February 7, 2018

Consolidated Financial Statements

For the Third Quarter ended December 31, 2017

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 Third Quarter ended December 31, 2017

(April 1, 2017 to December 31, 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	%
Third Quarter, FY2017	21,255	△ 1.6	760	△ 24.2	811	△ 31.4	506	△ 33.1
Third Quarter, FY2016	21,590	△ 10.2	1,003	5.3	1,182	11.5	756	7.3

[Note] Comprehensive income Third Quarter, FY2017: 486 million yen (4%) Third Quarter, FY2016: 467 million yen (0.1%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Third Quarter, FY2017	28.77	27.64
Third Quarter, FY2016	43.07	41.57

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Third Quarter, FY2017	32,475	25,052	74.5
FY2016	30,277	24,620	79.3

[Reference] Net worth Third Quarter, FY2017: 24,201 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: None

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	28,000	△ 3.0	1,050	5.0	1,100	△ 12.1	700	△ 13.2	39.80

[Note] Change made in figures of the consolidated business outlook as of the end of the current quarter from the previous announcement: Yes

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during the third 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:
December 31, 2017 18,218,901 shares March 31, 2017 18,218,901 shares
② Outstanding treasury shares as of:
December 31, 2017 585,018 shares March 31, 2017 648,177 shares
③ Average outstanding shares for the third quarter ended:
December 31, 2017 17,589,283 shares December 31, 2016 17,565,333 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 December 31, 2017
Assets		
Current assets		
Cash and deposits	5,154,047	4,946,745
Notes and accounts receivable-trade	6,628,431	6,912,956
Merchandise and finished goods	2,049,411	2,282,209
Raw materials	293,782	375,550
Other	2,035,229	3,371,669
Allowance for doubtful accounts	△636	△762
Total current assets	16,160,265	17,888,368
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,912,088	8,092,596
Accumulated depreciation	△4,217,002	△4,327,230
Buildings and structures, net	3,695,086	3,765,366
Land	5,721,345	5,721,345
Other	1,777,815	1,910,786
Accumulated depreciation	△1,113,450	△1,195,478
Other, net	664,364	715,308
Total property, plant and equipment	10,080,796	10,202,019
Intangible assets		
Goodwill	1,197,677	1,035,709
Other	353,193	437,617
Total intangible assets	1,550,871	1,473,326
Investments and other assets		
Investment securities	1,179,401	1,506,977
Other	1,305,846	1,405,127
Allowance for doubtful accounts	△2	△1
Total investments and other assets	2,485,246	2,912,104
Total non-current assets	14,116,914	14,587,451
Total assets	30,277,180	32,475,819
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,526,351	1,532,380
Short-term loans payable	–	74,200
Income taxes payable	281,461	372,147
Advances received	1,899,293	3,314,975
Provision for bonuses	166,469	318,672
Provision for directors' bonuses	–	11,784
Other	1,204,111	1,152,978
Total current liabilities	5,077,687	6,777,139
Non-current liabilities		
Provision for directors' retirement benefits	89,969	99,635
Net defined benefit liability	189,170	209,256
Other	299,926	337,561
Total non-current liabilities	579,066	646,453
Total liabilities	5,656,754	7,423,592
Net assets		
Shareholders' equity		
Capital stock	10,517,159	10,517,159
Capital surplus	7,301,303	7,325,284
Retained earnings	6,379,702	6,569,234
Treasury shares	△256,447	△231,473
Total shareholders' equity	23,941,719	24,180,205
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70,898	101,252
Deferred gains or losses on hedges	△59,070	△74,043
Foreign currency translation adjustment	49,750	△9,032
Remeasurements of defined benefit plans	12,986	3,304
Total accumulated other comprehensive income	74,566	21,481
Subscription rights to shares	305,838	293,764
Non-controlling interests	298,301	556,775
Total net assets	24,620,426	25,052,226
Total liabilities and net assets	30,277,180	32,475,819

Quarterly Consolidated Statements of Income

（Unit: thousand yen）

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	21,590,944	21,255,410
Cost of sales	15,399,433	15,264,807
Gross profit	6,191,510	5,990,603
Selling, general and administrative expenses	5,188,374	5,230,539
Operating profit	1,003,135	760,063
Non-operating income		
Real estate rent	341,935	323,020
Other	94,471	59,520
Total non-operating income	436,406	382,541
Non-operating expenses		
Rent expenses on real estates	250,992	235,633
Other	5,816	95,423
Total non-operating expenses	256,809	331,057
Ordinary profit	1,182,733	811,548
Extraordinary income		
Gain on sales of non-current assets	3,912	－
Gain on sales of investment securities	1,757	－
Gain on reversal of subscription rights to shares	－	457
Total extraordinary income	5,669	457
Extraordinary losses		
Loss on valuation of investment securities	25,991	－
Loss on sales of investment securities	4,102	－
Total extraordinary losses	30,093	－
Profit before income taxes	1,158,309	812,005
Income taxes	388,965	274,993
Profit	769,344	537,012
Profit attributable to non-controlling interests	12,814	30,902
Profit attributable to owners of parent	756,529	506,110

Quarterly Consolidated Statements of Comprehensive Income

（Unit: thousand yen）

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	769,344	537,012
Other comprehensive income		
Valuation difference on available-for-sale securities	37,943	30,353
Deferred gains or losses on hedges	△54,414	△14,973
Foreign currency translation adjustment	△278,394	△56,014
Remeasurements of defined benefit plans, net of tax	△6,529	△9,682
Total other comprehensive income	△301,394	△50,316
Comprehensive income	467,949	486,695
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	462,546	453,025
Comprehensive income attributable to non-controlling interests	5,403	33,670