[Translation]

Annual Securities Report

(The 18th Business Term)

From April 1, 2021, to March 31, 2022

CYBERDYNE, INC.

This document is a partial translation of the Annual Securities Report (有価証券報告書).
The Japanese original, "Part I Information on the Company V. Consolidated Financial Statements and Other Information 1. Consolidated Financial Statements," were audited by Deloitte Touche Tohmatsu LLC.

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

Chapter 1【Information of the company】Part 1【Status of the company】

1【Changes in major management indicators】

(1) Consolidated management indicators

Order		International Financial Standards (IFRS)				
		Term 14	Term 15	Term 16	Term 17	Term 18
Date of settlement		March 2017	March 2018	March 2019	March 2020	March 2022
Revenue	Millions of yen	1,728	1,709	1,792	1,875	2,150
Operating profit (loss)	Millions of yen	(659)	(830)	(1,039)	(700)	(868)
Profit (loss) before tax	Millions of yen	(672)	(569)	91	408	(379)
Profit (loss) attributable to the owner of the parent	Millions of yen	(673)	(632)	(152)	(59)	(492)
Comprehensive profit(loss) attributable to owners of the parent	Millions of yen	(1,076)	(1,480)	42	(479)	(365)
Equity attributable to owners of the parent	Millions of yen	45,698	44,217	44,268	43,776	43,419
Total assets	Millions of yen	46,598	45,746	47,808	48,119	49,459
Equity attributable to owners of the parent per share	Yen	212.53	205.50	205.71	203.39	201.74
Basic earnings (loss) per share	Yen	(3.13)	(2.94)	(0.71)	(0.27)	(2.29)
Diluted earnings (loss) per share	Yen	(3.13)	(2.94)	(0.71)	(0.27)	(2.29)
Ratio of equity attributable to owners of the parent	%	98.1	96.7	92.6	91.0	87.8
Return of equity attributable to owners of the parent	%	–	–	–	–	–
Price-to-earnings ratio	Ratio	–	–	–	–	–
Cash flow from operating activities	Millions of yen	(53)	(775)	(215)	(775)	(564)
Cash flow from investing activities	Millions of yen	(2,484)	(1,917)	(244)	(2,794)	(1,788)
Cash flow from financing activities	Millions of yen	(23)	670	1,304	617	1,248
Balance of cash and cash equivalents at the end of the fiscal year	Millions of yen	10,820	8,796	9,636	6,704	5,677
Numbers of employee (Average number of non-regular employees)	Persons	75 (63)	84 (47)	95 (56)	96 (44)	201 (47)

Note

1. The Company has prepared the consolidated financial statements under International Accounting Standards since the 14th business term.
2. The Company did not state the price-to-earnings ratio because CYBERDYNE recorded a loss attributable to the owners of the parent
3. The Company did not state the return of equity attributable to the owners of the parent because CYBERDYNE recorded a loss attributable to the owners of the parent
4. Rounded down to the closest millions of yen (same for the following)

Order		Japanese GAAP
		Term 14
Date of settlement		March 2018
Net sales	Millions of yen	1,727
Ordinary profit (loss)	Millions of yen	(689)
Net profit attributable to owners of the parent	Millions of yen	(591)
Comprehensive income	Millions of yen	(614)
Net assets	Millions of yen	45,630
Total assets	Millions of yen	46,339
Net assets per share	Yen	212.04
Net profit (loss) per share	Yen	(2.75)
Diluted net income per share	Yen	—
Capital ratio	%	98.4
Return of equity	%	—
Price-to-earnings ratio	Ratio	—
Cash flow from operating activities	Millions of yen	(53)
Cash flow from investing activities	Millions of yen	(2,483)
Cash flow from financing activities	Millions of yen	(23)
Balance of cash and cash equivalents at the end of the fiscal year	Millions of yen	10,820
Numbers of employee (Average number of non-regular employees)	persons	75 (63)

Note

1. The Company did not state the diluted net income per share because, while there were diluted shares, CYBERDYNE recorded net loss per share.
2. The Company did not state the return of equity as CYBERDYNE recorded a net loss attributable to the owners of the parent.
3. The Company did not state price-to-earnings ratio as CYBERDYNE recorded net loss per share.
4. Figures based on Japanese GAAP for the 14th business term has not been audited in accordance with Article 163 item 2-1 of the Financial Instruments and Exchange Law.

(2) Non-consolidated management indicators

Order		Term 14	Term 15	Term 16	Term 17	Term 18
Date of settlement		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	Millions of yen	1,543	1,530	1,595	1,663	1,564
Operating profit (loss)	Millions of yen	(625)	(734)	(615)	(521)	(602)
Net profit (loss)	Millions of yen	(529)	(1,906)	(849)	(527)	(607)
Share capital	Millions of yen	26,744	26,778	26,778	10	10
Total number of issued shares	Shares	Common Share 137,347,609 Class B Share 77,700,000	Common Share 137,445,809 Class B Share 77,700,000	Common Share 137,445,809 Class B Share 77,700,000	Common Share 137,445,809 Class B Share 77,700,000	Common Share 137,445,809 Class B Share 77,700,000
Net assets	Millions of yen	45,844	44,020	43,167	42,708	42,080
Total assets	Millions of yen	46,459	44,740	43,899	43,295	42,663
Net assets per share	Yen	213.09	204.52	200.56	198.43	195.51
Dividend per share (Interim dividend per share)	Yen	— (−)	— (−)	— (−)	— (−)	— (−)
Net profit (loss) per share	Yen	(2.46)	(8.86)	(3.95)	(2.45)	(2.82)
Diluted net income per share	Yen	—	—	—	—	—
Capital ratio	%	98.6	98.4	98.3	98.6	98.6
Return on equity	%	—	—	—	—	—
Price-to-earnings ratio	Ratio	—	—	—	—	—
Payout ratio	%	—	—	—	—	—
Numbers of employee (Average number of non-regular employees)	Persons	62 (44)	65 (41)	78 (47)	81 (39)	84 (40)
Total shareholder return	%	70.0	31.8	28.1	29.7	22.8
(Comparative index: Tokyo Stock Exchange Mothers Index)	%	(118.2)	(93.6)	(60.7)	(117.9)	(65.7)
Highest share price	Yen	2,150	1,538	753	975	695
Lowest share price	Yen	1,380	449	320	360	307

Note
1. The Company did not state diluted net income per share because, while there are diluted shares, CYBERDYNE recorded net loss per share.
2. The Company did not state return of equity as CYBERDYNE recorded net loss attributable to owners of the parent.
3. The Company did not state price-to-earnings ratio as CYBERDYNE recorded net loss per share.
4. The highest and lowest share prices are based on share price at Tokyo Stock Exchange (Mothers)

Chapter 5【Status of Accounting】

1 Basis of preparation of consolidated financial statement and non-consolidated financial statement

(1) The consolidated financial statements of CYBERDYNE, INC. (the “Company”) have been prepared by International Accounting Standards (hereafter referred to as “IFRS”) under Article 93 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976)

(2) The non-consolidated financial statements of the Company have been prepared by “Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.” (Ordinance of the Ministry of Finance No. 59 of 1963. from now on referred to as “Ordinance on Financial Statements”).

The Company is a special company submitting financial statements and preparing financial statements under Article 127 of the Ordinance on Financial Statements.

2 Audit Certification

Under the provisions of Article 193 item 1 of the Financial Instruments and Exchange Law, the Company has undergone an audit by Deloitte Touche Tohmatsu LLC of the consolidated financial statements for the consolidated fiscal year (from April 1, 2021, to March 31, 2022) and the non-consolidated financial statements for the business year (from April 1, 2021, to March 31, 2022).

3 Special efforts to ensure the appropriateness of consolidated financial statements, etc. and the establishment of a system that enables the proper preparation of consolidated financial statements, etc. based on IFRS

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements. It maintains a system that enables appropriate preparation of consolidated financial statements under IFRS. The contents are as follows.

(1) To appropriately understand the content of accounting standards, etc., and to develop a system that can adequately respond to changes, etc., in accounting stands, etc., the Company joined Financial Accounting Standards Foundation and participated in seminars, etc., sponsored by the foundation and auditing firms, etc.

(2) In applying IFRS, the Company obtained press releases and statements issued by the International Accounting Standards Board from time to time to keep track of the latest standards. To prepare the appropriate consolidated financial statements by IFRS, the Group has designed its accounting policies and guidelines and applies them to accounts processing.

1 【Consolidated financial statements and Notes to consolidated financial statements】

(1) Consolidated financial statements

① Consolidated statement of financial position

	Note	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	8, 33	6,704	5,677
Trade and other receivables	9, 33	352	493
Other financial assets	10, 33	19,007	15,151
Inventories	11	808	1,089
Other current assets	12	350	455
Total current assets		27,220	22,865
Non-current assets			
Operating lease assets	13, 18	475	430
Property, plant and equipment	13	12,206	13,416
Right of use assets	18	337	499
Goodwill	14	57	2,104
Intangible assets	14	38	35
Investment accounted for using equity method	15	454	435
Other financial assets	10, 33	7,271	9,571
Other non-current assets	12	61	105
Total non-current assets		20,898	26,594
Total assets		48,119	49,459

	Note	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	19, 33	268	300
Bonds and borrowings	17, 31, 33	31	34
Lease liabilities	18, 31, 33	61	118
Other current liabilities	22	276	376
Total current liabilities		635	828
Non-current liabilities			
Bonds and borrowings	17, 31,33	49	34
Third-party interests in CEJ Fund	31, 33, 34	2,429	3,629
Lease liabilities	18, 31, 33	280	389
Provisions	21	93	96
Deferred tax liabilities	16	847	1,026
Total non-current liabilities		3,697	5,175
Total liabilities		4,332	6,002
Equity			
Share capital	23	10	10
Capital surplus	23	42,861	42,869
Treasury shares	23	(0)	(0)
Other components of equity	32, 33	(1,272)	(1,145)
Retained earnings	23	2,177	1,685
Total equity attributable to owners of the parent		43,776	43,419
Non-controlling interests		10	38
Total equity		43,786	43,457
Total liabilities and equity		48,119	49,459

