



CYBERDYNE

Annual Report 2014

CYBERDYNE





COMPANY PROFILE

Company Name	CYBERDYNE Inc.
Headquarters	2-2-1, Gakuen Minami, Tsukuba, Ibaraki 305-0818, Japan
Founded	CYBERDYNE Inc. was founded on June 24, 2004
Capital Stock	¥5.946 billion
Businesses	Research and development of equipment and systems in the following areas: Medical care / Welfare Rehabilitation / Caregiving Assistance for the physical capabilities of the elderly / the disabled Rescue operations at disaster sites Entertainment Facilitating heavy labor in factories and plants Related businesses: Production Leasing / Sale / Maintenance

Let's innovate toward the future with CYBERDYNE



CYBERDYNE Inc.
President and CEO
Yoshiyuki Sankai, Ph.D. (Engineering)



Purposes for Going Public

Toward accelerated business development and achievement of our vision

We created the world's first cyborg-type robot, Robot Suit HAL® (Hybrid Assistive Limb®), which was designed to improve, support and enhance physical capabilities. As the result of many years of research and development, HAL® obtained certification throughout Europe as a medical device in summer 2013. Public worker compensation in Germany began covering treatment using HAL® in fall of the same year, marking the beginning of our business operations in Europe. At this juncture, CYBERDYNE made the decision to go public, and the company was listed on the Mothers section of the Tokyo Stock Exchange (TSE) on March 26, 2014.

Our purpose in going public was to accelerate our business development and thus realize our vision as quickly as possible. With our listing on Mothers, CYBERDYNE was able to achieve a major step toward this end.

There was a stage during the listing approval process where our business was evaluated and assessed by professional institutions, such as a securities broker, law firms, and an accounting firm, which were well versed in capital markets. By experiencing this process we were able to ascertain for ourselves that the business operations we had developed, one step at a time and through trial and error, had attained a certain standard. Moreover, the fact that we were able to succeed in securing funds through our initial public offering (IPO) brought about a change in employee awareness and morale, resulting in even more positive development efforts and a sense of vitality and unity throughout the company.

Background and Progress of CYBERDYNE

The intervention of technology can greatly change the way people live their lives

My Childhood Years

I've always felt a great love of humanity, and had the strong desire to be of service to people and to society at large. We are born, we mature, and while in the process of conducting our activities in society, our physical capabilities gradually diminish over time until we die. The intervention of technology during the course of this process can greatly change the way people live their lives. Ever since childhood I've contemplated in this way, and always dreamt of becoming a scientist who could help make this happen.

Toward Incorporation

In 1987 we set about planning the object of our research, which is "Cybernetics,"* and we created an overall grand design. We launched the HAL® enterprise in 1991, embarking on the creation of the technological principles involved in enhancing human physical performance through fusion and combination of the capabilities of man and machine. Our research extended beyond mere cybernetics and mechatronics to encompass a wide range of fields including the brain and neuroscience, kinesiology and regenerative medicine. Fundamental experimentation and cumulative validation resulted in the completion in 1995 of our first HAL® prototype. Before long we had evolved the design through HAL®1 and HAL®2, and in 1997 we commenced development of HAL®3. At the present time we have perfected a completely independent walker version of HAL®, featuring a cable-free battery mounted on the back.

Beginning around the year 2000 we introduced a new approach whereby HAL® would be manufactured by private enterprise. Our efforts were well received by top management among such companies, which subsequently dispatched their researchers in their commitment to proceed with joint research of HAL®. In those days our lab was filled with industry researchers, but the essential commercialization plans made very little progress. Just around that time, the Cabinet Office launched a program to promote university-based ventures, and with a mind to create a company of our own, we established CYBERDYNE on June 24, 2004.

* A fusion of various academic fields, as those mentioned above, which was later championed as a new academic field of study by Dr. Sankai

My Philosophy Regarding Science

“The significance of scientific technology is determined by its usefulness to people and to society”

At the time of incorporation, we resolved to recalibrate to determine our business focus from among the wealth of experiences gained through the HAL® project. One principle that underpinned this focus, and one that I held onto from the very beginning, can be stated simply: “The significance of scientific technology is determined by its usefulness to people and to society.” It was my intention to devote our business to this principle going forward, creating an enterprise that implements people-friendly technologies for the benefit of society.

