November 8, 2017

Consolidated Financial Statements

For the Second Quarter ended September 30, 2017

INNOTECH CORPORATION

Stock Listed: Tokyo Stock Exchange Section 1

Code No.: 9880

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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, 2017

(April 1, 2017 to September 30, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Second Quarter, FY2017	14,401	△ 3.9	402	△ 50.9	447	△ 50.8	289	△ 49.3
Second Quarter, FY2016	14,981	△ 10.7	820	△ 7.9	910	△ 4.7	570	△ 14.2

[Note] Comprehensive income Second Quarter, FY2017: 203 million yen (△30.3%) Second Quarter, FY2016: 291 million yen (△50.9%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Second Quarter, FY2017	16.45	15.81
Second Quarter, FY2016	32.49	31.40

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2017	32,626	24,702	73.8
FY2016	30,277	24,620	79.3

[Reference] Net worth Second Quarter, FY2017: 24,078 million yen FY2016: 24,016 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
FY2016	–	7.00	–	8.00	15.00
FY2017	–	10.00			
FY2017 (outlook)			–	10.00	20.00

[Note] Revision made in the forecast dividend as of the end of the current quarter: Yes

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 profit		Ordinary profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	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	36.98

[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. : None
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, 2017	18,218,901 shares	March 31, 2017	18,218,901 shares

② Outstanding treasury shares as of:

September 30, 2017	617,618 shares	March 31, 2017	648,177 shares

③ Average outstanding shares for the second quarter ended:

September 30, 2017	17,576,234 shares	September 30, 2016	17,565,337 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.

Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	5,154,047	4,600,337
Notes and accounts receivable-trade	6,628,431	6,887,822
Merchandise and finished goods	2,049,411	2,799,975
Raw materials	293,782	450,822
Other	2,035,229	2,868,315
Allowance for doubtful accounts	△636	△673
Total current assets	16,160,265	17,606,600
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,912,088	7,948,230
Accumulated depreciation	△4,217,002	△4,288,866
Buildings and structures, net	3,695,086	3,659,363
Land	5,721,345	5,721,345
Other	1,777,815	1,944,556
Accumulated depreciation	△1,113,450	△1,168,436
Other, net	664,364	776,119
Total property, plant and equipment	10,080,796	10,156,828
Intangible assets		
Goodwill	1,197,677	1,087,692
Other	353,193	395,999
Total intangible assets	1,550,871	1,483,692
Investments and other assets		
Investment securities	1,179,401	2,011,639
Other	1,305,846	1,367,862
Allowance for doubtful accounts	△2	△2
Total investments and other assets	2,485,246	3,379,499
Total non-current assets	14,116,914	15,020,020
Total assets	30,277,180	32,626,620
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,526,351	1,608,662
Short-term loans payable	－	513,800
Income taxes payable	281,461	399,647
Advances received	1,899,293	3,620,081
Provision for bonuses	166,469	267,061
Provision for directors' bonuses	－	6,723
Other	1,204,111	897,429
Total current liabilities	5,077,687	7,313,406
Non-current liabilities		
Provision for directors' retirement benefits	89,969	96,408
Net defined benefit liability	189,170	200,069
Other	299,926	314,086
Total non-current liabilities	579,066	610,564
Total liabilities	5,656,754	7,923,970
Net assets		
Shareholders' equity		
Capital stock	10,517,159	10,517,159
Capital surplus	7,301,303	7,311,809
Retained earnings	6,379,702	6,528,279
Treasury shares	△256,447	△244,372
Total shareholders' equity	23,941,719	24,112,876
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70,898	79,619
Deferred gains or losses on hedges	△59,070	△87,573
Foreign currency translation adjustment	49,750	△32,604
Remeasurements of defined benefit plans	12,986	6,532
Total accumulated other comprehensive income	74,566	△34,026
Subscription rights to shares	305,838	301,789
Non-controlling interests	298,301	322,009
Total net assets	24,620,426	24,702,650
Total liabilities and net assets	30,277,180	32,626,620

