[Translation]

Annual Securities Report

(The 15th Business Term)

From April 1, 2018 to March 31, 2019

CYBERDYNE, INC.

This is an English translation of part of the Annual Securities Report (有価証券報告書). Of the pages of Annual Securities Report translated in this document, "Part I Information on the Company V. Consolidated Financial Statements and Other Information 1. Consolidated Financial Statements" were audited by Deloitte Touche Tohmatsu LLC.

Annual Securities Report was filed to the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investor's NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.

I. Consolidated financial statements and Notes to consolidated financial statements

1. Consolidated financial statements

(i) Consolidated statement of financial position

As of March 31, 2019

	Note	2018	2019
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	7,30	10,820	8,796
Trade and other receivables	8,30	385	257
Other financial assets	9,30	20,004	20,505
Inventories	10	565	901
Other current assets	11	32	169
Total current assets		31,807	30,627
Non-current assets			
Operating lease assets	12,16	401	463
Property, plant and equipment	12	11,339	11,624
Intangible assets	13	90	70
Investments accounted for using equity method	14	474	456
Other financial assets	9,30	2,406	2,431
Other non-current assets	11	81	74
Total non-current assets		14,791	15,118
Total assets		46,598	45,746

	Note	2018	2019
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	17,31	274	284
Other current liabilities	19	386	370
Total current liabilities		659	654
Non-current liabilities			
Third-party interests in CEJ Fund	28,31	－	544
Provisions	18	91	91
Deferred tax liabilities	15	145	254
Other non-current liabilities	19	29	－
Total non-current liabilities		265	889
Total liabilities		925	1,543
Equity			
Share capital	20	26,744	26,745
Capital surplus	20	26,495	26,494
Treasury shares	20	(0)	(0)
Other components of equity	29,30	(65)	(1,048)
Retained earnings	20	(7,476)	(7,972)
Total equity attributable to owners of the parent		45,698	44,217
Non-controlling interests		(24)	(15)
Total equity		45,674	44,203
Total liabilities and equity		46,598	45,746

(ii)【Consolidated statement of profit or loss and consolidated statement of comprehensive income】

【Consolidated statement of profit or loss】

Year ended March 31, 2019

	Note	2018	2019
		Millions of yen	Millions of yen
Revenue	6,22	1,728	1,709
Cost of sales	10,16,23	(523)	(481)
Gross profit		1,204	1,227
Selling, general and administrative expenses			
Research and development expenses	16,23	(834)	(998)
Other selling, general and administrative expenses	16,23, 29,32	(1,390)	(1,454)
Total selling, general and administrative expenses		(2,223)	(2,453)
Other income	24	364	406
Other expenses	24	(4)	(11)
Operating profit (loss)		(659)	(830)
Finance income	25,30	13	239
Finance costs	25	(6)	(15)
Gains related to CEJ Fund	31	－	61
Share of profit (loss) of investments accounted for using equity method	14	(21)	(24)
Profit (loss) before tax		(672)	(569)
Income tax expense	15	(6)	(74)
Profit (loss)		(678)	(643)
Profit (loss) attributable to			
Owners of parent		(673)	(632)
Non-controlling interests		(5)	(11)
Profit (loss)		(678)	(643)
Earnings (loss) per share	27		
Basic earnings (loss) per share (yen)		(3.13)	(2.94)
Diluted earnings (loss) per share (yen)		(3.13)	(2.94)

【Consolidated statement of comprehensive income】

Year ended March 31, 2019

	Note	2018	2019
		Millions of yen	Millions of yen
Profit (loss)		(678)	(643)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	26,30	(394)	(858)
Total of items that will not be reclassified to profit or loss		(394)	(858)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	26	(12)	14
Total of items that may be reclassified to profit or loss		(12)	14
Total other comprehensive income, net of tax		(406)	(845)
Comprehensive income		(1,084)	(1,487)
Comprehensive income attributable to			
Owners of parent		(1,076)	(1,480)
Non-controlling interests		(8)	(7)
Comprehensive income		(1,084)	(1,487)

(iii)【Consolidated statement of changes in equity】

Year ended March 31, 2019

	Note	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	Exchange differences on translation of foreign operations	Share acquisition rights
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017		26,744	26,495	(0)	417	2	12
Profit (loss)		―	―	―	―	―	―
Other comprehensive income		―	―	―	(394)	(9)	―
Total comprehensive income		―	―	―	(394)	(9)	―
Share-based payment transactions	29	―	―	―	―	―	7
Transfer from other components of equity to retained earnings		―	―	―	(100)	―	―
Equity transaction with non-controlling interest		―	―	―	―	―	―
Total transactions with owners		―	―	―	(100)	―	7
March 31, 2018		26,744	26,495	(0)	(77)	(7)	19
Profit (loss)		―	―	―	―	―	―
Other comprehensive income		―	―	―	(858)	10	―
Total comprehensive income		―	―	―	(858)	10	―
Issuance of new shares	20	1	(2)	―	―	―	―
Transfer from other components of equity to retained earnings		―	―	―	(135)	―	―
Equity transaction with non-controlling interest		―	―	―	―	―	―
Total transactions with owners		1	(2)	―	(135)	―	―
March 31, 2019		26,745	26,494	(0)	(1,071)	3	19

	Note	Equity attributable to owners of parent			Non-controlling interests	Total equity
		Other components of equity	Retained earnings	Total		
		Total				
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017		432	(6,903)	46,768	(31)	46,737
Profit (loss)		―	(673)	(673)	(5)	(678)
Other comprehensive income		(403)	―	(403)	(3)	(406)
Total comprehensive income		(403)	(673)	(1,076)	(8)	(1,084)
Share-based payment transactions	29	7	―	7	―	7
Transfer from other components of equity to retained earnings		(100)	100	―	―	―
Equity transaction with non-controlling interest		―	―	―	15	15
Transfer from other components of equity to retained earnings		(93)	100	7	15	21
March 31, 2018		(65)	(7,476)	45,698	(24)	45,674
Profit (loss)		―	(632)	(632)	(11)	(643)
Other comprehensive income		(848)	―	(848)	4	(845)
Total comprehensive income		(848)	(632)	(1,480)	(7)	(1,487)
Issuance of new shares	20	―	―	(1)	―	(1)
Transfer from other components of equity to retained earnings		(135)	135	―	―	―
Equity transaction with non-controlling interest		―	―	―	17	17

	Note	Equity attributable to owners of parent				
		Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
		Total				
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Transfer from other components of equity to retained earnings		(135)	135	(1)	17	16
March 31, 2019		(1,048)	(7,972)	44,217	(15)	44,203

(iv)【Consolidated statement of cash flows】

Year ended March 31, 2019

	Note	2018	2019
		Millions of yen	Millions of yen
Cash flows from operating activities			
Profit (loss) before tax		(672)	(569)
Depreciation and amortization		399	436
Finance income		(13)	(239)
Finance costs		6	15
Gains on CEJ Fund		―	(61)
Share of loss (profit) of investments accounted for using equity method		21	24
Decrease (increase) in inventories		(38)	(336)
Decrease (increase) in trade and other receivables		(6)	128
Increase (decrease) in trade and other payables		85	24
Other		157	(138)
Subtotal		(62)	(716)
Interest received		10	17
Interest paid		(1)	(0)
Income taxes paid		―	―
Payments for administrative expenses etc. related to CEJ Fund		―	(76)
Net cash provided by (used in) operating activities		(53)	(775)
Cash flows from investing activities			
Purchase of investments		(43,000)	(28,000)
Proceeds of redemption of investments		43,000	30,000
Payments into time deposits		―	(2,500)
Purchase of property, plant and equipment		(1,077)	(789)
Purchase of intangible assets		(48)	(7)
Purchase of investment securities		(1,563)	(618)
Proceeds from sale of investment securities		700	―
Purchase of investments accounted for using equity method		(495)	(5)
Other		0	2
Net cash provided by (used in) investing activities		(2,484)	(1,917)
Cash flows from financing activities			
Contributions into CEJ Fund from third-party investors		―	680
Proceeds from stock issuance to non-controlling interests		―	4
Other		(23)	(14)
Net cash provided by (used in) financing activities		(23)	670
Effect of exchange rate changes on cash and cash equivalents		2	(3)
Net increase (decrease) in cash and cash equivalents		(2,558)	(2,025)
Cash and cash equivalents at beginning of fiscal year	7	13,378	10,820
Cash and cash equivalents at end of year	7	10,820	8,796

【Notes to consolidated financial statements】

1. Nature of operations

CYBERDYNE, INC. (the "Company") is a company domiciled in Tsukuba, Ibaraki, Japan. Location of the Company's headquarters as well as its main offices are disclosed on the Company website, (https://www.cyberdyne.jp/english). The accompanying consolidated financial statements comprise the Company, its group companies (with the Company, collectively referred to as the "Group"), associates as well as jointly controlled entities and the fiscal year is from April 1 to March 31.

The Group utilizes Cybernics to work on the entire process from basic research of innovative technologies to their social implementation, which could contribute to overcome various problems that modern society faces. At the same time, the Group will continue its endeavors to create new industries and nurture human resources, in order to induce upward spiral of innovation and to shape the future. The Group operates under a single segment of business related to robotics and it is detailed in "6. Segment information".

2. Basis of presentation

1. Conformance of consolidated financial statements with IFRS and matters regarding the first-time adoption

As the Group meets the requirement of "Specified Company Applying Designated International Reporting Standards" pursuant to Article 1-2 of the "Ordinance on terminology, forms and preparation methods of consolidated financial statements" (Ordinance of the Ministry of Finance No. 28 of 1976, referred to as the "Ordinance"), the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as permitted by the provisions of Article 93 of the Ordinance.

