To our Shareholders

Internet disclosure related to the Notice of the 17th Ordinary General Meeting of Shareholders

June 9, 2021
CYBERDYNE Inc.

Table of contents

According to laws, regulations, and Article 22 of the Company's Articles of Incorporation, the above information is deemed to have been provided to shareholders by posting it on the Company's website (https://cyberdyne.jp/company/IR.html)

2 Matters regarding the Company shares

3. Matters regarding the Stock Acquisition Rights

(1) Status of the Stock Acquisition Rights issued to the CYBERDYNE's officers as remuneration in exchange for their business execution during the fiscal year under review

No items to report

(2) Status of the Stock Acquisition Rights issued to the CYBERDYNE's employees in exchange for their business execution during the fiscal year under review

No items to report

(3) Other important matters regarding the Stock Acquisition Rights

2015 1st Series Stock Options of CYBERDYNE Inc. / 2016 1st Series Stock Options of CYBERDYNE Inc./ 2017 1st Series Stock option of CYBERDYNE Inc.

Name (Date of resolution)	2015 1st Series Stock Option of CYBERDYNE, INC. (Resolved on July 28, 2015)	2016 1st Series Stock Option of CYBERDYNE, INC. (Resolved on May 24, 2016)	2017 1st Series Stock Option of CYBERDYNE, INC. (Resolved on July 25, 2017)
Number of Stock Acquisition Rights	78 units	46 units	105 units
Class and number of shares covered	Common Share (1 share unit is 100 Common Shares) 7,800 shares	Common Share (1 share unit is 100 Common Shares) 4,600 shares	Common Share (1 share unit is 100 Common Shares) 10,500 shares
Amount to be paid in	Gratis	Gratis	Gratis
Amount to be paid in upon exercise of rights	¥180,600 per unit (¥1,806 per share)	¥306,000 per unit (¥3,060 per share)	¥178,800 per unit (¥1,788 per share)
Exercise period	From July 29, 2017 to July 28, 2025	From May 25, 2018 to May 24, 2026	From July 26, 2019 to July 25, 2027
Issue price and amount paid into capital when shares are issued upon exercise of stock acquisition rights	Issue price per share ¥1,806 Increase of stated capital per share ¥903	Issue price per share ¥3,060 Increase of stated capital per share ¥1,530	Issue price per share ¥1,788 Increase of stated capital per share ¥894
Conditions to exercise the right	(Refer to the note below)	(Refer to the note below)	(Refer to the note below)
Allottee	1 external consultant	1 external consultant	1 external consultant

(Note) For the stock acquisition rights described above, if the Allottee forfeits its stock acquisition rights, the Allottee will also lose its right to exercise it.

5 System to ensure appropriate business execution and status of its operation

(1) System to ensure appropriate business execution

CYBERDYNE's Board of Directors has resolved the following proposal regarding the system to ensure appropriate business execution of Directors that complies with the law and the Articles of Incorporation.

① **Systems to ensure appropriate business execution of Directors and employees of CYBERDYNE, INC. (the "Company") and its subsidiaries (collectively referred to as the "Group") that complies with the law and the Articles of Incorporation**

The Company shall establish regulations concerning the compliance system, including the Corporate Code of Conduct. This regulation shall be established to ensure business execution by the Directors and employees of the Group that comply with laws, Articles of Incorporation, and internal rules. The Company shall assign one of its Directors to supervise the Group's initiatives for compliance across the board. The Company shall establish, develop, and maintain the compliance system. The Company shall also conduct seminars, audits, and crisis management to ensure that all Directors and employees of the Group are fully aware of compliance. This will enable all Group members to identify and resolve any problems to compliance as necessary.

The Company shall establish an Affiliated Company Management Policy to ensure the appropriate business execution of its subsidiaries. According to this policy, the Company shall appoint directors (and auditors, if necessary) of major subsidiaries. The Company shall also approve important matters subsidiaries and take charge of some of their administrative work at the headquarters to ensure the appropriate business execution.

The Company shall establish an Internal Audit Office under the direct control of the President and CEO. The Internal Audit Office shall conduct internal audits according to the Internal Audit Policy and the Affiliated Company Management Policy. The office shall conduct an audit to verify whether the Group complies with the law, Article of Incorporation, and internal regulations. The Internal Audit Office will also conduct an audit concerning risk management. The result shall be reported to the President and CEO, the Audit and Supervisory Board, and the Board of Directors.

The Company shall establish the Hotline System Policy and operate it as a means for Group employees to directly provide information on legally questionable activities. Information provided orally, via e-mail, chat, opinion box, etc., shall also be subject to the Hotline System Policy.

② **System to store and manage information related to the business execution of Directors**

The Company shall stipulate the method of storing and managing information related to business execution in the Document Management Policy. According to the law and the policy mentioned above, Group members shall record and store such information in documents or electromagnetic media.

Directors and Audit and Supervisory Board Members shall have access to such information at all times.

③ **System to store and manage information related to the business execution of Directors**

To strengthen the Group's risk management system, the designated Director shall determine a department responsible for each risk category. Each department shall confirm the risk scope and risk profile and establish self-assessment rules and guidelines. The Director in charge of finance shall monitor cross-organizational risks and take company-wide measures. The President and CEO shall promptly appoint a Director or head of department to handle any new risks.

④ **Systems to ensure efficient business execution of the Groups Directors**

As a system to ensure efficient business execution of the Groups Directors, the Board of Directors shall hold a regular meeting once a month. It shall also hold extraordinary meetings when necessary.

Status of business execution related to the resolution at the Board of Directors shall be reported at the Board of Directors by the assigned Director or the department head regularly. The Audit and Supervisory Board Members shall audit the reports made.

The Company shall make a mid-term management plan reflecting the changes in the business environment as necessary and report its progress to the Board of Directors as appropriate.

To ensure business execution of the Directors of subsidiaries is performed efficiently, the Company shall establish an Affiliated Company Management Policy to operate the subsidiaries under the control of the department responsible.