Quarterly Consolidated Statements of Income

(Unit: thousand yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	14,981,596	14,401,724
Cost of sales	10,629,726	10,553,042
Gross profit	4,351,870	3,848,682
Selling, general and administrative expenses	3,531,214	3,445,835
Operating profit	820,656	402,847
Non-operating income		
Real estate rent	230,229	212,430
Other	66,427	34,414
Total non-operating income	296,656	246,845
Non-operating expenses		
Rent expenses on real estates	167,435	156,339
Other	39,799	45,530
Total non-operating expenses	207,234	201,869
Ordinary profit	910,078	447,822
Extraordinary income		
Gain on sales of non-current assets	3,700	–
Gain on reversal of subscription rights to shares	–	289
Total extraordinary income	3,700	289
Extraordinary losses		
Loss on valuation of investment securities	25,991	–
Total extraordinary losses	25,991	–
Profit before income taxes	887,786	448,111
Income taxes	315,409	141,103
Profit	572,377	307,008
Profit attributable to non-controlling interests	1,651	17,865
Profit attributable to owners of parent	570,725	289,142

Quarterly Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	572,377	307,008
Other comprehensive income		
Valuation difference on available-for-sale securities	△8,670	8,720
Deferred gains or losses on hedges	△8,538	△28,503
Foreign currency translation adjustment	△258,958	△77,305
Remeasurements of defined benefit plans, net of tax	△4,352	△6,454
Total other comprehensive income	△280,520	△103,543
Comprehensive income	291,856	203,465
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	298,621	180,549
Comprehensive income attributable to non-controlling interests	△6,764	22,915

Quarterly Consolidated Statements of Cash Flows

（Unit: thousand yen）

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	887,786	448,111
Depreciation	260,271	283,978
Amortization of goodwill	107,247	109,985
Increase (decrease) in allowance for doubtful accounts	△18,374	36
Increase (decrease) in provision for bonuses	132,422	99,135
Increase (decrease) in net defined benefit liability	21,551	△13,147
Interest and dividend income	△5,084	△5,083
Loss (gain) on valuation of investment securities	25,991	－
Share of (profit) loss of entities accounted for using equity method	△2,426	△2,757
Decrease (increase) in notes and accounts receivable-trade	125,059	△269,506
Decrease (increase) in inventories and advance payments	560,351	△1,585,280
Increase (decrease) in notes and accounts payable-trade	301,964	103,765
Increase (decrease) in advances received	539,530	1,713,658
Other, net	△332,489	△214,795
Subtotal	2,603,802	668,101
Interest and dividend income received	4,818	5,083
Interest expenses paid	△184	△2,195
Income taxes (paid) refund	△333,613	△124,402
Net cash provided by (used in) operating activities	2,274,822	546,587
Cash flows from investing activities		
Payments into time deposits	－	△300,000
Proceeds from withdrawal of time deposits	300,000	300,000
Purchase of property, plant and equipment	△50,960	△422,896
Purchase of intangible assets	△66,514	△118,884
Purchase of long-term prepaid expenses	△67,837	△45,863
Purchase of investment securities	△102,910	△847,510
Purchase of insurance funds	△39,697	△41,875
Proceeds from cancellation of insurance funds	14,990	6,194
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△78,449	－
Other, net	△4,476	△7,887
Net cash provided by (used in) investing activities	△95,855	△1,478,723
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	47,850	513,800
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△34,353	△489
Cash dividends paid	△122,434	△139,859
Other, net	△3,233	7,814
Net cash provided by (used in) financing activities	△112,171	381,265
Effect of exchange rate change on cash and cash equivalents	△147,601	△2,996
Net increase (decrease) in cash and cash equivalents	1,919,194	△553,867
Cash and cash equivalents at beginning of period	3,512,003	4,844,519
Cash and cash equivalents at end of period	5,431,198	4,290,651