

**To our Shareholders**

**Internet disclosure related to the  
Notice of the 14th Ordinary General Meeting of Shareholders**

**June 5, 2018  
CYBERDYNE,INC.**

## Table of Contents

### **Business Report**

#### **II Matters regarding the Company shares**

3. Matters regarding stock acquisition rights.....	2
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#### **VII System to ensure the properness of the business and actual operation of the system... 3**

#### **Consolidated financial statements**

Consolidated statement of changes in shareholders' equity and notes to consolidated financial statements.....	7
---	---

#### **Non-consolidated financial statements**

Statement of changes in shareholders' equity and notes to non-consolidated financial statements.....	14
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The matters mentioned above are deemed to have been provided to all shareholders through disclosure via the internet on the Company website (<http://www.cyberdyne.jp/english/company/IR.html>) pursuant to the provisions of laws and regulations and Article 22 of the Company's Articles of Incorporation.

# Business report

## II Matters regarding the Company shares

### 3. Matters regarding the Stock Acquisition Rights

**(i) Status of the Stock Acquisition Rights issued to the CYBERDYNE's Members of the Board of Directors as remuneration for the performance of their duties**

No items to report

**(ii) Status of the Stock Acquisition Rights issued to the CYBERDYNE's employees as remuneration for the performance of their duties**

No items to report

**(iii) Other important matters regarding the Stock Acquisition Rights**

**(1) 2015 1st Series Stock Options of CYBERDYNE, INC. / 2016 1st Series Stock Options of CYBERDYNE, INC. / 2017 1st Series Stock option of CYBERDYNE, INC.**

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

(Note)

Conditions on exercise of the Stock Option are stated below.

- If a Stock Option Holder shall be deemed to have waived his/her Stock Options, the Stock Option Holder may not exercise his/her Stock Option.

## (2) 2016 2nd Series Stock Options of CYBERDYNE, INC.

Name (Date of resolution)	2016 2nd Series Stock Options of CYBERDYNE, INC. (July 26, 2016)	
Number of the Stock Option	477 units	
Class and number of shares covered by the Stock Options	Common Share (100 Common Shares constitute 1 share unit) 47,700 shares	
Amount to be paid in to obtain the Stock Options	¥200 per each Stock Option	
Amount to be paid in upon exercising the Stock Options	¥235,500 per unit (¥2,355 per share)	
Exercise period	From July 1, 2017 to August 24, 2021	
Issue price of shares upon exercise of the Stock Options and increase of stated capital per share	Issue price per share	¥2,357
	Increase of stated capital per share	¥1,179
Conditions on exercise of the Stock Options	(Refer to the note below)	
Allottee	Members of the Board of Directors, Members of the Audit and Supervisory Board and employees of the Company and its subsidiaries.	

(Note)

Stock Options can be exercised only if they meet the conditions set forth in (a) and (b) below as of the fiscal year ended March 31, 2017 or the fiscal year ending March 31, 2018, from the first day of the month following the filing date of the securities report of the period in which these conditions are first met.

(a) Sales exceeds ¥3,000 million

(b) Ordinary income\* becomes profitable

\* Income/loss before income tax without extraordinary income/loss, also called "Pretax income" or "Ordinary profit"

## VII Systems to ensure the appropriateness of business operations and implementation status of the system

### 1. System to ensure the appropriateness of business operations

The Company resolved the system to ensure the appropriateness of business operations of the Members of the Board of Directors in compliance with laws, regulations and Articles of Incorporation and the structure to ensure the appropriateness of other business as below at the Board of Directors' Meeting.

#### (i) Systems to ensure that Members of the Board of Directors and employees of CYBERDYNE, INC. (the "Company") and its subsidiaries (collectively referred to as the "Group") perform their duties in accordance with laws, regulations and the Articles of Incorporation

The Company shall establish compliance-related internal regulations embodying the Company Code of Conduct, for the Group's Members of the Board of Directors and employees to ensure adherence to laws, regulations, the Articles of Incorporation and the internal regulations.

