[Translation]

Annual Securities Report

(The 14th Business Term)

From April 1, 2017 to March 31, 2018

CYBERDYNE, INC.

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

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

I. Consolidated financial statements and Notes to consolidated financial statements

1. Consolidated financial statements

(i) Consolidated statement of financial position

As of March 31, 2018

	Note	Transition date As of April 1, 2016	2017	2018
		Millions of yen	Millions of yen	Millions of yen
Assets				
Current assets				
Cash and cash equivalents	7,31	18,462	13,378	10,820
Trade and other receivables	8,31	573	379	385
Other financial assets	9,31	21,501	20,002	20,004
Inventories	10	450	527	565
Other current assets	11	77	119	32
Total current assets		41,062	34,405	31,807
Non-current assets				
Operating lease assets	12,17	462	480	401
Property, plant and equipment	12,16	5,084	10,603	11,339
Intangible assets	13	66	66	90
Investments accounted for using equity method	14	−	−	474
Other financial assets	9,31	975	2,069	2,406
Other non-current assets	11	96	88	81
Total non-current assets		6,681	13,307	14,791
Total assets		47,743	47,712	46,598

	Note	Transition date As of April 1, 2016	2017	2018
		Millions of yen	Millions of yen	Millions of yen
Liabilities and equity				
Liabilities				
Current liabilities				
Convertible bonds with stock acquisition rights scheduled for redemption within one year	16,31	19,926	−	−
Trade and other payables	18,31	252	197	274
Other current liabilities	20	204	370	386
Total current liabilities		20,382	567	659
Non-current liabilities				
Other payables	18,31	36	14	−
Provisions	19	91	91	91
Deferred tax liabilities	15	64	275	145
Other non-current liabilities	20	29	29	29
Total non-current liabilities		220	408	265
Total liabilities		20,602	975	925
Equity				
Share capital	21,29	16,512	26,744	26,744
Capital surplus	21,29	16,331	26,495	26,495
Treasury shares	21	(0)	(0)	(0)
Other components of equity	30,31	536	432	(65)
Retained earnings	21	(6,227)	(6,903)	(7,476)
Total equity attributable to owners of the parent		27,151	46,768	45,698
Non-controlling interests		(10)	(31)	(24)
Total equity		27,141	46,737	45,674
Total liabilities and equity		47,743	47,712	46,598

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

【Consolidated statement of profit or loss】

Year ended March 31, 2018

	Note	2017	2018
		Millions of yen	Millions of yen
Revenue	6,23	1,660	1,728
Cost of sales	10,17,24	(587)	(523)
Gross profit		1,072	1,204
Selling, general and administrative expenses			
Research and development expenses	17,24	(901)	(834)
Other selling, general and administrative expenses	17,24, 30,32	(1,361)	(1,390)
Total selling, general and administrative expenses		(2,262)	(2,223)
Other income	25	499	364
Other expenses	25	(7)	(4)
Operating profit (loss)		(697)	(659)
Finance income	26,31	59	13
Finance costs	26	(9)	(6)
Share of profit (loss) of investments accounted for using equity method	14	－	(21)
Profit (loss) before tax		(648)	(672)
Income tax expense	15	(49)	(6)
Profit (loss)		(697)	(678)
Profit (loss) attributable to			
Owners of parent		(676)	(673)
Non-controlling interests		(21)	(5)
Profit (loss)		(697)	(678)
Earnings (loss) per share	28		
Basic earnings (loss) per share (yen)		(3.16)	(3.13)
Diluted earnings (loss) per share (yen)		(3.16)	(3.13)

【Consolidated statement of comprehensive income】

Year ended March 31, 2018

	Note	2017	2018
		Millions of yen	Millions of yen
Profit (loss)		(697)	(678)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	27,31	417	(394)
Total of items that will not be reclassified to profit or loss		417	(394)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	27	2	(12)
Total of items that may be reclassified to profit or loss		2	(12)
Total other comprehensive income, net of tax		420	(406)
Comprehensive income		(278)	(1,084)
Comprehensive income attributable to			
Owners of parent		(256)	(1,076)
Non-controlling interests		(21)	(8)
Comprehensive income		(278)	(1,084)

(iii)【Consolidated statement of changes in equity】

Year ended March 31, 2018

	Note	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share acquisition rights
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2016		16,512	16,331	(0)	−	−	536
Profit (loss)		−	−	−	−	−	−
Other comprehensive income		−	−	−	417	2	−
Total comprehensive income		−	−	−	417	2	−
Issuance of new shares	21	10,232	10,165	−	−	−	(530)
Share-based payment transactions	30	−	−	−	−	−	6
Total transactions with owners		10,232	10,165	−	−	−	(524)
March 31, 2017		26,744	26,495	(0)	417	2	12
Profit (loss)		−	−	−	−	−	−
Other comprehensive income		−	−	−	(394)	(9)	−
Total comprehensive income		−	−	−	(394)	(9)	−
Share-based payment transactions	30	−	−	−	−	−	7
Transfer from other components of equity to retained earnings	9,31	−	−	−	(100)	−	−
Equity transaction with non-controlling interest		−	−	−	−	−	−
Total transactions with owners		−	−	−	−	−	7
March 31, 2018		26,744	26,495	(0)	(77)	(7)	19

	Note	Equity attributable to owners of parent			Non-controlling interests	Total equity
		Other components of equity	Retained earnings	Total		
		Total				
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2016		536	(6,227)	27,151	(10)	27,141
Profit (loss)		−	(676)	(676)	(21)	(697)
Other comprehensive income		419	−	419	0	420
Total comprehensive income		419	(676)	(256)	(21)	(278)
Issuance of new shares	21	(530)	−	19,867	−	19,867
Share-based payment transactions	30	6	−	6	−	6
Total transactions with owners		(524)	−	19,873	−	19,873
March 31, 2017		432	(6,903)	46,768	(31)	46,737
Profit (loss)		−	(673)	(673)	(5)	(678)
Other comprehensive income		(403)	−	(403)	(3)	(406)
Total comprehensive income		(403)	(673)	(1,076)	(8)	(1,084)
Share-based payment transactions	30	7	−	7	−	7
Transfer from other components of equity to retained earnings	9,31	(100)	100	−	−	−
Equity transaction with non-controlling interest		−	−	−	15	15
Transfer from other components of equity to retained earnings		(93)	100	7	15	21
March 31, 2018		(65)	(7,476)	45,698	(24)	45,674

(iv)【Consolidated statement of cash flows】

Year ended March 31, 2018

	Note	2017	2018
		Millions of yen	Millions of yen
Cash flows from operating activities			
Profit (loss) before tax		(648)	(672)
Depreciation and amortization		335	399
Loss on reduction of non-current assets		742	―
Finance income		(59)	(13)
Finance costs		9	6
Share of loss (profit) of investments accounted for using equity method		―	21
Decrease (increase) in inventories		(77)	(38)
Decrease (increase) in trade and other receivables		194	(6)
Increase (decrease) in trade and other payables		(56)	85
Other		130	157
Subtotal		570	(62)
Interest received		7	10
Interest paid		(2)	(1)
Income taxes paid		―	―
Net cash provided by (used in) operating activities		575	(53)
Cash flows from investing activities			
Purchase of investments		(20,000)	(43,000)
Proceeds of redemption of investments		20,000	43,000
Proceeds from withdrawal of time deposits		1,500	―
Purchase of property, plant and equipment		(6,597)	(1,077)
Purchase of intangible assets		(18)	(48)
Purchase of investment securities		(433)	(1,563)
Proceeds from sale of investment securities		―	700
Purchase of investments accounted for using equity method		―	(495)
Other		0	0
Net cash provided by (used in) investing activities		(5,548)	(2,484)
Cash flows from financing activities			
Payments from issuance of shares		(88)	―
Other		(22)	(23)
Net cash provided by (used in) financing activities		(110)	(23)
Net increase (decrease) in cash and cash equivalents		(5,083)	(2,558)
Cash and cash equivalents at beginning of fiscal year	7	18,462	13,378
Effect of exchange rate changes on cash and cash equivalents		(1)	2
Cash and cash equivalents at end of year	7	13,378	10,820

【Notes to consolidated financial statements】

1. Nature of operations

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

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

2. Basis of presentation

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

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

   The consolidated financial statements under review have been approved by Yoshiyuki Sankai, President and CEO of the Company as well as Shinji Uga, Director and Head of the Corporate Department of the Company on June 25, 2018.

   The Group prepared the first consolidated financial statements in accordance with IFRS from the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018). The date of transition to IFRS is April 1, 2016 (the "Transition Date"). The impact of the transition to IFRS on its financial position, operating results and cash flows is stated in "34. First-time adoption".

