April 11, 2016

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Notice regarding the receipt of development milestone revenue upon the first implantation of the regenerative cell medicine SB623 to patients in the Phase 2b clinical trial for treatment of chronic stroke in the U.S.

SanBio Co., Ltd. (hereafter, "the Company") announces today that the Company received a development milestone payment of $5 million on April 8, 2016 from its partner, Sumitomo Dainippon Pharma Co., Ltd. The payment became due upon the first implantation to patients in the Phase 2b clinical trial of the regenerative cell medicine SB623 for the treatment of chronic disability resulting from ischemic stroke in the United States on March 8, 2016.

1. Details of development milestone payment upon the first implantation to patients

Clinical trials for the treatment of chronic stroke patients in the United States have been performed based on a joint development agreement with Sumitomo Dainippon Pharma Co., Ltd. This agreement includes several progress milestones to be met during the development stage and at the product launch; the Company receives revenue upon reaching each milestone. Assuming that all milestones are met, the Company will receive development milestone revenue of $40 million and milestone revenue of $40 million at the launch, totaling $80 million from its partner. In addition to this milestone-based revenue, the Company receives substantial revenue from its partner to support the Company's development costs.

During the Phase 2b trial, the Company has now received $10 million of milestone revenue, out of the overall $80 million. The first half of this amount, $5 million, was received upon entering into an agreement with the first clinical site in September, 2015. The Company has now received the remaining $5 million as of April 8, 2016, based upon the first implantation to patients on March 8, 2016.

2. Future prospects

The effect of this matter on the Company’s consolidated financial results for the fiscal year ending January 2017, which were announced on March 16, 2016, is not significant.

End

(Reference) Forecast of consolidated financial results announced on March 16, 2016 and consolidated financial results for the previous fiscal year

(Millions of yen)

	Consolidated operating revenue	Consolidated operating income	Consolidated ordinary income	Consolidated net income
Forecast for the current fiscal year ending January 31, 2017	886	△3,814	△3,830	△3,641
Results for the previous fiscal year ended January 31, 2016	1,174	△1,125	△1,172	△988