Consolidated Financial Results (Tanshin)
for the Three Months Ended June 30, 2019 (Based on IFRS)

August 14, 2019

Name of listed company	:CYBERDYNE, INC.	Stock exchange listing	:Mothers Section of TSE
Stock code	:7779	URL	:https://www.cyberdyne.jp/english
Representative (title)	:President and CEO	Name	:Yoshiyuki Sankai
Contact (title)	:Director and CFO	Name	:Shinji Uga Tel. +81-29-869-9981

Scheduled date for release of three-month report :August 14, 2019 Scheduled start of dividend payment :－
Additional materials for the financial results :None
Information meeting for the financial results :None

(Millions of yen: Rounded to the nearest one million yen)

Ⅰ. Consolidated financial results for the three months ended June 30, 2019(April 1, 2019-June 30, 2019)

1. Consolidated result of operations (percentages denote year-on-year change)

	Revenue		Operating profit (loss)		Profit (loss) before tax		Profit (loss) attributable to owners of parent	
		%		%		%		%
Apr.1-June 30, 2019	393	17.4	(173)	－	279	－	156	－
Apr.1-June 30, 2018	335	(5.3)	(207)	－	(199)	－	(195)	－

	Basic earnings (loss) per share	Diluted earnings (loss) per share
	Yen	Yen
Apr.1-June 30, 2019	0.72	0.72
Apr.1-June 30, 2018	(0.91)	(0.91)

2. Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2019	46,114	44,359	44,375	96.2
As of March 31, 2019	45,746	44,203	44,217	96.7

Ⅱ. Dividends

	Dividend payments for each term and the year				
	End of 1st quarter (Jun.30, 2019)	End of 2nd quarter (Sep.30, 2019)	End of 3rd quarter (Dec.31, 2019)	Fiscal year end (Mar.31, 2020)	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	－	0.00	－	0.00	－
Fiscal year ending March 31, 2020	－				

Notes:

(ⅰ) Changes from the latest released dividend forecasts: none

(ⅱ) The table of “Dividends” indicates dividend payments on Common Shares. Dividends on Class Share (non-listed) for which the number of share units differs from Common Shares are shown below as “Dividends on Class Shares”.

Ⅲ. Forecast of consolidated financial results for the fiscal year ending March 31, 2020 (April 1, 2019-March 31, 2020)

As the business of CYBERDYNE, INC. and its group companies (collectively referred to as the “Group”) is based on a new market with innovative technologies, there are many uncertain factors that could have an impact on its performance and make it difficult for CYBERDYNE,INC. (the "Company") to provide a forecast with accurate figures. As such the Company will not announce the forecast of consolidated financial results.

Notes:

1. Changes in key subsidiaries during the consolidated three month period (changes in specific subsidiaries resulting in changes of consolidation scope): none

   new: ー (company name: ー) , excluded: ー (company name: ー)

2. Changes in accounting policies, accounting estimates, and restatement of error corrections

   (ⅰ) Changes in accounting policies required by IFRS : yes

   (ⅱ) Changes in accounting policies due to reasons other than (ⅰ) : none

   (ⅲ) Changes in accounting estimates: none

3. Total number of issued shares (Common Shares)

   (ⅰ) Total number of issued shares at the end of each period (including treasury shares)

As of June 30, 2019	215,145,809 shares	As of March 31, 2019	215,145,809 shares

   (ⅱ) Total number of treasury shares at the end of each period

As of June 30, 2019	4,438 shares	As of March 31, 2019	138 shares

   (ⅲ) Average number of shares during each three month period

Apr.1-June 30, 2019	215,141,371 shares	Apr.1-June 30, 2018	215,047,471 shares

Note: Class B Shares are ranked the same as Common Shares and paid the same amount as Common Shares with regard to dividends of surplus and distribution of residual assets. Therefore the total number of issued shares at each end of period and the average number of shares during each period include Class B Shares as Common Shares.

*This quarterly consolidated financial report is not subject to the quarterly review procedure by the scope of audit.

