

Consolidated Financial Statements-Summary

For the Fiscal Year ended March 31,2020

May 15, 2020

(All financial information has been prepared in accordance with generally accepted accounting principles in Japan)

KUBOTEK CORPORATION

Code No., : 7709
 Stock Exchange Listed : Tokyo Stock Exchange-1st Section
 Location of the Head Office : 3-36, Nakanoshima 4-chome,Kita-ku,Osaka Japan
 Representative : Tetsuo Kubo, President
 Contact Person : Masashi Kitora, Manager, Department of General Affairs Division
 Tel +81-6-6443-1815
 (URL <http://www.kubotek.com/>)

Date of annual general meeting of shareholders (scheduled) : June 26, 2020

Date of submission of annual security report (scheduled) : June 29, 2020

(Million yen: amounts less than one million yen are omitted)

1 . Financial Results of FY2019 (April 1,2019 through March 31,2020)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Profit (loss) attributable to owners of parent	
FY2019	1,881	14.9%	(28)	—%	(38)	—%	(101)	—%
FY2018	1,637	(49.8)%	(742)	—%	(632)	—%	102	(16.5)%

(Reference) Comprehensive income FY2019: ¥(105) million (— %) FY 2018: ¥99 million ((28.6)%)

	Earnings per share (Yen)	Diluted Earnings per share	ROE [Ratio of Profit (loss) attributable to owners of parent to Shareholder's Equity]	ROA [Ratio of ordinary Income/Total Assets]	Ratio of Operating Income/Net Sales
FY2019	(7.34)	—	(7.9)%	(1.2)%	(1.5)%
FY2018	7.44	—	8.0%	(17.0)%	(45.4)%

(Reference) Equity in earnings of affiliated FY2019: ¥ - million FY 2018: ¥ - million

(2) Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
FY2019	2,799	1,221	43.6%	88.69
FY2018	3,600	1,327	36.9%	96.39

(Reference) Net Assets FY2019: ¥ 1,221 million FY2018: ¥ 1,327 million

(3) Consolidated Cash Flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at the end of period
FY2019	240	(171)	(445)	1,843
FY2018	(23)	1,284	(89)	2,228

2 . Cash Dividends

(Record date)	Dividends per Share					Total Dividends for the Year	Ratio of Earnings to Dividends	Ratio of Dividends to Shareholder's Equity
	First Quarter	Second Quarter	Third Quarter	Year-End	Annual			
FY2018	—	0.00	—	0.00	0.00	—	—	—
FY2019	—	0.00	—	0.00	0.00	—	—	—
FY2020	—	0.00	—	0.00	0.00		—	

3 . Consolidated Financial Forecasts for the Fiscal Year ending March 31,2021

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Earnings per share (Yen)	
Interim FY 2020	300	(75.9)%	(345)	—%	(350)	—%	(355)	—%	(25.78)	
FY 2020	1,100	(41.5)%	(290)	—%	(300)	—%	(310)	—%	(22.52)	

4 . Other information

(1) Changes in important subsidiaries during the period (changes of particular fully owned subsidiaries associated with changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates, and restatement of corrections

① Changes due to revision of accounting standards, etc.: None

② Changes other than stated in item ① : None

③ Changes in accounting estimates : None

④ Restatement of corrections : None

(3) Number of shares issued (share of common stock)

① Number of shares issued at the end of the fiscal Year (including treasury stock)

As of March 31, 2020: 13,830,000 shares; As of March 31, 2019: 13,830,000shares

② Number of treasury shares at the end of the fiscal year

As of March 31, 2020: 62,159 shares; As of March 31, 2019: 62,159shares

③ Average number of shares outstanding during the term

Ended March 31, 2020: 13,767,841 shares; Ended March 31, 2019: 13,767,841shares

(Reference)

1 . Financial Results of FY2019(April 1,2019 through March 31,2020)

(1)Non-consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit (loss)	
FY2019	1,571	47.0%	57	—%	46	—%	(17)	—%
FY2018	1,069	(62.7)%	(783)	—%	(684)	—%	82	(23.2)%

	Earnings per share (Yen)	Diluted Earnings per share
FY2019	(1.30)	—
FY2018	6.01	—

(2)Non-consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
FY2019	2,648	1,210	45.7%	87.92
FY2018	3,345	1,227	36.7%	89.16

