December 14, 2016

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Notice Regarding Revision to Financial Forecasts and Posting of Non-Operating Expenses (Foreign Exchange Losses)

SanBio Co., Ltd. (hereafter "the Company") hereby announces the revision to the consolidated financial forecasts for the fiscal year ending January 31, 2017, and recognition of non-operating expenses (foreign exchange losses) for the nine months period ended October 31, 2016. The details are described below.

1. Revision to Financial Forecasts
The consolidated financial forecasts for the fiscal year ending January 31, 2017 (February 1, 2016 to January 31, 2017)

	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 Forecasts (A) (Announced on March 16, 2016)	886	-3,814	-3,830	-3,641	-81.62
Revised Forecasts (B)	947	-1,804	-2,301	-2,136	-47.65
Amount Change (B)-(A)	61	2,010	1,529	1,505	
Percentage Change (%)	6.9	-	-	-	
(Reference) Actual results of the corresponding period of the previous fiscal year (FY 2016)	1,174	-1,125	-1,172	-988	-22.67

Reasons for the revision

With regard to the financial results forecast for the fiscal year under review, we expect operating revenue to be more or less in line with the plans, owing to milestone revenue and proceeds from the development support fee based on the agreement with alliance partner Sumitomo Dainippon Pharma Co., Ltd.

On the other hand, in term of expenses, we will revise forecasts for losses to lower than the plans, as some initially planned expenses such as clinical trial expenses are expected to remain unused. This is because the expense plans which included clinical trial expenses had many uncertainties, and their expected maximum amounts incorporated during planning were too conservative.

Under a joint development agreement with Sumitomo Dainippon Pharma Co., Ltd. carried out in the US, the Group is currently conducting a Phase 2b clinical trial on our unique regenerative cell medicine SB623 for patients with chronic motor deficit from ischemic stroke,

involving a scale of 156 participants. The first patients were enrolled for the trial in March 2016, with successive enrollments ensuing thereafter.

In addition, we are independently conducting a global study between Japan and the US of a Phase 2 clinical trial for patients with chronic motor deficit from traumatic brain injury (with a total scale of 52 participants in the US and Japan), which is an expanded indication for the drug. The first patients were enrolled in the US in July 2016, and in Japan in October 2016, with subsequent enrollments.

The financial results forecast for the next fiscal year (from February 1, 2017 to January 31, 2018) will be announced in mid-March 2017 reflecting the above.

The exchange rate as of the end of November and the average exchange rate for the nine months ended October 31, 2016 were adopted for the revisions to the financial results forecast for the fiscal year under review.

(Note) The above forecasts are based on information currently available to the Company, and assumptions determined as rational. Actual performance may significantly differ from these forecasts due to various factors in the future.

2. Posting of non-operating expenses (foreign exchange losses)

For the nine months ended October 31, 2016, the Company incurred foreign exchange losses due to fluctuations in exchange rates, and recorded ¥565 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.