Company: Reprocell, Inc.
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August 4th, 2015

To Whom It May Concern:

Announcement: Reprocell's project, "Prototype Development of a Large-Scale Production Mechanism of Highly Functional Cardiomyocytes Derived From Human iPS Cells", has been chosen to receive a Subsidy for Collaborative Projects to Advance the Creation of an Innovative Manufacturing Industry (FY 2015-2016). The subsidy will be added to the income statement as non-operating income.

We would like to announce that on August 3rd, 2015, one of our projects, "Prototype Development of a Large-Scale Production Mechanism of Highly Functional Cardiomyocytes Derived From Human iPS Cells" (hereafter, "the project") was selected to receive a Subsidy for Collaborative Projects to Advance the Creation of an Innovative Manufacturing Industry (FY 2015-2016).

Up till now when developing new pharmaceutical products, safety pharmacology studies in the preclinical stage have been conducted primarily on animals. This practice, however, incurs large expenses to purchase, breed, and raise the animals. In addition, even after safety and efficacy are demonstrated, it is not uncommon for unexpected side effects such as arrhythmia to arise during the clinical trials and interrupt the development process. Given these conditions, there is great hope that human iPS cells may be utilized in safety pharmacology studies.

In the project, we will be making use of our wealth of internally developed expertise in iPS cells and the three-dimensional cell culture technology at the Tokyo Women's Medical University to develop a prototype that produces highly functional cardiomyocytes derived from human iPS cells in large quantities and which holds promise for subsequent commercial viability. Producing cardiomyocytes in large quantities in limited spaces through the use of a small bioreactor (cell culture apparatus) will put us in a good position to meet the large demand in this field.

We aim to dramatically expand our operations by making progress with human iPS cell-derived cardiomyocytes and the means to supply them efficiently through large-scale production.

While the exact time of when we will receive the approximately ¥40-million subsidy is currently being determined, we plan to include the subsidy as non-operating income in our consolidated financial statement of the fiscal year in which we receive the subsidy. We will notify you of the effect of this inclusion on our earnings estimate for the period ending in March 2016 when it becomes clear.