

Pioneer the Future!
CYBERNICS DIGITAL INDUSTRY



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CYBERNICS DIGITAL INDUSTRY
~ Human + Cyberspace + Physical space ~



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Forward-Looking Statements

Many of the statements included in this annual report contain forward-looking statements and information such as forecasts, plans and targets identified by the use of terminology such as "anticipate," "believe," "estimate," "expect," "intend," "may," "might," "plan," "project," "will" or similar phrases.

CYBERDYNE, INC. (the "Company") bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The actual future performance of the Company, its consolidated subsidiaries and its affiliates accounted for by the equity method (the "Group") could differ materially from these forward-looking statements.

In addition, information relating to companies other than the Company and the Group that is included in this annual report has been derived from public sources. As a result, the Company has not verified this information from the standpoints of accuracy and appropriateness. Moreover, the Company in no manner guarantees this information.

Accordingly, please refrain from making investment decisions that are overly reliant on the forward-looking statements contained in this annual report. The Company cautions prospective investors not to place undue reliance on these forward-looking statements when making investment decisions. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

Editorial policy

CYBERDYNE, INC. published this annual report to provide continue generating value for sustainable growth.

In preparing this report, we use charts and photographs to communicate with our many stakeholders, and we strive to make it easy to read and understand.

In addition, our company adopted the International Financial Reporting Standards (IFRS) for the year ended March 31, 2018. Unless otherwise noted, information in this annual report is based on IFRS.

The following are trademarks registered by CYBERDYNE in Japan. Some trademarks are also registered in other regions.

"HAL" Registered trademark No. 5300686 No. 5302317 No. 5924213

"Hybrid Assistive Limb" Registered trademark No. 5178998

"HALFIT" Registered trademark No. 5419254

"CYBERDYNE" Registered trademark No. 5164351 No. 5172034 No. 5403306

"Zero Burdening-care" Registered trademark No. 5753991

"Cyn" Registered trademark No. 6054731

"Cybernics Treatment" Registered trademark No. 5986327

Scope of This Report

Timeframe

March 2019 Fiscal Year (April 1st, 2018 - March 31st, 2019)

• Latest information at issue date as of September, 2019 is also included as much as possible

• When the applicable period and scope differ depending on the topics, this fact is individually stated clearly.

Organization

CYBERDYNE, Inc. and its consolidated group ("CYBERDYNE")



"Create the Future" Yoshiyuki Sankai

Our company has celebrated its 15 year anniversary on June 24th, 2019. Coincidentally, 2019 happened to be a milestone year in Japan, as the new Reiwa Era started in the Japanese calendar.

Since the collapse of the bubble economy, Japan has entered a long period of stagnation without finding a next step. At the same time, it has rapidly entered an aging society with a low birthrate. The global economy was also undergoing a major social change. When we look at the ranking of the world's market capitalization in 2006, when our company started to raise funds, the top 4 were large companies with a long corporate history and there was only 1 venture company. In 2018, the top 4 companies were all emerging companies that was recently incorporated.

In this way, innovation developed new areas around the world, and although this doesn't happen over night, it still led to major industrial and social changes. First it was the robot industry, then it was IT industry. We will be the next challenger bringing about the new wave of innovation. HAL for medical use became a medical device in Japan, the United States, and Europe, and is now being developed in Asia and the Middle East. In this way, we are accelerating our efforts to become an international platform.

CYBERDYNE was established in June 2004 as a university venture to solve various social problems facing the super-aged society. In order to solve various social issues in the increasingly serious situation with a declining birthrate and an aging population, we are focusing on business promotion to create the ideal future by researching, developing, manufacturing, and shipping innovative Cybernics systems, focusing on medicine, welfare, life, and the workplace, utilizing a new field "Cybernetics" that combines human resources, robots, and information.

We have also developed a variety of innovative Cybernetics devices and interfaces and advanced AI-Robot products to enable early detection and prevention for health maintenance, to improve our aging workforce, and to respond to the shrinking workforce. Our products are based on a new concept of IoH/IoT technology (Internet of people and things).

Through this technology, the human nervous system, physiological system, and environmental system are connected to the supercomputer, and big data of human and things are accumulated, analyzed, and AI processed, thus accelerating the creation of a new Cybernetics Industry that fuses "Humans" with "Cyberspace and Physical Space".



Presentation of Cybernics Industry to G20 Delegation
CYBERDYNE Headquarters (Japan)

1st Year of Reiwa (2019) marked the beginning of an exciting new era for CYBERDYNE. In June, 2019 a total of 160 ministers, ministerial-level officials and government officials from the G20 in trade and the digital economy visited our company to discuss the frontlines of the Cybernics industry. We look forward to future international cooperation.

We would like to express our heartfelt gratitude to all those who have supported and worked with us. Thank you for your continued support.

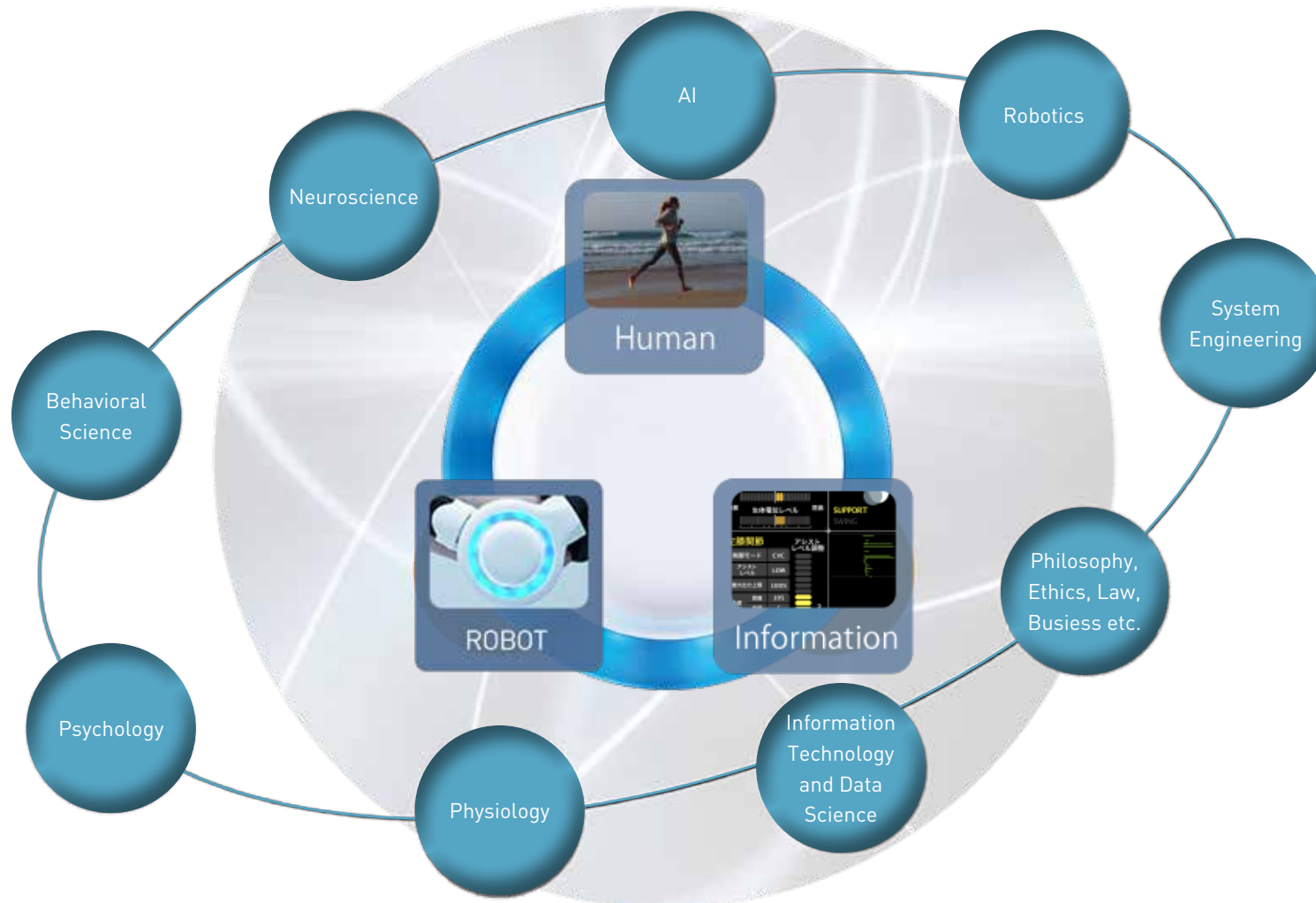
CYBERDYNE, INC.
President/CEO

List of main events in fiscal year ended March 31, 2019

- 2018.07.02 Acquisition of Photoacoustic Imaging business
Reinforcement of its technology to develop a diagnostic imaging apparatus.
- 2018.07.12 Establishment of Cybernics Excellence Japan
CEJ Fund accelerates generation of "Cybernics Industry"
- 2018.09.26 Start of selling Cyin for Living Support to the public in Japan
Enable patients having difficulties in speaking or moving, to communicate and control various devices
- 2018.10.01 Osaka Robocare Center opened.
Open Robocare Center as 1st franchise center
- 2018.10.16 Cybernics Treatment at Malaysia started.
First in Asia Pacific (APAC). Adopted in hospital operated by SOCSO
- 2018.10.29 Formation of alliance with LPixel
Reinforce development of medical Big Data analysis
- 2018.11.02 AIG General Insurance applies reimbursement to HAL training program
First private insurance for HALFIT
- 2018.11.13 Cybernics Treatment started in Italy.
Adopted at medical institute specialized for brain & nerve system disorder.
- 2018.11.30 Implementation of shareholder benefit program
Shareholders and the family members receive discount for HALFIT
- 2018.12.03 Urayasu RoboCare Center opened.
6th Robocare Center
- 2019.03.24 Tsukuba Robocare Center opened.
Established as a base of sales and training for Cybernics Technologies
- 2019.03.28 Formation of comprehensive collaboration partnership with Tsukuba Bank
Collaborate to develop local community through solving social problems and creating new industry

Cybernetics is a new academic field that fused/combined cross- disciplinary fields. The core disciplines of Cybernetics are field academic field related to human, robots and information systems; however, it also embraces various fields such as neuroscience, AI, Robotics, system engineering, information technology, physiology, psychology, behavioral science, philosophy, ethics, law, business administration and etc. Various social issues that people and the society face today are so complex that cross-disciplinary approach is necessary to tackle them. Yoshiyuki Sankai, a professor at the University of Tsukuba in Japan, who is now also President and CEO of CYBERDYNE, INC. (the “Company”) championed Cybernetics as a new academic field that could approach these issues from multiple perspectives.

Most renowned research result of Cybernetics is the world’s first cyborg-type robot “Robot Suit HAL”, which is now commercialized as a product of the Company. The company name is derived from the utilization of innovative “cybernetic” technologies and the suffix “dyne” which derives from the Greek dunamis meaning force/power. “CYBERDYNE” therefore means “power generated by Cybernetics” and expresses the company spirit that all employees hold to dearly.

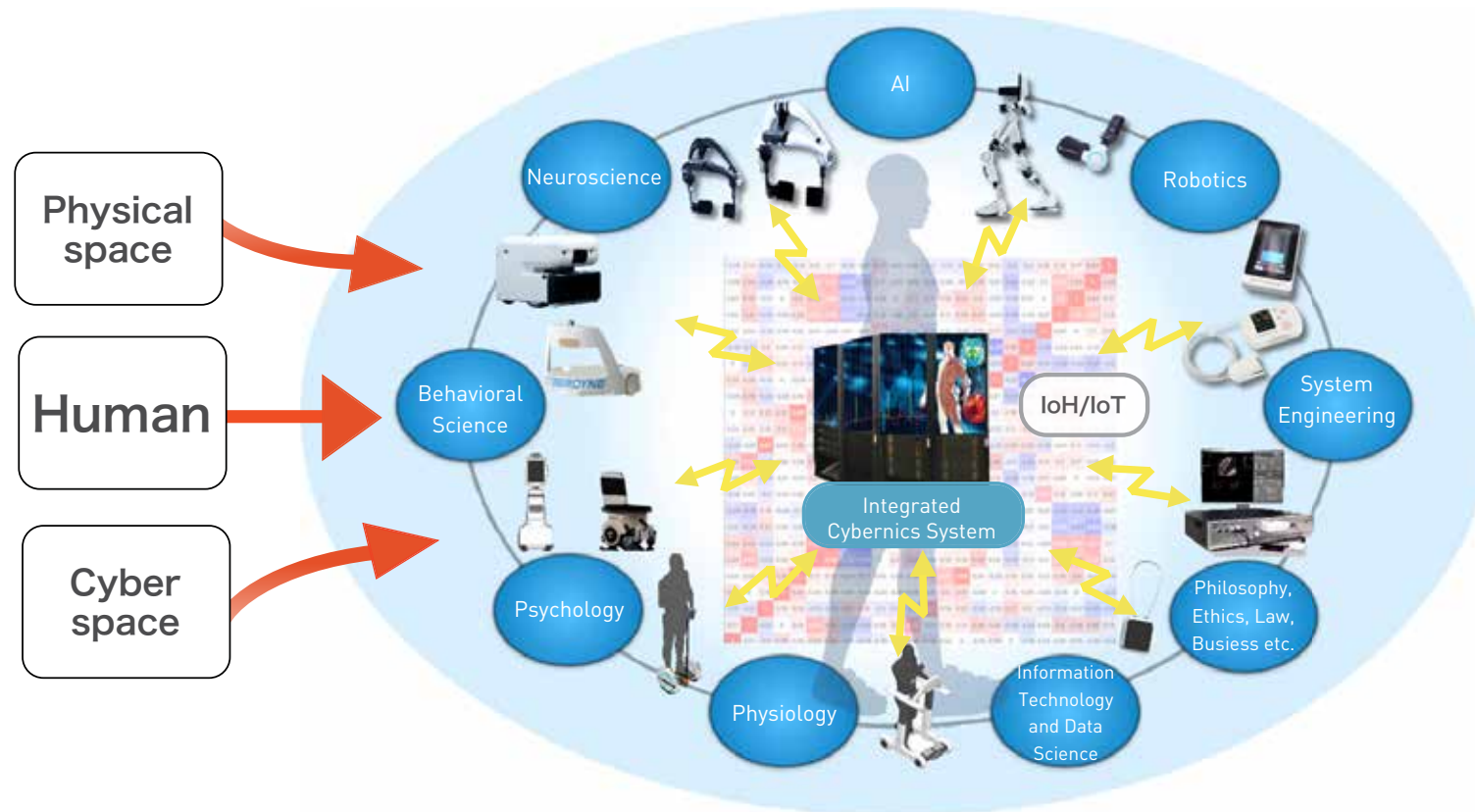


The business of CYBERDYNE and its group companies (collectively referred to as the "Group") is to realize "Society 5.0/5.1", a future society based on the idea of Techno-Peer-Support where human and technology live together and support each other. This goal is attained through revolutionary changes in industry and society, and The Group seeks to utilize "Cybernetics Technology" that handles "human" + Cyberspace" + "Physical space", to create a "Cybernetics Industry" for this transition following the breakthroughs of the Robotics Industry and IT Industry.

The Group's business has a unique advantage in its ability to access and integrate information within the human body (e.g. Brain-nerve and vital systems) in addition to information outside the human body (behavior, life and environmental information) and applying them to different fields such as medicine, nursing care, production, household, and work places. All of the Group's devices and interfaces are compatible with Internet of Humans/Internet of Things ("IoH/IoT"), and through these products, information of the brain- nerve, vital, physiological, behavioral, life and environmental systems can be integrated and connected to a super computer.

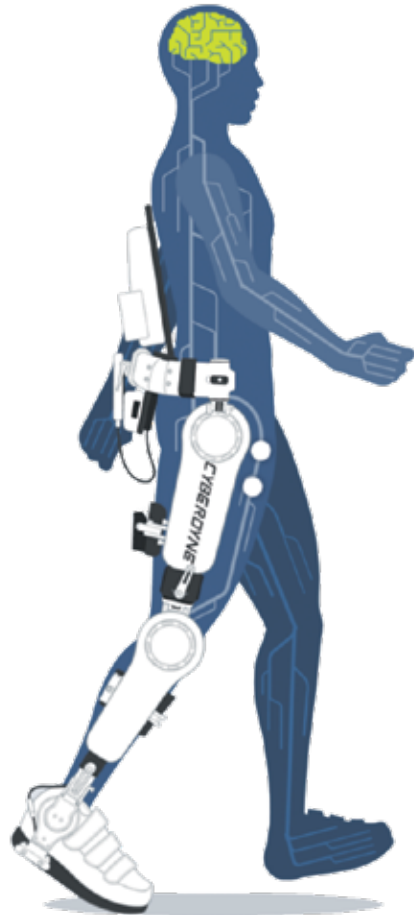
The Group aims to realize a system where Big Data of the aforementioned information are accumulated, analyzed and processed with AI. The Group simultaneously works on research and development, business development and formation of business alliances to further accelerate the emergence of a Cybernetic Industry that will solve the problems facing society.

Fusion of 『Human』 + 『Cyber/Physical Space』 := Creation of a new industry "Cybernetics Industry"



Principles of HAL

HAL is world's first wearable cyborg which reads "bioelectrical signal" that is generated upon body movement and enables voluntary movement.



01 Move the body
 "Bioelectrical signal" reflected on voluntary movement is sent from brain to target muscle.

02 HAL reads signal
 HAL sensor detects bioelectrical signal leaked on skin surface

03 Support according to intension
 Based on bioelectrical signal and movement information, HAL assists voluntary movement of wearer with control of power unit of each joint.

04 Establish iBF loop
 Through a series of flows, bidirectional biofeedback loop (iBF) that starts in the brain and returns to the brain through HAL assistance are established. HAL enables more active "meaningful" movement with lower efforts, which is thought to strengthen and regulate the proper connections between the cranial nerves.

