[Translation]

Annual Securities Report

(The 17th Business Term)

From April 1, 2020 to March 31, 2021

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 document, "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.

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

1【Changes in major management indicators】

(1) Consolidated management indicators

Order		International Financial Standards (IFRS)				
		Term 13	Term 14	Term 15	Term 16	Term 17
Date of settlement		March 2017	March 2018	March 2019	March 2020	March 2021
Revenue	Millions of yen	1,660	1,728	1,709	1,792	1,875
Operating profit (loss)	Millions of yen	(697)	(659)	(830)	(1,039)	(700)
Profit (loss) before tax	Millions of yen	(648)	(672)	(569)	91	408
Profit (loss) attributable to owner of the parent	Millions of yen	(676)	(673)	(632)	(152)	(59)
Comprehensive profit(loss) attributable to owners of the parent	Millions of yen	(256)	(1,076)	(1,480)	42	(479)
Equity attributable to owners of the parent	Millions of yen	46,768	45,698	44,217	44,268	43,776
Total assets	Millions of yen	47,712	46,598	45,746	47,808	48,119
Equity attributable to owners of the parent per share	Yen	217.56	212.53	205.50	205.71	203.39
Basic earnings (loss) per share	Yen	(3.16)	(3.13)	(2.94)	(0.71)	(0.27)
Diluted earnings (loss) per share	Yen	(3.16)	(3.13)	(2.94)	(0.71)	(0.27)
Ratio of equity attributable to owners of the parent	%	98.0	98.1	96.7	92.6	91.0
Return of equity attributable to owners of the parent	%	—	—	—	—	—
Price-to-earnings ratio	Ratio	—	—	—	—	—
Cash flow from operating activities	Millions of yen	575	(53)	(775)	(215)	(775)
Cash flow from investing activities	Millions of yen	(5,548)	(2,484)	(1,917)	(244)	(2,794)
Cash flow from financing activities	Millions of yen	(110)	(23)	670	1,304	617
Balance of cash and cash equivalents at the end of the fiscal year	Millions of yen	13,378	10,820	8,796	9,636	6,704
Numbers of employee (Average number of non-regular employees)	Persons	71 (94)	75 (63)	84 (47)	95 (56)	96 (44)

Note

1. Revenue does not include consumption tax etc.
2. Consolidated financial statement have been prepared in accordance with International Accounting Standards since the 14th business term.
3. Price-to-earnings ratio is not stated because CYBERDYNE recorded a loss attributable to owners of the parent
4. Return of equity attributable to the owners of the parent is not stated because CYBERDYNE recorded a loss attributable to the owners of the parent
5. Rounded down to the closest millions of yen (same for the following)

Order		Japanese GAAP	
		Term 13	Term 14
Date of settlement		March 2017	March 2018
Net sales	Millions of yen	1,650	1,727
Ordinary profit (loss)	Millions of yen	(783)	(689)
Net profit attributable to owners of the parent	Millions of yen	(789)	(591)
Comprehensive income	Millions of yen	(778)	(614)
Net assets	Millions of yen	46,226	45,630
Total assets	Millions of yen	46,848	46,339
Net assets per share	Yen	214.90	212.04
Net profit (loss) per share	Yen	(3.69)	(2.75)
Diluted net income per share	Yen	–	–
Capital ratio	%	98.6	98.4
Return of equity	%	–	–
Price-to-earnings ratio	Ratio	–	–
Cash flow from operating activities	Millions of yen	575	(53)
Cash flow from investing activities	Millions of yen	(5,548)	(2,483)
Cash flow from financing activities	Millions of yen	(110)	(23)
Balance of cash and cash equivalents at the end of the fiscal year	Millions of yen	13,376	10,820
Numbers of employee (Average number of non-regular employees)	persons	71 (94)	75 (63)

Note
1. Net sales does not include consumption tax etc.
2. Diluted net income per share is not stated because, while there are diluted shares, CYBERDYNE recorded net loss per share.
3. Return of equity is net is not stated as CYBERDYNE recorded net loss attributable to owners of the parent.
4. Price-to-earnings ratio is not stated as CYBERDYNE recorded net loss per share.
5. Figures based on Japanese GAAP for the 14th business term has not been audited in accordance with Article 163 item 2-1 of the Financial Instruments and Exchange Law.

(2) Non-consolidated management indicators

Order		Term 13	Term 14	Term 15	Term 16	Term 17
Date of settlement		March 2017	March 2018	March 2019	March 2020	March 2021
Net sales	Millions of yen	1,454	1,543	1,530	1,595	1,663
Operating profit (loss)	Millions of yen	(702)	(625)	(734)	(615)	(521)
Net profit (loss)	Millions of yen	(707)	(529)	(1,906)	(849)	(527)
Share capital	Millions of yen	26,744	26,744	26,778	26,778	10
Total number of issued shares	Shares	Common Share 137,347,609 Class B Share 77,700,000	Common Share 137,347,609 Class B Share 77,700,000	Common Share 137,445,809 Class B Share 77,700,000	Common Share 137,445,809 Class B Share 77,700,000	Common Share 137,445,809 Class B Share 77,700,000
Net assets	Millions of yen	46,374	45,844	44,020	43,167	42,708
Total assets	Millions of yen	46,922	46,459	44,740	43,899	43,295
Net assets per share	Yen	215.59	213.09	204.52	200.56	198.43
Dividend per share (Interim dividend per share)	Yen	－ (－)	－ (－)	－ (－)	－ (－)	－ (－)
Net profit (loss) per share	Yen	(3.31)	(2.46)	(8.86)	(3.95)	(2.45)
Diluted net income per share	Yen	－	－	－	－	－
Capital ratio	%	98.8	98.6	98.4	98.3	98.6
Return on equity	%	－	－	－	－	－
Price-to-earnings ratio	Ratio	－	－	－	－	－
Payout ratio	%	－	－	－	－	－
Numbers of employee (Average number of non-regular employees)	Persons	61 (61)	62 (44)	65 (41)	78 (47)	81 (39)
Total shareholder return	%	74.3	70.0	31.8	28.1	29.7
(Comparative index: Tokyo Stock Exchange Mothers Index)	%	(104.9)	(118.2)	(93.6)	(60.7)	(117.9)
Highest share price	Yen	2,629	2,150	1,538	753	975
Lowest share price	Yen	1,281	1,380	449	320	360

