To our Shareholders

Internet disclosure related to the Notice of the 16th Ordinary General Meeting of Shareholders

June 9, 2020
CYBERDYNE Inc.

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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 (https://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.

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

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

Name (Date of resolution)	2015 1st Series Stock Option of CYBERDYNE Inc. (Resolved on July 28, 2015)	2016 1st Series Stock Option of CYBERDYNE Inc. (Resolved on May 24, 2016)	2017 1st Series Stock Option of CYBERDYNE Inc. (Resolved on July 25, 2017)
Number of Stock Acquisition Rights	78 units	46 units	105 units
Class and number of shares covered 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 ¥1,806 Increase of stated capital per share ¥903	Issue price per share ¥3,060 Increase of stated capital per share ¥1,530	Issue price per share ¥1,788 Increase of stated capital per share ¥894
Conditions 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)
Condition on exercise of Stock Option are stated below.
- In cases where holders of the Stock Option waive the Stock Option, such Stock Options may not be exercised.

VII System 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 company-wide 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 fulfilment 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, hot-lines 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) System to ensure that the person who made reports to a Member of Audit and Supervisory Board Member will not be put in a disadvantageous position

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, 2019 to March 31, 2020)

Unit : Millions of yen

	Equity attributable to owners of parent					
				Other components of equity		
	Capital stock	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments of foreign operations	Stock Acquisition Rights
April 1, 2019	26,745	26,494	(0)	(1,071)	3	19
Profit (loss)	–	–	–	–	–	–
Other comprehensive income	–	–	–	191	3	–
Total comprehensive income	–	–	–	191	3	–
Purchase of treasury stock	–	–	(0)	–	–	–
Share-based payments transactions	8	–	–	–	–	–
Equity transaction with non-controlling interest	–	–	–	–	–	–
Changes due to a business combinations	–	–	–	–	–	–
Total transactions with owners	8	–	(0)	–	–	–
March 31, 2020	26,753	26,494	(0)	(880)	6	19

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity	Retained earnings	Total		
	Total				
April 1, 2019	(1,048)	(7,972)	44,217	(15)	44,203
Profit (loss)	–	(152)	(152)	3	(149)
Other comprehensive income	194	–	194	1	195
Total comprehensive income	194	(152)	42	4	46
Purchase of treasury stock	–	–	(0)	–	(0)
Share-based payments transactions	–	–	8	–	8
Equity transaction with non-controlling interest	–	–	–	8	8
Changes due to a business combinations	–	–	–	(6)	(6)
Total transactions with owners	–	–	8	2	10
March 31, 2020	(854)	(8,124)	44,268	(9)	44,259

(Rounded down to the closest millions of yen)

Notes to consolidated financial statements

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

1. Basis of preparation of consolidated financial statements

The consolidated financial statements of CYBERDYNE Inc. (the “Company”) and its group companies (collectively referred to as the “Group”) have been prepared in accordance with International Accounting Standards (“IFRS”) from the fiscal year under review, in accordance with Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. Certain items of the consolidated financial statements required by IFRS are omitted in accordance with other statements in Paragraph 1 of the aforementioned ordinance.

2. Scope of consolidation

Status of consolidated subsidiaries

Number of consolidated subsidiaries: 13 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., Cybernic Excellence Japan Fund 1 Investment Limited Partnership.

3. Scope of equity method

Status of affiliated companies included in the scope of the equity method

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

Names of affiliated companies included in the scope of equity method:

Shisei Datum Ltd.

Status of jointly controlled companies included in the scope of the equity method

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

Names of jointly controlled companies included in the scope of equity method:

CYBERDYNE Omni Networks, INC.

4. Matters regarding account processing standards

(i) Evaluation standards and methods for financial assets

(1) Evaluation standards and methods for financial assets

The Group classifies financial assets to the following categories at the time of initial recognition a) financial assets at fair value through profit or loss, b) financial assets at fair value through comprehensive income, c) financial assets measured at amortized cost.

The Group recognizes and de-recognizes all sales and purchases of financial assets in the normal course of business on a settlement date basis. Sales and purchase of financial assets in the normal course of business means sales and purchase of financial assets for which the delivery of the asset is required within a period generally permitted by market rules or practices.

All financial assets are measured at fair value, plus transaction costs, unless they are classified as financial assets measured at fair value through profit or loss.

Financial assets are classified as financial assets measured at amortized cost if all of the following conditions are met.

