

Consolidated Financial Statements-Summary

For the Fiscal Year ended March 31,2019

May 15, 2019

(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, 2019

Date of submission of annual security report (scheduled) : June 27, 2019

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

1 . Financial Results of FY2018 (April 1,2018 through March 31,2019)

(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	
FY2018	1,637	(49.8)%	(742)	—%	(632)	—%	102	(16.5)%
FY2017	3,263	19.5%	195	649.9%	183	—%	122	—%

(Reference) Comprehensive income FY2018: ¥99 million ((28.6)%) FY 2017: ¥139 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
FY2018	7.44	—	8.0%	(17.0)%	(45.4)%
FY2017	8.91	—	10.6%	5.1%	6.0%

(Reference) Equity in earnings of affiliated FY2018: ¥ - million FY 2017: ¥ - million

(2) Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
FY2018	3,600	1,327	36.9%	96.39
FY2017	3,848	1,227	31.9%	89.13

(Reference) Net Assets FY2018: ¥1,327 million FY2017: ¥1,227 million

(3) Consolidated Cash Flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at the end of period
FY2018	(23)	1,284	(89)	2,228
FY2017	43	(190)	267	1,067

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			
FY2017	—	0.00	—	0.00	0.00	—	—	—
FY2018	—	0.00	—	0.00	0.00	—	—	—
FY2019	—	0.00	—	0.00	0.00		—	

3 . Consolidated Financial Forecasts for the Fiscal Year ending March 31,2020

(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 2019	900	4.4%	(195)	—%	(200)	—%	(210)	—%	(15.25)
FY 2019	2,600	58.7%	30	—%	20	—%	10	(90.2)%	0.73

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, 2019: 13,830,000 shares; As of March 31, 2018: 13,830,000shares

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

As of March 31, 2019: 62,159 shares; As of March 31, 2018: 62,159shares

③ Average number of shares outstanding during the term

Ended March 31, 2019: 13,767,841 shares; Ended March 31, 2018: 13,767,841shares

(Reference)

1 . Financial Results of FY2018(April 1,2018 through March 31,2019)

(1)Non-consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit (loss)	
FY2018	1,069	(62.7)%	(783)	—%	(684)	—%	82	(23.2)%
FY2017	2,868	29.0%	110	—%	154	—%	107	254.1%

	Earnings per share (Yen)	Diluted Earnings per share
FY2018	6.01	—
FY2017	7.83	—

(2)Non-consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
FY2018	3,345	1,227	36.7%	89.16
FY2017	3,680	1,145	31.1%	83.18

(Reference) Net Assets:

FY2018: ¥ 1,227million

FY2017: ¥ 1,145million

Disclaimer Regarding Forecast Statements

Statements made in this release with respect to Kubotek's forecast for FY2019, 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)

	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,099,414	2,260,197
Notes and accounts receivable – trade	1,216,793	736,530
Electronically recorded monetary claims – operating	97,034	81,793
Merchandise and finished goods	14,236	8,259
Work in process	265,701	175,784
Raw materials and supplies	112,524	42,142
Other	100,626	61,531
Allowance for doubtful accounts	(21,639)	(24,180)
Total current assets	2,884,693	3,342,060
Non-current assets		
Property, plant and equipment		
Buildings and structures	659,211	199,143
Accumulated depreciation	(467,782)	(163,581)
Buildings and structures, net	191,429	35,562
Machinery, equipment and vehicles	60,446	31,707
Accumulated depreciation	(55,454)	(29,114)
Machinery, equipment and vehicles, net	4,992	2,593
Tools, furniture and fixtures	465,311	308,182
Accumulated depreciation	(434,138)	(278,798)
Tools, furniture and fixtures, net	31,172	29,383
Land	558,514	–
Total property, plant and equipment	786,109	67,539
Intangible assets		
Software	147,036	158,975
Other	2,285	2,285
Total intangible assets	149,322	161,260
Investments and other assets		
Investment securities	3,765	5,867
Deferred tax assets	1,772	1,027
Claims provable in bankruptcy, claims provable in rehabilitation and other	79,360	238
Other	23,060	22,688
Allowance for doubtful accounts	(79,360)	(238)
Total investments and other assets	28,598	29,582
Total non-current assets	964,029	258,383
Total assets	3,848,723	3,600,443