Dividends on Class Shares

Details of dividends on the Company's class shares for which the number of share units differs from its Common Shares are as below.

	Dividend payments for each term and the year				
	End of 1st quarter (Jun.30, 2019)	End of 2nd quarter (Sep.30, 2019)	End of 3rd quarter (Dec.31, 2019)	Fiscal year end (Mar.31, 2020)	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2020	–				

Note:

The Company issued Class B Shares which were accorded the same rights as its Common Shares with regard to dividends and distribution of residual assets, but for which share units differ from Common Shares.

○ Contents of the Attached Material

Ⅰ. Qualitative information regarding settlement of accounts for the three months ended June 30, 2019

1. Explanation of operating results

All forward-looking statements included in this explanation were determined reasonable by CYBERDYNE, INC. (the "Company") and its group companies (collectively referred to as the "Group") based on currently available information for the consolidated fiscal year ended June 30, 2019 and certain assumptions made by the Group.

The Group's business is to realize "Society 5.0/5.1", a future society based on the idea of Techno-Peer-Support where human and technology live together and support each other. This goal is attained through revolutionary changes in industry and society, and the Group seeks to utilize "Cybernics Technology" (fusion and combination of systems of human, robot and information) that handles "Human" + "Cyberspace" + Physical space", to create a "Cybernics Industry" for this transition following the breakthroughs of the Robotics Industry and IT Industry.

The Group's business is to implement Cybernics Technology powered by Internet of Humans/Internet of Things ("IoH/IoT"), Robots, and AI, to create a Cybernics Industry that will connect medicine, nursing-care, production, household, and work place in order to solve the various problems that a hyper-aging society must tackle. The Group's business has a unique advantage in its ability to access and integrate information within the human body (e.g. Brain-nerve and vital systems) in addition to information outside the human body (behavior, life and environmental information) and applying them to different fields such as medicine, nursing care, production, household, and work places. All of the Group's devices and interfaces are compatible with Internet of Humans/Internet of Things ("IoH/IoT"), and through these products, information of the brain-nerve, vital, physiological, behavioral, life and environmental systems can be integrated and connected to a super computer. The Group aims to realize a system where Big Data of the aforementioned information are accumulated, analyzed and processed with AI. The Company's President and CEO Yoshiyuki Sankai made a presentation on Cybernics Digital Industry that realizes fusion of "Human" + "Cyberspace" + Physical space" when the related delegation of G20 Ministerial Meeting on Trade and Digital Economy (June, 2019) visited CYBERDYNE headquarters. The Group simultaneously works on research and development, business development and formation of business alliances to further accelerate the emergence of a Cybernics Industry that will solve the problems facing society.

During the consolidated three months ended June 30, 2019, the Group carried out the following activities.

<u>Business operation</u>

(Business field around application to treat patients in medical facilities)

The Group continues its efforts to establish Cybernics Treatment, a treatment program using Medical HAL systems that aims to induce improvement and regeneration of the functions of the brain, nerves and muscles, into a global standard of treatment.

In order to expand the target patient population of each market clearance to include stroke, which is a disease with over eight million patients in Japan and U.S. combined, an investigator-initiated multicenter clinical trial using the HAL for Medical Use Lower Limb Type Single-Leg model is in progress at 15 different medical institutions. This clinical trial is scheduled to be complete around the end of March, 2020. In addition, an investigator-initiated clinical trial led by Kyoto University Hospital for the HAL for Well-being Single Joint Type, a lightweight and compact device that can be applied on the knee or the elbow, is being prepared as a treatment for stroke in the acute stage.

With regards to market development outside Japan, the market clearance decision from the U.S. Food and Drugs Administration sprung the Group's efforts to market the medical application to the Asia Pacific region in addition to Europe and the U.S. The Group is also making preparations to obtain market clearance for products other than Medical HAL on a global scale.

In the U.S., accumulation of medical results in Brooks Cybernic Treatment Center, led the Group to commence sales activity on Medical HAL towards the entire U.S. market.