A designated Member of the Board of Directors of the Company shall have cross-organizational control over the Group's compliance initiatives. The designated Members of the Board of Directors shall disseminate the spirit of compliance to Members of the Board of Directors and employees of the Group to identify and solve problems.

The Company shall establish the Affiliated Company Management Policy and, in conformity with that, appoint Members of the Board of Directors and, if necessary, Members of Audit and Supervisory Board of subsidiaries, approve their important matters and take up part of their administrative works. Consequently the Company shall ensure the appropriateness of the affiliated companies' work pursuant to the Affiliated Company Management Policy.

The Company shall establish the Internal Audit Office who will work directly under the Company CEO. The Internal Audit Office shall conduct internal audits in accordance with the Internal Audit Policy and the Affiliated Company Management Policy to check the compliance status with laws, regulations, the Articles of Incorporation, and internal regulations and monitor the overall risk management status. Results of the internal audits shall be reported to the Company CEO, the Audit and Supervisory Board, and the Board of Directors.

The Company shall establish and operate the Hotline System Policy as a means for employees to directly provide information about legally suspicious behaviors. The method of providing information by means of oral communication, e-mail, chat and the opinion boxes shall be the subject of the compliance hotline protocol.

**(ii) System to store and manage information related to the execution of duties by the Company's Members of the Board of Directors**

The Company shall establish the Document Management Policy which states the method of storing and managing information related to the execution of duties. Pursuant to the law and this protocol, the information related to the execution of duties shall be recorded and stored in paper or electronic media.

This information shall always be accessible by Members of the Board of Directors and Members of Audit and Supervisory Board.

**(iii) Policies, procedures and other systems of the Company and the Group to manage the risk of losses**

In order to strengthen the risk management structure of the Group, the designated Member of the Board of Directors shall put a relevant operating unit in charge of each risk category and each operating unit in charge is to define risk scopes and profiles, and create self evaluation policies and guidelines. The Member of the Board of Directors in charge of finance shall monitor risks across the organization and address companywide risks. When a new risk arises, the Company CEO shall quickly appoint a Member of the Board of Directors or Head of an operating unit in charge of handling such risks.

**(iv) System of the Group to ensure the efficient execution of duties by Members of the Board of Directors of the Company and the Group**

As a system to ensure the efficient execution of duties by Members of the Board of Directors, The Board of Directors shall meet once a month and extraordinary meetings of the Board of Directors shall be conducted whenever necessary.

Regarding the execution status of matters resolved by the meeting of the Board of Directors, each in-charge Member of the Board of Directors or Head of an operating unit shall report on a regular basis and Audit and Supervisory Board shall perform audits.

The Company shall establish medium-term business policies and, if necessary, update them to cope with the changes in the business environment. The status of business performance in that regard shall be reported to the Board of Directors' Meeting whenever necessary.

The Company shall also establish the Affiliated Company Management Policy in order to manage the subsidiaries under the related units of the Company so that Members of the Board of Directors of the subsidiaries can execute their duties efficiently.

**(v) System to ensure reporting on the performance of duties by subsidiaries' Member of the Board of Directors to the Company**

The Company shall establish the Affiliated Company Management Policy and the subsidiaries shall report to the Company's units in charge of managing them where necessary with regard to the status of their duties.

**(vi) Matters regarding employees who assist Audit and Supervisory Board with the fulfillment of its duties**

When the Audit and Supervisory Board requests assignment of staff to assist with its duties, the Board of Directors may designate the appropriate employees who shall serve as assistant employees or as employees who also hold a post as an assistant upon consulting with Audit and Supervisory Board.

During the assistance period, the authority over the designated employees shall be delegated to the Audit and Supervisory Board, and the employees shall not be subject to the chain of command of the directors. Any performance evaluation and changes in the relevant personnel providing assistance shall require the consent of the Audit and Supervisory Board.