⑤ **System to enable subsidiaries to report matters related to the business execution of their directors to the Company**

The Company shall establish an Affiliated Company Management Policy, and subsidiaries shall report the status of business execution as necessary to the department responsible in the Company according to the policy.

⑥ **Matters concerning employees who are to assist the duties of Audit and Supervisory Board Members**

Suppose the Audit and Supervisory Board requests the assignment of employees to assist in the performance of its duties. In that case, the Board of Directors may, after consultation with the Audit and Supervisory Board, assign appropriate assistant employees or ask employees to serve concurrently with their existing tasks.

The Audit and Supervisory Board shall have the command over such employees, and the employee shall not be subject to the order of the Directors. The Company shall obtain the consent of the Board of Audit and Supervisory Board Members concerning the performance evaluation and transfer of such employees.

⑦ **Systems for Directors and employees of the Group, and a person communicating with them to make a report to Audit and Supervisory Board Members**

The Directors and employees of the Group shall promptly report the Audit and Supervisory Board Member about violation of legal matters, misconduct, or facts that may cause significant damage to the Company. According to the regulations and the established Auditing Standards and the auditing standards of Corporate Auditors, when an Audit and Supervisory Board Member asks for reports, the Directors and employees of the Group shall promptly comply. To make comprehensive feedback, the Directors and employees of the Group shall gather information to the best of their ability, including the utilization of the hotline system and hearing from the Accounting Auditors.

According to the Hotline System Policy, the Director in charge of compliance shall share what was reported through the Hotline System to the Board of Directors. The Company shall communicate the details of the report and the results of the investigation with the full-time Audit and Supervisory Board Member.

The Company's Internal Audit Office shall report their work to the Audit and Supervisory Board Members. In addition, the Director in charge of compliance shall report the status of compliance in the Group to the Audit and Supervisory Board Members as necessary.

⑧ **System to ensure that those who report to Audit and Supervisory Board Members are not treated disadvantageously**

The Company shall not give any disadvantageous treatment to any person who has reported to the Audit and Supervisory Board Members because of such report.

⑨ **Policy on the treatment of audit fees**

Suppose an Audit and Supervisory Board Member asks for advance payment or reimbursement of expenses. In that case, the Company shall promptly comply unless it is clear that the claim is unrelated to the business execution of the relevant Audit and Supervisory Board Member.

⑩ **Other systems to ensure effective audits of the Audit and Supervisory Board Members**

The Directors and employees of the Group shall be available for interviews, on-site inspections, and other investigations by the Audit and Supervisory Board Members when necessary.

The Company shall grant sufficient opportunities to Audit and Supervisory Board Members to enable an exchange of opinions with Directors, Accounting Auditors, and other persons necessary for the proper performance of their duties.

The Company shall allow the Audit and Supervisory Board Members to coordinate with the counterparts of the subsidiaries and collect information from the employees of subsidiaries if requested.

(2) Status of the systems to ensure the appropriate business execution

The Group established the system and is working to implement it. The following are main initiatives implemented during the fiscal year under review considered essential for internal control.

① **Systems concerning compliance**

All Group members strive to comply with the law according to its policies concerning compliance. To detect/prevent compliance violations, the Group operates a hotline system. The Group informs all affiliated parties to use the system as necessary.

② **Systems concerning risk management**

The Director in charge designates a department responsible for each risk category to monitor and respond to the risk situation. The implementation status is subject to internal audits and audits by the Audit and Supervisory Board.

③ **Systems concerning effective business execution of Directors**

The Company holds meetings of the Board of Directors once a month and holds additional meetings as necessary. At the meeting, the status of business execution (including the business of subsidiaries) is reported to track the progress of business performance for the fiscal year.

This is an English translation of financial statements as well as notes to financial statements, originally in Japanese. Japanese original were audited by Deloitte Touche Tohmatsu LLC.

Consolidated financial statements

Consolidated statements of changes in shareholders' equity (from April 1, 2020 to March 31, 2021)

Unit : Millions of yen

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments of foreign operations	Stock acquisition rights
April 1, 2020	26,753	26,494	(0)	(880)	6	19
Profit (loss)	—	—	—	—	—	—
Other comprehensive income	—	—	—	(406)	(14)	—
Total comprehensive income	—	—	—	(406)	(14)	—
Capital reduction	(26,751)	26,751	—	—	—	—
Deficit disposition	—	(10,355)	—	—	—	—
Acquisition of treasury shares	—	—	(0)	—	—	—
Share-based payment transactions	8	—	—	—	—	—
Equity transaction with non-controlling interest	—	(29)	—	—	—	—
Disposal of subsidiaries	—	—	—	—	2	—
Total transaction with owners	(26,743)	16,367	(0)	—	2	—
March 31, 2021	10	42,861	(0)	(1,286)	(6)	19

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity				
	Total	Retained earnings	Total		
April 1, 2020	(854)	(8,124)	44,268	(9)	44,259
Profit (loss)	—	(59)	(59)	(12)	(71)
Other comprehensive income	(420)	—	(420)	(2)	(422)
Total comprehensive income	(420)	(59)	(479)	(14)	(492)
Capital reduction	—	—	—	—	—
Deficit disposition	—	(10,355)	—	—	—
Acquisition of treasury shares	—	—	(0)	—	(0)
Share-based payment transactions	—	—	8	—	8
Equity transaction with non-controlling interest	—	—	(29)	33	4
Disposal of subsidiaries	2	5	8	—	8
Total transaction with owners	2	10,360	(13)	33	19
March 31, 2021	(1,272)	2,177	43,776	10	43,786

(Rounded down to the closest millions of yen)

Notes to consolidated financial statements

(Important items that form the basis for preparing the Consolidated Financial Statements)

(1) Basis of preparation of consolidated financial statements

The consolidated financial statements of CYBERDYNE Inc. (the “Company”) and its group companies (collectively referred to as the “Group”) have been prepared by International Accounting Standards (“IFRS”) according to Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. Certain items of the consolidated financial statements required by IFRS are omitted following other descriptions in Paragraph 1 of the ordinance mentioned above.