   The Group prepared the first consolidated financial statements in accordance with IFRS effective as of March 31, 2018. The Group did not include IFRS that was not early adopted and items exempted by IFRS 1 "First-time adoption of international financial reporting standards" ("IFRS 1").

   Please refer to Note "34. First-time adoption" for further details on the exempted items.

2. Basis of measurement

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

3. Functional currency and presentation currency

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

4. Early adoption of new accounting standards

   As of the Transition Date, the Group has early adopted IFRS 9 "Financial Instruments" (announced in July 2014) as well as IFRS 15 "Revenue from Contracts with Customers" (announced in May 2014) and "Clarification of IFRS 15" (announced in April 2016) (collectively referred to as "IFRS 15").

3. Significant accounting policies

1. Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

(ii) Associates

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

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

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

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

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

(iii) Joint venture

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

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

2. Business combinations

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

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

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

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

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

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

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

3. Foreign currency transaction

(i) Foreign currency transactions

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

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

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

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

(ii) Financial statements of foreign operations

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

4. Financial instruments

The Group has early adopted IFRS 9 "Financial Instruments" (revised in July 2014).

(i) Financial assets

(1) Initial recognition and measurement

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

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

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

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

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

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

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

(2) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

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

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

(3) Derecognition of financial assets

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

(4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

(ii) Financial liabilities

(1) Initial recognition and measurement

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

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

(2) Subsequent measurement

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

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

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

(3) Derecognition of financial liabilities

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

(iii) Offsetting of financial assets and financial liabilities

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

(iv) Fair value of financial instruments

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

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

5. Cash and cash equivalents

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

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

6. Inventories

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

7. Property, plant and equipment

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

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

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

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

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

8. Intangible assets

(i) Intangible assets

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

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

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

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

Software	3 to 5 years
Patents	8 years

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

(ii) Research and development expenses

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

9. Leases

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

Leases as lessee

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

Leases as lessor

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

With regards to finance lease transaction as manufacturer or distributor, income from financial leases is recognized in accordance with the accounting policy the Group follows for sales of goods. Please refer to Note "23. Revenue".

10. Impairment of non-financial assets

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

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

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

11. Employee Benefits

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

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

12. Share-based payment

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

13. Provisions

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

14. Revenue

The Group has early adopted IFRS 15 "Revenue from Contracts with Customers" (announced in May 2014) and "Clarification of IFRS 15" (announced in April 2016) (collectively referred to as "IFRS 15")

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

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

Details on recognition of revenue are stated in Note "23. Revenue".

15. Government grants

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

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

16. Income taxes

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

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

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

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

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

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

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

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

17. Earnings per share

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

18. Equity and other capital

(i) Common shares

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

(ii) Treasury shares

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

4. Significant accounting estimates and judgments

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

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

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

・Matters concerning financial instruments (Notes "3. Significant accounting policies, 4. Financial instruments", Notes "9. Other financial assets" as well as "31. Financial instruments")
・Impairment of non-financial assets (Note "3. Significant accounting policies, 10. Impairment of non-financial assets")
・Useful lives of property, plant and equipment, estimation of residual value (Note "3. Significant accounting policies, 7. Property, plant and equipment")
・Collectability of deferred tax assets (Note "15. Income taxes")
・Recognition of revenue (Note "3. Significant accounting policies, 14. Revenue", Note "23. Revenue")
・Measurement of share-based payments (Note "30. Share-based payment")

5. New standards and interpretations not yet adopted

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

The Group is currently evaluating the possible impacts on the consolidated financial statements resulting from the adoption of these IFRSs and the estimates are currently not available.

IFRSs		Mandatory adoption on or after	Date of adoption by the Group	Nature of the new standards or amendments
IAS 28	Investments in Associates and Joint Ventures	January 1, 2018	Fiscal year ending March 31,2019	Revised accounting process upon holding any investment through venture capitals towards affiliates or jointly controlled entity
IFRS 2	Share-based Payment	January 1, 2018	Fiscal year ending March 31,2019	Revised classification and measurement of share-based payment transactions
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019	Fiscal year ending March 31,2020	Clarification that accounting process of equity (of which, equity method won't be applied on) is conducted through IFRS 9
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31,2020	Revised lease definition, accounting treatment and disclosure
IFRS 10	Consolidated Financial Statements	Undecided	Undecided	Revised accounting process upon sale or contribution of assets between an Investor and its Associate or Joint Venture
IAS 28	Investments in Associates and Joint Ventures			

6. Segment information

1. Summary of reportable segments

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

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

2. Revenue and results of reportable segments

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

3. Information about Products and Services

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

Note "23. Revenue" presents the details of revenue.

4. Geographical information

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

Revenue to customers

	2017	2018
	Millions of yen	Millions of yen
Japan	1,576	1,564
EMEA	84	164
Total	1,660	1,728

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

Non-current assets

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

5. Information about major customers

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

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Cash and cash equivalents			
Cash and deposits	12,961	10,378	6,820
Short-term investments	5,500	3,000	4,000
Total	18,462	13,378	10,820

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

8. Trade and other receivables

Trade and other receivables consist of the following:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Accounts receivable-trade	217	247	363
Accounts receivable-other	356	133	24
Allowance for doubtful accounts	(1)	(1)	(2)
Total	573	379	385

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

9. Other financial assets

1. Other financial assets

Other financial assets consist of the following:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Other financial assets			
Financial assets measured at amortized cost:			
Bonds	20,000	20,000	20,000
Time deposits	1,500	−	−
Leasehold and guarantee deposits	60	61	62
Other	0	2	4
Financial assets measured at fair value through profit or loss:			
Convertible bonds	90	139	298
Other	−	6	7
Financial assets measured at fair value through other comprehensive income:			
Equity securities	824	1,863	2,039
Total	22,475	22,071	22,410
Current assets	21,501	20,002	20,004
Non-current assets	975	2,069	2,406
Total	22,475	22,071	22,410

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

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

	Transition date As of April 1, 2016	2017	2018
Shares	Millions of yen	Millions of yen	Millions of yen
Non-marketable equity securities			
Works Applications Co., Ltd.	−	−	783
ExaScaler Inc.	200	600	−
Other	625	1,263	1,256
Total	824	1,863	2,039

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

There is no dividend income recognized as financial assets measured at fair value through other comprehensive income for the fiscal years ended March 31, 2017 and 2018.

3. Derecognition of financial assets measured at fair value through other comprehensive income

Items designated as financial assets measured at fair value through other comprehensive income can be disposed and derecognized as part of the Group's capital strategy. During the fiscal year ended March 31, 2018, the Group sold its shares of ExaScaler Inc. etc.

Fair value and cumulative gains (or losses) recognized in other comprehensive income in other components of equity at the time of disposal are as follows:

2017		2018	
Fair value	Cumulative gain (or loss)	Fair value	Cumulative gain (or loss)
Millions of yen	Millions of yen	Millions of yen	Millions of yen
–	–	700	100

(Note) Transferred amount to retained earnings.

The cumulative gain or loss recognized in other comprehensive income in other components of equity is reclassified to retained earnings when the associated financial asset is sold.

10. Inventories

Inventories consist of the following:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Merchandise and finished goods	150	97	86
Work in process	14	10	12
Raw materials	286	420	467
Total	450	527	565

The amount of inventories recognized as expenses and included in the cost of sales for the fiscal years ended March 31, 2017 and 2018 were ¥362 million and ¥307 million, respectively.

Write-down of inventories recognized as expenses and included in the cost of sales for the fiscal years ended March 31, 2017 and 2018 were ¥17 million and ¥20 million, respectively.

