface of the wearer's skin. By consolidating various types of information, HAL® recognizes what type of motion the wearer intends to make.

MORE INFO
BES that leaks onto the skin surface is very feeble. Its voltage ranges from 1/1000th to 1/100,000th of the voltage exerted by dry batteries.

Since HAL® is able to detect such weak signals, it does not overlook the wearer's extremely subtle indicators that fail to cause flexion in the leg.



4 MOVE

HAL® moves as the wearer intends.

HAL®, in accordance with the recognized signals, controls its power units[*2].

This function enables HAL® to assist the wearer's motions as he or she intends by exerting greater power than he or she ordinarily can.

[*2] HAL® preforms assistance for the wearer's motions through a combination of the Cybernic Voluntary Control ("CVC") system, with which HAL® moves in line with the wearer's intent by detecting BES, and the Cybernic Autonomous Control ("CAC") system, with which HAL® replicates human motions based on fundamental motion patterns in the absence of BES. This is the advanced technology on which HAL® is founded.

MORE INFO
Human thoughts in the brain that control muscles and move joints are extremely rapid. HAL®, like man, is able to process all kinds of information instantly to apply its power unit. When the body starts moving, HAL® moves simultaneously, and is thereby able to assist the wearer's motions.

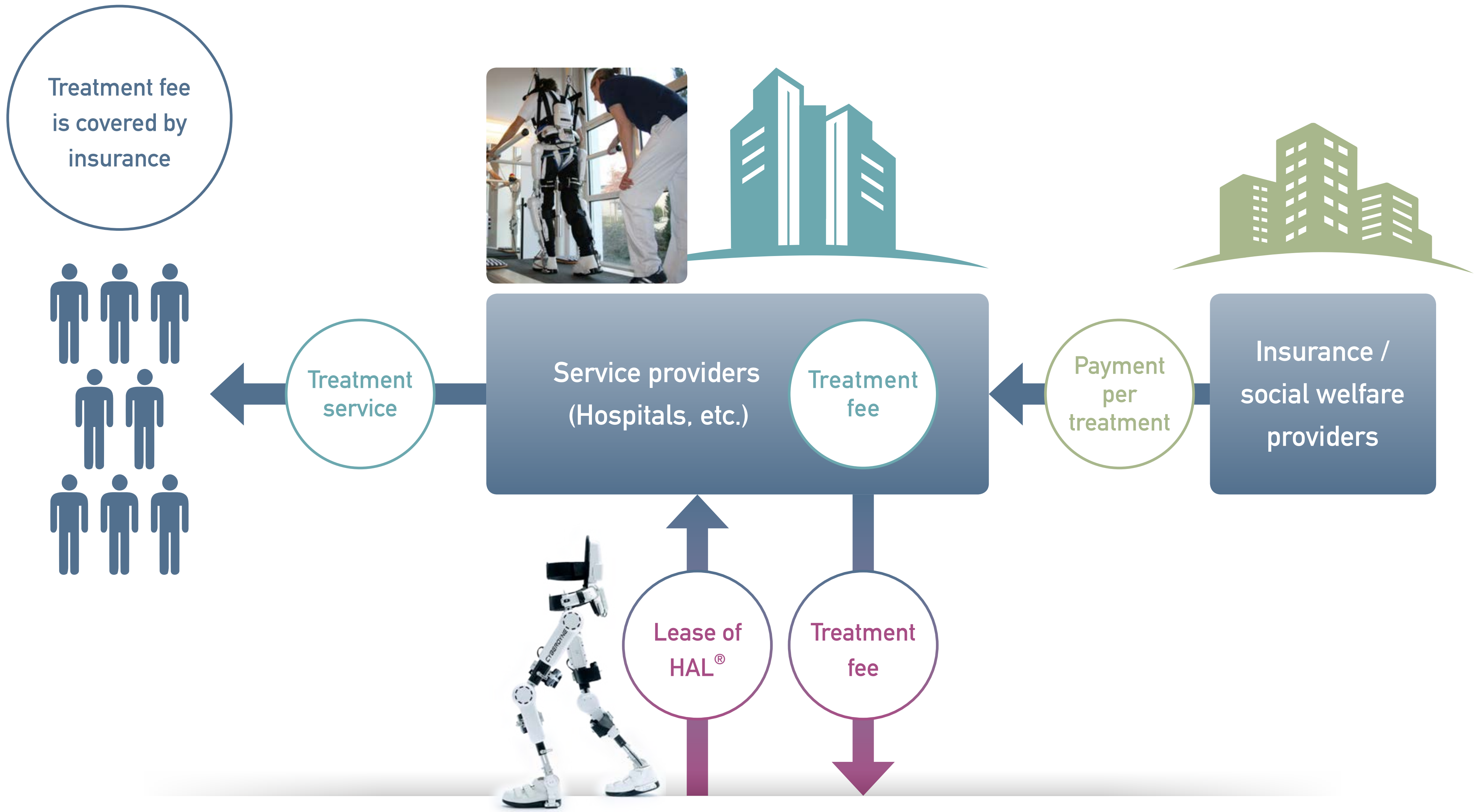
5 FEEDBACK

The brain learns motions.

The mechanism to move the human body does not end with the movement of the muscles. The brain confirms how the body moved in response to the type of signals it sent. When HAL® has appropriately assisted the motions of walking, the feeling "I could walk!" is fed back to the brain. In this way, the brain is gradually able to learn the proper way to emit the necessary signals for walking. This feedback loop leads to "the important first step" in walking without the assistance of HAL® for a physically challenged person. The only robot that can provide the brain the appropriate solutions for movement is HAL®.

Revenue Process — Treatment Fee Shared Model

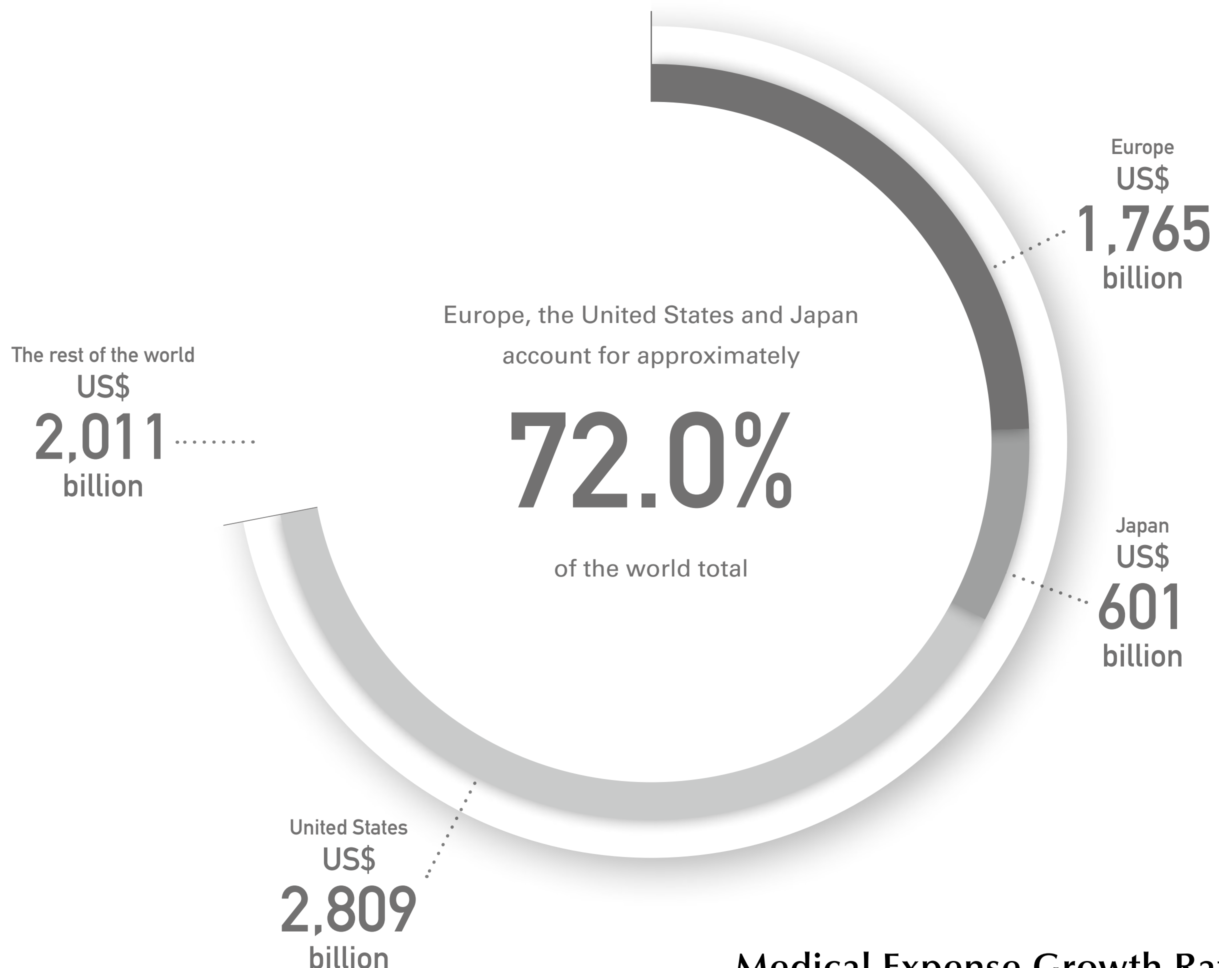
When considering entry into any market, the Group must formulate revenue mechanisms in the relevant country based on its legal systems and business practices. The principal form of the billing mechanism available in most countries occurs when a patient with a disability goes to a hospital where HAL® is provided by the Group and is made available for medical treatments. The hospital receives payments for therapies using HAL® from the patient (or if the therapy is covered by insurance, the hospital receives compensation from an insurer) and pays part of it to the Group. For instance, in Germany where commercialization of HAL® as a medical device is progressing, the Group receives a treatment fee for each therapy session using HAL® at no cost to the patient, since these therapies are wholly covered by public workers' compensation insurance. In Japan, where insurance coverage does not apply to treatment with HAL® because HAL® is not yet approved as a medical device, the Group leases HAL® as a living support device and receives monthly flat lease fees from the hospitals instead.




Headquarters

Market Size

Although a wide range of market segments could be targeted by the Company, there is no existing product that could substitute HAL® and other products utilizing Cybernic technology, and it is therefore difficult to assess the size of the market accurately. However, the Company believes that recovery of patients using HAL® can reduce medical expenses to a certain extent. Medical expenses are growing globally and the Group, through the use of HAL®, proposes to control such growth in our society. Medical expenses are generally higher in developed countries and Europe*[1], the United States and Japan account for approximately 72.0% of the world total. The Group intends to expand its business in those areas.



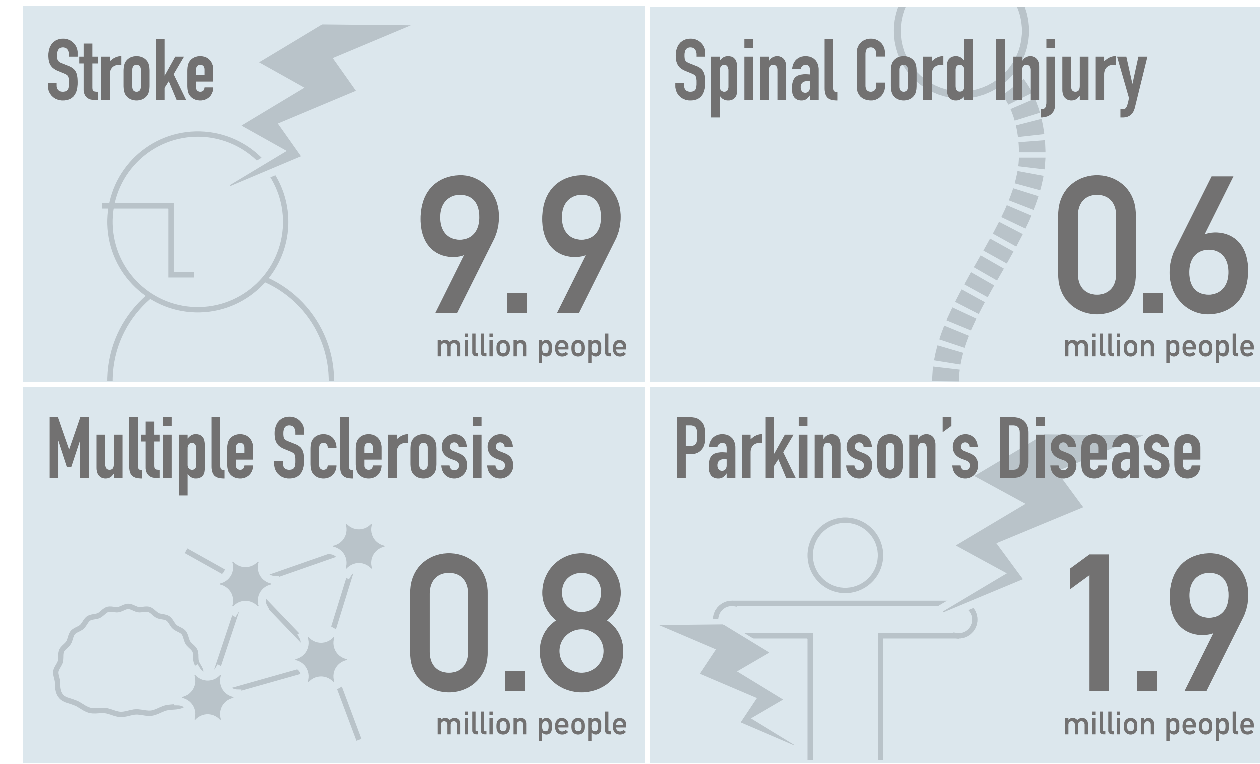
Medical Expense Growth Rate (%)

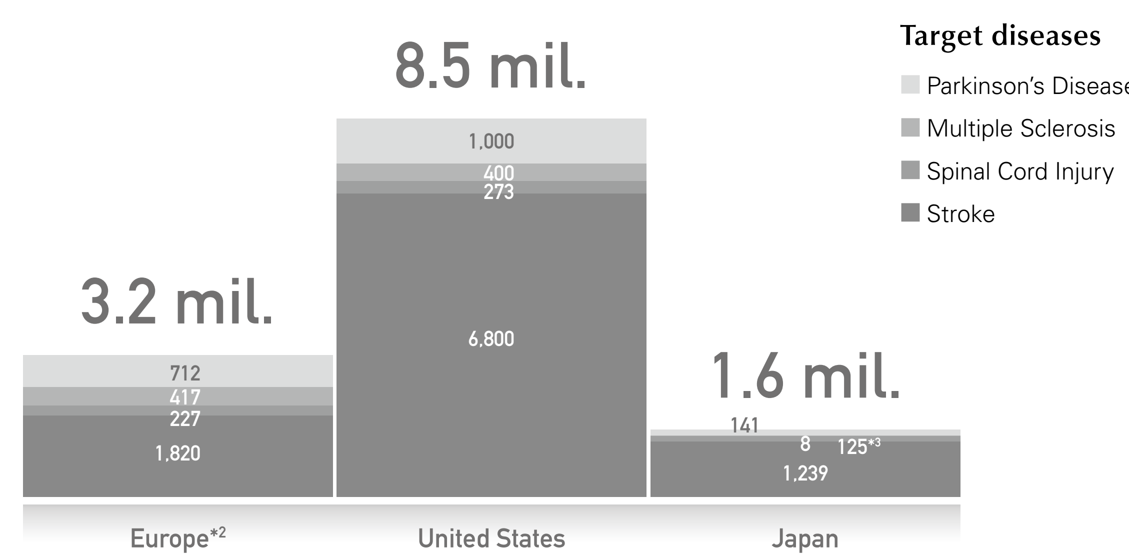
Europe*[1]	7%
United States	6%
Japan	7%
The rest of the world	15%

(From 2002 to 2012)

*[1] Europe includes the EU member states plus Switzerland.
Source: National Health Accounts 2002-2012, Global Health Expenditure Database

Number of Potential Patients in Europe*[2], the United States, and Japan





*[2] Europe includes Germany, France, the United Kingdom, Italy and Sweden.
*[3] Average of the estimated range from 100 thousand to 150 thousand.
Source: New Energy and Industrial Technology Development Organization (2013), Ministry of Health, Labour and Welfare of Japan (2011), Translational Research Informatics Center (2014), American Heart Association (2010), National Spinal Cord Injury Statistical Center (2013), The Patient Education Institute, Inc. (2010), Parkinson's Disease Foundation (2010)

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The Company believes that, similar to the revolution achieved by industrial robots at production sites, new robot industries can revolutionize the fields of medicine, living support, and labor support as developed countries face demographical aging.

