

Consolidated Financial Statements-Summary

For the Fiscal Year ended March 31,2017

May 15, 2017

(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 23, 2017

Date of submission of annual security report (scheduled) : June 26, 2017

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

1 . Financial Results of FY2016 (April 1,2016 through March 31,2017)

(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	
FY2016	2,731	3.6%	26	—%	12	—%	0	—%
FY2015	2,636	(23.9)%	(134)	—%	(150)	—%	(168)	—%

(Reference) Comprehensive income FY2016: ¥2 million (- %) FY 2015: ¥ (181) 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
FY2016	0.07	—	0.1%	0.4%	1.0%
FY2015	(12.27)	—	(14.4)%	(4.1)%	(5.1)%

(Reference) Equity in earnings of affiliated FY2016: ¥ - million FY 2015: ¥ - million

(2) Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
FY2016	3,346	1,087	32.5%	78.97
FY2015	3,466	1,084	31.3%	78.79

(Reference) Net Assets FY2016: ¥ 1,087 million FY2015: ¥ 1,084 million

(3) Consolidated Cash Flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at the end of period
FY2016	43	(103)	(265)	939
FY2015	64	(147)	170	1,280

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			
FY2015	—	0.00	—	0.00	0.00	—	—	—
FY2016	—	0.00	—	0.00	0.00	—	—	—
FY2017	—	0.00	—	0.00	0.00		—	

3 . Consolidated Financial Forecasts for the Fiscal Year ending March 31,2018

(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 2017	1,600	19.9%	60	75.3%	50	106.4%	40	101.2%	2.91
FY 2017	3,400	24.5%	220	742.6%	200	—%	170	—%	12.35

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, 2017: 13,830,000 shares; As of March 31, 2016: 13,830,000shares

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

As of March 31, 2017: 62,159 shares; As of March 31, 2016: 62,059shares

③ Average number of shares outstanding during the term

Ended March 31, 2017: 13,767,883 shares; Ended March 31, 2016: 13,767,941shares

(Reference)

1 . Financial Results of FY2016(April 1,2016 through March 31,2017)

(1)Non-consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit (loss)	
FY2016	2,224	27.2%	(37)	—%	(44)	—%	30	—%
FY2015	1,747	(37.6)%	(218)	—%	(174)	—%	(185)	—%

	Earnings per share (Yen)	Diluted Earnings per share
FY2016	2.21	—
FY2015	(13.44)	—

(2)Non-consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
FY2016	3,146	1,037	33.0%	75.39
FY2015	3,206	1,008	31.5%	73.27

(Reference) Net Assets:

FY2016: ¥ 1,037million

FY2015: ¥ 1,008million

Disclaimer Regarding Forecast Statements

Statements made in this release with respect to Kubotek's forecast for FY2017, 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)

	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	1,373,080	971,459
Notes and accounts receivable – trade	730,637	926,873
Electronically recorded monetary claims – operating	13,078	92,576
Merchandise and finished goods	5,620	9,116
Work in process	258,263	293,049
Raw materials and supplies	150,141	94,840
Deferred tax assets	914	904
Other	43,072	29,584
Allowance for doubtful accounts	(104,446)	(92,531)
Total current assets	2,470,363	2,325,874
Non-current assets		
Property, plant and equipment		
Buildings and structures	659,211	659,211
Accumulated depreciation	(440,839)	(454,698)
Buildings and structures, net	218,371	204,513
Machinery, equipment and vehicles	57,393	57,216
Accumulated depreciation	(52,698)	(54,085)
Machinery, equipment and vehicles, net	4,694	3,130
Tools, furniture and fixtures	426,486	444,703
Accumulated depreciation	(406,283)	(418,047)
Tools, furniture and fixtures, net	20,203	26,656
Land	558,514	558,514
Construction in progress	–	13,270
Total property, plant and equipment	801,784	806,084
Intangible assets		
Software	127,384	162,405
Other	2,285	2,285
Total intangible assets	129,670	164,690
Investments and other assets		
Investment securities	42,528	26,053
Other	22,366	23,996
Allowance for doubtful accounts	(238)	(238)
Total investments and other assets	64,657	49,811
Total non-current assets	996,111	1,020,586
Total assets	3,466,474	3,346,461