Main types of HAL

CYBERDYNE currently offers the following types of HAL to the market, and will continue to develop new types to expand its usage

HAL Lower Limb Type



- Medical Use (Cybernetics Treatment)
- For Treatment that improves and regenerates the physical function of the wearer
- For Well-being (Neuro HALFIT)
- For Neuro HALFIT that improves and regenerates the physical function of the wearer

HAL Lumbar Type



- For Well-being (Neuro HALFIT)
- For Neuro HALFIT that improves and regenerates the physical function of the wearer
- For Care Support
- Reduces the burden placed on the muscles of the lumbar region and the intervertebral disc during caregiving activities such as assistance in transfer and postural change
- For Labor Support
- Reduces the burden on the lumbar muscles and intervertebral discs during heavy work, such as lifting and carrying heavy objects

HAL Single Joint Type



- For Well-being (Neuro HALFIT)
- For Neuro HALFIT that improves and regenerates the physical function of the wearer

HAL Lower Limb Type

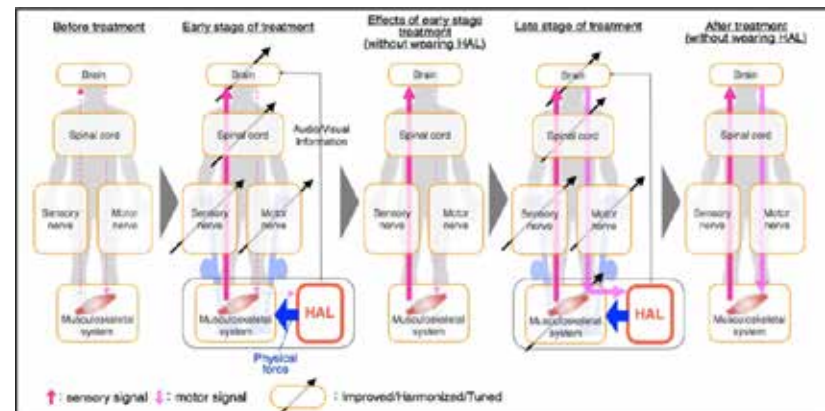
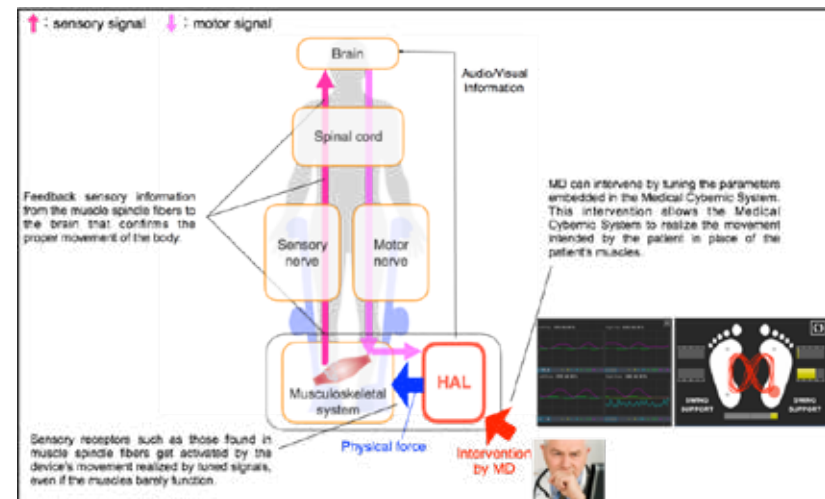
HAL Lower Limb Type is a Wearable Cyborg designed for a person who have difficulty moving due to neurological / muscular disease or injury. The device induces improvement and regeneration of physical function through the mechanism explained in the next content.



Cybernetics Treatment

Cybernetics Treatment is an innovative treatment technology that promotes functional improvement and regeneration of the brain, nervous system, and musculoskeletal system. With HAL, a patient who has difficulty moving his or her legs can repeat the function improvement and function regeneration loop synchronized with his or her motion intention with little muscle load. This effectively alters the functions of the brain, nerves, and musculoskeletal systems.

How functional improvement of HAL works



Example of Cybernetics Treatment

HAL for Medical Use Lower Limb Type is always used in combination with a fall prevention system that could support the users weight. Typically each therapist would supervise one patient, however the facility in Malaysia who have been using the technology since October 2018, have been working on new challenges so a therapist could supervise multiple patients, or having an experienced patient supervise other patient on better use of HAL.



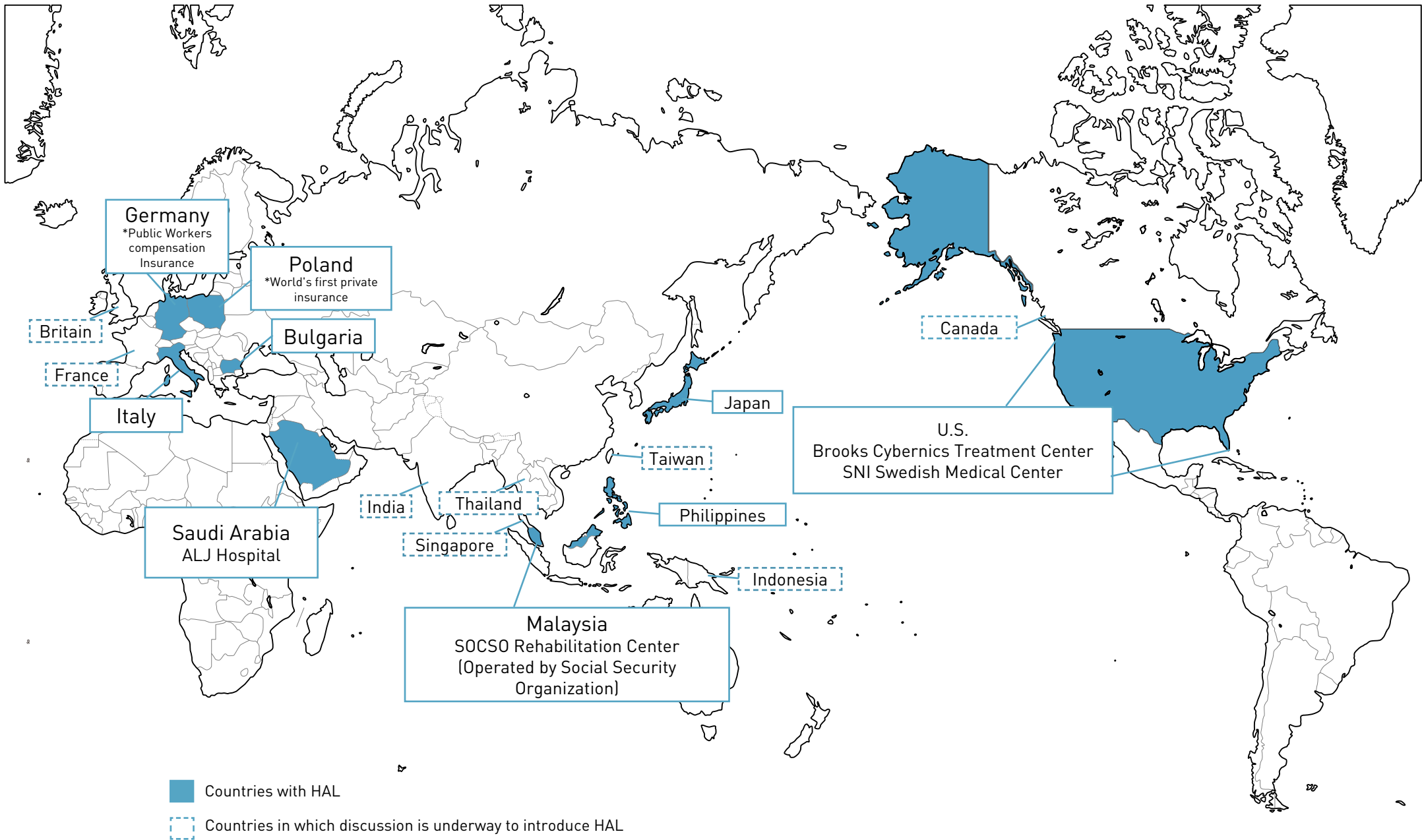
Cyberdyne Care Robotics, Bochum
Germany



Pusat Rehabilitasi PERKESO Tun Abdul Razak, Melaka,
Malaysia

HAL is currently available in 9 countries.

In this annual report period, Italy, Malaysia, Philippines and Bulgaria newly adopted HAL.



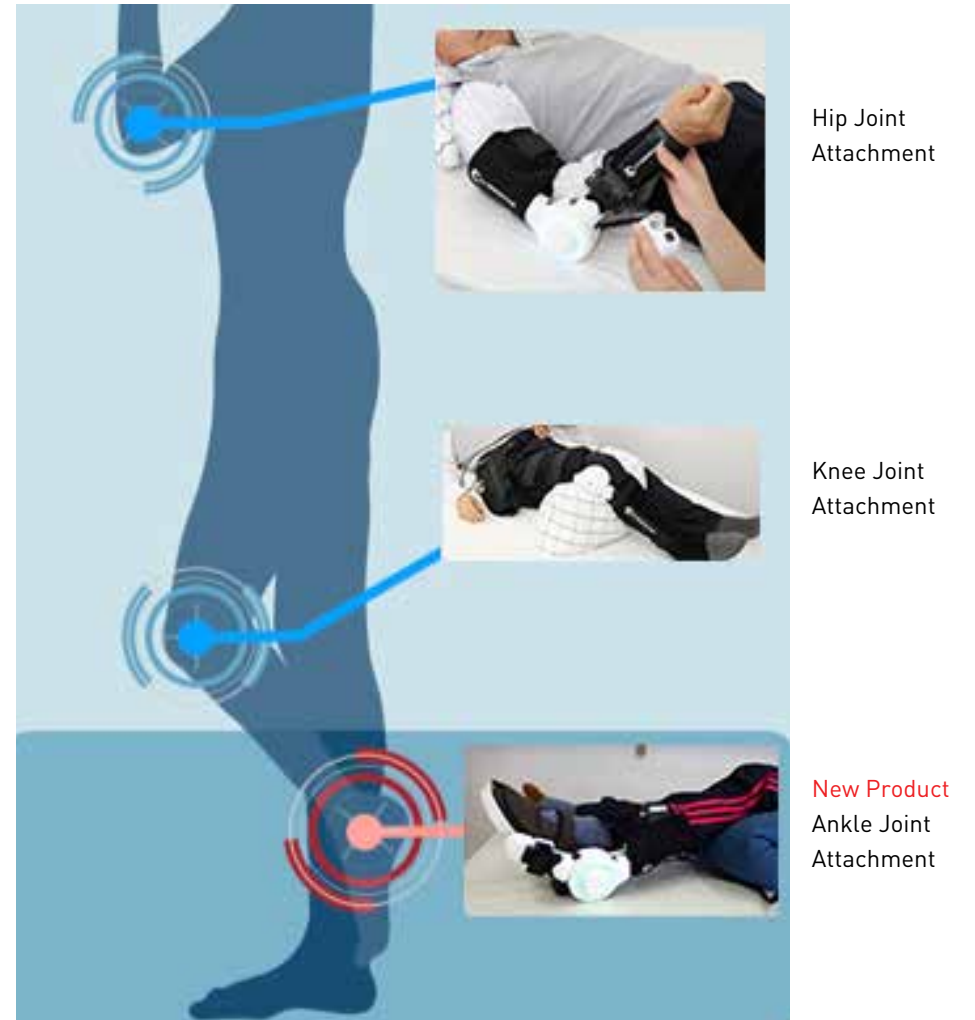
HAL Single Joint Type

HAL Single Joint Type is product designed to support people with difficulty moving body due to brain, nervous and musculoskeletal system disorders. By combining the attachment, the device could induce improvement and regeneration of physical function in various body parts. The compact design enables a wearer to use the device while lying down or sitting down, making it ideal for users in the acute phase.

*Set up of HAL Single Joint Type for elbow joints



The device can be attached on various body parts, such as elbows, knees, and ankles. The company is also developing an expansion kit to increase its effect, such as a suspension kit to support the movements of the upper extremity, which offers flexibility in meeting user needs.



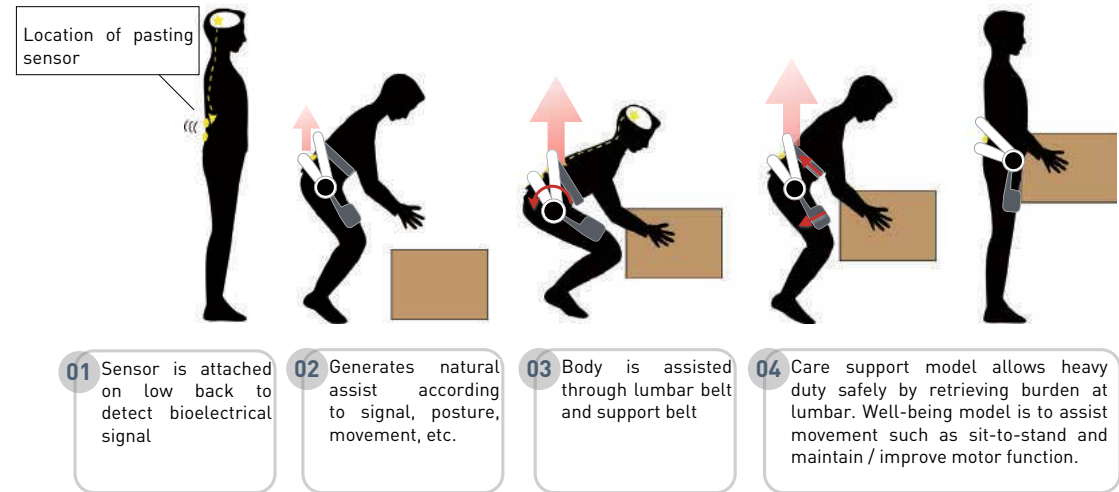
HAL Lumbar Type

The HAL Lumbar Type was available in three models with different operating environments and specifications. However, to improve usability, a new model has been developed to integrate the function of Well-being model, which can be worn by people with weak legs and back to support trunk movement and stand-and-sit movement to induce improvement of their physical functions, and Care-support model for nursing care such as transfer support.

*HAL Lumbar Type Care-support·Well-being



How HAL Lumbar Type works



HAL Lumbar Type for Well-being (BB04)



This model supports both care-giver and care-receiver. It allows care-receiver trunk and sit-to-stand movement easily and maintain / improve trunk and lower limb function. Also, it assists preventing care-giver from low back pain by retrieving burden of low back muscle and intervertebral disc during nursing.

HAL Lumbar Type for Labor Support (LB03)



This model reduces the burden on the lower back when workers lift heavy items or maintain bending posture at various sites other than nursing care facilities, such as airports, logistics facilities and factories.

Neuro HALFIT is a service currently offered at 12 facilities in Japan called "Robocare Center". Neuro HALFIT is a program that induces improvement in the function of brain-nerve-muscular systems for those with weakened bodily functions and disability. Neuro HALFIT utilizes the technical feature of the world's first Wearable Cyborg HAL. Using HAL, it induces improvement in the function of brain-nerve-muscular systems for those who have difficulty standing, sitting and walking.

Neuro HALFIT utilizing HAL Lower Limb Type and Single Joint Type for persons with disabilities



Bending and stretching knees



Ambulatory exercise on treadmill



Exercise with parallel bars



Bending and stretching elbows

Neuro HALFIT for elderly using HAL Lumbar Type



Trunk Back and Forth (straight)



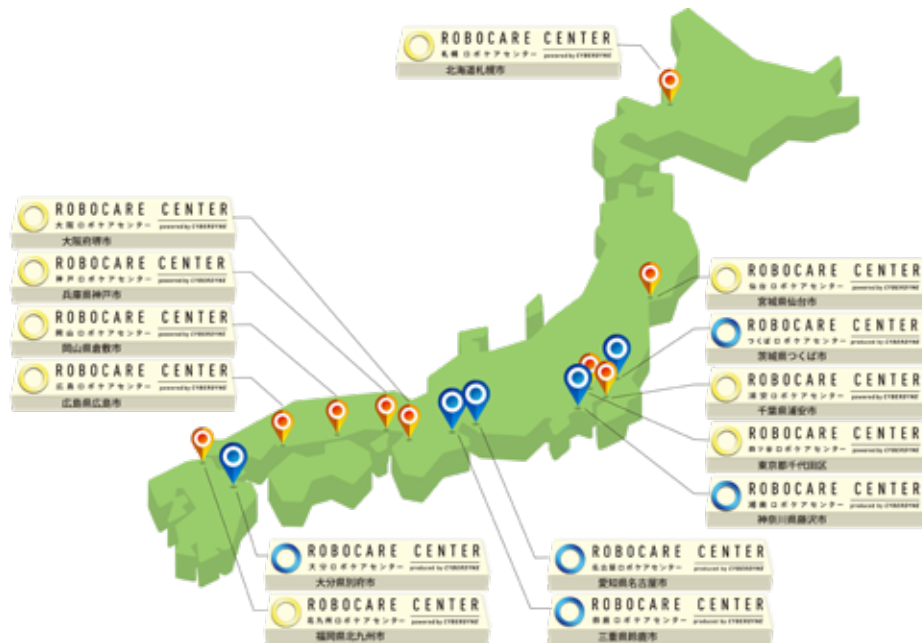
Trunk Back and Forth (twist)



Squat (with bar)



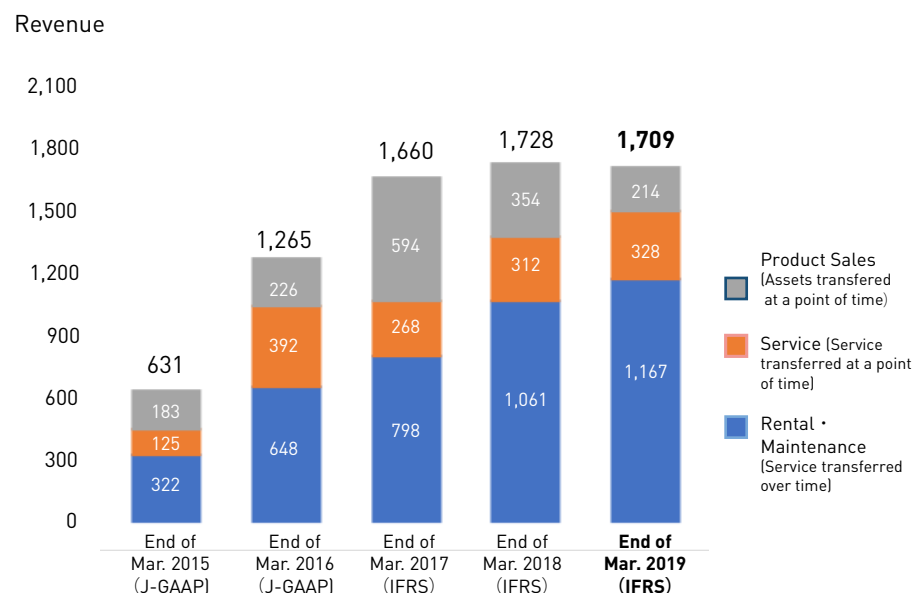
Front Lunge



Status of operation

Revenue was posted at ¥1,709 million for the fiscal year ended March 31, 2019. Although the temporary sales from the program hosted by the from Japan Ministry of Health, Labor and Welfare is no longer into effect, rental and maintenance services, the mainstay of the company business have increased steadily.

The graph below shows sales for the last 5 years.