Social Effects of HAL®

Reduce the financial burden of human expenses on society as a whole

- Decrease personal and public medical expenditures required for continuous treatment
- Lower the number of people who depend on nursing care and abate some of the pressure they put on national finances

Bring about a healthier and safer society

- Governments and people can direct their spending toward tackling other social issues

Eliminate restrictions that prevent labor

- Disabled or elderly workers can return to work and be productive again
- Mitigating risk of injury will decrease the rate of people leaving their jobs

HAL® can create a better future

CYBERDYNE Inc. President and CEO
Yoshiyuki Sankai, Ph.D.
[Engineering]

Our Challenge to Shape the Future

CYBERDYNE's Philosophy and Business Vision

"Technology should be for humans and their society."

When I established CYBERDYNE Inc., my intention was to thoroughly incorporate this principle and create an enterprise that implements people-friendly technology for the benefit of society.

Many companies are currently based on a business model that consists of generating profits by manufacturing and selling as many products as possible and getting people to continuously consume. Because their technology is employed with the premise of consumption, it can result in a negative impact on resources and the environment, as well as people's health and happiness. My thinking, on the other hand, aims to create value by providing solutions to the issues that face people and their society through the application of technical innovations that do not focus on mere consumption.

The vision I am delineating through my business is the creation of a new industrial model that promotes an industrial and social transformation from our current consumption-based economy to one based on innovative solutions to critical social issues. We can accomplish this by continuing to create innovative technologies to solve these social problems, generating a new market centered around industries that employ the methods that provide these solutions at its core, and cultivating the next generation of pioneers. A positive cycle driven by these three simultaneous endeavors is our vision for the future, and CYBERDYNE is the enterprise that will lead the way.

Our Journey So Far

We spent many long years creating the technology to realize a system for improving, supporting, enhancing, and regenerating lower-limb function using the world's first cyborg-type robot, HAL®. In 2013, CYBERDYNE achieved a major milestone with the birth of HAL® for Medical Use (Lower Limb Type), the world's first innovative robot to obtain medical device certification throughout the EU. Moreover, the German public worker's compensation insurance system began covering treatments using HAL®, subsequently leading to its fully fledged application in Germany. In order to accelerate our business development and take a step closer to our envisioned future, we decided to list CYBERDYNE Inc. on the MOTHERS market of the Tokyo Stock Exchange in March 2014.

CYBERDYNE's Business Highlights (April 2014 – March 2015)

During the fiscal year that ended on March 31, 2015, CYBERDYNE rapidly accelerated its business, and importantly, established a solid foundation for the coming growth stage.

In November 2014, we submitted an application for approval of HAL® for Medical Use (Lower Limb Type) as a medical device to the United States Food and Drug Administration ("FDA"), and followed that with an application for approval by the Pharmaceuticals and Medical Devices Agency ("PMDA") in Japan in March 2015. Once we obtain these approvals, we will be able to distribute the medical robot suit HAL® to the three major markets of the United States, Europe*[1] and Japan, which account for 72.0% of global healthcare spending.

CYBERDYNE also added a host of innovative business lines during the fiscal year. New launches included HAL® for Labor Support (Lumbar Type) and HAL® for Care Support (Lumbar Type), which have been making steady headway into building sites, construction work sites, and nursing care facilities since September 2014. These two models became the world's first wearable robots for laborers and caregivers to receive ISO 13482 certification, an international safety standard. In February 2015, HAL® for Living Support (Single Joint Type) was launched, followed in March by a new automated Transport Robot with AI. These are already starting to be used in settings such as hospitals and factories.

*[1] Europe includes the EU member states plus Switzerland.

In addition to product development, we also accelerated efforts to prepare the foundation for driving our business forward. In December 2014, we succeeded in procuring through an international offering a total of ¥41.4 billion as funds for our future business strategies and investments. We are already using these funds to build a global network of operating bases, expand our production capabilities, establish production technologies, secure innovative technologies and personnel, and begin preparations to set up an international advanced medical development center for Cybernics with the future in mind.

CYBERDYNE Going Forward

CYBERDYNE will further accelerate its initiatives in the fiscal year ending on March 31, 2016 and beyond, in order to realize its vision as soon as possible.

In addition to the application for approval of HAL® as a medical device to the FDA and PMDA, we are applying for the coverage of treatment with HAL® under the German public medical insurance scheme, further expanding access from the aforementioned German public worker's compensation insurance system. As preparations for a full-scale launch of HAL® for Medical Use (Lower Limb Type) in medical markets around the world begin to come together, we expect to see an increase in orders from medical institutions that are taking a progressive stance on promoting the next generation of medical innovation. Upon approval of these applications, we will have arrived at the next stage of accelerating our business to full-scale service propagation.

We are also taking early steps to enhance our business lines in the areas of daily life, that include work sites in medicine, living support, and labor support fields. For example, we are advancing the development of a Cleaning Robot equipped with AI and advanced spacial recognition features, along with various vital signal sensors that can help prevent diseases like atherosclerosis and sinus arrhythmia. Our Cleaning Robot is already being introduced alongside our Transport Robot and HAL® for Labor Support (Lumbar Type) at Tokyo International Airport (Haneda) to aid in the realization of an airport of the future using next-generation robots. Innovative research combining HAL® for Medical Use (Lower Limb Type) with pharmaceuticals and regenerative therapy is currently underway, along with research addressing stroke; dementia, which is an emerging social issue; and orphan diseases such as Parkinson's disease.

Moreover, as I noted in the beginning, CYBERDYNE's emphasis is on creating innovative technologies to address issues faced by society, creating a new market centered on new industries arising from the very solutions to these issues, and developing the people who will become our future pioneers.

As a specific example of our initiatives, we are advancing preparations to establish an international advanced medical development center for Cybernics in the National Strategic Special Zone in Kanagawa Prefecture launched by the Japanese government. Through this project, we will bring together companies and people with innovative medical devices and technologies, and combine them with CYBERDYNE's functionality and expertise to accelerate the creation of new businesses and industries related to medicine. We have already started working on the idea of commercializing a range of services that utilize a world-class supercomputer to analyze big data collected and compiled by all of the devices distributed by CYBERDYNE. Furthermore, a production site currently under construction in Fukushima Prefecture is being prepared to be outfitted as a next-generation multipurpose robotized production facility that links people and robots at a high level. This next-generation production model has the potential to be developed into a production solutions business that provides support to people in an age of a declining birthrate and aging population.

Message to Our Stakeholders

CYBERDYNE primarily pursues public interest within a capital economy, while seeking to create and develop new industries. Basically, there are no existing markets for CYBERDYNE's businesses. As we have always said, our role at CYBERDYNE is to grapple with uncertainty and seek innovation, replacing each of the five *no*'s in "no market, no user, no industry, no professionals, and no social rules" with the adjective *new*.

We ask our stakeholders to join us in focusing on the many critical issues faced by people and society today, and transforming industries to create a new society for the future.

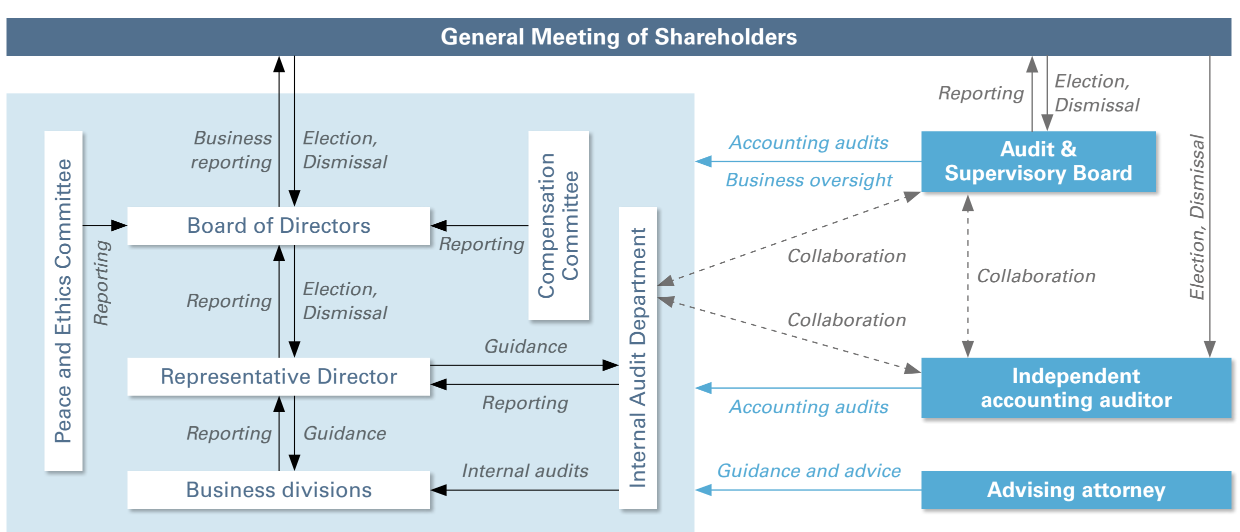
(1) Our Basic Approach to Corporate Governance

CYBERDYNE recognizes the importance of efforts to improve corporate governance by enhancing transparency and ensuring compliance throughout operations in order to increase corporate value over the long term. We believe it is vital to build constructive relationships with all of our stakeholders as a part of corporate governance. Corporate governance is important not only from the standpoint of making sure the decisions we make and actions we take do not violate laws, regulations or market rules, but also of ensuring that we have not ignored the demands of society and that we are indeed contributing to society. We also believe that high levels of transparency are essential for the proper functioning of corporate governance. To this end, CYBERDYNE takes a proactive stance on disclosing information to shareholders, investors, employees and customers that goes beyond the legally required level.

(2) Corporate Organization

CYBERDYNE is a company with a Board of Directors, which meets at least once a month to rapidly make decisions and supervise the directors as they execute their duties. The Board of Directors is comprised of seven directors, three of whom are outside directors, forming a structure that is able to efficiently reach decisions and make business judgments. CYBERDYNE is also a company with an Audit & Supervisory Board. The Audit & Supervisory Board has three outside Audit & Supervisory Board members who proactively voice their opinions at meetings of the Board of Directors to enhance supervision. The Audit & Supervisory Board members perform audits from an objective standpoint with regard to business execution and important decision-making. Director compensation is debated by the Compensation Committee, which consists of at least three members appointed by the representative director. The Compensation Committee then submits its opinions about director compensation to the Board of Directors. With the objective of preventing conflicts of interest in the Company's relationship with the University of Tsukuba, CYBERDYNE ensures there is at least the same or a higher number of independent outside directors with no affiliations with the University of Tsukuba than the number of directors (e.g., internal directors), excluding individuals with potential conflicts of interest with the university. As a result, outside directors have the ability to veto ordinary resolutions as necessary during meetings of the Board of Directors when there are conflicts of interest with the University of Tsukuba, thereby establishing an effective system to prevent conflicts of interest. For the purpose of protecting the interests of minority shareholders, CYBERDYNE has put in place a system for obtaining resolutions at the Board of Directors based on preapprovals from a committee comprising the outside directors and outside Audit & Supervisory Board members when decisions must be made concerning transactions between CYBERDYNE and Dr. Yoshiyuki Sankai, who is a controlling shareholder of CYBERDYNE, the Sankai Health Foundation and the Sankai Science and Technology Promotion Foundation (the "Foundations"), both of which are represented and managed by Dr. Yoshiyuki Sankai, as well as with the trustees, directors or controllers of the Foundations.

CYBERDYNE has also established the Peace and Ethics Committee to prevent the use of its advanced technologies to harm people or to create military weapons. All outside directors and outside Audit & Supervisory Board members, in addition to the President and CEO, are members of the Peace and Ethics Committee. Before entering a business field outside the areas of medicine, living support, and labor support, which are defined in the CYBERDYNE Code of Conduct, the Peace and Ethics Committee investigates, deliberates and reaches a decision on whether the Company's advanced technologies could be used to harm people or to create military weapons as a consequence of entering the business field. The committee then submits its findings to the Board of Directors.



(3) Status of Design and Operation of Internal Control Systems

CYBERDYNE pursues sound business practices from a foundation of corporate ethics. At the Board of Directors meeting held on June 28, 2007, a resolution was passed establishing the Company's basic policy on internal control systems in order to ensure the proper operation of businesses in an efficient manner. CYBERDYNE operates internal control systems based on this basic policy, as outlined below.

a. System to ensure directors and employees perform their duties in accordance with laws, regulations and the Articles of Incorporation
(a) A code of conduct that embodies the CYBERDYNE Code of Conduct and other compliance-related rules shall be created for officers and employees to follow in order to adhere to laws, regulations, the Articles of Incorporation and social norms. In order to promote strict adherence to the code of conduct, the director in charge of finance shall have cross-organizational control over compliance initiatives and be responsible for building, maintaining and updating compliance systems while identifying any problems.
(b) The Internal Audit Department shall work with the director in charge of finance to check for any problems related to the state of compliance with laws, regulations and the Articles of Incorporation, and periodically report its findings to the Board of Directors and Audit & Supervisory Board.
(c) A compliance hotline shall be created and operated as a means for employees to directly provide information about legally suspicious behavior.

b. System to store and manage information related to the execution of duties by directors
(a) Rules governing the management of documents shall be created for the storage and management of information related to the execution of duties by directors, and this information shall be recorded and stored in paper or electronic formats in accordance with these rules.
(b) This information shall always be accessible by the directors and Audit & Supervisory Board members.

c. Rules and other systems to manage the risk of losses
(a) A department shall be put in charge for each risk category, and formulate rules and guidelines specific to the risks involved in order to strengthen the risk management structure. The director in charge of finance shall monitor risks across the organization and address Company-wide risks.
(b) When a new risk arises, the Board of Directors shall quickly appoint a director to be in charge of handling said risk.

d. System to ensure the efficient execution of duties by directors
(a) The Board of Directors shall meet once a month and as necessary in order to ensure that directors are able to efficiently perform their duties.
(b) Directors in charge of business execution following decisions made by the Board of Directors shall report on the status of business execution to the Board of Directors, and the Audit & Supervisory Board shall periodically perform audits.
(c) Medium-term business plans and annual business plans shall be created with targets for the entire Company.

e. System to ensure appropriate operations across the Group
Rules shall be put in place for managing the Group. The department responsible for the Group's management at CYBERDYNE, matters that CYBERDYNE retains authority over and matters that the Group should report to CYBERDYNE, shall be defined in these rules. In addition, the parent company shall conduct internal audits of the Group.

f. System for employees to assist the Audit & Supervisory Board with the fulfillment of its duties when requested and matters concerning the independence of these employees from directors
(a) When the Audit & Supervisory Board requests employees to assist with its duties, the Board of Directors shall designate the appropriate employees to assist the Audit & Supervisory Board upon consultation with the Audit & Supervisory Board.
(b) During the assistance period, the authority to control the designated employees shall be delegated to the Audit & Supervisory Board, and the employees shall not be subject to the chain of command of the directors. The Audit & Supervisory Board shall approve any changes in the relevant personnel during the period that these employees provide assistance.

g. System for directors and employees to report to the Audit & Supervisory Board, system for other supplementary reporting to the Audit & Supervisory Board, and other systems to ensure effective audits by the Audit & Supervisory Board
(a) A system shall be put in place for directors and employees to efficiently report legal matters, matters that have a significant impact on the Company, the status of internal audits, the status of reporting through the compliance hotline and the substance of those reports to the Audit & Supervisory Board.

(b) The method of reporting shall be determined through discussions between the directors and the Audit & Supervisory Board.
(c) The Audit & Supervisory Board shall periodically hold meetings to exchange opinions with the Company's management team, and aim to achieve the objectives of their audits while maintaining close collaboration with the Internal Audit Department and the independent accounting auditor.

h. Basic approach to eliminating transactions with anti-social forces and implementation status

(a) Basic approach to eliminating transactions with anti-social forces
1. The CYBERDYNE Code of Conduct and internal rules shall contain unequivocal statements to the effect that all employees from the President on down shall work together to eliminate anti-social forces.
2. CYBERDYNE shall refuse any relationship with anti-social forces, including business transactions. Any illicit demand made by anti-social forces shall be rejected outright.

(b) Implementation status of system for eliminating transactions with anti-social forces
1. The general affairs and human resources team at corporate headquarters shall be the contact point for eliminating anti-social forces, and a manager in the department shall be responsible for preventing illicit demands.
2. Rules shall be created for how to respond to anti-social forces in the creation of a system to eliminate anti-social forces.
3. Suppliers and other business partners shall be checked for any relationship with anti-social forces.
4. Information about anti-social forces shall be collected from external organizations to help identify anti-social forces.
5. Close collaboration shall be maintained with external expert organizations, such as the police, special violence prevention associations, and attorneys, to ensure readiness for illicit demands from anti-social forces.