The consolidated financial statements under review have been approved by Yoshiyuki Sankai, President and CEO of the Company as well as Shinji Uga, Director and Head of the Corporate Department of the Company on June 24, 2019.

2. Basis of measurement

As detailed in Note "3. Significant accounting policies", consolidated financial statements of the Group have been prepared on a historical cost basis, except for specific financial instruments and others measured at fair value.

3. Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, rounded to the nearest million yen.

4. Early adoption of new accounting standards

The Group has applied the following accounting standards from the fiscal year ending March 31, 2019. The effect of applying these accounting standards on the Group's condensed consolidated financial statements is not material.

IFRSs		Nature of the new standards or amendments
IAS 28	Investments in Associates and Joint Ventures	Revised accounting process upon holding any investment through venture capitals towards affiliates or jointly controlled entity
IFRS 2	Share-based Payment	Revised classification and measurement of share-based payment transactions
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Revised exchange rate at which assets, expenses or revenues denominated in foreign currencies are initially recognized

3. Significant accounting policies

1. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has exposure, or rights, to variable returns from involvement with an investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date the Group gains control until the date it loses control of the subsidiary.

Some of the subsidiaries has a close date of December 31. Due to the relationship with other shareholders and agreements of contract, it is impossible to practically unify the closing date for these subsidiaries. As such, these subsidiaries are subject to provisional settlements of accounts on March 31, and the Group utilizes these accounts for its consolidated financial statements.

All intergroup balances, transactions, income and expenses and unrealized gains and losses arising from intergroup transactions are eliminated in preparing the consolidated financial statements.

Comprehensive income of subsidiaries is attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the Group's ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to the owners of the parent.

In case of a change in the Group's ownership interest in a subsidiary, resulting a loss of control, profit or losses arising from the loss of control is recognized as net loss.

(ii) Associates

An associate is defined as an entity over which the Group has significant influence on financial and operating policy decision but does not have control over the entity.

The Group is presumed to have significant influence over another entity when it holds at least 20%, but no more than 50% of the voting rights of that entity.

Investments in associates are accounted for by equity method from the date the Group gains significant influence until the date it loses that influence.

Amount equivalent to the Group's share of the affiliates' loss is recognized as a loss until the amount exceeds the investment, and losses in excess of the investment are recognized only to the extent that the Group has incurred legal or constructive options or made payment on behalf of the associate.

Any excess of the cost of acquisition over identifiable assets, liabilities and contingent liabilities of the associates at the date of acquisition are recognized as goodwill and it shall be included in the carrying value of the investment. As the relevant goodwill is not recognized separately, it shall not be tested for impairment on individual basis. However, if there is objective evidence on possibility of impaired investment, the Group shall test its investment to associates for impairment by recognizing the investment as single asset in net amounts.

(iii) Joint venture

Joint venture is an entity jointly controlled by two or more parties including the Group under the contractually agreed share of control of an arrangement over economic activity of the joint venture, which exist only when decision for strategic, financial and operating decisions related to relevant activities require unanimous consent of the parties sharing control. A joint venture of the Group is accounted for using the equity method.

Some of the joint venture has a close date of December 31. Due to the relationship with other shareholders and agreements of contract, it is impossible to practically unify the closing date for the said joint venture. As such, the Group makes adjustments to important transaction and event during the period, in order to reflect the impact of changes caused by the difference of close dates.

2. Business combinations

Business combinations are accounted for using the acquisition method. The consideration of an acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred, liabilities assumed, and equity securities issued by the Group to the former owners of the acquiree in exchange for control of acquiree. Any excess of the consideration over the net fair value of identifiable assets acquired and liabilities assumed at the acquisition date is recognized as goodwill in the consolidated statement of financial position. Conversely, any deficit is immediately recognized as income in the consolidated statement of income.

Costs associated with business combinations, such as advisory fees, attorney fees and due diligence costs, are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the fiscal year in which the combination occurs, provisional amounts of incomplete items are measured, which are adjusted during the measurement period within one year from the date of acquisition. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If this new information causes new recognition on assets and liabilities, it will be recognized as additional assets and liabilities. Measurement period could last no longer than one year from the date of acquisition.

The additional acquisition of non-controlling interests is accounted for as an equity transaction, and therefore no goodwill is recognized with respect to such transaction.

Identifiable assets and liabilities of the acquiree in business combinations are measured at their acquisition-date fair value, with the following exceptions:

・Deferred tax assets and liabilities and assets or liabilities related to employee benefit arrangements
・Share-based payment transactions of the acquire
・Non-current assets and disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations"

In a business combination achieved in stages, the Group re-measures its previously held equity interest at their acquisition-date fair value and recognizes resulting gain or loss, if any, in new profit or loss.

3. Foreign currency transaction

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company of the Group at the spot exchange rate at the date of the transaction, or an exchange rate that approximates the spot rate.

Foreign currency monetary items are translated into the functional currency using the rates at the end of reporting period.

Non-monetary items that are measured at fair value in foreign currencies are translated into the functional currency using the exchange rates at the date when the fair value was measured.

Exchange differences arising from such translations and settlements are recognized in profit or loss. However, exchange differences arising from financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated at the rate at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, provided that there were no significant fluctuations in the exchange rates during the period. Exchange differences arising from translation of the financial statements of foreign operations are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

4. Financial instruments

(i) Financial assets

(1) Initial recognition and measurement

The Group classifies the financial assets it holds as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. This classification is determined at initial recognition.

The Group recognizes and derecognize all financial assets on trade date where the purchase or sale of a financial asset under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets held by the Group are measured at amortized cost if both of the following conditions are met.

・The financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows

・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments that are not measured through amortized cost are classified as equity instruments measured at fair value.

Excluding equity instruments measured at fair value through profit or loss that is held for trading, for each individual equity items, the Group designates whether it shall be measured at fair value through profit and loss or, whether it shall be measured at fair value through comprehensive income. This designation is continuously used after the initial designation.

(2) Subsequent measurement

Measurement of financial assets after initial recognition is performed according to the classification of financial asset as follows:

(a) Financial assets measured at amortized cost

The carrying amounts of financial assets measured at amortized cost are recognized using the effective interest method.

(b) Financial assets measured at fair value

These financial assets are measured at fair value after initial recognition, and changes in their fair value are recognized in profit or loss.

However, for financial assets designated as financial assets measured at fair value through comprehensive profit, the Group recognizes changes in their fair value as other comprehensive income.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized as financial income in profit or loss.

(3) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights to the cash flows from the financial assets expire, or when the Group transfers financial assets. In cases where the Group continue to possess ownership over the transferred asset, it shall be recognized as liability related to the asset within the range of ownership held, so long as this ownership continues to remain in effect.

(4) Impairment of financial assets

With respect to impairment of financial assets measured at amortized cost, the Group recognizes allowance for doubtful accounts for expected credit losses on such financial assets.

At each reporting date, the Group assesses whether the credit risks on the financial assets have increased significantly since initial recognition.

If credit risk on a financial instrument has not increased significantly since initial recognition, the allowance for doubtful accounts for that financial instrument is measured at an amount equal to the 12-month expected credit losses. If credit risk in a financial instrument has increased significantly since initial recognition, the allowance for doubtful accounts is measured in an amount equal to the lifetime expected credit losses.

The Group determines if credit risk has increased significantly by evaluating changes in default risk with reference to factors including downgrading of internal credit ratings, the decline of counterparty results and delinquency information.

Furthermore, if the credit risk is determined to be low as of the closing date, the Group shall assess that credit risk on a financial instrument has not increased significantly since the initial recognition.

However, the allowance for doubtful accounts on trade receivables and others is always measured in an amount equal to the lifetime expected credit losses.

The expected credit losses of financial assets are estimated in a way that reflects the following:

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

The amounts of these measurements are recognized in profit or loss.

If an event that reduces an impairment loss occurs after the impairment loss has been recognized, the impairment loss will be reversed to the extent of the decrease and credit to profit or loss.

(ii) Financial liabilities

(1) Initial recognition and measurement

The Group classifies financial liabilities as either financial liabilities measured at fair value through profit or loss, or financial liabilities measured at amortized cost. This classification is determined at initial recognition.

All financial liabilities are measured at fair value. However, financial liabilities measured at amortized cost are measured in the full amount after deducting directly attributable transaction costs from the fair value.

(2) Subsequent measurement

Measurement of financial liabilities after initial recognition is performed as follows, according to the classification of the financial liabilities.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period.

(3) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished (i.e., when the obligation specified in the contract discharged or cancelled or expires).

(iii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amount and intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments

For financial instruments measured at fair value, their fair values are classified into Level 1 through Level 3 based on the observability of inputs used for the measurement and their materiality.

Level 1: Quoted prices in active markets for identical assets or liabilities (unadjusted)
Level 2: Fair value determined using observable prices other than Level 1 for the asset or liability directly or indirectly
Level 3: Fair value determined using the valuation technique including unobservable inputs for the asset or liability

5. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are highly liquid and readily convertible to known amounts of cash subject to an insignificant risk of changes in value, and that mature or become due within three months from the date of acquisition.

Cash and cash equivalents include certificates of deposit and joint-managed money trust.

6. Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of finished goods as well as work in process are calculated using specific identification method and purchase cost. Merchandise and raw materials are calculated using moving average method. These include processing cost and all other costs incurred in bringing the inventories to their existing location. Net realize value is estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

7. Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises any costs directly attributable to acquisition of the asset and the initial estimate of the costs of dismantling and removing the item and restring the site on which it is located.