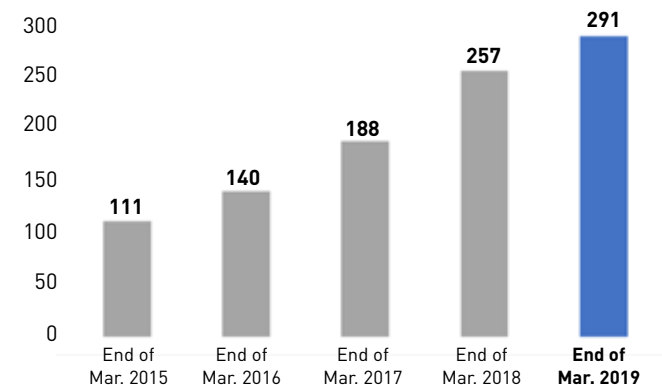


Effective from the year ended March 31, 2017, the Company discloses its figures based on International Accounting Standards (IFRS). For the above chart, "revenue" is used for fiscal years after IFRS came into effect and for fiscal years before that "net sales" is stated based on Japanese-GAAP.

Changes in operating number of HAL

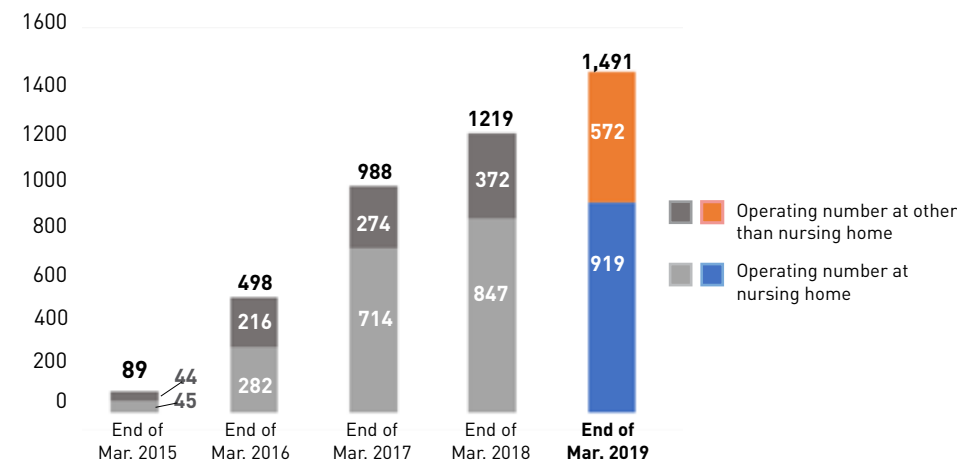
HAL for Medical Use Lower Limb Type

The fiscal year ended March 2019 saw the start of new development in Malaysia and Italy. In parallel with clinical trials and clinical research aimed at expanding the scope of diseases covered, we will promote initiatives for insurance listing and overseas expansion.



HAL Lumbar Type

Both HAL Lumbar Type Care Support model (used at nursing home) and Labor Support (used at factories, distribution facilities, airports, agriculture, etc.) model grew steadily. Also, in August 2019, we launched a new product, HAL Lumbar Type Care Support Well-being, which supports both caregivers and carereceiver, and we expect further growth in the future.



In September 2015, Sustainable Development Goals (“SDGs”) were adopted in the UN Sustainable Development Summit. SDGs are a collection of 17 global goals and 169 targets that constitute an action plan for humans, the planet and prosperity. The global goals of SDGs are common goals for all people on earth, including industry and civil society, not only for the government. As a member of the society, the Group will make a contribution to achieve the SDGs, which is relevant to its business activities.

Endeavor of the entire Group towards achievement of the SDGs



Based on the philosophy “Technology for humans and society,” the Group sets forth “research and development of technologies and business activities that can be used for peaceful purposes” as a corporate principle. The focus of the Group is currently on solving social issues related to aging population and declining birthrate. In order to address these issues, the Group develops innovative Cybernics Technology mainly in the three fields of medicine, care support and living support (including work environment). Furthermore, based on the above philosophy, the Group will not consider using its technologies for military purposes because if they are used for the development of weaponry or support to military action, that would damage people and society rather than serving them. As an additional measure, upon entering a new business field or offering the Group’s products, the Company’s Peace and Ethic Committee will discuss whether there is a possibility that its technologies would be used for military purposes.

The Group’s business activities and activities related to generating the Cybernics Industry currently contribute to some of the SDGs that are colored on the chart above, such as “Good Health and Well-Being,” “Industry, Innovation and Infrastructure,” “Peace Justice and Strong Institutions.” The Group recognizes other goals as issues that people and society needs to solve and it will contribute to solving these issues in the future.

Contribution to solving social problems through the Group’s products



Based on its corporate philosophy, the Group performs research and development and social implementation of its innovative products to solve issues that people and societies are currently facing. For example, Medical HAL is used for treatment of patients with difficulties to move due to diseases and injuries. Medical HAL is expected to induce improvement and regeneration of the physical functions of a patient, to the extent that the patient no longer requires the device to move. Furthermore, the Group also works on Cyn for Living Support, a communication device designed for a patient with difficulties in verbal communication or physical movement due to severely progressed diseases. These products could promote independence of a disabled person and reduce the burden of a caregiver. As such, the Group makes a contribution to reduce inequalities between the disabled and the non-disabled through the aforementioned products. The Group also makes contribution to solve other issues such as problematic work environment and workplace with shortage of manpower.

Furthermore, climate change is said to cause various natural disasters. During the fiscal year under review, Japan was struck by heavy rain in July Heisei 30, which caused heavy damages from flooding and landslide in west part of Japan. After observing the damages through news and receiving requests from the stakeholders, the Group immediately reconfigured the setting of HAL

Lumbar Type for Labor Support and deployed the customized unit to support volunteer workers in disasters sites of Okayama Prefecture. Few weeks later, the Group also worked with other stakeholders to support volunteer workers in disasters sites of Hiroshima Prefecture and preventing economy class syndromes in emergency shelters. Following these successes, the Group will work with local municipalities to prepare a safety system, which could allow the Group to deploy HAL Lumbar Type quickly in case of any natural disasters.

Products of the Group are worn by their users or operated beside the users. As such, the Group regards safety of the products as the highest importance. To guarantee the safety of the products, the Group ensures they are made to conform to standards of International Standards Organization (“ISO”) and various other standards.



HAL Lumbar being used to remove the debris (Okayama Pref. July 2018)

Endeavor to promote coordination with partners



The Group works to promote industrial and social transformation from the current “consumption-based economy” to next-generation “social problem solving economy” through creation of Cybernic industry. To that end, the Group led the establishment of the “CEJ Fund (CEJ stands for Cybernic Excellency Japan)” as a framework to shape new industry. The fund provides both business and financial support to startup companies that contributes to the development of people and society. This endeavor contributes to one of the SDGs, “Industry, Innovation and Infrastructure.” It also promotes collaboration among industry, academia and government in Japan and overseas.

Through this endeavor, the Group works to build a foundation to promote the entire process of the research and development to social implementation. In this way, the Group will quickly implement innovative technologies to contribute to solving social problems related to the aging population, declining birthrate and disabilities, as well as to providing advanced standards of prevention and treatment for diseases and injuries.

Endeavors to create a pleasant workplace environment



The most important management resource for sustainable business development is human resources. In order to nurture and reinforce the human resources, the Group conducts various endeavors. The Group prepares various work arrangements such as irregular working hour system, flextime system and discretionary work system to suit the nature of the work and the different needs of the employees. Furthermore, it also prepares parental leave and family care leave, and there are records of employees using these benefits regardless of genders. With regard to nurturing of human resources, the Group creates training plans annually to improve individual skills and knowledge. The Group holds a number of internal seminars and also provides support for employees to participate in external seminars related to their jobs.

Also, a clinical psychologist of the Group and an industrial physician work together to conduct interviews with employees on a regular basis to maintain good physical and mental state of the employees.

We invited Kyoichiro Shigemura an eminent analyst in a field of medicine and health care, for an interview with Yoshiyuki Sankai, President and CEO of the Company, to discuss the Company's challenges to shape the future.

(This interview took place on July 18, 2019)

Shigemura I believe "information" will be the important keyword for CYBERDYNE's business in the coming years. Am I right to say that?

Sankai The Company have been developing various types of Cybernic Systems such as Wearable Cyborg HAL, sensing technologies such as Cyin and VS-AS01 (temporary name) or Cleaning Robots and Transportation Robot capable of navigating autonomously. All of these systems are carefully designed to help users with their needs. But that is not all. All of our applications are installed with a communication function, so it could gather information related to the users and their surrounding environment and transmitting those information to the Cyberspace in order to make the system even more effective or even more suited for each users. This vision to gather, analyze and feedback information related to human and things are something I had in mind before we were listed on the stock market. For example, there are many sorts of informations such as informations of brain-nerve system, vital system, physiological system and environment. Anyway, we are formulating a way to gather all information that is considered to be meaningful. Most of the systems required to do this are developed by CYBERDYNE. But we also coordinate with other companies and research institutes to access technologies that takes too much time to develop inhouse. As such, we were able to formulate this in a relatively short time. Simultaneously, we are gradually preparing a system to accumulate information to Cloud and Super Computers, systems to analyze accumulated datas and systems to feedback the results to human and applications. People say CYBERDYNE is a company that develops HAL, but in the coming years, you should be able to see another side of CYBERDYNE as operators of information.

system and we might be able to find out that the standard protocol may not be exactly workout for that person. So if we do that in medical fields for example, we could realize "personalized medicine".

Shigemura A lot of companies are trying to gather, analyze and utilize information, but could CYBERDYNE become the leader in this challenge?

Sankai Data will not be meaningful unless if there is plenty of data for each set of information. It sounds simple, but its not easy because in most business fields there are competing products. Since most product does not dominate the entire market, companies have to work together if they hope to do a good data analysis. There are companies who are determined to do this, but these arrangements are delicate and time consuming. Sometimes there are different barriers. For example a company that makes hardware, might be using a software of a different company. A company that makes software may not have a direct interaction with the actual users.

That said, our Cybernics System is a loH/loT (Internet of Humans/ Internet of Things) application that could not only gather information of the environment, but also within the human body. Furthermore, one of our device, Medical HAL is now categorized as a robot capable of inducing recovery in the physical function and its the only robot of the kind capable of doing so. As such Medical HAL is being disseminated globally as a platform technology. In addition, our work covers the entire process of research and development to social implementation and we develop the system related to human, robot and information ourselves. So we are currently in a position that could enable us to collect data from the entire world. Also, the reason why we focus on medical is because medical is the industry with the highest restriction. So if we can make it work in the medical field we can transfer it to applications in other business field and it should work fine.

The devices, including devices and interfaces used in fields other then medical or products developed by others that we work with will also be connected to this grand scheme.

Interviewer: Kyoichiro Shigemura

Kyoichiro Shigemura joined Nomura Securities Co., Ltd. in 1991 and started serving as an analyst from 2000. He now works as the head of the Medicine and Healthcare Team. He has extensive knowledge in Japanese medical and long- term care system as well as the analysis of healthcare companies. He is passionate about discovering companies that seek to break the stereotypes within the existing industry. His major was psychology at Waseda University. He is a member of the Securities Analysts Association of Japan. He is a 3rd dan in Aikido.



Shigemura So what will CYBERDYNE do with those accumulated Big Data?

Sankai Cybernics Systems are capable of handling various kind of information. If all of the various information of all of our users are gathered as a Big Data, we might be able to discover trends of relationship between information that we were unable to see before. This could lead to findings that could solve problems in our society. Or alternatively, we could extract information of a certain person or a



Now, one of the important topic for leaders who are looking to handle data, is the topic of data privacy. Our company is well prepared towards even the most extreme policy changes, as we are already comfortable working with the medical field, which is a field known for strict privacy policy. We are also a member of the World Economic Forum, which is one of the organization that is discussing how information should be managed in the future. This way, not only we could make contribution to the important discussions based on our experiences, but we could also keep track of whats being discussed in the forefront of this topic and swiftly conform to change if any policies are to be announced.

Shigemura We started to see activities from CEJ Fund. Please tell us the plans for CEJ Fund.

Sankai CEJ Fund is a scheme to accelerate the emrgence of Cybernics Industry. We made this to support venture companies in field of medicine, AI, Big Data and etc. CEJ Fund will not only provide funding, but it will also provide other forms of support such as in field of technology, business, IP, legal and so on. There are so many venture companies and individuals with unique technologies, so the role of CEJ Fund is to encourage their challenges.

CYBERDYNE was also making capital alliances and business alliances with venture companies from the aforementioned perspective, but when we were doing this on our own, we were only able to interact with company that we could easily spot. However with the CEJ Fund, we can now also utilize the network of the fellow investors. So we saw a boost in the venture companies we are aware of and using this scheme we hope to accelerate the creation of Cybernics Industry even further.

Shigemura 5 years has passed since the listing on the stock market and CYBERDYNE seem to be ready for global expansion. On the other hand, CYBERDYNE seems to be taking some time to become profitable. How do you plan to increase the value of the company?

Sankai If we divide are business, it will be rental of product, sales of product and service with the product. The main core is the rental of product and we have been increasing the revenue in this since the listing.

In Japan, we started our challenges to offer our medical technology towards, neuromuscular disease. At that point, there was no treatment method that was effective towards neuromuscular



disease so it was also very important to put the priority on this disease at the beginning to support such patients. On the otherhand, since this disease is a rare orphan disease, we experienced some difficulty getting enough patients to complete the clinical trial.

Another reason why its taking some time to become profitable is because of insurance point that were set for Cybernic Treatment. The pricing towards treatment using HAL is higher compared to traditional rehabilitation, but in comparison to pricing from the German public workers compensation insurance etc. it is low. Even with the low insurance points and number of neuromuscular disease population being significantly low in comparison to diseases like stroke, facilities that is adopting our

technology is gradually increasing. Once we have the approval for stroke, the number of units adopted is likely to grow rapidly.

Shigemura Can you elaborate on stroke approval. Would that further accelerate the dissemination of Cybernics Treatment?

Sankai Due to the vast number of patients suffering from the after effect of stroke, an alternative method that could induce further improvement of physical function or accelerate the improvement could be met with a huge demand. There are a lot of researches of pharmaceuticals that is proving good results towards stroke and combination of pharmaceutical and HAL could lead to even greater result, so we would like to investigate that further. To turn something into medical device, one has to go through clinical trial. We are trying out different models and protocols in multiple countries in order to conduct trials smoothly.

Shigemura It feels like the speed of HAL spreading to new countries is getting faster. What should we expect on oversea expansion?

Sankai In June, there was a Ministerial Meeting on Trade and Digital Economy in our city, Tsukuba. Upon that, the ministerial delegation visited our company headquarters. We were able to present our challenges to the delegation and since then, we started to receive various contacts



which could really help our business outside of Japan. I scheduled to travel to various places and frankly the schedule is quite tough. But I hope to do my part, in order to start offering our technology to many countries and regions as possible.

For countries that we started operating in, we succeeded on building a good relationship with our partner hospitals and we are working to reinforce that relationship even more. Our partner hospitals tend to be leading hospitals in each country in both the size and the quality. Not only we exchange information with each other, partners are also acting as the base for dissemination in each country.

With regards to overseas expansion of our medical device, application of medical device clearance is another important factor to consider. Since we went through U.S. style, EU style and Japanese style application, we can say we have experience with all the major application styles. As such we can file the application faster, allowing us to spread our technology faster.

Furthermore, initially we had to do the entire process of sales, lecturing of how to use the device and maintenance. However now that we worked together with our partners, we can now trust the partners to take on some of those roles on our behalf. Clinical results that is coming in from around the world is also very good, so we will keep on going.

Shigemura CYBERDYNE commenced its challenges in Asia. In comparison to the EU or US market, do you find it easy or difficult to do business in Asia?

Sankai We have made adjustment to suit the business customs for each country and region. For South East Asia, we find it easier to offer our technology through flat monthly fee model. Malaysia was the first Asian country other than Japan to adopt our technology. We were able to deliver 24 units to Malaysian hospital that is operated by the Public Social Security Organization called SOCSO. We were also able to present this technology to the Malaysian Minister, who

became a great supporter of this technology. The Minister is being very generous to share the information of HAL to Ministers and public institutes of other countries in South East Asia.

We could sell directly and do well in Thailand or the Philippines as those countries have been working with Japanese countries for some time. But upon entering other region, the diverse culture of Malaysia will be a great path. The nation has a group of people with Chinese background as well as Indian background and due to its religious connection, it could act as our pathway to Islamic countries.

Another point I can make about South East Asia is that the countries seem to have a tight bond with each other, so we witness Malaysian hospitals or government personnel introducing our products to their counterparts of neighboring countries and we truly appreciate the support we are receiving so far.

Our business in Malaysia is expanding at the speed that we never experienced before so we are very excited to work in Malaysia.

Shigemura In our previous encounter, you told me that in SOCSO Rehabilitation center, you witness a patient lecturing how to use HAL to other patients.

Sankai Our partners in Malaysia have gone through the same training course to learn how to use HAL. However the circumstances of each facility, in this case SOCSO rehabilitation center, leads to revolution of how the training is done. So in this particular facility, in the first stages the therapist will closely supervise the treatment with the HAL units. However once the patient gets used to it, the therapist will lecture the patient so they can use it with less supervision. For the patients, it's about themselves, so they tend to be very motivated to use HAL and find more effective ways to use HAL. They also help fellow patients by lecturing how to use the device and exchange information about it. If I put it my way, this is "Techno-Peer Support" where a person connects with others through technology and technology coexists with people at a high level.

When these findings on better ways to use HAL and results are reported to the facility owner, this induces further revolution of the facility.



Shigemura I get the impression that CYBERDYNE is currently facing some challenges to spread Cybernics within US. Could you provide the update on the US business?

Sankai After receiving the approval from the U.S. FDA, we commenced working together with Brooks Rehabilitation in Jacksonville Florida from March 2018. Since then we worked together and witness great clinical results. Through these work, we have been increasing the exposure of HAL as a medical device amongst the U.S. medical community and simultaneously we have been making preparation towards expanding the clearance to stroke. While we have a clinical trial running in Japan, we are considering to run a separate stroke trial in the U.S. We would like to try if we can catch up to the stroke trial in Japan. In a country like the U.S., which is known to be the leader of the global medical device market, it is very important to form a strong relationship with a institute with a strong research background alongside a stron business background. We are currently discussing terms with a top class research hospital in the U.S. on research project on HAL. We are also considering to integrate the regenerative medicine in this project.

Shigemura In Europe, one private insurance company announced a new insurance policy for HAL. Cybernic Treatment is also spreading in Poland, Italy and Bulgaria. Please tell us about the outlook for the European market.