11. Other assets

Other assets consist of the following:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Other current assets			
Prepaid expenses	35	31	32
Consumption taxes receivable	42	61	0
Other	1	27	−
Total	77	119	32
Other non-current assets			
Long-term prepaid expenses	96	88	81
Total	96	88	81

12. Property, plant and equipment

1. Change in property, plant and equipment

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

(Millions of yen)

Acquisition costs	Operating lease assets	Property, plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
April 1, 2016	745	3,214	1,449	785	266	700	6,414	7,159
Additions	51	—	985	267	7	5,304	6,563	6,614
Direct reduction by government grants	—	(96)	(631)	(15)	—	—	(742)	(742)
Sales and disposals	—	—	—	(149)	(12)	—	(161)	(161)
Exchange differences on translation of foreign operations	—	—	(1)	(3)	—	—	(4)	(4)
Other	2	(0)	—	(3)	—	—	(3)	(0)
March 31, 2017	798	3,119	1,803	883	261	6,004	12,068	12,867
Additions	26	—	13	254	5	779	1,051	1,077
Sales and disposals	—	—	—	(94)	(2)	—	(95)	(95)
Exchange differences on translation of foreign operations	—	—	(1)	(4)	(0)	—	(5)	(5)
Other	—	(1)	—	(1)	—	—	(2)	(2)
March 31, 2018	824	3,118	1,814	1,038	265	6,783	13,018	13,842

(Millions of yen)

Accumulated depreciation and impairment losses	Operating lease assets	Property, plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
April 1, 2016	(283)	－	(577)	(542)	(212)	－	(1,331)	(1,614)
Depreciation	(34)	－	(85)	(181)	(18)	－	(284)	(317)
Sales and disposals	－	－	－	138	11	－	149	149
Other	(2)	－	(0)	1	(0)	－	0	(1)
March 31, 2017	(318)	－	(662)	(585)	(219)	－	(1,465)	(1,783)
Depreciation	(105)	－	(91)	(164)	(14)	－	(269)	(374)
Sales and disposals	－	－	－	55	0	－	55	55
Exchange differences on translation of foreign operations	－	－	0	0	0	－	0	0
Other	－	－	0	－	0	－	0	0
March 31, 2018	(423)	－	(753)	(693)	(233)	－	(1,679)	(2,102)

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

(Millions of yen)

Carrying amounts	Operating lease assets	Property, plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
April 1, 2016	462	3,214	872	243	54	700	5,084	5,545
March 31, 2017	480	3,119	1,140	298	42	6,004	10,603	11,083
March 31, 2018	401	3,118	1,061	345	32	6,783	11,339	11,740

2. Commitments

Commitments to acquire property, plant and equipment were ¥6,650 million at April 1, 2016, ¥680 million at March 31, 2017 and ¥337 million at March 31, 2018, respectively.

13. Intangible assets

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

(Millions of yen)

	Intangible assets			
Acquisition costs	Software	Patents	Other	Total
April 1, 2016	67	20	7	93
Additions	17	−	5	22
Exchange differences on translation of foreign operations	(0)	−	(0)	(0)
Other	−	−	(4)	(4)
March 31, 2017	84	20	7	111
Additions	45	−	4	48
Sales and disposals	(2)	−	−	(2)
Exchange differences on translation of foreign operations	0	−	0	0
March 31, 2018	127	20	12	158

(Millions of yen)

	Intangible assets			
Accumulated amortization and impairment losses	Software	Patents	Other	Total
April 1, 2016	(21)	(6)	(1)	(27)
Amortization	(15)	(2)	(1)	(18)
Exchange differences on translation of foreign operations	0	−	0	0
March 31, 2017	(36)	(8)	(1)	(45)
Amortization	(22)	(2)	(1)	(25)
Sales and disposals	2	−	−	2
Exchange differences on translation of foreign operations	(0)	−	(0)	(0)
March 31, 2018	(56)	(11)	(2)	(69)

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

(Millions of yen)

	Intangible assets			
Carrying amounts	Software	Patents	Other	Total
April 1, 2016	46	14	6	66
March 31, 2017	48	11	6	66
March 31, 2018	71	9	10	90

14. Investments accounted for using equity method

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

1. Investments in associates

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

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Investments accounted for using equity method	−	−	190

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

	2017	2018
	Millions of yen	Millions of yen
The Group's share of profit	−	(11)
The Group's share of other comprehensive income	−	−
The Group's share of comprehensive income	−	(11)

2. Investments in joint venture

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

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Investments accounted for using equity method	−	−	284

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

	2017	2018
	Millions of yen	Millions of yen
The Group's share of profit	−	(10)
The Group's share of other comprehensive income	−	−
The Group's share of comprehensive income	−	(10)

15. Income taxes

1. Deferred tax assets and liabilities

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

Fiscal year ended March 31, 2017

(Millions of yen)

	Transition date As of April 1, 2016	Recognized in profit or loss	Recognized in other comprehensive income	Other	March 31, 2017
Deferred tax assets	—	—	—	—	—
Deferred tax liabilities					
Financial assets measured at fair value through other comprehensive income	—	15	194	—	210
Property, plant and equipment	63	2	—	—	64
Other	2	(0)	—	(1)	1
Total	64	17	194	(1)	275

Fiscal year ended March 31, 2018

(Millions of yen)

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

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

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

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Unused tax losses	5,294	5,875	5,580
Deductible temporary differences	779	975	1,234
Total	6,073	6,850	6,814

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

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

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Expires within 1 year	—	817	764
Expires between 1 and 2 years	817	764	600
Expires between 2 and 3 years	764	600	516
Expires between 3 and 4 years	600	516	455
Expire after 4 years	3,113	3,179	3,246
Total	5,294	5,875	5,580

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities were not recognized at March 31, 2018, 2017 and April 1, 2016 were not material, respectively.

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

2. Income tax expense

Income tax expense consists of the following:

	2017	2018
	Millions of yen	Millions of yen
Current taxes	1	6
Deferred taxes	47	(0)
Total	49	6

3. Reconciliation of effective tax rate

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

	2017	2018
	%	%
Effective statutory tax rate	30.69	30.69
Non-deductible expenses	(4.86)	(0.15)
Tax rate change (Note)	6.38	－
Differences in overseas tax rates	0.52	0.63
Unrecognized differed tax asset	(37.88)	(35.66)
Share of profit (loss) of investments accounted for using equity method	－	3.14
Other	(2.39)	0.46
Average actual tax rate	(7.55)	(0.89)

Income tax, inhabitant tax and business tax are the main components of income tax expense imposed on the Group, and the effective statutory tax rate based on those taxes was 30.69% for the year ended March 31, 2017 and 30.69% for the year ended March 31, 2018.

(Note) The "Act for partial revision of the income tax act, etc." (Act No. 15 of 2016) and the "Act for partial revision of the local tax act, etc." (Act No. 13 of 2016) enacted in Japan on March 29, 2016 reduced the income tax rate for the Company and subsidiaries within Japan for fiscal years beginning on or after April 1, 2016 (Transition date).

16. Bonds

1. Bonds

Convertible bonds with stock acquisition rights scheduled for redemption within one year consists of the following:

	Transition date As of April 1, 2016	2017	2018	Average interest rate	Maturity
	Millions of yen	Millions of yen	Millions of yen	%	
Convertible bonds with stock acquisition rights scheduled for redemption within one year	19,926	—	—	—	—
Total	19,926	—	—	—	—
Current liabilities	19,926	—	—	—	—
Non-current liabilities	—	—	—	—	—
Total	19,926	—	—	—	—

(Note) After initial recognition, liabilities of composite financial instrument are measured by amortization cost based on effective interest rate method. Capital of composite financial instrument is not re-measured after initial recognition.

Details of convertible bonds with stock acquisition rights scheduled for redemption within one year issued are as follows:

Issuer	Bond name	Issue date	Transition date As of April 1, 2016	2017	2018	Interest rate	Collateral	Maturity date
			Millions of yen	Millions of yen	Millions of yen	%		
CYBERDYNE, INC.	Long-term bonds—Euro-yen zero coupon convertible bond-type bonds with subscription rights to shares, due 2017	November 26, 2014	19,926 (19,926)	—	—	—	None	December 12, 2017
	Total		19,926 (19,926)	—	—	—	—	—

(Notes)

1. Amount in brackets is amount scheduled for redemption within one year.
   This was due to the Company's decision to exercise its option to redeem early on April 22, 2016, following the fulfillment of 120% call option articles.
2. Details of convertible bonds with stock acquisition rights

Issuer	Issuance price of stock acquisition rights	Issue price of shares	Total issue price	Total issue price by exercise of stock acquisition rights	Allotment ratio of stock acquisition rights	Exercise period:	Matters related to substitute payment
		Yen	Millions of yen	Millions of yen	%		
CYBERDYNE, INC.	Gratis	1,699	20,000	—	100	From December 26, 2014 to November 28, 2017	(Note)

(Note) Description of the asset to be contributed upon the exercise of stock acquisition rights and the amount there of: Upon the exercise of each stock acquisition rights, the relevant bond with stock acquisition rights shall be contributed.

(3) All stock acquisition rights was exercised by June 1, 2016 and converted to Common Share. For further details on non-cash transaction arising from conversion, please refer to Note "29 Non-cash transactions"

2. Assets pledged as collateral

Assets pledged as collateral were as follows:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Buildings	280	280	−
Total	280	280	−

(Note) There are no secured liabilities, though the buildings disclosed above are pledged as collateral.