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

	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	478,669	266,251
Short-term loans payable	1,100,000	200,000
Current portion of long-term loans payable	291,000	445,424
Income taxes payable	30,730	9,645
Advances received	227,882	218,047
Provision for bonuses	16,070	9,540
Provision for loss on liquidation of subsidiaries and associates	30,032	32,430
Other	142,759	125,762
Total current liabilities	2,317,144	1,307,102
Non-current liabilities		
Long-term loans payable	246,000	901,864
Deferred tax liabilities	5,187	6,120
Retirement benefit liability	49,571	50,652
Other	3,725	7,677
Total non-current liabilities	304,484	966,314
Total liabilities	2,621,628	2,273,416
Net assets		
Shareholders' equity		
Capital stock	1,951,750	1,951,750
Retained earnings	(679,148)	(576,694)
Treasury shares	(81,717)	(81,717)
Total shareholders' equity	1,190,883	1,293,338
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(355)	(747)
Foreign currency translation adjustment	36,566	34,435
Total accumulated other comprehensive income	36,211	33,688
Total net assets	1,227,094	1,327,026
Total liabilities and net assets	3,848,723	3,600,443

(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)

	FY2017 (Apr. 2017–Mar. 2018)	FY2018 (Apr. 2018–Mar. 2019)
Net sales	3,263,260	1,637,850
Cost of sales	2,133,807	1,495,387
Gross profit	1,129,453	142,463
Selling, general and administrative expenses	933,669	885,406
Operating profit (loss)	195,783	(742,943)
Non-operating income		
Interest income	234	406
Dividend income	305	124
Rent income	1,111	277
Gain on sales of supplies	–	126,089
Other	73	530
Total non-operating income	1,724	127,428
Non-operating expenses		
Interest expenses	12,014	13,643
Foreign exchange losses	2,034	3,053
Other	30	190
Total non-operating expenses	14,080	16,887
Ordinary profit (loss)	183,427	(632,402)
Extraordinary income		
Gain on sales of non-current assets	–	763,205
Total extraordinary income	–	763,205
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	31,620	2,398
Total extraordinary losses	31,620	2,398
Profit before income taxes	151,807	128,404
Income taxes – current	29,725	24,327
Income taxes – deferred	(584)	1,621
Total income taxes	29,140	25,949
Profit	122,666	102,454
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	122,666	102,454

Consolidated Statements of Comprehensive Income

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

	FY2017 (Apr. 2017–Mar. 2018)	FY2018 (Apr. 2018–Mar. 2019)
Profit	122,666	102,454
Other comprehensive income		
Valuation difference on available-for-sale securities	(487)	(391)
Foreign currency translation adjustment	17,713	(2,131)
Total other comprehensive income	17,225	(2,522)
Comprehensive income	139,891	99,931
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	139,891	99,931
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Net Assets

FY2017 (Apr. 2017–Mar. 2018)

(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	(801,815)	(81,717)	1,068,216	132	18,853	18,986	1,087,203
Changes of items during period								
Profit attributable to owners of parent		122,666		122,666				122,666
Net changes of items other than shareholders' equity					(487)	17,713	17,225	17,225
Total changes of items during period	-	122,666	-	122,666	(487)	17,713	17,225	139,891
Balance at end of current period	1,951,750	(679,148)	(81,717)	1,190,883	(355)	36,566	36,211	1,227,094

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

(4) Consolidated Statements of Cash Flows

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

	FY2017 (Apr. 2017–Mar. 2018)	FY2018 (Apr. 2018–Mar. 2019)
Cash flows from operating activities		
Profit before income taxes	151,807	128,404
Depreciation	196,561	189,372
Increase (decrease) in allowance for doubtful accounts	8,292	(76,543)
Increase (decrease) in provision for bonuses	410	(6,530)
Increase (decrease) in retirement benefit liability	(360)	1,081
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	30,032	2,398
Interest and dividend income	(539)	(530)
Interest expenses	12,014	13,643
Foreign exchange losses (gains)	1,565	(1,313)
Loss (gain) on sales of property, plant and equipment	–	(763,205)
Decrease (increase) in notes and accounts receivable – trade	(373,179)	572,174
Decrease (increase) in inventories	4,450	165,275
Decrease (increase) in consumption taxes refund receivable	(36,644)	30,351
Increase (decrease) in notes and accounts payable – trade	31,113	(210,912)
Increase (decrease) in advances received	(3,427)	(4,210)
Decrease (increase) in prepaid expenses	(3,202)	14,248
Increase (decrease) in accounts payable – other	55,617	(38,363)
Other, net	(6,637)	17,413
Subtotal	67,874	32,753
Interest and dividend income received	536	527
Interest expenses paid	(10,197)	(14,128)
Income taxes paid	(14,885)	(43,080)
Net cash provided by (used in) operating activities	43,327	(23,928)
Cash flows from investing activities		
Purchase of investment securities	(2,658)	(2,493)
Purchase of property, plant and equipment	(10,751)	(20,775)
Proceeds from sales of property, plant and equipment	–	1,478,073
Payments for liquidation of subsidiaries and affiliates	(32,335)	–
Purchase of software	(146,836)	(170,595)
Other, net	1,668	(31)
Net cash provided by (used in) investing activities	(190,913)	1,284,178
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	463,000	(900,000)
Proceeds from long-term loans payable	200,000	1,300,000
Repayments of long-term loans payable	(396,000)	(489,712)
Net cash provided by (used in) financing activities	267,000	(89,712)
Effect of exchange rate change on cash and cash equivalents	8,539	(9,757)
Net increase (decrease) in cash and cash equivalents	127,952	1,160,780
Cash and cash equivalents at beginning of period	939,793	1,067,746
Cash and cash equivalents at end of period	1,067,746	2,228,526