In Europe, in line with the medical treatment service in Germany, the Group works to spread the adoption of Medical HAL to hospitals in EU countries. On July 2019, the Company's subsidiary, Cyberdyne Care Robotics GmbH agreed with Nürnberger Insurance on insurance coverage of Cybernics Treatment with the Medical HAL System. This insurance coverage by one of the main German insurer, became the first private insurance coverage in Germany. In Poland, the Company's partner hospital in Warsaw, Constance Care offers Cybernics Treatment with the insurance coverage offered by WARTA and PZU. In addition to Germany, Poland and Italy, Medical HAL was installed in SERDIKA Hospital on July 2019, which is known to be the largest rehabilitation hospital in Bulgaria.

In the Middle East, Medical HAL was installed in Saudi Arabia on 2017. A pilot trial of HAL to treat spinal cord injury patients took place under the leadership of the Saudi Arabian Ministry of Health in multiple medical institutions owned by the public sector and now this endeavor entered the next phase.

In the Asia Pacific Region, SOCSO Rehabilitation Center, a medical institution owned by the Malaysian Social Security Organization (a government organization), adopted a total of 24 units of Medical HAL and other HAL systems (Single Joint Type and Lumbar Type) on November 2018, making them the operator of the largest number of HAL units in one site. The Rehabilitation Center opened "Neuro-Robotics Rehabilitation and Cybernics Center" on May 2019. The Group will receive support from the Malaysian government and the government organization to distribute HAL to other regions in Asia. The Group installed 12 units of HAL Lower Limb Type to A. Zarate General Hospital in the Philippines on March 2019 and the Group continues its activity to spread the device to other medical institutions in the Philippines. The Group is currently in a process to obtain medical device clearance from the Thai FDA so that the Group can spread HAL to Thailand, which is known to be the largest medical device market in South East Asia. Several medical institutions have already promised to adopt the Medical HAL System once the Group obtains its medical device clearance from the Thai FDA.

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

For devices that support patients and elderly persons outside of medical institutions, the Group mainly promotes three devices aimed at improving their independence and quality of life. HAL for Well-being Lower Limb Type designed for receivers of care with disabled or weakened lower limb function. HAL for Well-being Single Joint Type designed for training of elbow and knee joints and HAL Lumbar Type for Well-being, which is designed for receivers of care but with weakened function in the body's core and lower limbs.

The Group commenced selling of a new product for HAL for Well-being Single Joint Type to expand its usage towards training of the ankle joints on July 2019. Furthermore the Group commenced selling of a new HAL Lumbar Type for Well-being (BB04) that could provide support to both caregivers and care receivers. As a feature to improve the usability, this new model of HAL Lumbar Type was installed with a function to omit sensor affixation on the skin surface, allowing wearer to wear the device in 10 seconds.

The Group is also continuing to coordinate with leading facilities in each region of Japan to reinforce the HAL FIT fitness training service. Since April 6 new Robocare Center was opened making its total number to 12 facilities around Japan. The Company schedules to open additional center in Tokyo (September) and in Kobe (October).

(Business operation around applications in household and workplace)

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

<u>Status of research and development</u>

The Group is working on projects to prevent or diagnose diseases in the cardiovascular system, and has developed a palm-sized device "VS-AS01 for Electrocardiogram and Pulse Wave Examination" that seeks to detect early symptoms of arteriosclerosis and arrhythmias that are major causes of stroke and heart disease.

The Group is preparing an external app, which would improve the usability of hospitals and clinics, the Group will commence selling this device. The Group continues to work on further development of photoacoustic imaging technology that analyzes data of microcapillary vessels in real time and other sensing devices for various types of vital information.

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

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

Numbers of operating units

As of the end of June 2019, 291 units of Medical HAL were in operation worldwide including those used for clinical research. Out of the aforementioned number, 79 were rented out in Japan for treatment. While the number of units rented to major Japanese hospitals increased, the Group is decommissioning some of its older models that was previously used for clinical trials. 262 units of HAL for Well-being Single Joint Type were in operation and most of the units were used by hospitals in Japan for clinical research.