17. Leases

1. Operating leases (as lessee)

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

Amount of lease payment that is included in "cost of sales", "research and development expenses" as well as "other selling, general and administrative expenses" of consolidated statement of profit and loss at March 31, 2017 and March 31, 2018 were ¥72 million and ¥66 million, respectively. Furthermore, this amount of lease payment includes variable lease payment that links with revenue etc. and at March 31, 2017 and March 31, 2018, amount of variable lease payments included was ¥6 million and ¥6 million, respectively.

2. Operating leases (as lessor)

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

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

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Not later than 1 year	268	401	794
More than 1 year, 5 years or less	170	174	160
total	438	575	954

3. Finance lease (as lessor)

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

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

18. Trade and other payables

Trade and other payables consist of the following:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Accounts payable-trade	48	21	53
Accounts payable-other	182	140	204
Other	58	50	17
Total	288	210	274
Current liabilities	252	197	274
Non-current liabilities	36	14	−
Total	288	210	274

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

19. Provisions

Changes in provisions consist of following:

	Asset retirement obligations
	Millions of yen
As of April 1, 2016	91
Interest expense on discount provision	—
Decrease (other)	(0)
As of March 31, 2017	91
Interest expense on discount provision	—
Decrease (other)	(0)
As of March 31, 2018	91

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

Provisions consist of the following:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Current liabilities	—	—	—
Non-current liabilities	91	91	91
Total	91	91	91

20. Other liabilities

Other liabilities consist of the following:

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Other current liabilities			
Advances received	39	114	85
Accrued bonuses	12	0	21
Obligation for unused paid leave	11	16	21
Accrued expenses	18	16	23
Accrued consumption taxes	2	3	42
Deposits received	9	9	15
Other	113	212	180
Total	204	370	386
Other non-current liabilities			
Long-term accounts payable-other	29	29	29
Total	29	29	29

21. Share capital and other equity items

1. Total numbers of authorized shares and issued shares

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

	2017	2018
	(Shares)	(Shares)
Number of authorized shares :(Note 1)		
Common Shares	618,300,000	618,300,000
Class B Shares	77,700,000	77,700,000
Total	696,000,000	696,000,000
Numbers of issued shares:		
Common Shares:		
Beginning balance	125,576,000	137,347,609
Change during the year (Note 2)	11,771,609	－
Ending balance	137,347,609	137,347,609
Class B Shares:		
Beginning balance	77,700,000	77,700,000
Change during the year	－	－
Ending balance	77,700,000	77,700,000

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

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

(1) Dividends of surplus and distribution of residual assets

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

(2) Voting rights

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

(3) Restriction on the transfer of Class B Shares

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

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

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

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

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

(6) Compulsory conversion

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

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

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

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

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

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

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

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

(7) Share split and share consolidation etc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Note 2) The following is the main reason of increase of issued Common Shares in the consolidated fiscal year ended March 31, 2017.

Increase arising from conversion of convertible bonds with stock acquisition rights 11,771,609 shares

2. Treasury shares

The changes in treasury shares are as follows

	Number of shares	Amount
	Shares	Millions of yen
As of April 1, 2016	138	0
Change during the year	—	—
As of March 31, 2017	138	0
Change during the year	—	—
As of March 31, 2018	138	0

3. Capital surplus

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

4. Retained earnings

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

22. Dividends

Dividends paid are as follows:

Fiscal year ended March 31, 2017

There are no items to report.

Fiscal year ended March 31, 2018

There are no items to report.

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

Fiscal year ended March 31, 2017

There are no items to report.

Fiscal year ended March 31, 2018

There are no items to report.

23. Revenue

1. Disaggregation of revenue

Details of disaggregation of revenue are set forth below.

	2017	2018
	Millions of yen	Millions of yen
Timing of revenue recognition		
Service transferred over time	798	1,061
Asset transferred at a point of time	594	354
Service transferred at a point of time	268	312
Total	1,660	1,728

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

<u>Service transferred over time</u>

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

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

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

<u>Asset transferred at a point of time</u>

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

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

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

<u>Service transferred at a point of time</u>

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

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

2. Changes in the contract

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

	As of March 31, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Receivables			
Accounts receivable	217	247	363
Contract liabilities			
Advances received	5	16	8

(Note) The balance of advances received at the beginning of April 1, 2016 and 2017 was fully recognized as revenue and the amount was ¥1 million and ¥12 million respectively. Furthermore, the amount of revenue recognized during the fiscal year ended March 31, 2017 and 2018, from performance obligations satisfied in previous periods were not material.

3. Timing of performance obligations satisfaction

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

	2017	2018
	Millions of yen	Millions of yen
Not later than 1 year	248	286
More than 1 year, 5 years or less	724	667
Total	972	954

24. Selling, general and administrative expenses

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

	2017	2018
	Millions of yen	Millions of yen
Personnel expenses	409	410
Taxes and dues	229	256
Commission expenses	159	213
Depreciation	123	139
Other	441	371
Total	1,361	1,390

Personnel expenses included in cost of sales, research and development and other selling, general and administrative expenses in the consolidated statement of profit or loss were ¥853 million as of March 31, 2017 and ¥836 million as of March 31, 2018.

25. Other income and other expenses

Other income consists of the following:

	2017	2018
	Millions of yen	Millions of yen
Grants	138	14
Consigned research income	284	292
Foreign exchange gain	－	11
Other	77	47
Total	499	364

Other expenses consist of the following:

	2017	2018
	Millions of yen	Millions of yen
Foreign exchange loss	3	－
Other	4	4
Total	7	4

26. Financial income and financial costs

Financial income consists of the following:

	2017	2018
	Millions of yen	Millions of yen
Interest income:		
Financial assets measured at amortized cost	10	13
Financial assets measured at fair value through profit or loss	49	―
Total	59	13

Financial costs consist of the following:

	2017	2018
	Millions of yen	Millions of yen
Interest expenses:		
Financial liabilities measured at amortized cost	7	1
Foreign exchange loss	0	4
Other	2	1
Total	9	6

27. Other comprehensive income

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

	2017	2018
	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income		
Gains (losses) arising for the year	611	(523)
Tax effects	(194)	129
After tax effects	417	(394)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Gains (losses) arising for the year	2	(12)
Reclassifications	–	–
Before tax	2	(12)
Tax effects	–	–
After tax effects	2	(12)
Total	420	(406)

28. Earnings per share

1. The basis for calculating basic earnings per share

	2017	2018
Loss attributable to owners of parent (Millions of yen)	(676)	(673)
Amount not available for common shareholders and shareholders equivalent to common shareholders (Millions of yen)	—	—
Loss used to calculate basic earnings per share (Millions of yen)	(676)	(673)
Average number of common shares and shares equivalent to common shares during the period (Shares)	213,822,256	215,047,471
Basic earnings (loss) per share (Yen)	(3.16)	(3.13)

2. The basis for calculating diluted earnings per share

	2017	2018
Loss used to calculated basic earnings per share (Millions of yen)	(676)	(673)
Adjustments to loss (Millions of yen)	—	—
Loss used to calculated diluted earnings per share (Millions of yen)	(676)	(673)
Average number of common shares and shares equivalent to common shares during the period (Shares)	213,822,256	215,047,471
Adjustment *Note	—	—
Average number of diluted common shares and shares equivalent to common shares during the period (Shares)	213,822,256	215,047,471
Diluted earnings (loss) per share (Yen)	(3.16)	(3.13)

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

	2017	2018
	Shares	Shares
2015 1st Series Stock Option of CYBERDYNE, INC.	(Common share) 7,800	(Common share) 7,800
2016 1st Series Stock Option of CYBERDYNE, INC.	(Common share) 4,600	(Common share) 4,600
2016 2nd Series Stock Options of CYBERDYNE, INC.	(Common share) 47,700	—
2017 1st Series Stock Option of CYBERDYNE, INC.	—	(Common share) 10,500

29. Non-cash transactions

The major non-cash transactions (investments and financial transactions that do not use cash and cash equivalents) are as follows:

	2017	2018
	Millions of yen	Millions of yen
Convertible bonds with stock acquisition rights converted into common shares	20,397	–

(Note) There are no changes with significant cash flows.

30. Share-based payments

1. Outline of share-based payments

The Company adopted an equity-settled share-based payments (stock option). The purpose of this stock option is to raise motivation and morale of the Members of the Board of Directors, Members of the Audit and Supervisory Board and employees of the Company, as well as employees of subsidiaries and external consultants, toward the growth of the Company's business results and its corporate value. The content of the stock option is based on the resolution at the Meeting of Shareholders and approval by the Board of Directors Meeting of the Company. Exercise period of the stock acquisition rights that is included in the stock option is determined by the allotment contract and if the stock acquisition rights is not exercised by the holder of the stock acquisition rights ("the Stock Acquisition Rights Holder") during this period, stock acquisition rights will lose its effect.

