

Consolidated Financial Statements-Summary

For the Fiscal Year ended March 31,2016

May 13, 2016

(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
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Date of annual general meeting of shareholders (scheduled) : June 24, 2016

Date of submission of annual security report (scheduled) : June 27, 2016

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

1 . Financial Results of FY2015 (April 1,2015 through March 31,2016)

(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	
FY2015	2,636	(23.9)%	(134)	- %	(150)	- %	(168)	- %
FY2014	3,462	39.0%	119	- %	111	- %	535	- %

(Reference) Comprehensive income FY2015: ¥(181) million (- %) FY 2014: ¥ 534 million (- %)

	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
FY2015	(12.27)	-	(14.4)%	(4.1)%	(5.1)%
FY2014	38.87	-	53.6%	2.9%	3.4%

(Reference) Equity in earnings of affiliated FY2015: ¥ - million FY 2014: ¥ - million

(2) Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
FY2015	3,466	1,084	31.3%	78.79
FY2014	3,963	1,266	31.9%	91.96

(Reference) Net Assets FY2015: ¥ 1,084 million FY2014: ¥ 1,266 million

(3) Consolidated Cash Flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at the end of period
FY2015	64	(147)	170	1,280
FY2014	6	914	(693)	1,199

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			
FY2014	—	0.00	—	0.00	0.00	—	—	—
FY2015	—	0.00	—	0.00	0.00	—	—	—
FY2016	—	0.00	—	0.00	0.00		—	

3 . Consolidated Financial Forecasts for the Fiscal Year ending March 31,2017

(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 2016	1,530	5.8%	25	—%	20	—%	15	—%	1.09
FY 2016	3,200	21.4%	110	—%	100	—%	90	—%	6.54

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.: Yes

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, 2016: 13,830,000 shares; As of March 31, 2015: 13,830,000shares

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

As of March 31, 2016: 62,059 shares; As of March 31, 2015: 62,059shares

③ Average number of shares outstanding during the term

Ended March 31, 2016: 13,767,941 shares; Ended March 31, 2015: 13,767,941shares

(Reference)

1 . Financial Results of FY2015(April 1,2015 through March 31,2016)

(1)Non-consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit (loss)	
FY2015	1,747	(37.6)%	(218)	—%	(174)	—%	(185)	—%
FY2014	2,799	73.5%	126	—%	113	—%	498	—%

	Earnings per share (Yen)	Diluted Earnings per share
FY2015	(13.44)	-
FY2014	36.19	-

(2)Non-consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
FY2015	3,206	1,008	31.5%	73.27
FY2014	3,740	1,194	31.9%	86.73

(Reference) Net Assets:

FY2015: ¥ 1,008million

FY2014: ¥ 1,194million

Disclaimer Regarding Forecast Statements

Statements made in this release with respect to Kubotek's forecast for FY2016, 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)

	FY2014 (As of Mar. 31,2015)	FY2015 (As of Mar. 31,2016)
Assets		
Current assets		
Cash and deposits	1,292,235	1,373,080
Notes and accounts receivable-trade	1,071,532	730,637
Electronically recorded monetary claims	62,768	13,078
Merchandise and finished goods	36,647	5,620
Work in process	359,151	258,263
Raw materials and supplies	136,501	150,141
Deferred tax assets	3,469	914
Other	105,587	43,072
Allowance for doubtful accounts	(101,610)	(104,446)
Total current assets	2,966,285	2,470,363
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	659,211	659,211
Accumulated depreciation	(426,165)	(440,839)
Buildings and structures, net	233,046	218,371
Machinery, equipment and vehicles	57,282	57,393
Accumulated depreciation	(53,371)	(52,698)
Machinery, equipment and vehicles, net	3,911	4,694
Tools, furniture and fixtures	463,273	426,486
Accumulated depreciation	(443,701)	(406,283)
Tools, furniture and fixtures, net	19,571	20,203
Land	558,514	558,514
Total property, plant and equipment	815,043	801,784
Intangible assets		
Software	119,102	127,384
Other	2,285	2,285
Total intangible assets	121,387	129,670
Investments and other assets		
Investment securities	40,319	42,528
Other	20,730	22,366
Allowance for doubtful accounts	-	(238)
Total investments and other assets	61,050	64,657
Total noncurrent assets	997,481	996,111
Total assets	3,963,767	3,466,474