(4) Status of Internal Audits and Audits by Audit & Supervisory Board Members

CYBERDYNE has the internal controls necessary to perform operational audits based on internal audit rules through its Internal Audit Department (a concurrent position of one internal auditor). Audits by the Audit & Supervisory Board involve operational audits, such as audits of the business execution by directors, based on the rules of the Audit & Supervisory Board and the rules for audits by the Audit & Supervisory Board members. Outside Audit & Supervisory Board members include an experienced business person (SVP of a large bank), a CPA and an attorney selected for their expert knowledge of accounting, legal affairs and risk management. Therefore, CYBERDYNE has put in place a system with effective management oversight functions.

(5) Status of Accounting Audits

CYBERDYNE has entered into an audit engagement contract with Deloitte Touche Tohmatsu LLC, and receives accounting audits performed by this accounting auditor. Mr. Takao Yoshimura and Mr. Kunikazu Awashima are the engagement partners. Deloitte Touche Tohmatsu LLC forms auditing teams of ten people, comprising three CPAs and seven other professionals, to perform the audits.

(6) Relationships with Outside Directors and Outside Audit & Supervisory Board Members

CYBERDYNE has three outside directors and three outside Audit & Supervisory Board members.

CYBERDYNE has not set any standards or specific policies regarding the independence of its outside directors and outside Audit & Supervisory Board members. Instead, CYBERDYNE appoints outside directors and outside Audit & Supervisory Board members based on their extensive experience as managers, as well as their advanced knowledge in research, finance, accounting and legal affairs, for the purpose of building an effective corporate governance system from an external standpoint.

CYBERDYNE expects its outside directors and outside Audit & Supervisory Board members to supervise the business execution of its directors.

There are no special human relationships, capital relationships, business affiliations or other conflicts of interest between CYBERDYNE and its outside directors and outside Audit & Supervisory Board members.

CYBERDYNE's outside directors oversee the Company's business activities by supervising the fulfillment of duties by the directors responsible for business execution and other individuals. The outside Audit & Supervisory Board members audit the fulfillment of duties by the directors and supervise the independent accounting auditor. As stated in (4) above, the outside Audit & Supervisory Board members periodically report to the Board of Directors on the status of auditing activities based on their collaboration with the independent accounting auditor and the Internal Audit Department. Accordingly, the outside Audit & Supervisory Board members assist the Board of Directors in their duty to supervise the business execution by the directors and other individuals.

(7) Implementation Status of Risk Management Structure

CYBERDYNE continues to enhance its risk management system within the context of the CYBERDYNE Code of Conduct, risk management rules and rules governing the operation of the compliance hotline, among other rules and regulations. Since sound management practices and a stable earnings foundation through risk control are key priorities for the Company, CYBERDYNE has an advisory contract with TMI Associates to receive advice and guidance about all legal matters when needed.

(8) Compensation for Directors and Audit & Supervisory Board Members

Officer type	Total compensation (Thousand yen)	Breakdown of compensation (Thousand yen)				Number of applicable officers (people)
		Base salary	Stock options	Bonus	Retirement benefits	
Directors (Excluding outside directors)	32,600	32,600	—	—	—	4
Audit & Supervisory Board members (Excluding outside Audit & Supervisory Board Members)	—	—	—	—	—	—
Outside directors and Audit & Supervisory Board Members	12,000	12,000	—	—	—	5

(9) Share Buyback Decision Mechanism

In accordance with Article 165-2 of the Companies Act, CYBERDYNE's Articles of Incorporation state that share buybacks may be implemented by resolution of the Board of Directors with the objective of flexibly returning profits to shareholders.

(10) Interim Dividends

CYBERDYNE's Articles of Incorporation allow an interim dividend to be paid to shareholders, class shareholders and registered beneficiaries listed in the shareholders' register as of the close of September 30 every year, by resolution of the Board of Directors, for the purpose of flexibly returning profits to shareholders.

(11) Outline of Limitation of Liability Contracts

In accordance with Article 427-1 of the Companies Act, CYBERDYNE's Articles of Incorporation permit the Company to enter into contracts that limit the liability for damages of outside directors and outside Audit & Supervisory Board members as defined by Article 423-1 of the Companies Act. The amount of the limit in liability for damages in these contracts is the same amount defined by law.

(12) Outline of Exemption from Liability

In accordance with Article 426-1 of the Companies Act, CYBERDYNE's Articles of Incorporation state that the Board of Directors can pass a resolution to exempt the Company's directors (including former directors) and Audit & Supervisory Board members from liability to the fullest extent allowable by law for damages defined by Article 423-1 of the Companies Act in the pursuit of their duties, in order to ensure they are able to fully apply their abilities in the fulfillment of their expected roles.

(13) Number of Directors

The Articles of Incorporation state that CYBERDYNE shall have no more than eight directors.

(14) Election Requirements for Directors

CYBERDYNE's Articles of Incorporation state that resolutions for the election of directors may only be passed with a majority vote of the shareholders in attendance, which must represent at least one third of the voting rights of all shareholders able to exercise their voting rights. The Articles of Incorporation state that cumulative voting is not allowed for resolutions to elect directors.

(15) Matters Subject to Resolution by the General Meeting of Shareholders That Can Be Decided by Resolution of the Board of Directors

CYBERDYNE's Articles of Incorporation state that the Board of Directors may pass a resolution to determine dividends on surplus, as prescribed by Article 454-5 of the Companies Act to shareholders, class shareholders and registered beneficiaries of record as of the close of September 30 each year.

(16) Requirements for Special Resolutions on Important Matters at General Meetings of Shareholders and General Meetings of Class Shareholders

CYBERDYNE's Articles of Incorporation state that resolutions on important matters at the General Meeting of Shareholders, as defined by Article 309-2 of the Companies Act, require two-thirds of the votes of shareholders in attendance, which must represent at least one-third of the voting rights of all shareholders able to exercise their voting rights. The Articles of Incorporation also state that resolutions on important matters at the General Meeting of Class Shareholders, as defined by Article 324-2 of the Companies Act, require two-thirds of the votes of shareholders in attendance, which must represent at least one-third of the voting rights of all shareholders able to exercise their voting rights. These rules are intended to facilitate the smooth operation of the General Meeting of Shareholders and the General Meeting of Class Shareholders by relaxing the requirements for a quorum on special resolutions put to a vote at the General Meeting of Shareholders and the General Meeting of Class Shareholders.

(17) Class B Shares

CYBERDYNE's Articles of Incorporation state that the Company's authorized share capital is 348,000,000 shares, and the number of shares of each class authorized to be issued is 309,150,000 shares of common stock (the "Common Shares") and 38,850,000 shares of Class B stock (the "Class B Shares"). Common Shares are currently listed on the MOTHERS Market of the Tokyo Stock Exchange and Class B Shares are held by Dr. Yoshiyuki Sankai and the Foundations. Any holder of Common Shares or Class B Shares constituting one or more units is entitled to one voting right for each unit. The Company's Articles of Incorporation provide that 10 shares constitute one unit of Class B Shares and 100 shares constitute one unit of Common Shares. Accordingly, a shareholder of Class B Shares has 10 times as many voting rights as a shareholder of Common Shares when they have the equal number of shares. This dual class structure reflects the concentration of voting rights with Dr. Yoshiyuki Sankai and the Foundations, for the purpose of ensuring the Company's advanced technologies are used for peaceful purposes, and preventing the misuse of these technologies to harm humans or to create military weapons. Dr. Yoshiyuki Sankai directly and indirectly holds approximately 86% of the total number of voting rights as of March 31, 2015.

The Group's vision for the future is to create a human-assistive industry—a new industrial field that will support people by solving issues directly faced by aging societies with fewer children. To realize this vision, CYBERDYNE must coordinate business management with R&D in Cybernic technologies. Dr. Yoshiyuki Sankai created the Company's Cybernic technologies, and continues to be a central figure in Cybernic research. He is also a business leader who seeks to make this innovative technology widely available for the benefit of society. For the Group to increase corporate value (i.e., share profits with shareholders), Dr. Yoshiyuki Sankai must be a stable leadership figure in the management of CYBERDYNE in the future. This scheme has been adopted to ensure he remains so.

At this juncture, Dr. Yoshiyuki Sankai plans to transfer a portion of the Class B Shares he owns to the Foundations without compensation in order to ensure the continuity of this scheme. The Foundations intend to hold these Class B Shares in perpetuity.

As holders of Class B Shares, the Foundations have created the following guidelines concerning the exercise of voting rights with the objective of ensuring the Group's advanced technologies are used for peaceful purposes and preventing damage to the corporate value of CYBERDYNE.

As the owner of Class B Shares issued by CYBERDYNE, the Foundations shall vote against resolutions that contain language defined in a and b below through the exercise of its voting rights at the General Meeting of Shareholders and the General Meeting of Class Shareholders. Any changes to the Foundations' guidelines for the exercise of their voting rights shall require approval by resolution of their boards of trustees, and these changes shall be made public by a method chosen by the Foundations.

a. Resolutions concerning the election and dismissal of directors, where the director(s) to be elected or dismissed would likely manage the Group in a way detrimental to its corporate value or hinder the peaceful use of its advanced technologies.
b. Other resolutions that if passed would likely damage the corporate value of the Group or hinder the peaceful use of its advanced technologies.

Performance

During the fiscal year ended March 31, 2015, the Japanese government formulated a national strategy (Japan's Robot Strategy) to utilize robotics as a major trump card in solving a host of problems faced by the country due to its aging population with fewer children, such as labor shortages, and the necessity to further improve productivity in the service sector. At the same time, the strategy seeks to nurture robotics into a growth industry that will open up new markets around the world. The strategy is based on discussions held in meetings of the Robot Revolution Realization Council convened by the Japanese government. Looking ahead, the government is likely to advance measures that promote robotics to foster virtuous cycles in the economy.

In the fields of medicine, living support, and labor support in which the Group operates, robotics has 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.

In this business environment, the Group has been researching and developing innovative Cybernic 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 is taking on the challenge of creating a "Zero Intensive Nursing Care Society" by promoting robotics as an integral part of the infrastructure in our daily lives and communities.

In the medical field, CYBERDYNE engages in the medical services business while advancing new product development and clinical research. In the U.S., the world's largest medical market, CYBERDYNE submitted a request for approval of HAL® for Medical Use (Lower Limb Type) as a medical device to the FDA in November 2014, with the intention of receiving approval during 2015. In Europe, where it 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. While focusing on large-scale clinical trials in Germany and other countries, the Company aims to expand insurance coverage under public medical insurance schemes, increase the number of indications for medical conditions, and expand the regions where it is deployed. In Japan, HAL® for Medical Use (Lower Limb Type) was deployed in March 2013 in an investigator-initiated clinical test for the treatment of patients with rare neuromuscular diseases. In March 2015, the Company submitted an application for HAL® as a new medical device under the scope of the Pharmaceutical Affairs Act in Japan. The Company believes that HAL® for Medical Use (Lower Limb Type) will be approved as early as the start of 2016 because it is being fast-tracked for assessment as a medical device for rare diseases. Brain and spinal cord disorders were added as objective diseases of the investigator-initiated clinical test of HAL® for Medical Use (Lower Limb Type) in September 2014, one month after the investigator-initiated clinical test for neuromuscular diseases ended. In December 2014, HAL® for Medical Use (Lower Limb Type) was approved by the Prime Minister for treatments partially covered by insurance, also referred to as "mixed billing" in the National Strategic Special Zones in the Tokyo area.

As of March 31, 2015, HAL® for Medical Use (Lower Limb Type) was being used at six facilities operated by Cyberdyne Care Robotics GmbH, the Company's subsidiary in Germany that provides medical care services. Combined with HAL® in use for clinical trials in Japan, a total of 111 HAL® units are in operation.

In the living support field, CYBERDYNE has commercialized HAL® for Care Support (Lumbar Type). In November 2014, CYBERDYNE obtained ISO 13482 certification, an international safety standard, for HAL® for Care Support (Lumbar Type) as a wearable robot for caregivers—a world first. As of March 31, 2015, 45 units of HAL® for Care Support (Lumbar Type) were in operation, mainly at nursing care facilities. A total of 384 units of HAL® for Living Support (Lower Limb Type) are being used at 166 welfare facilities and hospitals in Japan as of March 31, 2015. CYBERDYNE has also commercialized HAL® for Living Support (Single Joint Type), an ultra-compact and lightweight model, and 33 units were deployed as of March 31, 2015.

In the labor support field, CYBERDYNE has commercialized HAL® for Labor Support (Lumbar Type). Along with HAL® for Care Support (Lumbar Type), HAL® for Labor Support (Lumbar Type) received ISO 13482 certification, an international safety standard, as a wearable robot for workers in November 2014—another world first. As of March 31, 2015, 44 units of HAL® for Labor Support (Lumbar Type) were being used at construction sites and factories. CYBERDYNE also launched the new automated Transport Robot with a teaching-playback function. A total of three of these robots were deployed to factories as of March 31, 2015.

As a result of the aforementioned, consolidated net sales were ¥631,278 thousand (an increase of 38.3% year on year), reflecting the start of operations in earnest at subsidiaries and the launch of new products (HAL® for Care Support (Lumbar Type), HAL® for Labor Support (Lumbar Type), HAL® for Living Support (Single Joint Type), and the Transport Robot). Cost of sales increased 46.3% to ¥359,798 thousand on account of one-time costs associated with the start of operations at subsidiaries. As a consequence, gross profit totaled ¥271,479 thousand, an increase of 29.0% from the previous fiscal year.

R&D expenses amounted to ¥983,278 thousand, an increase of 37.3%, as the development of new products and clinical trials accelerated. Selling, general and administrative expenses other than R&D expenses grew 62.6% to ¥1,054,320 thousand, owing to the expansion of operations at subsidiaries and one-time financing-related costs from the issuance of new stock and convertible bonds with stock acquisition rights in an international offering. As a result, an operating loss of ¥1,766,118 thousand (up 53.0%) was posted.

Other income, primarily subsidy income and income from research consignment, was ¥1,064,868 thousand. Other expenses, mainly share issuance costs, were ¥206,603 thousand. Ordinary loss totaled ¥907,854 thousand, an increase of 32.9% year on year.

In reflection of the above, net loss totaled ¥915,893 thousand, an increase of 33.1% from the previous fiscal year.

Assets, Liabilities and Net Assets

Assets

As of March 31, 2015, total assets amounted to ¥48,289,052 thousand, an increase of ¥41,854,284 thousand from the end of the previous fiscal year. This was mainly attributable to increases of ¥25,380,925 thousand in cash and deposits and ¥12,499,668 thousand in marketable securities, mainly due to the issuance of new stock and convertible bonds with stock acquisition rights, as well as an increase of ¥3,143,151 thousand in land.

Liabilities

Total liabilities stood at ¥20,511,754 thousand as of March 31, 2015, an increase of ¥20,072,815 thousand compared with a year earlier. This mainly reflects an increase of ¥19,883,974 thousand in convertible bonds with stock acquisition rights.

Net Assets

Net assets rose ¥21,781,470 thousand from the previous year to ¥27,777,298 thousand as of March 31, 2015.

This reflects increases of ¥11,082,848 thousand in capital stock and ¥11,082,848 thousand in capital surplus due to the issuance of new stock, as well as an increase of ¥530,529 thousand in stock acquisition rights from the issuance of convertible bonds with stock acquisition rights. These increases were partly offset by the recording of a net loss of ¥915,893 thousand.

Cash Flows

Cash and cash equivalents at the end of the fiscal year were ¥19,221,857 thousand, an increase of ¥14,880,593 thousand compared with the end of the previous fiscal year. The main factors affecting cash flow during the fiscal year under review were as follows.

<Cash Flow from Operating Activities>

Net cash used in operating activities was ¥779,286 thousand, compared with ¥539,588 thousand last year. Depreciation and amortization was ¥202,295 thousand. Cash was reduced by ¥141,496 thousand due to an increase in accounts receivables—trade accounts, and ¥902,895 thousand due to loss before income taxes.

<Cash Flow from Investing Activities>

Net cash used in investing activities was ¥26,780,601 thousand, compared with net cash provided by investing activities of ¥121,796 thousand in the previous fiscal year. The main cash outflows were ¥20,000,000 thousand for an increase in compulsory deposits, ¥3,000,000 thousand for an increase in time deposits, and ¥3,440,817 thousand for purchases of property, plant and equipment.

<Cash Flow from Financing Activities>

Net cash provided by financing activities totaled ¥42,441,003 thousand, compared with ¥4,050,140 thousand in the previous fiscal year. Proceeds from the issuance of convertible bonds with stock acquisition rights amounted to ¥20,394,935 thousand and proceeds from issuance of new stock totaled ¥22,066,287 thousand.