Sankai In Europe we started by coordinating with Bergmannsheil hospital in Germany. In the first stages, we wanted to avoid producing multiple protocols that does not work well. We wanted to focus on establishing one good protocol that could produce high medical effect by working together with a good team. Thanks to their support, the relevant team was able to accumulate vast amount of data related to Cybernics Treatment within few years time. Now we are moving on to the new phase which led us to spread our technology to Poland, Italy, Bulgaria and other countries we are discussing with. We aim to enter new markets like France and Britain, while disseminating the technology within the countries we already operate in.

Shigemura CYBERDYNE does a lot of things. How do you set priorities on each projects?

Sankai In order to create a new industry, we can't bear to focus on just one project. We must proceed multiple projects simultaneously. However we are already over the initial stage of preparation so gradually we can start concentrating on each projects. We have gone through a tough processes. For example, clinical trial required to turn a product into a medical device, performance evaluation testing, quality management systems and obtaining each types of approvals. But after going through those project, we became professionals of each processes.

Shigemura Please summarise the fiscal year under review.

Sankai In the fiscal year under review, we put a lot of effort into combining our business fields with Cybernics Technology. To make a new industry based on Cybernics, connection of different

business fields will become important. We prepared our Cybernics Technology as technologies with loH/ IoT function for all of our business fields. We will now enter into the phase where we will polish each technology. We will also gather and analyze information. We will feed back the findings from those information to humans and society.



We conducted an interview with Yoshihiro Yasunaga, newly appointed Director who is also working as the head of the Sales Department to discuss his contribution to the Company so far and his enthusiasm towards the challenges to as the newly appointed Director.

(This interview took place on August 2, 2019)

Q What made you join the Company and what is your role in the Company?



Yasunaga I found out about Cyberdyne on 2008 when HAL was featured in a TV program called “Jonetsu Tairiku (情熱大陸)”. At that time, I had a strong urge to solve the situation where elderly person is forced to take care of elderly person due to lack of personnel. HAL seemed to have the potential to really solve this problem and I joined CYBERDYNE as General Manager of Business Administration. I was in charge of preparing for market listing and I was also involved in General Affairs and HR, but after 2010 I started doing sales to reinforce the Company’s revenue structure. I am now in charge of the entire sales department, supervising the sales of product in Japan and outside of Japan. I am also managing the Neuro HALFIT.

Q It feels like sales overseas is accelerating. How is our product being received by customers overseas?

Yasunaga We recently had our HAL introduced to South East Asia and several ceremonies were held to celebrate that. At that time, we had several local media featuring those ceremonies and thanks to that we are receiving a positive feedback in Malaysia, Philippines and Thailand. However, in countries we have never been to, they don’t necessary know about HAL. Alike any other countries, we have to steadily do our sales activities.

There are many ways we can sell our product but usually showing the actual use case seem to

have the best effect. Everyone we meet can easily image that a device can support its wearer when its worn. However the biggest feature of HAL is that it is able to form a loop of nerve signal between the brain, nerves, muscles and HAL. As that integrates the function of the wearer’s brain-nerve system and HAL, it induces improvement and regeneration of physical functions. As such the medical effects seem to remain even after the wearer takes off HAL. When they find out about that, both the professionals in the facility and actual users gets really excited, and I find that to be the best part about being a sales person in this company.

Q A lot of our stakeholders have a high interest in the U.S. market due to its market size. We have been working together with Brooks Rehabilitation in Florida, but can you tell us the outlook of this market?

Yasunaga We have been working together with Brooks Rehabilitation to gather good clinical data. We now have reasonable amount of data now, so we are utilizing that for our sales activity. We sent two of our sales person from Japan for the U.S. market but we will higher local staffs and accelerate the sales work.

Q What about the European market?

Yasunaga Europe also entered into a phase where we can speed up the business development so we sent the manager who would supervise the entire business from Japan in the fiscal year ended March 31, 2019. Our base in Europe, Germany, is a market with a huge potential so we will keep on working towards further dissemination. Furthermore, we will work to spread our technology to other countries in the West such as Italy, and also to the East such as Poland and Bulgaria.

Q Generally speaking, it is said that there are economical disparity between the West and East. Is that so? Do you find it more difficult to spread in the East?

Yasunaga We can say the same thing about South East Asia. But when compared to the “West” there does seem to be some economical disparity. So not every hospitals and facility is capable of renting our HAL System. But once they see the unique medical effect of HAL, even in the lower end of the disparity, the facilities would still be willing to adopt the technology.

Q We started offering the technology to South East Asia. What impression do you have towards this market so far?

Yasunaga The market is small compared to the so called “advanced countries”, but we really feel the eagerness to adopt new things from our customers in the South East Asia and they are also very quick to make decisions. We also learn new ideas from these new market. We based our protocol on one therapist for each patient. But a partner in Malaysia sometimes tries new idea such as one therapist looking over multiple patients or therapist just putting it on to the patient and patient does the rest of the training on their own. In Japan, medical teams struggles

from lack of personnel. So we might be able to learn from these challenges.



New menu that integrates the movements in actual life
Neuro-Robotics Rehabilitation and Cybernetics Centre, Melaka, Malaysia

Q We started offering new product this year, such as the Ankle Joint Attachment for HAL Single Joint Type and Lumbar Type that supports both caregivers and care receivers. How is the reaction from our users?

Yasunaga Ankle Joint Attachment for HAL Single Joint Type is one of the few available product in the market capable of training dorsiflex movement of the ankle joint, so we are receiving high interest from the medical teams. As for the new lumbar device, initially our customers had to rent a separate unit for care giving use and training use. But now they just need one so our customers usability increased rapidly. Furthermore, we installed a new mode where it can be used without attaching a sensor. So it can now be worn under 10 seconds, allowing our users to use it in various situations. We haven't really been displaying our usage for the training use, so its still on a low profile in the oversea market. But it is receiving high interest from the oversea market. Not only it can be used to maintain the balance in seated position, it can also be used for training of standing so it can be used for many training courses. Japanese government were spending money to aid the people who require heavy care. However they are gradually shifting their policy towards preventing the state where they would need care. We would like to support that trend and these products are suited for the new policy.



Ankle Joint Attachment
(available from July)



Lumbar Type for Well-being (BB04)
(available from August)a

Q Robocare Center is increasing very fast. While we have HAL being used for treatment in the hospitals, what is the role of Neuro HALFIT and Robocare Center.

Yasunaga When a person is struck by a injury or a disease, they will be sent to the hospital. Hospital comes up with a protocol and once they reach a certain stage of improvement they will move out. Neuro HALFIT was established as a facility for those who wishes to continue training after they are out of the hospital or for those who wants to try out HAL. The main targets are those with stroke, but it is thought to be effective for person who is having difficulty improving their body functions. To meet the growing demands, we have been increasing the number of Robocare Centers around the world since October, 2018. We have support from insurance companies like AIG and Sompo Japan to organize an environment so that more people can consider Neuro HALFIT as a option to improve, but at this point the insurance coverage has not led to significant increase of visitors at this point, so we have to work harder so more people knows about this scheme.

Neuro HALFIT also has a role as a base for training of HAL professionals. We installed our HAL System to different business fields. But in order to get the best outcome out of HAL, we have to work together with our users to standardize the operation. Staffs of Robocare Center trains their operating techniques, in order to lead our users as the leader of HAL Operation.

Furthermore, another role of Robocare Center is to be the first to adopt new products and develop new training programs.

Q The new Robocare Centers are mostly established through coordination with external partners. Under what perspective do you select the partners?

Yasunaga Success of Neuro HALFIT relies on getting a lot of customers. So we look for partners in a city with certain amount of population. Furthermore, we need to select a partner who knows about HAL and who has a mind set to really spread the technology. Our current partners of Neuro HALFIT are either really experienced HAL users, distributors or educational institutes.



Presentation at Tsukuba Robocare Center Opening Ceremony (March, 2019)

Q How do you plan to develop the Neuro HALFIT

Yasunaga There are some large cities left where we haven't set up Robocare Centers. I would like to look for good partners to cover all the large cities. For our customers of Neuro HALFIT, it will help them if the service is available somewhere close from their home. So it may not be as large scale as Robocare Centers, but I would like to prepare a small facility where our customers can use HAL casually.

Q Is the business of Neuro HALFIT profitable?

Yasunaga There are lot of demands for Neuro HALFIT Service and that demand is likely to increase further with the aging situation in Japan. For most customers, once they use HAL they feel the effect and they tend to keep on using it. So I believe Neuro HALFIT service is profitable and there is no worry about business continuity. The new Robocare Centers will take some more time until it becomes profitable, but for Robocare Centers we operate directly, it is making profit.

Q We are about half way past the current fiscal year. For the remainder of the year, what kind of challenges would you like to make.

Yasunaga I would like to focus on accelerating the business overseas and spreading the new products. Especially for the new products, getting the numbers out in short amount of time will be the key to generate greater sales. There is a limit on how much we can do we the number of our own sales team. So we must work together with distributors both within and out of Japan. Candidates who are just interested won't do. We hope to find a distributor who can really

try to understand the technology and what we are trying to do, and forming a long lasting relationship with such distributors.

Q Please finish off with a message to our stakeholders as the newly appointed Director.

Yasunaga I believe our product is something necessary in the society with growing number of elderly people with low birthrate. My mission is to spread the technology quickly and making it stick. I kindly ask all of our stakeholders to support our challenges.



CYBERDYNE

Members of Board of Directors

Yoshiyuki Sankai

Born June 24, 1958 (Male)

President and CEO

Ph.D. in Engineering

Description of the positions, personal history, assignments and other important position held outside the Company

2003/7	Professor of Functional Engineering, University of Tsukuba	2014/6	Program manager of the Impulsing Paradigm Changes through Disruptive Technology Program (ImPACT) hosted by the Cabinet Office of Japan
2004/4	Professor of Information & Systems, University of Tsukuba (present)	2017/10	Executive Research Director of the Center for Cybernetic Research, University of Tsukuba (present)
2004/6	Director at incorporation of CYBERDYNE		
2006/2	President and CEO of CYBERDYNE (present)		
2009/9	Director of the Center for Cybernetic Research, University of Tsukuba		(Important position held outside CYBERDYNE) Professor of Information & Systems, University of Tsukuba
2010/3	Core Researcher of Funding Program for World-Leading Innovative R&D on Science and Technology Program (FIRST) hosted by the Cabinet Office of Japan		Executive Research Director of the Center for Cybernetic Research, University of Tsukuba

Years in service as Director 15 years	Special interest in CYBERDYNE none	Number of company shares owned Common 3,042,000 Shares Class B 77,696,000 Shares
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Shinji Uga

Born February 15, 1970 (Male)

Director

Certified Public Accountant
MBA

Description of the positions, personal history, assignments and other important position held outside the Company

1994/4	Joined Tomen Corporation (Now known as Toyoda Tsusho)	2008/9	Joined CYBERDYNE
2001/10	Joined Chuo Aoyama Audit Corporation (Now known as PricewaterhouseCoopers)	2009/2	Director (present) and head of Financial Affairs and Accounting Unit of CYBERDYNE
2005/10	Assigned to PricewaterhouseCoopers Shanghai office	2013/12	Head of Corporate Unit of CYBERDYNE (present)
2007/6	Joined Ridgeway Capital Partners Ltd.		

Years in service as Director 10 years	Special interest in CYBERDYNE none	Number of company shares owned Common 60,000 Shares
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Yoshihiro Yasunaga

Born May 1, 1978 (Male)

Director

Certified Public Accountant (U.S.)
Masters in academics

Description of the positions, personal history, assignments and other important position held outside the Company

1997/4	Joined Takefuji Corporation	2013/4	Representative Director of Suzuka Robocare Center Co., Ltd. (present)
2002/7	Joined Tyco Healthcare Japan Inc.	2013/9	Representative Director of Oita Robocare Center Co., Ltd. (present)
2006/10	Joined ON Semiconductor Japan Ltd.	2017/11	Outside Director of SUMS, Inc. (present)
2008/4	Joined CYBERDYNE, INC. as Head of Business Management	2018/4	Representative Director of Shonan Robocare Center Co., Ltd. (present)
2013/1	Manager of the Sales Department (present)	2019/2	Outside Director of Okayama Robocare Center Co., Ltd. (present)
			(Important position held outside CYBERDYNE) Outside Director of SUMS, Inc.

Years in service as Director -	Special interest in CYBERDYNE none	Number of company shares owned Common 8,000 Shares
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Hiroaki Kawamoto

Born August 25, 1974 (Male)

Director

Ph.D. in Engineering

Description of the positions, personal history, assignments and other important position held outside the Company

2004/6	Director at incorporation of CYBERDYNE	2015/4	Associate Professor of Information & Systems, University of Tsukuba (present)
2005/8	Researcher at Japan Association for the Advancement of Medical Equipment		(Important position held outside CYBERDYNE)
2006/2	Director of CYBERDYNE (present)		Associate Professor of Information & Systems, University of Tsukuba

Years in service as Director 15 years	Special interest in CYBERDYNE none	Number of company shares owned Common 14,000 Shares
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Kinichi Nakata

Born May 12, 1962 (Male)

Outside Director

Independent Officer

Ph.M.D. in Medicine

Description of the positions, personal history, assignments and other important position held outside the Company

1989/7	Worked for Nihon University School of Medicine	2008/3	Councillor at Japanese Association for Coronary Artery Surgery (present)
1996/10	Councillor at Japanese Society for Artificial Organs	2008/6	Outside Director of CYBERDYNE (present)
2003/3	Technical Committee on Industrial Promotion of Medical Electromagnetic Drive Systems		(Important position held outside CYBERDYNE)
2003/10	Lecturer at Nihon University School of Medicine (present)		Lecturer at Nihon University School of Medicine

Years in service as Director 11 years	Special interest in CYBERDYNE none	Number of company shares owned -
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Kazumasa Yoshida

Born August 20, 1958 (Male)

Outside Director

Independent Officer

Description of the positions, personal history, assignments and other important position held outside the Company

1984/10	Joined Intel Corporation	2016/7	Outside Director of FreeBit Co., Ltd. (present)
2003/6	President and CEO of Intel Kabushiki Kaisha	2017/12	Outside Director of Mynavi Corporation (present)
2012/6	Outside Director of Onkyo Corporation (present)		(Important position held outside CYBERDYNE)
2013/6	Outside Director of CYBERDYNE (present)		Outside Director of Onkyo Corporation
2014/6	Outside Director of TDK Corporation (present)		Outside Director of TDK Corporation
2015/6	Outside Director of Mamezou Holdings Co., Ltd. (present)		Outside Director of Mamezou Holdings Co., Ltd.
			Outside Director of FreeBit Co., Ltd.
			Outside Director of Mynavi Corporation

Years in service as Director 6 years	Special interest in CYBERDYNE none	Number of company shares owned Common 60,000 Shares
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Hikari Imai

Born July 23, 1949 (Male)

Outside Director

Independent Officer

MBA

Description of the positions, personal history, assignments and other important position held outside the Company

1974/10	Joined Yamaguchi Securities Co., Ltd.	2015/6	Outside Director of CYBERDYNE (present)
1983/1	Joined Morgan Stanley Co., Ltd.	2016/6	Outside Director of PACIFIC METAL CO., LTD. (present)
1993/4	Joined Merrill Lynch Securities Company	2016/12	Director and Chairman of 3DOM Inc. (present)
1999/1	Vice Chairman of Merrill Lynch Japan Securities Company, Limited	2019/1	Chairman of the Keiaikai Medical Foundation (present)
2007/11	Director, Vice President of RECOF Corporation		(Important position held outside CYBERDYNE)
2008/4	President and CEO of RECOF Corporation		Outside Director of PACIFIC METAL CO., LTD.
2012/4	Outside Director of Olympus Corporation		Director and Chairman of 3DOM Inc.
			Chairman of the Keiaikai Medical Foundation

Years in service as Director 4 years	Special interest in CYBERDYNE none	Number of company shares owned -
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Members of Audit and Supervisory Board

Yutaka Fujitani
Born April 1, 1953 (Male)

Outside Audit and Supervisory Board Member (Full-time)
Independent Officer

Description of the positions, personal history, assignments and other important position held outside the Company

1975/4 Joined The Mitsubishi Bank, Ltd. (Now known as The Bank of Tokyo Mitsubishi UFJ, Ltd.)
2005/1 Joined KPMG AZSA LLC.
2011/6 Outside Audit and Supervisory Board Member of CYBERDYNE (present)

Years in service as Audit and Supervisory Board Member 8 years	Special interest in CYBERDYNE none	Number of company shares owned -
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Cees Vellekoop
Born May 4, 1956 (Male)

Outside Audit and Supervisory Board Member

Description of the positions, personal history, assignments and other important position held outside the Company

1981/5 Registered as attorney-at-law at Court of Rotterdam District of Amsterdam District
2003/5 Joined Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho
2005/10 Admitted in England and Wales as attorney-at-law
1992/5 Admitted in Japan as attorney for foreign law
2007/6 Audit and Supervisory Board Member of CYBERDYNE (present)

Years in service as Audit and Supervisory Board Member 12 years	Special interest in CYBERDYNE none	Number of company shares owned -
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Kenichiro Okamura
Born August 18, 1971 (Male)

Outside Audit and Supervisory Board Member
Certified Public Accountant

Description of the positions, personal history, assignments and other important position held outside the Company

1994/4 Joined Chuo Audit Corporation
2007/2 Representative Director of Kabushiki Kaisha BizNext (Now known as Kaede Accounting Advisory Inc.) (present)
2009/9 Representative Director of Tokyo-IAS Inc. (Present)
2011/6 Senior Partner of Akasaka Sogo Accounting Firm Co., Ltd. (Now known as Kaede Tax Corporation) (present)
2011/6 Outside Audit and Supervisory Board Member of CYBERDYNE (Present)

2015/6 Outside Audit and Supervisory Board Member of SG Holdings Co., Ltd. (present)
2016/6 Outside Director of Kanematsu Sustech Corporation (Audit Committee) (Important position held outside CYBERDYNE)
Representative Director of Kaede Accounting Advisory Inc.
Outside Audit and Supervisory Board Member of SG Holdings Co., Ltd.
Outside Director of Kanematsu Sustech Corporation (Audit Committee)

Years in service as Audit and Supervisory Board Member 8 years	Special interest in CYBERDYNE none	Number of company shares owned -
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Kazuro Kawamata
Born April 11, 1953 (Male)

Outside Audit and Supervisory Board Member

Description of the positions, personal history, assignments and other important position held outside the Company

1976/3 Joined Kanto Bank, Ltd. (now known as the Tsukuba Bank, Limited)
2010/3 Director and Manager of the Human Resources Department of the Tsukuba Bank, Limited
2008/4 Senior Vice President and General Manager of Audit Department of The Kanto Tsukuba Bank, Limited (now known as the Tsukuba Bank, Limited)
2012/6 Managing Director and Manager of the Human Resources Department of the Tsukuba Bank, Limited
2013/6 President and CEO of Tsukuba Business Services Limited
2019/6 Audit and Supervisory Board Member of the Company (present)

Years in service as Audit and Supervisory Board Member -	Special interest in CYBERDYNE none	Number of company shares owned -
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1. The Company's basic approach to corporate governance

The Company takes measures to improve corporate governance by enhancing transparency and ensuring compliance throughout operations in order to increase corporate value over the long term.