Note
1. Net sales does not include consumption tax etc.
2. Diluted net income per share is not stated because, while there are diluted shares, CYBERDYNE, INC. recorded net loss per share.
3. Return of equity is net is not stated as CYBERDYNE, INC. recorded net loss attributable to owners of the parent.
4. Price-to-earnings ratio is not stated as CYBERDYNE, INC. recorded net loss per share.
5. The highest and lowest share prices are based on share price at Tokyo Stock Exchange (Mothers)

Chapter 5【Status of Accounting】

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

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

(2) The non-consolidated financial statements of the Company have been prepared in accordance with "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ordinance of the Ministry of Finance No. 59 of 1963. Hereinafter referred to as "Ordinance on Financial Statements").

The Company is a special company submitting financial statements and prepares financial statements pursuant to the provisions of Article 127 of the Ordinance on Financial Statements.

2 Audit Certification

Pursuant to the provisions of Article 193 item 1 of the Financial Instruments and Exchange Law, the Company has undergone an audit by Deloitte Touche Tohmatsu LLC of the consolidated financial statements for the consolidated fiscal year (from April 1, 2020 to March 31, 2021) and the non-consolidated financial statements for the business year (from April 1, 2020 to March 31, 2021).

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

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements and maintains a system that enables it to appropriately prepare consolidated financial statements in accordance with IFRS. The contents are as follows.

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

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

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

(1) Consolidated financial statements

① Consolidated statement of financial position

	Note	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	7, 32	9,636	6,704
Trade and other receivables	8, 32	263	352
Other financial assets	9, 32	19,004	19,007
Inventories	10	832	808
Other current assets	11	156	350
Total current assets		29,891	27,220
Non-current assets			
Operating lease assets	12, 17	481	475
Property, plant and equipment	12	11,553	12,206
Right of use assets	17	361	337
Goodwill	13	57	57
Intangible assets	13	53	38
Investment accounted for using equity method	14	472	454
Other financial assets	9, 32	4,872	7,271
Other non-current assets	11	68	61
Total non-current assets		17,917	20,898
Total assets		47,808	48,119

	Note	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 32	247	268
Bonds and borrowings	16, 30, 32	37	31
Lease liabilities	17, 30, 32	61	61
Other current liabilities	21	464	276
Total current liabilities		810	635
Non-current liabilities			
Bonds and borrowings	16, 30	51	49
Third-party interests in CEJ Fund	30, 32, 33	1,714	2,429
Lease liabilities	17, 30, 32	313	280
Provisions	20	93	93
Deferred tax liabilities	15	568	847
Total non-current liabilities		2,739	3,697
Total liabilities		3,549	4,332
Equity			
Share capital	22	26,753	10
Capital surplus	22	26,494	42,861
Treasury shares	22	(0)	(0)
Other components of equity	31, 32	(854)	(1,272)
Retained earnings	22	(8,124)	2,177
Total equity attributable to owners of the parent		44,268	43,776
Non-controlling interests		(9)	10
Total equity		44,259	43,786
Total liabilities and equity		47,808	48,119

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

【Consolidated statement of profit or loss】

	Note	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
		Millions of yen	Millions of yen
Revenue	6, 24	1,792	1,875
Cost of sales	10, 17, 19, 25	(492)	(591)
Gross profit		1,300	1,283
Selling, general and administrative expenses			
Research and development expenses	17, 19, 25	(812)	(689)
Other selling, general and administrative expenses	17, 19, 25, 31	(1,646)	(1,471)
Total selling, general and administrative expenses		(2,459)	(2,160)
Other income	26	138	181
Other expenses	26	(18)	(4)
Operating profit (loss)		(1,039)	(700)
Finance income	27, 32	1,184	770
Finance costs	32	(100)	(2)
Gains related to CEJ Fund	33	75	359
Share of profit (loss) of investments accounted for using equity method	14	(29)	(18)
Profit (loss) before tax		91	408
Income tax expense	15	(240)	(479)
Profit (loss)		(149)	(71)
Profit (loss) attributable to			
Owners of parent		(152)	(59)
Non-controlling interests		3	(12)
Profit (loss)		(149)	(71)
Earnings (loss) per share			
Basic earnings (loss) per share (yen)	29	(0.71)	(0.27)
Diluted earnings (loss) per share (yen)	29	(0.71)	(0.27)

【Consolidated statement of comprehensive income】

	Note	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
		Millions of yen	Millions of yen
Profit (loss)		(149)	(71)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	28,32	191	(406)
Total of items that will not be reclassified to profit or loss		191	(406)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operation	28	4	(16)
Total of items that may be reclassified to profit or loss		4	(16)
Total other comprehensive income, net of tax		195	(422)
Comprehensive income		46	(492)
Comprehensive income attributable to			
Owners of parent		42	(479)
Non-controlling interests		4	(14)
Comprehensive income		46	(492)