② 【Consolidated statement of profit or loss and consolidated statement of comprehensive income】

【Consolidated statement of profit or loss】

	Note	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
		Millions of yen	Millions of yen
Revenue	6, 25	1,875	2,150
Cost of sales	11, 18, 20, 26	(591)	(688)
Gross profit		1,283	1,462
Selling, general and administrative expenses			
Research and development expenses	18, 20, 26	(689)	(713)
Other selling, general and administrative expenses	18, 20, 26	(1,471)	(1,787)
Total selling, general and administrative expenses		(2,160)	(2,500)
Other income	27	181	175
Other expenses	27	(4)	(6)
Operating profit (loss)		(700)	(868)
Finance income	28, 33	770	398
Finance costs	33	(2)	(4)
Gains related to CEJ Fund	34	359	115
Share of profit (loss) of investments accounted for using equity method	15	(18)	(19)
Profit (loss) before tax		408	(379)
Income tax expense	16	(479)	(136)
Profit (loss)		(71)	(515)
Profit (loss) attributable to			
Owners of parent		(59)	(492)
Non-controlling interests		(12)	(24)
Profit (loss)		(71)	(515)
Earnings (loss) per share			
Basic earnings (loss) per share (yen)	30	(0.27)	(2.29)
Diluted earnings (loss) per share (yen)	30	(0.27)	(2.29)

【Consolidated statement of comprehensive income】

	Note	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
		Millions of yen	Millions of yen
Profit (loss)		(71)	(515)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	29,33	(406)	(20)
Total of items that will not be reclassified to profit or loss		(406)	(20)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operation	29	(16)	149
Total of items that may be reclassified to profit or loss		(16)	149
Total other comprehensive income, net of tax		(422)	129
Comprehensive income		(492)	(387)
Comprehensive income attributable to			
Owners of parent		(479)	(365)
Non-controlling interests		(14)	(22)
Comprehensive income		(492)	(387)

③ 【Consolidated statement of changes in equity】

	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	Stock acquisition rights
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020		26,753	26,494	(0)	(880)	6	19
Profit (loss)		―	―	―	―	―	―
Other comprehensive income		―	―	―	(406)	(14)	―
Total comprehensive income		―	―	―	(406)	(14)	―
Capital reduction	23	(26,751)	26,751	―	―	―	―
Deficit disposition	23	―	(10,355)	―	―	―	―
Acquisition of treasury shares	23	―	―	(0)	―	―	―
Share-based payment transaction	32	8	―	―	―	―	―
Equity transaction with non-controlling interest		―	(29)	―	―	―	―
Disposal of subsidiaries		―	―	―	―	2	―
Total transactions with owners		(26,743)	16,367	(0)	―	2	―
March 31, 2021		10	42,861	(0)	(1,286)	(6)	19
Profit (loss)		―	―	―	―	―	―
Other comprehensive income		―	―	―	(20)	147	―
Total comprehensive income		―	―	―	(20)	147	―
Share-based payment transaction	32	―	8	―	―	―	―
Equity transaction with non-controlling interest		―	―	―	―	―	―
Increase (decrease) by business combination		―	―	―	―	―	―
Total transaction with owners		―	8	―	―	―	―
March 31, 2022		10	42,869	(0)	(1,306)	142	19

	Note	Equity attributable to owners of parent			Non-controlling interests	Total equity
		Other components of equity				
		Total	Retained earnings	Total		
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020		(854)	(8,124)	44,268	(9)	44,259
Profit (loss)		―	(59)	(59)	(12)	(71)
Other comprehensive income		(420)	―	(420)	(2)	(422)
Total comprehensive income		(420)	(59)	(479)	(14)	(492)
Capital reduction	23	―	―	―	―	―
Deficit disposition	23	―	10,355	―	―	―
Acquisition of treasury shares	23	―	―	(0)	―	(0)
Share-based payment transaction	32	―	―	8	―	8
Equity transaction with non-controlling interest		―	―	(29)	33	4
Disposal of subsidiaries		2	5	8	―	8
Total transactions with owners		2	10,360	(13)	33	19
March 31, 2021		(1,272)	2,177	43,776	10	43,786
Profit (loss)		―	(492)	(492)	(24)	(515)
Other comprehensive income		127	―	127	2	129
Total comprehensive income		127	(492)	(365)	(22)	(387)
Share-based payment transaction	32	―	―	8	―	8
Equity transaction with non-controlling interest		―	―	―	8	8
Increase (decrease) by business combination		―	―	―	41	41
Total transaction with owners		―	―	8	49	58
March 31, 2022		(1,145)	1,685	43,419	38	43,457

④ 【Consolidated statement of cash flows】

	Note	Previous consolidated fiscal year (From March 31, 2020 to March 31, 2021)	Current consolidated fiscal year (From March 31, 2021 to March 31, 2022)
		Millions of yen	Millions of yen
Cash flows from operating activities			
Profit (loss) before tax		408	(379)
Depreciation and amortization	13, 14, 18	463	473
Finance income	28, 33	(770)	(398)
Finance costs	33	2	4
Losses (gains) on CEJ Fund	34	(359)	(115)
Share of loss of investments accounted for using the equity method	15	18	19
Decrease (increase) in inventories		24	(281)
Decrease (increase) in trade and other receivables		(88)	29
Increase (decrease) in trade and other payables		45	(76)
Other		(429)	202
Subtotal		(686)	(521)
Interest and dividends received		22	16
Interest paid		(1)	(2)
Income taxes paid		(0)	—
Income taxes refund		1	53
Payments for administrative expenses etc. related to CEJ Fund	34	(110)	(110)
Net cash provided by (used in) operating activities		(775)	(564)
Cash flows from investing activities			
Purchase of investments		(26,999)	(19,499)
Proceeds of redemption of investments		27,000	26,000
Proceeds from withdrawal of time deposits		—	(2,500)
Purchase of property, plant and equipment	13	(1,070)	(1,770)
Purchase of intangible assets	14	(5)	(6)
Purchase of investment securities	33	(1,716)	(1,848)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	7	—	(2,008)
Payments of loans received		(3)	(139)
Other		(0)	(18)
Net cash provided by (used in) investing activities		(2,794)	(1,788)
Cash flows from financing activities			
Proceeds from long-term borrowings	31	20	—
Repayments of long-term borrowings	31	(29)	(47)
Lease liabilities paid	18, 31	(53)	(68)
Contributions into CEJ Fund from third-party investors	31	680	1,360
Other	31	(1)	3
Net cash provided by (used in) financing activities		617	1,248
Effect of exchange rate changes on cash and cash equivalents		20	77
Net increase (decrease) in cash and cash equivalents		(2,932)	(1,027)
Cash and cash equivalents at beginning of fiscal year	8	9,636	6,704
Cash and cash equivalents at end of year	8	6,704	5,677

【Notes to consolidated financial statements】

1. Nature of operations

CYBERDYNE, INC. (the "Company") is a company domiciled in Tsukuba, Ibaraki, Japan. The location of the Company's headquarters and 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, and jointly controlled entities. 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 overcoming various problems that modern society faces. At the same time, the Group will continue its endeavors to create new industries and nurture human resources, to induce an upward spiral of innovation and shape the future. The Group operates under a single segment of business related to robotics, 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" under 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 by 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 30, 2022.

(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.

3. Significant accounting policies

(1) Basis of consolidation

① 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.

② 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.

If the Group's share of the associates' loss (amount equivalent to equity interest) exceeds the Group’s share of the investment in the associate, the Group reduces the carrying amount of the investment to zero and does not recognize any further losses unless the Group incurs or pays obligations (legal or constructive obligations) 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.

③ 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 brings about 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

① 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.

② 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

① Financial assets

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

② Financial liabilities

(i) 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.

(ii) 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.

(iii) 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).

③ 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.

④ Fair value of financial instruments

For financial instruments measured at fair value, their fair value is 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 the acquisition of the asset and the initial estimate of the costs of dismantling and removing the item and restoring 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 50 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

① Goodwill

The measurement of Goodwill arising from business combination at the time of initial recognition is stated in “2. Business combinations.”

Goodwill is not amortized but is tested for impairment annually or whenever there is an indication of impairment. The goodwill impairment test and measurement of impairment loss are described in “10. Impairment of non-financial assets.”

Goodwill is presented in the consolidated statement of financial position as the amount obtained by deducting accumulated impairment loss from the acquisition cost.

② 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.

③ 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 determines whether a contract is a lease or includes a lease at the time the contract is entered into. If the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration, the contract is considered to be a lease or to contain a lease.

Leases as lessee

Right-of-use assets and lease liabilities are recognized at the start date of the lease.

Right-of-use assets are initially measured at acquisition cost, which is obtained by adjusting the amount of the initial measurement of the lease liability according to any lease payments made at or before the commencement date, any initial direct costs that were incurred, etc.

After initial recognition, right-of-use assets are depreciated using the straight-line method over the shorter period of the following, useful lives or lease terms. The lease term is measured as the period that includes the non-cancelable period of the lease, the extended option period if it is reasonably certain that the lease will be exercised, and the cancellation option period if it is not reasonably certain that the lease will be exercised.

Lease liabilities are initially measured at the present value, which is the total amount of lease payments payable discounted at the rate of interest on the lease or the rate of interest on additional borrowings of the lessee.

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

For short-term leases with 12 months or less or leases with small underlying assets, right-of-use assets and lease liabilities are not recognized, and lease payments are amortized over the lease term by the straight-line method or other regular methods.

Leases as lessor

Leases for which the Group is the lessor are classified as finance leases or operating leases at the point where the lease contract becomes effective.

When the Group classifies leases, the Group conducts comprehensive evaluates whether all of the risks and economic values associated with ownership of the underlying asset are substantially transferred. If they are transferred, the lease is classified as a finance lease and if they are not transferred, the lease is classified as an operating lease. As part of this evaluation, the Group considers certain indicators, such as whether the lease period based on the non-cancelable period accounts for the majority of the economic useful life of the underlying asset.