The Company believes that it is vital to build constructive relationships with all of its stakeholders as part of corporate governance. Corporate governance is important from the standpoint of, not only making sure that the decisions the Company makes and actions it takes do not violate laws and market regulations, but also ensuring that it has not ignored the demands of the society and that it is indeed contributing to the society. The company also believes that high levels of transparency are essential for the proper functioning of corporate governance.

To this end, the Company takes a proactive stance on disclosing information to shareholders, investors, employees and customers, which go beyond the legally required level.

2. Corporate organization

CYBERDYNE, INC. is a company with a Board of Directors that holds a meeting (the "Board Meeting") at least once a month to rapidly make decisions and supervise whether the Members of the Board of Directors (the "Board Members") appropriately execute their duties. The Board of Directors is comprised of seven Members of the Board of Directors, three of whom are Outside Member of the Board of Directors, forming a structure that enables the Board of Directors to efficiently reach decisions and make business judgments.

The Company is a company with an Audit and Supervisory Board. The Audit and Supervisory Board consists of three Outside Audit and Supervisory Board Members who proactively voice their opinions at the Board Meeting to enhance supervision.

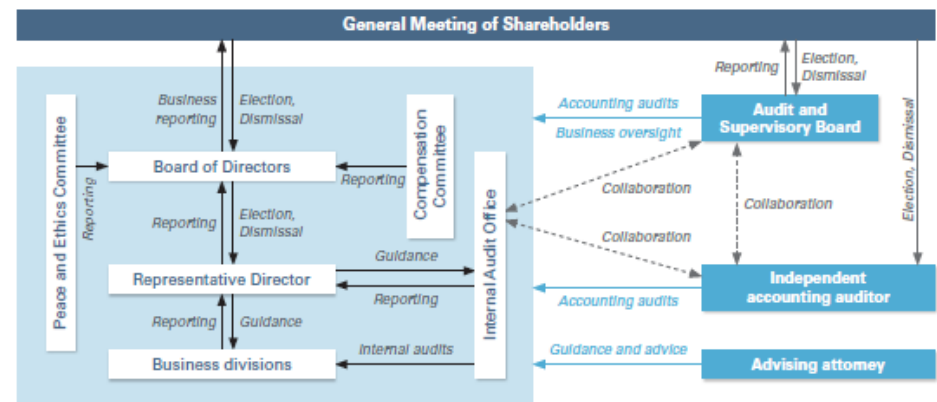
and perform audits from an objective standpoint with regard to business execution and important decision-making by the Members of the Board of Directors.

The Board Members' compensation is of the Board of Directors is debated by the Compensation Committee which consists of at least three members of the Board of Directors or the Audit and Supervisory Board appointed by the Representative Director. The Compensation Committee then submits its opinions about the Board Members to the Board of Directors.

With the objective of preventing problematic conflicts of interest in the Company's relationship with the University of Tsukuba and Japan Science and Technology Agency (JST), the Company ensures there is at least the same or a higher number of independent Outside Board Members with no affiliations with the University of Tsukuba and JST than the number of Internal Board Members excluding the Members with potential conflicts of interest with the university and JST.

As a result, Outside Member of the Board of Directors have the ability to veto ordinary resolutions as necessary during Board Meetings when there are problematic conflicts of interest with the University of Tsukuba and JST. The Company thereby, has an effective system to prevent problematic conflicts of interest.

For the purpose of protecting non-controlling interests, the Company has put in place a system for obtaining resolutions at the Board of Directors based on preapprovals from a committee comprising the Outside Board Members and Outside Audit and Supervisory Board Members when decisions must be made concerning transactions between the Company and Yoshiyuki Sankai, who is a controlling shareholder of the Company, and the Sankai Health Foundation and the Sankai Science and Technology Promotion Foundation (collectively referred to as the "Foundations"), both of which are represented and managed by Yoshiyuki Sankai, as well as transactions between the Company and the trustees, directors or controllers of the Foundations.



The Company has also established the Peace and Ethics Committee to prevent the use of its advanced technologies from harming people or creating military weapons. All Outside Board Members and Outside Audit and Supervisory Board Members, in addition to the President and CEO, are Members of the Peace and Ethics Committee. Before entering a business field outside the areas of medicine, living support, and labor support, which are defined in the Company Code of Conduct, the Peace and Ethics Committee investigates, deliberates and reaches a decision on whether the Company's advanced technologies could eventually be used to harm people or to create military weapons. The committee then submits its findings to the Board of Directors.

3. System to ensure the appropriateness of business operations and implementation status of the system

i. System to ensure the appropriateness of businesses

The Company resolved a system to ensure the appropriateness of business operations of 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.

(a) Systems to ensure that Members of the Board of Directors and employees of the Company and the subsidiaries (collectively the "Group") perform their duties in accordance with laws, regulations and the Articles of Incorporation

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

A designated Member of the Board of Director of the Company shall have cross-organizational control over the Group's compliance initiatives. The designated Member of the Board of Directors (the "Risk and Compliance Director") 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 of subsidiaries and, if necessary, Members of Audit and Supervisory Board Member of subsidiaries. The Company shall approval subsidiaries' important matters and take up part of their administrative works. Consequently the Company shall ensure the appropriateness of the affected companies' business 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 of the Group in accordance with the Internal Audit Policy and Affiliated Company Management Policy to check the compliance status with laws, the Articles of Incorporation, and other internal

regulations and monitor the overall risk management status. The Internal Audit Office shall report the results of the internal audits 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 mean for employees to directly provide information about legally suspicious behaviors. The method of providing information by means of oral communication, e-mail, chat and opinion box shall be the subject of the Hotline System Policy.

(b) System to store and manage information related to the execution of duties by the Company's Member 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 policy, the information related to the execution of duties shall be recorded and stored in paper or electronic format.

- Members of the Board of Directors and Members of the Audit and Supervisory Board shall be able to browse the information at all times.

(c) 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 Risk and Compliance Director shall put a relevant operating unit in charge of each risk category and each operating unit in charge shall define risk scopes, risk profiles, self evaluation policies and guidelines. The Director 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 a head of operating unit in charge of handling such risks.

(d) 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 shall conduct extraordinary meetings whenever necessary.

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

- The Company shall establish Medium-term business policy 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' whenever necessary.

- The Company shall also establish the Affiliated Company Management Policy in order to manage subsidiaries under the supervision of a related units of the Company. Consequently, Members of the Board of Directors of the subsidiaries can execute their duties efficiently.

(e) System to ensure reporting on the performance of duties by subsidiaries' Members of the Board of Directors to the Company

- The Company shall establish the Affiliated Company Management Policy. Pursuant to the Policy and the subsidiaries shall report the status of their duties to the Company's supervisory units where necessary.

(f) Matters regarding employees who assist the 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 appropriate employees who shall serve as assistants or as assistants with a concurrent post upon consulting with Audit and Supervisory Board.

- During the assistance period, the supervisory 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 Board of Directors. Any performance evaluation and personnel changes concerning the assistant shall require the consent of the Audit and Supervisory Board.

(g) 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 subsidiaries, or the Company's personnel who received reports from Directors and employees of subsidiaries, to report to the Audit and Supervisory Board of 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 subsidiaries shall report any significant matters that i) are against the law or the Articles of Incorporation and ii) are considered dishonest acts iii) may have a significant impact on the Company, to the Audit and Supervisory Board immediately. In addition, if a Member of the Audit and Supervisory Board asks for a report from Members of the Board of Directors or employees of the Group pursuant to the law, Auditing Standards or Regulations of Audit and Supervisory Board Meeting 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 i), ii) and iii) above, 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 reported, the Risk and Compliance Director shall report the contents reported and the research results to the full-time Members of the Audit and Supervisory Board.

- The Internal Audit Office of the Company shall report the status of the internal audits of the Group to Audit and Supervisory Board Members of the Company. Furthermore, the Risk and Compliance Director shall report the status of the Group to Audit and Supervisory Board Members of the Company when necessary.

(h) System to ensure that a person who made a report to an 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 an Audit and Supervisory Board Member.

(i) Matters regarding the Company policy of processing auditing fees

When a Member of the Audit and Supervisory Board requests an advanced payment or quick reimbursement of expenses necessary for their duty, the Company shall pay them promptly unless the expenses are recognized unnecessary for their duty.

(j) 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 requests for hearing, visitation and other methods of examination by Member 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 opinion with Member of the Board of Directors, Accounting Auditors and any other personnel required to appropriately execute the duty as an auditors.

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

ii. 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.

(a) 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 shall be notified to related personnel in a thorough fashion.

(b) Risk Management System

For the Group, the Risk and Compliance Director of the Company determines the operating unit in charge of each risk category, monitors the risk status and responds accordingly. Furthermore, the status of this risk management is subject to internal audits and audits conducted by the Audit and Supervisory Board Member.

(c) Efficiency of the duty by Members of the Board of Directros

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 for the fiscal year (including subsidiaries), and so on.

4. Status of internal audits and audits by Audit and Supervisory Board Members

The Company has an Internal Audit Office that consists of one internal auditor and performs necessary operational audits based on the Internal Audit Policy. Internal Audit Office contributes to the enhancement of the Company's internal control systems.

As the head of Internal Audit Office concurrently belongs in the Corporate sector as a leader of General Affairs and HR team, an internal audit on General Affairs and HR team shall be conducted by a substitute auditor selected by the president and CEO.

Audits by the Audit and Supervisory Board involves operational audits, such as audits of the business execution by Directors, based on Auditing Standards and Regulation of Audit and Supervisory Board Meeting. Outside Audit and Supervisory Board Members include an experienced business person (SVP of a large bank), a CPA and an attorney elected for their expert knowledge of accounting, legal affairs and risk management. Therefore, the Company puts in place a system with effective management oversight functions.

Internal Audit Office coordinates with full-time Audit and Supervisory Board Member upon establishment of an annual internal audit plan. Results of internal audits are reported to the President and CEO and Audit & Supervisory Board Members. Furthermore, if issues related to internal control are found in the midst of internal audits, Internal Audit Office provides proposals for improvement to the unit in charge of the internal control process. Internal Audit Office coordinates with Audit & Supervisory Board Members as well as accounting auditors by exchanging opinions or information, so that audit can be executed effectively.

5. Status of accounting audits

For the fiscal year ended on March 31, 2018, the Company entered into an audit engagement contract with Deloitte Touche Tohmatsu LLC, and received accounting audits performed by this accounting auditor. Its Auditing team consists of two partners

and twenty three support members which comprises five CPAs and eighteen other professionals, to perform audits.

6. Relationships with Outside Members of the Board of Directors and Outside Audit and Supervisory Board Members

The Company has three Outside Members of the Board of Directors and three Outside Audit and Supervisory Board Members.

The Company has not set any standards or specific policies regarding the independence of its Outside Members of the Board of Directors and Outside Audit and Supervisory Board Members.

Instead, the Company appoints Outside Members of the Board of Directors and Outside Audit and Supervisory Board Members based on their extensive experience as management, as well as their deep insight about research, finance, accounting and legal affairs, for the purpose of building an effective corporate governance system from an external standpoint.

The Company expects its Outside Members of the Board of Directors and Outside Audit and Supervisory Board Members to supervise the business execution of its Members of the Board of Directors.

Outside Director Kazumasa Yoshida provides his opinions and proposals regarding management in general in the Board Meetings from the standpoint of the experienced executive in a global company. While Kazumasa Yoshida holds 60,000 shares of the Company as of June 25th, 2019 when the securities report was submitted, it was deemed to have no significance. Furthermore, between the Company and Kazumasa Yoshida, there is no human, capital, business affiliation or any other conflicts of interests. In addition, while Kazumasa Yoshida currently serves as the outside Directors of Onkyo Corporation, TDK Corporation, Mamezou Holdings, Co. Ltd., FreeBit Co., Ltd., MyNavi Corporation and previously served as President and CEO of Intel Kabushiki Kaisha and vice president of Intel Corporation, the Company does not have any human, capital, business affiliations or other conflicts of interest with the seven aforementioned companies.

The Company does not have any human, capital, business affiliations or other conflicts of interest with other Outside Members of the Board of Directors and Outside Audit & Supervisory Board Members.

Outside Audit and Supervisory Board Members supervise the business execution of Inside Members of the Board of Directors and other management. Audit and Supervisory Board Members conduct an audit of the business execution of Members of the Board of Directors and an audit of accounting documents and the methods and results of audits performed by the accounting auditor. As it is stated in "4. Status of internal audits and audits by Audit and Supervisory Board Members," Audit and Supervisory Board Members coordinates their audits in terms of scopes, risk profiles, schedules, communication and so on. Audit and Supervisory Board Members report the process and results of their audits at the Meeting of the Board of Directors on a regular basis.

This activity is a significant support to the supervision of each Board Member's business execution by the Board of Directors.

7. Implementation status of risk management structure

The Group continues to enhance its risk management system implementing and/or updating its Code of Conduct, the Risk Management Policy, etc., in alignment with changes in the risk environment. Since sound management practices and a stable earnings foundation through risk control are key priorities for the Company, it has an advisory contract with a law firm "TMI Associates" to receive advice and guidance about all legal matters when needed.

8. Compensation for Members of the Board of Directors and Members of the Audit and Supervisory Board

i. Total compensation for Members of the Board of Directors and Members of the Audit and Supervisory Board Members by officer type, breakdown by compensation type and number of them

Officer type	Total compensation (Millions of yen)	Breakdown of compensation (Millions of yen)				Number of applicable officers (people)
		Base salary	Stock options	Bonus	Retirement benefits	
Directors (Excluding outside directors)	33	33	—	—	—	4
Audit and Supervisory Board Members (Excluding outside Audit and Supervisory Board Members)	—	—	—	—	—	—
Outside directors and Audit and Supervisory Board Members	13	13	—	—	—	6

ii. Total consolidated compensation by each Members of the Board of Directors and Member of the Audit and Supervisory Board

Since there are no Members of the Board of Directors or no Members of the Audit and Supervisory Board who have received a total consolidated remuneration of more than ¥100 million no items are reported.

iii. The policy to determine amount and calculation method of compensation for Members of the Board of Directors and Members of the Audit and Supervisory Board

The Company established a Compensation Committee to discuss compensation for the Members of the Board of Directors and Audit and Supervisory Board Members. The Compensation Committee will determine the amount of compensation within the limits approved by the Ordinary General Meeting of Shareholders.

The upper limit of compensation for a Member of the Members of the Board of Directors, resolved at the 2nd Ordinary General Meeting of Shareholders on May 31, 2006, is ¥100 million per year.

The upper limit of compensation for a Member of the Audit and Supervisory Board, resolved at the 3rd Ordinary General Meeting of Shareholders on June 28, 2007, is ¥50 million per year.

9. Share buyback decision mechanism

In accordance with Article 165-2 of the Companies Act, the Company's Articles of Incorporation state that share buybacks may be implemented by

resolution of the Board of Directors with the objective of flexibly returning profits to shareholders.

10. Interim dividends

The Company's Articles of Incorporation allow an interim dividend to be paid to shareholders, class shareholders and registered beneficiaries listed in the shareholders' register as of the close of September 30 every year, by resolution of the Board of Directors, for the purpose of flexibly returning profits to shareholders.

11. Outline of limitation of liability contracts

In accordance with Article 427-1 of the Companies Act, the Company's Articles of Incorporation permit the Company to enter into contracts that limit the liability of Members of Board of Directors (excluding Internal Directors) and Members of the Audit and Supervisory Board for damages as defined by Article 423-1 of the Companies Act. The amount of the limit in liability for damages in these contracts is the same amount defined by law.

12. Outline of exemption from liability

In accordance with Article 426-1 of the Companies Act, the Company's Articles of Incorporation state that the Board of Directors can pass a resolution to exempt the Company's Members of the Board of Directors (including former Members of the Board of Directors) and Members of the Audit and Supervisory Board from liability to the fullest extent allowable by law for damages defined by Article 423-1 of the Companies Act in the pursuit of their duties, in order to ensure that they are able to fully apply their abilities in the fulfillment of their expected roles.

13. Number of Members of the Board of Directors

The Articles of Incorporation state that the Company shall have no more than eight Members of the Board of Directors.

14. Election requirements for Members of the Board of Directors

The Company's Articles of Incorporation state that resolutions for the election of Members of the Board of Directors may only be passed with a majority vote of the shareholders in attendance, which must represent at least one third of the voting rights of all shareholders able to exercise their voting rights. The Articles of Incorporation state that cumulative voting is not allowed for resolutions to elect Members of the Board of Directors.

15. Matters subject to resolution by the General Meeting of Shareholders, which can be decided by resolution of the Board of Directors

The Company's Articles of Incorporation state that the Board of Directors may pass a resolution to determine dividends on surplus, as prescribed by Article 454-5 of the Companies Act to shareholders, class shareholders and registered pledgee of shares, who are registered or recorded on the last shareholder registry as of the close of September 30 each year.

16. Requirements for special resolutions on important matters at General Meeting of Shareholders and General Meeting of Class Shareholders

The Company's Articles of Incorporation state that resolutions on important matters at the General Meeting of Shareholders, as defined by Article 309-2 of the Companies Act, require two-thirds of the votes of shareholders in attendance, which must represent at least one-third of the voting rights of all shareholders able to exercise their voting rights.

The Articles of Incorporation also state that resolutions on important matters at the General Meeting of Class Shareholders, as defined by Article 324-2 of the Companies Act, require two-thirds of the votes of shareholders in attendance, which must represent at least one-third of the voting rights of all shareholders able to exercise their voting rights.

These regulations are intended to facilitate the smooth operation of the General Meeting of Shareholders and the General Meeting of Class Shareholders by relaxing the requirements for a quorum on special resolutions put to a vote at the General Meeting of Shareholders and the General Meeting of Class Shareholders.

17. Class B Shares

The Company's Articles of Incorporation state that 10 Class B Shares constitute one share unit and 100 Common Shares constitute one share unit. As voting rights are granted for each share unit, a shareholder of Class B Shares has 10 times as many voting rights compared to a shareholder of Common Shares with an equal number of shares.

This dual class structure reflects the concentration of voting rights with Yoshiyuki Sankai and the Foundations (see 2. Corporate Organization, Paragraph 6), to ensure that the Company's advanced technologies are used for peaceful purposes only, and to prevent the misuse of these technologies in order to harm humans or to create military weapons.

