September 14, 2016

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Notice Regarding Posting of Non-Operating Expenses (Foreign Exchange Losses) and Differences between the Consolidated Financial Results Forecast and Actual Results for the Six Months Ended July 31, 2016

SanBio Co., Ltd. (hereafter "the Company") hereby announces the recognition of non-operating expenses (foreign exchange losses), and the differences between the consolidated financial results forecast and actual results for the six months ended July 31, 2016. The details are described below.

1. Details concerning non-operating expenses (foreign exchange losses)

   For the six months ended July 31, 2016, the Company incurred foreign exchange losses due to fluctuations in exchange rates, and recorded ¥583 million of foreign exchange losses as non-operating expenses. This mainly concerned the assets held by the Company denominated in foreign currencies, and these foreign exchange losses resulted from the trend of a stronger yen compared to the end of the previous fiscal year. Going forward, this amount may change further depending on the conditions of the exchange rates.

2. Differences between consolidated financial results forecast and actual results for the six months ended July 31, 2016 (February 1, 2016 to July 31, 2016)

	Operating Revenue	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Income Per Share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous Forecast (A) (as of March 16, 2016)	735	(1,629)	(1,637)	(1,543)	(34.59)
Actual Result (B)	684	(610)	(1,228)	(1,145)	(25.60)
Amount Change (B)-(A)	(51)	1,019	409	398	
Percentage Change (%)	(6.9)	-	-	-	
(Reference) Actual Results for the Six Months Ended July 31, 2015 (Second Quarter of the Fiscal Year Ended January 31, 2016)	411	(555)	(532)	(440)	(10.32)

3. Reasons for differences between consolidated financial results forecast and actual results for the six months ended July 31, 2016

Based on a joint development agreement with Sumitomo Dainippon Pharma Co., Ltd., the SanBio Group is currently conducting a Phase 2b clinical trial in the US for the regenerative medicine SB623 for the patients with motor deficits resulting from stroke, developed in-house by the Group, on 156 participants. The clinical trial began patient recruitment in March 2016, and recruitment is currently ongoing.

The Company has also been conducting a global clinical trial as the sole sponsor involving clinical trial sites in Japan and the US. This is a Phase 2 clinical trial for the treatment of chronic traumatic brain injury (52 participants) as an additional indication to stroke. The trial began recruitment in July 2016, and recruitment is currently ongoing.

In our initial plan, we projected expenses based on the assumption that a substantial number of patients would be enrolled in the first half of the fiscal year. However, as we focused on the development of clinical facilities (administration facilities and evaluation facilities) in the first half, in the six months ended July 31, 2016, expenses were significantly lower than projected due to the unexpended portions of the trial expenses. Accordingly, operating loss was smaller than projected. On the other hand, due to fluctuations in exchange rates, the Company recorded foreign exchange losses with regards to the assets held by the Company denominated in foreign currencies. As a result, this limited the amount of reduction in net loss attributable to owners of parent.

Regarding the full-year financial results forecast, we are aiming to accelerate and complete, as soon as possible, the recruitment of patients for the two above-mentioned development programs. At present, no revision has been made to the consolidated financial results forecast for the fiscal year ending January 31, 2017 announced on March 16, 2016 in the “Consolidated Financial Results for the Fiscal Year Ended January 31, 2016 [Japanese GAAP].”

(Reference) Full-year consolidated financial results forecast (as announced on March 16, 2016) and actual results for the previous fiscal year

	Operating Revenue	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
	Million yen	Million yen	Million yen	Million yen
Consolidated Financial Results Forecast for the Current Fiscal Year (Fiscal Year Ending January 31, 2017)	886	(3,814)	(3,830)	(3,641)
Actual Results for the Previous Fiscal Year (Fiscal Year Ended January 31, 2016)	1,174	(1,125)	(1,172)	(988)