(2) Scope of consolidation

Status of consolidated subsidiaries
Number of consolidated subsidiaries: 9 companies
Names of major consolidated subsidiaries:

Suzuka Robo Care Center Co., Ltd., Shonan Robo Care Center Co., Ltd., Oita Robo Care Center Co., Ltd., Cyberdyne Care Robotics GmbH, CYBERDYNE USA Inc., CEJ Capital Inc., Cybernics Excellence Japan Fund 1 Investment Limited Partnership.

(3) Scope of equity method

Status of affiliated companies included in the scope of the equity method
Number of affiliated companies included in the scope of the equity method: 1 company
Names of affiliated companies included in the scope of equity method:

Shisei Datum Ltd.

Status of jointly controlled companies included in the scope of the equity method
Number of jointly controlled companies included in the scope of the equity method: 1 company
Names of jointly controlled companies included in the scope of equity method:

CYBERDYNE Omni Networks, INC.

(4) Accounting policy

① Valuation standards and methods for financial assets

(i) Initial recognition and measurement

The Group classifies its financial assets into three categories:

- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income
- Financial assets measured at amortized cost

This classification is determined at the time of initial recognition.

The Group recognizes and derecognizes all purchases and sales of financial assets in the ordinary course of business on a settlement date basis. A purchase or sale in the ordinary course of business is a purchase or sale of a financial asset that requires delivery of the assets within a period that is generally accepted by market rules or practices.

All financial assets are measured at fair value plus transaction costs, except for financial assets measured at fair value through profit or loss.

A financial asset is classified as a financial asset measured at amortized cost if it meets both of the following requirements.

- If the assets are held according to a business model where the objective is to keep it to collect contractual cash flows
- If the contractual terms of the financial asset result in cash flows that are solely payments of interest on the principal and principal balance.

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value.

For equity instruments measured at fair value, the Group designates whether if it should be measured at fair value through profit or loss or fair value through other comprehensive income. The Group shall maintain the measurement method for each financial instrument once it is determined. An exception applies to the financial instruments held for trading, which shall be measured at fair value through profit or loss.

(ii) After the initial recognition, the financial assets are measured according to their classification as follows

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method

(b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in net income. However, for fair values of equity instruments designated for measurement through other comprehensive income, changes in fair value are recognized in other comprehensive income. Dividends from such financial assets are recognized as profit or loss for the relevant fiscal year as part of financial income.

(iii) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flow from the asset expire or when the Group substantially transfers all of the risks and rewards of ownership of the financial asset. Suppose the Group retains control over the transferred financial asset. In that case, the Group will recognize liability concerning the asset to the extent of the Group's continuing involvement.

(iv) Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit losses for financial assets measured at amortized cost.

At the end of each period, the Group assesses whether the credit risk associated with each financial asset has increased significantly from the date of initial recognition.

Suppose the credit risk associated with a financial instrument has not increased significantly since initial recognition. In that case, the allowance for doubtful accounts will be measured at an amount equal to the expected credit loss over 12-months. Suppose the credit risk increased significantly since initial recognition. In that case, the allowance for doubtful accounts will be measured at an amount equal to the expected credit loss for the entire period.

The Company judges whether there is a significant increase in credit risk based on changes in the risk of default. The risk of default is considered from factors such as downgrades in internal credit ratings, deterioration in the business performance of counterparties, and past-due information.

Suppose the credit risk associated with a financial asset is deemed low at the end of each period. In that case, the Company assesses that the credit risk has not significantly increased since initial recognition.

The Group estimates expected credit losses on financial assets in a manner that reflects the following.

- An unbiased, probability-weighted amount calculated by evaluating a range of possible outcomes
- The time value of the money
- Reasonable and supportable information about past events, current conditions, and projections of future economic conditions available at the reporting date without undue cost or effort

The amount related to such measurement is recognized in profit or loss.

Suppose an event occurs after the recognition that causes impairment loss. In that case, the decrease in the impairment loss will be reversed in profit or loss.

② **Valuation standards and methods for inventories**

Inventories are measured at whichever is lower between the acquisition cost and net realizable value. Acquisition cost is determined by the specific identification method for finished products and work in process. Acquisition cost is determined by the moving average method for merchandise and raw materials. The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

③ **Depreciation methods of property, plant and equipment**

The cost of property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes costs directly relating to the acquisition of assets, dismantling and removing the assets, and restoration costs.

Depreciation expense for assets except for land and construction in progress is recognized mainly by the straight-line method over the respective estimated useful lives. The estimated useful lives of major asset items are as follows

Buildings and structures ·························· 3 to 38 years

Operating lease assets ······························ 5 years

Tools, furnitures and fixtures ····················· 2 to 20 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year. Any changes will be applied prospectively as changes in accounting estimates.

④ **Leases**

The Group judges whether the contract is a lease or contain a lease when entering into a contract.

The Group will regard a contract as a lease or contract containing a lease if it transfers the right to control the use of a specified asset in exchange for consideration over a specified period.

Leases as lessee

The Company recognizes a right-of-use asset and lease liability at the start date of the lease.

Right-of-use assets are initially measured at the initial measurement of the lease liability, lease payments made before the start date, and adjustment of direct costs incurred at that time.

After initial recognition, right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life or the lease term. The lease term is measured as the period that includes a non-cancelable term of the lease, the period covered by the option to extend the lease if it is reasonably certain that the option will be exercised, and the period covered by the option to terminate the lease if it is reasonably certain that the option will not be exercised.

Lease liabilities are initially measured at the present value of the total lease payments, discounted at the calculated interest rate of the lease, or at the rate of additional borrowing by the lessee.