Depreciation of assets other than land and construction in progress is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of major asset items are as follows:

Buildings and structures:	3 to 38 years
Operating lease assets	5 years
Tools, furniture and fixtures:	2 to 20 years

The estimated useful lives, residual value and depreciation method are reviewed at each fiscal year end, and any revisions are applied prospectively as changes in accounting estimates.

8. Intangible assets

(i) Intangible assets

Intangible assets acquired separately are measured using acquisition cost at the initial recognition.

After initial recognition, with the exception of intangible assets with indefinite useful life, intangible assets are amortized on a straight-basis over their estimated useful lives and are presented at acquisition cost reduced by the accumulated depreciation and the accumulated impairment loss.

Expenditures related to internal generated intangible assets are recognized as expenses when incurred, with the exception of development expenses that meet the criteria for capitalization.

The Group has no intangible assets with indefinite useful lives. The estimated useful lives of major intangible assets are as follows:

Software	5 years
Patents	8 years

The estimated useful lives, residual values and amortization method are reviewed at each fiscal year end, and any revisions are applied prospectively as changes in accounting estimates.

(ii) Research and development expenses

Research expenditures are expensed as incurred. Development expenditures are capitalized only if they can be measured reliably, future economic benefits are probably, and the Group intends to, and has sufficient resources to, complete development and to use or sell assets.

9. Leases

The Group classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset as a finance lease and a lease other than a finance lease as an operating lease.

Leases as lessee

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. Variable lease payments are recognized as expenses for the incurred period.

Leases as lessor

Income from operating leases is recognized on a straight-line basis over the lease term. Furthermore, operating leases by the Group such as HAL are presented in the Group's consolidated statements of financial positions as operating lease assets. Please refer to Note "3. Significant accounting policies, 7. Property, plant and equipment" for further details.

With regards to finance lease transaction as manufacturer or distributor, income from financial leases is recognized in accordance with the accounting policy the Group follows for sales of goods. Please refer to Note "22. Revenue".

10. Impairment of non-financial assets

Non-financial assets excluding inventories are assessed at the end of each reporting period to determine whether there is any indication of impairment. If there is an indication of impairment, the recoverable amount of the asset is estimated.

A cash-generating unit, which is a unit for conducting impairment testing, is the smallest group of assets that generates cash inflows that are generally independent of cash flows of other assets or groups of assets. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of the future cash flow deemed to generate from assets or cash generating unit.

If there is any indication of a reversal of impairment loss recognized in prior year at the end date of each reporting period, recoverable amount of assets or cash generating unit shall be estimated. In case where recoverable amounts exceeds the carrying amount of assets or cash generating units, the Group shall reverse the impairment loss at the maximum of amount calculated by deducting the depreciation and amortization needed from the carrying amount of unrecognized impairment loss in the prior year.

11. Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense when the related services are rendered. For bonuses, when there is a present legal or constructive obligation to make payments of bonuses, and a reliable estimate of the obligation can be made, the estimated amount to be paid is accounted for as a liability.

Paid leave expenses are recognized as expenses when labor that grants an employee with additional rights to paid leave are incurred.

12. Share-based payment

(i) Stock options

The Company has a stock option scheme accounted for as an equity-settled share-based payment scheme. Equity-settled share-based payment scheme is estimated at fair value of the date of allotment, taking estimated number of subscription rights to share that is likely to be vested into the account. It is recognized as an expense in the consolidated statement of profit or loss from the date of allotment through the vesting period and the same amount as an increase in asset in the consolidated statement of profit and loss. Fair value of the allotted option is calculated mainly by Black-Scholes Model, taking the conditions of the option into the account. Furthermore, the conditions of stock options are reviewed on regular basis and estimate of subscription rights to share are adjusted where necessary.

(ii) Restriction share payment

The Group has adopted a restricted share payment scheme as an equity-settled share-based payment scheme for its employees, etc.

Consideration received for services rendered is measured at fair value of the grant date recognized as an expense by straight-line method over a certain period from the grant date, and the equal amount is recognized as an increase in capital.

13. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. Where time value of money is material, a provision is measured by its present value to which estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the provision. Interest cost associated with the passage of time is recognized as finance costs.

14. Revenue

The Group recognizes revenue based on the following five-step model, excluding revenue from dividend and interest income based on IFRS 9 "Financial Instruments".

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

Details on recognition of revenue are stated in Note "22. Revenue".

15. Government grants

Government grants are measured and recognized at fair value, when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Group fulfills the incidental condition for grants and receives reasonable assurance that the grants are scheduled for delivery.

For government grants related to expenses items, related costs that will be compensated by grants are recognized over the recognized term as revenue on regular basis. Grants related to assets is calculated by deducting the amount of relevant grants from the acquisition cost of assets.

16. Income taxes

Income taxes consist of current income taxes and deferred income taxes. Income taxes are recognized as income or expenses and included in profit or loss, except for taxes related to business combinations and taxes related to items that are recognized directly in equity or in other comprehensive income.

Current income taxes are recognized in the amount of the expected taxes payable to or receivable from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period in countries.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets or liabilities at the end of the reporting period and its tax base, and for tax loss carryforwards and tax credits.

Deferred tax assets and liabilities are recognized for the following temporary differences:

- Taxable temporary differences arising from initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income nor taxable income
- Taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences will not reverse in the foreseeable future or where it is no longer probable that sufficient tax profit subject to taxable temporary difference will be available.
- Taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority, or on different taxable entities that intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

17. Earnings per share

Basic earnings per share are calculated by dividing profit (loss) attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential ordinary shares.

18. Equity and other capital

(i) Common shares

Common shares issued by the Company are recognized in share capital and capital surplus at their issue price. Share issuance costs are deducted from the issue price.

(ii) Treasury shares

When a treasury share is acquired, consideration received including direct transaction cost is recognized as deducted items from equity. When a treasury share is sold or re-issued, consideration received is recognized as increase in capital. Surplus and deficit generated by this transaction are presented as capital surplus.

19. 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 has consolidated Cybernic Excellence Japan Fund 1 Investment Limited Partnership (“CEJ Fund”) due to the following reasons.

The Company practically makes decisions on investment of CEJ Fund through the Company's consolidated subsidiary CEJ Capital, Inc., which is an unlimited liability partner or General Partner "GP" of CEJ Fund, and thus the Company has the control over CEJ Fund.

As an GP, CEJ Capital, Inc. receives a completion bonus as a GP while the Company receives the potion of retuns on investment attributable to a Limited Partner ("LP")of CEJ Fund. Since the Company has an influence on those returns through its power over CEJ Fund, the Company has the control based on IFRS 10 "Consolidated Financial Statements".

Considerations for fund managemenet and completion bonuses, etc. paid to CEJ Capital, Inc. as a GP from CEJ Fund are eliminated on the consolidated basis as intercompany transactions.

(ii) Investment by CEJ Fund

For equity financial assets measured at fair value, with the exception of equity financial assets held for trading purposes that must be measured at fair value through profit or loss, the Group classifies each individual equity financial assets either into those measured at fair value through profit or into those measured at fair value through other comprehensive income, and continuously applies the same measurement.

(iii) Contribution from Limited Partners (“LP”) to CEJ Fund

CEJ Fund issues capital calls to its LP ("Capital Call")

a) Contribution from LPs other than the Company

CEJ Fund's investment limited partnership agreement specifies that CEJ Fund has a predetermined finite life (up to 12 years from the effective date) and that the contributions to the fund from LPs other than the Company (hereinafter, "Third-Party Investors") shall be rewarded by distributions or refunded. Accordingly, they are recorded as "Third-party interests in CEJ Fund" under liabilities in the consolidated statemenet of financial position and classified to "financial liabilities measured at amortized cost." the Carrying amount of the financial liabilities represents the amount that would be attributed to the Third-Party Investors in accordance with the limited partnership agreement on the assumption that the fund was liquidated at the end of each quarter.

The “Third-party interests in CEJ Fund” fluctuate due to the performance results of CEJ Fund in addition to contributions from Third-Party Investors in response to its capital calls and distributions and repayments to the Third-Party Investors. The fluctuations due to the performance results of CEJ Fund are included in “Gains (or losses) related to CEJ Fund” on the consolidated statement of income. “Gains (or losses”) related to CEJ Fund” also include the costs of establishing and managing CEJ Fund.

Contribution from Third-Party Investors are presented as "Contribution to CEJ Fund from Third-Party Investors" under cash flows from financing activities on the consolidated statement of cash flows. Distributions and refunds to the Third-Party Investors are presented as "Amount distributed and refunded to Third-Party Investors" under cash flows from financing activities.

b) Contribution from the Company

Contributions from the Company to CEJ Fund as a LP is eliminated on consolidation basis.

4. Significant accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. Due to uncertain nature of estimates, in some cases actual results may vary from initial estimates.

The estimates and their underlying assumptions are reviewed by management on an ongoing basis. The effects of revisions to accounting estimates and assumptions are recognized in the period when the estimates are revised and in future periods.