Lease payments under operating leases are recognized as revenue in the consolidated statement of profit or loss on a straight-line basis over the lease term. Units such as HAL that are leased as operating leases are presented as operating lease assets in the consolidated statement of financial position. Please refer to Note "3. Significant accounting policies, 7. Property, plant and equipment" for further details.

In finance lease transactions, when the Group becomes a lessor who is a manufacturer or a seller, the Group recognizes income, cost of sales, and gains or losses on sales, in accordance with its policy for outright sales to which IFRS 15 applies, on the commencement date. Please refer to Note "25. Revenue".

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of assets are contractually transferred to the Group. All the other leases are classified as operating leases.

(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.

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

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.

Recoverability is measured, first by using the higher of fair value after deducting disposal costs and value in use as recoverable amount. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the amount is recognized as an impairment loss in profit or loss. When testing goodwill for impairment, the cash-generating units to which goodwill is allocated are consolidated so that impairment is tested to reflect the smallest unit to which goodwill relates. Goodwill acquired through a business combination is allocated to cash-generating units that are expected to generate synergies from the combination. An impairment loss recognized in connection with a cash-generating unit is allocated first to reduce the carrying amount of goodwill allocated to that unit, and then to reduce the carrying amount of other assets in the cash-generating unit proportionally. Value in use is the present value of future cash flows expected to accrue from the asset or cash-generating unit.

Impairment losses related to goodwill have not been reversed. As for the reversal of impairment losses on the other assets or cash-generating units, if there is an indication at the end of each reporting period that an asset or cash-generating unit that has incurred an impairment loss in a prior period may have either disappeared or decreased, the recoverability of the asset or cash-generating unit is assessed. In cases where the recoverable amount exceeds the carrying amount of assets or cash generating units, the Group shall reverse the impairment loss at the maximum of the amount calculated by deducting the depreciation and amortization necessary from the carrying amount that would have been determined if no impairment loss had previously been recognized 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

① 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.

② Shares with transfer restriction

The Group has adopted shares with transfer restriction as compensation plan for its employees.

Consideration received for services is recognized as an expense by straight-line method over certain period from the day of allotment and an 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 "25. 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

① 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.

② 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

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

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

The Company practically makes decision of investment of CEJ Fund through the Companies consolidated subsidiary CEJ Capital, Inc. (general partner "GP" of CEJ Fund) thus the Company has the control. As an GP, CEJ Capital, Inc. receives the performance fee and the Company receives returns based on the performance according to its contribution as Limited Partner ("LP") of CEJ Fund. As the Company has the power over the CEJ Fund to influence the return, the Company has the control based on IFRS 10 "Consolidated Financial Statements".

Inter-company transactions such as management fees and performance fees to CEJ Capital, Inc., GP of CEJ Fund, to be paid from CEJ Fund are eliminated in consolidation.

② Investment by CEJ Fund

For financial instruments measured at fair value, with the exception of financial assets that are held for trading purposes that must be measured at fair value through profit or loss, for each individual financial instruments, the Group classifies each individual capital-based financial assets to either financial assets measured at fair value through profit or loss or financial assets measured at fair value through other comprehensive income. The same classification is applied continuously.

③ Contribution from Limited Partners ("LP") to CEJ Fund

CEJ Fund will issue capital calls for its respective LP ("Capital Call")

(a) Contribution from LP other than the Company

The term of existence (up to 12 years from the effective date) is prescribed in the investment limited partnership agreement of the CEJ Fund. In this agreement, it is stated that equity interests in the CEJ Fund held by LPs other than the Company (hereinafter, "Third-Party Investors") that invest in CEJ Fund shall be distributed and refunded. As such it is recorded as a liability under "Third-party interests in CEJ Fund" in the consolidated statement of financial position and classified as "financial liabilities measured at amortized cost". The carrying amounts of the liabilities is the amount of equity vested in Third-Party Investors under the limited partnership agreement for investment assuming that the Fund was liquidated at the end of each quarter.

"Third-party interests in CEJ Fund" is subject to change depending on payments from Third-Party Investors based on Capital Call, distributions and refunds to Third-Party Investors, and the performance of the CEJ Fund. Changes in the performance of the CEJ Fund are included in "Gains (losses) related to CEJ Fund" in the consolidated statement of profit or loss. "Gains (losses) related to CEJ Fund" includes the costs of establishing and managing the CEJ Fund

Contribution from Third-Party Investors are presented as "Contribution into CEJ Fund from third-party investors" under cash flows from financing activities in consolidated statement of cash flow. Distribution and refunds to Third-Party Investors are presented as "Amount distributed and refunded to Third-Party Investors" under cash flow from financing activities.

(b) Contribution from the Company

Contribution from the Company to CEJ Fund as a LP is eliminated in consolidation.

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.

With regard to the impact of the spread of COVID-19 infection, while it is difficult to predict with a degree of certainty the spread of the disease in the future, accounting estimates are based on the assumption that the situation will gradually recover around the end of the second quarter of the next fiscal year as the spread of the infection is slowing down and economic activities have resumed in each region. Even if this assumption changes to a reasonable extent at the end of the consolidated fiscal year under review, the impact on the conclusion based on the valuation result is limited and the Company determined that the effect on the consolidated financial statement for the consolidated fiscal year of the assumptions pertaining to the accounting estimates and the changes therein is not significant.

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 "10. Other financial assets", "33. Financial instruments" as well as "34. CEJ Fund")
・ Impairment of non-financial assets (Note "3. Significant accounting policies, (10) Impairment of non-financial assets"), and “13. Property, plant and equipment”)
・ 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 "13. Property, plant and equipment")
・ Collectability of deferred tax assets (Note "16. Income taxes")
・Recognition of revenue (Note "3. Significant accounting policies, (14) Revenue", Note "25. Revenue")
・Measurement of share-based payments (Note "31. Share-based payment")
・Equity interests in CEJ
・Estimates of measurement of equity from Third-Party 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

The following new or revised standards and interpretations were issued mainly by the date of approval of the consolidated financial statements, but the Group has not early adopted any of them.

The impact of the application of these accounting standards is still being calculated.

IFRS		Mandatory effective date (start date)	Effective date for the Group	Outline of the establishment and revision
IAS 12	Income taxes	January 1, 2023	April 1, 2023	Clarify accounting for deferred taxes on leases and disposal obligations

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

Note "25. 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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Japan	1,550	1,496
US	16	245
EMEA (Europe, Middle East and Africa)	109	191
APAC	200	219
Total	1,875	2,150

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

Non-current assets

Since the majority of non-current assets located in Japan 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. Business combination

The previous fiscal year (from April 1, 2020 to March 31, 2021)

there were no item to report

The current fiscal year (from April 1, 2021 to March 31, 2022)

(Acquisition of C2, Inc.)

(1) Outline of business combination

① Name of the acquired company and its business

Name of the acquired company	C2, Inc.
Outline of the business	Development / operation of in-house smartphone app "JUKUSUI" Planning/ development / operation of web solution for smartphone

② Acquisition date

August 31, 2021

③ Percentage of voting equity interest acquired

100%

④ Main reason of the business combination

C2 Inc. is strong in the planning and development of healthcare applications for smartphones, and its self-developed application "JUKUSUI". The app has been downloaded more than 3.2 million times and has 300,000 active users per month, maintaining a high ranking among healthcare applications in Japan, with more than 75 million pieces of accumulated sleep data.

In addition to the wearable cyborg HAL, the Company has been working on functional expansion and commercialization of its small vital sensors. The technology is for the prevention and early detection of various diseases. The Company decided on this acquisition because adding C2 to its group will accelerate its business and increase its corporate value in the healthcare field through the linkage of Cybernics Devices with C2's healthcare applications, especially by utilizing the user base of "JUKUSUI. "

⑤ Method of obtaining control of the acquired company

Acquisition of shares by cash

(2) Fair value of the consideration paid, assets acquired, and liabilities assumed as of the acquisition date

	Amount
	Millions of yen
Fair value of the consideration paid	731
Fair value of assets acquired and liabilities assumed	
Current assets	116
Non-current assets	40
Current liabilities	(49)
Non-current liabilities	(53)
Fair value of assets acquired and liabilities assumed (net)	54
Goodwill	677

(note) 1. Amount of acquisition-related expenses related to the business combination was ¥16 million. The entire amount was recorded in "Selling, general and administrative expenses" in the consolidated statements of income.

2. Goodwill was generated from synergies with existing businesses and excess earning power expected from future business development.

3. The assets acquired and liabilities assumed are provisionally calculated based on the information available at the time of acquisition since the allocation of acquisition costs has not been completed as of the end of the current fiscal year.

(3) Cash flows from acquisition

	Amount
	Millions of yen
Consideration for acquisition of subsidiary	731
Cash and cash equivalents paid for acquisition	731
Cash and cash equivalents in assets at acquisition of control	(70)
Payments for acquisition of subsidiaries	661

(4) Cash flows from acquisition

The Group's consolidated statements of profit or loss include revenue and net profit of ¥151 million and ¥4 million, respectively, generated from the acquired company after the acquisition date.

(Acquisition of RISE Healthcare Group, Inc.)

(1) Outline of business combination

Through its wholly owned U.S. subsidiary CYBERDYNE USA Inc., the Company acquired 80% of the outstanding shares of RISE Healthcare Group, Inc, making the company consolidated subsidiary. Through RISE Healthcare Group, Inc., the Company controls and manages RISE Physical Therapy, Inc., SoCal Elite Physical Therapy, Inc., and Tyler Physical Therapy, Inc.

① Name of the acquired company and its business

Name of the acquired company	RISE Healthcare Group, Inc.
Outline of the business	Control and manage RISE Physical Therapy, Inc., etc.