Outlines of the Company stock options issued are as follows:

	Class and number of shares covered by the stock option	Alottee	Date of allotment	Exercise period	Conditions for determination of rights
2015 1st Series Stock Option of CYBERDYNE, INC. (Note 1)	Common Share (100 Common Shares constitute 1 share unit) 7,800 shares	1 external consultant	August 12, 2015	July 28, 2025	Conditions on determination of rights are not attached (Note 5)
2016 1st Series Stock Option of CYBERDYNE, INC.	Common Share (100 Common Shares constitute 1 share unit) 4,600 shares	1 external consultant	June 8, 2016	May 24, 2026	Conditions on determination of rights are not attached (Note 5)
2016 2nd Series Stock Options of CYBERDYNE, INC. (Notes 2,3,4)	Common Share (100 Common Shares constitute 1 share unit) 47,700 shares	7 Members of the Board of Directors, 3 Members of the Audit and Supervisory Board, 102 employees, 17 employees of subsidiary	August 25, 2016	August 24, 2021	Stock acquisition rights can be exercised only if the conditions set forth in (a) and (b) below are fulfilled in the fiscal year ended March 31, 2017 or the fiscal year ended March 31, 2018, from the first day of the month following the filing date of the securities report of the period in which these conditions are first met. (a) Net sales exceed ¥3,000 million (b) Ordinary profit* becomes profitable *Income/loss before income tax without extraordinary income/loss, also called "pretax income" or "ordinary profit"
2017 1st Series Stock Option of CYBERDYNE, INC.	Common Share (100 Common Shares constitute 1 share unit) 10,500 shares	1 external consultant	August 8, 2017	July 25, 2027	Conditions on determination of rights are not attached (Note 5)

(Notes)

1. This stock acquisition right was determined before the date of transition to IFRS (April 1, 2016). As such, IFRS 2 "Share-based Payment" has not been applied.

2. Other conditions on exercise of stock acquisition rights
   (i) In the determination of net sales and ordinary profit mentioned in the chart, the net sale and ordinary profit of the consolidated financial statement of profit or loss (if the consolidated financial statement has not been made, the non-consolidated financial statement of profit or loss) entered in the Company's securities report shall be referenced, and if any significant changes to the referenced items occur as a result of the application of international financial reporting standards, indices that ought to be referenced separately shall be determined by the Board of Directors.
   (ii) In the event that a Stock Acquisition Rights Holder dies, and one of the heirs of the Stock Acquisition Rights Holder ("hereinafter referred to as the "Heir") inherits all of the stock options held by the departed, the Heir is able to exercise the stock acquisition rights. If the Heir dies, the heir of the Heir cannot inherit the stock acquisition rights.
   (iii) If the total number of issued shares exceeds the number of authorized shares due to the exercise of stock acquisition rights, the stock acquisition rights cannot be exercised.
   (iv) Stock acquisition rights less than one cannot be exercised.
   (v) Other conditions for the exercise of the stock options will be determined by the Stock Option Allotment Contract signed between the Company and the allottee based on the resolution of the Board of Directors of the Company.
3. This stock acquisition right was issued to the Members of the Board of Directors, the Members of the Audit and Supervisory Board and employees of the Company as well as employees of subsidiaries at a price. Amount of consideration for stock acquisition rights that should be received from the allottee was determined based on fair value at the date of allotment.
4. This stock acquisition right has lost its effect as of March 31, 2018, as the conditions for determination of rights were not achieved.

5. This stock acquisition right has no conditions for determination of rights attached. As such, related expenses are processed at once when the rights are allotted.

2. Number of stock options and weighted average exercise price

	2017		2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance of outstanding	7,800	1,806	60,100	2,338
Granted	52,300	2,417	10,500	1,788
Exercised	—	—	—	—
Expired	—	—	(47,700)	2,355
Expired at maturity	—	—	—	—
Ending balance of outstanding	60,100	2,338	22,900	2,050
Ending balance of exercisable	—	—	7,800	1,806

(Notes)

1. As of March 31, 2017 and 2018, exercise price of stock options that is not yet exercised are between ¥1,806 to ¥3,060 and ¥1,788 to ¥3,060, respectively.
2. As of March 31, 2017 and 2018, weighted average remaining contractual life of stock options that is not yet exercised are 5 years and 7 years, respectively.

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

Fiscal year ended March 31, 2017

	2016 1st Series Stock Option of CYBERDYNE, INC.
The weighted-average fair value at the measurement date (Yen)	131,630
Stock price at the grant date (Yen)	2,550
Exercise price (Yen)	3,060
Volatility of stock price (%) (Note 1)	59.70
Estimated residual period (Years) (Note 2)	10.00
Estimated dividend (%) (Note 3)	—
Risk-free interest rate (%) (Note 4)	(0.20)

(Notes)

1. Volatility of stock price calculated based on the following conditions:
   (i) Period for collecting stock price information: 3 years
   (ii) Frequency of price monitoring: Daily
   (iii) Irregular information: None
   (iv) Discontinuous changes in corporate status: None
2. Allotment date: June 8, 2016
   Exercise period: From May 25, 2018 to May 24, 2026
3. Calculated based on most recent dividend payment
4. Interest rate converted security asset yield into continuous compound interest method

	2016 2nd Series Stock Options of CYBERDYNE, INC.
The weighted-average fair value at the measurement date (Yen)	66,000
Stock price at the grant date (Yen)	1,644
Exercise price (Yen)	2,355
Volatility of stock price (%) (Note 1)	59.47
Estimated residual period (Years) (Note 2)	5.00
Estimated dividend (%) (Note 3)	−
Risk-free interest rate (%) (Note 4)	(0.16)

(Notes)

1. Volatility of stock price calculated based on the following conditions:
   (i) Period for collecting stock price information: 5 years
   (ii) Frequency of price monitoring: Weekly
   (iii) Irregular information: None
   (iv) Discontinuous changes in corporate status: None
2. Allotment date: August 25, 2016
   Exercise period: From April 1, 2018 to August 24, 2021
3. Calculated based on most recent dividend payment
4. Yield of Japanese Government Bonds for the tenor corresponding to the estimated remaining period

Fiscal year ended March 31, 2018

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

(Notes)

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

4. Share-based payment expenses

Share-based payment expenses recognized in "other selling, general and administrative expenses" of the consolidated statement of profit or loss for the fiscal year ended March 31, 2017 and 2018 were ¥6million and ¥7 million, respectively.

31. Financial instruments

1. Capital management

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

There are no capital restrictions that affect the Group.

2. Risk management for financial instruments

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

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

(i) Credit risk management

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

(1) Trade and other receivables

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

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

(2) Short-term investments

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

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

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

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

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

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

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

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

The carrying amount of trade receivables that approximate collectively measured expected credit losses of the financial assets for the entire period to recognize the allowance for doubtful accounts as of April 1, 2016, March 31, 2017 and 2018 are ¥217 million, ¥247 million and ¥363 million, respectively.

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

	2017	2018
	Millions of yen	Millions of yen
Beginning balance	1	1
Increase during the year	1	2
Decrease during the year due to settlement for intended purposes	–	–
Decrease during the year due to reversal	(1)	(1)
Other changes	–	–
Ending balance	1	2

(ii) Liquidity risk management

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

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

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

Financial liabilities by maturity date consist of the following:

Transition date (As of April 1, 2016)

	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities				
Trade and other payables	288	288	252	36
Convertible bonds with stock acquisition rights scheduled for redemption within one year	19,926	19,926	19,926	–
Total	20,214	20,214	20,178	36

Fiscal year ended March 31, 2017

	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities				
Trade and other payables	210	210	197	14
Total	210	210	197	14

Fiscal year ended March 31, 2018

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

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

	Transition date As of April 1, 2016	2017	2018
	Millions of yen	Millions of yen	Millions of yen
Total commitment lines	900	900	900
Drawn	―	―	―
Undrawn	900	900	900

(iii) Exchange rate risk management

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

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

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

3. Fair value of financial instruments

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

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

(i) Measurement methods of the fair value

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

(Cash and cash equivalents, trade and other receivables, other financial assets (current), trade and other payables)
Carrying amounts approximate fair values because these are settled in the short-term.

(Other financial assets (non-current))
Fair value of non-marketable equity securities included in other financial assets is measured by appropriate measurement methods such as measurement using recently available data.