Estimates and assumptions that significantly affect the amounts recognized in the Group's consolidated financial statements are as follows:

・Matters concerning financial instruments (Notes "3. Significant accounting policies, 4. Financial instruments", Notes "3. Significant accounting policies, 19. Significant accounting policy related to Cybernic Excellence Japan Fund 1 Investment Limited Partnership," Notes "9. Other financial assets", "30. Financial instruments" as well as "31. CEJ Fund")

・Impairment of non-financial assets (Note "3. Significant accounting policies, 10. Impairment of non-financial assets")

・Useful lives of property, plant and equipment, estimation of residual value (Note "3. Significant accounting policies, 7. Property, plant and equipment" as well as Note "12. Property, plant and equipment")

・Collectability of deferred tax assets (Note "15. Income taxes")

・Recognition of revenue (Note "3. Significant accounting policies, 14. Revenue", Note "22. Revenue")

・Measurement of share-based payments (Note "29. Share-based payment")

・Equity interests in CEJ

・Estimated measurement of equity attributable to the Third-Party Investors in CEJ Funds（Note "3. Significant accounting policies, 19. Significant accounting policy related to Cybernic Excellence Japan Fund 1 Investment Limited Partnership)

5. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations or amendments have been published by the date of authorization for issuance of the consolidated financial statements that are not mandatory for the reporting period and have not been early adopted by the Group.

IFRSs		Mandatory adoption on or after	Date of adoption by the Group	Nature of the new standards or amendments
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31,2020	Revised lease definition, accounting treatment and disclosure

With regard to lease contracts that were previously classified as operating leases by the lessee and recorded as expenses at the point of lease payment under the previous accounting policy of IAS 17 (Lease), following the adoption of IFRS 16, right-to-use assets and leased obligations corresponding the lease terms are recorded in the consolidated statement of financial position at the beginning of lease contracts and expenses relating to them are recognized over the lease term. Upon adopting this IFRS, the Group has two options; to apply it retrospectively to each prior reporting period presented or to recognize the cumulative effect of adoption at the date of initial application. The Group plans to choose to recognize the cumulative effect of adoption at the date of initial application. Furthermore, following the adoption of this IFRS, the Group anticipates as uts nahir effect an increase of ¥363 million in total assets and ¥363 million in total liabilities on the consolidated statement of financial position for fiscal year ending March 31, 2020. The effect of adopting this standard is not material.

6. Segment information

1. Summary of reportable segments

The Group's reportable segments are the components of the Group for which discrete financial information is available and which are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing their performance.

Since the Group operates under a single segment of business related to robotics, segment information is omitted.

2. Revenue and results of reportable segments

Since the Group operates under a single segment, segment information is omitted.

3. Information about Products and Services

Since revenue of a single classification of products and services to outside clients exceed 90% of revenue in the statement of profit or loss, segment information by product and service is omitted.

Note "22. Revenue" presents the details of revenue.

4. Geographical information

Revenue to customers and non-current assets by region consist of the following:

Revenue to customers

	2018	2019
	Millions of yen	Millions of yen
Japan	1,564	1,450
US	－	43
EMEA	164	146
APAC	－	70
Total	1,728	1,709

(Note) Revenue is classified by country or region based on the location of customers.

Non-current assets

Since the amount of non-current assets located in Japan exceeds 90% of the amount of non-current assets in the consolidated financial position, non-current assets information by geographical area is omitted.

5. Information about major customers

Information about major customers has been omitted as the revenue from each customer is less than 10% of the Group's revenue.

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Cash and cash equivalents		
Cash and deposits	6,820	5,296
Short-term investments	4,000	3,500
Total	10,820	8,796

The balance of cash and cash equivalents presented in the consolidated statement of financial position is equal to the balance of cash equivalents presented in the consolidated statement of cash flows.

8. Trade and other receivables

Trade and other receivables consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Accounts receivable-trade	363	242
Accounts receivable-other	24	17
Allowance for doubtful accounts	(2)	(1)
Total	385	257

Trade and other receivables are classified into the financial assets measured at amortized cost.

9. Other financial assets

1. Other financial assets

Other financial assets consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Other financial assets		
Financial assets measured at amortized cost:		
Bonds	20,000	18,000
Time deposits	―	2,500
Leasehold and guarantee deposits	62	61
Other	4	5
Financial assets measured at fair value through profit or loss:		
Equity securities	―	1,611
Convertible bonds	298	337
Other	7	6
Financial assets measured at fair value through other comprehensive income:		
Equity securities	2,039	416
Total	22,410	22,936
Current assets	20,004	20,505
Non-current assets	2,406	2,431
Total	22,410	22,936

2. Financial assets measured at fair value through other comprehensive income

Names and fair values of major financial assets measured at fair value through other comprehensive income are as follows:

	2018	2019
Shares	Millions of yen	Millions of yen
Non-marketable equity securities		
Works Applications Co., Ltd.	783	―
WHILL, Inc.	212	352
Other	1,044	64
Total	2,039	416

Equity securities are held mainly for strengthening relationships with investees. As such, the shares are designated to be financial assets measured at fair value through other comprehensive income.

There is no dividend income recognized as financial assets measured at fair value through other comprehensive income for the fiscal years ended March 31, 2018 and 2019.

10. Inventories

Inventories consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Merchandise and finished goods	86	150
Work in process	12	25
Raw materials	467	725
Total	565	901

The amount of inventories recognized as expenses and included in the cost of sales for the fiscal years ended March 31, 2018 and 2019 were ¥307 million and ¥266 million, respectively.

Write-down of inventories recognized as expenses and included in the cost of sales for the fiscal years ended March 31, 2018 and 2019 were ¥20 million and ¥39 million, respectively.

11. Other assets

Other assets consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Other current assets		
Prepaid expenses	32	113
Consumption taxes receivable	0	36
Other	－	20
Total	32	169
Other non-current assets		
Long-term prepaid expenses	81	74
Total	81	74

12. Property, plant and equipment

Change in property, plant and equipment

The following tables present changes in acquisition costs, accumulated depreciation and impairment losses, and carrying amounts of property, plant and equipment.

(Millions of yen)

Acquisition costs	Operating lease assets	Property, plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
March 31, 2017	798	3,119	1,803	883	261	6,004	12,068	12,867
Additions	26	—	13	254	5	779	1,051	1,077
Sales and disposals	—	—	—	(94)	(2)	—	(95)	(95)
Exchange differences on translation of foreign operations	—	—	(1)	(4)	(0)	—	(5)	(5)
Other	—	(1)	—	(1)	—	—	(2)	(2)
March 31, 2018	824	3,118	1,814	1,038	265	6,783	13,018	13,842
Additions	221	400	11	150	6	—	567	789
Sales and disposals	—	—	—	(47)	(5)	—	(51)	(51)
Reclassification	—	6,288	—	—	—	(6,288)	—	—
Exchange differences on translation of foreign operations	—	—	1	(5)	0	—	(4)	(4)
Other	—	(3)	(4)	—	—	—	(7)	(7)
March 31, 2019	1,046	9,803	1,822	1,136	266	495	13,522	14,568

(Millions of yen)

Accumulated depreciation and impairment losses	Operating lease assets	Property, plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
March 31, 2017	(318)	−	(662)	(585)	(219)	−	(1,465)	(1,783)
Depreciation	(105)	−	(91)	(164)	(14)	−	(269)	(374)
Sales and disposals	−	−	−	55	0	−	55	55
Exchange differences on translation of foreign operations	−	−	0	0	0	−	0	0
Other	−	−	0	−	0	−	0	0
March 31, 2018	(423)	−	(753)	(693)	(233)	−	(1,679)	(2,102)
Depreciation	(159)	−	(88)	(149)	(14)	−	(250)	(410)
Sales and disposals	−	−	−	32	1	−	33	33
Exchange differences on translation of foreign operations	−	−	(0)	(0)	(0)	−	(0)	(0)
Other	−	−	(2)	−	−	−	(2)	(2)
March 31, 2019	(583)	−	(842)	(810)	(245)	−	(1,897)	(2,480)

（Note）Depreciation of property, plant and equipment is included in cost of sales, research and development expenses and other selling, general and administrative expenses in the consolidated statement of income.

(Millions of yen)

Carrying amounts	Operating lease assets	Property, plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
April 1, 2017	480	3,119	1,140	298	42	6,004	10,603	11,083
March 31, 2018	401	3,118	1,061	345	32	6,783	11,339	11,740
March 31, 2019	463	9,803	979	327	21	495	11,624	12,087

13. Intangible assets

The following tables present changes in acquisition costs, accumulated amortization and impairment losses, and carrying amounts of intangible assets.

(Millions of yen)

Acquisition costs	Intangible assets			
	Software	Patents	Other	Total
March 31, 2017	84	20	7	111
Additions	45	－	4	48
Sales and disposals	(2)	－	－	(2)
Exchange differences on translation of foreign operations	0	－	0	0
March 31, 2018	127	20	12	158
Additions	10	－	1	11
Sales and disposals	(1)	－	－	(1)
Exchange differences on translation of foreign operations	(0)	－	(0)	(0)
Other	－	－	(4)	(4)
March 31, 2019	136	20	9	165

(Millions of yen)

Accumulated amortization and impairment losses	Intangible assets			
	Software	Patents	Other	Total
March 31, 2017	(36)	(8)	(1)	(45)
Amortization	(22)	(2)	(1)	(25)
Sales and disposals	2	－	－	2
Exchange differences on translation of foreign operations	(0)	－	(0)	(0)
March 31, 2018	(56)	(11)	(2)	(69)
Amortization	(24)	(2)	(0)	(26)
Sales and disposals	－	－	－	－
Exchange differences on translation of foreign operations	0	－	0	0
March 31, 2019	(79)	(13)	(2)	(95)

(Note) Amortization of intangible assets is included in cost of sales, research and development expenses and other selling, general and administrative expenses in the consolidated statement of income.

(Millions of yen)

Carrying amounts	Intangible assets			
	Software	Patents	Other	Total
April 1, 2017	48	11	6	66
March 31, 2018	71	9	10	90
March 31, 2019	57	6	7	70

14. Investments accounted for using equity method

Investments in associates are accounted for using equity method in the Group's consolidated financial statements. There are no associates or joint venture that are individually material for the Group.