The Group's vision for the future is to create a Cybernic Industry—a new industrial field that will support people by solving issues directly caused by aging and declining birth rate. To realize this vision, the Company must coordinate business management with research and development in Cybernic Technologies.

Yoshiyuki Sankai created the Company's Cybernic Technologies, and continues to be a central figure in Cybernic research. He is also a business leader who seeks to make this innovative technology widely available for the benefit of society. For the Group to increase corporate value (i.e., share profits with shareholders), Yoshiyuki Sankai must be a stable leadership figure in the management of the Company in the future. This scheme has been adopted to ensure he remains so.

At this juncture, Yoshiyuki Sankai plans to transfer a portion of the Class B Shares he owns to the Foundations without compensation in order to ensure the continuity of this scheme. The Foundations intend to hold these Class B Shares in perpetuity. As holders of Class B Shares, the Foundations have created the following guidelines concerning the exercise of voting rights with the objective of ensuring that the Group's advanced technologies are used for peaceful purposes only and preventing damage to the corporate value of the Company. As the owner of Class B Shares issued by the Company, the Foundations shall vote against resolutions that contain language defined in a and b below, through the exercise of its voting rights at the General Meeting of Shareholders and the General Meeting of Class Shareholders. Any changes to the Foundations' guidelines for the exercise of their voting rights shall require approval by resolution of their boards of trustees, and these changes shall be made public by a method chosen by the Foundations.

a. Resolutions concerning the election and dismissal of a Member of the Board of Directors, where the Member of the Board of Directors to be elected or dismissed would likely manage the Group in a way that is detrimental to its corporate value or hinder the peaceful use of its advanced technologies.

b. Other resolutions that, if passed, would likely damage the corporate value of the Group or hinder the peaceful use of its advanced technologies.

18. Status of shares held by the Company

The number of issuing entities of shares that the Company invested for purposes other than pure investments and its total value on the balance sheet 9 issuing entities, ¥2,314 million

1. Explanation of operating results

The Group aims to establish Society 5.1, a new vision of society where the "humans" are combined with the cyberspace (virtual world) and physical space (real world) of Society 5.0, by utilizing innovative Cybernic Technology. The Group continues to drive the movement to revision society and industry to realize Society 5.0/5.1 as a future "Techno-Peer Support Society" where humans and technology support each other.

The Group's business is to implement Cybernic Technology powered by Internet of Humans/Internet of Things ("IoH/ IoT"), Robots, and AI, to create a Cybernic Industry that will connect medicine, nursing-care, production, household, and work place in order to solve the various problems that a hyper-aging society must tackle. The Group's business has a unique advantage in its ability to access and integrate information within the human body (e.g. Brain-nerve and vital systems) in addition to information outside the human body (behavior, life and environmental information) and applying them to different fields such as medicine, nursing care, production, household, and work places. All of the Group's devices and interfaces are compatible with Internet of Humans/Internet of Things ("IoH/ IoT"), and through these products, information of the brain- nerve, vital, physiological, behavioral, life and environmental systems can be integrated and connected to a super computer. The Group aims to realize a system where Big Data of the aforementioned information are accumulated, analyzed and processed with AI. The Group simultaneously works on research and development, business development and formation of business alliances to further accelerate the emergence of a Cybernic Industry that will solve the problems facing society.

During the consolidated fiscal year ended March 31, 2019, the Group carried out the following activities.

Status of research and development

While the Group is best known for research and development of HAL, it is working on various other products as well. For example, the Group developed "Cyin", which applies the highly sophisticated sensing technology of HAL to process and analyze various types of vital information. Cyin for Living Support has been made commercially available on September 2018 as a communication device that supports users who have difficulty speaking or moving due to severely disabling disorders. Cyin for Living Support was designated to be a tax-free device on April 2019. The Group also plans to offer this technology to support other types of research in the future.

The Group is working on projects to prevent or diagnose diseases in the cardiovascular system, and has developed a palm-sized device "VS-AS01 for Electrocardiogram and Pulse Wave Examination" that seeks to detect early symptoms of arteriosclerosis and arrhythmias that are major causes of stroke and heart disease. The Group obtained medical device clearance for this device from the Japanese Ministry of Health, Labour and Welfare on December 2018, and also obtained public health insurance coverage for the examination of arterial stiffness using this device in medical facilities on January 2019. The Group is currently preparing an external application of "VS-AS01 for Electrocardiogram and Pulse Wave Examination" that will improve its usability for public consumption. In addition, the Group continues to work on further development of photoacoustic imaging technology that analyzes data of microcapillary vessels in real time and other sensing devices for various types of vital information.

Furthermore, the Group has commercialized a next-generation Cleaning Robot CL02, which is equipped with the highest quality autonomous navigation and environmental recognition technology. The Group began selling this new model in March 2018. The Group plans to convert and apply this state-of-the-art mobility technology for other application such as the Transportation Robot, a robot to improve mobility for the elderly, a robot to support transfers from a wheel chair, a robot to support bathroom use for the disabled, and a guardian robot to watch over an elderly person.

Other projects that the Group is working on are a Clothing Type HAL to promote maintenance and improvement of walking function for the wearer, a robot that communicates and watches over an elderly user while monitoring vital and environmental information to ensure their safety during activities of daily living, and a robot that can dock to toilets to support bathroom use for users who have difficulty walking on their own.

Status of Business Operation

(Business operation around the medical application)
The Group continues its efforts to establish Cybernic Treatment, a treatment program using Medical HAL systems that aims to induce improvement and regeneration of the functions of the brain, nerves and muscles, into a global standard of treatment.

In order to expand the target patient population of each market clearance to include stroke, which is a disease with over eight million patients in Japan and U.S. combined, an investigator-initiated multicenter clinical trial using the HAL for Medical Use Lower Limb Type Single-Leg model is in progress at 15 different medical institutions. This clinical trial is scheduled to be complete within the fiscal year ending March 31, 2020. Furthermore, the Group has developed a 2S size product of the Medical HAL system, and is in discussion with the Japanese

Pharmaceuticals and Medical Device Agency to receive clearance for a reduction of the minimum height requirement to use HAL for patients with neuromuscular disease. In addition, an investigator-initiated clinical trial led by Kyoto University Hospital for the HAL for Well-being Single Joint Type, a lightweight and compact device that can be applied on the knee or the elbow, is being prepared as a treatment for stroke in the acute stage.

With regards to market development outside Japan, the market clearance decision from the U.S. Food and Drugs Administration on December 2017 that specifically describes therapeutic effects to improve gait function in its Indication for Use sprung the Group's efforts to market the medical application to the Asia Pacific region in addition to Europe and the U.S. The Group is also making preparations to obtain market clearance for products other than Medical HAL on a global scale.

In the U.S., the Company set up a joint venture, CYBERDYNE & BROOKS, Inc., with Brooks Rehabilitation Hospital, which is known as one of the busiest rehabilitation hospital groups in the U.S. The Brooks Cybernic Treatment Center opened in Jacksonville, Florida on March 2018, and has been educating and spreading the concept of Cybernic Treatment across the medical community through conferences and exhibits, while accumulating clinical experience and results. Meanwhile, the Group is making preparations to speed up business development in the U.S. by reinforcing its sales force. In Europe, the Group has been providing its medical treatment service with the device covered by public workers compensation insurance in Germany, and it is taking procedures necessary to obtain public health insurance coverage

as well. In terms of sales activities, HAL is already being used in a hospital in Poland, and in addition, Italy became the third European country to adopt HAL following the announcement made by an advanced rehabilitation research center specializing in neurological diseases (San Girolamo Center) in November 2018. Outside of Europe, the Group started to offer HAL to Saudi Arabia in 2017. A pilot trial of HAL to treat spinal cord injury patients was launched on March 2019 under the leadership of the Saudi Arabian Ministry of Health. It is currently taking place in multiple medical institutions owned by the public sector. The Group also started offering HAL to medical facilities in the Asia Pacific Region. On November 2018, SOCSO Rehabilitation Center, a medical institution owned by the Malaysian Social Security Organization (a government organization), adopted a total of 24 units of Medical HAL and other HAL systems (Single Joint Type and Lumbar Type), making them the operator of the largest number of HAL units in one site. In April 2019, the A. Zarate General Hospital in the Philippines also adopted 12 units of HAL Lower Limb Type. The Group is currently in a process to obtain medical device clearance from

Thai FDA so that the Group can spread HAL to Thailand, which is known to be the largest medical device market in South East Asia.

(Business operation around applications to support caregivers and care receivers)

For devices that support patients and elderly persons outside of medical institutions, the Group mainly promotes two devices aimed at improving their independence and quality of life. HAL for Well-being Lower Limb Type is designed for receivers of care with disabled or weakened lower limb function. HAL Lumbar Type for Well-being is also designed for receivers of care but with weakened function in the body's core and lower limbs. The Group is preparing a new model of HAL Lumbar Type for Well-being that will integrate the algorithms used in functions to support the caregivers, allowing adopting facilities gain greater utilization and efficiency with the device. There is also a potential for change in the field of well-being and support for independence. In the Council on the Investments for the Future that was held in October 2018, the Japanese government stated that in the next revision of their nursing care compensation rates, they intend to reinforce the incentives that reward healthcare providers who successfully improve the independence of care receivers. As such the Group will continue to develop new products that enable greater results for this goal.

The Group is also coordinating with leading facilities in each region of Japan to reinforce the HAL FIT fitness training service. The Company coordinated with Eijyu, a Designated Non-profit Organization, to establish the Osaka Robocare Center in October 2018. The Company also coordinated with the General Incorporated Association Japan Wheelchair Sports Association to establish the Urayasu Robocare Center in December 2018. The Company also established Tsukuba Robocare Center on March 2018 inside the Group's facility "Cyberdyne Studio". Additional centers in Okayama and Sendai are scheduled to open in May 2019 and the Group plans to continue establishing additional centers in other major cities of Japan.

(Business operation around applications in household and workplace)

In its effort to improve the workplace environment, the Group continues to implement HAL Lumbar Type for Labor Support to large clients in aviation, construction, logistics, etc. The latest model of this device is installed with dust proof and waterproof functions. The next-generation Cleaning Robot CL02 is being utilized in major Japanese airports, commercial facilities operated by Mitsui Fudosan Co., Ltd., such as Diversity Tokyo Plaza, Lalaport Toyosu, etc., and office buildings operated by Sumitomo Corporation such as the Sumitomo Corporation Osaka Building, Sumitomo Corporation

Nagoya Gate Tower, etc.

Status of business alliance

The Group continues to advance business alliances with insurance companies in order to improve the system for implementation of its technology into society. With its business ally, AIG Japan Holdings Kabushiki Kaisha, the Group has been offering a training program to improve walking function using HAL to 50 school students under the age of 18 with disabilities in the lower limb since October 2017. This campaign was expanded in March 2019, enabling more people to receive the benefit of the program at more facilities. AIG General Insurance announced an additional program on January 2019, which offers its insured persons under automobile insurance and accident insurance, access to the "HAL FIT" program for free (initially starting at 10 sessions) at training centers such as the Robocare Centers. Sompo Japan Nipponkoa Insurance Inc. also made an announcement on January 2019, to cover the expenses of training with HAL that is prescribed by doctors for its insured persons under automobile insurance.

The Group also formed a number of alliances with venture companies with unique technologies. To accelerate the emergence of the Cybernic Industry, the Group established the Cybernic Excellence Japan Fund 1 Investment Limited Partnership ("CEJ Fund") in July 2018. CEJ Fund will support and nurture venture companies and it has already commenced its operation by taking part in an investment towards a promising startup.

Numbers of operating units

As of the end of March 2019, 291 units of Medical HAL were in operation worldwide including those used for clinical research. Out of the aforementioned number, 77 were rented out in Japan for treatment. 252 units of HAL for Well-being Single Joint Type were in operation and most of the units were used by hospitals in Japan for clinical research.

There were a total of 357 units combined of HAL for Well-being Lower Limb Type and HAL for Living Support Lower Limb Type (older model) in operation as of end of March 2019. While the number of HAL for Well-being is increasing following adoptions by care facilities in hospitals in Japan, the older model HAL for Living Support Lower Limb Type is starting to meet its service life and the Group is decommissioning the units that have exceeded it. As of the end of March 2019, 919 units of HAL Lumbar Type for Well-being and Care Support were in operation.

As of end of March 2019, 572 units of HAL Lumbar Type for Labor Support were in operation. Operating units are steadily increasing due to implementation in airports, factories and warehouses. As of March 2019, 44 units of Cleaning Robot and Transportation

Robots were in operation.

Result

As the result of the aforementioned, in the fiscal year ended March 31, 2019, the Group recorded revenue of ¥1,709 million (1.1% decrease year on year) mainly due to the increase in rental income from products such as Medical HAL while income from selling the HAL Lumbar Type for Care Support decreased. Gross profit ratio improved 2.1 points to 71.8% year on year, resulting in the gross profit of ¥1,227 million (1.9% increase year on year).

Research and development expenses were recorded at ¥998 million (19.8% increase year on year), mainly due to development of new products at the Company's own expense and consigned research projects. In addition other selling, general and administrative expenses increased to ¥1,454 million (4.6% increase year on year).

Other income was recorded at ¥406 million (11.5% increase year on year), mainly due to income from consigned research projects, while other expenses were recorded at ¥11 million (179.4% increase year on year). Operating loss was recorded at ¥830 million (26.0% increase year on year).

Furthermore, finance income was recorded at ¥239 million due to financial assets measured at fair value through profit or loss, profit related to CEJ Fund were recorded at ¥61 million, and income tax expenses were recorded at ¥74 million mainly due to deferred tax expenses. As a result, the Group improved by ¥41 million and recorded ¥632 million (6.1% decrease year on year) in the loss attributable to owners of the parent.

The Company forms business and capital alliances with various startup companies that develop unique technologies. The Company calculates the fair value of such companies that are not listed on the market using the IFRS 9 "Financial Instruments". As a result the financial assets measured at fair value through profit or loss ¥213 million was posted as "finance income" for the fiscal year ended March 31, 2019. Furthermore, the deferred tax expense in relation to this valuation was calculated at ¥68 million and posted as "income tax expenses". As such, the impact on the calculation of the profit was ¥146 million.

Risks associated with business operations

Set out below are some of the major risks associated with the business operations of the Group as well as other potential risks that the Group may face. Listed items include risks that may not apply directly, but have been included in order to disclose information fairly and accurately as they are thought to be important for investors upon making sound investing decisions. While the Group recognizes the possibilities of the listed risks occurring and will take necessary measures either to avoid their occurrence or to react appropriately to reduce damages, investors should carefully consider both the stated risks and other risks unstated, prior to making an investment.

Furthermore, please keep in mind that the items set out below do not cover all of the potential risks. The stated risks are based on assumptions and beliefs derived from information currently available to the Group and they may be altered due to change of circumstances in the future.

1. The Group business in a novel business category

The Group's main product is HAL, the world's first Cyborg type robot, developed by Yoshiyuki Sankai, President and CEO. The Group is currently developing business of Medical HAL in Germany and Japan. Also in Japan, the Group is developing business of HAL for Well-being Lower Limb Type, HAL Single Joint Type, HAL Lumbar Type for Care/Labor Support, and others. The Group's technologies are thought to be applicable to various fields, including medicine, living support, labor support, entertainment and so on. However, since the Group is working in a novel business category, uncertainty is very high, and there is no guarantee that the market will grow steadily. Moreover, if penetration of the Group's products does not progress as planned, or if the Group is unable to achieve profitability, its business performance, financial condition, and future business development may be affected.

2. Competition

The Group is planning to go into the fields of medicine, care support and living support mainly centered on HAL.

Currently, wearable robots with autonomous control systems are being developed by companies in Japan and elsewhere in the world but the Cybernic voluntary control technology that utilizes BES originating from the brain is the Group's original technology. Due to this differentiation of technologies, the Group can maintain its competitive edge. Intellectual properties related to HAL such as the basic principles of Cybernic voluntary control are jointly held by the Group and the University of Tsukuba.

The Group has exclusive rights to use all of the patent rights that give it a competitive advantage in the wearable robot market. However, various enterprises in Japan and overseas are proceeding with research and commercialization of wearable robots. If the competitive environment surrounding the Group were to change, for example with the new entry of a large number of companies, including major technology companies, into the commercial robotics field, there is a possibility that some of the Group's potential competitors have or may have substantially greater capital, human and other resources, more efficient cost structures, higher brand recognition and more diversified product lines than the Group.

With regard to advanced products such as HAL, while the research and development and commercialization processes, which include verification tests, safety standards certification, medical device approval and insurance coverage, are extensive, both in terms of the length in time and costs involved, they are not always certain of success. In a business environment such as the above, if another company succeeds in developing newer technologies or more effective products than the Group's products, the Group will not be able to maintain the competitiveness of its products and the Group's business performance, financial condition, and future business development may be affected.

Application number/ Registration number (Date of application)	Name of invention/inventor Type of invention
2004-068790/4200492 (2004/03/11)	Wearable action assist device Inventor: Yoshiyuki Sankai
2004-040168/4178185 (2004/02/17)	Wearable action assist device, and controlling methods of drive source in wearable action assist device, and its program Inventor: Yoshiyuki Sankai
2004-045354/4178186 (2004/02/20)	Wearable action assist device, and method and program for controlling wearable action-assist device Inventor: Yoshiyuki Sankai
2005-018295/4178187 (2005/01/26)	Wearable action assist device and control program Inventor: Yoshiyuki Sankai

3. Risk associated with internal organizational structure

The Company was established on June 24, 2004 and has the following issues which are specific to a venture business.

- i) The Group heavily relies on Yoshiyuki Sankai, the founder and President and CEO, in terms of management and development of new technology. If he becomes unable to perform his duties in the Group for some reason, the Group's business performance and future business development might be affected.
- ii) The Group has secured a sufficient number of excellent research and development staff. If vital staff members were to resign, the Group's speed of product development might be affected.

iii) As business expands, the Group intends to increase staff in sales, production and controlling units, and to further reinforce the internal control system. However, if the Company is not successful at keeping competent personnel and reinforcing internal controls, the Group's business performance and future business development might be affected.

4. Risks associated with dependence on limited range of products

The main product of the Group is HAL, whose net sales comprised the majority of the Group's net sales as of the end of March 2017. It is estimated that HAL will continue to be the main source of the Group's profit going forward. If there is a delay in getting approval for HAL as a new medical device by the United States Food and Drug Administration, or a delay in creating laws and regulations, healthcare policy, or insurance systems such as health insurance in targeted countries, the Group's business and profitability may be affected.