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

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

(Bonds)
Carrying amounts approximate fair values of bonds regarding convertible bonds with stock acquisition rights scheduled for redemption within one year because these are settled in the short-term.

(ii) Financial instruments measured at amortized cost

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

(Millions of yen)

	Transition date As of April 1, 2016		2017		2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Financial assets measured at amortized cost						
Leasehold and guarantee deposits	60	72	61	71	62	72
Total	60	72	61	71	62	72

(Notes)

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

(ii) There were no significant transfers between Level 1, Level 2 and Level 3 during the year ended March 31, 2017 and March 31, 2018.

(iii) Financial instruments measured at fair value

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

Transition date (As of April 1, 2016)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:					
Financial assets measured at fair value through profit or loss					
Other financial assets	90	－	－	90	90
Financial assets measured at fair value through other comprehensive income					
Other financial assets	824	－	－	824	824
Total	915	－	－	915	915

Fiscal year ended March 31, 2017

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:					
Financial assets measured at fair value through profit or loss					
Other financial assets	145	－	－	145	145
Financial assets measured at fair value through other comprehensive income					
Other financial assets	1,863	－	－	1,863	1,863
Total	2,008	－	－	2,008	2,008

Fiscal year ended March 31, 2018

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

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

There were no significant transfers between Level 1, Level 2 and Level 3 during the year ended March 31, 2017 and March 31, 2018.

(iv) Assessment procedures

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

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

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

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

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

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

	2017	2018
	Millions of yen	Millions of yen
Beginning balance	915	2,008
Total gains and losses		
Profit or loss (Notes 1)	49	(4)
Other comprehensive income (Note 2)	611	(523)
Purchases	433	1,563
Sales	ー	(700)
Ending balance	2,008	2,344
Changes of unrealized profit related to possessed assets posted at the end of reported period (Note 1)	49	(4)

(Notes)

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

32. Related parties

1. Principal subsidiaries and associates etc.

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

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

2. Primary executive management compensation

Primary executive management compensation consists of the following:

	2017	2018
	Millions of yen	Millions of yen
Basic remuneration:		
Directors (Excluding Outside Members of Board of Directors)	33	33
Members of the Audit and Supervisory Board (Excluding Outside Members of the Audit and Supervisory Board)	―	―
Outside Members of the Board of Directors / Outside Members of the Audit and Supervisory Board	13	13
Total	46	46

33. Subsequent events

There are no items to report.

34. First-time adoption

The Group prepared its consolidated financial statements in accordance with IFRS. The latest consolidated financial statements prepared in accordance with Japanese-GAAP (the previously applied GAAP) are for the fiscal year ended March 31, 2017. The date of transition is April 1, 2016.

1. Exemptions to IFRS 1

In principle, IFRS stipulates that an entity adopting IFRS for the first time shall apply IFRS retrospectively to prior periods. However, IFRS 1 allows certain exemption from the adoption of certain aspects of IFRS. Impacts caused by this exemption were adjusted in retained earnings and other items of owner's equity as of date of transition to IFRS. The Group adopted the following exemptions.

・Business combinations

IFRS 1 permits an entity not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred prior to the date of transition to IFRS. The Group elected to apply this exemption and did not apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS.

・Exchange differences on translation of foreign operations

IFRS 1 permits the cumulative amount of exchange differences on translating foreign operations to be deemed to be zero at the date of transition to IFRS. The Group elected to apply this exemption and deemed all cumulative exchange differences on translating foreign operations as zero at the date of transition to IFRS.

・Share-based payment

IFRS 1 encourages but does not force an entity to apply IFRS 2 "Share-based Payment" to equity instruments granted on or after November 7, 2002 and vested before the later of either date of transition to IFRS or January 1, 2015. The Group elected not to apply IFRS 2 to equity instruments that were vested before the date of transition to IFRS.

・Decommissioning liabilities included in the cost of property, plant and equipment

IFRS 1 permits an entity to choose either of the following option for decommissioning liabilities included in the cost of property, plant and equipment :(A) applying IFRS retrospectively from the time when the liability first arose or (B) measuring the decommissioning liabilities included in the cost of property, plant and equipment as of the date of transition to IFRS. The Group chose option (B).

・Designation of previously recognized financial instruments

IFRS 1 permits an entity to designate financial instruments recognized prior to the date of transition to IFRS based on relevant facts and circumstances that existed at the date of transition to IFRS. Furthermore, IFRS 1 permits an entity to designate some of its financial instruments as instruments with changes of fair values measurable through other comprehensive income.

The Group elected to apply this exemption and designates financial instruments recognized prior to the date of transition to IFRS based on relevant facts and circumstances that existed at the date of transition to IFRS and designates some of its financial instruments as instruments with changes of fair values measurable through other comprehensive income.

2. Mandatory exceptions to application of IFRS 1

IFRS 1 prohibits the retrospective application of IFRS to "estimates", "derecognition of financial assets and financial liabilities", "hedge accounting", "non-controlling interests", and "classification and measurements of financial assets". The Group applies these items to these items prospectively from the date of transition.

3. Reconciliations

The reconciliations required to be disclosed in the first IFRS financial statements are described in the reconciliations below. "Reclassification" includes items that do not affect retained earnings and comprehensive income, while "Classification and measurements of financial assets" includes items that affect retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2016 (Transition date)

(Millions of yen)

Japanese-GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
Assets						Assets
Current assets						Current assets
Cash and deposits	14,459	4,000	3	18,462	(1),(16)	Cash and cash equivalents
Accounts receivable-trade	217	348	7	573	(2),(3), (16)	Trade and other receivables
Securities	25,500	(4,000)	－	21,501	(1)	Other financial assets
Inventories	450	－	0	450	(16)	Inventories
Accounts receivable	349	(349)	－	－	(2)	
Other	76	0	1	77	(16)	Other current assets
Allowance for doubtful accounts	(1)	1	－	－	(3)	
Total current assets	41,051	－	11	41,062		Total current assets
Non-current assets						Non-current assets
	－	461	1	462	(6)	Operating lease assets
Property, plant and equipment	5,332	(461)	212	5,084	(6)	Property, plant and equipment
Intangible assets	66	－	－	66		Intangible assets
Investment securities	915	(915)	－	－	(4)	
Other	171	830	(27)	975	(4),(5), (16)	Other financial assets
	－	85	11	96	(4)	Other non-current assets
Total non-current assets	6,484	－	198	6,681		Total non-current assets
Total assets	47,534	－	209	47,743		Total assets

(Millions of yen)

Japanese-GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Convertible bonds with stock acquisition rights scheduled for redemption within one year	19,927	—	(2)	19,926		Convertible bonds with stock acquisition rights scheduled for redemption within one year
Accounts payable-trade	48	204	0	252	(7),(16)	Trade and other payables
Income taxes payable	64	—	(64)	—	(11)	
Other	283	(204)	125	204	(7),(8),(11),(16)	Other current liabilities
Total current liabilities	20,323	—	59	20,382		Total current liabilities
Non-current liabilities						Non-current liabilities
	—	36	—	36	(7)	Other payables
Asset retirement obligations	72	—	19	91	(9)	Provisions
Deferred tax liabilities	11	—	53	64	(10)	Deferred tax liabilities
Other	65	(36)	—	29	(7)	Other non-current liabilities
Total non-current liabilities	148	—	72	220		Total non-current liabilities
Total liabilities	20,471	—	132	20,602		Total liabilities
Net assets						Equity
Capital stock	16,512	—	—	16,512		Share capital
Capital surplus	16,448	—	(117)	16,331	(12)	Capital surplus
Treasury shares	(0)	—	—	(0)		Treasury shares
Stock acquisition rights	537	(537)	—	—	(14)	
Total accumulated other comprehensive income	1	537	(1)	536	(13),(14)	Other components of equity
Retained earnings	(6,433)	—	206	(6,227)	(17)	Retained earnings
	27,064	—	87	27,151		Total equity attributable to owners of the parent
Non-controlling interests	—	—	(10)	(10)	(15)	Non-controlling interests
Total net assets	27,064	—	77	27,141		Total equity
Total liabilities and net assets	47,534	—	209	47,743		Total liabilities and equity

Reconciliation of equity as of March 31, 2017
(The latest financial statements under Japanese-GAAP)

(Millions of yen)