1. Investments in associates

The carrying amount of investments in associates that are not individually material is as follows:

	2018	2019
	Millions of yen	Millions of yen
Investments accounted for using equity method	190	180

Changes in the Group's share of profit and other comprehensive income of associates that are not individually material are as follows:

	2018	2019
	Millions of yen	Millions of yen
The Group's share of profit	(11)	(15)
The Group's share of other comprehensive income	—	—
The Group's share of comprehensive income	(11)	(15)

2. Investments in joint venture

The carrying amount of investments in joint venture that are not individually material is as follows:

	2018	2019
	Millions of yen	Millions of yen
Investments accounted for using equity method	284	275

Changes in the Group's share of profit and other comprehensive income of joint venture that are not individually material are as follows:

	2018	2019
	Millions of yen	Millions of yen
The Group's share of profit	(10)	(9)
The Group's share of other comprehensive income	—	—
The Group's share of comprehensive income	(10)	(9)

15. Income taxes

1. Deferred tax assets and liabilities

Derails of major causes of occurrence and changes in deferred tax assets and liabilities consist of the following:

Fiscal year ended March 31, 2018

(Millions of yen)

	April 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Other	March 31,2018
Deferred tax assets	−	−	−	−	−
Deferred tax liabilities					
Financial assets measured at fair value through other comprehensive income	210	0	(2)	(127)	81
Property, plant and equipment	64	(0)	−	−	64
Other	1	(0)	−	−	1
Total	275	(0)	(2)	(127)	145

(Note) Due to sale of part of financial assets measured at fair value through other comprehensive income, temporary differences were resolved and transferred to retained earnings.

Fiscal year ended March 31, 2019

(Millions of yen)

	April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Other	March 31,2019
Deferred tax assets	−	−	−	−	−
Deferred tax liabilities					
Financial assets measured at fair value through other comprehensive income	81	68	45	−	193
Property, plant and equipment	64	(3)	−	−	61
Other	1	(0)	−	−	1
Total	145	64	45	−	254

Deductible temporary differences and unused tax losses for which no deferred tax asset is recognized are as follows:

	2018	2019
	Millions of yen	Millions of yen
Unused tax losses	5,580	5,300
Deductible temporary differences	1,234	2,323
Total	6,814	7,623

(Note)The amount of unused tax losses and deductible temporary differences is described as income basis amount.

Unused tax losses for which no deferred tax asset is recognized will expire as follows:

	2018	2019
	Millions of yen	Millions of yen
Expires within 1 year	764	600
Expires between 1 and 2 years	600	516
Expires between 2 and 3 years	516	455
Expires between 3 and 4 years	455	559
Expire after 4 years	3,246	3,171
Total	5,580	5,300

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities were not recognized at March 31, 2018 and March 2019 were not material, respectively.

The Group did not recognize deferred tax liabilities for these temporary differences because it was able to control the timing of the reversal of these temporary differences, and it was probable that the temporary difference will not reverse in the foreseeable future.

2. Income tax expense

Income tax expense consists of the following:

	2018	2019
	Millions of yen	Millions of yen
Current taxes	6	8
Deferred taxes	(0)	66
Total	6	74

3. Reconciliation of effective tax rate

The details of difference between the effective statutory tax rate and the Group's average tax rate consist of the following:

	2018	2019
	%	%
Effective statutory tax rate	30.69	30.46
Non-deductible expenses	(0.15)	(0.67)
Differences in overseas tax rates	0.63	0.35
Unrecognized differed tax asset	(35.66)	(70.36)
Share of profit (loss) of investments accounted for using equity method	3.14	4.16
Gains (losses) related to CEJ Fund	－	23.95
Other	0.46	(0.85)
Average actual tax rate	(0.89)	(12.96)

Income tax, inhabitant tax and business tax are the main components of income tax expense imposed on the Group, and the effective statutory tax rate based on those taxes was 30.69% for the year ended March 31, 2018 and 30.46% for the year ended March 31, 2019.

16. Leases

1. Operating leases (as lessee)

As a lessee the Group possesses operating lease contract of assets including land and buildings. The Group has no covenants such as restrictions on renewable option, purchase option, escalation clauses and lease contracts.

Amount of lease payment that is included in "cost of sales", "research and development expenses" as well as "other selling, general and administrative expenses" of consolidated statement of profit and loss at March 31, 2018 and March 31, 2019 were ¥66 million and ¥61million, respectively. Furthermore, this amount of lease payment includes variable lease payment that links with revenue etc. and at March 31, 2018 and March 31, 2019, amount of variable lease payments included was ¥6 million and ¥5 million, respectively.

2. Operating leases (as lessor)

As a lessor, the Group leases products such as HAL. The Group has no covenants such as restrictions on renewable option, purchase option, escalation clauses and lease contracts.

The total of future minimum lease payment under non-cancellable operating lease contracts consists of the following:

	2018	2019
	Millions of yen	Millions of yen
Not later than 1 year	520	780
More than 1 year, 5 years or less	146	493
total	666	1,273

3. Finance lease (as lessor)

In cases where the Group acts as a lessor of right-of-use for devices such as HAL, if the lease transfers substantially all the risks and reward of ownership to the lessee, the Group classifies such lease as financial lease.

As the Group manufactures devices such as HAL, the Group recognizes the revenue from the asset as asset transferred at a point of time in the same way the Group recognizes regular purchase transactions. Due to the aforementioned reason, there is no gross investment in a lease as well as minimum lease payment based on finance lease contract does not occur and related statement is omitted.

17. Trade and other payables

Trade and other payables consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Accounts payable-trade	53	41
Accounts payable-other	204	240
Other	17	4
Total	274	284
Current liabilities	274	284
Non-current liabilities	—	—
Total	274	284

Trade and other payables are classified into the financial liabilities measured at amortized cost.

18. Provisions

Changes in provisions consist of following:

	Asset retirement obligations
	Millions of yen
As of April 1, 2017	91
Interest expense on discount provision	—
Decrease (other)	(0)
As of March 31, 2018	91
Interest expense on discount provision	—
Decrease (other)	(0)
As of March 31, 2019	91

Asset retirement obligations are provided based on or pursuant to reasonably estimated future expenditures using historical experience and other factors when the Group has a legal or contractual obligation associated with the retirement of buildings and land etc.

Provisions consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Current liabilities	—	—
Non-current liabilities	91	91
Total	91	91

19. Other liabilities

Other liabilities consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Other current liabilities		
Advances received	85	95
Accrued bonuses	21	4
Obligation for unused paid leave	21	23
Accrued expenses	23	18
Accrued consumption taxes	42	4
Deposits received	15	14
Other tax liabilities	169	189
Other	11	22
Total	386	370
Other non-current liabilities		
Long-term accounts payable-other	29	－
Total	29	－

20. Share capital and other equity items

1. Total numbers of authorized shares and issued shares

Total numbers of authorized shares and issued shares are as follows.

	2018	2019
	(Shares)	(Shares)
Number of authorized shares :(Note 1)		
Common Shares	618,300,000	618,300,000
Class B Shares	77,700,000	77,700,000
Total	696,000,000	696,000,000
Numbers of issued shares:		
Common Shares:		
Beginning balance	137,347,609	137,347,609
Change during the year (Note 2)	—	98,200
Ending balance	137,347,609	137,445,809
Class B Shares:		
Beginning balance	77,700,000	77,700,000
Change during the year	—	—
Ending balance	77,700,000	77,700,000

(Note 1) Information concerning authorized shares is as follows:

(i) Information concerning the scheme of Common Shares and Class B shares is set out below as defined by the Company's Articles of Incorporation.

(1) Dividends of surplus and distribution of residual assets

Common Shareholders and Class B Shareholders will receive the same amount of distribution of surplus per share in the same rank.

(2) Voting rights

Common Shareholders and Class B Shareholders are both eligible to exercise their voting rights for all items resolved at the Meeting of Shareholders.

(3) Restriction on the transfer of Class B Shares

Approval of the Board of Directors is required upon transfer of Class B Share. However, if Class B Shares are transferred to Class B Shareholders, it will be deemed that the Board of Directors approved the transfer according to Article 136 or Article 137, Paragraph 1 of the Companies Act.

(4) Cases where resolution of the Meeting of Class Shareholders are not required

Upon conducting acts stated in the items of Article 322, Paragraph 1 of the Companies Act, unless stated otherwise by related law or the Company's Articles of Incorporation, resolution of General Meeting of Class Shareholders for Common Shares shall not be required.

(5) Conversion of Common Shares at the option of the shareholders.

Holders of Class B Shares may request that the Company acquire Class B Shares held by such shareholders, in whole or in part, at any time. In exchange for the acquisition of one Class B Share, one Common Share shall be delivered to such shareholders.

(6) Compulsory conversion

a. Upon occurrence of any event described below, all outstanding Class B Shares shall be acquired, either at the date stated below or any date before if designated by the Board of Director. In these cases, in exchange for the acquisition of one Class B Share, one Common Share shall be delivered to such shareholders.

(a-1) A resolution at the General meeting of Shareholders (or the Board of Directors of the Company if a resolution at the General Meeting of Shareholders is not required) for (a) a merger of the Company into any other corporation, (b) share exchange by which the Company becomes a wholly-owned subsidiary of another corporation or (c) share transfer that is effected jointly with any other corporation is passed, and the day before the effective date of such merger, share exchange or share transfer has occurred.

(a-2) As a consequence of a tender offer, the offeror holds three-quarters or more of the total number of the Company's outstanding shares and 90 days have passed after the tender offer report regarding such tender offer was filed.