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

	FY2014 (As of Mar. 31,2015)	FY2015 (As of Mar. 31,2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	572,931	280,507
Short-term loans payable	903,000	739,000
Current portion of long-term loans payable	231,000	385,000
Income taxes payable	124,218	12,519
Advances received	264,601	265,600
Provision for bonuses	15,300	5,700
Other	177,181	107,159
Total current liabilities	<u>2,288,233</u>	<u>1,795,487</u>
Noncurrent liabilities		
Long-term loans payable	353,000	533,000
Deferred tax liabilities	777	597
Net defined benefit liability	52,855	49,804
Other	2,762	2,762
Total noncurrent liabilities	<u>409,395</u>	<u>586,165</u>
Total liabilities	<u>2,697,629</u>	<u>2,381,652</u>
Net assets		
Shareholders' equity		
Capital stock	1,951,750	1,951,750
Retained earnings	(633,782)	(802,758)
Treasury stock	(81,675)	(81,675)
Total shareholders' equity	<u>1,236,291</u>	<u>1,067,316</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,637	1,355
Foreign currency translation adjustment	28,208	16,150
Total accumulated other comprehensive income	<u>29,846</u>	<u>17,506</u>
Total net assets	<u>1,266,138</u>	<u>1,084,822</u>
Total liabilities and net assets	<u>3,963,767</u>	<u>3,466,474</u>

(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)

	FY2014 (Apr. 2014–Mar. 2015)	FY2015 (Apr. 2015–Mar. 2016)
Net sales	3,462,609	2,636,192
Cost of sales	2,174,136	1,735,015
Gross profit	1,288,472	901,177
Selling, general and administrative expenses	1,169,157	1,035,794
Operating income (loss)	119,314	(134,617)
Non-operating income		
Interest income	281	304
Dividends income	363	336
Rent income	1,159	1,111
Foreign exchange gains	9,796	–
Other	2,157	326
Total non-operating income	13,757	2,078
Non-operating expenses		
Interest expenses	17,916	17,134
Compensation expenses	2,274	–
Foreign exchange losses	–	1,253
Other	1,732	11
Total non-operating expenses	21,923	18,400
Ordinary income (loss)	111,149	(150,939)
Extraordinary income		
Gain on sales of non-current assets	539,843	–
Total extraordinary income	539,843	–
Profit (loss) before income taxes	650,992	(150,939)
Income taxes–current	118,301	15,544
Income taxes–deferred	(2,426)	2,492
Total income taxes	115,875	18,036
Profit (loss)	535,117	(168,975)
Profit (loss) attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	535,117	(168,975)

Consolidated Statements of Comprehensive Income

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

	FY2014 (Apr. 2014–Mar. 2015)	FY2015 (Apr. 2015–Mar. 2016)
Profit (loss)	535,117	(168,975)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,014	(282)
Foreign currency translation adjustment	(1,416)	(12,058)
Total other comprehensive income	(401)	(12,340)
Comprehensive income	534,715	(181,315)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	534,715	(181,315)
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets
 FY2014(Apr. 2014-Mar. 2015)

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

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,951,750	(1,168,900)	(81,675)	701,174
Change of items during the period				
Profit attributable to owners of parent		535,117		535,117
Net changes of items other than shareholders' equity				
Total Changes of items during the period	—	535,117		535,117
Balance at the end of current period	1,951,750	(633,782)	(81,675)	1,236,291

	Accumulated other comprehensive income			Total Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	623	29,624	30,248	731,422
Change of items during the period				
Profit attributable to owners of parent				535,117
Net changes of items other than shareholders' equity	1,014	(1,416)	(401)	(401)
Total Changes of items during the period	1,014	(1,416)	(401)	534,715
Balance at the end of current period	1,637	28,208	29,846	1,266,138

FY2015(Apr. 2015–Mar. 2016)

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

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,951,750	(633,782)	(81,675)	1,236,291
Change of items during the period				
Loss attributable to owners of parent		(168,975)		(168,975)
Net changes of items other than shareholders' equity				
Total Changes of items during the period	—	(168,975)	—	(168,975)
Balance at the end of current period	1,951,750	(802,758)	(81,675)	1,067,316