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

FY2017 results (Apr. 2017 - Mar. 2018)

(Thousand yen)

	Reportable segments			Total
	Japan	U.S.A.	Korea	
Net sales				
Sales to external customers	2,670,371	386,416	206,472	3,263,260
Inter-segment sales or transfers	198,132	20,643	48,129	266,906
Total	2,868,503	407,060	254,602	3,530,166
Segment operating income (loss)	110,841	40,843	1,953	153,638
Segment assets	3,680,618	130,414	204,234	4,015,268
Other items				
Depreciation and amortization	204,548	3,383	53	207,985
Increase in tangible fixed assets or intangible fixed assets	167,037	3,862	—	170,899

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	(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

(3) Reconciliation of published figures and aggregates of reportable segments in FY2018

(Thousand yen)

Net sales	FY2017	FY2018
Reportable segments	3,530,166	1,760,645
Elimination of intersegment transactions	(266,906)	(122,794)
Net sales	3,263,260	1,637,850

(Thousand yen)

Operating income	FY2017	FY2018
Reportable segments	153,638	(761,108)
Elimination of intersegment transactions	9,321	5,351
Intersegment income adjustment	(972)	12,215
Other	33,796	598
Operating income (loss)	195,783	(742,943)

(Thousand yen)

Assets	FY2017	FY2018
Reportable segments	4,015,268	3,657,125
Elimination of intersegment transactions	(440,255)	(359,884)
Intersegment income adjustment	(14,285)	(2,070)
Other	287,995	305,273
Total assets	3,848,723	3,600,443

(Thousand yen)

Other items	Reportable segments		Adjustment		Consolidated total	
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018
Depreciation and amortization	207,985	201,409	(11,424)	(12,037)	196,561	189,372
Increase in tangible fixed assets and intangible fixed assets	170,899	193,063	(12,037)	(1,130)	158,862	191,932

(Notes:)

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

Related Information

FY2017 results (Apr. 2017 - Mar. 2018)

(1) Information by product/service

(Thousand yen)

	Inspection systems	3D solution systems	Others	Total
Sales to external customers	2,614,568	526,969	121,722	3,263,260

(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
1,314,358	343,521	75,528	1,141,023	385,519	3,308	3,263,260

(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
Chengdu CEC Panda Display Technology Co., Ltd.	931,000	Japan
WINTEC Co., Ltd.	524,384	Japan
Sharp Corporation	424,230	Japan

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

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

(Loss on impairment by reportable segment)

FY2017 results (Apr. 2017 - Mar. 2018)

None.

FY2018 results (Apr. 2018 - Mar. 2019)

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 (%)
Japan	915,359	(65.1)
U.S.A.	383,865	(0.8)
Korea	241,281	14.3
T o t a l	1,540,506	(52.2)

(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	621,744	(62.3)	782,900	(16.9)
Korea	238,892	13.7	5,450	(57.8)
T o t a l	860,636	(53.7)	788,350	(17.5)

(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 (%)
Japan	1,006,709	(62.3)
U.S.A.	383,960	(0.6)
Korea	247,180	19.7
T o t a l	1,637,850	(49.8)

(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	FY2017 (Apr.2017 - Mar.2018)		FY2018 (Apr.2018 - Mar.2019)	
	Sales	Ratio(%)	Sales	Ratio(%)
W I N T E C C o . , L t d .	524,384	16.1	172,690	10.5
D a i t r o n C o . , L t d .	—	—	170,575	10.4

(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.