- Assets are held based on a business model that aims to hold assets to collect contractual cash flows
- Cash flows, which consist only of the principal and interest payments on the principal balance, occur on specific dates due to the terms of the contract related to the financial asset.

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value. For financial instruments measured at fair value, with the exception of those that are held for trading purposes that must be measured at fair value through profit or loss, the Group designates whether of each individual financial instrument should be measured at fair value through profit or loss or if it should be measured at fair value through comprehensive income. The same designation shall be applied continuously.

(2) Post measurement

Measurements of financial assets after initial recognition are measured in accordance to its classification as listed below.

a) Financial assets measured at amortized cost

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

b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized as net profit or net loss. However for financial instruments classified as financial instruments measured at fair value through other comprehensive income, changes in the fair value are recognized as other comprehensive income. Dividends from such financial assets are recognized as profit or loss included in the finance income.

(3) De-recognition of financial asset

The Group de-recognizes financial assets if the contractual rights to cash flows from those assets expire, or if the Group transfers almost all of the risk and economic value of its ownership of those assets. If the Group continues to control the transferred financial assets, the Group recognizes the assets and related liabilities to the extent of its continuing involvement.

(4) Impairment of financial assets

For financial assets measured at amortised cost, the Group recognizes an allowance for doubtful accounts against estimated credit losses.

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

If the credit risk associated with a has not increased significantly since the initial recognition, the allowance for doubtful accounts is measured at the same amount as the expected credit loss for 12 months. On the other hand, if the credit risk associated with a has increased significantly since the initial recognition, the allowance for doubtful accounts is measured at the same amount as the expected credit loss for the entire period.

Whether or not there has been a significant increase in credit risk is determined based on the risk of default, which is determined by downgrading the internal credit rating, considering deterioration in the business performance of the counterparts, and considering information on past due dates.

If the credit risk associated with a financial asset is deemed to be low as of the end date of each quarters, the credit risk associated with that financial asset is not deemed to have increased significantly since the initial recognition.

However, for trade receivables that do not contain significant elements, the allowance for doubtful accounts is always recognized in an amount equal to the expected credit losses for the entire period, regardless of any significant increase in credit risk from the initial recognition.

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

- an unbiased probabilistic weighted sum computed by evaluating a range of possible outcomes
- time value of money
- reasonable and supportable information available at the reporting date on past events, current conditions and projections of future economic conditions without excessive cost or effort

The amount of such measurement is recognized in net profit or net loss.

In the event that the impairment loss is reduced after the impairment loss is recognized, the decrease in the impairment loss is reversed to net profit or net loss.

(ii) Evaluation standards and methods for inventories

Inventories are measured at the lower of cost or net realizable value. Acquisition costs are determined by the specific identification method for products and work in process and by the moving-average method for goods and raw materials. Net realizable value is the estimated selling price for the inventories in the ordinary course of business, less estimated cost and estimated selling expenses.

(iii) Depreciation methods of property, plant and equipment

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

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

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

Buildings and structures ....3 to 38 years

Operating lease assets ....5 years

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

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

(iv) 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 transfers the right to control the use of the identified assets to consideration for a period of time, the contract is considered to be a lease or to contain a lease.

<u>Leases as lessee</u>

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 making adjustment to the amount initially measured as lease liability, lease payments made prior to the start date and initial direct cost generated.

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 statements of income.

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 basis.

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. A transfer is classified as a finance lease; otherwise, it 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 in the consolidated statements of income 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.

In finance leases, when the Group becomes a lessor who is a manufacturer or a seller, the Group recognizes revenue, cost of sales, and gains or losses on sales as asset transferred at a point of time, to which policy of IFRS 15 applies.

(v) Goodwill

Goodwill arising from the business combination is initially measured as the excess of the acquisition price measured at the acquisition date over the fair value of the acquiree's identifiable assets and liabilities and is not amortized. Goodwill is presented as amount obtained by deducting accumulated impairment loss from the acquisition cost.

(vi) Depreciation methods of 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 ....3 to 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.

(vii) Impairment of non-financial assets

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

A cash-generating unit, which is a unit for conducting impairment testing, is the smallest group of assets that generates cash inflows that are generally independent of cash flows of other assets or groups of assets.

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. 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. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the carrying amount after the necessary depreciation or amortization is deducted from the carrying amount that would have been recorded if no impairment loss had been recognized in a prior year.