② Name of transferred subsidiary and its business

Name of the acquired company	RISE Physical Therapy, Inc. SoCal Elite Physical Therapy, Inc. Tyler Physical Therapy, Inc.
Outline of the business	Medical institute (operation of outpatient physiotherapy clinic)

③ Acquisition date

December 29, 2021

④ Percentage of voting equity interest acquired

80%

⑤ Main reason of business combination

The Company conducted the business combination with RISE Healthcare Group, Inc. to develop a treatment service business using HAL and speed up the dissemination of innovative Cybernics Treatment in the U.S., which is known to be the largest market in the world.

⑥ Method of obtaining control of the acquired company

Acquisition of shares by cash

(2) Fair value of the consideration paid, assets acquired, and liabilities assumed as of the acquisition date

	Amount
	Millions of yen
Fair value of the consideration paid	1,380
Fair value of assets acquired and liabilities assumed	
Current assets	172
Non-current assets	219
Current liabilities	(71)
Non-current liabilities	(157)
Fair value of assets acquired and liabilities assumed (net)	163
Non-controlling interests	(67)
Goodwill	1,285

(note) 1. Amount of acquisition-related expenses related to the business combination was ¥59 million. The entire amount was recorded in "Selling, general and administrative expenses" in the consolidated statements of income.

2. Non-controlling interests are measured by the proportionate share of the acquiree's identifiable net assets at the date of acquisition.

2. Goodwill was generated from synergies with existing businesses and excess earning power expected from future business development.

3. The assets acquired, and liabilities assumed are provisionally calculated based on the information available at the time of acquisition since the allocation of acquisition costs has not been completed as of the end of the current fiscal year.

(3) Cash flows from acquisition

	Amount
	Millions of yen
Cash and cash equivalents paid for acquisition	1,380
Cash and cash equivalents in assets at acquisition of control	(33)
Payments for acquisition of subsidiaries	1,347

(4) Impact on the business performance

The Group’s consolidated statement of profit or loss includes ¥225 million of revenue and ¥2 million of net profit generated from the acquired company after the acquisition date.

Assuming that the business combination of C2, Inc., RISE Healthcare Group, Inc. and business transfer of each of the subsidiaries had been executed at the beginning of the fiscal year, the revenue and net loss of the Group for the fiscal year would have been ¥2,830 million and ¥436 million (loss), respectively. Please note that the pro forma information is unaudited.

8. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
	Millions of yen	Millions of yen
Cash and cash equivalents		
Cash and deposits	5,704	5,677
Short-term investments	1,000	—
Total	6,704	5,677

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.

9. Trade and other receivables

Trade and other receivables consist of the following:

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
	Millions of yen	Millions of yen
Accounts receivable-trade	353	482
Accounts receivable-other	1	14
Allowance for doubtful accounts	(3)	(3)
Total	352	493

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

10. Other financial assets

(1) Other financial assets

Other financial assets consist of the following:

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
	Millions of yen	Millions of yen
Other financial assets		
Financial assets measured at amortized cost:		
Bonds	18,999	15,000
Leasehold and guarantee deposits	69	82
Other	39	180
Financial assets measured at fair value through profit or loss:		
Equity securities	5,407	7,059
Convertible bonds	683	1,304
Other	6	7
Financial assets measured at fair value through other comprehensive income:		
Equity securities	1,073	1,091
Total	26,277	24,722
Current assets	19,007	15,151
Non-current assets	7,271	9,571
Total	26,277	24,722

(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:

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Trading name	Millions of yen	Millions of yen
Listed		
Kringle Pharma, Inc.	197	162
Total	197	162
Not-listed		
WHILL, Inc.	626	626
Materials Innovation Tsukuba Co. Ltd.	100	100
Other	150	202
Total	877	929

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.

No dividend income was recognized from financial assets measured at fair value through other comprehensive income in the previous or current consolidated fiscal year.

11. Inventories

Inventories consist of the following:

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
	Millions of yen	Millions of yen
Merchandise and finished goods	207	322
Work in process	32	26
Raw materials	569	741
Total	808	1,089

The amount of inventories recognized as expenses and included in the cost of sales for the previous consolidated fiscal year and the current consolidated fiscal year were ¥442 million and ¥533 million, respectively.

Loss on devaluation of inventory recognized as expenses and included in the cost of sales for the previous consolidated fiscal year and current consolidated fiscal year were ¥6 million and ¥3 million, respectively.

12. Other assets

Other assets consist of the following:

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
	Millions of yen	Millions of yen
Other current assets		
Prepaid expenses	131	143
Consumption taxes receivable	11	306
Other	207	6
Total	350	455
Other non-current assets		
Long-term prepaid expenses	61	60
	—	45
Total	61	105

13. Property, plant and equipment

(1) 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.

Acquisition costs	Operating lease assets	Property plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	1,070	9,872	1,823	1,198	271	508	13,673	14,743
Acquisition	147	—	24	154	—	747	924	1,071
Sales and disposals	(77)	—	—	(10)	—	—	(10)	(87)
Exchange differences on translation of foreign operations	—	—	0	0	0	—	1	1
Other	—	—	(11)	13	1	(1)	3	3
March 31, 2021	1,140	9,872	1,836	1,356	272	1,254	14,591	15,731
Acquisition	114	—	1,319	101	3	1,562	2,984	3,099
Sales and disposals	(29)	—	—	(10)	(5)	—	(15)	(44)
Exchange differences on translation of foreign operations	—	—	0	—	0	—	1	1
Other	—		17	7	3	(1,568)	(1,541)	(1,541)
March 31, 2022	1,226	9,872	3,172	1,453	274	1,248	16,019	17,245

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	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	(589)	—	(928)	(936)	(255)	—	(2,119)	(2,709)
Depreciation	(148)	—	(86)	(145)	(7)	—	(238)	(386)
Sales and disposals	72	—	—	7	—	—	7	79
Exchange differences on translation of foreign operations	—	—	—	—	(0)	—	(0)	(0)
Other	—	—	(4)	(29)	(1)	—	(34)	(34)
March 31, 2021	(665)	—	(1,018)	(1,103)	(264)	—	(2,385)	(3,050)
Depreciation	(156)	—	(92)	(124)	(4)	—	(219)	(375)
Sales and disposals	25	—	—	11	4	—	14	40
Exchange differences on translation of foreign operations	—	—	—	—	(0)	—	(0)	(0)
Other	—	—	(7)	(3)	(3)	—	(14)	(14)
March 31, 2022	(796)	—	(1,117)	(1,219)	(268)	—	(2,603)	(3,399)

(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.

Carrying amounts	Operating lease assets	Property plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	481	9,872	895	262	15	508	11,553	12,034
March 31, 2021	475	9,872	818	253	8	1,254	12,206	12,680
March 31, 2022	430	9,872	2,055	234	7	1,247	13,416	13,846

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

The key assumptions used in estimating the value in use are the estimated future cash flows in the business plan and the discount rate. The discount rate (12.6% for the previous fiscal year and 12.3% for the current fiscal year) is based on the weighted average cost of capital. In addition, business plans and subsequent future cash flows are primarily affected by the timing and certainty of medical device approvals and insurance coverage, as well as the number of facilities where the product will be introduced and the expected unit sales price.

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

14. Goodwill and intangible assets

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

Acquisition cost	Goodwill	Intangible assets			
		Software	Patents	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	57	145	20	9	173
Acquisition	—	4	—	1	5
Sales and disposals	—	—	—	—	—
Exchange difference on translation of foreign operations	—	0	—	0	0
March 31, 2021	57	149	20	10	178
Acquisition	—	15	—	7	22
Acquisition through business combination	2,047	7	—	2	9
Sales and disposals	—	—	—	—	—
Exchange difference on translation of foreign operations	—	—	—	0	0
Other	—	—	—	(9)	(9)
March 31, 2022	2,104	171	20	10	200

Accumulated amortization and impairment losses	Goodwill	Intangible assets			
		Software	Patents	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	—	(103)	(16)	(2)	(121)
Amortization	—	(18)	(2)	(0)	(20)
Sales and disposals	—	—	—	—	—
Exchange difference on translation of foreign operations	—	—	—	—	—
March 31, 2021	—	(120)	(18)	(3)	(141)
Amortization	—	(21)	(1)	(0)	(23)
Sales and disposals	—	—	—	—	—
Exchange difference on translation of foreign operations	—	—	—	(0)	(0)
Other	—	—	—	(2)	(2)
March 31, 2022	—	(142)	(19)	(5)	(166)

(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.

Carrying amount	Goodwill	Intangible assets			
		Software	Patents	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	57	42	4	7	53
March 31, 2021	57	29	2	7	38
March 31, 2022	2,104	29	0	5	35

(2) Impairment loss of intangible assets

The carrying amounts of goodwill recognized in the Group's consolidated statement of financial position for the previous and current fiscal years are as follows. Goodwill arising from business combinations is allocated to the cash-generating units that will benefit from the business combination at the acquisition date.

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
RISE Healthcare Group, Inc.	—	1,370
C2, Inc.	—	677
Other	57	57
Total	57	2,104

(3) Impairment test of goodwill

The Group tests goodwill for impairment each period and whenever there is an indication of impairment. The recoverable amount of the impairment test is based on a value in use. Value in use is calculated as the discounted present value of estimated future cash flows based on business plans and growth rates for the next five years, reflecting past performance and future projections.

The discount rates used to calculate the value in use of the cash-generating units to which significant goodwill was allocated were 15.04% for RISE Healthcare Group, Inc. and 17.82% for C2, Inc. The growth rate is determined by considering the average long-term growth rate in the industry to which the cash-generating unit belongs.

These projections are subject to a high degree of uncertainty and can have a significant impact on value-in-use estimates. No impairment loss on goodwill was recognized in the previous or current fiscal years. Although there is a risk of impairment if the key assumptions used in the impairment testing were to change, the value in use is well in excess of the carrying amount of the cash-generating unit group concerned and it is considered unlikely that the value in use would be less than the carrying amount even if the key assumptions used in the impairment testing changed within a reasonably foreseeable range.