③ 【Consolidated statement of changes in equity】

	Note	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Stock acquisition rights
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019		26,745	26,494	(0)	(1,071)	3	19
Profit (loss)		―	―	―	―	―	―
Other comprehensive income		―	―	―	191	3	―
Total comprehensive income		―	―	―	191	3	―
Acquisition of treasury shares	22	―	―	(0)	―	―	―
Share-based payment transaction	31	8	―	―	―	―	―
Equity transaction with non-controlling interest		―	―	―	―	―	―
Increase (decrease) by business combination		―	―	―	―	―	―
Total transactions with owners		8	―	(0)	―	―	―
March 31, 2020		26,745	26,494	(0)	(880)	6	19
Profit (loss)		―	―	―	―	―	―
Other comprehensive income		―	―	―	(406)	(14)	―
Total comprehensive income		―	―	―	(406)	(14)	―
Capital reduction		(26,751)	26,751	―	―	―	―
Deficit disposition		―	(10,355)	―	―	―	―
Acquisition of treasury shares	22	―	―	(0)	―	―	―
Share-based payment transaction	31	8	―	―	―	―	―
Equity transaction with non-controlling interest		―	(29)	―	―	―	―
Increase (decrease) by business combination		―	―	―	―	2	―
Total transaction with owners		(26,743)	16,367	(0)	―	2	―
March 31, 2021		10	42,861	(0)	(1,286)	(6)	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, 2019		(1,048)	(7,972)	44,217	(15)	44,203
Profit (loss)		―	(152)	(152)	3	(149)
Other comprehensive income		194	―	194	1	195
Total comprehensive income		194	(152)	42	4	46
Acquisition of treasury shares	22	―	―	(0)	―	(0)
Share-based payment transaction	31	―	―	8	―	8
Equity transaction with non-controlling interest		―	―	―	8	8
Increase (decrease) by business combination		―	―	―	(6)	(6)
Total transactions with owners		―	―	8	2	10
March 31, 2020		(854)	(8,124)	44,268	(9)	44,259
Profit (loss)		―	(59)	(59)	(12)	(71)
Other comprehensive income		(420)	―	(420)	(2)	(422)
Total comprehensive income		(420)	(59)	(479)	(14)	(492)
Capital reduction		―	―	―	―	―
Deficit disposition		―	10,355	―	―	―
Acquisition of treasury shares	22	―	―	(0)	―	(0)
Share-based payment transaction	31	―	―	8	―	8
Equity transaction with non-controlling interest		―	―	(29)	33	4
Increase (decrease) by business combination		2	5	8	―	8
Total transaction with owners		2	10,360	(13)	33	19
March 31, 2021		(1,272)	2,177	43,776	10	43,786

④ 【Consolidated statement of cash flows】

	Note	Previous consolidated fiscal year (From March 31, 2019 to March 31, 2020)	Current consolidated fiscal year (From March 31, 2020 to March 31, 2021)
		Millions of yen	Millions of yen
Cash flows from operating activities			
Profit (loss) before tax		91	408
Depreciation and amortization	12, 13, 17	492	463
Finance income	27, 32	(1,184)	(770)
Finance costs	32	100	2
Losses (gains) on CEJ Fund	33	(75)	(359)
Share of loss of investments accounted for using equity method	14	29	18
Decrease (increase) in inventories		85	24
Decrease (increase) in trade and other receivables		1	(88)
Increase (decrease) in trade and other payables		(45)	45
Other		85	(429)
Subtotal		(420)	(686)
Interest and dividends received		318	22
Interest paid		(0)	(1)
Income taxes paid		(2)	(0)
Income taxes refund		—	1
Payments for administrative expenses etc. related to CEJ Fund	33	(111)	(110)
Net cash provided by (used in) operating activities		(215)	(775)
Cash flows from investing activities			
Purchase of investments		(29,999)	(26,999)
Proceeds of redemption of investments		29,000	27,000
Proceeds from withdrawal of time deposits		2,500	—
Purchase of property, plant and equipment	12	(399)	(1,070)
Purchase of intangible assets	13	(6)	(5)
Purchase of investment securities	32	(1,715)	(1,716)
Proceeds from sale of investment securities		333	—
Proceeds from purchase of stock of subsidiaries with change of scope consolidation		91	—
Purchase of investments accounted for using equity method		(46)	—
Other		(2)	(3)
Net cash provided by (used in) investing activities		(244)	(2,794)
Cash flows from financing activities			
Proceeds from long-term borrowings	30	—	20
Repayments of long-term borrowings	30	—	(29)
Lease liabilities paid	17, 30	(53)	(53)
Contributions into CEJ Fund from third-party investors	33	1,360	680
Other		(3)	(1)
Net cash provided by (used in) financing activities		1,304	617
Effect of exchange rate changes on cash and cash equivalents		(5)	20
Net increase (decrease) in cash and cash equivalents		840	(2,932)
Cash and cash equivalents at beginning of fiscal year	7	8,796	9,636
Cash and cash equivalents at end of year	7	9,636	6,704

【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, (https://www.cyberdyne.jp/english). The accompanying consolidated financial statements comprise the Company, its group companies (with the Company, collectively referred to as the "Group"), associates 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, 2020.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

3. Significant accounting policies

(1) Basis of consolidation

① Subsidiaries

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

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

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

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

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

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

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

② Associates

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

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

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

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

Any excess of the cost of acquisition over identifiable assets, liabilities and contingent liabilities of the associates at the date of acquisition are recognized as goodwill and it shall be included in the carrying value of the investment. As the relevant goodwill is not recognized separately, it shall not be tested for impairment on individual basis.

However, if there is objective evidence on possibility of impaired investment, the Group shall test its investment to associates for impairment by recognizing the investment as single asset in net amounts.

③ Joint venture

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

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

(2) Business combinations

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

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

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

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

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

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

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

(3) Foreign currency transaction

① Foreign currency transactions

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

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

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

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

② Financial statements of foreign operations

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

(4) Financial instruments

① Financial assets

(i) Initial recognition and measurement

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

However, for financial assets designated as financial assets measured at fair value through comprehensive profit, the Group recognizes changes in their fair value as other comprehensive income. Dividends from equity instruments measured at fair value through other comprehensive income are recognized as financial income in profit or loss.