(viii) 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.

(ix) 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.

(viii) 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
For further details, please refer to “Notes to consolidated statement of profit and loss” (Revenue)

(x) 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.

(xi) 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 due to the following reasons.

The Company practically makes the decision of investment of CEJ Fund through the Companies consolidated subsidiary CEJ Capital, Inc. (unlimited liability partner of CEJ Fund) thus the Company has the control based on IFRS 10 “Consolidated Financial Statements”.

Management fees and contingency pays that is to be paid from CEJ Fund to CEJ Capital, Inc., one of the GP of CEJ Fund, are eliminated in consolidation as intercompany transactions.

(2) Investment by CEJ Fund

For s 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 classfies 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 are applied continuously.

(3) LP (limited partner) equity ownership in CEJ Fund

CEJ Fund will request funding (capital call) to its LPs

a) equity interest in 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 (hereafter, “Outside Investor”) that invest in the 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 book value of the liabilities is the amount of equity vested in Outside Investors under the limited partnership agreement for investment assuming that the Fund is liquidated at the end of each quarter. “Third-party interests in CEJ Fund” is subject to change depending on payments from Outside Investors based on capital calls, distributions and refunds to Outside Investors, and the performance of the CEJ Fund. Changes in the performance of the CEJ Fund are included in “gains or losses related to CEJ fund” in the accompanying consolidated statements of profit or loss. “Gains or losses related to CEJ fund” includes the costs of establishing and managing the CEJ Fund.

b) equity interest in the Company

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

(Notes on changes in accounting policy)

The Group has applied the following accounting standards from the beginning of the fiscal year ended March 31, 2020.

Referred document	Name of the referred document	Outline of the new establishment and revisions
IFRS 16	Leases	Revised accounting for leases

The Group adopted IFRS 16 “Leases” (issued on January 2019; hereinafter “IFRS 16”) in the beginning of the fiscal year ended March 31, 2020.

Upon applying IFRS 16, the Group recognizes cumulative effect of application at the point of effective date. Furthermore, in transition to IFRS 16, the Group has chosen the practical expedient detailed in IFRS 16 paragraph C3 by conducting assessment of whether contracts contain leases based on IAS 17 “Leases” (hereinafter “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease.”

For the leases that the Group previously classified as operating leases based on IAS 17, the Group recognizes lease liabilities at the point of effective date. These lease liabilities are measured at the present value of the remaining lease payments discounted using the lessee’s incremental borrowing rate at the point of effective date. At the point of effective date, the amount of lease liabilities recognized by the Group is ¥363 million and the weighted average of the lessee’s incremental borrowing rates is 0.7%.

Upon applying IFRS 16 the Group has chosen the following practical expedient.

- A single discount rate is applied to portfolios of leases with reasonably similar characteristics
- As an alternative to performing an impairment review, the Group relies on its assessment of whether leases are onerous applying IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application - Leases for which lease contracts ends after 12 months from the point of effective date are processed in the same manner as short-term lease
- Initial direct costs are excluded from the measurement of right-of-use assets at the point of effective date
- Use hindsight: e.g. in determining the lease term of the contract that contains options to extend or terminate the lease

(Notes to consolidated balance sheet)

1. Allowance of doubtful accounts deducted directly from the assets

Trade and other receivables	¥2 million

2. Accumulated depreciation and impairment loss on property, plant and equipment ¥2,709 million

3. Accumulated depreciation and impairment loss on right-of-use assets ¥45 million

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

Buildings	¥631 million
Machinery & equipment	¥145 million
Tools, furniture & fixtures	¥211 million
Land	¥96 million
Software	¥17 million

5. 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 unused line of credit based on the overdraft agreements as of the end of this consolidated fiscal year is written below.

Maximum limit of total line of credit	¥900 million
Balance of used line of credit	¥– million
Balance of unused line of credit	¥900 million

(Notes to consolidated statement of profit and loss)

(Revenue)

Details of aggregation of revenue are set forth below.

Timing of revenue recognition

Service transferred over time	¥1,315 million
Asset transferred at a point of time	¥186 million
Service transferred at a point of time	¥291 million
Total	¥1,792 million

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

Service transferred over time

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

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

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

Asset transferred at a point of time

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

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

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

Service transferred at a point of time

Service transferred at a point of time includes revenue from offering Cybernic Treatment and training service at Cybernic Treatment Center and Robocare Centers, to end users (such as patients). It also includes revenue received in return of providing outcomes of consigned research 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 research projects are satisfied at the point when the customer inspects and accepts the outcome.