(Reference) Net Assets:

FY2019: ¥ 1,210million

FY2018: ¥ 1,227million

Disclaimer Regarding Forecast Statements

Statements made in this release with respect to Kubotek's forecast for FY2020, are based on assumptions and beliefs in light of the information currently available to us, and therefore investors should not place undue reliance on them as they make a judgment about their investment. Kubotek cautions investors that a number of important factors could cause actual results to differ materially from those discussed in the forecast statements. Our major product of display inspection systems, such as for liquid crystal display are for highly competitive markets characterized by keen demand for production efficiency, quick adaptation of emerging new materials and rapid development of production technology. And this industry is strongly affected by factors such as demand fluctuation, the general trend of capital market, pricing pressures, and general economic conditions in East Asia market. Moreover, exchange rates between yen and other currencies in which Kubotek possibly makes significant sales or in which Kubotek's assets and liabilities are denominated, may change to influence the business performances, though Kubotek's business is yen-based so far.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen: amounts less than one thousand yen are omitted)

	FY2018 (As of Mar. 31, 2019)	FY2019 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	2,260,197	1,875,636
Notes and accounts receivable – trade	736,530	499,373
Electronically recorded monetary claims – operating	81,793	60,429
Merchandise and finished goods	8,259	12,484
Work in process	175,784	105,452
Raw materials and supplies	42,142	40,812
Other	61,531	16,049
Allowance for doubtful accounts	(24,180)	(24,403)
Total current assets	3,342,060	2,585,833
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures	308,182	296,258
Accumulated depreciation	(278,798)	(289,946)
Tools, furniture and fixtures, net	29,383	6,312
Other	230,850	196,633
Accumulated depreciation	(192,695)	(194,983)
Other, net	38,155	1,650
Total property, plant and equipment	67,539	7,962
Intangible assets		
Software	158,975	179,815
Other	2,285	0
Total intangible assets	161,260	179,815
Investments and other assets		
Investment securities	5,867	4,645
Deferred tax assets	1,027	705
Claims provable in bankruptcy, claims provable in rehabilitation and other	238	196
Other	22,688	20,683
Allowance for doubtful accounts	(238)	(196)
Total investments and other assets	29,582	26,034
Total non-current assets	258,383	213,811
Total assets	3,600,443	2,799,645

(Thousand yen: amounts less than one thousand yen are omitted)

	FY2018 (As of Mar. 31, 2019)	FY2019 (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	266,251	30,619
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	445,424	379,424
Income taxes payable	9,645	6,407
Advances received	218,047	225,388
Provision for bonuses	9,540	3,840
Provision for loss on liquidation of subsidiaries and associates	32,430	-
Other	125,762	156,046
Total current liabilities	1,307,102	1,001,726
Non-current liabilities		
Long-term loans payable	901,864	522,440
Deferred tax liabilities	6,120	2,274
Retirement benefit liability	50,652	46,776
Other	7,677	5,295
Total non-current liabilities	966,314	576,786
Total liabilities	2,273,416	1,578,512
Net assets		
Shareholders' equity		
Capital stock	1,951,750	1,951,750
Retained earnings	(576,694)	(677,722)
Treasury shares	(81,717)	(81,717)
Total shareholders' equity	1,293,338	1,192,310
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(747)	-
Foreign currency translation adjustment	34,435	28,822
Total accumulated other comprehensive income	33,688	28,822
Total net assets	1,327,026	1,221,133
Total liabilities and net assets	3,600,443	2,799,645

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousand yen: amounts less than one thousand yen are omitted)