No impairment losses on intangible assets other than goodwill were recognized in the previous or current fiscal years. The status of impairment testing and value-in-use assumptions are described in Note "13. Property, Plant and Equipment.

15. 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 ventures 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:

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
	Millions of yen	Millions of yen
Total carrying amount	198	188

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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
The Group’s share of profit	(10)	(11)
The Group's share of other comprehensive income	—	—
The Group's share of comprehensive income	(10)	(11)

(2) Investments in joint venture

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

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
	Millions of yen	Millions of yen
Total carrying amount	256	247

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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
The Group’s share of profit	(8)	(9)
The Group's share of other comprehensive income	—	—
The Group's share of comprehensive income	(8)	(9)

16. 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:

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

	April 1, 2020	Recognized through profit or loss	Recognized through comprehensive income	March 31, 2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets	—	—	—	—
Deferred tax liabilities				
Financial assets measured at fair value through profit or loss	390	240	—	630
Financial assets measured at fair value through other comprehensive income	126	—	40	167
Property, plant and equipment	51	(1)	—	50
Other	0	0	—	0
Total	568	239	40	847

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

	April 1, 2021	Recognized through profit or loss	Recognized through comprehensive income	March 31, 2022
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets				
Loss carried forward	—	45	—	45
Total	—	45	—	45
Deferred tax liabilities				
Financial assets measured at fair value through profit or loss	630	174	—	805
Financial assets measured at fair value through other comprehensive income	167	—	5	172
Property, plant and equipment	50	(0)	—	49
Other	0	(0)	—	0
Total	847	174	5	1,026

Tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
	Millions of yen	Millions of yen
Tax losses carryforwards	6,983	6,876
Deductible temporary differences	2,083	2,413
Total	9,067	9,288

(Note) Tax loss carryforwards and deductible temporary differences are based on the Company’s income.

Tax loss carryforwards for which deferred tax assets have not been recognized are scheduled to expire as follows:

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
	Millions of yen	Millions of yen
Expires within 1 year	455	559
Expires between 1 and 2 years	559	921
Expires between 2 and 3 years	922	596
Expires between 3 and 4 years	596	503
Expire after 4 years	4,452	4,296
Total	6,983	6,876

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities were not recognized at the previous consolidated fiscal year and current consolidated fiscal year were not material.

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:

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Current taxes	8	6
Deferred taxes	471	130
Total	479	136

(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:

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	%	%
Effective statutory tax rate	34.26	34.26
Expenses not deductible for taxable income calculation purposes	0.45	(0.14)
Non-deductible expenses	1.00	(0.84)
Inhabitant tax equalization rate	1.40	(1.52)
Differences in overseas tax rates	2.56	(4.18)
Unrecognized differed tax asset	80.24	(59.86)
Share of profit (loss) of investments accounted for using equity method	1.52	(1.76)
Gains (losses) related to CEJ Fund	2.87	3.31
Other	(4.61)	(5.13)
Average actual tax rate	117.29	(35.86)

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 34.26% in the previous consolidated fiscal year and 34.26% in the current consolidated fiscal year. Foreign subsidiaries are subject to income taxes in the countries where they are located.

17. Bonds and borrowings

Bonds and borrowings consist of the following:

	Previous consolidated fiscal year (From April 1, 2020 To March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 To March 31, 2022)	Average interest rate	Repayment period
	Millions of yen	Millions of yen	%	
Short-term loans payables	19	19	0.94	－
Long-term loans payable due within one year	12	14	1.07	－
Long-term loans payable	49	34	1.38	2024 to 2027
Total	79	68	－	－
Current liabilities	31	34	－	－
Non-current liabilities	49	34	－	－
Total	79	68	－	－

17. Leases

(1) Operating leases (as lessee)

As a lessee the Group leases primarily land and buildings with a contractual term of 2 to 20 years. The Group has no covenants such as restrictions on renewable option, purchase option, escalation clauses and lease contracts.

Gains (losses) related to leases consists of the following:

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Depreciation of right-of-use assets		
Land and buildings	45	60
Vehicles	0	0
Tools, furniture and fixtures	4	9
Total	50	70
Interest expense on lease liabilities	1	3
Short-term lease expenses	5	18
Lease expenses under small assets	0	0
Variable lease payments (note)	3	4

(Note) This item is expenses related to variable lease payments not included in the measurement of lease liabilities.

Carrying amount of right-of-use asset consists of the following:

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
	Millions of yen	Millions of yen
Right-of-use-assets		
Land and buildings	314	485
Vehicles	0	—
Tools, furniture and fixtures	23	14
Total	337	499

The increase in right-of-use assets for the previous fiscal year and the current fiscal year was ¥37 million and ¥241 million respectively

The total amount of cash outflows related to leases for the previous consolidated fiscal year and the current consolidated fiscal year was ¥53 million and ¥68 million respectively.

Maturity analysis of lease liabilities is presented in Note “33. Financial Instruments ② Liquidity risk management.

(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.

As a lessor of operating leases, the Group leases HAL etc. Risk of the underlying asset is reduced by conducting monitoring via the internet and designating the place of use in the contract.

Lease income for the previous consolidated fiscal year and the current consolidated fiscal year was ¥1,134 million and ¥1,203 million respectively.

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

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
	Millions of yen	Millions of yen
Not later than 1 year	787	689
More than 1 year, 2 years or less	317	375
More than 2 years, 3 years or less	261	310
More than 3 years, 4 years or less	193	187
More than 4 years, 5 years or less	93	10
Total	1,650	1,572

(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 a lessor of finance leases, the Group leases HAL etc. Risk of the underlying asset is reduced by conducting monitoring via the internet and designating the place of use in the contract.

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, and the profit from sales under finance leases for the previous consolidated fiscal year and the current consolidated fiscal year was ¥41 million and ¥23 million respectively. As finance income and variable lease payments on the net investment in leases based on finance lease contracts does not occur, related statement is omitted.

18. Trade and other payables

Trade and other payables consist of the following:

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
	Millions of yen	Millions of yen
Accounts payable-trade	73	29
Accounts payable-other	175	266
Other	20	5
Total	268	300
Current liabilities	268	300
Non-current liabilities	—	—
Total	268	300

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

20. Employee benefits

The Company and certain subsidiaries adopted defined contribution pension plans covering substantially all of their employees for their employees' retirement benefits. Defined contribution pension plans are exposed to general investment risk, interest rate risk, inflation risk, etc., but are judged to be immaterial.

The amount recognized as an expense for the defined contribution pension plan for the previous consolidated fiscal year and the current consolidated fiscal year was ¥7 million and ¥7 million respectively.

21. Provisions

Changes in provisions consist of following:

	Asset retirement obligations
	Millions of yen
As of April 1, 2020	93
Increase	0
Interest expense on discount provision	—
Decrease (other)	—
As of March 31, 2021	93
Increase	3
Interest expense on discount provision	—
Decrease (other)	—
As of March 31, 2022	96

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:

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
	Millions of yen	Millions of yen
Current liabilities	—	—
Non-current liabilities	93	96
Total	93	96

22. Other liabilities

Other liabilities consist of the following:

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
	Millions of yen	Millions of yen
Other current liabilities		
Advances received	102	118
Accrued vacation payable	28	35
Accrued expenses	13	31
Accrued consumption taxes	8	6
Deposits received	16	33
Other tax liabilities	102	97
Other	6	55
Total	276	376

23. Share capital and other equity items

(1) Total numbers of authorized shares and issued shares

The total numbers of authorized shares and issued shares are as follows.

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	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
Number of issued shares:		
Common Shares:		
Beginning balance	137,445,809	137,445,809
Change during the year (Note 2)	—	—
Ending balance	137,445,809	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) Information concerning authorized shares is as follows:

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

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

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.

② As a result of a tender offer, if 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.

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. If any of the events set forth in the following items occurs with respect to Class B Shareholders, the Company will, on the date prescribed in Article 170, item 1, acquire Class B Shares specified in each of said items and deliver one share of Common Share to said Class B Shareholders in exchange for acquiring said one share of Class B Shares.

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

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.

(vii) 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.

2. 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 Cybernics 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.

3. 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:

   a. 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
   b. 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

At the extraordinary general meeting of shareholders held on March 4, 2021, the Group approved the reduction of capital stock and the appropriation of retained earnings, which became effective on the same date.

The amount of capital stock was reduced to 10 million yen, the entire amount of the reduction was transferred to capital surplus, and of the transferred capital surplus, 10,355 million yen was transferred to retained earnings brought forward to cover the deficit.

(2) Treasury shares

The changes in treasury shares are as follows

	Number of shares	Amount
	Shares	Millions of yen
April 1, 2020	4,451	0
Change during the year	4,320	0
March 31, 2021	8,771	0
Change during the year	2,900	–
March 31, 2022	11,671	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.

24. Dividends

Dividends paid are as follows:

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

There are no items to report.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

There are no items to report.

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

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

There are no items to report.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

There are no items to report.

25. Revenue

(1) Disaggregation of revenue

Details of disaggregation of revenue are set forth below.

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Timing of revenue recognition		
Service transferred over time	1,273	1,457
Asset transferred at a point of time	333	169
Service transferred at a point of time	268	524
Total	1,875	2,150

(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, maintenance income based on the maintenance contract of finance lease income where the Group acts as a lessor of the right-of-use asset, and subscription fees from the provision and operation of smartphone applications.

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

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

The Group recognizes usage fee revenue from the provision and operation of smartphone applications over time, as services are provided through the applications over a fixed period.

Asset transferred at a point of time

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

The Group mainly determines the performance obligation of sales of commodities and when the customer accepts the relevant product. The Group receives most of the payment within one month from the point of satisfying the performance obligation. Regarding the 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, it classifies the relevant lease as a finance lease. Finance lease income is processed in the same way as cases where the Group acts as a lessor of manufacturer or distributor of sales of goods. The Group determines that performance obligation is satisfied at the point of customer acceptance, and the Group recognizes the revenue simultaneously.

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). It also includes revenue received in return of providing outcomes of consigned development projects.