"Hold", "offeror" and "tender offer report" means hold, offeror and tender offer report defined in Chapter II-2, Section 1 of the Financial Instruments and Exchange Act. In addition, "tender offer" means tender offer defined in Article 27-3 Paragraph 1 of the Financial Instruments and Exchange Act.

(a-3) Consent (a "Shareholders' Consent") is obtained for the acquisition by the Company of all of the Company's outstanding Class B Shares in exchange for the same number of Common Shares in a confirmation process (the "Shareholders' Confirmation Process") and 90 days have passed since then. Under the Company's Article of Incorporation, the Shareholders' Confirmation Process must be implemented (a) before the conclusion of the General Ordinary Meetings of the Shareholders for the last fiscal year which ends within one year from the time of retirement of Yoshiyuki Sankai, the President and CEO of the Company, from a member of the Board of Directors and (b) before the conclusion of the General Ordinary Meeting of the Shareholders for the last fiscal year which ends within five years from the time of the last Shareholders' Confirmation Process. Under the Company's Article of Incorporation, the quorum for a Shareholders' Consent is one-third of the total number of voting rights of the shareholders who are entitled to exercise their voting rights (100 shares constitute one unit of both Common Shares and Class B Shares for the calculation. Same calculation shall be applied for the entire item a-3) and the consent of at least two-thirds of the voting rights represented in the Shareholders' Confirmation Process is required for a Shareholders' Consent.

b. Pursuant to the Company's Articles of Incorporation, Class B Shares set forth below shall be acquired from the holders of such Class B Shares in exchange for one Common Share per Class B Share if:

(b-1) the Company is requested to approve the acquisition of Class B Shares by any person other than the holders of Class B Shares, Class B Shares with respect to which approval for the acquisition was requested based on Article 136 or Article 137 of the Companies Act; and

(b-2) a holder of the Class B Shares died, and 90 days have passed without succession or transfer to any other holder of the Class B Shares, all Class B Shares held by such departed shareholder.

(7) Share split and share consolidation etc.

a. When the Company splits or consolidate its Common Shares or Class B Share, the Company shall split or consolidate its other share type at the same ratio, simultaneously.

b. When the Company allocates subscribed shares to Common Shareholders or Class B Shareholders, the Company shall allocate shares to the shareholders of another share type at the same ratio, simultaneously.

c. When the Company allocates stock acquisition rights to Common Shareholders or Class B Shareholders, the Company shall allocate stock acquisition rights to shareholders of another share type at the same ratio, simultaneously.

d. When the Company distributes shares for free to Common Shareholders or Class B Shareholders, the Company shall distribute shares for free to shareholders of another share type at the same ratio, simultaneously.

e. When the Company distributes stock acquisition rights for free to Common Shareholders or Class B Shareholders, the Company shall distribute stock acquisition rights for free to shareholders of another share type at the same ratio, simultaneously.

f. When the Company transfers its shares (excluding cases where the share transfer is conducted together with other companies), the Company shall substitute the shares held by shareholders with the shares of the new company set up after the transfer, granting shareholders same numbers of shares and same class of shares at the same ratio.

g. When the Company plans to change its calculation of share units stated in the Articles of Incorporation, it shall be executed at the same timing and same ratio.

(ii) Class B Shares differ from Common Shares in traded units. Common Shares are traded in units of 100 shares, and Class B Shares are traded in units of 10 shares. This scheme that grants 10 times as many voting rights to Class B Share was adopted to has been adopted to concentrate the voting rights to Yoshiyuki Sankai and the foundations of which Yoshiyuki Sankai serves as Representative Director (hereinafter referred to collectively as "the Foundation"), so that the Group's innovative technologies can be used solely for peaceful purpose and avoid being used for non-peaceful purposes such as lethal weaponry in the military industry (the scheme involving the Company's Class B Shares is hereafter referred to as "Scheme").

Furthermore, the Group has a vision for the future to create a human-assistive industry- a new industrial field that will support people by solving issues directly faced by aging and declining birthrate. To realize this vision, the Group must coordinate business management with R&D of Cybernic Technology. Yoshiyuki Sankai created the Group's Cybernic Technologies and continues to be a central figure in Cybernic research. He is also a business leader who seeks to make this innovative technology widely available for the benefit of the society. For the Group to increase corporate value (i.e., common interest of shareholders), Yoshiyuki Sankai must be a stable leadership figure in the management of the Company in the future. This scheme has been adopted to ensure he remains so.

(iii) In order to preserve continuity of this Scheme, Yoshiyuki Sankai plans on transferring part of the Class B Shares he holds as of this submission date to the Foundation at no cost. Furthermore, there are no plans for the Foundations to release the Class B Shares in their possession.

As a shareholder of Class B Shares, the Foundations established guidelines on the exercise of their voting rights, to prevent the Group's technologies from being used to harm people or to create military weapons, damaging the Group's corporate value.

The Foundations will exercise its voting rights related to the Class B Shares they hold against resolutions in the General Meetings of Shareholders and General Meeting of Class Shareholders in the cases stated below. Furthermore, a resolution of the board meeting of the Foundations will be required to alter these guidelines, and the change will be announced by a method determined by the Foundations:

(1) if in resolutions for the dismissal or appointment of Directors will lead to the misuse of the Group's innovative technology or damage the Group's corporate value

(2) for all other resolutions, if the passing of the resolution leads to the prevention of peaceful utilization of the Group's innovative technologies or damage to the Group's corporate value

(Note 2) The following is the main reason of an increase in issued Common Shares in the consolidated fiscal year ended March 31, 2019.

Increase due to issuance of new shares for restricted share payment for the Company's employees 98,200 shares

2. Treasury shares

The changes in treasury shares are as follows

	Number of shares	Amount
	Shares	Millions of yen
As of April 1, 2017	138	0
Change during the year	－	－
As of March 31, 2018	138	0
Change during the year	－	－
As of March 31, 2019	138	0

3. Capital surplus

The Companies Act stipulates that over half of the capital contributed from the issue of shares must be included in share capital and that the remainder must be included in the legal capital surplus. Moreover, legal capital surplus may be included in share capital by resolution of the General Meeting of Shareholders.

4. Retained earnings

The Companies Act stipulates that an amount equal to one-tenth of dividends must be appropriated as legal capital surplus or as legal retained earnings until the total of the aggregate amount of legal capital surplus and legal retained earnings equals a quarter of share capital. Legal retained earnings may be appropriated to reduce a deficit, and also may be reversed by resolution of the General Meeting of Shareholders.

21. Dividends

Dividends paid are as follows:

Fiscal year ended March 31, 2018

There are no items to report.

Fiscal year ended March 31, 2019

There are no items to report.

Dividends with an effective date after the fiscal year ended are as follows:

Fiscal year ended March 31, 2018

There are no items to report.

Fiscal year ended March 31, 2019

There are no items to report.

22. Revenue

1. Disaggregation of revenue

Details of disaggregation of revenue are set forth below.

	2018	2019
	Millions of yen	Millions of yen
Timing of revenue recognition		
Service transferred over time	1,061	1,167
Asset transferred at a point of time	354	214
Service transferred at a point of time	312	328
Total	1,728	1,709

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

Service transferred over time

Service transferred over time includes rental income based on the individual rental contract and maintenance income based on the maintenance contract in relation to finance lease income where the Group acts as a lessor of right-of-use asset.

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

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

The Group mainly determines that performance obligation of sales of commodities as well as products are satisfied at the point of customer acceptance the relevant product. The Group receives most of the payment within one month from the point of satisfying the performance obligation. With regards to 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 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 at the point of customer acceptance and the revenue is recognized at a point of time.

Service transferred at a point of time

Service transferred at a point of time includes revenue from offering Cybernic Treatment and training service at Cybernic Treatment Center and Robocare Centers, to end users (such as patients).

The Group determines that performance obligation of Cybernic Treatment as well as training services are satisfied at the point of completion of such services.

2. Changes in the contract

Receivables and contract liabilities from contracts with customers are as follows:

	Receivables Accounts receivable	Contract liabilities Advances received
	Millions of yen	Millions of yen
April 1, 2017	247	16
March 31, 2018	363	8
March 31, 2019	242	56

(Note) The balance of advances received at the beginning of April 1, 2017 and 2018 was fully recognized as revenue and the amount was ¥12 million and ¥8 million respectively. Furthermore, the amount of revenue recognized during the fiscal year ended March 31, 2018 and 2019, from performance obligations satisfied in previous periods were not material.

3. Timing of performance obligations satisfaction

Recognition of revenue arising from maintenance contract that occur incidental to sales of commodities are as follows:

	2018	2019
	Millions of yen	Millions of yen
Not later than 1 year	216	153
More than 1 year, 5 years or less	475	319
Total	690	472

23. Selling, general and administrative expenses

Other selling, general and administrative expenses consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Personnel expenses	410	414
Taxes and dues	256	291
Commission expenses	213	195
Depreciation	139	142
Other	371	412
Total	1,390	1,454

Personnel expenses included in cost of sales, research and development and other selling, general and administrative expenses in the consolidated statement of profit or loss were ¥836 million as of March 31, 2018 and ¥776 million as of March 31, 2019.