Lease payments are allocated to finance costs and repayments of lease liabilities based on the interest method, with finance costs recognized in the consolidated statement of profit or loss.

For short-term leases with a lease term of 12 months or less and leases with a small underlying asset, the Company does not recognize a right-of-use asset or lease liability. Instead, the Company will recognize the lease payment as expenses on a straight-line basis over the lease term or on some other regular basis.

Leases as lessor

The Group classifies each lease as a finance lease or an operating lease when entering the lease contracts.

In classifying each lease, the Group comprehensively evaluates whether or not all of the risks and economic values associated with ownership of the underlying asset are substantially transferred. The Company classifies leases as finance leases if they are transferred and operating leases if they are not. As part of this evaluation, the Company considers specific indicators, such as whether the lease term, based on the non-cancelable term, represents a significant portion of the underlying asset's economic life. Products and devices such as HAL, which are leased under operating leases, are presented as operating lease assets in the consolidated statements of financial position.

In finance leases, the Company recognizes revenue, cost of sales, and gain or loss on sales following the policy on sales for which IFRS 15 applies, at the start date when the Company leases as a manufacturer or distributor.

⑤ **Goodwill**

Goodwill arising from a business combination is initially measured at the excess of the purchase price, measured at the acquisition date, over the fair value of the identifiable assets and liabilities of the acquiree, and is not amortized. Goodwill is stated at cost less accumulated impairment losses in the consolidated statements of financial position.

⑥ **Depreciation methods of intangible assets**

Individually acquired intangible assets are measured at cost upon initial recognition.

Intangible assets are amortized on a straight-line basis over their respective estimated useful lives after initial recognition, except for intangible assets with indefinite useful lives. The amount is presented at cost less accumulated amortization and accumulated impairment losses.

All expenditures are recorded as expenses in the period in which they are incurred, except for development costs that qualify for capitalization for internally generated intangible assets.

The estimated useful lives of major intangible assets are as follows. There are no intangible assets with indefinite useful lives.

Software ··· 5 years

Patents ··· 8 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year. Any changes are applied prospectively as a change in accounting estimates.

⑦ **Impairment of non-financial assets**

For non-financial assets other than inventories, the Company assesses indication that suggests impairment of the asset or cash-generating unit at the end of each reporting period. If any sign is found, the Company shall perform an impairment test to assess its recoverability.

There was no impairment loss recognized for the fiscal year ended March 31, 2021.

A cash-generating unit is the smallest unit of an asset group generating cash inflows largely independent from other assets or asset groups.

When assessing recoverability, the higher of fair value after deducting the disposal cost or value in use is used to calculate the amount that can be recovered. Suppose the recoverable amount is less than the carrying amount. In that case, the carrying amount is reduced to the recoverable amount. The amount is recognized as an impairment loss in profit or loss. When testing goodwill for impairment, the cash-generating units to which the goodwill is allocated are combined so that the impairment test reflects the smallest unit related to the goodwill. Goodwill acquired in a business combination is allocated to the cash-generating units expected to benefit from the synergies of the combination. Any impairment loss recognized concerning a cash-generating unit is allocated first to reduce the carrying amount. The carrying amount of other assets within a cash-generating unit is proportionately reduced by the amount of asset. The value in use is the present value of future cash flows expected to be generated by an asset or cash-generating unit.

Impairment losses related to goodwill have not been reversed. For reversals of impairment losses on other assets or cash-generating units, the Group conducts an assessment at the end of each reporting period. This is to assess the indication of elimination or reduction of impairment in the assets or cash-generating units recognized with impairment losses in prior periods. Suppose the recoverable amount exceeds the carrying amount of the asset or cash-generating unit. In that case, the impairment loss is reversed up to the carrying amount of impairment loss if it was not recognized in prior periods, less any necessary amortization or depreciation.

⑧ Provisions

Provisions are recognized when the Group has a present legal or constructive obligation due to past events, an outflow of economic resources will likely be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Suppose the time value of money is significant. In that case, the estimated future cash flows are discounted to their present value using a pre-tax interest rate that reflects the time value of money and the risks inherent in the liability. Any rebate of the discounted amount over time is recognized as a finance cost.

⑨ Employee Benefits

Short-term employee benefits are not discounted but are charged to expense when the related services are rendered. Bonuses are recognized as a liability when the Company has a present legal or constructive obligation to pay them and when the amount can be estimated reliably. The amount estimated to be paid under the benefits mentioned above is recognized as a liability.

The cost of paid vacations is recognized as a liability when the employee provides service that increases the right to paid vacation in the future.

⑩ Standards for recording revenue

The Group recognizes revenue for contracts with customers, excluding interest and dividend income, following IFRS 9 Financial Instruments by applying the following steps.
Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation
For details, please refer to "(Notes to consolidated statements of profit or loss) (Revenue)."

⑪ Foreign currency transaction

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company in the Group at the exchange rate prevailing on the transaction date or at a rate that approximates such rate.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the balance sheet date.

Translation differences arising from translation or settlement are recognized in profit or loss. However, financial assets measured through other comprehensive income are recognized in other comprehensive income.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of each period. Income and expenses are translated into Japanese yen using the average exchange rate for the period unless there were significant exchange rate fluctuations. Translation differences arising from the translation of foreign operations' financial statements are recognized in other comprehensive income. Translation differences arising from the translation of foreign operations are recognized in profit or loss in the period in which the foreign operations are disposed of.

⑫ Significant accounting policy related to Cybernic Excellence Japan Fund 1 Investment Limited Partnership

(i) Consolidation of Cybernic Excellence Japan Fund 1 Investment Limited Partnership by the Company

The Company consolidates Cybernic Excellence Japan Fund 1 Investment Limited Partnership due to the following reasons.

The Company is practically making the decision for CEJ Fund through the Companies consolidated subsidiary CEJ Capital, Inc. (GP/unlimited liability partner of CEJ Fund). This falls under the definition of "control" described in IFRS 10 Consolidated Financial Statements.