(iii) Derecognition of financial assets

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

(iv) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

② Financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

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

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

(iii) Derecognition of financial liabilities

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

③ Offsetting of financial assets and financial liabilities

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

④ Fair value of financial instruments

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

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

(5) Cash and cash equivalents

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

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

(6) Inventories

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

(7) Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises any costs directly attributable to 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

① Goodwill

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

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

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

② Intangible assets

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

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

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

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

Software	5 years
Patents	8 years

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

③ Research and development expenses

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

(9) Leases

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

Leases as lessee

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

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

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

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

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

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

Leases as lessor

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

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

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

In finance lease transactions, when the Group becomes a lessor who is a manufacturer or a seller, the Group recognizes income, cost of sales, and gains or losses on sales, in accordance with its policy for outright sales to which IFRS 15 applies, on the commencement date. Please refer to Note "24. Revenue".

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

(10) Impairment of non-financial assets

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

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

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

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

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

(11) Employee benefits

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

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

(12) Share-based payment

① Stock options

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

② Shares with transfer restriction

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

Consideration received for services is recognized as an expense by straight-line method over certain period from the day of allotment and an equal amount is recognized as an increase in capital.

(13) Provisions

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

(14) Revenue

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

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

Details on recognition of revenue are stated in Note "22. Revenue".

(15) Government grants

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

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

(16) Income taxes

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

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

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

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

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

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

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

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

(17) Earnings per share

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

(18) Equity and other capital

① Common shares

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

② Treasury shares

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

(19) Significant accounting policy related to Cybernic Excellence Japan Fund 1 Investment Limited Partnership

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

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

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

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

② Investment by CEJ Fund

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

③ Contribution from Limited Partners (“LP”) to CEJ Fund

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

(a) Contribution from LP other than the Company

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

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

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

(b) Contribution from the Company

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

4. Significant accounting estimates and judgments

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

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

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

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

・ Matters concerning financial instruments (Notes "3. Significant accounting policies, 4. Financial instruments", Notes "3. Significant accounting policies, 19. Significant accounting policy related to Cybernic Excellence Japan Fund 1 Investment Limited Partnership", Notes "9. Other financial assets", "32. Financial instruments" as well as "33. CEJ Fund")
・ Impairment of non-financial assets (Note "3. Significant accounting policies, 10. Impairment of non-financial assets"), and “12. Property, plant and equipment”)
・ Useful lives of property, plant and equipment, estimation of residual value (Note "3. Significant accounting policies, 7. Property, plant and equipment" as well as Note "12. Property, plant and equipment")
・ Collectability of deferred tax assets (Note "15. Income taxes")
・Recognition of revenue (Note "3. Significant accounting policies, 15. Revenue", Note "24. Revenue")
・Measurement of share-based payments (Note "31. Share-based payment")
・Equity interests in CEJ
・Estimates of measurement of equity from Third-Party in CEJ Funds (Note "3. Significant accounting policies, 19. Significant accounting policy related to Cybernic Excellence Japan Fund 1 Investment Limited Partnership")

5. New standards and interpretations not yet adopted

None of the accounting standards or interpretations newly established or amended by the approval date of the consolidated financial statements have a material impact.

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 consolidated statement of profit or loss, segment information by product and service is omitted.

Note "24. Revenue" presents the details of revenue.

(4) Geographical information

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

Revenue to customers

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Japan	1,472	1,550
US	29	16
EMEA (Europe, Middle East and Africa)	173	109
APAC	118	200
Total	1,792	1,875

(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:

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
	Millions of yen	Millions of yen
Cash and cash equivalents		
Cash and deposits	7,136	5,704
Short-term investments	2,500	1,000
Total	9,636	6,704

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:

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
	Millions of yen	Millions of yen
Accounts receivable-trade	256	353
Accounts receivable-other	9	1
Allowance for doubtful accounts	(2)	(3)
Total	263	352

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:

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
	Millions of yen	Millions of yen
Other financial assets		
Financial assets measured at amortized cost:		
Bonds	18,999	18,999
Leasehold and guarantee deposits	68	69
Other	5	39
Financial assets measured at fair value through profit or loss:		
Equity securities	3,550	5,407
Convertible bonds	367	683
Other	22	6
Financial assets measured at fair value through other comprehensive income:		
Equity securities	864	1,073
Total	23,876	26,277
Current assets	19,004	19,007
Non-current assets	4,872	7,271
Total	23,876	26,277

(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:

Trading name	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
	Millions of yen	Millions of yen
Listed		
Kringle Pharma, Inc.	－	197
Total	－	197
Not-listed		
WHILL, Inc.	626	626
Materials Innovation Tsukuba Co. Ltd.	100	100
Other	137	150
Total	864	877

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.

Dividend income recognized from equity instruments consists of the following:

	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Investments derecognized during the previous fiscal year	－	－
Investments held as of March 31, 2021	304	－
Total	304	－

10. Inventories

Inventories consist of the following:

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
	Millions of yen	Millions of yen
Merchandise and finished goods	221	207
Work in process	17	32
Raw materials	594	569
Total	832	808

The amount of inventories recognized as expenses and included in the cost of sales for the previous consolidated fiscal year and the current consolidated fiscal year were ¥298 million and ¥442 million, respectively.

Loss on devaluation of inventory recognized as expenses and included in the cost of sales for the previous consolidated fiscal year and current consolidated fiscal year were ¥14 million and ¥6 million, respectively.

11. Other assets

Other assets consist of the following:

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
	Millions of yen	Millions of yen
Other current assets		
Prepaid expenses	128	131
Consumption taxes receivable	9	11
Other	18	207
Total	156	350
Other non-current assets		
Long-term prepaid expenses	68	61
Total	68	61

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.