	Accumulated other comprehensive income			Total Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	1,637	28,208	29,846	1,266,138
Change of items during the period				
Loss attributable to owners of parent				(168,975)
Net changes of items other than shareholders' equity	(282)	(12,058)	(12,340)	(12,340)
Total Changes of items during the period	(282)	(12,058)	(12,340)	(181,315)
Balance at the end of current period	1,355	16,150	17,506	1,084,822

(4) Consolidated Statements of Cash Flows

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

	FY2014 (Apr. 2014–Mar. 2015)	FY2015 (Apr. 2015–Mar. 2016)
Net cash provided by (used in) operating activities		
Profit (loss) before income taxes	650,992	(150,939)
Depreciation and amortization	168,339	147,784
Increase (decrease) in allowance for doubtful accounts	15,932	3,074
Increase (decrease) in provision for bonuses	12,160	(9,600)
Increase (decrease) in net defined benefit liability	(4,387)	(3,050)
Interest and dividends income	(644)	(640)
Interest expenses	17,916	17,134
Foreign exchange losses (gains)	(7,406)	1,335
Loss (gain) on sales of property, plant and equipment	(539,843)	–
Decrease (increase) in notes and accounts receivable–trade	(557,764)	389,716
Decrease (increase) in inventories	7,982	115,652
Decrease (increase) in consumption taxes refund receivable	(37,444)	27,084
Increase (decrease) in notes and accounts payable–trade	331,016	(290,244)
Increase (decrease) in advances received	(6,520)	978
Decrease (increase) in prepaid expenses	(922)	15,555
Other, net	(11,960)	(57,710)
Subtotal	<u>37,445</u>	<u>206,131</u>
Interest and dividends income received	635	632
Interest expenses paid	(15,537)	(17,442)
Income taxes paid	(16,334)	(124,715)
Net cash provided by (used in) operating activities	<u>6,208</u>	<u>64,606</u>
Net cash provided by (used in) investing activities		
Purchase of investment securities	(2,704)	(2,670)
Purchase of property, plant and equipment	(6,378)	(13,922)
Proceeds from sales of property, plant and equipment	1,046,270	70
Purchase of intangible assets	(11,341)	(1,232)
Purchase of software	(113,554)	(127,677)
Other, net	2,548	(1,758)
Net cash provided by (used in) investing activities	<u>914,839</u>	<u>(147,192)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(131,000)	(164,000)
Proceeds from long-term loans payable	300,000	650,000
Repayment of long-term loans payable	(762,000)	(316,000)
Redemption of bonds	(100,000)	–
Net cash provided by (used in) financing activities	<u>(693,000)</u>	<u>170,000</u>
Effect of exchange rate change on cash and cash equivalents	29,263	(6,578)
Net increase (decrease) in cash and cash equivalents	<u>257,312</u>	<u>80,835</u>
Cash and cash equivalents at beginning of period	942,141	1,199,453
Cash and cash equivalents at end of period	<u>1,199,453</u>	<u>1,280,289</u>

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

FY2014 results (Apr. 2014 - Mar. 2015)

(Thousand yen)

	Reportable segments			Total
	Japan	U.S.A.	Korea	
Net sales				
Sales to external customers	2,633,844	498,972	329,792	3,462,609
Inter-segment sales or transfers	165,938	29,741	52,234	247,914
Total	2,799,782	528,714	382,026	3,710,523
Segment operating income (loss)	126,030	(5,834)	(14,292)	105,903
Segment assets	3,768,853	159,950	165,194	4,093,998
Other items				
Depreciation and amortization	180,392	4,339	920	185,652
Increase in tangible fixed assets or intangible fixed assets	127,330	3,613	246	131,190

FY2015 results (Apr. 2015 - Mar. 2016)

(Thousand yen)

	Reportable segments			Total
	Japan	U.S.A.	Korea	
Net sales				
Sales to external customers	1,538,479	470,200	627,512	2,636,192
Inter-segment sales or transfers	209,383	29,346	62,274	301,004
Total	1,747,862	499,547	689,786	2,937,196
Segment operating income (loss)	(218,220)	7,693	62,184	(148,342)
Segment assets	3,206,991	119,883	229,737	3,556,613
Other items				
Depreciation and amortization	141,732	5,394	658	147,784
Increase in tangible fixed assets or intangible fixed assets	139,129	3,702	—	142,832