Adoption of HAL for Well-being Lower Limb Type grew amongst care facilities and hospitals and 382 units of HAL for Well-being Lower Limb Type in operation as of end of June 2019. 907 units of HAL Lumbar Type used in care facilities were in operation as of June 2019. Numbers of HAL Lumbar Type for Well-being increased where as old model of HAL Lumbar Type for Care Support is starting to meet its product life and the Group is decommissioning the units that have exceeded it.

As of end of June 2019, 565 units of HAL Lumbar Type for Labor Support were in operation. While the operating units of new model (LB03) increased, old model of HAL Lumbar Type for Labor Support is starting to meet its product life and the Group is decommissioning the units that have exceeded it. As of June 2019, 53 units of Cleaning Robot and Transportation Robots were in operation.

As the result of the aforementioned, in the consolidated three months ended June 30, 2019, the Group recorded revenue of ¥393 million (17.4% increase year on year) mainly due to the increase in rental income from products such as Medical HAL. Gross profit ratio improved 3.4 points to 72.6% year on year, resulting in the gross profit of ¥286 million (23.2% increase year on year).

Research and development expenses were recorded at ¥162 million (25.7% decrease year on year), mainly due to development of new products at the Company's own expense and consigned research projects. Other selling, general and administrative expenses increased to ¥307 million (3.8% increase year on year).

Other income was recorded at ¥22 million (72.4% decrease year on year), mainly due to income from consigned research projects, while other expenses were recorded at ¥12 million (173.6% increase year on year), resulting in operating loss improving ¥34 million to ¥173 million (16.4% decrease year on year).

Furthermore, finance income was recorded at ¥445 million due to financial assets measured at fair value through profit or loss, profit related to CEJ Fund were recorded at ¥16 million, and income tax expenses were recorded at ¥126 million mainly due to deferred tax expenses. As a result, the Group recorded ¥156 million in the profit attributable to owners of the parent.

The Company forms business and capital alliances with various startup companies that develop unique technologies. The Company calculates the fair value of such companies that are not listed on the market using the IFRS 9 “Financial Instruments”. As a result the financial assets measured at fair value through profit or loss ¥440 million was posted as "finance income" for the consolidated three months ended June 30, 2019. Furthermore, the deferred tax expense in relation to this valuation was calculated at ¥140 million and posted as "income tax expenses". As such, the impact on the calculation of the profit was ¥300 million.

2. Explanation of financial position

(ⅰ) Assets:

For the consolidated three months ended June 30, 2019, assets increased ¥368 million to ¥46,114 million in comparison to the end of the previous fiscal year. This was mainly due to decrease of ¥2,496 million in other financial assets (current), partly offset by increase of ¥2,261 million in cash and cash equivalents and posting of ¥358 million in the right-to-use asset following the adoption of IFRS 16 “Leases” from the consolidated three months ended June 30, 2019.

(ⅱ) Liabilities

For the consolidated three months ended June 30, 2019, liabilities increased ¥212 million to ¥1,755 million in comparison to the end of the previous fiscal year. This was mainly due to decreases of ¥80 million in trade and other payables, ¥150 million in other current liabilities, ¥46 million in third-party interests in CEJ Fund, partly offset by increase of ¥125 million in deferred tax liability and posting of ¥42 million in lease liability (current) and ¥321 million in lease liability (non-current) following the adoption of IFRS 16 “Leases” from the consolidated three months ended June 30, 2019.

(ⅲ) Equity

For the consolidated three months ended June 30, 2019, equity increased ¥156 million to ¥44,359 million in comparison to the end of the previous fiscal year. This was mainly due to increase in retained earnings following the posting of profit.

3. Status of cash flow

For the consolidated three months ended June 30, 2019, cash and cash equivalents increased ¥2,261 million to ¥11,057 million in comparison to the end of the previous fiscal year. The status of each cash flow within the consolidated three months ended June 30, 2019 and its main influencing factors are stated below.