24. Other income and other expenses

Other income consists of the following:

	2018	2019
	Millions of yen	Millions of yen
Grants	14	13
Consigned research income	292	364
Foreign exchange gain	11	―
Other	47	29
Total	364	406

Other expenses consist of the following:

	2018	2019
	Millions of yen	Millions of yen
Foreign exchange loss	―	10
Other	4	1
Total	4	11

25. Financial income

Financial income consists of the following:

	2018	2019
	Millions of yen	Millions of yen
Interest income:		
Financial assets measured at amortized cost	13	19
Financial assets measured at fair value through profit or loss	−	220
Total	13	239

26. Other comprehensive income

Amount incurred during the fiscal year, reclassifications to profit or loss and tax effects including non-controlling interests for each item of other comprehensive income are as follows:

	2018	2019
	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income		
Gains (losses) arising for the year	(523)	(815)
Tax effects	129	(43)
After tax effects	(394)	(858)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Gains (losses) arising for the year	(12)	14
Reclassifications	－	－
Before tax	(12)	14
Tax effects	－	－
After tax effects	(12)	14
Total	(406)	(845)

27. Earnings per share

1. The basis for calculating basic earnings per share

	2018	2019
Loss attributable to owners of parent (Millions of yen)	(673)	(632)
Amount not available for common shareholders and shareholders equivalent to common shareholders (Millions of yen)	―	―
Loss used to calculate basic earnings per share (Millions of yen)	(673)	(632)
Average number of common shares and shares equivalent to common shares during the period (Shares)	215,047,471	215,054,735
Basic earnings (loss) per share (Yen)	(3.13)	(2.94)

2. The basis for calculating diluted earnings per share

	2018	2019
Loss used to calculate basic earnings per share (Millions of yen)	(673)	(632)
Adjustments to loss (Millions of yen)	―	―
Loss used to calculate diluted earnings per share (Millions of yen)	(673)	(632)
Average number of common shares and shares equivalent to common shares during the period (Shares)	215,047,471	215,054,735
Adjustment *Note	―	―
Average number of diluted common shares and shares equivalent to common shares during the period (Shares)	215,047,471	215,054,735
Diluted earnings (loss) per share (Yen)	(3.13)	(2.94)

(Note) Summary of potential shares not included in the calculation of diluted earnings per share as it does not have dilutive effects

	2018	2019
	Shares	Shares
2015 1st Series Stock Option of CYBERDYNE, INC.	(Common share) 7,800	(Common share) 7,800
2016 1st Series Stock Option of CYBERDYNE, INC.	(Common share) 4,600	(Common share) 4,600
2017 1st Series Stock Option of CYBERDYNE, INC.	(Common share) 10,500	(Common share) 10,500

28. Cash flow information

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended March 31, 2018

There are no changes with significant cash flows.

Fiscal year ended March 31, 2019

	April 1, 2018	changes with cash flows	changes without cash fllows	March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Third-party interests in CEJ Fund	―	680	(136)	544
Total	―	680	(136)	544

29. Share-based payments

1. Outline of share-based payments

As share-based remuneration, the Company has adopted a share-based payment (stock option) scheme as well as a restricted share payment scheme, both of which are accounted for using a means of equity settlement.

Stock options are granted to external consultants for the purpose of boosting their motivation and morale towards the growth of the Company's corporate value. Stock options are issued based on the approval at the Company's General Meeting of Shareholders and by the resolutions of the Board of Directors of the Company. Exercise period of the stock acquisition rights is stipulated in the allotment contract and if the stock acquisition rights are not exercised by their holder during this period, they will lose their effect.

Restricted shares are granted to the Company's employees for the purpose of boosting their motivation and morale towards the growth of the Company's corporate value. These shares are issued by the resoulution of the Board of Directors of the Company.

Outlines of the Company stock options issued are as follows:

	Class and number of shares covered by the stock option	Alottee	Date of allotment	Exercise period	Conditions for determination of rights
2015 1st Series Stock Option of CYBERDYNE, INC. (Note 1)	Common Share (100 Common Shares constitute 1 share unit) 7,800 shares	1 external consultant	August 12, 2015	July 28, 2025	Conditions on determination of rights are not attached (Note 2)
2016 1st Series Stock Option of CYBERDYNE, INC.	Common Share (100 Common Shares constitute 1 share unit) 4,600 shares	1 external consultant	June 8, 2016	May 24, 2026	Conditions on determination of rights are not attached (Note 2)
2017 1st Series Stock Option of CYBERDYNE, INC.	Common Share (100 Common Shares constitute 1 share unit) 10,500 shares	1 external consultant	August 8, 2017	July 25, 2027	Conditions on determination of rights are not attached (Note 2)

(Notes)

1. This stock acquisition right was determined before the date of transition to IFRS (April 1, 2016). As such, IFRS 2 "Share-based Payment" has not been applied.
2. This stock acquisition right has no conditions for determination of rights attached. As such, related expenses are processed at once when the rights are allotted.

2. Number of stock options and weighted average exercise price

	2018		2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance of outstanding	60,100	2,338	22,900	2,050
Granted	10,500	1,788	―	―
Exercised	―	―	―	―
Expired	(47,700)	2,355	―	―
Expired at maturity	―	―	―	―
Ending balance of outstanding	22,900	2,050	22,900	2,050
Ending balance of exercisable	7,800	1,806	12,400	2,271

(Notes)

1. As of March 31, 2018 and 2019, exercise price of stock options that is not yet exercised are between ¥1,788 to ¥3,060 and ¥1,788 to ¥3,060, respectively.
2. As of March 31, 2018 and 2019, weighted average remaining contractual life of stock options that is not yet exercised are 7 years and 7 years, respectively.

3. The assumption used to measure the fair value of stock options weighted average fair value of the stock options allotted in the fiscal year, are measured through Black-Scholes Model using the following assumptions

Fiscal year ended March 31, 2018

	2017 1st Series Stock Option of CYBERDYNE, INC.
The weighted-average fair value at the measurement date (Yen)	64,104
Stock price at the grant date (Yen)	1,490
Exercise price (Yen)	1,788
Volatility of stock price (%) (Note 1)	52.50
Estimated residual period (Years) (Note 2)	5.96
Estimated dividend (%) (Note 3)	―
Risk-free interest rate (%) (Note 4)	(0.04)

(Notes)

1. Volatility of stock price calculated based on the following conditions:
   (i) Period for collecting stock price information: 3.38 years
   (ii) Frequency of price monitoring: Daily
   (iii) Irregular information: None
   (iv) Discontinuous changes in corporate status: None
2. Allotment date: August 8, 2017
   Exercise period: From July 26, 2019 to July 25, 2027
3. Calculated based on most recent dividend payment
4. Interest rate converted security asset yield into continuous compound interest method

Fiscal year ended March 31, 2019

There are no items to report.

4. Shares with restrictions on transfer as remuneration for the Company employees

The Group has introduced a restricted share payment scheme under which it provides remuneration for its employees, by way of shares that have restriction of transfer until the rights are vested, and accounts for this scheme using a means of equity settlement. Under this scheme, the transfer of shares becomes possible whehn the requirements of the service conditions are met. In principle, the vsting period is five years.

The fair value of such shares are measured based on observable market prices.

In the fiscal year ended March 31, 2019, expenses related to restricted shares as remuneration for the Company's employees were ¥1 million and the number of shares granted was 98,200 shares. These expenses were recorded as other selling, general and administrative expenses in the consolidated statement of income.

	2019
Grant date	March 5 2019
Number of shares granted (Shares)	98,200
Fair value at the grant date (Yen)	670

30. Financial instruments

1. Capital management

The Group is a company centered on research and development of innovative devices. It promotes clinical research, verification and endeavors to obtain approvals from various regulators, in order to introduce the Group's product into the market and services, which will realize sustainable growth. In line with these challenges, the Group manages its financial instruments to maximize its corporate value.

There are no capital restrictions that affect the Group.

2. Risk management for financial instruments

In the process of its operation, the Group is exposed to various financial risks such as, credit risk, liquidity risk and exchange rate risk. In order to mitigate these financial risks, the Group selects financial instruments with very low risk. For financing, the Group either borrows from the bank or issue bonds. Furthermore, all equity instruments held by the Group are non-marketable securities and it is not affected by the risk of stock market.

On derivative transaction, the Group has a policy not to conduct any speculative transactions.

(i) Credit risk management

Credit risk is the risk that a counterparty to financial assets held by the Group is unable to fulfil its contractual obligations, resulting in a financial loss for the Group.

(1) Trade and other receivables

Accounts receivable-trade expose the Group to customer credit risk. The Group manages that risk with an internal audit process for investigating and approving customer credit on initial transaction. Furthermore, according to Customer Credit Management protocol, the Group also manages due dates and outstanding balances by customer, in order to mitigate any concerns about collection due to deterioration in their financial positions and other reasons.

Accounts receivables-other expose the Group to business partner credit risk, but these receivables are almost entirely settled in the short term.

(2) Short-term investments

Short-term investments are recognized in cash and cash equivalents and other financial assets. They are highly safe and liquid financial instruments that include negotiable deposit and jointly-managed money trust.

The carrying amount after impairment of financial assets in the consolidated statement of financial position represents the Group's maximum exposure to the credit risk of financial assets. The Group is not exposed to excessive credit risk associated with a particular customer that requires exceptional management.

The Group recognizes allowance for doubtful accounts for trade receivables and other financial assets measured at amortized cost by estimating future credit losses in consideration of recoverability and significant increases in credit risk. The Group determines if credit risk has increased significantly by evaluating changes in default risk with reference to factors including the decline of counterparty results, and delinquency information.

Accounts receivable-trade are particularly important financial assets for the Group. The Group collectively measures expected credit losses of the financial assets for the entire period to recognize the allowance for doubtful accounts. In the following situations, that would adversely affect future cash flows, however, the Group measures expected credit losses individually by treating each receivable as a credit-impaired financial asset:

・Where the customer has serious financial difficulties
・Where the customer defaults or becomes delinquent in accounts receivable payments despite repeated demands for payment
・Where it is more likely that the customer will go into bankruptcy or face a situation that forces it to reconstruct its business

The Group directly writes down the carrying amount if it does not reasonably expect to recover all or part of the trade receivables, following an internal process of investigation and approval.