The Group determines that performance obligation of Cybernic Treatment as well as training services are satisfied at the point of completion of such services. The Group determines that performance obligation of providing outcomes of consigned development projects are satisfied at the point when the customer inspects and accepts the outcome.

(2) Changes in the contract

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

	Accounts receivable arising from contracts with customers	Advances received on contractual liabilities
	Millions of yen	Millions of yen
April 1, 2019	256	69
March 31, 2020	353	54
March 31, 2021	482	73

(Note) The amount of revenue recognized out of the balance of advances received in the previous consolidated fiscal year and the current consolidated fiscal year was ¥26 million and ¥38 million, respectively. In addition, the amount of revenue recognized from performance obligations satisfied in prior periods was not material for the previous consolidated fiscal year and the current consolidated fiscal year.

(3) Timing of performance obligations satisfaction

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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Not later than 1 year	117	81
More than 1 year, 5 years or less	90	170
Total	206	251

26. Selling, general and administrative expenses

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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Personnel expenses	505	586
Taxes and dues	98	105
Commission expenses	309	366
Depreciation	177	200
Advertising expenses	80	169
Other	302	361
Total	1,471	1,787

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 for the previous consolidated fiscal year and the current consolidated fiscal year were ¥902 million and ¥989 million, respectively.

27. Other income and other expenses

Other income consists of the following:

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Grants	14	5
Consigned research income	96	36
Foreign exchange gains	28	81
Other	42	52
Total	181	175

Other expenses consist of the following:

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Miscellaneous losses	4	5
Other	0	1
Total	4	6

28. Financial income

Financial income consists of the following:

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Interest income:		
Financial assets measured at amortized cost	21	19
Dividends received:		
Financial assets measured at fair value through other comprehensive income	—	—
Financial assets measured at fair value through profit or loss	749	379
Total	770	398

29. 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:

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	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	(598)	(15)
Tax effects	192	(5)
Financial assets measured at fair value through other comprehensive income	(496)	(20)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Gains (losses) arising for the year	(16)	149
Reclassifications	—	—
Before tax	(16)	149
Tax effects	—	—
Exchange differences on translation of foreign operations	(16)	149
Total	(422)	129

30. Earning per share

(1) The basis for calculating basic earnings per share

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Gain (loss) attributable to owners of parent (Millions of yen)	(59)	(492)
Gain not attributable to common shareholders of the parent (Millions of yen)	—	—
Gain (loss) used to calculate basic earnings per share (Millions of yen)	(59)	(492)
Weighted average number of common shares and shares equivalent to common shares (Shares)	215,137,214	215,134,862
Basic earnings (loss) per share (Yen)	(0.27)	(2.29)

(2) The basis for calculating diluted earnings per share

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Gain (loss) used to calculate basic earnings per share (Millions of yen)	(59)	(492)
Adjustments to loss (Millions of yen)	—	—
Gain (loss) used to calculate diluted earnings per share (Millions of yen)	(59)	(492)
Weighted average number of common shares and shares equivalent to common shares (Shares)	215,137,214	215,134,862
Adjustment *Note		
Weighted average number of diluted common shares and shares equivalent to common shares (Shares)	215,137,214	215,134,862
Diluted earnings (loss) per share (Yen)	(0.27)	(2.29)

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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)		Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)	
	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

31. Cash flow information

Changes in liabilities arising from financing activities are as follows:

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

	April 1, 2020	Fluctuations accompanied by cash flows	Fluctuations not accompanied by cash flows				March 31, 2021
			Change in scope of consolidation	Exchange fluctuation	New lease	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term loans payable	18	—	—	—	—	0	19
Long-term loans payable (Note 1)	70	(9)	—	—	—	—	61
Lease liabilities	373	(53)	—	(1)	21	0	340
Third-party interests in CEJ Fund	1,714	680	—	—	—	34	2,429
Total	2,176	618	—	(1)	21	34	2,849

(Note) Includes Long-term loans payable due within 1 year

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

	April 1, 2021	Fluctuations accompanied by cash flows	Fluctuations not accompanied by cash flows				March 31, 2022
			Change in scope of consolidation	Exchange fluctuation	New lease	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term loans payable	19	7	—	—	—	(6)	19
Long-term loans payable (Note 1)	61	(47)	35	—	—	—	49
Lease liabilities	340	(68)	224	—	—	10	506
Third-party interests in CEJ Fund	2,429	1,360	—	—	—	(159)	3,629
Total	2,849	1,252	259	—	—	(155)	4,204

(Note) Includes Long-term loans payable due within 1 year

32. Share-based payments

(1) Outline of share-based payments

The Company adopted an equity-settled share-based payment (stock option) as well as shares with restrictions on transfer as remuneration for the Company employees.

The stock option is allotted to external consultant for the purpose of boosting his/her motivation and moral towards the growth of the Company's corporate value. The stock option is issued based on the resolution at the Meeting of Shareholders and approval by the Meeting of Board of Directors of the Company. Exercise period of the stock acquisition rights that is included in the stock option is determined by the allotment contract and if the stock acquisition rights is not exercised by the holder of the stock acquisition rights during this period, stock acquisition rights will lose its effect.

Shares with restrictions on transfer as remuneration for the Company employees are allotted to the Company employees for the purpose of boosting his/her motivation and morale towards the growth of the Company's corporate value. The issuance of these shares is approved by the Meeting 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	Allottee	Date of allotment	Exercise period	Conditions for determination of rights
2015 1st Series Stock Option of CYBERDYNE, INC. (Note 1)	Common Share 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 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 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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)		Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance of outstanding	22,900	2,050	22,900	2,050
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Expired at maturity	—	—	—	—
Ending balance of outstanding	22,900	2,050	22,900	2,050
Ending balance of exercisable	22,900	2,050	22,900	2,050

(Notes)1. Exercise price of stock options that is not yet exercised for the previous consolidated fiscal year and the current consolidated fiscal year were between ¥1,788 to ¥3,060 and ¥1,788 to ¥3,060, respectively.

2. Weighted average remaining contractual life of stock options that is not yet exercised for the previous consolidated fiscal year and the current consolidated fiscal year were 5 years and 4 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

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

There were no items to report.

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

There were 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 to Company employees, by way of shares with restrictions on transfer until the rights are vested. The scheme is accounted for using a means of equity settlement. Under this scheme, the transfer of shares becomes possible when the requirements of the service conditions are met. In principle, the vesting period is five years.

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

33. 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.

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

① 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.

a. 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.

b. 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 allowance for doubtful accounts for trade receivables without a significant financial component. This amount is designated as an amount equal to the expected credit loss for the entire period.
The carrying amounts for trade receivable for the previous consolidated fiscal year and the current consolidated fiscal year were ¥353 million and ¥482 million, respectively.

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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Beginning balance	2	3
Increase during the year	3	3
Decrease during the year due to settlement for intended purposes	—	—
Decrease during the year due to reversal	(2)	(3)
Other changes	—	—
Ending balance	3	3

② 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, 2021

	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	268	268	268	—
Bonds and borrowings	79	79	31	49
Lease liabilities	340	340	61	280
Third-party interests in CEJ Fund	2,429	(note) 2,429	—	2,429
Total	3,116	3,116	359	2,757

(Note) This amount is the amount of equity vested to third-party investors if the fund was liquidated on March 31, 2021

Fiscal year ended March 31, 2022

	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	300	300	300	—
Bonds and borrowings	68	68	34	34
Lease liabilities	506	506	118	389
Third-party interests in CEJ Fund	3,629	(note) 3,629	—	3,629
Total	4,504	4,504	452	4,052

(Note) This amount is the amount of equity vested to third-party investors if the fund was liquidated on March 31, 2022

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

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
	Millions of yen	Millions of yen
Total commitment lines	800	800
Drawn	—	—
Undrawn	800	800

③ 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

① 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))
The fair value of listed shares is measured based on the observable market price
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 carrying amount of the third-part interests in CEJ Fund is the amount of equity interest attributable to third-party investors assuming that the fund is liquidated at the end of each quarter. As such the fair value of the equity interest is determined based on the carrying amount of the equity interest.

② 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.

	Previous consolidated fiscal year (March 31, 2021)		Current consolidated fiscal year (March 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:				
Financial assets measured at amortized cost				
Leasehold and guarantee deposits	69	76	82	87
Total	69	76	82	87

(Notes)

1 The fair value of leasehold and guarantee deposits is classified into Level 2.

2 There were no transfers between Level 1, Level 2 and Level 3 during the previous fiscal year and the current fiscal year

③ Financial instruments measured at fair value

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

Previous consolidated fiscal year (March 31, 2021)

	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	6,097	66	―	6,031	6,097
Financial assets measured at fair value through other comprehensive income					
Other financial assets	1,073	197	―	877	1,073
Total	7,170	263	―	6,908	7,170

Current consolidated fiscal year (March 31, 2022)

	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	8,370	54	―	8,316	8,370
Financial assets measured at fair value through other comprehensive income					
Other financial assets	1,091	162	―	929	1,091
Total	9,460	216	―	9,245	9,460

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 previous fiscal year and the current fiscal year.

④ Assessment procedures

Assessment of financial instruments classified as Level 3 is measured by the responsible person in the Corporate Department. 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 Department. Results of assessment are than reviewed and approved by the Head of Corporate Department.

⑤ 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 Department, 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.

⑥ Changes in financial instruments classified as Level 3 during the period

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

	Previoust consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Beginning balance	4,788	6,908
Total gains and losses		
Profit or loss (Note 1)	1,465	469
Other comprehensive income (Note 2)	5	20
Purchases	1,716	1,848
Sales	—	—
Reclassification to level 1 (Note 3)	(1,067)	—
Ending balance	6,908	9,245
Changes of unrealized profit related to possessed assets posted at the end of reported period (Note 1)	1,465	469

(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.