In addition to these factors, if any other factors were to preclude the market expansion potential of HAL, such as lawsuits or other legal action arising from the use of HAL, the emergence of new technologies or technological innovation that replace HAL, the introduction of more competitive products in the same genre, changes in relevant laws and regulations, and changes in the relationship with the University of Tsukuba regarding the grant of exclusive rights to the use of intellectual property related to HAL, the Group's business performance, financial condition, and future business development might be affected.

5. Approval of medical devices

In order to sell HAL and other Group products as medical devices, the products need to obtain approval from authorities in each country and region after undergoing certain tests and examinations based on local laws and regulations.

The Group has obtained approval for HAL as a medical device in the EU, U.S., Saudi Arabia and Japan. However, there is no guarantee that the Group will succeed in

obtaining approval for HAL and other Group products as medical devices in other country or region. Even if approval can be obtained, the timing of the approval may differ by countries and regions. Furthermore if laws and regulations in respective countries and regions were to be revised after approval is obtained, the approval might be canceled or not renewed. In such cases, the Group's business performance, financial condition and future business development might be affected.

6. Insurance coverage

The spread and penetration of Cybernic Treatment using HAL and other Group products is reliant to a certain extent on such treatment being covered by public and private health insurances in many countries and regions, with insurance payments for such treatment being available from public insurance institutions and private health insurance companies, and so forth. The Group recognizes this as a major issue. However, insurance systems may vary between countries and regions, and aspects such as the scope of coverage and payment levels are determined separately by the respective public insurance institutions and private insurance companies in each country and region. The status of these determinations may affect the Group's business performance, financial condition, and future business development.

7. Alliances and acquisitions

The Group recognizes that acquiring patents and other intellectual properties from third parties, acquiring businesses, and forming joint ventures and strategic alliances domestically or overseas are major steps to be taken for accelerating its business development and it will continue to examine such steps proactively going forward. However, when undertaking an acquisition or entering into an alliance and so forth, it is difficult to predict the effect of the acquisition or alliance completely beforehand. Moreover, there is no guarantee that the acquisition or alliance and so forth will proceed smoothly. When acquiring intellectual property or a business, or entering into a joint venture or strategic business alliance, there is no guarantee that an anticipated effect will be obtained within an initially projected time frame, and the Group may be unable to utilize the effects from an acquisition or alliance and so forth appropriately. In such a situation, the Group's business performance, financial condition, and future business development might be affected.

8. Risks associated with business implementation in the EU

i) Medical HAL acquired CE Marking as a medical device, a world first for a robotic medical device. It was accredited by the world-class independent accreditation organization TÜV Rheinland AG in June 2013 as a Class IIa device, under the Medical Devices Directives ("MDD") for certifying compliance with EU laws and regulations, which are required for exporting medical devices to EU markets. This accreditation is vital for conducting business activities for HAL in the EU.

However, if it were confirmed that HAL did not meet the requirements of the MDD or ISO 13485 (international standards for quality control management systems for medical equipment), the CE Marking may be canceled and so forth. If such an event were to hinder the Group's business development in the EU market, the Group's business performance and future business development might be affected.

ii) The Group started its business in Germany in August 2013. Since the Deutsche Gesetzliche Unfallversicherung (German Statutory Accident Insurance) admitted the application of labor insurance, the entire fee for the treatment with HAL for member patients of public labor insurance institution, "the Berufsgenossenschaft Rohstoffe und Chemische Industrie (Professional Association of Raw Materials and Chemical Industry; "BG RCI")." Currently, the Group provides therapeutic services mainly to those patients covered by public labor insurance with BG RCI as its business partner.

The Group plans to develop its business in Germany further, mainly through hospitals affiliated with BG RCI, and then develop its business throughout the entirety of the EU. Nevertheless, if for example the Group were obliged to change its plan to develop business at BG RCI affiliated hospitals due to a change in BG RCI's policy, the Group's business development in Germany and future business development in the EU might be affected. In such a case, the Group's business performance and future business development might be affected.

9. Risks associated with overseas businesses in general

The Group intends to expand its business abroad. However, the Group recognizes the following risks associated with overseas operations. These risks might affect the Group's business performance, financial condition, and future business development.

- Geopolitical risks associated with political and economic situations including terrorism, and so forth
- Risk of changes in legal and tax systems
- Risk of differences in commercial and trade customs
- Risk of general strikes or other disruptions in working conditions
- Risk of difficulties in managing local personnel and business operations due to cultural differences and other factors
- Risk of difficulties in repatriation of funds to Japan
- Risk associated with fluctuations in foreign exchange rates

10. Loss of clients due to product malfunctions

The Group continuously strives to improve the quality of its products based on ISO 13485 (international standards for quality control management systems for medical equipment). There is no guarantee, however, that its products will be free of deficiency or that product liability claims or recalls will not occur in the future. If damages were to occur due to a product defect, product liability claims would be covered entirely or in part by product liability insurance; however, a decline in the Group's and the products' social credibility might affect its business performance, financial condition, and future business development.

11. Intellectual property

i) The Group's HAL systems employ unique technology that utilizes a wearer's BES. The patent rights for technologies used in HAL are jointly held by the University of Tsukuba and the Company, except for patents independently owned by the Company. The Company concluded a contract concerning an exclusive license for use of these patented technologies. This contract is a significant prerequisite for the Group to conduct business activities and will be valid until the expiry date of the licensed intellectual property rights. However, if it becomes difficult to continue the contract for any reason, such as a breach of the contract, a petition for bankruptcy, a merger, an acquisition of significant assets, or an assignment of the Company's key business line, the Group's business performance, financial condition, and future business development might be affected.

ii) To date, the Group has neither received any claims from, nor been involved in a lawsuit with any third party concerning intellectual property such as patent rights related to the Group's business. Moreover, the Group considers it unlikely that its business operations would be materially hindered due to a problem arising in relation to infringement on intellectual property such as other parties' patent rights during its business operations. The Group takes measures to avoid problems concerning intellectual property infringement by conducting continuous technical investigations.

However, for research and development-orientated enterprises such as the Group, it is very difficult to entirely avoid the occurrence of problems concerning intellectual property infringement. In the future, if the Group is involved in litigation with third parties, the Group's policy is to consider concrete countermeasures individually depending on the details of each case in consultation with lawyers and patent attorneys. It will, however, be time consuming and costly to reach a settlement, regardless of the validity of the counterparty's claim. Furthermore, although the Group manages its technologies with the utmost care, if a third party infringes upon the Group's technologies, settlement of the issue will be time consuming and costly. In such cases, the Group's business strategies, business performance, financial condition, and future business development might be affected.

12. Legal risks

The Group's business is subject to restrictions due to the application of the respective laws and regulations of each country and region, including the items listed below. For example, in various business activities in which the Group is involved domestically or internationally, the Group is subject to laws and regulations concerning intellectual property rights and product liabilities related to technologies, products, services and so on, as well as regulations related to pharmaceutical affairs, commercial transactions, and import and export restrictions; tax obligations, including tariffs; laws and regulations concerning anti-bribery and corruption, antitrust, labor, consumers, personal information, the environment, foreign exchange; and various other laws and regulations. Moreover, the Group may encounter unexpected issues relating to these laws and regulations or business customs. In particular, since some of the Group's products are medical devices designated under the Pharmaceuticals and Medical Devices Act of Japan, the Group had to obtain the manufacture and distribution approval from the MHLW. Similarly, in other countries and regions, local regulatory authorities' approvals may be required, along with supervision from supervisory authorities.

Approval inspections are conducted to validate the effectiveness and safety of the products. It is possible that an application could be denied or an approval could be delayed as a result of the inspection. Even if sales of the merchandise are started after approval, it is possible that approval could be canceled due to the occurrence of problems in product effectiveness and safety. In addition to the above, if the Group were to violate any laws or regulations applicable to its business, it could be subjected to civil, administrative, or criminal sanctions, which might affect the Group's social credibility. In such a case, the Group's business performance or financial condition may be materially affected.

13. Risks associated with personal information

The Group obtains the personal information of HAL users. The number of staff within the Group who are able to access this personal information is limited, and the Group has concluded nondisclosure agreements with all executives and employees. Moreover, the Group has taken adequate measures for the protection of personal information, including the establishment of Regulations for Protection of Personal Information and the appointment of a Person in Charge of Protection Management of Personal Information, and no problem, such as leakage of personal information, has occurred to date. However, if a problem, such as leakage of customer information, were to occur, claims for damages and a decline in the Group's social credibility might affect its business, financial status, and business performance.

14. Peace and Ethics Committee

The Group has also established the Peace and Ethics Committee to prevent the use of its advanced technologies to harm people or to create military weapons. All outside directors and outside Audit and Supervisory Board Members, in addition to the President and CEO, are members of the Peace and Ethics Committee. Committee resolutions require a majority vote of two-thirds or more of those attending. Before entering fields outside the areas of medicine, living support and disaster recovery, which are defined in the Company Code of Conduct, the Peace and Ethics Committee investigates, deliberates and reaches a decision on whether the Group's advanced technologies could be used to harm people or to create military weapons as a consequence of entering this business field. The committee then submits its findings to the Board of Directors.

The result of the Committee's examination and verification might not necessarily contribute to improving the Group's short-term business performance.

Risks associated with the President's engagement as a University professor

1. Risks associated with the President's engagement as a professor at the University of Tsukuba

Yoshiyuki Sankai, President and CEO of the Company, holds concurrent positions as a professor of the University of Tsukuba and as the program manager for the Impulsing Paradigm Change through Disruptive Technologies ("ImPACT") program of the Cabinet Office of Japan. Details of i) measures to avoid conflicts of interest between the Group, the University of Tsukuba, and the Japan Science and Technology Agency ("JST"), which is implementing the ImPACT program, arising from concurrent positions as the President and CEO of the Company, a professor at the University of Tsukuba, and the program manager of ImPACT and ii) impediments to performance of duties as the President and CEO are as follows:

i. Measures to avoid conflicts of interest

All decisions related to conflicts of interest, including transactions and conclusions of joint research agreements with the University of Tsukuba or JST are made by the Board of Directors. A structure to prevent conflicts of interest has been established, under which the decisions concerning the University of Tsukuba are made by the five directors (of whom three are outside directors) excluding Yoshiyuki Sankai and another member affiliated with the University of Tsukuba, and the decisions concerning the JST are made by the six directors (of whom three are outside directors) excluding Yoshiyuki Sankai. In addition, a structure is in place under which matters pertaining to conflicts of interest are being monitored monthly through an audit by the Audit and Supervisory Board and reported to the CEO, the Internal Audit Office and a responsible member of the Board of Directors.

ii. Impediments to performance of duties as President and CEO

Although duties related to Cybernic research by the Group, the University of Tsukuba and ImPACT Program are integral and inseparable, the influence of duties of a faculty member of the University of Tsukuba in Japan (lectures, attendance at intramural meetings as a university professor, etc.) and Program Manager of ImPACT on duties specific to the President and CEO of the Company (attendance at the Board of Directors meetings, approval of requests, responses to investors, etc.) are limited and do not disturb performance of duties as President and CEO at all. However, should Yoshiyuki Sankai prioritize his duties as a university professor or program manager of ImPACT over his position as a President and CEO of the Company, the Group's financial condition and business performance might be affected.

Matters associated with advanced device businesses in general

1. Risks associated with development businesses in general

In the field of cutting-edge technology development, companies around the world vie with each other for quality and speed of technological innovation. Also, they must invest large amounts of funds over the long term in the processes from basic research, development and manufacturing of advanced robots to their sales, since they must proceed in accordance with the various regulations in each country. Against this backdrop, research and development entail many uncertainties and such risks are inherent in the products the Group is now developing and will develop in the future. Under its business plan, the Group is also developing its business towards achieving insurance coverage in each country by expanding business domains (various diseases, long-term care, etc.). However, there is no guarantee that the Group will expand its business domains as planned, and exists a risk that the applied insurance systems will be reviewed or changed in the future with respect to the scope of coverage and payment amounts. If such risks were to materialize, the Group's business, financial condition, and business performance might be affected.

2. Risks associated with creation of newly developed products

The Group explores and creates newly developed products through joint research with research institutions, centering on the University of Tsukuba, and one of its important business strategies is the release of multiple newly developed products in addition to HAL for Medical/Well-being Lower Limb Type, HAL Single Joint Type as well as HAL Lumbar Type for Care/Labor Support, which have already been commercialized.

However, there is no guarantee that such new products will be successfully explored and created. Accordingly, if exploration and creation activities of new products were to be hindered for some reason, the Group's financial condition and business performance might be affected.

3. Risks associated with progress delays inherent to research and development

The Group is efficiently advancing research and development as a research and development oriented company group by establishing cooperative relationships with external partners, centered on joint research with the University of Tsukuba. However, since there is no guarantee that research and development activities will advance as planned, in some cases, the initially planned results of research and development may not be obtained, the start or completion of various experiments may be delayed, and acquisition of approval for manufacturing and marketing medical devices may be delayed or limited.

To avoid such situations as much as possible, the Group manages and evaluates the progress of each product under development in a timely manner and takes such measures as prioritizing products under development and changing the levels of management resources invested in products or deciding to suspend development temporarily. Thus, the Group reduces the risk of a sharp increase in research and development expenses. However, if research and development does not proceed as planned, the Group's, business, financial condition, and business performance might be affected.

Risks related to the dual class share structure

1. Outline of the Scheme

Under the Group's philosophy that "Technology exists for humans and society" the Group employs the advanced technologies centered around HAL for peaceful purposes. The peaceful application of Cybernic Technologies to improve, support, enhance, and regenerate users' bodily functions matches the needs of the hyper aging society, and leads to the rise of the Group's long-term corporate value. However, this technology could be put to use in non-peaceful purposes such as in lethal weaponry in the military industry. In order to raise funds from the market while ensuring that the Company's innovative technologies are used solely for peaceful purposes, Class B Shares are issued separately from the listed Common Shares. (The scheme involving the Company's Class B Shares is hereafter referred as "Scheme")

The Group's vision for the future is to create a human-assistive industry—a new industrial field that will support people by solving issues directly faced by aging and declining birthrate. To realize this vision, the Group must coordinate business management with R&D of Cybernic Technologies. Yoshiyuki Sankai created the Group's Cybernic Technologies, and continues to be a central figure in Cybernic research. He is also a business leader who seeks to make this innovative technology widely available for the benefit of the society. For the Group to increase corporate value (i.e., common interest of shareholders), Yoshiyuki Sankai must be a stable leadership figure in the management of the Company in the future. This Scheme has been adopted to ensure he remains so. To explain in detail, while Class B Shares are ranked the same as Common Shares and paid the same amount as Common Shares with regard to dividends and distribution of residual assets, Class B Shares differ from Common Shares in traded units. Common Shares are traded in units of 100 shares, and Class B Shares are traded in units of 10 shares. This grants a holder of Class B Shares 10 times as many voting rights as a holder of Common Shares when they have equal numbers of shares.

Current holders of Class B Shares are Yoshiyuki Sankai, the founder and President and CEO of the Company, and the foundations (hereinafter referred to collectively as "the Foundations") of which Yoshiyuki Sankai serves as Representative Director. As of March 31, 2019, Yoshiyuki Sankai holds 3,042,000 Common Shares and 77,696,000 Class B Shares. Together, this represented approximately 86% of the total number of voting rights for the Company.

Set out below is certain information concerning this Scheme, Common Shares and Class B Shares.

i. Outline of the shares

	Common Shares	Class B Shares
Dividends of surplus and distribution of residual assets	Receive the same amount of dividends of surplus per share in the same rank	
The number of shares constituting one unit	100 Shares (1 voting rights per 100 shares)	10 Shares (1 voting rights per 10 shares)
Article of incorporation to preclude a resolution of the Common Shareholders' Class Shareholders' Meeting	Yes	None
Shares with put option	None	Yes (1 Class B Share for 1 Common Share)
Shares subject to call	None	Yes (1 Class B Share for 1 Common Share)
Share split or consolidation	Executed into the same numbers of shares simultaneously	
Listing	Listed	Unlisted

ii. Difference between the share units of the two share types

While shareholders of both Common Shares and Class B Shares receive the same amount of dividends and distribution of residual assets at the same priority level, they differ in the number of shares that constitute one share unit. One hundred (100) Common Shares constitute one share unit whereas ten (10) Class B Shares constitute one share unit. As such, a shareholder of Class B Shares has 10 times as many voting rights as a shareholder of Common Shares when they have the equal number of shares.

As of the consolidated financial year ended March 31, 2019, the number of shares of each class issued is 137,445,809 Common Shares and 77,700,000 Class B Shares. Yoshiyuki Sankai, the President and CEO of the Company, holds 3,042,000 Common Shares and 77,696,000 Class B Shares, which represents approximately 38% of all issued and outstanding shares of the Company. Also, Yoshiyuki Sankai holds 85% of the total number of voting rights related to the Company, making him capable of determining matters for resolution in the General Meeting of Shareholders such as the selection of directors or reorganization by acting on his own.

iii. Scheme to prevent changes of shareholders of Class B Shares

Class B Shares are issued for the purpose of preventing the Group's technology from being used to harm people or to create military weapons. In order to prevent Class B Shares from being transferred to people or entities other than the shareholders of Class B Shares as of the submission date of the Company's Annual Securities Report released on June 26, 2019 or other internal personnel of the Company, the Articles of Incorporation of the Company states that

- a) The approval of the Board of Directors is necessary upon the transfer of the Class B Shares to any person other than the shareholders of the Class B Shares. And
- b) When a shareholder of the Class B Shares has died and 90 days have passed without succession, or within 90 days, a transfer to any other shareholders of the Class B Shares has not occurred, and the Company is requested* to approve the acquisition of the Class B Shares by any person other than the shareholders of Class B Shares, all of the Class B Shares held by the departed shareholder shall be exchanged for one Common Share per Class B Share upon acquisition.

* A request for approval as set down in Article 136 and 137 of the Companies Act.

iii. Scheme to prevent changes of shareholders of Class B Shares

Class B Shares are issued for the purpose of preventing the Group's technology from being used to harm people or to create military weapons. In order to prevent Class B Shares from being transferred to people or entities other than the shareholders of Class B Shares as of the submission date of the Company's Annual Securities Report released on June 26, 2019 or other internal personnel of the Company, the Articles of Incorporation of the Company states that

- a) The approval of the Board of Directors is necessary upon the transfer of the Class B Shares to any person other than the shareholders of the Class B Shares. And
- b) When a shareholder of the Class B Shares has died and 90 days have passed without succession, or within 90 days, a transfer to any other shareholders of the Class B Shares has not occurred, and the Company is requested* to approve the acquisition of the Class B Shares by any person other than the shareholders of Class B Shares, all of the Class B Shares held by the departed shareholder shall be exchanged for one Common Share per Class B Share upon acquisition.

* A request for approval as set down in Article 136 and 137 of the Companies Act.