Japanese-GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
Assets						Assets
Current assets						Current assets
Cash and deposits	10,376	3,000	3	13,378	(1),(16)	Cash and cash equivalents
Accounts receivable-trade	247	124	7	379	(2),(3), (16)	Trade and other receivables
Securities	23,000	(2,998)	−	20,002	(1)	Other financial assets
Inventories	527	−	0	527	(16)	Inventories
Accounts receivable-other	125	(125)	−	−	(2)	
Other	118	(2)	4	119	(16)	Other current assets
Allowance for doubtful accounts	(1)	1	−	−	(3)	
Total current assets	34,391	−	14	34,405		Total current assets
Non-current assets						Non-current assets
	−	478	2	480	(6)	Operating lease assets
Property, plant and equipment	10,866	(478)	216	10,603	(6)	Property, plant and equipment
Intangible assets	66	−	−	66		Intangible assets
Investment securities	1,361	(1,361)	−	−	(4)	
Other	164	1,282	622	2,069	(4),(5), (16)	Other financial assets
	−	78	10	88	(4)	Other non-current assets
Total non-current assets	12,457	−	850	13,307		Total non-current assets
Total assets	46,848	−	864	47,712		Total assets

(Millions of yen)

Japanese-GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Convertible bonds with stock acquisition rights scheduled for redemption within one year	–	–	–	–		Convertible bonds with stock acquisition rights scheduled for redemption within one year
Accounts payable-trade	21	176	0	197	(7),(16)	Trade and other payables
Income taxes payable	152	–	(152)	–	(11)	
Other	320	(176)	226	370	(7),(8),(11),(16)	Other current liabilities
Total current liabilities	492	–	75	567		Total current liabilities
Non-current liabilities						Non-current liabilities
	–	14	–	14	(7)	Other payables
Asset retirement obligations	73	–	18	91	(9)	Provisions
Deferred tax liabilities	14	–	261	275	(10)	Deferred tax liabilities
Other	43	(14)	–	29	(7)	Other non-current liabilities
Total non-current liabilities	130	–	279	408		Total non-current liabilities
Total liabilities	622	–	353	975		Total liabilities
Net assets						Equity
Capital stock	26,744	–	–	26,744		Share capital
Capital surplus	26,680	–	(184)	26,495	(12)	Capital surplus
Treasury shares	(0)	–	–	(0)		Treasury shares
Stock acquisition rights	12	(12)	–	–	(14)	
Total accumulated other comprehensive income	12	12	407	432	(13),(14)	Other components of equity
Retained earnings	(7,222)	–	319	(6,903)	(17)	Retained earnings
	–	–	541	46,768		Total equity attributable to owners of the parent
Non-controlling interests	–	–	(31)	(31)	(15)	Non-controlling interests
Total net assets	46,226	–	511	46,737		Total equity
Total liabilities and net assets	46,848	–	864	47,712		Total liabilities and equity

Notes to reconciliation of equity

1. Presentational reclassification of cash and deposits

   Time deposits with deposit terms of over three months, which were presented as "cash and deposits" under Japanese-GAAP are reclassified as "other financial assets (current)" under IFRS.

   Furthermore, bonds with redemption period with term of under three month, which were presented as "securities" under Japanese-GAAP are reclassified as "cash and cash equivalent" under IFRS.

2. Presentational reclassification of trade and other receivables

   "Accounts receivable-trade" and "accounts receivable-other", which were presented separately as current assets under Japanese-GAAP are reclassified as "trade and other receivables" under IFRS

3. Presentational reclassification of allowance for doubtful accounts

   "Allowance for doubtful accounts (current)", which was presented separately under Japanese-GAAP is deducted directly from "trade and other receivables" under IFRS and is presented in net amounts.

4. Presentational reclassification of other financial assets (non-current)

   "Investment securities", which were presented separately and "lease and guarantee deposits" presented as "other" in investments and other assets under Japanese-GAAP are transferred and presented as "other financial assets (non-current)".

   Furthermore, "lease and guarantee deposits" that was measured by the original amount under Japanese-GAAP is measured by the fair value at the beginning under IFRS. It will be measured by amortized cost. Translation adjustments are posted as "other non-current assets" as the rent paid in advance and the Group recognizes both rent and interest income over time.

5. Non-traded investments in equity instruments

   Non-traded investments presented as investment securities under Japanese-GAAP was deemed difficult to reliably measure the quoted prices in active market and acquisition cost was used to evaluate its value. Under IFRS, fair value is used to measure the value of non-traded investments, affecting the amount of "other financial assets (non-current)".

6. Reconciliation of recorded amount in property, plant and equipment

   Assets for rent, which was presented as "property, plant and equipment" under Japanese-GAAP is renamed to "operating lease assets" in non-current assets and presented separately under IFRS.

   The Group mainly used declining-balance method for the purpose of depreciating property, plant and equipment (excluding lease assets). However, the Group adopted straight-line method under IFRS to depreciate property, plant and equipment.

   Furthermore, the Group revised the useful lives for some of its property, plant and equipment.

7. Presentational reclassification of trade and other payables

   Accounts payable-trade that was presented separately as current liabilities and accounts payable-other that was presented as "other" of current liabilities under Japanese-GAAP are transferred and presented as "trade and other payables" under IFRS.

   Long-term account payable-installment purchase that was presented as "other" of non-current liabilities is transferred and presented as "other payables" of non-current liabilities under IFRS.

8. Unused paid leaves

   Unused paid leaves that were not accounted for under Japanese-GAAP are recorded as "other current liabilities" under IFRS.

9. Provisions

   Asset retirement obligation that was presented separately as non-current assets under Japanese-GAAP is transferred and presented as "provisions".

10. Temporary difference caused by reconciliation of IFRS

As a result of adoption of other IFRS, temporary differences caused and deferred tax liabilities are recognized by the Group.

11. Levies

Taxes such as Size-based Business Tax (capital base), Inhabitant Tax (flat rate) and Fixed Asset Tax were expensed across the fiscal year under Japanese-GAAP. Under IFRS the timing of when to recognize the liabilities related to the payment of aforementioned levies are recognized according to the event obligating the payment.

Furthermore, accrued tax (Size-based Business Tax capital base) that was presented as "income taxes payable" is presented as "other current liabilities" under IFRS.

12. Deduction of share issuance fee from the capital

Transaction fees related to issuance of financial assets of the Company were processed as profit or loss under Japanese-GAAP. Under IFRS, the relevant fees are deducted directly from the capital surplus.

13. Exchange differences on translation of foreign operations

The Group elected to apply this exemption and wholly reclassified all cumulative exchange differences at the date of transition to IFRS to retained earnings.

14. Reclassification of other components of equity

"Foreign currency translation adjustments", "valuation difference on available-for-sale securities" and "stock acquisition rights", which were presented separately under Japanese-GAAP, are reclassified to "other components of equity".

15. Attribution of comprehensive income to non-controlling interest

The parent was covering the deficit balance of the non-controlling interest under Japanese-GAAP. Under IFRS, the deficit balance is attributable to owner of the parent and non-controlling interest.

16. Difference of range of consolidation

Reconciliations are made to adjust the difference in range of consolidated subsidiaries under Japanese-GAAP and IFRS.

Furthermore, subsidiary with no significance was not included in the range of consolidation under Japanese-GAAP. However, the relevant subsidiaries are included in the range of consolidation under IFRS.

17. Adjustments to retained earnings

	Transition date As of April 1, 2016	2017
	Millions of yen	Millions of yen
Adjustments to share issuance fee	117	183
Adjustments to property, plant and equipment	194	200
Cumulative translation differences on foreign operations	1	1
Adjustments to levies	(43)	(48)
Adjustments to unused paid leaves	(11)	(16)
Other	(9)	40
Subtotal	249	359
Deferred tax assets and deferred tax liabilities	(53)	(71)
Adjustments to non-controlling interest	10	31
Total	206	319

Reconciliation of profit or loss and comprehensive income for the year ended March 31, 2017
(The latest financial statements under Japanese-GAAP)

(Millions of yen)

Japanese-GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
Net sales	1,650	－	10	1,660	(10)	Revenue
Costs of sales	(571)	－	(16)	(587)	(1),(3), (7),(10)	Cost of sales
Gross profit	1,079	－	(7)	1,072		Gross profit
Research and development expenses	(903)	－	2	(901)	(1),(7)	Research and development expenses
Other selling, general and administrative expenses	(1,348)	－	(13)	(1,361)	(3),(7), (10)	Other selling, general and administrative expenses
Total selling, general and administrative expenses	(2,251)	－	(11)	(2,262)		Total selling, general and administrative expenses
	－	1,234	(735)	499	(2),(8), (10)	Other income
	－	(749)	742	(7)	(1),(2), (8),(10)	Other expenses
Operating profit (loss)	(1,172)	485	(10)	(697)		Operating profit (loss)
Non-operating income	1,242	(1,242)	－	－	(2)	
Non-operating expenses	(853)	853	－	－	(2)	
Extraordinary income	0	(0)	－	－	(2)	
Extraordinary loss	(0)	0	－	－	(2)	
	－	9	50	59	(2),(4), (10)	Finance income
	－	(104)	95	(9)	(2),(5)	Finance costs
Net income (loss) before provision for income taxes	(783)	－	135	(648)		Profit (loss) before tax
Income taxes-current	(8)	1	(42)	(49)	(6),(7)	Income tax expense
Income taxes-deferred	1	(1)	－	－		
Net income (loss)	(789)	－	92	(697)		Profit (loss)
						Profit (loss) attributable to
	－	(789)	113	(676)		Owners of parent
Net income (loss) attributable to non-controlling interests	－	－	(21)	(21)	(9)	Non-controlling interests
Net income (loss) attributable to CYBERDYNE,INC.	(789)	789	－	－		