(3) Reconciliation of published figures and aggregates of reportable segments in FY2015

(Thousand yen)

Net sales	FY2014	FY2015
Reportable segments	3,710,523	2,937,196
Elimination of intersegment transactions	(247,914)	(301,004)
Net sales	3,462,609	2,636,192

(Thousand yen)

Operating income	FY2014	FY2015
Reportable segments	105,903	(148,342)
Elimination of intersegment transactions	10,073	9,387
Intersegment income adjustment	11,434	5,403
Other	(8,097)	(1,064)
Operating income (loss)	119,314	(134,617)

(Thousand yen)

Assets	FY2014	FY2015
Reportable segments	4,093,998	3,556,613
Elimination of intersegment transactions	(356,104)	(298,226)
Intersegment income adjustment	(6,825)	(1,422)
Other	232,698	209,510
Total assets	3,963,767	3,466,474

(Thousand yen)

Other items	Reportable segments		Adjustment		Consolidated total	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Depreciation and amortization	185,652	147,784	(17,313)	—	168,339	147,784
Increase in tangible fixed assets and intangible fixed assets	131,190	142,832	—	—	131,190	142,832

(Notes:)

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

Related Information

FY2014 results (Apr. 2014 - Mar. 2015)

(1) Information by product/service

(Thousand yen)

	Inspection systems	3D solution systems	Media & Network products	Total
Sales to external customers	2,473,722	715,801	273,085	3,462,609

(2) Information by geographical segment

I. Sales

(Thousand yen)

Japan	Korea	Taiwan	China	Americas	Others	Total
1,270,987	329,792	627,784	704,540	498,972	30,531	3,462,609

(Notes:)

The Geographic regions are classified by geographic proximity.

II. Tangible fixed assets

Tangible fixed assets information is omitted because the amounts of assets in Japan exceed 90% of the amounts of combined assets of all segments.

(3) Information by major customer

(Thousand yen)

Major customers	Sales	Segments
Innolux Corporation	505,409	Japan
DAITO ELECTRON CO., LTD.	461,235	Japan
WINTEC Co., Ltd.	359,084	Japan

FY2015 results (Apr. 2015 - Mar. 2016)

(1) Information by product/service

(Thousand yen)

	Inspection systems	3D solution systems	Media & Network products	Total
Sales to external customers	1,842,496	638,614	155,080	2,636,192

(2) Information by geographical segment

I. Sales

(Thousand yen)

Japan	Korea	Taiwan	China	Americas	Others	Total
881,313	740,012	108,169	432,598	469,103	4,994	2,636,192

(Notes:)

The Geographic regions are classified by geographic proximity.

II. Tangible fixed assets

Tangible fixed assets information is omitted because the amounts of assets in Japan exceed 90% of the amounts of combined assets of all segments.

(3) Information by major customer

(Thousand yen)

Major customers	Sales	Segments
Samsung Display Co., Ltd	705,270	Japan, Korea
WINTEC Co., Ltd.	318,028	Japan

(Loss on impairment by reportable segment)

FY2014 results (Apr. 2014 - Mar. 2015)

None.

FY2015 results (Apr. 2015 - Mar. 2016)

None.

(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 (%)
J a p a n	1,565,099	(44.5)
U . S . A .	470,200	(5.8)
K o r e a	596,455	67.5
T o t a l	2,631,755	(28.4)

(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 (%)
J a p a n	1,051,389	(52.1)	675,416	(23.0)
K o r e a	615,320	102.4	2,911	(70.6)
T o t a l	1,666,709	(33.3)	678,327	(23.5)

(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 (%)
J a p a n	1,538,479	(41.6)
U . S . A .	470,200	(5.8)
K o r e a	627,512	90.3
T o t a l	2,636,192	(23.9)

(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	FY2014 (Apr.2014 - Mar.2015)		FY2015 (Apr.2015 - Mar.2016)	
	Sales	Ratio(%)	Sales	Ratio(%)
Samsung Display Co., Ltd	—	—	705,270	26.8
Innolux Corporation	505,409	14.6	—	—
DAITO ELECTRON CO., LTD.	461,235	13.3	—	—
W I N T E C C o . , L t d .	359,084	10.4	318,028	12.1

(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.