Management fees and contingency paid from CEJ Fund to CEJ Capital, Inc., that acts as the GP, are eliminated in consolidation as inter-company transactions.

(ii) Investment by CEJ Fund

For equity instruments at fair value, the Company designates whether to measure each equity instrument at fair value through profit or loss or fair value through other comprehensive income. This does not apply to equity instruments held for trading, as it must be measured at fair value through profit or loss. Once the equity instruments are designated, the Company maintains the designation on an ongoing basis.

(iii) Equity interest of limited partners (LP's) in the CEJ Fund

The CEJ Fund will make a capital contribution request ("Capital Call") to each LP that invests in the fund.

(a) Equity interests of LP other than the Company

The CEJ Fund has a predetermined term (up to 12 years from the effective date) in the limited liability investment partnership agreement. After the predetermined period, the interests in the CEJ Fund held by LPs other than the Company that invests in the CEJ Fund ("External Investors") will be distributed and refunded. As such, it is recorded as a liability in the consolidated statement of financial position as third-party interest in CEJ Fund and classified as financial liabilities measured at amortized cost. The carrying amount of the liability represents the amount of equity attributable to the External Investors under the limited partnership agreement, assuming CEJ Fund is liquidated at the end of each quarter.

The third-party interest in CEJ Fund fluctuates depending on payments from external investors based on capital calls, distributions and withdrawals to external investors, and the performance of the CEJ Fund. The change due to performance of the CEJ Funds is included in Gains (losses) related to CEJ Funds in the consolidated statements of profit or loss. In addition, gains (losses) related to CEJ Fund includes the costs of establishing and managing the CEJ Fund.

(b) Equity interest of the Company

The Company’s equity investment in the CEJ Fund as an LP will be eliminated on consolidation.

(Notes on changes in presentation methods)

As Ministerial Ordinance Partially Amending the Ordinance for Corporate Accounting (Ministry of Justice Ordinance No. 45, 2020) came into effect, Articles 98 and 102-3-2 of the Ordinance for Corporate Accounting were amended. Following the amendment, the Company included notes on accounting estimates in the notes to consolidated financial statements from the fiscal year under review.

(Notes on accounting estimates)

The following is a list of items that were recorded in the consolidated financial statements for the fiscal year under review that may have a material impact on the next fiscal year

1. Valuation of property, plant and equipment

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Operating lease assets	¥475 million
Property, plant and equipment	¥12,206 million
Right-of-use asset	¥337 million
Intangible asset	¥38 million

(2) Information that contributes to understanding the content of accounting estimates

As described in Important items that form the basis for preparing the Consolidated Financial Statements, (4) Accounting policies, ⑦ Impairment of non-financial assets, for non-financial assets listed in (1) above, the Company searches for an indication that the assets or cash-generating units may be impaired as of the end of each reporting period. If so, the Company conducts an impairment test to assess the recoverability.

As the Group's operating results are still in the negatives, the Group has identified indications of impairment in the cash-generating units to which the assets in (1) above belong. In performing the impairment test, the recoverable amount of the cash-generating units is measured by the higher amount between the fair value after deducting the cost of disposal and value in use. The value in use is calculated as the discounted present value of the estimated future cash flows. The future cash flows are based on the business plan approved by the management. To calculate the future cash flow after the period covered by the business plan, the Group calculates its growth rate, taking into account future uncertainties.

The key assumptions used in estimating the value in use are the estimated future cash flows in the business plan and the discount rate. This is calculated based on the weighted average cost of capital.

The projections mentioned above are subject to a high degree of uncertainty. As such, the predictions may significantly impact estimates of value in use.

2. Valuation of fair value of financial instruments

(1) Amount recorded in the consolidated financial statement for the fiscal year under review

Financial instruments classified as level 3 of other financial assets (unlisted stocks, etc.): ¥6,908 million

(2) Information that contributes to understanding the content of accounting estimates

It is described in Important items that form the basis for preparing the Consolidated Financial Statements, (4) Accounting policies, ① Valuation standards and methods for financial assets and for non-financial assets and Notes on financial instruments Status of financial instrument (3) Fair value of financial instruments.

Concerning the impact of COVID-19, it is difficult to predict how the virus will spread in the future. However, the Group made an accounting estimate based on the assumption that the pandemic situation will gradually be over by around September of the next consolidated fiscal year.

(Notes to consolidated statement of financial position)

(1) Allowance of doubtful accounts deducted directly from the assets

Trade and other receivables	¥3 million

(2) Accumulated depreciation and impairment loss on property, plant and equipment ¥3,050 million

(3) Accumulated depreciation and impairment loss on right-of-use asset ¥110 million

(4) Amount of reduction entry deducted from acquisition cost due to government subsidies, etc.

Buildings	¥631 million
Machinery and equipment	¥145 million
Tools, furniture & fixtures	¥211 million
Land	¥96 million
Software	¥8 million

(5) Overdraft agreement

The Group has concluded overdraft agreements with banks for the efficient procurement of working capital. The balance of unused lines of credit related to overdraft agreements at the end of the consolidated fiscal year under review is as follows.

Maximum limit of total line of credit	¥800 million
Balance of used line of credit	¥ – million
Balance of unused line of credit	¥800 million

(Notes to consolidated statement of profit or loss)

(Revenue)

Detail of aggregation of revenue are set forth below

Timing of revenue recognition	
Service transferred over time	¥1,273 million
Asset transferred at a point of time	¥333 million
Service transferred at a point of time	¥268 million
Total	¥1,875 million

(Note) Since the Group operates under a single segment of business related to robotics, segment information on revenue is omitted.

Service transferred over time

Services transferred over time include rental income from individual rental contracts and sales from maintenance contracts related to revenues from finance leases. In both cases, the Company is the lessor of the right-of-use assets.