Acquisition costs	Operating lease assets	Property plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019	1,046	9,803	1,822	1,136	266	495	13,522	14,568
Additions	224	69	3	84	7	13	176	400
Sales and disposals	(199)	—	—	(21)	(2)	—	(22)	(222)
Exchange differences on translation of foreign operations	—	—	(0)	(0)	(0)	—	(1)	(1)
Other	—	0	(1)	(1)	—	0	(2)	(2)
March 31, 2020	1,070	9,872	1,823	1,198	271	508	13,673	14,743
Additions	147	—	24	154	—	747	924	1,071
Sales and disposals	(77)	—	—	(10)	—	—	(10)	(87)
Exchange differences on translation of foreign operations	—	—	0	0	0	—	1	1
Other	—	—	(11)	13	1	(1)	3	3
March 31, 2021	1,140	9,872	1,836	1,356	272	1,254	14,591	15,731

Accumulated depreciation and impairment losses	Operating lease assets	Property plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019	(583)	—	(842)	(810)	(245)	—	(1,897)	(2,480)
Depreciation	(123)	—	(86)	(205)	(12)	—	(302)	(425)
Sales and disposals	116	—	—	78	2	—	80	196
Exchange differences on translation of foreign operations	—	—	0	0	0	—	0	0
Other	—	—	—	0	—	—	0	0
March 31, 2020	(589)	—	(928)	(936)	(255)	—	(2,119)	(2,709)
Depreciation	(148)	—	(86)	(145)	(7)	—	(238)	(386)
Sales and disposals	72	—	—	7	—	—	7	79
Exchange differences on translation of foreign operations	—	—	—	—	(0)	—	(0)	(0)
Other	—	—	(4)	(29)	(1)	—	(34)	(34)
March 31, 2021	(665)	—	(1,018)	(1,103)	(264)	—	(2,385)	(3,050)

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

Carrying amounts	Operating lease assets	Property plant and equipment						Total
		Land	Buildings and structures	Tools, furniture and fixtures	Other	Construction in progress	Subtotal	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019	463	9,803	979	327	21	495	11,624	12,087
March 31, 2020	481	9,872	895	262	15	508	11,553	12,034
March 31, 2021	475	9,872	818	253	8	1,254	12,206	12,680

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

The key assumptions used in estimating the value in use are the estimated future cash flows in the business plan and the discount rate. This is calculated based on the weighted average cost of capital.

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

13. Goodwill and intangible assets

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

Acquisition cost	Goodwill	Intangible assets			
		Software	Patents	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019	—	136	20	9	165
Acquisition	—	6	—	—	6
Acquisition through business combination	57	2	—	—	2
Sales and disposals	—	—	—	—	—
Other	—	(0)	—	(0)	(0)
March 31, 2020	57	145	20	9	173
Acquisition	—	4	—	1	5
Sales and disposals	—	—	—	—	—
Exchange difference on translation of foreign operations	—	0	—	0	0
March 31, 2021	57	149	20	10	178

Accumulated amortization and impairment losses	Goodwill	Intangible assets			
		Software	Patents	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019	—	(79)	(13)	(2)	(95)
Amortization	—	(23)	(2)	(0)	(26)
Sales and disposals	—	—	—	—	—
Exchange difference on translation of foreign operations	—	—	—	—	—
March 31, 2020	—	(103)	(16)	(2)	(121)
Amortization	—	(18)	(2)	(0)	(20)
Sales and disposals	—	—	—	—	—
Exchange difference on translation of foreign operations	—	—	—	—	—
March 31, 2021	—	(120)	(18)	(3)	(141)

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

Carrying amount	Goodwill	Intangible assets			
		Software	Patents	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019	—	57	6	7	70
March 31, 2020	57	42	4	7	53
March 31, 2021	57	29	2	7	38

(2) Impairment loss of intangible assets

Status of impairment test and the basis to calculate value of use is stated in the note "12. Property, plant and equipment"

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:

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
	Millions of yen	Millions of yen
Total carrying amount	209	198

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
The Group's share of profit	(17)	(10)
The Group's share of other comprehensive income	—	—
The Group's share of comprehensive income	(17)	(10)

(2) Investments in joint venture

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

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
	Millions of yen	Millions of yen
Total carrying amount	263	256

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
The Group's share of profit	(12)	(8)
The Group's share of other comprehensive income	—	—
The Group's share of comprehensive income	(12)	(8)

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:

Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)

	April 1, 2019	Recognized through profit or loss	Recognized through comprehensive income	March 31, 2020
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets	—	—	—	—
Deferred tax liabilities				
Financial assets measured at fair value through profit or loss	146	244	—	390
Financial assets measured at fair value through other comprehensive income	47	—	80	126
Property, plant and equipment	61	(10)	—	51
Other	1	0	—	0
Total	254	234	80	568

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

	April 1, 2020	Recognized through profit or loss	Recognized through comprehensive income	March 31, 2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets	—	—	—	—
Deferred tax liabilities				
Financial assets measured at fair value through profit or loss	390	472	—	863
Financial assets measured at fair value through other comprehensive income	126	—	(192)	(65)
Property, plant and equipment	51	(1)	—	50
Other	0	0	—	0
Total	568	471	(192)	847

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

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
	Millions of yen	Millions of yen
Unused tax losses	6,425	6,983
Deductible temporary differences	2,525	2,083
Total	8,951	9,067

(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:

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
	Millions of yen	Millions of yen
Expires within 1 year	516	455
Expires between 1 and 2 years	455	559
Expires between 2 and 3 years	559	922
Expires between 3 and 4 years	921	596
Expire after 4 years	3,975	4,452
Total	6,425	6,983

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, 2019 and 2020 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:

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Current taxes	6	8
Deferred taxes	234	471
Total	240	479

(3) Reconciliation of effective tax rate

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	%	%
Effective statutory tax rate	30.46	34.26
Non-deductible expenses	(5.39)	0.45
Differences in overseas tax rates	3.11	2.56
Unrecognized differed tax asset	(341.62)	68.46
Share of profit (loss) of investments accounted for using equity method	(9.77)	1.52
Gains (losses) related to CEJ Fund	63.41	2.87
Other	(3.89)	7.17
Average actual tax rate	(263.70)	117.29

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 30.46% in the previous consolidated fiscal year and 34.26% in the current consolidated fiscal year.