(1) Risks Associated with Business Operations

(a) Business in a Novel Business Category

The Group's main product is HAL®, the world's first wearable robot*1 that utilizes human BES, developed by Dr. Yoshiyuki Sankai, President and CEO. The Group is currently developing HAL® for Medical Use (Lower Limb Type) in Germany, while in Japan it is developing business around HAL® for Living Support (Lower Limb Type), HAL® for Living Support (Single Joint Type), HAL® for Care Support (Lumbar Type), HAL® for Labor Support (Lumbar Type), and others. The Group's technologies are thought to be applicable to various fields, including medicine, living support and labor support entertainment. However, since the Group is working in a novel business category, uncertainty is very high, and there is no guarantee that the market will grow steadily. Moreover, if penetration of the Group's products does not progress as planned, or if the Group is unable to achieve profitability, its business performance, financial condition, and future business development may be affected.

(b) Competition

The Group is planning to go into the fields of medicine, living support and labor support mainly centered on HAL®. Currently, wearable robots with autonomous control systems are being developed by companies in Japan and elsewhere in the world but the voluntary control technology that utilizes BES originating from the brain is the Group's original technology*2. Due to this differentiation of technologies, the Group can maintain its competitive edge. The patents for intellectual property related to HAL® have been acquired by the University of Tsukuba. The Group has exclusive rights to use all of the patent rights, giving it a competitive advantage in the wearable robot market. However, various enterprises in Japan and overseas are proceeding with research and commercialization of wearable robots. If the competitive environment surrounding the Group were to change, for example with the new entry of a large number of companies, including major technology companies, into the commercial robotics field, there is a possibility that some of the Group's potential competitors have or may have substantially greater capital, human and other resources, more efficient cost structures, higher brand recognition and more diversified product lines than the Group. While the research and development efforts required for the commercialization of advanced products such as HAL® are extensive, both in terms of the length of time and costs involved, they are not always certain of success. In a business environment such as the above, if another company succeeds in developing newer technologies or more effective products than the Group's products, the Group's business performance, financial condition, and future business development may be affected.

*1, 2 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.

Application number/ Registration number (Date of application)	Name of invention/Inventor Type of invention
2004-068790/4200492 (2004/03/11)	Wearing type motion assisting apparatus Inventor: Dr. Yoshiyuki Sankai
2004-040168/4178185 (2004/02/17)	Wearable action supporting apparatus, controlling methods of drive source in wearable action supporting apparatus, and program Inventor: Dr. Yoshiyuki Sankai
2004-045354/4178186 (2004/02/20)	Wearing type motion assisting apparatus, controlling method and program of wearing type motion assisting apparatus Inventor: Dr. Yoshiyuki Sankai
2005-018295/4178187 (2005/01/26)	Wearing type motion assisting apparatus and control program Inventor: Dr. Yoshiyuki Sankai

(c) Risks Associated with Internal Organizational Structure

The Company was established on June 24, 2004 and has the following issues which are specific to a venture business.

i) The Company depends heavily on Dr. Yoshiyuki Sankai, the founder and President and CEO, in terms of management and development of new technology. If he is unable to perform his duties in the Company for some reason, the Group's business performance and future business development might be affected.

ii) The Group has secured excellent research and development staff. If vital staff members were to resign, the Group's speed of product development might be affected.

iii) As business expands, the Company intends to incrementally increase staff in sales, production and controlling units, and to further reinforce the internal control system. However, if the Company is not successful at keeping personnel and reinforcing internal controls, the Group's business performance and future business development might be affected.

(d) Risks Associated with Dependence on Limited Range of Products

The main product of the Group is HAL®, whose net sales comprised the majority of net sales as of the end of March 2015. It is estimated that HAL® will continue to be the main source of the Group's profit going forward. If there is a delay in getting approval for HAL® as a new medical device under the Pharmaceutical Affairs Law, or a delay in creating laws and regulations, healthcare policy, or insurance systems such as health insurance, the Group's business and profitability may be affected. In addition to these factors, if any other factors were to preclude the market expansion potential of HAL®, such as lawsuits or other legal action arising from or related to the use of HAL®, the emergence of new technologies or technological innovation that replace HAL®, the introduction of more competitive products in the same genre, changes in relevant laws and regulations, and changes in the relationship with the University of Tsukuba regarding the grant of exclusive rights to the use of intellectual property related to HAL®, the Group's business performance, financial condition, and future business development might be affected.

(e) Approval of Medical Devices

In order to sell HAL® and other Group products as medical devices, the products need to obtain approval from authorities in each country and region after undergoing certain tests and examinations based on local laws and regulations. The Group has obtained approval for HAL® as a medical device in the EU; however, there is no guarantee that the Group will succeed in obtaining approval for HAL® and other Group products as medical devices in countries and regions outside of the EU, and even if approval can be obtained, the timing of the approval may differ between countries and regions. Furthermore, if laws and regulations in respective countries and regions were to be revised after approval is obtained, the obtained approval might be cancelled or not renewed. In such cases, the Group's business performance, financial condition and future business development might be affected.

(f) Insurance Coverage

The spread and penetration of therapies using HAL® and other Group products is reliant to a certain extent on such therapies being covered by public and private health insurers in many countries and regions, with insurance payments for such therapies being available from public insurance institutions and private health insurance companies, and so forth. The Group recognizes this as a major issue. However, insurance systems may vary between countries and regions, and aspects such as the scope of coverage and payment levels are determined separately by the respective public insurance institutions and private insurance companies in each country and region. The status of these determinations may affect the Group's business performance, financial condition, and future business development.

(g) Alliances and Acquisitions

The Group recognizes that acquiring patents and other intellectual properties from third parties, acquiring businesses, and forming joint ventures and strategic alliances domestically or overseas are major steps to be taken for accelerating its business development and it will continue to examine such steps proactively going forward. However, when undertaking an acquisition or entering an alliance and so forth, it is difficult to predict the effect of the acquisition or alliance completely beforehand. Moreover, there is no guarantee that the acquisition or alliance and so forth will proceed smoothly. When acquiring intellectual property or a business, or entering a joint venture or strategic business alliance, there is no guarantee that an anticipated effect will be obtained within an initially projected time frame, and the Group may be unable to utilize the effect from an acquisition or alliance and so forth appropriately. In such a situation, the Group's business performance, financial condition, and future business development might be affected.

(h) Risks Associated with Business Implementation in the EU

i) The Group's HAL® product has acquired CE Marking as a medical device, a world first for a robotic medical device. It was accredited by the world-class independent accreditation organization TUV Rheinland AG in June 2013 as a Class IIa device, under the Medical Devices Directives ("MDD") for certifying compliance with EU laws and regulations, which are required for exporting medical devices to EU markets. This accreditation is vital for conducting business activities for HAL® in the EU. However, if it were confirmed that HAL® did not meet the requirements of the MDD or ISO 13485 (international standards for quality control management systems for medical equipment), the CE Marking may be cancelled and so forth. If such an event were to hinder the Group's business development in the EU market, the Group's business performance and future business development might be affected.

ii) The Group started its business in Germany in August 2013. Since Deutsche Gesetzliche Unfallversicherung (German Statutory Accident Insurance) has admitted the application of labor insurance, the entire fee for usage is paid for those covered by public labor insurance through Berufsgenossenschaft Rohstoffe und chemische Industrie (Professional Association of Raw Materials and Chemical Industry; "BG RCI"). Currently, the Group provides therapeutic services mainly to people covered by public labor insurance with BG RCI as its business partner. The Group plans to develop its business in Germany further, mainly through hospitals affiliated with BG RCI, and then develop its business throughout the entirety of the EU. Nevertheless, if for example the Group were obliged to change its plan to develop business at BG RCI-affiliated hospitals due to a change in BG RCI's policy, the Group's business development in Germany and future business development in the EU might be affected. In such a case, the Group's business performance and future business development might be affected.

(i) Risks Associated with Overseas Businesses in General

The Group intends to expand its business abroad. However, the Group recognizes the following risks associated with overseas operations. These risks might affect the Group's business performance, financial condition, and future business development.

- Geopolitical risks associated with political and economic situations, and so forth
- Risks of changes in legal and tax systems
- Risks of differences in commercial and trade customs
- Risks of general strikes or other disruptions in working conditions
- Risks of difficulties in managing local personnel and business operations due to cultural differences and other factors
- Risks of difficulties in repatriation of funds to Japan
- Risks associated with fluctuations in foreign exchange rates

(j) Loss to Clients Due to Product Malfunctions

The Group continuously strives to improve the quality of its products based on ISO 13485 (international standards for quality control management systems for medical equipment). There is no guarantee, however, that its products will be free of deficiency or that product liability claims or recalls will not occur in the future. If damages were to occur due to a product defect, product liability claims would be covered entirely or in part by product liability insurance; however, a decline in the Group's social credibility might affect its business performance, financial condition, and future business development.

(k) Intellectual Property

i) The Group's HAL® product employs unique technology that utilizes a wearer's BES. The patent rights for such technologies used in HAL® are held by the University of Tsukuba and the Group has concluded a contract concerning an exclusive license for use of these patented technologies. This contract is a significant prerequisite for the Group to conduct business activities and will be valid until the expiry date of the licensed intellectual property rights. However, if it becomes difficult to continue the contract for any reason, such as a breach of the contract, a petition for bankruptcy, a merger, an acquisition of significant assets, or an assignment of the Company's key business line, the Group's business performance, financial condition, and future business development might be affected.

ii) To date, the Group has neither received any claims from, nor been involved in a lawsuit with, any third party concerning intellectual property such as patent rights related to the Group's business. Moreover, the Group considers it unlikely that its business operations would be materially hindered due to a problem arising in relation to infringement on intellectual property such as another parties' patent rights during its business operations. The Group takes measures to avoid problems concerning intellectual property infringement by conducting continuous technical investigations. However, for research and development-orientated enterprises such as the Group, it is very difficult to entirely avoid the occurrence of problems concerning intellectual property infringement. In the future, if the Group is involved in litigation with third parties, the Group's policy is to consider concrete countermeasures individually depending on the details of each case in consultation with lawyers and patent attorneys. It will, however, be time consuming and costly to reach a settlement, regardless of the validity of the counterparty's claim. Furthermore, although the Group manages its technologies with the utmost care, if a third party infringes upon the Group's technologies, settlement of the issue will be time consuming and costly. In such cases, the Group's business strategies, business performance, financial condition, and future business development might be affected.

(l) Legal Risks

The Group's business is subject to restrictions due to the application of the respective laws and regulations of each country and region, including the items listed below. For example, in various business activities in which the Group is involved domestically or internationally, the Group is subject to laws and regulations concerning intellectual property rights and product liabilities related to technologies, products, services and so on, as well as regulations related to pharmaceutical affairs, commercial transactions, and import and export restrictions; tax obligations, including tariffs; laws and regulations concerning antibribery and corruption, antitrust, labor, consumers, personal information, the environment, foreign exchange; and various other laws and regulations. Moreover, the Group may encounter unexpected issues relating to these laws and regulations or business customs. In particular, since some of the Group's products are medical devices designated under the Pharmaceutical Affairs Act of Japan, their manufacture requires the approval of the Ministry of Health, Labour and Welfare. Similarly, in other countries and regions, local regulatory authorities' approvals may be required, along with supervision from supervisory authorities. Approval inspections are conducted to validate the effectiveness and safety of the products. It is possible that an application could be denied or approval delayed as a result of the inspection. Even if sales of the merchandise are started after approval, it is possible that approval could be cancelled due to the occurrence of problems in product effectiveness and safety. In addition to the above, if the Group were to violate any laws or regulations applicable to its business, it could be subjected to civil, administrative, or criminal sanctions, which might affect the Group's social credibility. In such a case, the Group's business performance or financial condition may be materially affected.

The Group receives large subsidies from governments, public institutions, and so forth. The Group's research and development expenses are partially covered by these subsidies. Therefore, if the Group were unable to satisfy the conditions for the subsidies at the time of payment, it might not be able to receive them and its business, financial status and business performance might be affected.

(m) Risks Associated with Personal Information

The Group obtains the personal information of HAL® users. The number of staff within the Group who are able to access this personal information is limited, and the Group has concluded nondisclosure agreements with all executives and employees. Moreover, the Group has taken adequate measures for the protection of personal information, including the establishment of Regulations for Protection of Personal Information and the appointment of a Person in Charge of Protection Management of Personal Information, and no problem, such as leakage of personal information, has occurred to date. However, if a problem, such as leakage of customer information, were to occur, claims for damages and a decline in the Group's social credibility might affect its business, financial status, and business performance.

(n) Peace and Ethics Committee

The Group has also established the Peace and Ethics Committee to prevent the use of its advanced technologies to harm people or to create military weapons. All outside directors and outside Audit & Supervisory Board members, in addition to the President and CEO, are members of the Peace and Ethics Committee. Committee resolutions require a majority vote of two-thirds or more of those attending. Before entering a business field outside the areas of medicine, living support and labor support, which are defined in the CYBERDYNE Code of Conduct, the Peace and Ethics Committee investigates, deliberates and reaches a decision on whether the Group's advanced technologies could be used to harm people or to create military weapons as a consequence of entering the business field. The committee then submits its findings to the Board of Directors.

The result of the Committee's examination and verification might not necessarily contribute to improving the Group's short-term business performance.

(2) Risks Associated with the President's Engagement as a University Professor

(a) Risks Associated with the President's Engagement as a Professor at the University of Tsukuba

Dr. Yoshiyuki Sankai, President and CEO of the Company, holds concurrent positions as a professor of the University of Tsukuba and as the program manager for the Impulsing Paradigm Change through Disruptive Technologies ("ImPACT") program of the Cabinet Office of Japan. Details of i) measures to avoid conflicts of interest between the Group, the University of Tsukuba, and the Japan Science and Technology Agency ("JST"), which is implementing the ImPACT program, arising from concurrent positions as the President and CEO, a professor at the University of Tsukuba, and the program manager of ImPACT and ii) impediments to performance of duties as the President and CEO are as follows:

i) Measures to Avoid Conflicts of Interest

All decisions related to conflicts of interest, including transactions and conclusions of joint research agreements with the university and JST are made by the Board of Directors. A structure to prevent conflicts of interest has been established, under which the decisions are made by five directors (of whom three are outside directors), excluding persons concerned with the University of Tsukuba, and six directors (of whom three are outside directors), excluding persons concerned with JST. In addition, a structure is in place under which matters pertaining to conflicts of interest are being monitored daily through audits by Audit & Supervisory Board members and reported at the Board of Directors.

ii) Impediments to Performance of Duties as President and CEO

Although duties related to Cybernic research by the Group, and at the University of Tsukuba, and in the Cabinet Office's ImPACT Program are integral and inseparable, the impact of pure functions as a staff member of the University of Tsukuba in Japan (classes, attendance at intramural meetings as a university professor, etc.) on duties specific to the President and CEO of the Company (attendance at the Board of Directors meetings, approval of requests, responses to investors, etc.) is limited and performance of duties as President and CEO is perfectly possible.

However, should Dr. Yoshiyuki Sankai prioritize his duties as a university professor or program manager of ImPACT over his position as a President and CEO of the Company, the Group's financial condition and business performance might be affected.

(3) Matters Associated with Advanced Device Businesses in General

(a) Risks Associated with Development Businesses in General

In the field of cutting-edge robot development, companies around the world vie with each other in quality and speed of technological innovation. Also, they must invest large amounts of funds over the long term in the processes from basic research, development and manufacturing of advanced robots to their sales, since they must proceed in accordance with the various regulations in each country. Against this backdrop, research and development entails many uncertainties and such risks are inherent in the products the Group is now developing and will develop in the future. Under its business plan, the Group is also developing its business towards achieving insurance coverage in each country by expanding business domains (various diseases, nursing care, etc.). However, there is no guarantee that the Group will expand its business domains as planned, and a risk exists that the applied insurance systems will be reviewed or changed in the future with respect to the scope of coverage and payment amounts. If such risks were to materialize, the Group's business, financial condition, and business performance might be affected.

(b) Risks Associated with Creation of Newly Developed Products

The Group explores and creates newly developed products through joint research with research institutions, centering on the University of Tsukuba, and one of its important business strategies is the release of multiple newly developed products in addition to HAL® for Medical Use (Lower Limb Type), HAL® for Living Support (Lower Limb Type), HAL® for Living Support (Single Joint Type), HAL® for Labor Support (Lumbar Type), and HAL® for Care Support (Lumbar Type), which have already been commercialized.

However, there is no guarantee that such new products will be successfully explored and created. Accordingly, if exploration and creation activities of new products were to be hindered for some reason, the Group's financial condition and business performance might be affected.