	FY2018 (Apr. 2018–Mar. 2019)	FY2019 (Apr. 2019–Mar. 2020)
Net sales	1,637,850	1,881,111
Cost of sales	1,495,387	1,163,997
Gross profit	142,463	717,114
Selling, general and administrative expenses	885,406	745,996
Operating loss	(742,943)	(28,882)
Non-operating income		
Interest income	406	503
Dividend income	124	188
Rent income	277	–
Gain on sales of supplies	126,089	192
Other	530	90
Total non-operating income	127,428	975
Non-operating expenses		
Interest expenses	13,643	10,323
Foreign exchange losses	3,053	496
Other	190	15
Total non-operating expenses	16,887	10,836
Ordinary loss	(632,402)	(38,742)
Extraordinary income		
Gain on sales of non-current assets	763,205	–
Gain on liquidation of subsidiaries and associates	–	1,483
Total extraordinary income	763,205	1,483
Extraordinary losses		
Impairment loss	–	54,833
Loss on valuation of investment securities	–	4,525
Loss on liquidation of subsidiaries and associates	2,398	–
Extra retirement payments	–	1,456
Total extraordinary losses	2,398	60,816
Profit (loss) before income taxes	128,404	(98,075)
Income taxes – current	24,327	6,524
Income taxes – deferred	1,621	(3,572)
Total income taxes	25,949	2,952
Profit (loss)	102,454	(101,028)
Profit (loss) attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	102,454	(101,028)

Consolidated Statements of Comprehensive Income

(Thousand yen: amounts less than one thousand yen are omitted)

	FY2018 (Apr. 2018–Mar. 2019)	FY2019 (Apr. 2019–Mar. 2020)
Profit (loss)	102,454	(101,028)
Other comprehensive income		
Valuation difference on available-for-sale securities	(391)	747
Foreign currency translation adjustment	(2,131)	(5,612)
Total other comprehensive income	(2,522)	(4,865)
Comprehensive income	99,931	(105,893)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	99,931	(105,893)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Net Assets

FY2018 (Apr. 2018–Mar. 2019)

(Thousand yen: amounts less than one thousand yen are omitted)

	Shareholders' equity				Accumulated other comprehensive income			Total net assets
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	1,951,750	(679,148)	(81,717)	1,190,883	(355)	36,566	36,211	1,227,094
Changes of items during period								
Profit attributable to owners of parent		102,454		102,454				102,454
Net changes of items other than shareholders' equity					(391)	(2,131)	(2,522)	(2,522)
Total changes of items during period	–	102,454	–	102,454	(391)	(2,131)	(2,522)	99,931
Balance at end of current period	1,951,750	(576,694)	(81,717)	1,293,338	(747)	34,435	33,688	1,327,026

FY2019 (Apr. 2019–Mar. 2020)

(Thousand yen: amounts less than one thousand yen are omitted)

	Shareholders' equity				Accumulated other comprehensive income			Total net assets
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	1,951,750	(576,694)	(81,717)	1,293,338	(747)	34,435	33,688	1,327,026
Changes of items during period								
Loss attributable to owners of parent		(101,028)		(101,028)				(101,028)
Net changes of items other than shareholders' equity					747	(5,612)	(4,865)	(4,865)
Total changes of items during period	–	(101,028)	–	(101,028)	747	(5,612)	(4,865)	(105,893)
Balance at end of current period	1,951,750	(677,722)	(81,717)	1,192,310	–	28,822	28,822	1,221,133

(4) Consolidated Statements of Cash Flows

(Thousand yen: amounts less than one thousand yen are omitted)

	FY2018 (Apr. 2018–Mar. 2019)	FY2019 (Apr. 2019–Mar. 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	128,404	(98,075)
Depreciation	189,372	158,964
Impairment loss	–	54,833
Increase (decrease) in allowance for doubtful accounts	(76,543)	203
Increase (decrease) in provision for bonuses	(6,530)	(5,700)
Increase (decrease) in retirement benefit liability	1,081	(3,876)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	2,398	(32,430)
Interest and dividend income	(530)	(692)
Interest expenses	13,643	10,323
Foreign exchange losses (gains)	(1,313)	1,008
Loss (gain) on valuation of investment securities	–	4,525
Loss (gain) on sales of property, plant and equipment	(763,205)	–
Decrease (increase) in notes and accounts receivable – trade	572,174	257,744
Decrease (increase) in inventories	165,275	67,050
Decrease (increase) in consumption taxes refund receivable	30,351	14,381
Increase (decrease) in accrued consumption taxes	–	40,895
Increase (decrease) in notes and accounts payable – trade	(210,912)	(232,770)
Increase (decrease) in advances received	(4,210)	10,330
Decrease (increase) in prepaid expenses	14,248	(893)
Increase (decrease) in accounts payable – other	(38,363)	20,772
Other, net	17,413	(8,187)
Subtotal	32,753	258,410
Interest and dividend income received	527	689
Interest expenses paid	(14,128)	(9,677)
Income taxes paid	(43,080)	(8,611)
Net cash provided by (used in) operating activities	(23,928)	240,811
Cash flows from investing activities		
Purchase of investment securities	(2,493)	(2,556)
Purchase of property, plant and equipment	(20,775)	(8,196)
Proceeds from sales of property, plant and equipment	1,478,073	–
Purchase of software	(170,595)	(162,511)
Other, net	(31)	1,890
Net cash provided by (used in) investing activities	1,284,178	(171,375)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(900,000)	–
Proceeds from long-term loans payable	1,300,000	–
Repayments of long-term loans payable	(489,712)	(445,424)
Net cash provided by (used in) financing activities	(89,712)	(445,424)
Effect of exchange rate change on cash and cash equivalents	(9,757)	(8,576)
Net increase (decrease) in cash and cash equivalents	1,160,780	(384,564)
Cash and cash equivalents at beginning of period	1,067,746	2,228,526
Cash and cash equivalents at end of period	2,228,526	1,843,962