The shareholders of Class B Shares as of the submission date of the Company's Annual Securities Report, June 26, 2019 are Yoshiyuki Sankai and the Foundations, and the number of Class B Shares held is 77,696,000 shares and 4,000 shares respectively. In order to preserve the continuity of this Scheme, Yoshiyuki Sankai plans on transferring part of the Class B Shares he holds as of this submission date to the Foundations at no cost. Furthermore, there are no plans for the Foundations to release the Class B Shares in their possession.

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

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

- a) if in resolutions for the dismissal or appointment of directors will lead to the misuse of the Group's innovative technology or damage the Group's corporate value
- b) for all other resolutions, if the passing of the resolution leads to the prevention of peaceful utilization of the Group's innovative technologies or damage to the Group's corporate value

iv. Breakthrough provision

In order to dissolve this Scheme upon a situation where a shareholder with only a small portion of the issued shares controls the Company, if the shares held by one acquirer is over three quarters of the total number of issued shares (excluding the treasury stock) as a result of a takeover bid, all Class B Shares will be converted to Common Shares in accordance with the Breakthrough provision (see note) stated in the Articles of Incorporation.

(note) The Breakthrough provision refers to the provision that allows the dissolution of the Scheme upon the appearance of an acquirer with more than a certain ratio of holding shares.

v. Sunset provision

As stated in iii) above, Yoshiyuki Sankai plans to transfer portions of Class B Shares he holds to the Foundations at no cost in order to preserve the continuity of this Scheme. This Scheme is planned to be continued after the resignation from the post of director by Yoshiyuki Sankai, who is the developer of the Group's innovative technologies, or his death.

However, since there is the possibility that the decision made by the Foundations after Yoshiyuki Sankai's resignation from the post of director (excluding cases where he holds multiple posts or is reappointed to the post immediately after resignation) does not match the will of the Company shareholders (including holders of the Common Shares), an intention verification procedure of shareholders will be conducted by the conclusion of the last General Meeting of the Shareholders held in the fiscal year ending within one year of the date of Yoshiyuki Sankai's resignation or within 3 months after the end of the last fiscal year that ends within 5 years' time since the most recent intention verification procedure of shareholders. More specifically, the Sunset provision (see note) in the Articles of Incorporation states that if the shareholders of Common Shares and Class B Shares who hold one third of the total voting right (calculated using 100 Class B Shares for each share unit) participate in the intention verification procedure and two thirds (2/3) of those who participated agree, all Class B Shares will be converted to Common Shares of the Company.

(note) The Sunset provision refers to the provision that enables the dissolution of the Scheme under circumstances where the purpose of introducing class shares has ended or where the Scheme is clearly against the will of the majority of shareholders, according to the relevant intention verification procedure explained above.

vi. Elimination of the Meeting of Class Shareholders comprised of shareholders of Common Shares

The Company's Articles of Incorporation states that, the execution of actions stated in each item of Article 322-1 of the Companies Act, unless stated otherwise by law or by the Articles of Incorporation, does not require the resolution of the Meeting of Class Shareholders comprised of shareholders of Common Shares.

However, to ensure that the elimination of the Meeting of Class Shareholders does not negatively impact the shareholders of Common Shares, out of the actions stated in each item of Article 322-1 of the Companies Act,

- (a) reverse share splits, share splits, free allocation of shares, free allocation of stock acquisition rights, allocation of shares as well as stock acquisition rights to shareholders, share transfers (excluding cases where the share transfer is conducted together with other companies) and changes to the calculation of share units shall be executed at the same timing and same ratio as stated by the Articles of Incorporation, and
- (b) in the case that a merger agreement where the Company will be absorbed, or a share exchange agreement or share transfer plan (limited to cases where the share transfer is conducted together with other companies) where the Company will become a wholly owned subsidiary, is approved by a Meeting of Shareholders (if an approval by the Meeting of Shareholders is not required, resolution by the Board of Directors) of all relevant companies, all Class B Shares shall be converted to Common Shares as stated by the Articles of Incorporation.

2. Risks of this Scheme

Class B Shares have been issued for the purpose of preventing the Group's technology from being used to harm people or to create military weapons. However, this Scheme also presents potential risks stated below. If such risks were to materialize, rights and interests of the shareholders of the Company's Common Shares may be affected.

(a) Risk associated with the strong influence of the shareholders of Class B Shares from their voting rights. As of the fiscal year ended on March 31, 2019, Yoshiyuki Sankai holds 3,042,000 Common Shares and 77,696,000 Class B Shares which accounts for 38% of the total number of issued shares. This equates to 85% of the total number of voting rights of the Company, giving him strong influence over business matters. This will limit the influence of the shareholders of Common Shares on corporate matters. As a result, if the voting rights by the shareholders of Class B Shares are exercised to ensure the peaceful use of the Group's innovative technology, the Company may take actions that the shareholders of Common Shares do not generally view as beneficial.

(b) Risk associated with the prevention of acquiring shares of the Company The Company's Articles of Incorporation provide that 10 Class B Shares constitute one share unit and 100 Common Shares constitute one share unit. As voting rights are granted for each share unit, a shareholder of Class B Shares has 10 times as many voting rights as a shareholder of Common Shares with an equal number of shares. While the Breakthrough provision and the Sunset provision are stated in the Articles of Incorporation, the conditions in which all of the Class B Shares are converted to Common Shares are limited to circumstances where the acquirer as a result of a take over bid holds three quarters (3/4) of the total numbers of issued Common Shares and Class B Shares, and where two thirds (2/3) of all shareholders who took part in the intention verification procedures agree to the conversion of the Class B Shares to Common Shares, respectively.

(b) Risk associated with the prevention of acquiring shares of the Company The Company's Articles of Incorporation provide that 10 Class B Shares constitute one share unit and 100 Common Shares constitute one share unit. As voting rights are granted for each share unit, a shareholder of Class B Shares has 10 times as many voting rights as a shareholder of Common Shares with an equal number of shares. While the Breakthrough provision and the Sunset provision are stated in the Articles of Incorporation, the conditions in which all of the Class B Shares are converted to Common Shares are limited to circumstances where the acquirer as a result of a take over bid holds three quarters (3/4) of the total numbers of issued Common Shares and Class B Shares, and where two thirds (2/3) of all shareholders who took part in the intention verification procedures agree to the conversion of the Class B Shares to Common Shares, respectively.

Therefore, there is the possibility that this Scheme may prevent acquisitions that may benefit the shareholders of Common Shares.

(c) Risk associated with the elimination of the Meeting of Class Shareholders comprised of shareholders of Common Shares The execution of actions stated in each item of Article 322-1 of the Companies Act, unless stated otherwise by law or by the Articles of Incorporation, does not require the resolution of the Meeting of Class Shareholders comprised of shareholders of Common Shares, so the decisions made by the Company may not reflect the will of the shareholders of Common Shares.

(d) Risk associated with the conversion of the Class B Shares Because Class B Shares include the right to request acquisitions under acquisition terms, there is the possibility that a future conversion of Class B Shares to Common Shares will increase the total number of authorized Common Shares issued on the market, and the market price of the Common Shares may be affected.

Other risks

1. Dividend policy

The Company has not been able to pay dividends to shareholders since its establishment, and as of the publication of this report, is still not in a position where it is allowed to pay dividends in accordance with the Companies Act. At this time, the Company's policy is to prioritize achieving profitability quickly by improving its financial strength through retaining earnings and reinvesting in research and development activities. On the other hand, the Company considers returns to shareholders to be an important management issue and will consider possible payment of dividends in the future taking into account its financial condition and business results. However, if the Company's earnings plan does not proceed as envisaged, and it continues to be unable to achieve steady earnings, it may not be able to return profits to shareholders in the form of dividends.

2. Risks associated with financing and fund procurement

The Group records large amounts of upfront research and development expenses in association with the progress of its research and development activities, resulting in continued recording of operating losses. The Group's funding needs are expected to increase as its business proceeds, including operating capital, research and development investment, and capital expenditures. The Group plans to continue strengthening its financial base making use of funds such as governmental subsidies. However, depending on how successful the Group is at securing profits and raising capital, its financial condition and business performance might be affected.

3. Recording negative retained earnings brought forward

The Group has been focusing on research and development activities, and has therefore recorded a large amount of upfront research and development expenses, as well as negative retained earnings brought forward. The Group aims to achieve profitability quickly and to establish a strong financial base by posting stable profits. However, there is a risk that the Group's business might not proceed as planned, and that the Group may be unable to eliminate the recording of negative retained earnings brought forward, which might affect its business, financial condition, and business performance.

4. Loss brought forward for tax purposes

Since the Group has been making upfront investments in development as a corporate research and development group, it has a significant amount of retained losses carried forward for Japanese corporate tax purposes. Should there be any changes to the Japanese tax systems in the future such that restrictions are tightened on deduction of losses brought forward, the Group might lose the opportunity to recover part of the capital that it has invested in research and development or suffer other effects that might affect its business, financial condition, and business performance.

5. Fluctuations in foreign exchange rates

Since the financial results of overseas Group companies are translated from local currency into Japanese yen when reflected in the Group's consolidated financial statements during consolidated account settlement, the Group is exposed to risk from the effects of fluctuations in foreign exchange rates. Therefore, if foreign exchange rates were to fluctuate sharply in the future, the Group's financial condition and business performance might be affected.

Consolidated Statement of Financial Position (from April 1, 2018 to March 31, 2019)
Unit : Millions of yen

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

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

Consolidated statement of profit or loss (from April 1, 2018 to March 31, 2019)

Unit : Millions of yen

	2018	2019
Revenue	1,728	1,709
Cost of sales	(523)	(481)
Gross profit	1,204	1,227
Selling, general and administrative expenses		
Research and development expenses	(834)	(998)
Other selling, general and administrative expenses	(1,390)	(1,454)
Total selling, general and administrative expenses	(2,223)	(2,453)
Other income	364	406
Other expenses	(4)	(11)
Operating profit (loss)	(659)	(830)
Finance income	13	239
Finance cost	(6)	(15)
Gains related to CEJ Fund	—	61
Share of profit (loss) of investments accounted for using equity method	(21)	(24)
Profit (loss) before tax	(672)	(589)
Income tax expense	(6)	(74)
Profit (loss)	(678)	(643)
Profit (loss) attributable to		
Owners of parent	(673)	(632)
Non-controlling interests	(5)	(11)
Profit (loss)	(678)	(643)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	(3.13)	(2.94)
Diluted earnings (loss) per share (yen)	(3.13)	(2.94)

Consolidated statement of comprehensive income (from April 1, 2018 to March 31, 2019)

Unit : Millions of yen

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

Consolidated statements of changes in shareholders' equity (from April 1, 2018 to March 31, 2019)

Unit : Millions of yen

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury shares	Other components of equity		
				Financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments of foreign operations	Stock Acquisition Rights
April 1, 2018	26,744	26,495	(0)	(77)	(7)	19
Profit (loss)	–	–	–	–	–	–
Other comprehensive income	–	–	–	(858)	10	–
Total comprehensive income	–	–	–	(858)	10	–
Issuance of new share	1	(2)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(135)	–	–
Equity transaction with non-controlling interest	–	–	–	–	–	–
Total transactions with owners	1	(2)	–	(135)	–	–
March 31, 2019	26,745	26,494	–	(1,071)	3	19

	Equity attributable to owners of parent				
	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
	Total				
April 1, 2018	(65)	(7,476)	45,698	(24)	45,674
Profit (loss)	–	(632)	(632)	(11)	(643)
Other comprehensive income	(848)	–	(848)	4	(845)
Total comprehensive income	(848)	(632)	(1,480)	(7)	(1,487)
Issuance of new share	–	–	(1)	–	(1)
Transfer from other components of equity to retained earnings	(135)	135	–	–	–
Equity transaction with non-controlling interest	–	–	–	17	17
Total transactions with owners	(135)	135	–	17	16
March 31, 2019	(1,048)	(7,972)	44,217	(15)	44,203

(Rounded down to the closest millions of yen)

Consolidated statements of cash flows (from April 1, 2018 to March 31, 2019)

Unit : Millions of yen

	2018	2019
Cash flows from operating activities		
Profit (loss) before tax	(672)	(569)
Depreciation and amortization	399	436
Finance income	(13)	(239)
Finance cost	6	15
Gains related to CEJ Fund	—	(61)
Share of loss (profit) of investments accounted for using equity method	21	24
Decrease (increase) in inventories	(38)	(336)
Decrease (increase) in trade and other receivables	(6)	128
Increase (decrease) in trade and other payables	85	24
Other	157	(138)
Subtotal	(62)	(716)
Interest received	10	17
Interest paid	(1)	(0)
Income taxes paid	—	—
Payments for administrative expenses etc. related to CEJ Fund	—	(76)
Net cash provided by (used in) operating activities	(53)	(775)
Cash flows from investing activities		
Purchase of investments	(43,000)	(28,000)
Proceeds of redemption of investments	43,000	30,000
Payments into time deposits	—	(2,500)
Purchase of property, plant and equipment	(1,077)	(789)
Purchase of intangible assets	(48)	(7)
Purchase of investment securities	(1,563)	(618)
Proceeds from sale of investment securities	700	—
Proceeds of investments accounted for using equity method	(495)	(5)
Other	0	2
Net cash provided by (used in) investing activities	(2,484)	(1,917)

Unit : Millions of yen

	2018	2019
Cash flows from financing activities		
Contributions into CEJ Fund from third-party investors	—	680
Proceeds from stock issuance to non-controlling interests	—	4
Other	(23)	(14)
Net cash provided by (used in) financing activities	(23)	670
Net increase (decrease) in cash and cash equivalents	(2,558)	(2,025)
Cash and cash equivalents at beginning of fiscal year	13,378	10,820
Effect of exchange rate changes on cash and cash equivalents	2	(3)
Cash and cash equivalents at end of year	10,820	8,796

Notes to consolidated financial statements

Notes to consolidated financial statements following the conversion to IFRS standards are disclosed on CYBERDYNE website.

Please refer to “English translation of the financial reporting parts of the Annual Securities Report for the Fiscal Year Ended March 31, 2019”, which can be accessed from the Investor Relation Page.

Matters regarding the Company shares

Name of shareholder	Number of shares held (shares)		Shareholding ratio (%)
Yoshiyuki Sankai	Common Share	3,042,000	37.52
	Class B Share	77,696,000	
Daiwa House Industries Co., Ltd.	Common Share	30,000,000	13.94
GCAS BANA LONDON US CLIENT	Common Share	3,739,033	1.73
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	Common Share	2,940,000	1.36
BBH FOR GLOBAL X ROBOTICS AND ARTIFICIAL INTELLIGENCE ETF	Common Share	2,848,484	1.32
The Nomura Trust & Banking Co., Ltd. (Investment Trust Account)	Common Share	2,184,300	1.01
Japan Trustee Service Bank of Japan. Ltd. (Trust Account)	Common Share	1,950,500	0.90
The Master Trust Bank of Japan. Ltd. (Trust Account)	Common Share	1,426,400	0.66
RBC IST 15 PCT LENDING ACCOUNT-CLIENT ACCOUNT	Common Share	864,993	0.40
BBH FOR MATTHEWS ASIA GROWTH FUND	Common Share	768,500	0.35

Classification of shareholders by shareholder types

Common Share

As of end of March 31, 2019

Classification	Status of shares (100 shares per 1 share unit)							Total	Status of shares less than one share unit (share)
	Government and local government	Financial institution	Financial instrument service operators	Other corporations	Foreign investors		Individual investors etc.		
					Non-individuals	Individuals			
Number of shareholder (person)	—	16	58	507	212	116	89,911	90,820	
Number of shareholder (unit)	—	87,822	20,571	321,299	172,494	1,010	770,922	1,374,118	
Shareholding ratio%	—	6.39	1.50	23.38	12.55	0.08	56.10	100	

Note 1. Yoshiyuki Sankai is in possession of both Common Share and Class B Share

Note 2. Out of 138 shares in the treasury stock, 100 was included in "Individual investors etc." and 38 was included in "status of shares less than one share unit"

Class B Share

As of end of March 31, 2019

Classification	Status of shares (100 shares per 1 share unit)							Total	Status of shares less than one share unit (share)
	Government and local government	Financial institution	Financial instrument service operators	Other corporations	Foreign investors		Individual investors etc.		
					Non-individuals	Individuals			
Number of shareholder (person)	—	—	—	2	—	—	1	3	
Number of shareholder (unit)	—	—	—	400	—	—	7,769,600	7,770,000	
Shareholding ratio%	—	—	—	0.01	—	—	99.99	100	

Main offices of operations and factories

Division	Name	Location
The Company	Head Quarters	Tsukuba, Ibaraki, Japan
	Next-generation multipurpose robotized production facility	Koriyama, Fukushima, Japan
Subsidiaries (Outside Japan)	Cyberdyne Care Robotics GmbH	Bochum, North Rhine-Westphalia, Germany
	CYBERDYNE Europe GmbH	Bochum, North Rhine-Westphalia, Germany
	CYBERDYNE USA Inc.	Jacksonville, Florida, USA Seattle, Washington, USA
	CYBERDYNE & BROOKS, Inc.	Jacksonville, Florida, USA
Subsidiaries (Within Japan)	Suzuka RoboCare Center Co., Ltd.	Suzuka, Mie, Japan
	Shonan RoboCare Center Co., Ltd.	Fujisawa, Kanagawa, Japan
	Oita RoboCare Center Co., Ltd.	Beppu, Oita, Japan
	CEJ Capital, Inc.	Tsukuba, Ibaraki, Japan
	Cybernic Excellence Japan Fund 1 Investment Limited Partnership	Shibuya, Tokyo, Japan

Status of employees

(i) Status of employees in the Group (as of March 31, 2019)

Number of employees	Change from previous fiscal year
84 members (47 members)	Increase of 9 members (Decrease of 16 members)

(Notes)

- (1) The number of employees includes full-time employees and members on temporary transfer assignments. It does not include the number of Members of the Board of Directors who also hold positions as Company employees or dispatch workers sent from a temp agencies.
- (2) The number of contract employees are stated in the brackets []. This number includes part-time workers but excludes those who work in the Group as second jobs.
- (3) Since the Group is involved in a single segment of business related to robots, information of employees for each segment is omitted.

(ii) Status of employees in the Company (as of March 31, 2019)

Number of employees	Change from previous fiscal year	Average age	Average years in service
65 members (41 members)	Increase of 3 members (Decrease of 3 members)	41.8 years old	5.0 years

(Notes)

- (1) The number of employees includes full-time employees and members on temporary transfer assignments. It does not include the number of Members of the Board of Directors who also hold positions as Company employees or dispatch workers sent from a temp agencies.
- (2) The number of contract employees are stated in the brackets []. This number includes part-time workers but excludes those who work in the Group as second jobs.