May 11, 2017

Consolidated Financial Statements

Ended March 31, 2017

INNOTECH CORPORATION

Stock Listed: Tokyo Stock Exchange Section 1

Code No.: 9880

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U.S. Accounting Principle: Not adopted

(Amounts below one million are rounded down)

1. Consolidated Financial Highlights for FY 2016 (April 1, 2016 to March 31, 2017)

(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	%
FY2016	28,863	△ 7.6	999	△ 1.2	1,251	7.7	806	9.0
FY2015	31,243	18.0	1,012	40.0	1,162	23.9	740	33.8

[Note] Comprehensive income FY2016: 828 million yen (72.7%) FY2015: 479 million yen (△30%)

	EPS	EPS, Diluted	ROE	ROA	Operating income to net sales
	yen sen	yen sen	%	%	%
FY2016	45.93	44.30	3.4	4.2	3.5
FY2015	42.13	40.86	3.2	3.9	3.2

[Reference] Equity in earnings (losses) of affiliated companies FY2016: 2 million yen FY2015: 5 million yen

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	BPS
	million yen	million yen	%	yen sen
FY2016	30,277	24,620	79.3	1,366.84
FY2015	29,798	24,027	78.8	1,336.36

[Reference] Net worth FY2016: 24,016 million yen FY2015: 23,473 million yen

(3) Consolidated Cash Flows

	CF from operating activities	CF from investing activities	CF from financial activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY2016	2,487	△ 834	△ 289	4,844
FY2015	1,506	△ 772	△ 253	3,512

2. Dividend Payment Results and Outlook

	Annual dividend per share Total					Total amount of dividends paid/payable (full-year)	Dividend payout ratio (consolidated)	Rate of dividend to net assets (consolidated)
	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	million yen	%	%
FY2015	–	7.00	–	7.00	14.00	245	33.2	1.1
FY2016	–	7.00	–	8.00	15.00	263	32.7	1.1
FY2017 (outlook)	–	7.00	–	8.00	15.00		40.5	

3. Consolidated Business Outlook for FY2017 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		EPS
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2017	27,500	△ 4.7	900	△ 10.0	1,000	△ 20.1	650	△ 19.4	36.99

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during FY2016 : None
Newly — (Name of Company) — Exception — (Name of Company) —

(2) 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

(3) Number of shares outstanding (common stock)
① Total outstanding shares including treasury shares as of:
As of March 31, 2017: 18,218,901 shares As of March 31, 2016: 18,218,901 shares
② Outstanding treasury shares as of:
As of March 31, 2017: 648,177 shares As of March 31, 2016: 653,557 shares
③ Average outstanding shares for the quarter ended:
Year ended March 31, 2017: 17,565,673 shares Year ended March 31, 2016: 17,565,391 shares

(Reference) Summary of Non-consolidated Financial Results

Non-Consolidated Financial Highlights for FY2016 (April 1, 2016 to March 31, 2017)

(1) Non-Consolidated Operating Results (% represents the change from the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2016	17,049	△ 16.6	163	△ 59.5	395	△ 25.7	238	△ 24.5
FY2015	20,448	10.4	402	109.3	533	23.4	316	15.9

	EPS	EPS, Diluted
	yen sen	yen sen
FY2016	13.59	13.11
FY2015	18.00	17.46

(2) Non-Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	BPS
	million yen	million yen	%	yen sen
FY2016	24,427	21,936	88.6	1,231.04
FY2015	25,631	21,940	84.6	1,233.75