(Millions of yen)

Japanese-GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
Net income (loss)	(789)	—	92	(697)		Profit (loss)
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	9	—	408	417	(4)	Financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	3	—	(0)	2		Exchange differences on translation of foreign operations
Total accumulated other comprehensive income	12	—	408	420		Total other comprehensive income, net of tax
Total comprehensive income	(778)	—	500	(278)		Comprehensive income
(Comprehensive income attributable to)						Comprehensive income attributable to:
CYBERDYNE,INC.	(778)	—	521	(256)		Owners of parent
Non-controlling interests	—	—	(21)	(21)	(9)	Non-controlling interests
	(778)	—	500	(278)		Comprehensive income

Notes to reconciliation of profit or loss and comprehensive income

1. Changes of depreciation method and useful lives

   The Group mainly used declining-balance method for the purpose of depreciating property, plant and equipment. However, the Group adopted straight-line method under IFRS to depreciate property, plant and equipment. Following the aforementioned changes, the Group reconciled the cost of sales as well as other selling, general and administrative expenses. Furthermore, Group recalculated the gain (loss) on sale of non-current assets as well as the loss on reduction of non-current assets as it was calculated by the declining-balance method.

   The Group also revised the useful lives for some of its property, plant and equipment.

2. Reconciliation to the presented items

   The Group applied reconciliations to the items presented as "non-operating income", "non-operating expenses", "extraordinary income" and "extraordinary expenses" under Japanese-GAAP. Namely, the aforementioned items that was related to gain or loss are posted as "finance income" and "finance cost", while other items are posted as "other income" and "other expenses".

3. Unused paid leaves

   Unused paid leaves that were not accounted for under Japanese-GAAP are recognized as personnel expenses under IFRS.

4. Non-traded investments in equity instruments

   Acquisition cost was posted as the value of non-traded investments under Japanese-GAAP. Under IFRS, if the non-traded investment was classified as equity instrument measured at fair value through comprehensive income according to IFRS 9, it shall be measured by fair value regardless of marketability and changes shall be recognized through comprehensive income. If the non-traded investment was classified as equity instrument measured at fair value through profit or loss, it shall be measured by fair value regardless of marketability and changes shall be recognized through profit or loss.

5. Deduction of share issuance fee from the capital

   Transaction fees related to issuance of financial assets of the Company were processed as profit or loss under Japanese-GAAP. Under IFRS, the relevant fees are deducted directly from the capital surplus.

6. Income taxes-current and income taxes-deferred

   Under the Japanese-GAAP, income taxes-current and income taxes-deferred were presented separately. Under IFRS, these are both presented as income tax expenses. In pursuant to the adoption of IFRS, the Group reconsiders the possibility of recollecting all deferred tax assets.

   Furthermore, due to the adoption of IFRS, taxes-effect as well as other taxes-effect was recognized and measured on various reconciliation, changing the value of the income tax expenses.

7. Levies

   Taxes such as Size-based Business Tax (capital base), Inhabitant Tax (flat rate) and Fixed Asset Tax were expensed across the fiscal year under Japanese-GAAP. Under IFRS the timing of when to recognize the liabilities related to the payment of aforementioned levies are recognized according to the event obligating the payment.

8. Government grants to assets

   Government grants to assets was wholly presented as subsidy income as well as reduction on loss of non-current assets under Japanese-GAAP. Under IFRS, these items are presented net.

9. Attribution of comprehensive income to non-controlling interest

   The parent was covering the deficit balance of the non-controlling interest under Japanese-GAAP. Under IFRS, the deficit balance is attributable to owner of the parent and non-controlling interest.

10. Difference of range of consolidation

    Reconciliations are made to adjust the difference in range of consolidated subsidiaries under Japanese-GAAP and IFRS.

    Furthermore, subsidiary with no significance was not included in the range of consolidation under Japanese-GAAP. However, the relevant subsidiaries are included in the range of consolidation under IFRS.

Reconciliation of cash flows for the fiscal year ended March 31, 2017
(The latest financial statements under Japanese-GAAP)

There are no material differences between the consolidated statement of cash flows that was disclosed in accordance with Japanese-GAAP and that which was presented in accordance with IFRSs.

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

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

(Unaudited)
[Appendix 1]

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

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

(Unaudited)
[Appendix 2]

(Information on differences in primary items in relations to outline of operating results etc.)
Details of differences between consolidated financial statements under IFRS and consolidated financial statements under Japanese-GAAP are as follows:

The latest financial statements (From April 1, 2017 to March 31, 2018)
Impact to profit as well as comprehensive income following the transition to IFRS is as follows:

Reconciliation items	Impact to profit as well as comprehensive income	Details
	Millions of yen	
Amount posted for property, plant and equipment	(1)	(1)
Unused paid leaves	(4)	(2)
Non-traded investments in equity instruments	(103)	(3)
Investment accounted for using equity method	21	(4)
Levies	3	(5)
Other	(0)	
Total reconciliation to profit	(84)	
Non-traded investments in equity instruments	(386)	(3)
Total reconciliation to comprehensive income	(470)	

Impact to retained earnings following the transition to IFRS is as follows:

Reconciliation items	Impact to retained earnings	Details
	Millions of yen	
Amount posted for property, plant and equipment	200	(1)
Unused paid leaves	(21)	(2)
Non-traded investments in equity instruments	45	(3)
Investment accounted for using equity method	21	(4)
Levies	(44)	(5)
Adjustments to share issuance fee	183	(6)
Other	(5)	
Subtotal	379	
Deferred tax assets and deferred tax liabilities	(72)	
Adjustments to non-controlling interest	34	
Total reconciliation to retained earnings	341	

(1) Changes of depreciation method and useful lives

The Group mainly used declining-balance method for the purpose of depreciating property, plant and equipment. However, the Group adopted straight-line method under IFRS to depreciate property, plant and equipment. Following the aforementioned changes, the Group reconciled the cost of sales as well as other selling, general and administrative expenses. Furthermore, the Group recalculated the gain (loss) on sale of non-current assets as well as the loss on reduction of non-current assets as it was calculated by the declining-balance method.

The Group also revised the useful lives for some of its property, plant and equipment.

(2) Unused paid leaves

Unused paid leaves that were not accounted for under Japanese-GAAP are recognized as personnel expenses under IFRS.

(3) Non-traded investments in equity instruments

Acquisition cost was posted as the value of non-traded investments under Japanese-GAAP. Under IFRS, if the non-traded investment was classified as equity instrument measured at fair value through comprehensive income according to IFRS 9, it shall be measured by fair value regardless of marketability and changes shall be recognized through comprehensive income. If the non-traded investment was classified as equity instrument measured at fair value through profit or loss according to IFRS 9, it shall be measured by fair value regardless of marketability and changes shall be recognized through profit or loss.

Furthermore, the Group posted ¥100 million from gain on sale of non-traded investment securities in extraordinary income under Japanese-GAAP. Under IFRS, it is recognized as retained earnings and it is not posted as profit or loss.

(4) Investment accounted for using equity method

Under Japanese-GAAP, goodwill to associates was recognized as share of profit of investment accounted for using the equity method amortized over the period during which the influence of the goodwill shall apply. Under IFRS, goodwill is not amortized.

As such, share of profit of investment accounted for using the equity method under IFRS is ¥21 million less to the same item under Japanese-GAAP

(5) Levies

Taxes such as Size-based Business Tax (capital base), Inhabitant Tax (flat rate) and Fixed Asset Tax were expensed across the fiscal year under Japanese-GAAP. Under IFRS the timing of when to recognize the liabilities related to the payment of aforementioned levies are recognized according to the event obligating the payment.

(6) Deduction of share issuance fee from the capital

Transaction fees related to issuance of financial assets of the Company were processed as profit or loss under Japanese-GAAP. Under IFRS, the relevant fees are deducted directly from the capital surplus.