(c) Risks Associated with Progress Delays Inherent to Research and Development

The Group is efficiently advancing research and development as a corporate research and development group by establishing cooperative relationships with external partners, centered on joint research with the University of Tsukuba. However, since there is no guarantee that research and development activities will advance as planned, in some cases, the initially planned results of research and development may not be obtained, the start or completion of various experiments may be delayed, and acquisition of approval for manufacturing and marketing as medical devices may be delayed or limited. To avoid such situations as much as possible, the Group manages and evaluates the progress of each product under development in a timely manner and takes such measures as prioritizing products under development and changing the levels of management resources invested in products or deciding to suspend development temporarily. Thus, the Group reduces the risk of a sharp increase in research and development expenses. However, if research and development does not proceed as planned, the Group's, business, financial condition, and business performance might be affected.

(4) Risks Related to the Dual Class Share Structure

The Company has certain Class B Shares in issue, which could in certain circumstances materially affect the rights of holders of Common Shares.

Under the Company's Article of Incorporation, a holder of a Class B Share has 10 times as many voting rights as a holder of a Common Share.

Dr. Yoshiyuki Sankai, the President and CEO of the Company, and Representative Director of both the Sankai Health Foundation and the Sankai Science and Technology Promotion Foundation, holds, as of March 31, 2015, 21,000 Common Shares and 38,848,000 Class B Shares. Together, this represented approximately 38.2% of all issued and outstanding shares and approximately 86.1% of the total number of voting rights in respect of the Company.

Dr. Yoshiyuki Sankai will therefore have significant influence over management and affairs of the Company and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions, such as a merger or sale of the whole or a substantial part of the Company's business, for the foreseeable future. In addition, because of this dual class share structure, Dr. Yoshiyuki Sankai will continue to be able to control all matters submitted to shareholders for approval even when he owns less than 50% of the total outstanding shares. This concentrated control will limit the ability of the holders of Common Shares to influence corporate matters and, as a result, the Company may take actions that its shareholders do not generally view as beneficial. As a result, the market price of Common Shares could be adversely affected.

Further, although the Articles of Incorporation of the Company set forth that, under certain circumstances, Class B Shares shall be converted into Common Shares, thereby resolving the imparity regarding the voting rights between both types of shares, such conversions occur in only limited situations. This may hinder purchases of shares that could benefit holders of the Common Shares in general.

In addition, since the Company's Articles of Incorporation modify the standard rules set forth under the Companies Act and provide that a resolution of the General Meeting of Class Shareholders for Common Shares shall not be required for certain significant corporate transactions, the intentions of holders of Common Shares may not always be reflected in the decision-making of the Company.

(5) Other Risks

(a) Dividend Policy

The Company has not been able to pay dividends to shareholders since its establishment, and as of the publication of this report, is still not in a position where it is allowed to pay dividends in accordance with the Companies Act. At this time, the Company's policy is to prioritize achieving profitability quickly by improving its financial strength through retaining earnings and reinvesting in research and development activities. On the other hand, the Company considers returns to shareholders to be an important management issue and will consider possible payment of dividends in the future taking into account its financial condition and business results. However, if the Company's earnings plan does not proceed as envisaged, and it continues to be unable to achieve steady earnings, it may not be able to return profits to shareholders in the form of dividends.

(b) Risks Associated with Financing and Fund Procurement

The Group records large amounts of upfront research and development expenses in association with the progress of its research and development activities, resulting in continued recording of operating losses. The Group's funding needs are expected to increase as its business proceeds, including operating capital, research and development investment, and capital expenditures. The Group plans to continue strengthening its financial base making use of funds such as governmental subsidies. However, depending on how successful the Group is at securing profits and raising capital, its financial condition and business performance might be affected.

(c) Recording Negative Retained Earnings Brought Forward

The Group has been focusing on research and development activities, and has therefore recorded a large amount of upfront research and development expenses, as well as negative retained earnings brought forward. The Group aims to achieve profitability quickly and to establish a strong financial base by posting stable profits. However, there is a risk that the Group's business might not proceed as planned, and that the Group may be unable to eliminate the recording of negative retained earnings brought forward, which might affect its business, financial condition, and business performance.

(d) Loss Brought Forward for Tax Purposes

Since the Group has been making upfront investments in development as a corporate research and development group, it has a significant amount of retained losses carried forward for Japanese corporate tax purposes. Should there be any changes to the Japanese tax systems in the future such that restrictions are tightened on deduction of losses brought forward, the Group might lose the opportunity to recover part of the capital that it has invested in research and development or suffer other effects that might affect its business, financial condition, and business performance.

(e) Fluctuations in Foreign Exchange Rates

Since the financial results of overseas Group companies are translated from local currency into Japanese yen when reflected in the Group's consolidated financial statements during consolidated account settlement, the Group is exposed to risk from the effects of fluctuations in foreign exchange rates. Therefore, if foreign exchange rates were to fluctuate sharply in the future, the Group's financial condition and business performance might be affected.

Description of Common Shares, Class B Shares and Certain Regulations

General

Set out below is certain information concerning Common Shares and Class B Shares, including brief summaries of certain provisions of the Company's Articles of Incorporation and Share Handling Regulations and of the Companies Act relating to joint stock corporations, and certain related legislation, all as currently in effect.

The Company's authorized share capital as of March 31, 2015 is 348,000,000 shares, and the number of shares of each class authorized to be issued is 309,150,000 Common Shares and 38,850,000 Class B Shares. As of March 31, 2015, 62,788,000 Common Shares and 38,850,000 Class B Shares are in issue and outstanding. All issued Common Shares and Class B Shares are fully paid and nonassessable, and are in registered form. Detailed terms of Common Shares and Class B Shares are set out in the Company's Articles of Incorporation.

Under the Company's Articles of Incorporation, holders of both Common Shares and Class B Shares may receive the same amount of distributions of surplus per share in the same rank. However, a holder of the Class B Shares has 10 times as many voting rights as a holder of the Common Shares when they have the equal number of shares. See "Common Stock and Class B Stock" below for more information.

Common Stock and Class B Stock

Book-Entry Act

On January 5, 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Book-Entry Act, and the shares of all Japanese companies listed on any Japanese stock exchange, became subject to this new system. On the same day, all existing share certificates for such shares became null and void. Common Shares are also subject to the new system (but Class B Shares are not). At present, JASDEC is the only institution that is designated by the relevant authorities as a clearing house, which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Act. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an account managing institution unless such person has an account at JASDEC. Account managing institutions are financial instruments traders (securities firms), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet further stringent requirements of the Book-Entry Act can open accounts directly at JASDEC. For the purpose of the description under this section, the Company assumes that the relevant person has no account at JASDEC.

Under the Book-Entry Act, any transfer of shares is effected through book entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account at an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, in order to assert shareholders' rights against the Company, a transferee must have his or her name and address registered in the Company's register of shareholders, except in limited circumstances. Under the new clearing system, such registration is generally made upon an all-shareholders notice from JASDEC. For this purpose, shareholders are required to file their names and addresses with the Company's transfer agent through the account managing institution and JASDEC. See "Record Date" below for more information.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of his or her standing proxy or a mailing address to the relevant account managing institution. Such notice will be forwarded to the Company's transfer agent through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxy and provide related services for standard fees.

The transfer agent of the Company is Sumitomo Mitsui Trust Bank, Limited located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan.

Distributions of Surplus

General

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so-called "dividends," are referred to as "distributions of surplus." The Company may make distributions of surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "Restriction on Distributions of Surplus."

Under the Company's Articles of Incorporation, holders of both Common Shares and Class B Shares may receive the same amount of distributions of surplus per share in the same rank.

The Companies Act requires a distribution of surplus to be authorized in principle by a resolution of a General Meeting of Shareholders. However, a distribution of surplus may also be made pursuant to a resolution of the Board of Directors but only if all the requirements described in (a) to (d) below are met:

(a) the Company's Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of surplus;

(b) the normal term of office of each director of the Company terminates on or prior to the date of conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within the period of one year from the election of such director;

(c) the Company's non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice; and

(d) if the distributions of surplus are made in kind, shareholders are granted the right to require the Company to make such distributions in cash instead of in kind, upon approval of a resolution of the Board of Directors.

At present, the requirements described in (a) and (b) above are not met. Nevertheless, the Company may make distributions of surplus in cash as an interim dividend to its shareholders by a resolution of the Board of Directors once per fiscal year under the Company's Articles of Incorporation and the Companies Act.

Under the Company's Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at March 31 of each year and pursuant to a resolution of the Board of Directors, an interim dividend may be distributed to shareholders of record as at September 30 of each year. The Company is not obliged to pay any dividends in cash unclaimed for a period of three years after the date on which they first became payable.

Distributions of surplus may be made in cash or (except for distributions as an interim dividend and cases where shareholders are granted the right to require the Company to make such distributions in cash instead of in kind, upon approval of a General Meeting of Shareholders) in kind in proportion to the number of shares held by each shareholder. A resolution of the Board of Directors or a General Meeting of Shareholders authorizing a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, the Company may, pursuant to a resolution of the Board of Directors, grant a right to its shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a General Meeting of Shareholders.

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the shares goes ex-dividend generally on the second business day prior to the record date.

Restriction on Distributions of Surplus

When the Company makes a distribution of surplus, it must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve the smaller of (i) an amount equal to one-tenth of the amount of surplus so distributed or (ii) an amount equal to one-quarter of its stated capital less the sum of its additional paid-in capital and legal reserve as at the date of such distribution in accordance with an ordinance of the Ministry of Justice.

The amount of surplus at any given time must be calculated in accordance with the following formula:

A + B + C + D – (E + F + G)

In the above formula:

"A" = the total amount of other capital surplus and other retained earnings, as each such amount appears on the Company's non-consolidated balance sheet as at the end of the last fiscal year;

"B" = (if the Company has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof;

"C" = (if the Company has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);

"D" = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

"E" = (if the Company has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock;

"F" = (if the Company has distributed surplus to its shareholders after the end of the last fiscal year) the total book value of the surplus so distributed; and

"G" = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of surplus distributed by the Company may not exceed a prescribed distributable amount (the "Distributable Amount"), as calculated on the effective date of such distribution. The Distributable Amount shall, at any given time, be equal to the amount of surplus less the aggregate of the following:

(a) the book value of the Company's treasury stock, as at the effective date of distributions;

(b) the amount of consideration for the Company's treasury stock disposed of by it after the end of the last fiscal year; and

(c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet of the Company as at the end of the last fiscal year) all or a certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If the Company has, at its option, become a company with respect to which its consolidated balance sheet should also be taken into consideration in the calculation of the Distributable Amount, it will be required to further deduct from the amount of surplus the excess amount, if any, of (x) the total amount of shareholders' equity appearing on its non-consolidated balance sheet as at the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of shareholders' equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on its consolidated balance sheet as at the end of the last fiscal year.

If the Company has prepared temporary financial statements as described below, and if such temporary financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a General Meeting of Shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company's treasury stock disposed of by it, during the period in respect of which such temporary financial statements have been prepared. The Company may prepare non-consolidated temporary financial statements consisting of a balance sheet as at any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Temporary financial statements prepared by the Company must be reviewed by its Audit & Supervisory Board members and independent accounting auditor, and approved by the Board of Directors and a General Meeting of Shareholders, as required by the Companies Act and ordinances of the Ministry of Justice.

Capital and Reserves

When the Company issues new shares, the entire amount of money or other assets paid or contributed by subscribers for such shares is required to be accounted for as stated capital, although the Company may account for an amount not exceeding one-half of the amount of such subscription money or other assets as additional paid-in capital by a resolution of the Board of Directors.

The Company may reduce its additional paid-in capital or legal reserve generally by a resolution of a General Meeting of Shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, the Company may reduce its stated capital generally by a special resolution of a General Meeting of Shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, the Company may reduce its surplus and increase either (i) its stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case, by a resolution of a General Meeting of Shareholders.

Stock Splits

The Company may at any time split the issued Common Shares into a greater number of Common Shares by a resolution of its Board of Directors. Under the Company's Articles of Incorporation, when the Company splits the issued Common Shares into a greater number of Common Shares, the Company shall split Class B Shares into the same number of Class B Shares simultaneously.

When a stock split is to be made, so long as the Company issues only one class of shares, it may increase the number of authorized shares to the extent that the ratio of such increase in authorized shares does not exceed the ratio of such stock split by amending its Articles of Incorporation, which amendment may be made without approval by shareholders. Nevertheless, the Company issues both Common Shares and Class B Shares, therefore a special resolution of a General Meeting of Shareholders is required to amend its Articles of Incorporation in order to increase its authorized share capital. A special resolution of a General Meeting of Shareholders is also required to amend its Articles of Incorporation in order to increase its number of shares of each class authorized to be issued. Increase in authorized share capital and number of shares of each class authorized to be issued would require a special resolution of respective General Meetings of Class Shareholders if such increase will or is likely to cause detriment to shareholders of each class of shares.

Before a stock split, the Company must give public notice of the stock split, specifying the record date, the effective date, and the ratio of such stock split, not less than two weeks prior to such record date. Under the rules relating to the new clearing system, the Company must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of its Board of Directors determining such stock split. On the effective date of the stock split, the numbers of Common Shares recorded in all accounts held by holders of Common Shares at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

Reverse Stock Splits

The Company may at any time consolidate its Common Shares into a smaller number of Common Shares by a special resolution of the General Meeting of Shareholders. Under the Company's Articles of Incorporation, when the Company consolidate its Common Shares into a smaller number of Common Shares, the Company shall consolidate Class B Shares into the same number of Class B Shares simultaneously. The Company must disclose the reason for the reverse stock split at the General Meeting of Shareholders. The Company must give public notice of the reverse stock split, at least two weeks prior to the effective date of the reverse stock split.

General Meetings of Shareholders

The Ordinary General Meeting of Shareholders of the Company is held within 3 months of the end of each fiscal year as provided in its Articles of Incorporation. In addition, the Company may hold an Extraordinary General Meeting of Shareholders whenever necessary. Notice of a General Meeting of Shareholders stating, among others, the place, time and purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an Ordinary General Meeting of Shareholders is March 31 of each year.

Any shareholder holding at least 300 voting rights or 1% of the total number of voting rights for six months or longer may propose a matter to be considered at a General Meeting of Shareholders by submitting a request to a representative director at least eight weeks prior to the date of such meeting. If the Company's Articles of Incorporation so provide, any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

Voting Rights

Any holder of Common Shares constituting one or more units is, in principle, entitled to one voting right for each unit of Common Shares. However, in general, neither the Company nor any corporate or certain other entity, in which one-quarter or more of the total voting rights are directly or indirectly held by the Company, has voting rights in respect of Common Shares held by the Company or such entity.

The Company's Articles of Incorporation provide that 10 shares constitute one unit of Class B Shares and 100 shares constitute one unit of Common Shares. Accordingly, a holder of Class B Shares has 10 times as many voting rights as a holder of Common Shares when they have an equal number of shares.

Except as otherwise provided by law or in the Company's Articles of Incorporation, an ordinary resolution can be adopted at a General Meeting of Shareholders by the holder of a majority of the total number of voting rights represented at the meeting. The Company's Articles of Incorporation provide that the quorum for election of its directors and corporate auditors is one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of its directors. The shareholders may exercise their voting rights in writing or through proxies, provided that the proxies are, in general, also shareholders who have voting rights.

The Companies Act provides that certain important matters shall be approved by a "special resolution" of a General Meeting of Shareholders. Under the Company's Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Such important matters include:

(i) purchase of shares by the Company from a specific shareholder other than the Company's subsidiaries;
(ii) reverse stock split;
(iii) issuance or transfer of new shares or existing shares held by the Company as treasury stock to persons other than the shareholders at a "specially favorable" price;
(iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favorable" conditions;
(v) removal of any of the Audit & Supervisory Board Members of the Company;
(vi) exemption from a portion of liability of the directors, Audit & Supervisory Board members or independent accounting auditor of the Company;
(vii) distribution of surplus in kind with respect to which shareholders are not granted the right to require the Company to make distributions in cash instead of in kind;
(viii) reduction of stated capital;
(ix) amendment to the Company's Articles of Incorporation;
(x) transfer of the whole or a substantial part of the Company's business;
(xi) taking over of the whole of the business of another company;
(xii) merger;
(xiii) corporate split;
(xiv) establishment of a parent and wholly-owned subsidiary relationship by way of a share exchange;
(xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer;
(xvi) consolidation; and
(xvii) dissolution.

However, under the Companies Act, no shareholder approval, whether by an ordinary resolution or a special resolution at a General Meeting of Shareholders, is required for any matter described in (viii) to (xiv) above, and such matter may be decided by the Board of Directors, if it satisfies certain criteria prescribed by the Companies Act.

General Meeting of Class Shareholders

Under the Companies Act, in cases where a company with class shares carries out certain significant corporate transactions or amends certain provisions of its Articles of Incorporation, such transactions or amendments shall not become effective unless they are resolved at the respective General Meetings of Class Shareholders except when a company with class shares may provide in the Articles of Incorporation that a resolution of the General Meeting of Class Shareholders shall not be required for certain transactions as a feature of a certain class of shares. Such significant corporate transactions and amendments includes, among other things, the following acts that will or are likely to cause detriment to class shareholders.