16. Bonds and borrowings

Bonds and borrowings consist of the following:

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)	Average interest rate	Repayment period
	Millions of yen	Millions of yen	%	
Short-term loans payables	18	19	0.79	—
Long-term loans payable due within one year	19	12	1.18	—
Long-term loans payable	51	49	1.29	2024 to 2027
Total	88	79	—	—
Current liabilities	37	31	—	—
Non-current liabilities	51	49	—	—
Total	88	79	—	—

17. Leases

(1) Operating leases (as lessee)

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

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Depreciation of right-of-use assets		
Land and buildings	53	45
Vehicles	0	0
Tools, furniture and fixtures	―	4
Total	53	50
Interest expense on lease liabilities	3	1
Short-term lease expenses	7	5
Lease expenses under small assets	0	0
Variable lease payments (note)	5	3

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

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Right-of-use-assets		
Land and buildings	352	314
Vehicles	1	0
Tools, furniture and fixtures	8	23
Total	361	337

The increase in right-of-use assets for the previous fiscal year and the current fiscal year was ¥51 million and ¥37 million respectively

The total amount of cash outflows related to leases for the previous consolidated fiscal year and the current consolidated fiscal year was ¥45 million and ¥53 million respectively.

Maturity analysis of lease liabilities is presented in Note “32. Financial Instruments ② Liquidity risk management.

(2) Operating leases (as lessor)

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

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

Lease income for the previous consolidated fiscal year and the current consolidated fiscal year was ¥1,179 million and ¥1,134 million respectively.

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

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
	Millions of yen	Millions of yen
Not later than 1 year	682	787
More than 1 year, 2 years or less	192	317
More than 2 years, 3 years or less	109	261
More than 3 years, 4 years or less	81	193
More than 4 years, 5 years or less	33	93
Total	1,096	1,650

(3) Finance lease (as lessor)

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

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

As the Group manufactures devices such as HAL, the Group recognizes the revenue from the asset as asset transferred at a point of time in the same way the Group recognizes regular purchase transactions, and the profit from sales under finance leases for the previous consolidated fiscal year and the current consolidated fiscal year was ¥59 million and ¥41 million respectively. As finance income and variable lease payments on the net investment in leases based on finance lease contracts does not occur, related statement is omitted.

18. Trade and other payables

Trade and other payables consist of the following:

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
	Millions of yen	Millions of yen
Accounts payable-trade	35	73
Accounts payable-other	206	175
Other	7	20
Total	247	268
Current liabilities	247	268
Non-current liabilities	—	—
Total	247	268

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

19. Employee benefits

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

The amount recognized as an expense for the defined contribution pension plan for the previous consolidated fiscal year and the current consolidated fiscal year was ¥6 million and ¥7 million respectively.

20. Provisions

Changes in provisions consist of following:

	Asset retirement obligations
	Millions of yen
As of April 1, 2019	91
Increase	2
Interest expense on discount provision	—
Decrease (other)	(0)
As of March 31, 2020	93
Increase	0
Interest expense on discount provision	—
Decrease (other)	—
As of March 31, 2021	93

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

Provisions consist of the following:

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
	Millions of yen	Millions of yen
Current liabilities	—	—
Non-current liabilities	93	93
Total	93	93

21. Other liabilities

Other liabilities consist of the following:

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
	Millions of yen	Millions of yen
Other current liabilities		
Advances received	118	102
Accrued vacation payable	25	28
Accrued expenses	15	13
Accrued consumption taxes	43	8
Deposits received	11	16
Other tax liabilities	237	102
Other	12	6
Total	464	276

22. 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.

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Shares	Shares
Number of authorized shares: (Note 1)		
Common Shares	618,300,000	618,300,000
Class B Shares	77,700,000	77,700,000
Total	696,000,000	696,000,000
Number of issued shares:		
Common Shares:		
Beginning balance	137,445,809	137,445,809
Change during the year (Note 2)	—	—
Ending balance	137,445,809	137,445,809
Class B Shares:		
Beginning balance	77,700,000	77,700,000
Change during the year	—	—
Ending balance	77,700,000	77,700,000

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

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

(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.

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

② As a 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.

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

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

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

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

(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 another share type at the same ratio, simultaneously.

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

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

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

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

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

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

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

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

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

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

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

(2) Treasury shares

The changes in treasury shares are as follows

	Number of shares	Amount
	Shares	Millions of yen
April 1, 2019	138	0
Change during the year	4,313	0
March 31, 2020	4,451	0
Change during the year	4,320	0
March 31, 2021	8,771	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.

23. Dividends

Dividends paid are as follows:

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

There are no items to report.

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

There are no items to report.

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

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

There are no items to report.

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

There are no items to report.

24. Revenue

(1) Disaggregation of revenue

Details of disaggregation of revenue are set forth below.

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Timing of revenue recognition		
Service transferred over time	1,315	1,273
Asset transferred at a point of time	186	333
Service transferred at a point of time	291	268
Total	1,792	1,875

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

Service transferred over time

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

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

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

Asset transferred at a point of time

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

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

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

Service transferred at a point of time

Service transferred at a point of time includes revenue from offering Cybernic Treatment and training service at Cybernic Treatment Center and Robocare Centers, to end users (such as patients). It also includes revenue received in return of providing outcomes of consigned development projects.