**(vii) System for Members of the Board of Directors and employees of the Company to report to the Audit and Supervisory Board, and a system for Members of the Board of Directors and employees of the subsidiaries, or the Company's personnel who received reports from Members of the Board of Directors and employees of the subsidiaries, to report to the Audit and Supervisory Board of the Company**

The Members of the Board of Directors and employees of the Company as well as the Members of the Board of Directors and employees of the subsidiaries shall report any significant matters that is against the law or the Articles of Incorporation and matters that are considered dishonest acts and matters that may have a significant impact on the Company, to the Members of the Audit and Supervisory Board immediately. In addition, if a Member of the Audit and Supervisory Board asks for a report from the Members of the Board of Directors or employees of the Group pursuant to the law, Auditing Standards or Auditor's Meeting Rules established by the Audit and Supervisory Board, the relevant Members of the Board of Directors or employees in concern shall report promptly. In order to improve comprehensiveness of the report regarding any significant matters which are against the law or the Articles of Incorporation, matters that are considered dishonest acts, and matters that may have a significant impact on the Company, Members of the Board of Directors and employees of the Company as well as Members of the Board of Directors and employees of the subsidiaries shall endeavor to conduct hearing and gather information from the reports stated in this clause and matters stated in Internal Audits, hotlines and Accounting Audits.

Pursuant to the Hotline System Policy, if matters that may violate the law or corporate compliance in the Group are found, they shall be reported to the Board of Directors by the Designated Member of the Board of Director in charge of compliance. Furthermore, the contents reported and the research results shall be reported to the full-time Member of the Audit and Supervisory Board.

The Internal Audit Office of the Company shall report the status of the internal audit to Audit and Supervisory Board Members. Furthermore, the director in charge of compliance shall report the status regarding compliance to Audit and Supervisory Board when necessary.

**(viii) U tngo 'vq'lpwt g'vj cv'vj g't gt up'y j q'b cf g't gr qt u'vq'h Member of Audit and Supervisory Board Member will not be put in a f kcf xcpvc i gquw't quiskp**

The Company shall not conduct any treatment that puts a person in a disadvantageous position because of his/her report made to a Audit and Supervisory Board Member.

**(ix) Matters regarding the Company policy of processing auditing fees**

If Member of the Audit and Supervisory Board requests a payment required in accordance with the execution of their duty in advance or to be reimbursed, with the exception of cases where such a payment is recognized to be completely unnecessary for the execution of their duty, it shall be paid promptly upon request

**(x) Other systems to ensure the effective execution of audits by Members of the Audit and Supervisory Board of the Company**

Members of the Board of Directors and employees of the Company and the subsidiaries shall comply with hearing or visitation and other methods of examination by Members of the Audit and Supervisory Board in order to secure the effectiveness of the audits.

The Company shall provide enough opportunities for Members of the Audit and Supervisory Board to exchange opinions with Members of the Board of Directors, Accounting Auditors and any other personnel required to appropriately execute the duty as auditors.

Upon request of Members of the Audit and Supervisory Board, the Company shall also provide enough opportunities for Members of the Audit and Supervisory Board to coordinate with the subsidiaries' Members of the Audit and Supervisory Board and to gather information from employees of the subsidiaries.

## **2. Implementation status of the systems to ensure appropriateness of business operations**

The Group established and implemented the aforementioned systems. Notable actions conducted within this fiscal year, which are thought to be important with regard to internal control, are stated below.

### **(i) Corporate Compliance System**

All members of the Group endeavor to be compliant with the laws and regulations in execution of their duties in accordance with internal policies, such as the Company Code of Conduct based on the aforementioned compliance systems. Furthermore, in order to detect or avoid violation of compliance at the earliest opportunity, the Hotline System Policy and its method of utilization are notified to related personnel in a thorough fashion.