Many businesses are currently based on a business model that consists of generating profits by making and selling, and getting people to consume, as many products as possible. Because the technology is employed with the premise of nothing more than consumption, this 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 applying technical innovation to provide solutions to the issues that people and society face, without predicating this value on mere consumption.



Business Vision

Creation of a new industrial model: Encouraging a shift from a consumption economy to one based on providing innovative solutions to society's issues

When aspiring to change society or reform the industrial structure, even more important than rallying support from the government and industry leaders is to take direct action as one player in the wider game. The vision I am delineating through my business is to create a new industrial model that promotes a shift from our consumption-based economy to one based on providing innovative solutions to social issues. As the problems that society faces are resolved through technological innovation, the methods themselves that provide these solutions then form the nucleus for the creation of new industries, cultivating new users and generating new markets. In other words, every business activity is imbued with innovation, and this then develops and cultivates the world of the future. That is the path that CYBERDYNE has created as an enterprise, and that is its core strength.

Issuance of Special Limited Voting Shares

Realization of a Japan first with a special voting class of stock

Based on our desire to manage the company without compromising our principles or vision, our initial funding in 2006 was procured through the issuance of non-voting shares alone. Subsequently, we met with stock exchange officials and university faculty to assess their views on whether it would be possible to go public using non-voting shares. We learned that even a venture company such as ours could inspire other members of society to take action by seizing the initiative ourselves. The TSE began to consider listing using non-voting shares in a positive light, and the Financial Services Agency then exerted its authority in 2008 and revised TSE regulations themselves.

CYBERDYNE's IPO became the first in Japan to be launched issuing class shares (multiple types of shares with different voting rights). This event convinced me that we stand poised to realize our vision with commanding traction and adroitness.



Business Progress

Toward a global enterprise, developing simultaneously in Japan and overseas

Progress in Europe

The fact that our official corporate designation uses the Roman alphabet indicates our intention to operate as a global enterprise. From its inception, CYBERDYNE had established a policy of simultaneously developing its business in Japan and overseas.

HAL[®] is a device that achieves improvement, support and enhancement of physical capabilities for patients with disorders of the brain, nervous system and musculature, and the enormous breakthroughs it has achieved as a result of commercialization have been confirmed by certification as a medical device. CYBERDYNE has simultaneously conducted non-clinical and clinical trials of HAL[®] in both Japan and Europe.

In summer 2013, HAL[®] was certified as a medical device in Europe by an international third party accreditation organization, TÜV Rheinland. In the same year, treatment using HAL[®] became covered under the German public worker's compensation insurance system. Then in the fall, functional improvement therapy using HAL[®] for Medical Use aimed at the European market was launched at Cyberdyne Care Robotics GmbH in Bochum, Germany. In addition, HAL[®] units were distributed in turn to hospitals in Berlin in January, in Frankfurt in February, and in Halle in March in 2014.

Moreover, in the past, contracts had been concluded with each participating hospital on an individual basis, but now because of an offer from Germany's public worker compensation insurance organization, we were able to enter into a single contract with nine hospitals covered under that system.

The strength of this business model lies in the fact that it delivers happiness to everyone concerned. The total expense of treatment in a public worker's accident is reduced as the independence level of patients completing the HAL[®] program steadily increases, resulting in treatment revenues for the hospitals while generating earnings for CYBERDYNE as well. It truly is a win-win situation for everybody involved.

Progress in Japan

In the Japanese market, the current HAL[®] for Welfare Use units have been distributed to medical organizations and care facilities [both are described collectively as “facility” or “facilities” hereafter] on a rental basis since 2010. In this business model, a rental fee and clinical data are collected by CYBERDYNE during the course of operation at each facility. User facilities can save on initial investment, while CYBERDYNE is able to secure stable earnings. Furthermore, we have learned that the ability of HAL[®] to gather detailed data on each symptom enables assessment of the system’s effectiveness with a comparatively small number of samplings. As of March 2014, 162 facilities have implemented the system, with 355 units in use in Japan.