3 Reclassification to level 1 was due to the listing of stocks held.

34. CEJ Fund

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

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Gains (losses) related to CEJ Fund		
Gains of CEJ Fund		
Unrealized gains (losses) on investments	515	78
Administrative expenses	(122)	(123)
Subtotal	393	(45)
Amount reclassified to third-party equity	(34)	159
Total	359	115

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

	Third-party interests
	Millions of yen
April 1, 2020	1,714
Contributions into CEJ Fund from third-party investors	680
Change in third-party interests in CEJ Fund	34
March 31, 2021	2,429
Contributions into CEJ Fund from third-party investors	1,360
Change in third-party interests in CEJ Fund	(159)
March 31, 2022	3,629

35. Related parties

(1) Major subsidiaries and associates etc.

Please refer to "Appendix 1 Outline of the Company 4 Status of associated companies" for major 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) Compensation to main executives

Compensation to main executives consists of the following:

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Basic remuneration:		
Member of the Board of Directors (excluding outside members of Board of Directors)	44	44
Outside members of the Board of Directors and outside members of the Audit and Supervisory Board	7	9
Total	51	53

36. Subsequent events

There are no items to report

（２）【Other】

Quarterly information for the current fiscal year, etc.

(Accumulated period)	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Revenue (Millions of yen)	380	825	1,347	2,150
Profit (loss) before tax (Millions of yen)	(265)	(388)	(548)	(379)
Profit (loss) attributable to owners of the parent (Millions of yen)	(276)	(427)	(587)	(492)
Profit (loss) per share (Yen)	(1.28)	(1.99)	(2.73)	(2.29)

(Accounting period)	Q1	Q2	Q3	Q4
Quarterly profit (loss) per share (Yen)	△1.28	△0.70	△0.74	0.44

2 【Financial statement etc.】

(1)【Financial statement】

①【Non-consolidated balance Sheet】

(Unit: Millions of yen)

	Previous fiscal year (March 31,2021)	Current fiscal year (March 31,2022)
Assets		
Current assets		
Cash and cash equivalents	4,435	6,596
Accounts receivable-trade	*2 400	*2 357
Securities	19,999	12,500
Merchandise and finished goods	206	320
Work in process	30	26
Raw materials	569	741
Accounts receivable-other	*2 6	*2 20
Other	*2 299	*2 703
Allowances for doubtful accounts	(3)	(3)
Total current assets	25,941	21,260
Non-current assets		
Property, plant and equipment		
Buildings, net	*1 676	*1 1,901
Structures, net	20	34
Machinery & equipment, net	*1 2	*1 1
Vehicles & delivery equipment, net	2	4
Tools, furniture & fixtures, net	*1 214	*1 180
Rental assets, net	469	423
Land	*1 9,872	*1 9,872
Construction in progress	1,254	1,248
Total property, plant and equipment	12,510	13,662
Intangible assets		
Patents	2	1
Software	*1 27	*1 24
Other	7	5
Total intangible assets	36	29
Investments and other assets		
Bonds of affiliated companies	53	53
Investment securities	2,888	3,077
Shares of affiliated companies	766	2,989
Investments in capitals of subsidiaries and associates	931	1,427
Long-term prepaid expenses	80	66
Other	*2 180	*2 190
Allowance for doubtful accounts	(91)	(91)
Total investments and other assets	4,807	7,712
Total non-current assets	17,353	21,403
Total assets	43,295	42,663

(Unit: Millions of yen)

	Previous fiscal year (March 31,2021)	Current fiscal year (March 31,2022)
Liabilities		
Current liabilities		
Accounts payable-trade	69	26
Accounts payable-other	*2 172	*2 185
Accured expenses	10	11
Unearned revenue	122	122
Income taxes payable	5	5
Other	*2 82	*2 117
Total current liabilities	460	467
Non-current liabilities		
Deferred tax liabilities	47	36
Asset retirement obligations	79	81
Total non-current liabilities	127	116
Total liabilities	587	583
Net assets		
Shareholders' equity		
Capital stock	10	10
Capital surplus		
Capital reserve	26,714	26,714
Other capital surplus	16,413	16,413
Total capital surplus	43,128	43,128
Retained earnings		
Legal retained earnings	0	0
Other retained earnings		
Retained earnings brought forward	(527)	(1,133)
Total retained earnings	(526)	(1,133)
Treasury shares	(0)	(0)
Total shareholders' equity	42,611	42,004
Valuation & translation adjustments		
Valuation differences on available-for-sale securities	78	57
Total valuation & translation adjustments	78	57
Stock acquisition rights	19	19
Total net assets	42,708	42,080
Total liabilities and equity	43,295	42,663

② 【Non-consolidated statement of profit or loss】

(Unit: Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	*2 1,663	*2 1,564
Cost of sales	*2 483	*2 396
Gross profit	1,180	1,168
Selling, general and administrative expenses	*1,*2 1,957	*1,*2 2,023
Operating profit (loss)	(777)	(856)
Non-operating income		
Interest income	*2 21	*2 19
Subsidy income	6	11
Consigned research income	96	36
Outsourcing service fee	*2 153	*2 180
Other	*2 59	*2 106
Total non-operating income	337	353
Non-operating expenses		
Loss on investments in capital	76	93
Other	4	7
Total non-operating expenses	81	100
Ordinary profit (loss)	(521)	(602)
Profit (loss) before provision of income tax	(521)	(602)
Income taxes – current	5	5
Income taxes – deferred	(0)	(1)
Total income taxes	5	4
Net profit (loss)	(527)	(607)

【Statement of production cost】

		Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)	
Classification	Note	Amount(Millions of yen)	Ratio (%)	Amount(Millions of yen)	Ratio (%)
I Material cost		408	81.4	256	70.9
II Labor cost		58	11.5	60	16.7
III Other expenses	* 1	36	7.1	45	12.4
Total manufacturing costs for the period		502	100.0	362	100.0
Inventory of work in process at the beginning of the year		17		34	
Total		519		395	
Inventory of work in process at the end of the year		34		29	
Transfer to other accounts	* 2	303		211	
Cost of products manufactured in the current fiscal year		182		156	

The Company uses a standard cost accounting method based on specific cost accounting to calculate the production cost. Cost variances are allocated to products, work in process, cost of sales, and fixed assets at the end of the period.

Note） * 1 Detail of the cost are stated below

Item	Previous fiscal year (Millions of yen)	Current fiscal year (Millions of yen)
Depreciation and amortization	7	7
Communication expenses	4	8
Storage fee	4	6
expenses for rent of space, land, etc.	3	3
travel expenses	3	4

* 2 Details of transfers to other accounts are as follows.

Item	Previous fiscal year (Millions of yen)	Current fiscal year (Millions of yen)
Property, plant and equipment	203	102
Other	100	109
Total	303	211

③ 【Non-consolidated statements of changes in shareholders' equity】

Previous fiscal year (From April 1,2020 to March 31, 2021)

(Unit: Millions of yen)

	Equity attributable to owners of parent							
	Share capital	Capital Surplus			Retained earnings			Treasury stock
		Capital reserve	Other capital reserve	Total capital reserve	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
April 1, 2020	26,778	26,714	－	26,714	0	(10,355)	(10,355)	(0)
Changes during the period								
Reduction of capital	(26,768)	－	26,768	26,768	－	－	－	－
Deficiency coverage	－	－	(10,355)	(10,355)	－	10,355	10,355	－
Net profit (loss)	－	－	－	－	－	(527)	(527)	－
Acquisition of treasury stock	－	－	－	－	－	－	－	(0)
Changes in items other then shareholders equity (net)	－	－	－	－	－	－	－	－
Total changes during the fiscal year	(26,768)	－	16,413	16,413	－	9,829	9,829	(0)
March 31, 2021	10	26,714	16,413	43,128	0	(527)	(526)	(0)

	Shareholders' equity	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
April 1, 2020	43,138	11	11	19	43,167
Changes during the period					
Reduction of capital	－	－	－	－	－
Deficiency coverage	－	－	－	－	－
Net profit (loss)	(527)	－	－	－	(527)
Acquisition of treasury stock	(0)	－	－	－	(0)
Changes in items other then shareholders equity (net)	－	67	67	－	67
Total changes during the fiscal year	(527)	67	67	－	(460)
March 31, 2021	42,611	78	78	19	42,708

Current fiscal year (From April 1,2021 to March 31, 2022)

(Unit: Millions of yen)

	Equity attributable to owners of parent							
	Share capital	Capital Surplus			Retained earnings			Treasury stock
		Capital reserve	Other capital reserve	Total capital reserve	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
April 1, 2021	10	26,714	16,413	43,128	0	(527)	(526)	(0)
Changes during the period								
Net profit (loss)	—	—	—	—	—	(607)	(607)	—
Changes in items other then shareholders equity (net)	—	—	—	—	—	—	—	—
Total changes during the fiscal year	—	—	—	—	—	(607)	(607)	—
March 31, 2022	10	26,714	16,413	43,128	0	(1,133)	(1,133)	(0)

	Shareholders' equity	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
April 1, 2021	42,611	78	78	19	42,708
Changes during the period					
Net profit (loss)	(607)	—	—	—	(607)
Changes in items other then shareholders equity (net)	—	(21)	(21)	—	(21)
Total changes during the fiscal year	(607)	(21)	(21)	—	(627)
March 31, 2022	42,004	57	57	19	42,080

【Notes to non- consolidated financial statements】

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

1 Evaluation standards and method for important assets

(1) Valuation standards and methods for securities

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

Other securities

Securities with market value..Market value method

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

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

(2) Valuation standards and methods for inventories

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

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

Supplies..Last purchase price method

Inventories with reduced profitability were devalued.

2 Depreciation methods of non-current assets

(1) Property, plant and equipment

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

The useful lives for major assets are as follows.

Buildings..3 to 38 years

Structure..10 to 20 years

Machinery and equipment...5 to 7 years

Vehicles...2 to 6 years

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

Assets for rent..5 years

(2) Intangible assets

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

Software...5 years

Patent rights...8 years

(3) Long-term prepaid expenses

Depreciated in equal amounts.