### **(ii) Risk Management System**

For the Group, the designated Member of the Board of Directors of the Company in charge of risk management determines the operating unit in charge of each risk category, monitor the risk status and respond accordingly. Furthermore, the status of this risk management is subject to Internal Audits and audits conducted by Members of the Audit and Supervisory Board.

### **(iii) Efficiency of the execution of duty by Members of the Board of Directors**

For the Group, the Board of Directors shall meet once a month with provisional Board of Directors meetings conducted whenever necessary, in order to check the reports of business execution (including reports from subsidiaries), progress of business performance for the fiscal year (including performance of subsidiaries), and so on.

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

## Consolidated financial statements

### Consolidated statements of changes in shareholders' equity (from April 1, 2017 to March 31, 2018)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	26,743,881	26,679,881	(7,222,347)	(204)	46,201,209
Changes of items during year					
Net loss attributable to CYBERDYNE,INC.	—	—	(591,185)	—	(591,185)
Increase in retained earnings due to merger of non-consolidated subsidiaries	—	—	(3,585)	—	(3,585)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes of items during year	—	—	(594,771)	—	(594,771)
Balance at end of year	26,743,881	26,679,881	(7,817,118)	(204)	45,606,438

	Other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other comprehensive income			
Balance at beginning of year	8,966	3,502	12,468	12,468	—	46,226,147
Changes of items during year						
Net loss attributable to CYBERDYNE,INC.	—	—	—	—	—	(591,185)
Increase in retained earnings due to merger of non-consolidated subsidiaries	—	—	—	—	—	(3,585)
Net changes in items other than shareholders' equity	(8,288)	(11,703)	(19,991)	6,635	12,019	(1,336)
Total changes of items during year	(8,288)	(11,703)	(19,991)	6,635	12,019	(596,107)
Balance at end of year	677	(8,200)	(7,522)	19,103	12,019	45,630,039

(Rounded down to the closest thousands of yen)

## Notes to consolidated financial statements

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

#### 1. Scope of consolidation

##### (i) Numbers of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 7 companies

Names of major consolidated subsidiaries:

Suzuka Robo Care Center Co., Ltd., Shonan Robo Care Center Co., Ltd., Oita Robo Care Center Co., Ltd.,  
Cyberdyne Care Robotics GmbH, CYBERDYNE USA Inc., CEJ Capital Inc., CYBERDYNE & BROOKS, Inc.

Out of the subsidiaries mentioned above, as CEJ Capital Inc. and CYBERDYNE & Brooks, Inc. were newly established during the fiscal year ended March 31, 2018, they were newly included in the scope of consolidation.

##### (ii) Names of non-consolidated subsidiaries

Names of major non-consolidated subsidiaries:

Cyberdyne EU B.V., CYBERDYNE DENMARK ApS, Cyberdyne Sweden AB, CYBERDYNE (Europe) GmbH

Reasons for exclusion of those companies from the scope of consolidation:

The four non-consolidated subsidiaries are all small and immaterial when measured in impact of total amounts of assets, net sales, net income (based on the Company's ownership percentage), and retained earnings (based on the Company's ownership percentage) of those companies on consolidated financial statements. They have therefore been excluded from the scope of consolidation.

#### 2. The scope of the equity method

##### (i) Affiliated companies included in the scope of the equity method

Number of affiliated companies included in the scope of the equity method: 2 companies

Names of affiliated companies included in the scope of equity method

CYBERDYNE Omni Networks, INC., Shisei Datum Ltd.

CYBERDYNE Omni Networks, INC. was newly established during the fiscal year ended March 31, 2018 and it was included in the scope of the equity method.

Furthermore, shares of Shisei Datum Ltd. was obtained during the fiscal year ended March 31, 2018 and Shisei Datum Ltd. was included in the scope of the equity method.