(i) any amendment to the Articles of Incorporation with respect to the following matters;
 (a) a creation of a new class of shares;
 (b) a change to a new class of shares;
 (c) an increase of the number of authorized share capital or the number of shares of each class authorized to be issued;
(ii) a reverse stock split or stock split;
(iii) a gratuitous allocation of shares;
(iv) an allotment of shares to the shareholders;
(v) an allotment of stock acquisitions rights to the shareholders;
(vi) a gratuitous allocation of stock acquisitions rights;
(vii) a merger;
(viii) an absorption-type corporate split;
(ix) a succession by absorption-type corporate split to some or all of the rights and obligations held by another company with respect to such company's business;
(x) an incorporation-type corporate split;
(xi) a share exchange;
(xii) an acquisition of all issued shares of another stock company by share exchange; or
(xiii) a share transfer.

The Company's Articles of Incorporation provide that a resolution of the General Meeting of Class Shareholders for Common Shares shall not be required for the acts listed above as a feature of Common Shares unless otherwise provided by law or in the Company's Articles of Incorporation. The Companies Act provides that, in case the Articles of Incorporation provide so, a resolution of the General Meeting of Class Shareholders shall be required for amendment to the Articles of Incorporation described in (i) above that will or are likely to cause detriment to class shareholders, except for such amendment with respect to the number of shares that constitute a unit.

Except as otherwise provided by law or in the Company's Articles of Incorporation, a resolution can be adopted at a General Meeting of Class Shareholders by the holder of a majority of the total number of voting rights represented at the meeting.

The Companies Act provides that certain important matters, including the acts listed in (i) through (xiii) above that will or are likely to cause detriment to class shareholders, shall be approved by a "special resolution" of a General Meeting of Class Shareholders. Under the Company's Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution.

Unit Share System

The Company's Articles of Incorporation provide that 100 shares constitute one unit of Common Shares and 10 shares constitute one unit of Class B Shares. Its Board of Directors is permitted to reduce the number of shares that will constitute a unit Common Shares or abolish the unit share system entirely by amending its Articles of Incorporation without approval by shareholders, while a special resolution of a General Meeting of Shareholders is required to increase the number of shares that will constitute a unit of Common Shares. The number of shares constituting a unit may not exceed the lesser of 1,000 or 0.5% of the total number of issued shares. The Company's Articles of Incorporation provide that, when the Company amends its Articles of Incorporation with respect to the number of shares that constitute a unit of Commons Shares, the respective number for Class B Shares has to be changed in equal proportion simultaneously. The Securities Listing Regulations of the Tokyo Stock Exchange provide that the number of listed shares constituting a unit may not be changed from 100.

Under the unit share system, a shareholder has one vote for each unit of Common Shares held by it, except as stated in "—Voting Rights". Common Shares constituting less than one unit will carry no voting rights and be excluded for the purposes of calculating the quorum for voting purposes. Moreover, holders of Common Shares constituting less than one unit will have no other shareholder rights under the Company's Articles of Incorporation, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive distributions of surplus.

Holders of Common Shares constituting less than one unit may at any time request the Company to purchase Common Shares held by them. Such purchase of Common Shares will be effected at the last trading price of the Common Shares on the relevant stock exchange on the day such request is made (or, if there is no trading in the Common Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Common Shares are first traded on such stock exchange thereafter). The request for such purchase may not be withdrawn without the Company's consent. Under the Company's Articles of Incorporation, holders of Common Shares constituting less than one unit also have the right to require the Company to sell to such holder Common Shares constituting less than one unit which, when added to the Common Shares constituting less than one unit currently owned by such holder, shall constitute a full unit.

Liquidation Rights

In the event of the liquidation of the Company, any assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of Common Shares and Class B Shares in proportion to the respective number of Common Shares and Class B Shares that they hold.

Subscription Rights

Holders of Common Shares have no preemptive rights. Authorized but unissued Common Shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the issuance of new Common Shares at a "specially favorable" price mentioned in "Voting Rights". The Board of Directors may, however, determine that holders of Common Shares be given subscription rights to new Common Shares, in which case they must be given on uniform terms to all holders of Common Shares as at a record date of which not less than two weeks' prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks' prior notice of the date on which such rights expire. Under the Company's Articles of Incorporation, when the Company determines that holders of Common Shares be given subscription rights to new Common Shares, holders of Class B Shares must also be given subscription rights to new Class B Shares in equal proportion simultaneously.

Stock Acquisition Rights

The Company may issue stock acquisition rights. Holders of stock acquisition rights are entitled to acquire shares from the Company, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The Company may also issue bonds with stock acquisition rights. The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by the Board of Directors unless it is made under "specially favorable" conditions, as described in "Voting Rights".

Reports to Shareholders

The Company furnishes to its shareholders notices of General Meetings of Shareholders and General Meetings of Class Shareholders; annual business reports, including financial statements; and notices of resolutions adopted at the General Meetings of Shareholders or General Meetings of Class Shareholders, all of which are in Japanese. The Company may, if it so chooses, send such notices and reports by an electronic method, such as e-mail, to those shareholders who have approved such method.

Pursuant to the Company's Articles of Incorporation, public notice given by the Company shall be published by an electronic method; provided, however, that such notice shall be given by publication in the Nihon Keizai Shimbun if the method of electronically publishing notices is not available due to any technical problems or other unavoidable circumstances.

Record Date

As mentioned above, March 31 is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the Ordinary General Meeting of Shareholders, and September 30 is the record date for the payment of interim dividends.

In addition, by a resolution of the Board of Directors and after giving at least two weeks' prior public notice, the Company may at any time set a record date for determining the shareholders entitled to certain rights pertaining to Common Shares.

Under the rules relating to the new clearing system, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors of the Company determining such record date. JASDEC is required to promptly give the Company notice of the names and addresses of holders of Common Shares, the numbers of Common Shares held by them and other relevant information as at such record date.

Acquisition of Shares by the Company

The Company may acquire Common Shares (i) from a specific shareholder other than any of the Company's subsidiaries (pursuant to a special resolution of a General Meeting of Shareholders); (ii) from any of the Company's subsidiaries (pursuant to a resolution of the Board of Directors) or (iii) by way of purchase on any Japanese stock exchange on which Common Shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a General Meeting of Shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of Common Shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in Common Shares on the stock exchange or if the stock exchange is not open on such day, the price at which Common Shares are first traded on such stock exchange thereafter) or (y) if Common Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted, the price of Common Shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of Common Shares may not exceed the Distributable Amount, as described in "Restriction on Distributions of Surplus" in "Distributions of Surplus."

The Company may hold Common Shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such Common Shares by a resolution of the Board of Directors.

Disposal of Common Shares Held by Shareholders Whose Location is Unknown by the Company

The Company is not required to send notices to a shareholder if delivery of notices to such shareholder fails continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company.

In the above case, if the relevant shareholder to whom delivery of notices has failed also fails to receive distributions of surplus on Common Shares continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company, then the Company may in general dispose of such Common Shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

Reporting of Substantial Shareholders

The Financial Instruments and Exchange Act and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company listed on any Japanese stock exchange to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau of the Ministry of Finance of Japan within five business days. With certain exceptions, a similar report must also be filed in respect to any subsequent change of 1% or more in holding or to any change in material matters set out in reports previously filed. For this purpose, shares issuable to such person upon his or her exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Any report so filed will be made available for public inspection. Copies of each report must also be furnished to the issuer of the shares. Reports are required to be filed through the Electronic Disclosure for Investors' Network, known as the EDINET system.

Restriction of Transfer of Class B Shares

The Company's Articles of Incorporation require the approval of the Board of Directors for the transfer of Class B Shares to any person other than the holders of Class B Shares.

Conversion of Class B Shares into Common Shares

Conversion of Common Shares at the Option of the Shareholders

Pursuant to the Company's Articles of Incorporation, holders of Class B Shares may request that the Company acquire Class B Shares held by such shareholders, in whole or in part, at any time. In exchange for the acquisition of one Class B Share, one Common Share shall be delivered to such shareholders.

Compulsory Conversion

Pursuant to the Company's Articles of Incorporation, Class B Shares set forth below shall be acquired from the holders of such Class B Shares in exchange for one Common Share per Class B Share, if:

(i) the Company is requested to approve the acquisition of Class B Shares by any person other than the holders of Class B Shares, Class B Shares with respect to which approval for the acquisition was requested; and

(ii) a holder of the Class B Shares died and 90 days have passed without succession or transfer to any other holder of the Class B Shares, all Class B Shares held by such departed shareholder.

Pursuant to the Company's Articles of Incorporation, upon the occurrence of any event described below, all outstanding Class B Shares shall be acquired. In exchange for the acquisition of one Class B Share, one Common Share is delivered to the holders of such Class B Shares, if:

(a) a resolution at the General Meeting of Shareholders (or the Board of Directors of the Company if a resolution at the General Meeting of Shareholders is not required) for (i) a merger of the Company into any other corporation, (ii) share exchange by which the Company becomes a wholly-owned subsidiary of another corporation or (iii) share transfer that is effected jointly with any other corporation is passed, and the day before the effective date of such merger, share exchange or share transfer has come;

(b) as a consequence of tender offer, the offeror holds three-quarters or more of the total number of the Company's outstanding shares and 90 days have passed after the tender offer report regarding such tender offer was filed; and

(c) consent (a "Shareholders' Consent") is obtained for the acquisition by the Company of all of the Company's outstanding Class B Shares in exchange for the same number of Common Shares in a confirmation process (the "Shareholders' Confirmation Process"), and 90 days have passed since then. Under the Company's Articles of Incorporation, the Shareholders' Confirmation Process must be implemented (i) until the conclusion of the annual shareholders meeting for the last fiscal year which ends within one year from the time of retirement of Dr. Yoshiyuki Sankai, the President and CEO of the Company, from a member of the Board of Directors and (ii) until the conclusion of the annual shareholders' meeting for the last fiscal year which ends within five years from the time of the last Shareholders' Confirmation Process. Under the Company's Articles of Incorporation, the quorum for a Shareholders' Consent is one-third of the total number of voting rights of the shareholders who are entitled to exercise their voting rights (100 shares constitutes one unit of Common Shares and 10 shares constitutes one unit of Class B Shares for the calculation) and the consent of at least two-thirds of the voting rights represented in the Shareholders' Consent Process is required for a Shareholders' Consent.

Consolidated Balance Sheet

CYBERDYNE, Inc. and Consolidated Subsidiaries
March 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
ASSETS			
CURRENT ASSETS:			
Cash and bank balances (Notes 4, 8 and 13)	¥29,722,189	¥ 4,341,264	$247,334
Marketable securities (Notes 5 and 13)	12,499,668		104,016
Receivables:			
Trade accounts (Note 13)	207,622	66,126	1,727
Other (Note 13)	549,893	398,516	4,575
Allowance for doubtful receivables	(1,350)	(362)	(11)
Inventories (Note 6)	339,209	199,657	2,822
Prepaid expenses and other current assets	91,013	60,568	757
Total current assets	43,408,245	5,065,769	361,223
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	3,143,151		26,155
Buildings and structures	1,424,485	1,417,980	11,853
Assets for rent	398,768	309,329	3,318
Other assets	1,063,569	928,067	8,850
Total	6,029,974	2,655,378	50,178
Accumulated depreciation	(1,702,042)	(1,530,030)	(14,163)
Property, plant and equipment—net	4,327,931	1,125,347	36,015
INVESTMENTS AND OTHER ASSETS:			
Intangible assets	58,211	50,754	484
Investment securities (Notes 5 and 13)	314,850		2,620
Investments in unconsolidated subsidiaries and associated companies (Notes 5 and 13)	12,259	10,596	102
Others (Notes 5 and 13)	167,555	182,299	1,394
Total investments and other assets	552,875	243,651	4,600
TOTAL	¥48,289,052	¥ 6,434,768	$401,839

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Payables—trade accounts (Note 13)	¥ 92,195	¥ 26,210	$ 767
Income taxes payable (Note 13)	69,899	26,469	581
Other current liabilities	295,071	222,277	2,455
Total current liabilities	457,167	274,956	3,804
LONG-TERM LIABILITIES:			
Convertible bond-type bonds with subscription rights to shares (Notes 8 and 13)	19,883,974		165,465
Asset retirement obligations (Note 9)	70,171	68,762	583
Deferred tax liabilities (Note 11)	13,335	16,303	110
Other	87,107	78,917	724
Total long-term liabilities	20,054,587	163,983	166,885
EQUITY (Note 10):			
Capital stock:	16,511,767	5,428,919	137,403
Common stock—authorized, 618,300,000 shares; issued, 125,576,000 shares in 2015* and 108,534,000 shares in 2014**			
Class B stock—authorized, 77,700,000 shares; issued, 77,700,000 shares in 2015* and 2014**			
Capital surplus	16,447,767	5,364,919	136,870
Stock acquisition rights	530,529		4,414
Deficit	(5,714,957)	(4,799,064)	(47,557)
Accumulated other comprehensive income—foreign currency translation adjustments	(442)	1,055	(3)
Total	27,774,664	5,995,828	231,128
Minority interests	2,634		21
Total equity	27,777,298	5,995,828	231,150
TOTAL	¥48,289,052	¥ 6,434,768	$401,839

* Shares as of March 31, 2015 have been restated, as appropriate, to reflect a two-for-one stock split effected on August 1, 2015.
** Shares as of March 31, 2014 have been restated, as appropriate, to reflect a two-for-one stock split effected on August 1, 2015, and a five-for-one stock split effected on August 1, 2014.

See notes to consolidated financial statements.

Consolidated Statement of Operations

CYBERDYNE, Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥ 631,278	¥ 456,375	$ 5,253
COST OF SALES	359,798	245,988	2,994
Gross profit	271,479	210,387	2,259
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12):			
Research and development costs	983,278	716,171	8,182
Other selling, general and administrative expenses	1,054,320	648,457	8,773
Total selling, general and administrative expenses	2,037,598	1,364,629	16,955
Operating loss	(1,766,118)	(1,154,242)	(14,696)
OTHER INCOME (EXPENSES):			
Interest income	2,830	372	23
Subsidy income	891,972	465,421	7,422
Income from consigned research	133,520	92,712	1,111
Interest expense	(18,839)	(4,969)	(156)
Stock issuance costs	(99,409)	(31,967)	(827)
Loss on write-down of carrying value of fixed assets for tax purposes	(82,463)	(71,216)	(686)
Negative goodwill		4,330	
Gain on change in interest in investee	4,959		41
Other—net	30,651	21,007	255
Other income—net	863,223	475,691	7,183
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	(902,895)	(678,550)	(7,513)
INCOME TAXES (Note 11):			
Current	14,616	11,516	121
Deferred	(2,968)	(1,895)	(24)
Total income taxes	11,648	9,621	96
NET LOSS BEFORE MINORITY INTERESTS	(914,543)	(688,171)	(7,610)
MINORITY INTERESTS IN NET LOSS	1,349		11
NET LOSS	¥ (915,893)	¥ (688,171)	$ (7,621)

	Yen		U.S. Dollars (Note 1)
	2015	2014	2015
PER SHARE OF COMMON STOCK (Notes 2.s and 15)—			
Basic net loss*	¥(4.74)	¥(3.95)	$(0.03)

* Per share figures have been restated, as appropriate, to reflect a two-for-one stock split effected August 1, 2015 and a five-for-one stock split effected on August 1, 2015, and a five-for-one stock split effected on August 1, 2014.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

CYBERDYNE, Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET LOSS BEFORE MINORITY INTERESTS	¥(914,543)	¥(688,171)	$(7,610)
OTHER COMPREHENSIVE (LOSS) INCOME (Note 14)—			
Foreign currency translation adjustments	(1,497)	1,055	(12)
Total other comprehensive (loss) income	(1,497)	1,055	(12)
COMPREHENSIVE LOSS	¥(916,040)	¥(687,116)	$(7,622)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥(917,112)	¥(687,116)	$(7,631)
Minority interests	1,072		8

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

CYBERDYNE, Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands of Shares				
	Number of Shares of Former Common Stock Outstanding*	Number of Shares of Former Class A Stock Outstanding*	Number of Shares of Former Class B Stock Outstanding*	Number of Shares of Common Stock Outstanding**	Number of Shares of Class B Stock Outstanding**
BALANCE, APRIL 1, 2013	98,534	51,334	24,146		
Net loss					
Issuance of new stock				12,220	
Rearrangement for former stocks	(98,534)	(51,334)	(24,146)	96,314	77,700
Net change in the year					
BALANCE, MARCH 31, 2014				108,534	77,700
Net loss					
Issuance of new stock				17,042	
Net change in the year					
BALANCE, MARCH 31, 2015				125,576	77,700

	Thousands of Yen							
					Accumulated Other Comprehensive Income			
	Capital Stock	Capital Surplus	Stock Acquisition Rights	Deficit	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	¥ 3,349,075	¥ 3,285,075		¥(4,110,892)		¥ 2,523,257		¥ 2,523,257
Net loss				(688,171)		(688,171)		(688,171)
Issuance of new stock	2,079,844	2,079,844				4,159,688		4,159,688
Rearrangement for former stocks								
Net change in the year					¥ 1,055	1,055		1,055
BALANCE, MARCH 31, 2014	5,428,919	5,364,919		(4,799,064)	1,055	5,995,828		5,995,828
Net loss				**(915,893)**		**(915,893)**		**(915,893)**
Issuance of new stock	**11,082,848**	**11,082,848**				**22,165,696**		**22,165,696**
Net change in the year			**¥530,529**		**(1,497)**	**529,032**	**¥2,634**	**531,665**
BALANCE, MARCH 31, 2015	**¥16,511,767**	**¥16,447,767**	**¥530,529**	**¥(5,714,957)**	**¥ (442)**	**¥27,774,664**	**¥2,634**	**¥27,777,298**

* Shares have been restated, as appropriate, to reflect a two hundred-for-one stock split effected on October 25, 2013, a five-for-one stock split effected on August 1, 2014, and a two-for-one stock split effected on August 1, 2015.
** Shares have been restated, as appropriate, to reflect a five-for-one stock split effected on August 1, 2014, and a two-for-one stock split effected on August 1, 2015.