3 Basis for recording allowances

Allowance for doubtful accounts

To prepare for potential credit losses on receivables, the Group records an estimated amount that CYBERDYNE can’t collect through calculating the historical rate of credit losses for standard receivables and the amount determined in consideration of the collectability of individual receivables for doubtful accounts and certain other receivables.

4 Basis for recording revenue

The Group recognizes revenue by applying the following steps.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Calculate 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

Further details are stated in "notes on revenue recognition"

5 Other material information regarding the preparation of financial statements

(1) Basis for translating foreign-currency-denominated assets and liabilities into Japanese yen

The Group translates foreign-currency-denominated assets and liabilities based on the spot exchange rate at the date of announcement of financial statements. The Group processes translated differences as profit and losses.

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

(2) Processing deferred assets

Share issuance cost The entire amount is processed as expenditure at the timing of the issuance

(Notes to accounting estimates)

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

1 Valuation of property, plant and equipment

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

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	12,150	13,662
Intangible assets	36	29

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

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

As the Group's operating results are still in the negatives, the Group has identified signs of impairment in assets listed in (1). To determine whether an impairment loss should be recognized, the Company estimates the total undiscounted future cash flows based on the business plan approved by the management.

The projections are subject to a high degree of uncertainty. Because of such nature, it may significantly impact estimates of total undiscounted future cash flow.

2 Impact of the new type of coronavirus infection

The impact of the spread of new coronavirus infections is described in Note 4 " Significant accounting estimates and judgments" of the Notes to Consolidated Financial Statements.

(Change in accounting policy)

Application of "Accounting Standard for Fair Value Measurement ", etc.

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as "Accounting Standard for Calculation of Fair Value") are applied from the beginning of the current fiscal year. In accordance with the transitional treatment set forth in paragraph 19 of the Accounting Standard for Fair Value Accounting and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply prospectively the new accounting policies set forth by the Accounting Standard for Fair Value Accounting and others. The new accounting policy stipulated by the fair value accounting standard will be applied prospectively in accordance with the treatment. This change has no impact on the financial statements.

(Notes to non-consolidated balance sheet)

*1 Reduction entry amount

The amount of reduction entry deducted from the acquisition cost by government subsidies, etc. is as follows

	Previous fiscal year (March 31,2021)	Current fiscal year (March 31, 2022)
Buildings	¥631 Million	¥631 Million
Machinery & equipment	¥145 Million	¥145 Million
Tools, furniture & fixtures	¥211 Million	¥211 Million
Land	¥96 Million	¥96 Million
Software	¥8 Million	¥6 Million

*2 Money claims and liabilities towards affiliated companies

Monetary claims and monetary obligations to affiliated companies other than those presented separately are as follows。

	Previous fiscal year (March 31,2021)	Current fiscal year (March 31, 2022)
Short-term money claims	¥122 Millions	¥320 Million
Long-term money claims	¥104 Millions	¥109 Millions
Short-term money liabilities	¥5 Millions	¥19 Millions

*3 The Company have entered an overdraft agreement with a correspondent bank in order to raise working capital efficiently.

Unused lines of credit related to overdraft agreements are as follows.

	Previous fiscal year (March 31,2021)	Current fiscal year (March 31, 2022)
Maximum limit of total line of credit	¥800 Millions	¥800 Millions
Balance of used line of credit	―	―
Balance of unused line of credit	¥800 Millions	¥800 Millions

(Notes to non-consolidated statement of profit or loss)

* 1 Main items, amounts and approximate percentages of other selling, general and administrative expenses are as follows

	Previous fiscal year (From April 1,2020 To March 31,2021)	Current fiscal year (From April 1,2021 To March 31,2022)
Salaries	¥296 Million	¥309 Million
Depreciation and amortization	¥121 Million	¥125 Million
Research and development expenses	¥671 Million	¥723 Million
Taxes and dues	¥97 Million	¥104 Million
Approximate Percentage		
selling expenses	20.9%	20.1%
general management expenses	79.1%	79.9%

*2 Transactions with subsidiaries and affiliates

	Previous fiscal year (From April 1,2020 To March 31,2021)	Current fiscal year (From April 1,2021 To March 31,2022)
Transaction volume from business transactions		
Net sales	¥64 Million	¥47 Million
Other business transaction	¥38 Million	¥48 Million
Non-operating transactions	¥155 Million	¥181 Million

(Notes to Marketable Securities)

Previous fiscal year (March 31, 2021)

Shares in affiliated companies and investments in affiliated companies (balance sheet amount: shares in affiliates ¥766 million and investments in affiliates ¥931 million) are not stated because they do not have market prices and it is extremely difficult to determine their fair value.

Current fiscal year (March 31, 2022)

Shares in affiliated companies and investments in affiliated companies (balance sheet amount: shares in affiliates ¥2,989 million and investments in affiliates ¥1,427 million) are not stated as it does not have a market price.

(Tax effect accounting)

1 Main components of deferred tax assets and deferred tax liabilities related to tax effect accounting

(Unit: Millions of yen)

	Previous fiscal year (From April 1,2020 To March 31,2021)	Current fiscal year (From April 1,2021 To March 31,2022)
Deferred tax assets		
Tax loss carryforwards	2,265	2,232
Research and development expenses	99	98
Loss on revaluation of inventories	30	34
Lump-sum depreciable assets deduction limit excess amount	7	6
Accumulated impairment loss	1	1
Depreciation limit excess	186	202
Asset retirement obligations	27	27
Loss on valuation of affiliated company stock and investment	28	20
Allowance for doubtful accounts	31	31
Accrued business tax	1	1
Other	(35)	30
Deferred tax asset subtotal	2,641	2,683
Valuation allowance for tax loss carryforwards	(2,265)	(2,232)
Valuation allowance for the total of future subtraction temporary differences, etc.	(375)	(451)
Valuation reserve subtotal	(2,641)	(2,683)
Total deferred tax assets	—	—
Deferred tax liability		
Removal costs corresponding to asset retirement obligations	7	6
Valuation difference on other securities	40	30
Total deferred tax liabilities	47	36
Deferred tax liabilities, net	47	36

2 Reconciliation between the statutory tax rate and the effective income tax rate after the application of tax effect accounting

(Unit: %)

	Previous fiscal year (From April 1,2020 To March 31,2021)	Current fiscal year (From April 1,2021 To March 31,2022)
Statutory effective tax rate	34.3	34.3
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	(0.4)	(0.1)
Inhabitant tax equalization rate	(1.0)	(0.9)
Expiration of net operating loss carryforwards	(33.9)	(25.9)
Valuation allowance	0.2	(7.2)
Other	(0.2)	(1.0)
Effective tax rate after application of tax effect accounting	(1.0)	(0.7)

(revenue recognition)

Basic information to understand earnings

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 of finance lease income where the Company acts as a lessor of the right-of-use asset.

The Company recognizes rental income as income generated throughout the rental period after the customer accepts the relevant product by either of the following methods. Pay-per-use model is based on times of product usage each month, and the base fee model is based on the fixed monthly price.

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

Asset transferred at a point of time

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

The Company mainly determines the performance obligation of sales of commodities and when the customer accepts the relevant product. The Company receives most of the payment within one month from the point of satisfying the performance obligation. Regarding the 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 Company acts as a lessor of right-of-use of its devices such as HAL, it classifies the relevant lease as a finance lease. Finance lease income is processed in the same way as cases where the Company acts as a lessor of manufacturer or distributor of sales of goods. The Company determines that performance obligation is satisfied at the point of customer acceptance, and the Company recognizes the revenue simultaneously.

Service transferred at a point of time

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

The Company determines the performance obligation of Cybernics Treatment, as well as training services when the provision of such services is completed.

The basis for recognizing revenues is stated in the "(4) Accounting policy Standards for recording revenue" in the Important items that form the basis for preparing the Consolidated Financial Statements section.

(Business Combinations, etc.)

Business Combination through Acquisition

Notes are omitted because the same information is presented in "7. Business Combinations" in the notes to the consolidated financial statements.

(Significant subsequent events)
Not applicable.

④【Supplementary schedule】

【Schedule of Tangible Fixed Assets, etc.】

Type of assets	Balance at the beginning of the fiscal year (millions of yen)	Amount of increase during the fiscal year (millions of yen)	Amount of decrease during the fiscal year (millions of yen)	Balance at the end of the fiscal year (millions of yen)	Accumulated depreciation or amortization at the end of fiscal year (millions of yen)	Amortization for the year (millions of yen)	Balance at the end of current period (millions of yen)
Property, plant and equipment							
Buildings, net	1,742	1,303	―	3,045	1,144	79	1,901
Structures, net	66	16	―	82	48	2	34
Machinery & equipment, net	230	―	―	230	229	1	1
Vehicles & delivery equipment, net	36	3	2	37	33	2	4
Tools, furniture & fixtures, net	1,298	107	12	1,393	1,213	130	180
Rental assets, net	1,125	111	29	1,208	785	164	423
Land	9,872	―	―	9,872	―	―	9,872
Construction in progress	1,254	1,562	1,568	1,248	―	―	1,248
Total property, plant and equipment	15,624	3,102	1,611	17,115	3,453	377	13,662
Intangible assets							
Patents	20	―	―	20	19	1	1
Software	106	13	15	104	80	16	24
Other	9	7	9	6	1	0	5
Total intangible assets	134	20	24	129	100	17	29

Note 1. "Accumulated depreciation or amortization at the end of fiscal year" includes accumulated impairment loss.

2. "Balance at the beginning of the fiscal year" and "Balance at the end of the fiscal year" are stated at acquisition cost.

【Allowance Schedule】

Type of assets	Balance at the beginning of the fiscal year (millions of yen)	Amount of increase during the fiscal year (millions of yen)	Amount of decrease during the fiscal year (millions of yen)	Balance at the end of the fiscal year (millions of yen)
Allowance for doubtful accounts	93	3	3	94

(2) 【Details of main assets and liabilities】

Details are omitted since consolidated financial statements are prepared.

(3) 【Other】

Not applicable.