The Group is not exposed to excessive credit risk associated with a particular customer that requires exceptional management. Furthermore, the customers of the Group are highly creditworthy, and the credit risk is limited. As the customer of the Group are highly credit worthy, there are very few delinquents in accounts receivables and impact towards impairments in accounts receivable-trade and allowance for doubtful accounts are insignificant.

The Group always sets its limit of allowance for doubtful accounts towards trade receivables that does not include important financial elements at the amount of expected credit losses for the entire period.

The carrying amount of trade receivables that approximate collectively measured expected credit losses of the financial assets for the entire period to recognize the allowance for doubtful accounts as of March 31, 2018 and 2019 are ¥363 million and ¥242 million, respectively.

Changes in the related allowance for doubtful accounts are as follows:

	2018	2019
	Millions of yen	Millions of yen
Beginning balance	1	2
Increase during the year	2	1
Decrease during the year due to settlement for intended purposes	–	–
Decrease during the year due to reversal	(1)	(2)
Other changes	–	–
Ending balance	2	1

(ii) Liquidity risk management

Liquidity risk is the risk that an entity is unable to make a payment by its due date in performing its repayment obligations for financial liabilities that become due.

The Corporate Unit of the Group renews the funding plans where necessary and maintains the level of liquidity on hand above certain level, in order to manage liquidity risk.

The Group prepares appropriate funds for repayment, secures credit line from the financial institute where necessary, constantly monitors the plans of cash flows and its performance in order to manage liquidity risk.

Financial liabilities by maturity date consist of the following:

Fiscal year ended March 31, 2018

	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities				
Trade and other payables	274	274	274	–
Total	274	274	274	–

Fiscal year ended March 31, 2019

	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities				
Trade and other payables	284	284	284	–
Third-party interests in CEJ Fund	544	(Note) 544	–	544
Total	828	828	284	544

(Note) The amount of equity attributable to the Third-Party Investors on the assumption that the fund was liquidated as of March 31, 2019

Total amounts of commitment lines and their usage are as follows:

	2018	2019
	Millions of yen	Millions of yen
Total commitment lines	900	900
Drawn	—	—
Undrawn	900	900

(iii) Exchange rate risk management

The Group also operates outside Japan, and therefore is exposed to the risks of exchange rate fluctuations associated with transactions conducted in foreign currencies etc.

As the impact of changes in exchange rate is insignificant, related information is omitted.

Furthermore, translation of the financial statements of the subsidiaries operating outside of Japan affects the amount of other comprehensive income. However, the Group does not regard this impact to be material.

3. Fair value of financial instruments

For financial instruments measured at fair value, their fair values are classified into Level 1 through Level 3 based on the observability of inputs used for the measurement and their materiality.

Level 1: Quoted prices in active markets for identical assets or liabilities (unadjusted)
Level 2: Fair value determined using observable prices other than Level 1 for the asset or liability directly or indirectly
Level 3: Fair value determined using the valuation technique including unobservable inputs for the asset or liability

(i) 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.

(Other financial liabilities (non-current)
Carrying amounts approximate fair value of long-term installment accounts payable included in other financial liabilities (non-current) because these are settled in the short-term.

(Third-party interests in CEJ Fund)
The amount of the Third-party interests in CEJ Fund is the carrying amount of equity attributable to the Third-Party Investors assuming that the fund was liquidated at the end of each quarter. Since the fair value of the equity is nearly equal to the carrying amount, it is represented by the carrying amount.

(ii) Financial instruments measured at amortized cost

The following tables present the measurement techniques for measuring the fair value of major financial instruments measured at amortized cost. Financial instruments for which carrying amounts are a reasonable approximation of fair value or financial instruments that are not material are not included in the tables.

(Millions of yen)

	2017		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Leasehold and guarantee deposits	62	72	61	70
Total	62	72	61	70

(Notes)

(i) The fair value of leasehold and guarantee deposits is classified into Level 2.

(ii) There were no significant transfers between Level 1, Level 2 and Level 3 during the year ended March 31, 2018 and March 31, 2019.

(iii) Financial instruments measured at fair value

The carrying amount and fair value of financial instruments measured at fair value are as follows:

Fiscal year ended March 31, 2018

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:					
Financial assets measured at fair value through profit or loss					
Other financial assets	305	−	−	305	305
Financial assets measured at fair value through other comprehensive income					
Other financial assets	2,039	−	−	2,039	2,039
Total	2,344	−	−	2,344	2,344

Fiscal year ended March 31, 2019

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:					
Financial assets measured at fair value through profit or loss					
Other financial assets	1,954	−	−	1,954	1,954
Financial assets measured at fair value through other comprehensive income					
Other financial assets	416	−	−	416	416
Total	2,370	−	−	2,370	2,370

Transfers between levels of the fair value hierarchy shall be recognized at the date of the event or change in circumstances that caused the transfer.

There were no significant transfers between Level 1, Level 2 and Level 3 during the year ended March 31, 2018 and March 31, 2019.

(iv) Assessment procedures

Assessment of financial instruments classified as Level 3 is measured by the responsible person in the Corporate Unit. Responsible person conducts assessment and analysis of the assessment based on the Group's accounting policies and procedures that is approved by the head of Corporate Unit. Results of assessment are than reviewed and approved by the Head of Corporate Unit.

(v) Quantitative information with regards to financial instruments classified as Level 3

Fair value of financial asset classified as Level 3 is measured by responsible person in the Corporate unit, each quarter using recently available data according to the Group accounting policy. Any changes in fair value and reasons are reported to the department manager, and to the President and CEO as necessary. Upon measurement of the fair value, inputs are reasonably estimated, and most suitable valuation model is selected based on the nature of the asset. Determination of the suitable valuation model will be verified by the appropriate internal approval process, in order to ensure the validity.

Financial instruments classified as Level 3 are not subject to transfer between the fair value hierarchy levels.

(vi) Changes in financial instruments classified as Level 3 during the period

Changes in financial instruments classified as Level 3 are as follows:

	2018	2019
	Millions of yen	Millions of yen
Beginning balance	2,008	2,344
Total gains and losses		
Profit or loss (Notes 1)	(4)	220
Other comprehensive income (Note 2)	(523)	(815)
Purchases	1,563	620
Sales	(700)	—
Ending balance	2,344	2,370
Changes of unrealized profit related to possessed assets posted at the end of reported period (Note 1)	(4)	220

(Notes)

1. Gains and losses included in finance income or finance costs in the consolidated statement of profit or loss
2. Gains and losses included in financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

31. CEJ Fund

Gains (losses) related to CEJ Fund consists of the following:

	2019
	Millions of yen
Gains (losses) related to CEJ Fund	
Changes in Third-party interests in CEJ Fund	136
Management expenses, etc.	(76)
Total	61

Changes in Third-party interests in CEJ Fund are as follows:

	Third-party interests
	Millions of yen
Balance as of April 1, 2018	―
Capital contribution from Third-Party Investors	680
Changes in Third-party interests in CEJ Fund	(136)
Balance as of March 31, 2019	544

32. Related parties

1. Principal subsidiaries and associates etc.

Please refer to "Appendix 1" for Principal subsidiaries and associates etc.

Information on transactions and balance of receivables or payables between the Group and related parties are omitted as this information is not material.

2. Primary executive management compensation

Primary executive management compensation consists of the following:

	2018	2019
	Millions of yen	Millions of yen
Basic remuneration:		
Directors (Excluding Outside Members of Board of Directors)	33	33
Members of the Audit and Supervisory Board (Excluding Outside Members of the Audit and Supervisory Board)	－	－
Outside Members of the Board of Directors Outside Members of the Audit and Supervisory Board	13	13
Total	46	46

33. Subsequent events

There are no items to report.

(Unaudited)
[Appendix 1]

(Principal subsidiaries and associates etc.)
Principal subsidiaries and associates etc. are as follows:

Name	Place of incorporation and operation	Capital	Principal businesses	Voting rights (%)
(Subsidiaries)				
Cyberdyne Care Robotics GmbH	Germany	€ 25,000	Functional improvement/regeneration treatment service with HAL and sales of HAL	75.1
CYBERDYNE USA Inc.	USA	US$ 100,000	Management and acceleration of the Company's business in the U.S.	100.0
CYBERDYNE & BROOKS, Inc.	USA	US$ 300,000	Functional improvement/regeneration treatment service with HAL and sales of HAL	66.7
Suzuka RoboCare Center Co., Ltd.	Japan	¥3 million	Training service business with HAL	100.0
Shonan RoboCare Center Co., Ltd.	Japan	¥3 million	Training service business with HAL	100.0
Oita RoboCare Center Co., Ltd.	Japan	¥3 million	Training service business with HAL	100.0
CEJ Capital, Inc.	Japan	¥10 million	Management and operation of Cybernic Excellence Japan Fund 1 Investment Limited Partnership	60.0
Cybernic Excellence Japan Fund 1 Investment Limited Partnership	Japan	¥990 million	Investment fund-related business aimed at creating the new Cybernic Industry	30.91 Note (0.61)
Other 5 companies				
(Associates accounted by the equity method) CYBERDYNE Omni Networks, INC.	Japan	¥160 million	Communication business and distribution of communication devices on IoH/IoT in the field of Cybernic and other related services.	49.0
Shisei Datum Ltd.	Japan	¥100 million	Design/development and manufacture of medical electric blood pressure monitor	31.6

(Note) The figure in the bracket for voting rights indicates the parcentage of shares held indirectly.