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

	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	280,507	445,119
Short-term loans payable	739,000	659,000
Current portion of long-term loans payable	385,000	396,000
Income taxes payable	12,519	12,840
Advances received	265,600	235,692
Provision for bonuses	5,700	15,660
Other	107,159	100,203
Total current liabilities	1,795,487	1,864,515
Non-current liabilities		
Long-term loans payable	533,000	337,000
Deferred tax liabilities	597	5,048
Net defined benefit liability	49,804	49,931
Other	2,762	2,762
Total non-current liabilities	586,165	394,742
Total liabilities	2,381,652	2,259,258
Net assets		
Shareholders' equity		
Capital stock	1,951,750	1,951,750
Retained earnings	(802,758)	(801,815)
Treasury shares	(81,675)	(81,717)
Total shareholders' equity	1,067,316	1,068,216
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,355	132
Foreign currency translation adjustment	16,150	18,853
Total accumulated other comprehensive income	17,506	18,986
Total net assets	1,084,822	1,087,203
Total liabilities and net assets	3,466,474	3,346,461

(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)

	FY2015 (Apr. 2015–Mar. 2016)	FY2016 (Apr. 2016–Mar. 2017)
Net sales	2,636,192	2,731,063
Cost of sales	1,735,015	1,809,640
Gross profit	901,177	921,422
Selling, general and administrative expenses	1,035,794	895,313
Operating profit (loss)	(134,617)	26,109
Non-operating income		
Interest income	304	204
Dividend income	336	496
Rent income	1,111	1,111
Other	326	283
Total non-operating income	2,078	2,096
Non-operating expenses		
Interest expenses	17,134	12,260
Foreign exchange losses	1,253	3,670
Other	11	3
Total non-operating expenses	18,400	15,934
Ordinary profit (loss)	(150,939)	12,271
Extraordinary income		
Gain on sales of investment securities	–	3,589
Total extraordinary income	–	3,589
Profit (loss) before income taxes	(150,939)	15,860
Income taxes – current	15,544	9,973
Income taxes – deferred	2,492	4,943
Total income taxes	18,036	14,917
Profit (loss)	(168,975)	943
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	(168,975)	943

Consolidated Statements of Comprehensive Income

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

	FY2015 (Apr. 2015–Mar. 2016)	FY2016 (Apr. 2016–Mar. 2017)
Profit (loss)	(168,975)	943
Other comprehensive income		
Valuation difference on available-for-sale securities	(282)	(1,223)
Foreign currency translation adjustment	(12,058)	2,703
Total other comprehensive income	(12,340)	1,479
Comprehensive income	(181,315)	2,423
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(181,315)	2,423
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Net Assets

FY2015 (Apr. 2015–Mar. 2016)

(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	(633,782)	(81,675)	1,236,291	1,637	28,208	29,846	1,266,138
Changes of items during period								
Loss attributable to owners of parent		(168,975)		(168,975)				(168,975)
Net changes of items other than shareholders' equity					(282)	(12,058)	(12,340)	(12,340)
Total changes of items during period	—	(168,975)	—	(168,975)	(282)	(12,058)	(12,340)	(181,315)
Balance at end of current period	1,951,750	(802,758)	(81,675)	1,067,316	1,355	16,150	17,506	1,084,822

FY2016 (Apr. 2016–Mar. 2017)

(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	(802,758)	(81,675)	1,067,316	1,355	16,150	17,506	1,084,822
Changes of items during period								
Profit attributable to owners of parent		943		943				943
Purchase of treasury stock			(42)	(42)				(42)
Net changes of items other than shareholders' equity					(1,223)	2,703	1,479	1,479
Total changes of items during period	—	943	(42)	900	(1,223)	2,703	1,479	2,380
Balance at end of current period	1,951,750	(801,815)	(81,717)	1,068,216	132	18,853	18,986	1,087,203