##### (ii) Non-consolidated subsidiaries not included in the scope of the equity method

Number of non-consolidated subsidiaries not included in the scope of the equity method: 4 companies

Name of non-consolidated subsidiaries not included in the scope of equity method

CYBERDYNE EU B.V., CYBERDYNE Denmark ApS, Cyberdyne Sweden AB, CYBERDYNE (Europe) GmbH

Reasons for exclusion of those companies from the scope of the equity method

The aforementioned companies were not included in the scope of the equity method because the companies only have a slight effect on the consolidated financial statements and as the companies have no significance as a whole in terms of net income or loss (amount corresponding to the equity interest) and retained earnings (amount corresponding to the equity interest), There fore even if they are excluded from the scope of the equity method, impact on the consolidated financial statements is negligible.

### 3. Matters regarding account processing standards

#### (i) Evaluation standards and methods for important assets

##### (1) Evaluation standards and methods for securities

- a) bonds held to maturity : amortized cost method (straight-line method)
- b) other securities (non-marketable securities) : moving average cost method

##### (2) Evaluation standards and methods for inventories

- a) finished goods, work in process : specific cost method
- b) raw materials and merchandises : moving average cost method
- c) supplies : last purchase price method

Inventories whose profitability has declined are recorded with reduced book values accordingly.

#### (ii) Depreciation methods of non-current assets

##### (1) Property, plant and equipment

Declining-balance method is adopted. However, for buildings (excluding attached equipments to buildings), attached equipments to buildings and structures obtained after April 1, 2016, assets for rent, as well as part of tools, furniture and fixtures, the straight-line method is adopted. The useful lives for major assets are as follows.

Buildings and structures	3 – 38 years
Assets for rent	5 years
Machineries and equipments	7 years
Vehicles	2 – 6 years
Tools, furniture and fixtures	2 – 20 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	3 – 5 years
Patent rights	8 years

#### (iii) Criteria for allowances

Allowance for doubtful accounts:

To provide for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed.

#### (iv) Other material information regarding the preparation of consolidated financial statements

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

Foreign-currency-denominated money claims and liabilities are converted into Japanese yen at the spot exchange rates in effect on the consolidated balance sheet date, and the exchange differences are scored as profits/losses. Assets and liabilities of subsidiaries outside of Japan are translated into Japanese yen at the spot exchange rates in effect on the balance sheet date; their earnings and expenses are translated into Japanese yen at the average rate during the period; and the exchange differences are included in foreign currency translation adjustment and non-controlling interest under net assets.

Foreign-currency-denominated securities (other securities) are converted into Japanese yen at the spot exchange rates in effect at the consolidated balance sheet date, and exchange differences are directly posted in net assets.



**(Notes to consolidated statements of changes in equity)**

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

	Number of shares issued as of April 1, 2017	Increase	Decrease	Number of shares issued As of March 31, 2017
Issued shares				
Common Shares	137,347,609	—	—	137,347,609
Class B Shares	77,700,000	—	—	77,700,000
Total	215,047,609	—	—	215,047,609

**2. Number and a class of shares to be issued upon exercise of stock acquisition rights**

**(excluding stock acquisition rights of which the commencement date of exercise period has not yet arrived)**

Common Shares: 7,800 Shares

**(Notes related to financial instruments)**

**1. Matters related to the status of financial instruments**

**(i) Company policy for financial instruments**

The Group invests cash surpluses, if any only in low risk financial assets. The Group obtains financing by the issuance of bonds and, if necessary, borrowings from banks. The Group does not intend to engage in derivative transactions.

**(ii) Nature and extent of risks embedded with financial instruments**

The Group is exposed to customer credit risks of receivables such as trade accounts and other.

Payment terms of payables, such as trade accounts, are less than a month.

With regard to marketable and investment securities, which mainly consist of stocks, held-to-maturity bonds and money trusts, the Group is exposed to credit risk of the issuers.

**(iii) Risk management for financial instruments**

The Company manages credit risk in accounts receivable-trade based on its Credit Management Policy. The Company attempts to mitigate default risk of all customers due to deteriorated credit standing by monitoring payment status and exposure balances.