The Group recognizes rental income as income generated throughout the rental period after the customer accepts the relevant product using the following method. Pay-per-use model based on times of product usage in a month and base fee model based on the fixed monthly price.

The Group recognizes maintenance income as a performance obligation satisfied over time. The Company records this revenue during this contract period based on the average amount during the period.

Asset transferred at a point of time

Asset transferred at a point of time includes revenue from sales of commodities and products based on the sales contract.

The Group mainly determines that the performance obligation of sales of commodities and products is satisfied when the customer accepts the relevant product. The Group receives most of the payment within one month from the point of satisfying the performance obligation. Regarding transaction price, there is no significance in the amount of sales revenue that includes variable consideration. Furthermore, there are no significant financial components in the amount of promised consideration.

Furthermore, if the Group acts as a lessor of right-of-use of its devices such as HAL, the Group classifies the relevant lease as a finance lease. Finance lease income is processed in the same way as cases where the Group acts as a lessor of manufacturer or distributor of sales of goods. The Group determines that performance obligation is satisfied when the customer accepts, and the revenue will be recognized then.

Service transferred at a point of time

Service transferred at a point of time includes revenue from Cybernics Treatment and training service at Cybernic Treatment Center and Robocare Centers to end-users (such as patients).In addition, revenue from the provision of consigned research and development is also included.

The Group determines that the performance obligation of Cybernic Treatment and training services are satisfied at the point of completion of such services. The Company considers that the performance obligation for consigned research and development is satisfied when the customer accepts the output.

(Notes to consolidated statement of changes in equity)

1. Total number and class of the issued shares within the consolidated fiscal year under review

	Number of shares issued as of April 1, 2020 (shares)	Increase (shares)	Decrease (shares)	Number of shares issued as of March 31, 2021 (shares)
Number of shares issued				
Common Shares	137,445,809	—	—	137,445,809
Class B Shares	77,700,000	—	—	77,700,000
Total	215,145,809	—	—	215,145,809

2. Type and number of shares to be issued upon exercise of stock acquisition rights at March 31, 2021 (excluding those for which the first day of the exercise period has not yet arrived)

Common Share 22,900 shares

(Notes to financial instruments)

(1) Capital Management

As an R&D-oriented company, the Group manages its capital to achieve sustainable growth and maximize corporate value by promoting the research and development of innovative products, clinical and demonstration research, and the acquisition of various certifications, and by securing profits through the launch of these products and the development of services. There are no significant capital controls to which the Group is subject.

(2) Financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, market risk, etc.) in its business activities. To reduce such risks, the Group limits fund management to highly secure financial assets. It also only finances by borrowing from financial institutions and issuing bonds.

The Group also has a policy of not engaging in speculative derivative transactions.

① Credit risk management

Credit risk is the risk that the counter-parties to the financial assets held by the Group will default on their contractual obligations, causing financial loss to the Group.

(i) Trade and other receivables

Accounts receivable-trade, which are operating receivables, are exposed to the credit risk of customers. Concerning this risk, the Group ensures that customers' credit status is subject to internal deliberation and approval processes at the time of new transactions. In addition, following the Credit Management Policy, the Company manages due dates and balances for each client and strives to reduce concerns about collection due to deterioration in financial conditions.

Accounts receivable-other is exposed to the credit risk of customers. However, most of them are settled in a short period.

(ii) Short-term investments

Short-term investments included in cash and cash equivalents and other financial assets are highly secure and liquid financial instruments such as negotiable certificates of deposit.

The carrying amount of financial assets shown in the consolidated statement of financial position after impairment is the maximum exposure to the credit risk of the Group's financial assets. There are no significant credit risk exposures for specific counter-parties and no excessive concentrations of credit risk with special controls.

The Group measures expected future credit losses on financial assets measured at amortized cost, mainly trade receivables, taking into account collectability and significant increases in credit risk, and records an allowance for doubtful accounts.

The Group judges whether there is a significant increase in credit risk based on changes in the risk of default. Upon the judgment, factors such as deterioration of business performance by the counter-party and information on the maturity date will be considered.

The allowance for doubtful accounts for accounts receivable, which is an essential financial asset for the Group, is measured by the aggregate expected credit loss for the entire period, but the expected credit loss is calculated for each individual receivable as a credit-impaired financial asset if any of the following events occur that adversely affect the expected future cash flows.

- Serious financial difficulties of the counter-party
- Inability to collect receivables or delays in the collection in response to repeated reminders
- Increased likelihood that counter-party will enter bankruptcy or other situations requiring financial restructuring

In cases where the Group does not have a reasonable expectation of collecting the whole or part of the accounts receivable, the carrying amount is directly written down, following an internal discussion and approval process.

The Group does not have an excessive concentration of credit risk for any single counterparty or the group to which such counterparty belongs. Since the Group's counterparty are companies with high trust, credit risk is limited. Therefore, the Group has almost no receivables that are past due, and the impact on the impairment of accounts receivable and allowance for doubtful accounts is minimal.

The Group always sets an allowance for doubtful accounts for trade receivables that do not have a significant financial component, in an amount equal to the expected credit loss for the entire period.

② Liquidity Risk Management

Liquidity risk is a risk where the Group cannot make payments on due dates to fulfill its obligations to repay financial liabilities that have become due.

The Company manages liquidity risk by having the Corporate Department update the cash flow plan as necessary and maintaining a certain amount of liquidity on hand.

The Group manages liquidity risk by preparing appropriate funds for repayment, securing lines of credit available from financial institutions from time to time, and continuously monitoring cash flow plans and results.

③ Exchange rate risk management

As the Group conducts business activities overseas, it is exposed to the risk of exchange rate fluctuations arising from transactions undertaken in currencies other than the Group's functional currency.

As the impact of exchange rate fluctuations on the Group's profit and loss is minimal, this information has been omitted.

In addition, although the translation of the financial statements of the Group's foreign operations results in changes in other comprehensive income, the effect of these changes is not expected to be material to the Group.