(Cash flows from operating activities)

For the fiscal year ended June 30, 2019, net cash provided by operating activities recorded outflow of ¥236 million (outflow of ¥44 million in the previous fiscal year). This is mainly attributed to profit before tax posted at ¥279 million, depreciation and amortization posted at ¥124 million, partly offset by finance income recorded at ¥445 million and outflow of ¥80 million due to a decrease of trade and other payables.

(Cash flows from investment activities)

For the consolidated three months ended June 30, 2019, net cash provided by investing activities recorded inflow of ¥2,512 million (outflow of ¥238 million in the same period of the previous fiscal year). This is mainly attributed to proceeds from withdrawal of time deposits posted at ¥2,500 million.

(Cash flows from financing activities)

For the consolidated three months ended June 30, 2019, net cash used in financing activities recorded outflow of ¥14 million (outflow of ¥6 million in the previous fiscal year).

Ⅲ. Condensed quarterly consolidated financial statement

1. Condensed quarterly consolidated statement of financial position (Unaudited)

	As of March 31, 2019	As of June 30, 2019
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	8,796	11,057
Trade and other receivables	257	195
Other financial assets	20,505	18,009
Inventories	901	917
Other current assets	169	129
Total current assets	30,627	30,307
Non-current assets		
Operating lease assets	463	454
Property, plant and equipment	11,624	11,591
Right of use assets	―	358
Intangible assets	70	64
Investments accounted for using equity method	456	493
Other financial assets	2,431	2,773
Other non-current assets	74	73
Total non-current assets	15,118	15,807
Total assets	45,746	46,114

	As of March 31, 2019	As of June 30, 2019
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	284	204
Lease liabilities	—	42
Other current liabilities	370	220
Total current liabilities	654	466
Non-current liabilities		
Third-party interests in CEJ Fund	544	498
Lease liabilities	—	321
Provisions	91	91
Deferred tax liabilities	254	379
Total non-current liabilities	889	1,289
Total liabilities	1,543	1,755
Equity		
Share capital	26,745	26,747
Capital surplus	26,494	26,494
Treasury shares	(0)	(0)
Other components of equity	(1,048)	(1,048)
Retained earnings	(7,972)	(7,817)
Total equity attributable to owners of the parent	44,217	44,375
Non-controlling interests	(15)	(16)
Total equity	44,203	44,359
Total liabilities and equity	45,746	46,114

2. Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income (Unaudited)

Condensed year to quarter end consolidated statement of profit or loss

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Millions of yen	Millions of yen
Revenue	335	393
Cost of sales	(103)	(108)
Gross profit	232	286
Selling, general and administrative expenses		
Research and development expenses	(217)	(162)
Other selling, general and administrative expenses	(295)	(307)
Total selling, general and administrative expenses	(513)	(468)
Other income	79	22
Other expenses	(4)	(12)
Operating profit (loss)	(207)	(173)
Finance income	11	445
Finance costs	(0)	(1)
Gains related to CEJ Fund	ー	16
Share of profit (loss) of investments accounted for using equity method	(3)	(8)
Profit (loss) before tax	(199)	279
Income tax expense	2	(126)
Profit (loss)	(197)	154
Profit (loss) attributable to		
Owners of parent	(195)	156
Non-controlling interests	(2)	(2)
Profit (loss)	(197)	154
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	(0.91)	0.72
Diluted earnings (loss) per share (yen)	(0.91)	0.72

Condensed year to quarter end consolidated statement of comprehensive income

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Millions of yen	Millions of yen
Profit (loss)	(197)	154
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	98	(1)
Total of items that will not be reclassified to profit or loss	98	(1)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4	1
Total of items that may be reclassified to profit or loss	4	1
Total other comprehensive income, net of tax	102	0
Comprehensive income	(95)	154
Comprehensive income attributable to		
Owners of parent	(94)	156
Non-controlling interests	(1)	(2)
Comprehensive income	(95)	154

3. Condensed quarterly consolidated statement of changes in equity (Unaudited)

Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share acquisition rights
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2018	26,744	26,495	(0)	(77)	(7)	19
Profit (loss)	−	−	−	−	−	−
Other comprehensive income	−	−	−	98	3	−
Total comprehensive income	−	−	−	98	3	−
June 30, 2018	26,744	26,495	(0)	21	(4)	19