[Reference] Net worth FY2016: 21,630 million yen FY2015: 21,671 million yen

[Note] Information about audit 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 March 31, 2017
Consolidated balance sheet		
Assets		
Current assets		
Cash and deposits	3,917,946	5,154,047
Notes and accounts receivable-trade	7,561,942	6,628,431
Merchandise and finished goods	1,912,075	2,049,411
Deferred tax assets	178,611	240,843
Other	2,483,598	2,088,169
Allowance for doubtful accounts	△19,309	△636
Total current assets	16,034,865	16,160,265
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,905,117	7,912,088
Accumulated depreciation	△4,073,091	△4,217,002
Buildings and structures, net	3,832,025	3,695,086
Land	5,665,131	5,721,345
Other	1,595,996	1,777,815
Accumulated depreciation	△1,102,336	△1,113,450
Other, net	493,659	664,364
Total property, plant and equipment	9,990,817	10,080,796
Intangible assets		
Goodwill	1,321,352	1,197,677
Other	349,759	353,193
Total intangible assets	1,671,111	1,550,871
Investments and other assets		
Investment securities	929,305	1,179,401
Deferred tax assets	59,357	57,132
Net defined benefit asset	229,226	265,668
Other	884,313	983,045
Allowance for doubtful accounts	△144	△2
Total investments and other assets	2,102,059	2,485,246
Total non-current assets	13,763,988	14,116,914
Total assets	29,798,853	30,277,180
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,303,040	1,526,351
Income taxes payable	385,198	281,461
Advances received	2,320,689	1,899,293
Provision for bonuses	139,895	166,469
Other	1,093,449	1,204,111
Total current liabilities	5,242,272	5,077,687
Non-current liabilities		
Provision for directors' retirement benefits	78,705	89,969
Net defined benefit liability	160,586	189,170
Other	289,314	299,926
Total non-current liabilities	528,606	579,066
Total liabilities	5,770,879	5,656,754
Net assets		
Shareholders' equity		
Capital stock	10,517,159	10,517,159
Capital surplus	7,324,064	7,301,303
Retained earnings	5,818,853	6,379,702
Treasury shares	△258,574	△256,447
Total shareholders' equity	23,401,503	23,941,719
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	43,028	70,898
Deferred gains or losses on hedges	3,119	△59,070
Foreign currency translation adjustment	10,734	49,750
Remeasurements of defined benefit plans	15,205	12,986
Total accumulated other comprehensive income	72,087	74,566
Subscription rights to shares	268,839	305,838
Non-controlling interests	285,542	298,301
Total net assets	24,027,974	24,620,426
Total liabilities and net assets	29,798,853	30,277,180

（Unit: thousand yen）

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Consolidated statement of income		
Net sales	31,243,213	28,863,452
Cost of sales	23,286,022	20,786,545
Gross profit	7,957,191	8,076,906
Selling, general and administrative expenses	6,945,146	7,077,281
Operating profit	1,012,044	999,625
Non-operating income		
Real estate rent	436,669	448,525
Foreign exchange gains	－	60,965
Other	180,677	81,965
Total non-operating income	617,346	591,455
Non-operating expenses		
Rent expenses on real estates	325,959	316,108
Foreign exchange losses	72,406	－
Other	68,852	23,496
Total non-operating expenses	467,218	339,604
Ordinary profit	1,162,173	1,251,475
Extraordinary income		
Gain on step acquisitions	44,492	－
Gain on sales of non-current assets	7,566	4,365
Gain on sales of investment securities	13	1,856
Other	674	－
Total extraordinary income	52,747	6,221
Extraordinary losses		
Loss on sales of non-current assets	7,009	－
Loss on valuation of investment securities	－	25,991
Loss on sales of investment securities	421	4,102
Total extraordinary losses	7,430	30,093
Profit before income taxes	1,207,490	1,227,603
Income taxes - current	422,928	396,329
Income taxes - deferred	21,834	1,374
Total income taxes	444,763	397,704
Profit	762,727	829,899
Profit (loss) attributable to non-controlling interests	22,647	23,135
Profit attributable to owners of parent	740,079	806,763

（Unit: thousand yen）

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Consolidated statement of comprehensive income		
Profit	762,727	829,899
Other comprehensive income		
Valuation difference on available-for-sale securities	△75,977	27,870
Deferred gains or losses on hedges	17,616	△62,189
Foreign currency translation adjustment	△153,504	35,494
Remeasurements of defined benefit plans, net of tax	△70,869	△2,218
Total other comprehensive income	△282,734	△1,042
Comprehensive income	479,992	828,856
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	457,199	809,242
Comprehensive income attributable to non-controlling interests	22,792	19,614

Consolidated statement of changes in equity

FY2015 (From April 1, 2015 to March 31, 2016) （Unit: thousand yen）

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	10,517,159	7,323,460	5,324,689	△ 258,521	22,906,787
Changes of items during period					
Dividends of surplus			△ 245,915		△ 245,915
Profit attributable to owners of parent			740,079		740,079
Purchase of treasury shares				△ 52	△ 52
Change in ownership interest of parent due to transactions with non-controlling shareholders		604			604
Net changes of items other than shareholders' equity					
Total changes of items during period	–	604	494,164	△ 52	494,716
Balance at the end of current period	10,517,159	7,324,064	5,818,853	△ 258,574	23,401,503