(4) Consolidated Statements of Cash Flows

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

	FY2015 (Apr. 2015–Mar. 2016)	FY2016 (Apr. 2016–Mar. 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	(150,939)	15,860
Depreciation	147,784	141,826
Increase (decrease) in allowance for doubtful accounts	3,074	(11,839)
Increase (decrease) in provision for bonuses	(9,600)	9,960
Increase (decrease) in net defined benefit liability	(3,050)	126
Interest and dividend income	(640)	(701)
Interest expenses	17,134	12,260
Foreign exchange losses (gains)	1,335	1,393
Loss (gain) on sales of investment securities	–	(3,589)
Decrease (increase) in notes and accounts receivable – trade	389,716	(278,796)
Decrease (increase) in inventories	115,652	16,623
Decrease (increase) in consumption taxes refund receivable	27,084	16,656
Increase (decrease) in notes and accounts payable – trade	(290,244)	169,488
Increase (decrease) in advances received	978	(20,594)
Decrease (increase) in prepaid expenses	15,555	(13,166)
Other, net	(57,710)	17,801
Subtotal	206,131	73,308
Interest and dividend income received	632	692
Interest expenses paid	(17,442)	(11,936)
Income taxes paid	(124,715)	(18,864)
Net cash provided by (used in) operating activities	64,606	43,200
Cash flows from investing activities		
Purchase of investment securities	(2,670)	(2,816)
Proceeds from sales of investment securities	–	21,118
Purchase of property, plant and equipment	(13,922)	(33,739)
Proceeds from sales of property, plant and equipment	70	61
Purchase of intangible assets	(1,232)	–
Proceeds from withdrawal of time deposits	–	61,133
Purchase of software	(127,677)	(147,547)
Other, net	(1,758)	(1,990)
Net cash provided by (used in) investing activities	(147,192)	(103,782)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(164,000)	(80,000)
Proceeds from long-term loans payable	650,000	200,000
Repayments of long-term loans payable	(316,000)	(385,000)
Purchase of treasury shares	–	(42)
Net cash provided by (used in) financing activities	170,000	(265,042)
Effect of exchange rate change on cash and cash equivalents	(6,578)	(14,872)
Net increase (decrease) in cash and cash equivalents	80,835	(340,496)
Cash and cash equivalents at beginning of period	1,199,453	1,280,289
Cash and cash equivalents at end of period	1,280,289	939,793

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

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

FY2016 results (Apr. 2016 - Mar. 2017)

(Thousand yen)

	Reportable segments			Total
	Japan	U.S.A.	Korea	
Net sales				
Sales to external customers	2,148,250	424,431	158,381	2,731,063
Inter-segment sales or transfers	75,823	26,000	44,041	145,864
Total	2,224,074	450,431	202,422	2,876,928
Segment operating income (loss)	(37,279)	21,376	4,768	(11,135)
Segment assets	3,146,947	120,068	165,147	3,432,162
Other items				
Depreciation and amortization	136,579	5,024	222	141,826
Increase in tangible fixed assets or intangible fixed assets	191,214	1,635	—	192,850

(3) Reconciliation of published figures and aggregates of reportable segments in FY2016

(Thousand yen)

Net sales	FY2015	FY2016
Reportable segments	2,937,196	2,876,928
Elimination of intersegment transactions	(301,004)	(145,864)
Net sales	2,636,192	2,731,063

(Thousand yen)

Operating income	FY2015	FY2016
Reportable segments	(148,342)	(11,135)
Elimination of intersegment transactions	9,387	9,464
Intersegment income adjustment	5,403	(11,890)
Other	(1,064)	39,670
Operating income (loss)	(134,617)	26,109

(Thousand yen)

Assets	FY2015	FY2016
Reportable segments	3,556,613	3,432,162
Elimination of intersegment transactions	(298,226)	(344,341)
Intersegment income adjustment	(1,422)	(13,312)
Other	209,510	271,952
Total assets	3,466,474	3,346,461

(Thousand yen)

Other items	Reportable segments		Adjustment		Consolidated total	
	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016
Depreciation and amortization	147,784	141,826	—	—	147,784	141,826
Increase in tangible fixed assets and intangible fixed assets	142,832	192,850	—	(11,424)	142,832	181,426

(Notes:)

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

Related Information

FY2015 results (Apr. 2015 - Mar. 2016)

(1) Information by product/service

(Thousand yen)

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

(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
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

FY2016 results (Apr. 2016 - Mar. 2017)

(1) Information by product/service

(Thousand yen)

	Inspection systems	3D solution systems	Others	Total
Sales to external customers	1,958,038	658,227	114,797	2,731,063

(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
1,339,948	318,613	75,614	567,245	423,845	5,797	2,731,063

(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
WINTEC Co., Ltd.	344,972	Japan

(Loss on impairment by reportable segment)

FY2015 results (Apr. 2015 - Mar. 2016)

None.

FY2016 results (Apr. 2016 - Mar. 2017)

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	2,211,136	41.3
U . S . A .	424,431	(9.7)
K o r e a	161,858	(72.9)
T o t a l	2,797,427	6.3

(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	2,868,783	172.9	1,708,200	152.9
K o r e a	155,740	(74.7)	914	(68.6)
T o t a l	3,024,524	81.5	1,709,114	152.0

(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	2,148,250	39.6
U . S . A .	424,431	(9.7)
K o r e a	158,381	(74.8)
T o t a l	2,731,063	3.6

(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	FY2015 (Apr.2015 - Mar.2016)		FY2016 (Apr.2016 - Mar.2017)	
	Sales	Ratio(%)	Sales	Ratio(%)
W I N T E C C o . , L t d .	318,028	12.1	344,972	12.6
S a m s u n g D i s p l a y C o . , L t d	705,270	26.8	—	—

(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.