	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, 2018	(65)	(7,476)	45,698	(24)	45,674
Profit (loss)	−	(195)	(195)	(2)	(197)
Other comprehensive income	101	−	101	1	102
Total comprehensive income	101	(195)	(94)	(1)	(95)
June 30, 2018	36	(7,671)	45,604	(25)	45,579

Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share acquisition rights
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019	26,745	26,494	(0)	(1,071)	3	19
Profit (loss)	－	－	－	－	－	－
Other comprehensive income	－	－	－	(1)	1	－
Total comprehensive income	－	－	－	(1)	1	－
Share-based payment transactions	2	－	－	－	－	－
Total transactions with owners	2	－	－	－	－	－
June 30, 2019	26,747	26,494	(0)	(1,071)	4	19

	Equity attributable to owners of parent				
	Other components of equity				
	Total	Retained earnings	Total	Non-controlling interests	Total equity
	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)	－	156	156	(2)	154
Other comprehensive income	0	－	0	0	0
Total comprehensive income	0	156	156	(2)	154
Share-based payment transactions	－	－	2	－	2
Total transactions with owners	－	－	2	－	2
June 30, 2019	(1,048)	(7,817)	44,375	(16)	44,359

4. Condensed quarterly consolidated statement of cash flows (Unaudited)

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	(199)	279
Depreciation and amortization	103	124
Finance income	(11)	(445)
Finance costs	0	1
Gains on CEJ Fund	—	(16)
Share of loss (profit) of investments accounted for using equity method	3	8
Decrease (increase) in inventories	14	(16)
Decrease (increase) in trade and other receivables	204	62
Increase (decrease) in trade and other payables	(42)	(80)
Other	(118)	(121)
Subtotal	(47)	(206)
Interest received	3	1
Interest paid	(0)	—
Income taxes paid	—	—
Payments for administrative expenses etc. related to CEJ Fund	—	(30)
Net cash provided by (used in) operating activities	(44)	(236)
Cash flows from investing activities		
Purchase of investments	(10,000)	—
Proceeds of redemption of investments	10,000	—
Proceeds from withdrawal of time deposits	—	2,500
Purchase of property, plant and equipment	(70)	(38)
Purchase of intangible assets	(0)	(2)
Purchase of investment securities	(168)	(100)
Proceeds from sales of investment securities	—	198
Purchase of investments accounted for using equity method	—	(46)
Other	—	0
Net cash provided by (used in) investing activities	(238)	2,512
Cash flows from financing activities		
Lease liabilities paid	—	(13)
Other	(6)	(1)
Net cash provided by (used in) financing activities	(6)	(14)
Effect of exchange rate changes on cash and cash equivalents	(2)	(1)
Net increase (decrease) in cash and cash equivalents	(289)	2,261
Cash and cash equivalents at beginning of fiscal year	10,820	8,796
Cash and cash equivalents at end of year	10,531	11,057

5. Notes to condensed quarterly consolidated financial statements

(Notes on premise of going concern)

There are no items to report.

(Changes in accounting policy)

Significant accounting policies applied to the condensed consolidated financial statements for the three months ended June 30, 2019 are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2019, with the following exceptions.

The income tax expense for the consolidated three months ended June 30, 2019 has been calculated based on the estimated annual effective income tax rate.

The Group has applied the following accounting standards from the consolidated three months ended June 30,2019.

IFRSs		Nature of the new standards or amendments
IFRS 16	Leases	Revised accounting process upon leases

The Group adopted IFRS 16 "Leases" (issued on January 2019; hereinafter "IFRS 16") in the consolidated three months ended June 30, 2019.

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

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

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

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

(Revenue)

Disaggregation of revenue

Details of disaggregation of revenue are set forth below.

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Millions of yen	Millions of yen
Timing of revenue recognition		
Service transferred over time	253	303
Asset transferred at a point of time	15	23
Service transferred at a point of time	67	68
Total	335	393

(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 Robo Care Centers, to end users (such as patients).

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