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

(2) Changes in the contract

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

	Accounts receivable arising from contracts with customers	Advances received on contractual liabilities
	Millions of yen	Millions of yen
April 1, 2019	242	56
March 31, 2020	256	69
March 31, 2021	353	54

(Note) The amount of revenue recognized out of the balance of advances received in the previous consolidated fiscal year and the current consolidated fiscal year was ¥35 million and ¥26 million, respectively. In addition, the amount of revenue recognized from performance obligations satisfied in prior periods was not material for the previous consolidated fiscal year and the current consolidated fiscal year.

(3) Timing of performance obligations satisfaction

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Not later than 1 year	153	117
More than 1 year, 5 years or less	209	90
Total	362	206

25. Selling, general and administrative expenses

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Personnel expenses	443	505
Taxes and dues	366	98
Commission expenses	227	309
Depreciation	185	177
Other	424	382
Total	1,646	1,471

Personnel expenses included in cost of sales, research and development and other selling, general and administrative expenses in the consolidated statement of profit or loss for the previous consolidated fiscal year and the current consolidated fiscal year were ¥875 million and ¥902 million, respectively.

26. Other income and other expenses

Other income consists of the following:

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Grants	16	14
Consigned research income	107	96
Foreign exchange gains	—	28
Other	15	42
Total	138	181

Other expenses consist of the following:

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Foreign exchange loss	13	—
Other	5	4
Total	18	4

27. Financial income

Financial income consists of the following:

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Interest income:		
Financial assets measured at amortized cost	20	21
Dividends received:		
Financial assets measured at fair value through other comprehensive income	304	—
Financial assets measured at fair value through profit or loss	860	749
Total	1,184	770

28. Other comprehensive income

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	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	275	(598)
Tax effects	(84)	192
Financial assets measured at fair value through other comprehensive income	191	(496)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Gains (losses) arising for the year	4	(16)
Reclassifications	—	—
Before tax	4	(16)
Tax effects	—	—
Exchange differences on translation of foreign operations	4	(16)
Total	195	(422)

29. Earnings per share

(1) The basis for calculating basic earnings per share

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Gain (loss) attributable to owners of parent (Millions of yen)	(152)	(59)
Gain not attributable to common shareholders of the parent (Millions of yen)	—	—
Gain (loss) used to calculate basic earnings per share (Millions of yen)	(152)	(59)
Weighted average number of common shares and shares equivalent to common shares (Shares)	215,141,368	215,137,214
Basic earnings (loss) per share (Yen)	(0.71)	(0.27)

(2) The basis for calculating diluted earnings per share

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Gain (loss) used to calculate basic earnings per share (Millions of yen)	(152)	(59)
Adjustments to loss (Millions of yen)	—	—
Gain (loss) used to calculate diluted earnings per share (Millions of yen)	(152)	(59)
Weighted average number of common shares and shares equivalent to common shares (Shares)	215,141,368	215,137,214
Adjustment *Note		
Weighted average number of diluted common shares and shares equivalent to common shares (Shares)	215,141,368	215,137,214
Diluted earnings (loss) per share (Yen)	(0.71)	(0.27)

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)		Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)	
	Shares		Shares	
2015 1st Series Stock Option of CYBERDYNE, INC.	(Common share)	7,800	(Common share)	7,800
2016 1st Series Stock Option of CYBERDYNE, INC.	(Common share)	4,600	(Common share)	4,600
2017 1st Series Stock Option of CYBERDYNE, INC.	(Common share)	10,500	(Common share)	10,500

30. Cash flow information

Changes in liabilities arising from financing activities are as follows:

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

	April 1, 2019	Fluctuations accompanied by cash flows	Fluctuations not accompanied by cash flows				March 31, 2020
			Change in scope of consolidation	Exchange fluctuation	New lease	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term loans payable	—	(3)	22	—	—	0	18
Long-term loans payable (Note 1)	—	(2)	71	—	—	—	70
Lease liabilities (Note 2)	363	(45)	38	0	18	—	373
Third-party interests in CEJ Fund	544	1,360	—	—	—	(189)	1,714
Total	906	1,310	131	0	18	(189)	2,176

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

2 The balance of April 1, 2019 is due to the adoption of IFRS 16. Amounts are stated in Note “2. Basis of preparation (4) Change in accounting policies”

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

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

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

31. Share-based payments

(1) Outline of share-based payments

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

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

Shares with restrictions on transfer as remuneration for the Company employees are allotted to the Company employees for the purpose of boosting his/her motivation and morale towards the growth of the Company's corporate value. The issuance of these shares is approved by the Meeting of the Board of Directors of the Company.

Outlines of the Company stock options issued are as follows:

	Class and number of shares covered by the stock option	Allottee	Date of allotment	Exercise period	Conditions for determination of rights
2015 1st Series Stock Option of CYBERDYNE, INC. (Note 1)	Common Share 7,800 shares	1 external consultant	August 12, 2015	July 28, 2025	Conditions on determination of rights are not attached (Note 2)
2016 1st Series Stock Option of CYBERDYNE, INC.	Common Share 4,600 shares	1 external consultant	June 8, 2016	May 24, 2026	Conditions on determination of rights are not attached (Note 2)
2017 1st Series Stock Option of CYBERDYNE, INC.	Common Share 10,500 shares	1 external consultant	August 8, 2017	July 25, 2027	Conditions on determination of rights are not attached (Note 2)

(Notes)

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

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

(2) Number of stock options and weighted average exercise price

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)		Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance of outstanding	22,900	2,050	22,900	2,050
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Expired at maturity	—	—	—	—
Ending balance of outstanding	22,900	2,050	22,900	2,050
Ending balance of exercisable	22,900	2,050	22,900	2,050

(Notes)

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

2. Weighted average remaining contractual life of stock options that is not yet exercised for the previous consolidated fiscal year and the current consolidated fiscal year were 7 years and 5 years, respectively.