Looking to the future, other devices are ready to ship, including a compact and light-weight HAL[®] for Single Joint, HAL[®] for Back Load Reduction for the workplace, and a Vital Sensing System. Test launches, both domestically and overseas, are scheduled to begin before the end of 2014.

Organizational Structure

An “innovation group,” giving shape to ideas and delivering them instantly to the world

Enterprises seeking to increase profits when conducting business in existing markets have no options other than expanding and improving product features or lowering prices. In contrast to this, there is no existing market for Robot Suit HAL®. In other words, no market, no users, no industry, no professionals and no social guidelines. By replacing each “no” with “new,” we grapple with uncertainty and seek innovation. This in itself is the creation of a new industrial model.

In the process of HAL® business development, CYBERDYNE has implemented or reinforced the internal structures necessary for the creation of this new industry. These include the Research and Development Department for rapidly transforming ideas into form, procuring materials, and designing manufacturing processes, the Quality Assurance Department for applying and securing international and product standard certification, the testing team for conducting clinical testing and clinical investigations, and applying for public insurance systems and other departments. Additionally, these various departments have been integrated into a system for completing these processes and shipping our products to the world in the shortest possible time.

I’m proud to invite anyone with solid ideas or prototypes to join us at CYBERDYNE. Normally when seeking to give birth to a new industry, a business must procure funding from investors, assemble the necessary personnel, and devise an effective organizational structure. Manufacturing and sales systems must then be developed for the new product or service. The time to market is unacceptably long with this approach. At CYBERDYNE, however, we are able to take each idea and rapidly transform it into a device that we deliver to the world with great speed. This high-caliber organizational functionality will become a core pillar of our business strategy going forward.



Message to Stockholders and Investors

Stockholders are our fellow travelers in our quest to “challenge the future of innovation”

CYBERDYNE is an enterprise that is creating and developing a new industry and business models based on pursuing the public interest within a capital economy. Therefore, we regard stockholders and investors who invest in us as our fellow travelers—as they focus on many issues that people and society face today and partner with us, helping to transform industries and create a new society for the future. I offer my heartfelt respect to all those who have chosen to share our path and walk with CYBERDYNE.

Lastly, I continually dedicate my mind and energy to providing the highest quality leadership going forward, so that CYBERDYNE will continue to enjoy the anticipation and trust of all our stakeholders.

With this in mind, I ask each of you to continue to challenge the future of innovation together with CYBERDYNE.

Consolidated Balance Sheet

(Thousands of yen)

	FY2013 (as of March 31, 2014)
Assets	
Current assets	
Cash and deposits	4,341,264
Accounts receivable — trade	66,126
Merchandise and finished goods	19,669
Work in process	9,932
Raw materials and supplies	170,054
Accounts receivable — other	398,516
Other	60,568
Allowance for doubtful accounts	(362)
Total current assets	5,065,769
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	838,231
Rental assets, net	110,127
Other, net	176,988
Total property, plant and equipment	1,125,347
Intangible assets	50,754
Investments and other assets	192,896
Total non-current assets	1,368,999
Total assets	6,434,768
Liabilities	
Current liabilities	
Accounts payable — trade	26,210
Income taxes payable	26,469
Other	222,277
Total current liabilities	274,956
Non-current liabilities	
Deferred tax liabilities	16,303
Asset retirement obligations	68,762
Other	78,917
Total non-current liabilities	163,983
Total liabilities	438,938
Net assets	
Shareholders' equity	
Capital stock	5,428,919
Capital surplus	5,364,919
Retained earnings	(4,799,064)
Total shareholders' equity	5,994,773
Accumulated other comprehensive income	
Foreign currency translation adjustment	1,055
Total accumulated other comprehensive income	1,055
Total net assets	5,995,828
Total liabilities and net assets	6,434,768

Consolidated Statement of Income

(Thousands of yen)