	Thousands of U.S. Dollars (Note 1)							
					Accumulated Other Comprehensive Income			
	Capital Stock	Capital Surplus	Stock Acquisition Rights	Deficit	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014	$ 45,176	$ 44,644		$(39,935)	$ 8	$ 49,894		$ 49,894
Net loss				**(7,621)**		**(7,621)**		**(7,621)**
Issuance of new stock	**92,226**	**92,226**				**184,452**		**184,452**
Net change in the year			**$4,414**		**(12)**	**4,402**	**$21**	**4,424**
BALANCE, MARCH 31, 2015	**$137,403**	**$136,870**	**$4,414**	**$(47,557)**	**$ (3)**	**$231,128**	**$21**	**$231,150**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

CYBERDYNE, Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
OPERATING ACTIVITIES:			
Loss before income taxes and minority interests	**¥ (902,895)**	¥ (678,550)	**$ (7,513)**
Adjustments for:			
Depreciation and amortization	**202,295**	179,672	**1,683**
Loss on write-down of carrying value of fixed assets for tax purpose	**82,463**	71,216	**686**
Interest income	**(2,830)**	(372)	**(23)**
Interest expense	**18,839**	4,969	**156**
Stock issuance costs	**99,409**	31,967	**827**
Negative goodwill		(4,330)	
Changes in assets and liabilities:			
Increase in accounts receivable—trade	**(141,496)**	(48,258)	**(1,177)**
Increase in accounts receivable—other	**(9,959)**	(146,409)	**(82)**
Increase in allowance for doubtful receivables	**987**	219	**8**
Increase in inventories	**(139,552)**	(18,303)	**(1,161)**
Increase in accounts payable—trade	**65,985**	8,863	**549**
Other—net	**(28,925)**	71,395	**(240)**
Subtotal	**(755,680)**	(527,921)	**(6,288)**
Interest received	**1,763**	675	**14**
Interest paid	**(4,335)**	(4,969)	**(36)**
Income taxes—paid	**(21,034)**	(7,373)	**(175)**
Net cash used in operating activities	**(779,286)**	(539,588)	**(6,484)**
INVESTING ACTIVITIES:			
Increase in restricted deposit	**(20,000,000)**		**(166,430)**
Payments into time deposits	**(3,000,000)**		**(24,964)**
Proceeds from withdrawals of time deposits		400,000	
Purchases of property, plant and equipment	**(3,440,817)**	(226,614)	**(28,632)**
Purchases of intangible assets	**(29,875)**	(17,428)	**(248)**
Increase in investment securities	**(314,850)**		**(2,620)**
Increase in investments in unconsolidated subsidiaries		(6,000)	
Payments for loans receivable from unconsolidated subsidiaries		(1,643)	
Payments for acquisition of business		(15,000)	
Other—net	**4,941**	(11,516)	**41**
Net cash (used in) provided by investing activities	**(26,780,601)**	121,796	**(222,855)**
FINANCING ACTIVITIES:			
Repayments of long-term debt		(55,552)	
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	**20,394,935**		**169,717**
Proceeds from issuance of new stock	**22,066,287**	4,159,688	**183,625**
Other—net	**(20,219)**	(53,995)	**(168)**
Net cash provided by financing activities	**42,441,003**	4,050,140	**353,174**
FOREIGN CURRENCY TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	**(521)**	324	**(4)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**14,880,593**	3,632,672	**123,829**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,341,264**	708,591	**36,126**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 4)	**¥ 19,221,857**	¥4,341,264	**$ 159,955**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

CYBERDYNE, Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which CYBERDYNE, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to $1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts presented in the accompanying consolidated financial statements are rounded down to the nearest thousand yen and thousand dollar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation—*

The consolidated financial statements as of March 31, 2015 and 2014, include the accounts of the Company and its four significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

(Names of Consolidated Subsidiaries)
Suzuka Robo Care Center Co., Ltd.
Shonan Robo Care Center Co., Ltd.
Oita Robo Care Center Co., Ltd.
Cyberdyne Care Robotics GmbH

Investments in the remaining five unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

(Names of Unconsolidated Subsidiaries)
Niigata Robo Care Center Co., Ltd.
Cyberdyne EU B.V.
CYBERDYNE DENMARK ApS
Cyberdyne Sweden AB
CYBERDYNE (Germany) GmbH

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The closing date of Cyberdyne Care Robotics GmbH, one of the consolidated subsidiaries, is December 31. To prepare the consolidated financial statements, the Company used financial statements based on a provisional statement of accounts as at consolidated closing date. The closing dates of all other consolidated subsidiaries are the same as the parent company.

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—*

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. *Business Combinations—*

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

d. *Cash Equivalents—*

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and marketable securities, all of which mature or become due within three months of the date of acquisition.

e. *Inventories—*

Inventories are stated at the lower of cost determined by the following methods, or net selling value:

(1) Finished products, work in process:	Specific identification method
(2) Raw materials, merchandise:	Moving-average cost method
(3) Supplies:	Last purchase method

f. *Marketable and Investment Securities—*

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. *Allowance for Doubtful Receivables—*

The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. *Property, Plant and Equipment—*

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings (excluding structures), assets for rent and certain furniture and fixtures.

The range of useful lives is principally the following:

Buildings and structures:	3 to 20 years
Machinery and equipment:	7 years
Vehicles:	2 to 6 years
Furniture and fixtures:	2 to 20 years
Assets for rent:	5 years

Under certain conditions such as when companies receive government subsidies and purchase property, plant and equipment using the government subsidies, Japanese tax laws permit companies to defer the profit arising from such subsidies by reducing the cost of the assets acquired.

i. ***Long Lived Assets—***
The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. ***Intangible Assets—***
Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over 3 to 5 years for software and 8 years for patent rights.

k. ***Asset Retirement Obligations—***
In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. ***Research and Development Costs—***
Research and development costs are charged to income as incurred.

m. ***Leases—***
In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

The Company applied the revised accounting standard effective April 1, 2008.

All other leases are accounted for as operating leases.

n. ***Revenue Recognition—***
The Group's revenue mainly consists of rentals and sales of products. The Company recognizes rental revenue each month over the rental period based on the rental agreement. For sales of products, the Company recognizes revenue upon the completion of acceptance inspection by the customer.

o. ***Other Income—***
The Group receives subsidies from government agencies. Also, the Company conducts research consigned by government agencies. Subsidies and consigned research income are recognized by the percentage-of-completion method as the outcome of the projects can be estimated reliably.

p. ***Income Taxes—***
The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

q. ***Foreign Currency Transactions—***
All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations.

r. ***Foreign Currency Financial Statements—***
The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. ***Per Share Information—***
Basic net income or loss per share is computed by dividing net income or loss attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

The Company effected a five-for-one stock split on August 1, 2014, by way of a free share distribution based on the resolution of the Board of Directors' meeting held on May 22, 2014.

Also, the Company effected a two-for-one stock split on August 1, 2015, by way of a free share distribution based on the resolution of the Board of Directors' meeting held on May 25, 2015. All prior and current years share and per share figures have been restated to reflect the impact of these stock splits, and to provide data on a comparable basis.

Net loss per share is calculated assuming these stock splits were conducted at the beginning of the fiscal year ended March 31, 2014.

t. ***Accounting Changes and Error Corrections—***
In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors—When an error in prior period financial statements is discovered, those statements are restated.

u. ***New Accounting Pronouncements***
Accounting Standards for Business Combinations and Consolidated Financial Statements—On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

(a) *Transactions with noncontrolling interest*—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) *Presentation of the consolidated balance sheet*—In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination*—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) *Acquisition-related costs*—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. BUSINESS COMBINATION

On July 1, 2013, the Company acquired the cleaning robot business of Fuji Heavy Industries Ltd. ("the Cleaning robot Business"). The Company decided to develop a comprehensive robot company, centering on Robot Suit HAL, by taking over the cleaning robot business of Fuji Heavy Industries Ltd. and pushing forward with research and development of robots for cleaning and transportation, with which its proprietary advanced technologies will be combined.

The results of operations for the Cleaning robot Business are included in the Company's consolidated statement of operations from the date of acquisition.

The acquisition cost was ¥15,000 thousand in cash in accordance with the Asset Purchase Agreement dated July 1, 2013. The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values.

Negative goodwill of ¥4,330 thousand arose from the acquisition and with the application of the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the negative goodwill was immediately recognized as profit in the year ended March 31, 2014.

The fair values of the assets acquired and the liabilities assumed at the acquisition date were as follows:

	Thousands of Yen
Current assets	¥ 6,801
Property, plant and equipment	15,750
Total assets acquired	22,551
Total liabilities assumed	2,471
Net assets acquired	¥20,080

4. RECONCILIATION BETWEEN CASH AND BANK BALANCES AND CASH EQUIVALENTS

Reconciliation between cash and bank balances in the consolidated balance sheets as of March 31, 2015 and 2014, and cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2015 and 2014, was as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Cash and bank balances	**¥ 29,722,189**	¥4,341,264	**$ 247,334**
Marketable securities	**12,499,668**		**104,016**
Time deposits which mature or become due over three months from the date of acquisition	**(3,000,000)**		**(24,964)**
Restricted deposit	**(20,000,000)**		**(166,430)**
Cash and cash equivalents	**¥ 19,221,857**	¥4,341,264	**$ 159,955**

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015, consisted of the following:

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
	2015	**2015**
Current—Securities classified as:		
Held-to-maturity—commercial paper	**¥ 2,499,668**	**$ 20,801**
Available-for-sale—joint-managed money trust	**10,000,000**	**83,215**
Total	**¥12,499,668**	**$104,016**
Non-current—Securities classified as available-for-sale—unlisted stocks	**¥ 314,850**	**$ 2,620**

The Group did not have any marketable and investment securities as of March 31, 2014.

The costs and aggregate fair values of marketable and investment securities as of March 31, 2015, are not disclosed since the carrying value of commercial paper and joint-managed money trust approximate fair value because of their short maturities, and since unlisted stocks do not have a quoted market price and their fair value cannot be reliably determined.

Other than the above, investments in unconsolidated subsidiaries and associated companies, included in other assets in investments and other assets, as of March 31, 2015 and 2014, are as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Investments in unconsolidated subsidiaries and associated companies:			
Investment securities (shares)	**¥9,302**	¥7,639	**$77**
Investment securities (investments in capital)	**2,957**	2,957	**24**

6. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Merchandise and finished products	**¥ 52,779**	¥ 19,669	**$ 439**
Work in process	**21,956**	9,932	**182**
Raw materials and supplies	**264,473**	170,054	**2,200**
Total	**¥339,209**	¥199,657	**$2,822**

7. REDUCTION ENTRY

With receipt of state subsidies for fixed assets, the Company has reduced the acquisition cost of related fixed assets for tax purpose.

The reduction entries deduced from the acquisition cost of fixed assets for tax purpose as of March 31, 2015 and 2014, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Machinery and equipment	**¥144,555**	¥113,471	**$1,202**
Furniture and fixtures	**105,229**	62,310	**875**
Software	**11,332**	2,872	**94**

8. LONG-TERM DEBT

Long-term debt at March 31, 2015, consisted of the following:

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
	2015	**2015**
Long-term bonds—Euro-yen zero coupon convertible bond-type bonds with subscription rights to shares, due 2017	**¥19,883,974**	**$165,465**
Less current portion		
Long-term bonds, less current portion	**¥19,883,974**	**$165,465**

Outline of Euro-yen zero coupon convertible bond-type bonds with subscription rights to shares is as follows:

(1) Type of shares to be converted	Common stock of the Company
(2) Issue price of the stock acquisition rights	Zero
(3) Conversion price	¥3,790 ($31) (¥1,895 ($15) on or after the stock split as of August 1, 2015)
(4) Aggregate principal of the bond	¥20,000,000 thousand ($166,430 thousand)
(5) Exercise period	From December 26, 2014 to November 28, 2017
(6) Substitute payment	In the exercise of each stock acquisition rights, it is assumed that each bond will be invested, and the value of the bond will be equivalent to the total face value.

In accordance with the escrow agreement entered into with DB Trustees (Hong Kong) Limited, which serves as the trustee for the convertible bonds, and Deutsche Bank AG, Tokyo Branch, which serves as the escrow agent, the aggregate principal amount of the convertible bonds of ¥20,000,000 thousand ($166,430 thousand) was placed in the Company's escrow account, which was opened at the escrow agent, upon receipt of payment. The Company may withdraw funds from the escrow account only upon satisfaction of one of the conditions stated below.

Specifically, the Company may withdraw the funds if (i) it receives approval of its mainstay product HAL® as a medical device from the U.S. Food and Drug Administration ("FDA"), or if (ii) it receives approval to manufacture and distribute HAL® as a medical device in Japan from the Minister of Health, Labour and Welfare in Japan under the Pharmaceutical Affairs Act of Japan. In the event that the convertible bonds are converted into shares, the Company may withdraw an amount equivalent to the principal amount of the relevant convertible bonds that were converted even if the aforementioned conditions are not satisfied.

Annual maturities of long-term debt at March 31, 2015, were as follows:

Year Ending March 31	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
2016		
2017		
2018	¥20,000,000	$166,430
2019		
2020 and thereafter		

The Company has concluded overdraft agreements, with a maximum limit of ¥900,000 thousand ($7,489 thousand) and ¥600,000 thousand, with two banks as of March 31, 2015 and 2014, respectively, in order to efficiently fund ongoing operations.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Balance at beginning of year	**¥68,762**	¥67,380	**$572**
Reconciliation associated with passage of time	**1,409**	1,382	**11**
Balance at end of year	**¥70,171**	¥68,762	**$583**

Asset retirement obligations are obligations to restore sites to their original condition attendant upon the real estate lease contracts of the head office building and exhibition facilities, etc. The amounts of the asset retirement obligations are calculated at discount rates of 1.98% to 2.07% by estimating the expected use periods to be 18 to 20 years from acquisition.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3,000 thousand.

The Company is not allowed to pay dividends due to the deficit as of March 31, 2015 and 2014.