With regard to marketable securities and investment securities, the Company regularly monitors financial conditions and other parameters of the issuers of these securities.

**(iv) Supplemental explanation related to fair values of financial instruments**

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

## 2. Matters related to the fair value of financial instrument

Balance sheet amounts and fair values of financial instrument and their differences as of March 31, 2018 are as follows.

(Unit: Thousands of yen)

	Amount indicated in the consolidated balance sheet	Fair value	Differences
(i) Cash and bank balances	6,820,464	6,820,464	—
(ii) Accounts receivable - trade	363,222	363,222	—
(iii) Securities	23,999,977	23,999,977	—
(iv) Accounts receivable - other	23,991	23,991	—
Total assets	31,207,656	31,207,656	—
(i) Accounts payable - trade	53,033	53,033	—
(ii) Income taxes payable	124,763	124,763	—
Total liabilities	177,797	177,797	—

(Notes)

(1) Method of calculating the fair value of the financial instrument

Assets

a) cash and bank balances, b) accounts receivable- trade, c) securities, d) accounts receivable- other

The book values are used as the fair values of the items above, as the book values approximate the fair values due to their settlements or maturities in a short period of time.

a) accounts payable - trade, b) income taxes payable

The book values are used as the fair values of the items above, as the book values approximate the fair values due to their settlements in a short period of time.

(2) Financial instruments for which fair value determination is extremely difficult

(Unit: Thousands of yen)

Items	Amounts indicated in the consolidated balance sheet
Shares of subsidiaries and affiliates	458,011
Investments in capital of subsidiaries and affiliates	2,957
Investment securities	2,314,159

The above items do not have market prices, and determination of their fair values is therefore extremely difficult. As such, the items are excluded from "assets".

**(Notes to per- share data)**

**1. Net assets per share .....¥212.04**

(Note)

Net assets per share are calculated ased on the following

Total net assets	¥45,630,039 thousand
Amount deducted from total net assets	¥31,123 thousand
Net assets at end of year pertaining to Common Shares and shares equivalent to Common Shares	¥45,598,916 thousand
Number of Common Shares and shares equivalent to Common Shares that is used in calculation of net assets per share	215,047,471 shares

**2. Net loss per share.....¥(2.75)**

(Note)

Net loss per share are calculated ased on the following

Net loss attributable to CYBERDYNE	¥(591,185) thousand
Amount not available for Common Shareholders and shareholders equivalent to Common Shareholders	-
Net loss attributable to common shares and shares equivalent to Common Shares	¥(591,185) thousand
Average number of Common Shares and shares equivalent to Common Shares during the period	215,047,471 shares

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

# Non-consolidated financial statements

## Statement of changes in shareholders' equity (from April 1, 2017 to March 31, 2018)

(Unit: Thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
					Retained earnings brought forward	
Balance at beginning of year	26,743,881	26,679,881	26,679,881	30	(7,070,642)	(7,070,612)
Change of items during year						
Net loss	—	—	—	—	(529,186)	(529,186)
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Total changes of items during year	—	—	—	—	(529,186)	(529,186)
Balance at end of year	26,743,881	26,679,881	26,679,881	30	(7,599,828)	(7,599,798)

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	(204)	46,352,944	8,966	8,966	12,468	46,374,379
Change of items during year						
Net loss	—	(529,186)	—	—	—	(529,186)
Net changes in items other than shareholders' equity	—	—	(8,288)	(8,288)	6,635	(1,652)
Total changes of items during year	—	(529,186)	(8,288)	(8,288)	6,635	(530,838)
Balance at end of year	(204)	45,823,758	677	677	19,103	45,843,540

(Rounded down to the closest thousands of yen)

## **Notes to non-consolidated financial statements**

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

#### **1. Evaluation standards and methods for important assets**

##### **(i) Evaluation standards and methods for securities**

- a) bonds held to maturity: amortized cost method (straight-line method)
- b) other securities (non-marketable securities): moving average cost method
- c) shares of subsidiaries and affiliates as well as investments in capital of subsidiaries and affiliates: moving average cost method

##### **(ii) Evaluation standards and methods for inventories**

- a) finished goods, work in process : specific cost method
- b) raw materials and merchandises : moving average cost method
- c) supplies : last purchase price method

Inventories whose profitability has declined are recorded with reduced book values accordingly.

