November 8, 2016

Consolidated Financial Statements

For the Second Quarter ended September 30, 2016

INNOTECH CORPORATION

Stock Listed: Tokyo Stock Exchange Section 1

Code No.: 9880

URL: http://www.innotech.co.jp/

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President and COO: Toshihiko Ono

U.S. Accounting Principle: Not adopted

(Amounts below one million are rounded down)

1. Consolidated Financial Highlights for the Second Quarter ended September 30, 2016

(April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results

(% represents the change from the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Second Quarter, FY2016	14,981	△ 10.7	820	△ 7.9	910	△ 4.7	570	△ 14.2
Second Quarter, FY2015	16,768	27.6	891	60.3	954	52.2	664	50.4

[Note] Comprehensive income Second Quarter, FY2016: 291 million yen (△50.9%) Second Quarter, FY2015: 594 million yen (55.5%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Second Quarter, FY2016	32.49	31.40
Second Quarter, FY2015	37.85	36.77

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2016	30,474	24,202	77.5
FY2015	29,798	24,027	78.8

[Reference] Net worth Second Quarter, FY2016: 23,626 million yen FY2015: 23,473 million yen

2. Dividend Payment Results and Outlook

	Annual dividend per share Total				
	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full Year
	yen sen	yen sen	yen sen	yen sen	yen sen
FY2015	–	7.00	–	7.00	14.00
FY2016	–	7.00			
FY2016 (outlook)			–	7.00	14.00

[Note] Revision made in the forecast dividend as of the end of the current quarter: None

3. Consolidated Business Outlook for FY2016 (April 1, 2016 to March 31, 2017)

(% represents the change from the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2016	29,500	△ 5.6	850	△ 16.0	980	△ 15.7	600	△ 18.9	34.16

[Note] Change made in figures of the consolidated business outlook as of the end of the current quarter from the previous announcement: None

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during the second quarter : None
Newly — (Name of Company) — Exception — (Name of Company) —

(2) Application of peculiar methods for accounting procedures : None

(3) Changes in accounting procedures:
① Related to accounting standard revisions etc. : Yes
② Other changes : None
③ Changes in accounting estimates : None
④ Modified restatements : None

(4) Number of shares outstanding (common stock)
① Total outstanding shares including treasury shares as of:
September 30, 2016 18,218,901 shares March 31, 2016 18,218,901 shares
② Outstanding treasury shares as of:
September 30, 2016 653,577 shares March 31, 2016 653,557 shares
③ Average outstanding shares for the second quarter ended:
September 30, 2016 17,565,337 shares September 30, 2015 17,565,421 shares

[Note] Information about quarterly review procedure execution:
This earnings release report is not subject to audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this report, the audit procedures for the financial statements are in progress.

[Note] Request for appropriate use of the business outlook and other special remarks:
The information provided in this documentation includes forward looking statements based on current expectations, forecasts or beliefs. Such forward looking statements include a number of preliminary assumptions about future events that are subject to factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

(Unit: thousand yen)

	As of March 31, 2016	As of September 30, 2016
Quarterly consolidated balance sheets		
Assets		
Current assets		
Cash and deposits	3,917,946	5,541,264
Notes and accounts receivable-trade	7,561,942	7,281,200
Merchandise and finished goods	1,912,075	1,176,745
Work in process	202,191	346,992
Other	2,460,018	2,442,939
Allowance for doubtful accounts	△19,309	△1,077
Total current assets	16,034,865	16,788,063
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,905,117	7,898,138
Accumulated depreciation	△4,073,091	△4,134,906
Buildings and structures, net	3,832,025	3,763,231
Land	5,665,131	5,665,131
Other	1,595,996	1,450,844
Accumulated depreciation	△1,102,336	△1,038,251
Other, net	493,659	412,592
Total property, plant and equipment	9,990,817	9,840,956
Intangible assets		
Goodwill	1,321,352	1,310,673
Other	349,759	335,025
Total intangible assets	1,671,111	1,645,699
Investments and other assets		
Investment securities	929,305	973,189
Other	1,172,897	1,226,927
Allowance for doubtful accounts	△144	△2
Total investments and other assets	2,102,059	2,200,114
Total non-current assets	13,763,988	13,686,769
Total assets	29,798,853	30,474,833
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,303,040	1,387,532
Income taxes payable	385,198	460,595
Provision for bonuses	139,895	267,232
Provision for directors' bonuses	-	15,285
Other	3,414,138	3,609,825
Total current liabilities	5,242,272	5,740,472
Non-current liabilities		
Provision for directors' retirement benefits	78,705	83,921
Net defined benefit liability	160,586	188,953
Other	289,314	259,059
Total non-current liabilities	528,606	531,933
Total liabilities	5,770,879	6,272,405
Net assets		
Shareholders' equity		
Capital stock	10,517,159	10,517,159
Capital surplus	7,324,064	7,301,061
Retained earnings	5,818,853	6,266,621
Treasury shares	△258,574	△258,583
Total shareholders' equity	23,401,503	23,826,259
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	43,028	34,358
Deferred gains or losses on hedges	3,119	△5,419
Foreign currency translation adjustment	10,734	△239,807
Remeasurements of defined benefit plans	15,205	10,852
Total accumulated other comprehensive income	72,087	△200,016
Subscription rights to shares	268,839	307,139
Non-controlling interests	285,542	269,044
Total net assets	24,027,974	24,202,427
Total liabilities and net assets	29,798,853	30,474,833