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The changes in shares are summarized below:

	Shares					
	(Former) Common Stock	(Former) Class A Stock	(Former) Class B Stock	Common Stock	Class B Stock	Total
Issued shares:						
Balance, April 1, 2013	49,267	25,667	12,073			87,007
Increase		12,073		10,853,400	8,586,566	19,452,039
Decrease	(49,267)	(37,740)	(12,073)		(816,566)	(915,646)
Balance, March 31, 2014				10,853,400	7,770,000	18,623,400
Increase				**51,934,600**	**31,080,000**	**83,014,600**
Decrease						
Balance, March 31, 2015				**62,788,000**	**38,850,000**	**101,638,000**
Balance, March 31, 2015 (as restated to reflect the stock split on August 1, 2015)				**125,576,000**	**77,700,000**	**203,276,000**
Treasury stock:						
Balance, April 1, 2013						
Increase					816,566	816,566
Decrease					(816,566)	(816,566)
Balance, March 31, 2014						
Increase						
Decrease						
Balance, March 31, 2015						

For the year ended March 31, 2015, reasons for the changes in the number of issued shares of each class of shares are as follows:

	Shares
Common stock—Increase:	
Third-party allocation of shares related to secondary offering through over-allotment	**304,200**
Issuance of new shares through the international offering	**7,000,000**
Stock split on August 1, 2014	**44,630,400**
Total	**51,934,000**
Class B stock—Increase—stock split on August 1, 2014	**31,080,000**

For the year ended March 31, 2014, reasons for the changes in the number of issued shares of each class of shares are as follows:

(1) As of October 23, 2013, the Company changed the (former) Class B stock to (former) Class A stock and changed such (former) Class A stock to Common stock after changing the details of (former) Class A stock. Further, the Company changed the (former) Common stock to Class B stock after changing the details of (former) Common stock.
Also, shareholders of new Class B stock, other than Yoshiyuki Sankai, the Sankai Health Foundation and the Sankai Science and Technology Promotion Foundation, for which Yoshiyuki Sankai serves as Representative Director, exercised the put options of 6,366 shares of Class B stock and had new Common stock of the same number issued. Furthermore, the Company canceled the 6,366 shares of Class B stock it had acquired, based on the resolution of the Board of Directors' meeting held on the same day.
(2) The Company split each share into 200 shares for both Common stock and Class B stock as of October 25, 2013.
(3) On January 27, 2014, Yoshiyuki Sankai exercised the put options of 810,200 shares of Class B stock he possessed and had Common stock of the same number issued. Also, the Company canceled the 810,200 shares of Class B stock it had acquired, based on the resolution of the Board of Directors' meeting held on January 28, 2014.
(4) The Company issued 1,222,000 shares Common stock through a public offering of shares, based on the resolution of the Board of Directors' meeting held on February 19, 2014.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Company recorded stock acquisition rights, related to Euro-yen zero coupon convertible bond-type bonds, of ¥530,529 thousand ($4,414 thousand) during the year ended March 31, 2015.

The change in shares to be converted is as follows:

	Thousands of Shares
Common stock:	
Balance, April 1, 2014	
Increase	**5,277**
Decrease	
Balance, March 31, 2015	**5,277**
Balance, March 31, 2015 (as restated to reflect the stock split on August 1, 2015)	**10,554**

The Company effected a two hundred-for-one stock split by way of a free share distribution on October 25, 2013, based on the resolution of the Board of Directors' meeting held on September 30, 2013.

Also, the Company effected a five-for-one stock split on August 1, 2014, by way of a free share distribution based on resolution of the Board of Directors' meeting held on May 22, 2014.

In addition, the Company effected a two-for-one stock split on August 1, 2015, by way of a free share distribution based on resolution of the Board of Directors' meeting held on May 25, 2015.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35.4% and 37.8% for the years ended March 31, 2015 and 2014, respectively.

The "Act on Partial Revision of the Income Tax Act" was promulgated on March 31, 2014, and the special reconstruction surtax will no longer be imposed from fiscal years beginning on or after April 1, 2014. Accordingly, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities was reduced from 37.8% to 35.4% in connection with temporary differences in assets or liabilities which are expected to be released in the fiscal years beginning on or after April 1, 2014.

The effects of this change in the tax rate were immaterial.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Thousands of Yen 2015	Thousands of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
Deferred tax assets:			
Allowance for doubtful receivables	¥ **443**	¥ 128	$ **3**
Research and development expenses	**50,752**	84,948	**422**
Write-off of inventories	**6,390**	5,842	**53**
Lump-sum depreciable assets	**3,734**	2,639	**31**
Accrued enterprise tax	**11,112**	5,506	**92**
Impairment loss	**2,871**	3,769	**23**
Depreciation	**93,237**	103,787	**775**
Asset retirement obligations	**22,507**	24,327	**187**
Loss on valuation of shares of unconsolidated subsidiaries and associated companies	**7,445**	8,216	**61**
Tax loss carryforwards	**1,489,075**	1,453,385	**12,391**
Other	**14,380**	9,407	**119**
Less valuation allowance	**(1,701,952)**	(1,701,960)	**(14,162)**
Total			
Deferred tax liabilities:			
Retirement expenses for asset retirement obligations	**(12,016)**	(14,378)	**(99)**
Other	**(1,318)**	(1,925)	**(10)**
Total	**(13,335)**	(16,303)	**(110)**
Net deferred tax liabilities	¥ **(13,335)**	¥ (16,303)	$ **(110)**

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	**35.4 %**	37.8 %
Expenses not deductible for income tax purposes	**(0.1)**	(0.1)
Impact of change in tax rate	**(18.6)**	
Inhabitant tax, flat rate	**(0.7)**	(1.2)
Expiration of tax loss carryforwards	**(15.2)**	
Valuation allowance	**0.0**	(34.8)
Other—net	**(2.0)**	(3.1)
Actual effective tax rate	**(1.3)%**	(1.4)%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 32.8% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.1%. The effect of these changes was to decrease deferred tax liabilities by ¥1,342 thousand ($11 thousand) in the consolidated balance sheet as of March 31, 2015, and to increase income taxes—deferred in the consolidated statement of operations for the year then ended by ¥1,342 thousand ($11 thousand).

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses mainly include the following:

	Thousands of Yen 2015	Thousands of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
Machinery and equipment			
Salaries	**¥151,135**	¥128,165	**$1,257**
Material costs	**444,411**	291,255	**3,698**
Rental expenses	**104,646**	117,264	**870**
Other selling, general and administrative expenses:			
Salaries	**284,945**	134,556	**2,371**
Depreciation	**72,841**	77,192	**606**
Rental expenses	**164,787**	132,935	**1,371**

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. *Company Policy for Financial Instruments*

The Group finances funds by borrowings from banks or other financial institutions such as issuance of bonds based on its capital financing plan. Cash surpluses, if any, are invested only in low risk financial assets. The Company does not intend to engage in derivative transactions.

b. *Nature and Extent of Risks Arising from Financial Instruments*

Receivables, such as trade accounts and other, are exposed to customer credit risk.

Payment terms of payables, such as trade accounts, are less than a month.

Marketable and investment securities, which mainly consist of stocks, held-to-maturity bonds and money trust, are exposed to credit risk of the issuers.

c. *Risk Management for Financial Instruments*

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

With regard to marketable securities and investment securities, the Group regularly monitors the financial conditions and other parameters of the issuers of these securities.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The corporate department prepares and updates the cash management plan periodically based on the reports from each department and calculates the necessary amount on hand. The Company manages liquidity risk by maintaining the amount calculated by the corporate department.

d. Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(1) Fair values of financial instruments

Financial instruments whose fair values cannot be reliably determined are excluded from the table below.

	Thousands of Yen			Thousands of U.S. Dollars (Note 1)		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and bank balances	**¥29,722,189**	**¥29,722,189**		**$247,334**	**$247,334**	
Marketable securities	**12,499,668**	**12,499,668**		**104,016**	**104,016**	
Receivables—trade accounts	**207,622**	**207,622**		**1,727**	**1,727**	
Receivables—other	**549,893**	**549,893**		**4,575**	**4,575**	
Total	**¥42,979,373**	**¥42,979,373**		**$357,654**	**$357,654**	
Payables—trade accounts	**¥ 92,195**	**¥ 92,195**		**$ 767**	**$ 767**	
Income taxes payable	**69,899**	**69,899**		**581**	**581**	
Convertible bond-type bonds with subscription rights to shares	**19,883,974**	**19,875,755**	**¥(8,219)**	**165,465**	**165,396**	**$(68)**
Total	**¥20,046,069**	**¥20,037,849**	**¥(8,219)**	**$166,814**	**$166,745**	**$(68)**

	Thousands of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and bank balances	¥4,341,264	¥4,341,264	
Receivables—trade accounts	66,126	66,126	
Receivables—other	398,516	398,516	
Total	¥4,805,906	¥4,805,906	
Payables—trade accounts	¥ 26,210	¥ 26,210	
Income taxes payable	26,469	26,469	
Total	¥ 52,679	¥ 52,679	

Cash and Bank Balances

The carrying values of cash and bank balances approximate fair value because of their short maturities.

Marketable Securities

The carrying values of commercial paper and joint-managed money trust approximate fair value because of their short maturities.

Receivables and Payables

The carrying values of receivables and payables approximate fair value because of their short maturities.

Convertible Bond-Type Bonds with Subscription Rights to Shares

The fair values of the convertible bond-type bonds with subscription rights to shares are measured at the present value of the total amount of principal and interest, discounted at a discount rate that reflects the remaining life of the bonds and credit risk.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Investment securities—Unlisted stock	**¥314,850**		**$2,620**
Investments in unconsolidated subsidiaries and associated companies:			
Investment securities (shares)	**9,302**	¥ 7,639	**77**
Investment securities (investments in capital)	**2,957**	2,957	**24**

e. Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Thousands of Yen			
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and bank balances	**¥29,722,189**			
Marketable securities	**12,499,668**			
Receivables—trade accounts	**207,622**			
Receivables—other	**549,893**			
Total	**¥42,979,373**			

	Thousands of U.S. Dollars (Note 1)			
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and bank balances	**$247,334**			
Marketable securities	**104,016**			
Receivables—trade accounts	**1,727**			
Receivables—other	**4,575**			
Total	**$357,654**			

14. COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2015 and 2014, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥(1,289)**	¥1,055	**$(10)**
Reclassification adjustments to profit or loss	**(208)**		**(1)**
Amount before income tax effect	**(1,497)**	1,055	**(12)**
Income tax effect			
Total other comprehensive (loss) income	**¥(1,497)**	¥1,055	**$(12)**

15. NET LOSS PER SHARE

The calculation base for net loss per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Thousands of Yen	Thousands of Shares	Yen	U.S. Dollars (Note 1)
Year Ended March 31, 2015	Net Loss	Weighted-Average Shares	EPS	
Basic EPS—Net loss attributable to common shareholders	**¥(915,893)**	**193,311**	**¥(4.74)**	**$(0.03)**

	Thousands of Yen	Thousands of Shares	Yen
Year Ended March 31, 2014	Net Loss	Weighted-Average Shares	EPS
Basic EPS—Net loss attributable to common shareholders	¥(688,171)	174,258	¥(3.95)

Although there were dilutive shares, diluted net income per share is not disclosed because the Company posted a net loss per share.

The Company effected a two hundred-for-one stock split by way of a free share distribution on October 25, 2013, based on the resolution of the Board of Directors' meeting held on September 30, 2013. Also, the Company effected a five-for-one stock split on August 1, 2014, by way of a free share distribution based on resolution of the Board of Directors' meeting held on May 22, 2014.

In addition, the Company effected a two-for-one stock split on August 1, 2015, by way of a free share distribution based on resolution of the Board of Directors' meeting held on May 25, 2015.

EPS is calculated assuming these stock splits were conducted at the beginning of the fiscal year ended March 31, 2014.

16. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Since the Group operates under a single segment, the HAL segment in Japan, and more than 90% of net sales are from this segment, segment information is omitted.

(Related Information)

a. Information about Products and Services

Since net sales of the single classification of products and services to outside clients exceed 90% of net sales in the consolidated statement of operations, segment information by product and service is omitted.

b. Information about Geographical Areas

(1) Net sales

	Thousands of Yen			Thousands of U.S. Dollars (Note 1)		
March 31, 2015	Japan	EMEA	Total	Japan	EMEA	Total
Net sales	**¥567,514**	**¥63,763**	**¥631,278**	**$4,722**	**$530**	**$5,253**

For the year ended March 31, 2014, since net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statement of operations, net sales information by geographical area is omitted.

(2) Property, plant and equipment

Since the amount of property, plant and equipment in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet, property, plant and equipment information by geographical area is omitted.

c. Information about Major Customers

March 31, 2015	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
Sales to—DAIWA HOUSE INDUSTRY CO., LTD.	**¥69,728**	**$580**

March 31, 2014	Thousands of Yen
Sales to—University of Tsukuba	¥87,646

17. SUBSEQUENT EVENTS

a. Stock Split

The Company effected a two-for-one stock split on August 1, 2015, based on the resolution of the Board of Directors' meeting held on May 25, 2015.

(1) Purpose of the stock split

The Company resolved the stock split for the purpose of improving liquidity and expanding its investor base.

(2) Outline of stock split

(a) Stock Split Method

The stock split was effected 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.

(b) 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

(c) Stock Split Schedule

Public notice date of the basis date	July 16, 2015
Basis 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-type bonds with subscription rights to shares, due 2017
Conversion price before adjustment	¥3,790 ($31)
Conversion price after adjustment	¥1,895 ($15)

(4) Amendment of certain articles of incorporation

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, will be increased at the same rate as the stock split. The amendments will be made to effect this change.

(a) Amendment Details (Amendments Are Underlined)

Current Articles of Incorporation	Articles of Incorporation after Amendments
(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 classified shares authorized to be issued by the Company shall be as follows:	Article 6-2 The total number of classified shares authorized to be issued by the Company shall be as follows:
(1) Common stock 309,150,000	(1) Common stock 618,300,000
(2) Class B stock 38,850,000	(2) Class B stock 77,700,000

(b) Schedule

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

b. Issuance of Stock Acquisition Rights as Stock Options

At the General Meeting of Shareholders held on June 24, 2015, a resolution was passed to issue stock acquisition rights as stock options at no cost to certain directors and certain employees of the Company and certain collaborators outside the Company, based on Articles 236, 238 and 239 of the Companies Act.

Overview of the stock options is as follows:

(1) Persons granted	Certain directors (excluding outside directors), certain employees and certain collaborators outside the Company The number of recipients, has not been determined.
(2) The upper limit of the number of granted shares	100,000 shares
(3) Exercise period	8 years from the day on which 2 years have elapsed since the day of the resolution on issue of stock acquisition rights as stock options

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CYBERDYNE, Inc.:

We have audited the accompanying consolidated balance sheet of CYBERDYNE, Inc. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CYBERDYNE, Inc. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2015
(August 1, 2015 as to Note 17 and the other relevant information)

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Name:	CYBERDYNE Inc.
Headquarters:	2-2-1, Gakuen-Minami, Tsukuba, Ibaraki, 305-0818, Japan
Founded:	June 24, 2004
Capital stock:	¥16,511 million (as of December 12, 2014)

Board of Directors:	*Representative Director, President and CEO*	Yoshiyuki Sankai
	Director	Fumiyuki Ichihashi
	Director and CFO	Shinji Uga
	Director	Hiroaki Kawamoto
	Outside Director	Kinichi Nakata
	Outside Director	Kazumasa Yoshida
	Outside Director	Hikari Imai
Audit & Supervisory Board members:	*Full-time Audit & Supervisory Board Member*	Yutaka Fujitani
	Audit & Supervisory Board Member	Cees Vellekoop
	Audit & Supervisory Board Member	Kenichiro Okamura

Business facilities:	**Fukushima Facility**	1-12, Machiikedai, Koriyama, Fukushima, 963-0215, Japan In the Fukushima Technology Centre
	Okayama Facility	5303, Haga, Kita-ku, Okayama, Okayama, 701-1221, Japan In the Okayama Research Park Incubation Center

Group companies:

	Issued share capital	Percentage of voting rights	Principal business
Cyberdyne Care Robotics GmbH	€25,000	75.1%	Functional improvement therapy services using HAL®
Suzuka Robo Care Center Co., Ltd.	¥3 million	100.0%	Training services and long-term care insurance business using HAL®
Shonan Robo Care Center Co., Ltd.	¥3 million	100.0%	
Oita Robo Care Center Co., Ltd.	¥3 million	100.0%	

Investor Information (as of March 31, 2015)

Stock listing:	Mothers Section of TSE	Fiscal year-end:	March 31
Stock code:	7779	Share unit:	100 shares (Common stock)
Listed:	March 26, 2014		10 shares (Class B stock)
Fiscal year:	April 1 to March 31		

Number of shares:	Total number of authorized shares:	348,000,000	Common stock	309,150,000
			Class B stock	38,850,000
	Total number of issued shares:	101,638,000	Common stock	62,788,000
			Class B stock	38,850,000

Major shareholders:

Shareholder	Number of shares held	Shareholding ratio (%)
Yoshiyuki Sankai	Class B stock 38,848,000 Common stock 21,000	38.24
Daiwa House Industry Co., Ltd.	Common stock 13,845,000	13.62
Japan Trustee Services Bank, Ltd. (Trust Account)	Common stock 2,203,200	2.16
GCAS BANA LONDON US CLIENT	Common stock 1,863,000	1.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	Common stock 1,677,000	1.64
DEUTSCHE BANK AG LONDON-PB NON-TREATY CLIENTS 613	Common stock 1,467,201	1.44
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	Common stock 1,288,593	1.26
Deutsche Securities Inc.	Common stock 1,246,166	1.22
STATE STREET BANK AND TRUST COMPANY 505041	Common stock 916,700	0.90
BNY FOR GCM CLIENT ACCOUNTS (E) BD	Common stock 851,523	0.83

CYBERDYNE