#### **2. Depreciation methods of non-current assets**

##### **(i) Property, plant and equipment**

Declining-balance method is adopted. However, for some of the buildings (excluding accessories), property, plant and equipment obtained after April 1, 2016, assets for rent, as well as part of tools, furniture and fixtures, straight-line method is adopted. The useful lives for major assets are as follows.

Buildings	3 – 38 years
Structure	10 – 20 years
Machinery and equipment	7 years
Vehicles	2 – 6 years
Tools, furniture and fixtures	2 – 20 years
Assets for rent	5 years

##### **(ii) Intangible assets**

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	3 – 5 years
Patent rights	8 years

##### **(iii) Long-term prepaid expenses**

The straight-line method is adopted.

### **3. Basis for recording provision and allowance for doubtful receivables**

Allowance for doubtful accounts

To provide for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed.

### **4. Other material information regarding the preparation of financial statements**

#### **(i) Basis for evaluating foreign-currency-denominated assets and liabilities in Japanese yen**

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

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

#### **(ii) Accounting treatment of consumption taxes, etc.**

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

#### **(iii) Treatment method of deferred assets**

New share issuance costs are recognized as expenses when disbursed.

### **(Notes to non-consolidated balance sheet)**

#### **1. Accumulated depreciation deducted directly from the assets**

Property, plant and equipment	¥ 2,282,301 thousand
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Amount stated above includes accumulated impairment losses

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

Buildings	¥ 631,457 thousand
Machinery & equipment	¥ 144,555 thousand
Tools, furniture & fixtures	¥ 189,458 thousand
Land	¥ 95,744 thousand
Software	¥ 14,174 thousand

### 3. Overdraft agreement

The Company has entered overdraft agreements with banks that the Company has transactions with, in order to efficiently fund ongoing operations. Balance of unexecuted loans of the overdraft agreements as of the end of this fiscal year is written below.

Maximum limit of overdraft account	¥ 900,000 thousand
Balance of unexecuted loans	—
Balance	<u>¥ 900,000 thousand</u>

### 4. Money claims and liabilities toward subsidiaries

Short-term money claims	¥ 216,820 thousand
Short-term money liabilities	¥ 26,121 thousand

### (Notes to non consolidated statement of income)

Business transactions with subsidiaries and associates

Business turnover from operating transactions

Net sales	¥ 56,696 thousand
Other operating transaction	¥ 38,758 thousand
Transaction amount other than business transactions	¥ 8,546 thousand

### (Notes to statement of changes in shareholders' equity)

Number of treasury shares as of the end of business year ended March 31, 2018

Common Share 138 Shares

### (Notes to tax effect accounting)

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

(Notes to per- share data)

**1. Net assets per share .....¥213.09**

(Note)

Net assets per share are calculated ased on the following

Total net assets	¥45,843,540 thousand
Amount deducted from total net assets	¥19,103 thousand
Net assets at end of year pertaining to Common Shares and shares equivalent to Common Shares	¥45,824,436 thousand
Number of Common Shares and shares equivalent to Common	
Shares that is used in calculation of net assets per share	215,047,471 shares

**2. Net loss per share.....¥(2.46)**

(Note)

Net loss per share are calculated ased on the following

Net loss	¥(529,186) thousand
Amout not available for Common Sahreholders and shareholders equivalent to Common Shareholders	–
Net loss attributable to common shares and shares equivalent to Common Shares	¥(529,186) thousand
Average number of Common Shares and shares equivalent to Common Shares during the period	215,047,471 shares

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

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