(Notes to consolidated statement of changes in equity)

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

	Number of shares issued as of April 1, 2019 (shares)	Increase (shares)	Decrease (shares)	Number of shares issued as of March 31, 2020 (shares)
Number of shares issued				
Common Shares	137,445,809	–	–	137,445,809
Class B Shares	77,700,000	–	–	77,700,000
Total	215,145,809	–	–	215,145,809

2. 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 22,900 shares

(Notes to consolidated statement of changes in equity)

Status of financial instruments

(i) 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.

(ii) Risk management for financial instruments

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

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

(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 risk of financial loss for the Group.

a) Credit risk management

– 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.

– 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 delinquent in accounts receivables and impact towards impairments in accounts receivable-trade and allowance for doubtful accounts are insignificant.

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

The Group does not have excessively concentrated credit risk with respect to singles counterparties or groups to which such counterparties belong. As the customers' of the Group are credit worthy companies with limited credit risk, the Group has few past due receivables and little impact on the impairment of accounts receivable and the allowance for doubtful accounts. The Group always provides an allowance for doubtful accounts at amounts sufficient to cover probable losses on trade receivables that do not have a material financial component.

b) 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.

c) 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

Fair value in the consolidated financial statements as of March 31, 2020 are as follows:.

Unit : Millions of yen

	Amount on consolidated financial statement	Fair value
(Financial assets)		
Financial assets measured at fair value through amortized costs		
Leasehold and guarantee deposits	68	76
Financial assets measured at fair value through profit or loss		
Stocks	3,550	3,550
Convertible bonds	367	367
Other	6	6
Financial assets measured at fair value through other comprehensive income		
Stocks	864	864
(Financial liabilities)		
Financial liabilities measured at fair value through amortized costs		
Third-party interests in CEJ Fund	1,714	1,714
Bonds and borrowings	88	88

Measurement methods of the fair value

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

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

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

(Other financial assets (non-current))

Fair value of non-marketable equity securities is calculated using the most appropriate valuation method, including the most recent transaction price method, comparable company method, equity in net assets based on the most recent available information, and discounted present value of future cash flows.

Fair value of leasehold and guarantee deposits is measured by present value obtained through discounting yield to maturity of long term bonds with high security by planned schedule of redemption.

(Third-party interests in CEJ Fund)

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

(Bonds and borrowings)

Bonds are calculated based on market prices or prices offered by financial institutions.

Short-terms loans payables are recorded at carrying amount as it is settled in a short period of time and their carrying amounts approximate their fair values.

Long-term loans payable with floating interest are recorded at carrying amount, as it reflects market interest rates over a short period of time and their carrying amounts is approximately equal to their fair values.

Long-term loans payable with fixed interest rates are calculated based on the present value of future cash flows discounted at the interest rate that would be applied if similar contracts were newly executed.

(Notes to per-share data)

1. Owner's equity per share •• ¥205.71

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

Total amount of owner's equity per share	¥44,268 million
Amount deducted from total amount of owner's equity per share	¥10 million
Owner's equity per share at end of year pertaining to Common Shares and share equivalent to Common Shares	¥44,257 million
Number of Common Shares and shares equivalent to Common Shares that is used in calculation of owner's equity per share	215,141,358 shares

2. Basic loss per share •• ¥0.71

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

Loss attributable to CYBERDYNE	¥152million
Amount not available for Common Shareholders and Shareholders equivalent to Common Shareholders	¥– million
Loss attributable to Common Shares and shares equivalent to Common Shares of CYBERDYNE	¥152 million
Average number of Common Shares and shares equivalent to Common Shares during the period	215,141,368 shares

(Notes on premise of going concern)

There are no items to report

Non-consolidated financial statements

Non-consolidated statements of changes in shareholders' equity (from April 1, 2019 to March 31, 2020)

Unit : Millions of yen

	Equity attributable to owners of parent				
	Capital stock	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Legal retained earning	Other retained earning Retained earning brought forward
April 1, 2019	26,778	26,714	26,714	0	(9,506)
Change of item during year					
Net loss	–	–	–	–	(849)
Acquisition of treasury shares	–	–	–	–	–
Net changes in item other than shareholders' equity	–	–	–	–	–
Total change of item during year	–	–	–	–	(849)
March 31, 2020	26,778	26,714	26,714	0	(10,355)