(Unit: thousand yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Quarterly consolidated statements of income		
Net sales	16,768,767	14,981,596
Cost of sales	12,415,771	10,629,726
Gross profit	4,352,995	4,351,870
Selling, general and administrative expenses	3,461,865	3,531,214
Operating income	891,129	820,656
Non-operating income		
Real estate rent	216,675	230,229
Other	69,638	66,427
Total non-operating income	286,314	296,656
Non-operating expenses		
Rent expenses on real estates	171,825	167,435
Other	50,641	39,799
Total non-operating expenses	222,466	207,234
Ordinary income	954,977	910,078
Extraordinary income		
Gain on step acquisitions	44,492	-
Gain on sales of non-current assets	7,478	3,700
Total extraordinary income	51,970	3,700
Extraordinary losses		
Loss on valuation of investment securities	-	25,991
Total extraordinary losses	-	25,991
Profit before income taxes	1,006,948	887,786
Income taxes	316,110	315,409
Profit	690,837	572,377
Profit attributable to non-controlling interests	25,994	1,651
Profit attributable to owners of parent	664,843	570,725

(Unit: thousand yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Quarterly consolidated statements of comprehensive income		
Profit	690,837	572,377
Other comprehensive income		
Valuation difference on available-for-sale securities	△14,035	△8,670
Deferred gains or losses on hedges	16,906	△8,538
Foreign currency translation adjustment	△84,553	△258,958
Remeasurements of defined benefit plans, net of tax	△14,252	△4,352
Total other comprehensive income	△95,935	△280,520
Comprehensive income	594,902	291,856
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	561,887	298,621
Comprehensive income attributable to non-controlling interests	33,014	△6,764

(Unit: thousand yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Quarterly consolidated statements of cash flows		
Operating Activities		
Profit before income taxes	1,006,948	887,786
Depreciation	282,829	260,271
Amortization of goodwill	99,126	107,247
Increase (decrease) in allowance for doubtful accounts	14,337	△18,374
Increase (decrease) in provision for bonuses	101,249	132,422
Increase (decrease) in net defined benefit liability	△6,243	21,551
Interest and dividend income	△6,643	△5,084
Loss (gain) on valuation of investment securities	–	25,991
Share of (profit) loss of entities accounted for using equity method	1,905	△2,426
Loss (gain) on step acquisitions	△44,492	–
Decrease (increase) in notes and accounts receivable-trade	△2,343,722	125,059
Decrease (increase) in inventories and advance payments	△716,006	560,351
Increase (decrease) in notes and accounts payable-trade	△347,542	301,964
Increase (decrease) in advances received	571,162	539,530
Other, net	△128,493	△332,489
Subtotal	△1,515,584	2,603,802
Interest and dividend income received	6,227	4,818
Interest expenses paid	△1,569	△184
Income taxes (paid) refund	△31,289	△333,613
Net cash provided by (used in) operating activities	△1,542,216	2,274,822
Investing Activities		
Payments into time deposits	△642,560	–
Proceeds from withdrawal of time deposits	500,000	300,000
Purchase of property, plant and equipment	△86,811	△50,960
Purchase of intangible assets	△72,160	△66,514
Purchase of long-term prepaid expenses	△142,922	△67,837
Purchase of investment securities	△273,535	△102,910
Purchase of insurance funds	△27,506	△39,697
Proceeds from cancellation of insurance funds	58,293	14,990
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△74,308	△78,449
Other, net	59,247	△4,476
Net cash provided by (used in) investing activities	△702,264	△95,855
Financing Activities		
Net increase (decrease) in short-term loans payable	1,600,000	47,580
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	△34,353
Cash dividends paid	△123,121	△122,434
Other, net	△3,893	△3,233
Net cash provided by (used in) financing activities	1,472,985	△112,171
Effect of exchange rate change on cash and cash equivalents	22,527	△147,601
Net increase (decrease) in cash and cash equivalents	△748,967	1,919,194
Cash and cash equivalents at beginning of period	3,047,407	3,512,003
Cash and cash equivalents at end of period	2,298,439	5,431,198