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	119,006	△ 14,497	164,385	86,074	354,968	231,714	259,309	23,752,780
Changes of items during period								
Dividends of surplus								△ 245,915
Profit attributable to owners of parent								740,079
Purchase of treasury shares								△ 52
Change in ownership interest of parent due to transactions with non-controlling shareholders							△ 604	–
Net changes of items other than shareholders' equity	△ 75,977	17,616	△ 153,650	△ 70,869	△ 282,880	37,125	26,837	△ 218,917
Total changes of items during period	△ 75,977	17,616	△ 153,650	△ 70,869	△ 282,880	37,125	26,232	275,194
Balance at the end of current period	43,028	3,119	10,734	15,205	72,087	268,839	285,542	24,027,974

FY2016 (From April 1, 2016 to March 31, 2017) （Unit: thousand yen）

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	10,517,159	7,324,064	5,818,853	△ 258,574	23,401,503
Changes of items during period					
Dividends of surplus			△ 245,914		△ 245,914
Profit attributable to owners of parent			806,763		806,763
Purchase of treasury shares				△ 9	△ 9
Disposal of treasury shares		2,232		2,136	4,368
Purchase of shares of consolidated subsidiaries		△ 24,992			△ 24,992
Net changes of items other than shareholders' equity					
Total changes of items during period	–	△ 22,760	560,849	2,127	540,215
Balance at the end of current period	10,517,159	7,301,303	6,379,702	△ 256,447	23,941,719

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	43,028	3,119	10,734	15,205	72,087	268,839	285,542	24,027,974
Changes of items during period								
Dividends of surplus								△ 245,914
Profit attributable to owners of parent								806,763
Purchase of treasury shares								△ 9
Disposal of treasury shares								4,368
Purchase of shares of consolidated subsidiaries								△ 24,992
Net changes of items other than shareholders' equity	27,870	△ 62,189	39,015	△ 2,218	2,478	36,998	12,759	52,236
Total changes of items during period	27,870	△ 62,189	39,015	△ 2,218	2,478	36,998	12,759	592,451
Balance at the end of current period	70,898	△ 59,070	49,750	12,986	74,566	305,838	298,301	24,620,426

(Unit: thousand yen)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Consolidated statement of cash flows		
Cash flows from operating activities		
Profit before income taxes	1,207,490	1,227,603
Depreciation	565,810	546,801
Amortization of goodwill	205,224	220,243
Increase (decrease) in allowance for doubtful accounts	5,751	△18,814
Increase (decrease) in provision for bonuses	12,423	23,015
Increase (decrease) in net defined benefit liability	△33,456	△21,685
Interest and dividend income	△11,752	△9,162
Loss (gain) on valuation of investment securities	－	25,991
Loss (gain) on step acquisitions	△44,492	－
Decrease (increase) in notes and accounts receivable-trade	154,982	920,642
Decrease (increase) in inventories and advance payments	179,188	267,633
Increase (decrease) in notes and accounts payable-trade	△736,146	275,704
Increase (decrease) in advances received	96,783	△418,889
Other, net	34,842	2,446
Subtotal	1,636,650	3,041,531
Interest and dividend income received	11,517	9,578
Interest expenses paid	△6,248	△542
Income taxes paid	△192,325	△567,207
Income taxes refund	57,358	4,391
Net cash provided by (used in) operating activities	1,506,953	2,487,751
Cash flows from investing activities		
Payments into time deposits	△400,069	△203,681
Proceeds from withdrawal of time deposits	500,000	304,900
Purchase of property, plant and equipment	△211,197	△237,686
Purchase of intangible assets	△180,654	△172,461
Purchase of long-term prepaid expenses	△154,851	△97,782
Purchase of investment securities	△451,778	△233,050
Proceeds from sales of investment securities	30,146	15,464
Proceeds from distribution of investment in partnerships	154,884	6,041
Purchase of insurance funds	△78,873	△97,375
Proceeds from cancellation of insurance funds	74,576	21,374
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△74,308	△78,449
Other, net	19,250	△61,637
Net cash provided by (used in) investing activities	△772,875	△834,343
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	－	△9,000
Cash dividends paid	△245,533	△244,946
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	－	△34,353
Other, net	△8,383	△1,566
Net cash provided by (used in) financing activities	△253,916	△289,866
Effect of exchange rate change on cash and cash equivalents	△15,565	△31,025
Net increase (decrease) in cash and cash equivalents	464,596	1,332,516
Cash and cash equivalents at beginning of period	3,047,407	3,512,003
Cash and cash equivalents at end of period	3,512,003	4,844,519