Segment Information

(1) Overview of reportable segments

The Company's reportable segments are components of an entity for which separate financial information is available and evaluated regularly by the director in determining the allocation of management resources and in assessing performance. The Kubotek group of companies operates manufacture and sale of Inspection systems, 3D solution systems and Media & Network products, and is managed under the three regions of Japan, U.S.A. and Korea. Each region is managed as an independent unit, expanding business activities based on the development of a comprehensive strategy for each region. The Group's results are therefore reported based on these three segments, Japan, U.S.A. and Korea.

(2) Net sales, operating income or loss, assets, liabilities, and other items by reportable segments

FY2018 results (Apr. 2018 - Mar. 2019)

(Thousand yen)

	Reportable segments			Total
	Japan	U.S.A.	Korea	
Net sales				
Sales to external customers	1,006,709	383,960	247,180	1,637,850
Inter-segment sales or transfers	62,571	12,615	47,607	122,794
Total	1,069,280	396,576	294,787	1,760,645
Segment operating income (loss)	(783,479)	5,397	16,973	(761,108)
Segment assets	3,345,256	143,569	168,299	3,657,125
Other items				
Depreciation and amortization	195,876	5,488	44	201,409
Increase in tangible fixed assets or intangible fixed assets	179,251	13,811	—	193,063

FY2019 results (Apr. 2019 - Mar. 2020)

(Thousand yen)

	Reportable segments			Total
	Japan	U.S.A.	Korea	
Net sales				
Sales to external customers	1,343,579	417,584	119,947	1,881,111
Inter-segment sales or transfers	227,775	—	18,856	246,631
Total	1,571,354	417,584	138,804	2,127,743
Segment operating income(loss)	57,792	(66,711)	(54,480)	(63,400)
Segment assets	2,648,955	101,747	100,395	2,851,098
Other items				
Depreciation and amortization	153,387	6,649	58	160,095
Increase in tangible fixed assets or intangible fixed assets	178,509	962	255	179,727

(3) Reconciliation of published figures and aggregates of reportable segments

(Thousand yen)

Net sales	FY2018	FY2019
Reportable segments	1,760,645	2,127,743
Elimination of intersegment transactions	(122,794)	(246,631)
Net sales	1,637,850	1,881,111

(Thousand yen)

Operating loss	FY2018	FY2019
Reportable segments	(761,108)	(63,400)
Elimination of intersegment transactions	5,351	5,262
Intersegment income adjustment	12,215	(6,541)
Other	598	35,796
Operating loss	(742,943)	(28,882)

(Thousand yen)

Assets	FY2018	FY2019
Reportable segments	3,657,125	2,851,098
Elimination of intersegment transactions	(359,884)	(380,733)
Intersegment income adjustment	(2,070)	(8,611)
Other	305,273	337,892
Total assets	3,600,443	2,799,645

(Thousand yen)

Other items	Reportable segments		Adjustment		Consolidated total	
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019
Depreciation and amortization	201,409	160,095	(12,037)	(1,130)	189,372	158,964
Increase in tangible fixed assets and intangible fixed assets	193,063	179,727	(1,130)	(6,778)	191,932	172,948

(Notes:)

Depreciation and amortization, Increase in tangible fixed assets and intangible fixed assets are elimination of intersegment income.