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

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

There were no items to report.

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

There were no items to report.

(4) Shares with restrictions on transfer as remuneration for the Company employees

The Group has introduced a restricted share payment scheme under which it provides remuneration to Company employees, by way of shares with restrictions on transfer until the rights are vested. The scheme is accounted for using a means of equity settlement. Under this scheme, the transfer of shares becomes possible when the requirements of the service conditions are met. In principle, the vesting period is five years.

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

32. Financial instruments

(1) Capital management

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

There are no capital restrictions that affect the Group.

(2) Risk management for financial instruments

In the process of its operation, the Group is exposed to various financial risks such as, credit risk, liquidity risk and exchange rate risk. In order to mitigate these financial risks, the Group selects financial instruments with very low risk. For financing, the Group either borrows from the bank or issue bonds.

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

① Credit risk management

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

a. Trade and other receivables

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

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

b. Short-term investments

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

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

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

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

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

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

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

The Group always sets allowance for doubtful accounts for trade receivables without a significant financial component. This amount is designated as an amount equal to the expected credit loss for the entire period.
The carrying amounts for trade receivable for the previous consolidated fiscal year and the current consolidated fiscal year were ¥256 million and ¥353 million, respectively.

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Beginning balance	1	2
Increase during the year	2	3
Decrease during the year due to settlement for intended purposes	–	–
Decrease during the year due to reversal	(1)	(2)
Other changes	–	–
Ending balance	2	3

② Liquidity risk management

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

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

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

Financial liabilities by maturity date consist of the following:

Fiscal year ended March 31, 2020

	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	247	247	247	–
Bonds and borrowings	88	88	37	51
Lease liabilities	373	373	61	313
Third-party interests in CEJ Fund	1,714	(Note) 1,714	–	1,714
Total	2,423	2,423	345	2,078

(Note) This amount is the amount of equity vested to third-party investors if the fund was liquidated on March 31, 2020.

Fiscal year ended March 31, 2021

	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities				
Trade and other payables	268	268	268	–
Bonds and borrowings	79	79	31	49
Lease liabilities	340	340	61	280
Third-party interests in CEJ Fund	2,429	(Note) 2,429	–	2,429
Total	3,116	3,116	359	2,757

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

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

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
	Millions of yen	Millions of yen
Total commitment lines	900	800
Drawn	―	―
Undrawn	900	800

③ Exchange rate risk management

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

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

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

(3) Fair value of financial instruments

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

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

① Measurement methods of the fair value

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

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

(Other financial assets (non-current))
The fair value of listed shares is measured based on the observable market price
Fair value of non-marketable equity securities included in other financial assets is measured by appropriate measurement methods such as measurement using recently available data.

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

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

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

② Financial instruments measured at amortized cost

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

	Previous consolidated fiscal year (March 31, 2020)		Current consolidated fiscal year (March 31, 2021)	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:				
Financial assets measured at amortized cost				
Leasehold and guarantee deposits	68	76	69	76
Total	68	76	69	76

(Notes)

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

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

③ Financial instruments measured at fair value

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

Previous consolidated fiscal year (March 31, 2020)

	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	3,924	—	—	3,924	3,924
Financial assets measured at fair value through other comprehensive income					
Other financial assets	864	—	—	864	864
Total	4,788	—	—	4,788	4,788

Current consolidated fiscal year (March 31, 2021)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:					
Financial assets measured at fair value through profit or loss					
Other financial assets	6,097	66	—	6,031	6,097
Financial assets measured at fair value through other comprehensive income					
Other financial assets	1,073	197	—	877	1,073
Total	7,170	263	—	6,908	7,170

Transfers between levels of the fair value hierarchy shall be recognized at the date of the event or change in circumstances that caused the transfer. There were no significant transfers between Level 1, Level 2 and Level 3 during the previous fiscal year and the current fiscal year.

④ Assessment procedures

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

⑤ Quantitative information with regards to financial instruments classified as Level 3

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

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

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

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

	Previoust consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Beginning balance	2,370	4,788
Total gains and losses		
Profit or loss (Note 1)	756	1,465
Other comprehensive income (Note 2)	272	5
Purchases	1,715	1,716
Sales	(326)	—
Reclassification to level 1 (Note 3)	—	(1,067)
Ending balance	4,788	6,908
Changes of unrealized profit related to possessed assets posted at the end of reported period (Note 1)	756	1,465

(Notes)

1 Gains and losses included in finance income or finance costs in the consolidated statement of profit or loss

2 Gains and losses included in financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

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

33. CEJ Fund

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

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Gains (losses) related to CEJ Fund		
Gains of CEJ Fund		
Unrealized gains (losses) on investments	–	515
Administrative expenses	(115)	(122)
Subtotal	(115)	393
Amount reclassified to third-party equity	189	(34)
Total	75	359

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

	Third-party interests
	Millions of yen
April 1, 2019	544
Contributions into CEJ Fund from third-party investors	1,360
Change in third-party interests in CEJ Fund	(189)
March 31, 2020	1,714
Contributions into CEJ Fund from third-party investors	680
Change in third-party interests in CEJ Fund	34
March 31, 2021	2,429

34. Related parties

(1) Major subsidiaries and associates etc.

Please refer to "Appendix 1 Outline of the Company 4 Status of associated companies" for major subsidiaries and associates etc. Information on transactions and balance of receivables or payables between the Group and related parties are omitted as this information is not material.

(2) Compensation to main executives

Compensation to main executives consists of the following:

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Basic remuneration:		
Member of the Board of Directors (excluding outside members of Board of Directors)	41	44
Audit and Supervisory Board Members (excluding outside member of Audit and Supervisory Board)	–	–
Outside members of the Board of Directors and outside members of the Audit and Supervisory Board	18	20
Total	59	64

35. Subsequent events

There are no items to report