	FY2013 (from April 1, 2013, to March 31, 2014)
Net sales	456,375
Cost of sales	245,988
Gross profit	210,387
Selling, general and administrative expenses	
Research and development expenses	716,171
Other	648,457
Total selling, general and administrative expenses	1,364,629
Operating loss	(1,154,242)
Non-operating income	
Interest income	372
Subsidy income	465,421
Research consignment income	92,712
Other	22,143
Total non-operating income	580,650
Non-operating expenses	
Interest expenses	4,969
Share issuance cost	31,967
Loss on reduction of non-current assets	71,216
Other	1,135
Total non-operating expenses	109,289
Ordinary loss	(682,881)
Extraordinary income	
Gain on bargain purchase	4,330
Total extraordinary income	4,330
Loss before income taxes and minority interests	(678,550)
Income taxes – current	11,516
Income taxes – deferred	(1,895)
Total income taxes	9,621
Loss before minority interests	(688,171)
Net loss	(688,171)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY2013 (from April 1, 2013, to March 31, 2014)
Loss before minority interests	(688,171)
Other comprehensive income	
Foreign currency translation adjustment	1,055
Total other comprehensive income	1,055
Comprehensive income	(687,116)
(Comprehensive income attributable to)	
Comprehensive income attributable to owners of parent	(687,116)
Comprehensive income attributable to minority interests	—

Consolidated Statement of Changes in Equity

FY2013 (from April 1, 2013 to March 31, 2014)

(Thousands of yen)

	Shareholders' equity			Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	
Balance at beginning of current period	3,349,075	3,285,075	(4,110,892)	2,523,257
Changes during period				
Issuance of new shares	2,079,844	2,079,844	—	4,159,688
Net loss	—	—	(688,171)	(688,171)
Net changes in items other than shareholders' equity	—	—	—	—
Total changes during period	2,079,844	2,079,844	(688,171)	3,471,516
Balance at end of current period	5,428,919	5,364,919	(4,799,064)	5,994,773

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	—	—	2,523,257
Changes during period			
Issuance of new shares	—	—	4,159,688
Net loss	—	—	(688,171)
Net changes in items other than shareholders' equity	1,055	1,055	1,055
Total changes during period	1,055	1,055	3,472,571
Balance at end of current period	1,055	1,055	5,995,828

Consolidated Statement of Cash Flows

(Thousands of yen)

	FY2013 (from April 1, 2013, to March 31, 2014)
Cash flows from operating activities	
Loss before income taxes and minority interests	(678,550)
Depreciation and amortization	179,672
Loss on reduction of non-current assets	71,216
Increase (decrease) in allowance for doubtful accounts	219
Interest income	(372)
Interest expenses	4,969
Share issuance cost	31,967
Gain on bargain purchase	(4,330)
Decrease (increase) in accounts receivable — trade	(48,258)
Decrease (increase) in inventories	(18,303)
Increase (decrease) in accounts payable — trade	8,863
Decrease (increase) in accounts receivable — other	(146,409)
Other	71,395
Subtotal	(527,921)
Interest and dividend income received	675
Interest expenses paid	(4,969)
Income taxes paid	(7,373)
Net cash provided by (used in) operating activities	(539,588)
Cash flows from investing activities	
Proceeds from withdrawal of time deposits	400,000
Purchase of property, plant and equipment	(226,614)
Purchase of intangible assets	(17,428)
Purchase of shares of subsidiaries and associates	(6,000)
Payments of loans receivable from subsidiaries and associates	(1,643)
Payments for transfer of business	(15,000)
Other	(11,516)
Net cash provided by (used in) investing activities	121,796
Cash flows from financing activities	
Repayments of long-term loans payable	(55,552)
Proceeds from issuance of common shares	4,159,688
Other	(53,995)
Net cash provided by (used in) financing activities	4,050,140
Effect of exchange rate change on cash and cash equivalents	324
Net increase (decrease) in cash and cash equivalents	3,632,672
Cash and cash equivalents at beginning of period	708,591
Cash and cash equivalents at end of period	4,341,264