(3) Fair value of financial instruments

Fair value in the consolidated financial statements as of March 31, 2021 are as follows.

Unit : Millions of yen

	Amount on consolidated financial statements	Fair value
(Financial assets)		
Financial assets measured at fair value through amortized costs		
Leasehold and guarantee deposits	69	76
Financial assets measured at fair value through profit or loss		
Shares	5,407	5,407
Convertible bonds	683	683
Other	6	6
Financial assets measured at fair value through other comprehensive income		
Shares	1,073	1,073
(Financial liabilities)		
Financial liabilities measured at fair value through amortized costs		
Third-party interests in CEJ Fund	2,429	2,429
Bonds and borrowings	79	79

Measurement methods of the fair value

The Group adopts the following measurement methods for the main financial instruments measured at fair value:

(Cash and cash equivalents, trade and other receivables, other financial assets (current), trade and other payables)

Carrying amounts approximate fair values because these are settled in the short-term.

(Other financial assets (non-current))

Fair value of non-marketable equity securities included in other financial assets is measured by appropriate measurement methods such as measurement using recently available data. Fair value of leasehold and guarantee deposits is measured by present value obtained through discounting yield to maturity of long term bonds with high security by planned schedule of redemption.

(Third-party interests in CEJ Fund)

The carrying amount of the third-part interests in CEJ Fund is the amount of equity interest attributable to third-party investors assuming that the fund is liquidated at the end of each quarter. As such the fair value of the equity interest is determined based on the carrying amount of the equity interest.

(Bonds and borrowing)

Corporate bonds are calculated based on market prices or prices provided by financial institutions, etc., with which the Company has transactions.

The fair value of short-term borrowings is approximately equal to the carrying amount because of their short maturities.

The fair value of long-term debt with floating interest rates is approximately equal to the carrying amount because the fair value reflects the market interest rate in a short period of time.

Long-term loans with fixed interest rates are calculated based on the present value of future cash flows discounted at the interest rate applied, assuming that a similar contract was newly executed.

(Notes to per-share data)

1. Owner's equity per share •• ¥203.39

(Note) Owners equity per share are calculated based on the following

Total amount of owner's equity per share	¥43,776 million
Amount deducted from total amount of owner's equity per share	¥19 million
Owner's equity per share at end of year pertaining to Common Shares and share equivalent to Common Shares	¥43,757 million
Number of Common Shares and shares equivalent to Common Shares that is used in calculation of owner's equity per share	215,137,038 shares

2. Basic loss per share •• ¥0.27

(Note) Basic loss per share are calculated based on the following

Loss attributable to CYBERDYNE	¥59 million
Amount not available for Common Shareholders and Shareholders equivalent to Common Shareholders	¥– million
Loss attributable to Common Shares and shares equivalent to Common Shares of CYBERDYNE	¥59 million
Average number of Common Shares and shares equivalent to Common Shares during the period	215,137,214 shares

(Notes on premise of going concern)

There are no items to report

Non-consolidated financial statements

Non-consolidated statements of changes in shareholders' equity (from April 1, 2020 to March 31, 2021)

Unit : Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
April 1, 2020	26,778	26,714	—	26,714	0
Changes during the period					
Reduction of capital	(26,768)	—	26,768	26,768	—
Deficit disposition	—	—	(10,355)	(10,355)	—
Net loss	—	—	—	—	—
Acquisition of treasury shares	—	—	—	—	—
Net changes in item other than shareholders' equity	—	—	—	—	—
Total change of item during year	(26,768)	—	16,413	16,413	—
March 31, 2021	10	26,714	16,413	43,128	0

	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retainied earnings		
	Retained earnings brought forward			
April 1, 2020	(10,355)	(10,355)	(0)	43,138
Changes during the period				
Reduction of capital	—	—	—	—
Deficit disposition	10,355	10,355	—	—
Net loss	(527)	(527)	—	(527)
Acquisition of treasury shares	—	—	(0)	(0)
Net changes in item other than shareholders' equity	—	—	—	—
Total change of item during year	9,829	9,829	(0)	(527)
March 31, 2021	(527)	(526)	(0)	42,611

	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
April 1, 2020	11	11	19	43,167
Changes during the period				
Reduction of capital	—	—	—	—
Deficit disposition	—	—	—	—
Net loss	—	—	—	(527)
Acquisition of treasury shares	—	—	—	(0)
Net changes in item other than shareholders' equity	67	67	—	67
Total change of item during year	67	67	—	(460)
March 31, 2021	78	78	19	42,708

(Rounded down to the closest millions of yen)

Notes to non-consolidated financial statements

(Important items that form the basis for preparing "non-consolidated financial statements")

1. Evaluation standards and method for important assets

(1) Valuation standards and methods for securities

Bonds held to maturity .... Amortized cost method (straight-line method)

Other securities

Securities with market value .... Market value method based on the market price on the closing day

Securities without market value .... Moving average cost method

Shares or investment in
subsidiaries and associates ....Moving average cost method

(2) Valuation standards and methods for inventories

Finished goods, work in process .... Specific cost method

Raw materials and merchandises .... Moving average cost method

Supplies ....Last purchase price method

Inventories with reduced profitability were devalued.

2. Depreciation methods of non-current assets

(1) Property, plant and equipment

The declining-balance method is adopted. However, the straight-line method is applied to buildings (excluding attached facilities), building fixtures and structures acquired on or after April 1, 2016, assets for lease, and specific tools, furniture, and fixtures.

The useful lives for major assets are as follows.

Buildings... 3 to 38 years

Structure..10 to 20 years

Machinery and equipment......................... 5 to 7 years

Vehicles .... 2 to 6 years

Tools, furniture and fixtures...................... 2 to 20 years

Assets for rent .... 5 years

(2) Intangible assets

The straight-line method was adopted. Software for internal use is amortized using the straight-line method over the estimated useful lives (within five years)

Software.. 5 years

Patent rights .... 8 years

(3) Long-term prepaid expenses

Amortization is calculated using the straight-line method.