Related Information

FY2018 results (Apr. 2018 - Mar. 2019)

(1) Information by product/service

(Thousand yen)

	Inspection systems	3D solution systems	Others	Total
Sales to external customers	928,241	534,079	175,529	1,637,850

(Notes:)

The amounts of Media & Network products are classified in Others.

(2) Information by geographical segment

I. Sales

(Thousand yen)

Japan	Korea	Taiwan	China	Americas	Others	Total
725,219	247,327	183,662	96,923	347,603	37,113	1,637,850

(Notes:)

The Geographic regions are classified by geographic proximity.

II. Tangible fixed assets

(Thousand yen)

Japan	U.S.A.	Others	Total
57,072	10,351	115	67,539

(3) Information by major customer

(Thousand yen)

Major customers	Sales	Segments
WINTEC Co., Ltd.	172,690	Japan
Daitron Co., Ltd.	170,575	Japan

FY2019 results (Apr. 2019 - Mar. 2020)

(1) Information by product/service

(Thousand yen)

	Inspection systems	3D solution systems	Others	Total
Sales to external customers	1,181,034	558,235	141,841	1,881,111

(Notes:)

The amounts of Media & Network products are classified in Others.

(2) Information by geographical segment

I. Sales

(Thousand yen)

Japan	Korea	Taiwan	China	Americas	Others	Total
1,185,120	122,647	135,624	17,893	373,812	46,013	1,881,111

(Notes:)

The Geographic regions are classified by geographic proximity.

II. Tangible fixed assets

(Thousand yen)

Japan	U.S.A.	Others	Total
1,650	6,085	226	7,962

(3) Information by major customer

(Thousand yen)

Major customers	Sales	Segments
WINTEC Co., Ltd.	609,775	Japan
Daitron Co., Ltd.	229,474	Japan

(Loss on impairment by reportable segment)

FY2018 results (Apr. 2018 - Mar. 2019)

None.

FY2019 results (Apr. 2019 - Mar. 2020)

	Reportable segments			Total
	Japan	U.S.A.	Korea	
Impairment loss	54,833	—	—	54,833

(Amortization of goodwill and unamortized balance by reportable segment)

None.

(Gain on negative goodwill by reportable segment)

None.

Supplementary Information

(Production Volume)

(Thousand yen: amounts less than one thousand yen are omitted)

BY REPORTABLE SEGMENTS	Production	Year-on-year (%)
Japan	1,272,546	+39.0
U.S.A.	417,580	+8.8
Korea	124,411	(48.4)
T o t a l	1,814,538	+17.8

(Note 1) Intersegment transactions are eliminated.

(Note 2) Amounts shown above are stated based on selling price.

(Note 3) Amounts shown above do not include consumption or other taxes.

(Orders Received)

(Thousand yen: amounts less than one thousand yen are omitted)

BY REPORTABLE SEGMENTS	Orders	Year-on-year (%)	Backlog	Year-on-year (%)
Japan	371,867	(40.2)	92,177	(88.2)
Korea	114,883	(51.9)	1,890	(65.3)
T o t a l	486,751	(43.4)	94,067	(88.1)

(Note 1) Amounts shown above do not include consumption or other taxes.

(Note 2) There are no order results in U.S.A, because of make to stock.

(Sales Results)

(Thousand yen: amounts less than one thousand yen are omitted)

BY REPORTABLE SEGMENTS	Sales	Year-on-year (%)
Japan	1,343,579	+33.5
U.S.A.	417,584	+8.8
Korea	119,947	(51.5)
T o t a l	1,881,111	+14.9

(Note 1) Intersegment transactions are eliminated.

(Note 2) Sales results of each major customer and the ratio of sales results to the total sales results of Kubotek.

(Thousand yen: amounts less than one thousand yen are omitted)

MAJOR CUSTOMERS	FY2018 (Apr.2018 - Mar.2019)		FY2019 (Apr.2019 - Mar.2020)	
	Sales	Ratio(%)	Sales	Ratio(%)
W I N T E C C o . , L t d .	172,690	10.5	609,775	32.4
D a i t r o n C o . , L t d .	170,575	10.4	229,474	12.2

(Note 3) The customers which are less than 10% of the amounts of total sales are omitted.

(Note 4) Amounts shown above do not include consumption or other taxes.