	Shareholders' equity			Valuation and translation adjustments	
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments
	Total retained earnings				
April 1, 2019	(9,506)	(0)	43,987	15	15
Change of item during year					
Net loss	(849)	–	(849)	–	–
Acquisition of treasury shares	–	(0)	(0)	–	–
Net changes in item other than shareholders' equity	–	–	–	(4)	(4)
Total change of item during year	(849)	(0)	(849)	(4)	(4)
March 31, 2020	(10,355)	(0)	43,138	11	11

	Stock Acquisition Rights	Total net assets
April 1, 2019	19	44,020
Change of item during year		
Net loss	–	(849)
Acquisition of treasury shares	–	(0)
Net changes in item other than shareholders' equity	–	(4)
Total change of item during year	–	(853)
March 31, 2020	19	43,167

(Rounded down to the closest millions of yen)

Notes to non-consolidated financial statements

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

1. Evaluation standards and method for important assets

(i) Evaluation standards and methods for securities

Bonds held to maturity	Amortized cost method (straight-line method)
Other securities	
Non-marketable securities	Moving average cost method
Shares of subsidiaries and associates as well as investments in capital of subsidiaries and associates	Moving average cost method

(ii) Evaluation 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

(i) 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	3-38 years
Structure	10-20 years
Machinery and equipment	5-7 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	5 years
Patent rights	8 years

(iii) Long-term prepaid expenses

The straight-line depreciation 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 the non-consolidated balance sheet)

1. Accumulated depreciation deducted directly from the assets

Property, plant and equipment	¥2,480 million

Amount stated above includes accumulated impairment losses

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

Buildings	¥631 million
Machinery & equipment	¥145 million
Tools, furniture & fixtures	¥211 million
Land	¥96 million
Software	¥17 million

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 unused line of credit based on the overdraft agreements as of the end of this consolidated fiscal year is written below.

Maximum limit of total line of credit	¥900 million
Balance of used line of credit	¥– million
Balance of unused line of credit	¥900 million

4. Money claims and liabilities toward subsidiaries

Short-term money claims	¥213 million
Long-term money claims	¥96 million
Short-term money liabilities	¥6 million

(Notes to non consolidated statement of income)

Business transactions with subsidiaries and associates

Business turnover from operating transactions	
Net sales	¥42 million
Other operating transaction	¥54 million
Transaction amount other than business transactions	¥155 million

(Notes to statement of changes in shareholders' equity)

Number of treasury shares as of the end of business year ended March 31, 2020

Common Share 4,451 Shares

(Notes to tax effect accounting)

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

(Notes to revenue recognition)

Same as "Notes on Consolidated Statements of Income (Revenue)" in the notes to consolidated financial statements.

(Notes on transaction with related parties)

Subsidiaries and associates etc.

Type	Name	Ownership ratio of voting rights*1	Relationship with the related party	Description of transaction	Transaction amount (millions of yen)	Items	Year end balance (millions of yen)
Subsidiary	CEJ Capital, Inc.	Direct ownership of 60%	Interlocking duties for directors	Receipt of brokerage fee*2	147	Unearned revenue	122
	Cybernics Excellence Japan Fund 1 Investment Limited Partnership	Direct ownership of 60% (60%)	Investment in an investment limited partnership	Underwriting of capital increase*3	600	–	–

(Notes)
*1 The bracket inside "ownership ratio of voting rights" represents indirect ownership percentage included.
*2 The receipt of consignment fees is reasonably determined by discussion between the two parties in consideration of the nature of business.
*3 The underwriting of capital increase was in response to capital calls.

(Notes to per-share data)

1. Net assets per share ••• ¥200.56

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

Total net assets	¥43,167 million
Amount deducted from total net assets	¥19 million
Net assets at end of year pertaining to Common Shares and shares equivalent to Common Shares	¥43,148 million
Number of Common Shares and shares equivalent to Common Shares at the end of the fiscal year that is used in calculation of net assets per share	215,141,358 shares

2. Net loss per share ••• ¥3.95

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

Net loss	¥849 million
Amount not available for Common Shareholders and shareholders equivalent to Common Shareholders	¥– million
Net loss attributable to common shares and shares equivalent to Common Shares	¥849 million
Average number of Common Shares and shares equivalent to Common Shares during the fiscal year	215,141,368 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.