3. Basis for recording provision and allowance for doubtful receivables

Allowance for doubtful accounts

The Group shall review collectibility and record the estimated uncollectible amount to provide for losses due to bad debts. The Group will check collectibility through the actual rate of bad debt for general receivables and consider each case individually for specific claims such as doubtful accounts Claims.

4. Other material information regarding the preparation of financial statements

(1) Basis for evaluating foreign-currency-denominated assets and liabilities in Japanese yen

Foreign-currency-denominated money claims and liabilities are converted into Japanese yen at the spot exchange rates in effect at the balance sheet date, and the exchange differences are scored as profits/losses.

Furthermore, Foreign-currency-denominated securities (other securities) are converted into Japanese yen at the spot exchange rates and the valuation difference is included in the net assets as valuation difference on available-for-sale securities.

(2) Accounting treatment of consumption taxes, etc.

Consumption taxes and local consumption taxes are excluded from the transaction accounts.

(3) Accounting method for deferred assets

Share issuance cost	The entire amount is expensed at the time of expenditure

(Notes on changes in presentation methods)

Application of the "Accounting standard for disclosures about accounting estimates"

The "Accounting Standard for Disclosures about Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied to the financial statements for the fiscal year ended March 31, 2021. Notes regarding significant accounting estimates are included in the financial statements.

(Notes to accounting estimates)

The following is a list of items recorded in the financial statements for the fiscal year under review that may have a material impact on the next fiscal year.

Valuation of property, plant and equipment

(1) Amount recorded in the financial statements for the current fiscal year

Property, plant and equipment	¥12,510 million
Intangible assets	¥36 million

(2) Information that contributes to understanding the content of accounting estimates

For property, plant and equipment listed in (1), the Company searches for an indication that the assets or asset group may be impaired as of the end of each reporting period. If so, the Company determines whether to recognize an impairment loss on the asset or asset group by comparing the carrying amount of the asset or asset group with the total undiscounted future cash flows from the asset or asset group.

As the Group's operating results are still in the negatives, the Group has identified signs of impairment in assets listed in (1). To determine whether an impairment loss should be recognized, the Company estimates the total undiscounted future cash flows based on the business plan approved by the management. The projections are subject to a high degree of uncertainty. Because of such nature, it may significantly impact estimates of total undiscounted future cash flow.

(Notes to the non-consolidated balance sheet)

1. Accumulated depreciation deducted directly from the assets

Property, plant and equipment	¥3,114 million

Amount stated above includes accumulated impairment losses

2. Reduction entry deducted from the acquisition cost due to government subsidy, etc.

Buildings	¥631 million
Machinery & equipment	¥145 million
Tools, furniture & fixtures	¥211 million
Land	¥96 million
Software	¥8 million

3. Overdraft agreement

The Company has concluded overdraft agreements with banks for the efficient procurement of working capital. The balance of unused lines of credit related to overdraft agreements at the end of the fiscal year under review is as follows.

Maximum limit of total line of credit	¥800 million
Balance of used line of credit	¥ – million
Balance of unused line of credit	¥800 million

4. Money claims and liabilities toward subsidiaries

Short-term money claims	¥122 million
Long-term money claims	¥104 million
Short-term money liabilities	¥5 million

(Notes to non consolidated statement of financial position)

Business transactions with subsidiaries and associates

Business turnover from operating transactions	
Net sales	¥64 million
Other operating transaction	¥38 million
Transaction amount other than business transactions	¥155 million

(Notes to statement of changes in shareholders' equity)

Number of treasury shares as of the end of fiscal year ended March 31, 2021

Common Share	8,771 shares

(Notes to tax effect accounting)

The deferred tax liabilities are mainly due to retirement costs for asset retirement obligations.

(Notes to revenue recognition)

The Company has early adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018).

The details are the same as those described in "Notes to consolidated statements of income (revenue)" in the notes to consolidated financial statements.

(Notes on transactions with related parties)

Subsidiaries and affiliates

Type	Name	Ownership ratio of voting rights[*1]	Relationship with the related party	Description of transaction	Transaction amount (millions of yen)	Items	Year end balance (millions of yen)
Subsidiary	CEJ Capital, Inc.	Direct ownership of 60%	Interlocking duties for directors	Receipt of brokerage fee[*2]	148	Unearned revenue	122
	Cybernic Excellence Japan Fund 1 Investment Limited Partnership	Direct ownership of 60% (60%)	Investment in Investment Business Limited Liability Partnership	Underwriting of capital increase[*3]	300	—	—

(Note) 1. The brackets in the ownership ratio of voting rights indicate the percentage of indirect ownership
2. Receipt of brokerage fees is determined reasonably through discussions between the two parties in consideration of the nature of the business
3. The underwriting of the capital increase was in response to a capital call

(Notes to per-share data)

1. Net assets per share

¥198.43

(Note) Net assets per share are calculated based on the following

Total net assets	¥42,708 million
Amount deducted from total net assets	¥19 million
Net assets at end of year pertaining to Common Shares and shares equivalent to Common Shares	¥42,689 million
Number of Common Shares and shares equivalent to Common Shares that is used in calculation of net assets per share	215,137,038 shares

2. Net loss per share

¥2.45

(Note) Net loss per share are calculated based on the following

Net loss	¥527 million
Amount not available for Common Shareholders and shareholders equivalent to Common Shareholders	¥– million
Net loss attributable to common shares and shares equivalent to Common Shares	¥527 million
Average number of Common Shares and shares equivalent to Common Shares during the period	215,137,214 shares

Although there were dilutive shares, diluted net income per share is not disclosed because the Company posted a net loss per share.

This is an English translation of financial statements as well as notes to financial statements, originally in Japanese. Japanese original were audited by Deloitte Touche Tohmatsu LLC.