August 7, 2018

Consolidated Financial Statements

For the First Quarter ended June 30, 2018

INNOTECH CORPORATION

Stock Listed: Tokyo Stock Exchange Section 1

Code No.: 9880

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

Headquarters: 3-17-6, Shinyokohama, Kouhoku-ku, Yokohama-shi 222-8580 JAPAN

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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 First Quarter ended June 30, 2018

(April 1, 2018 to June 30, 2018)

(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	%
First Quarter, FY2018	6,398	△ 7.6	188	109.5	250	158.0	156	111.5
First Quarter, FY2017	6,921	△ 6.5	90	△ 67.9	97	△ 66.3	73	△ 50.0

[Note] Comprehensive income First Quarter, FY2018: △33 million yen (−%) First Quarter, FY2017: 11 million yen (△69.7%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
First Quarter, FY2018	9.15	8.77
First Quarter, FY2017	4.21	4.05

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
First Quarter, FY2018	33,084	24,012	70.1
FY2017	32,488	25,068	74.5

[Reference] Net worth First Quarter, FY2018: 23,183 million yen FY2017: 24,201 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
FY2017	−	10.00	−	20.00	30.00
FY2018	−				
FY2018 (outlook)		20.00	−	20.00	40.00

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

3. Consolidated Business Outlook for FY2018 (April 1, 2018 to March 31, 2019)

(% 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
FY2018	30,000	4.4	1,900	52.6	2,000	65.5	1,250	73.4	74.04

[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 first 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:

June 30, 2018	18,218,901 shares	March 31, 2018	18,218,901 shares

② Outstanding treasury shares as of:

June 30, 2018	1,335,518 shares	March 31, 2018	888,418 shares

③ Average outstanding shares for the first quarter ended:

June 30, 2018	17,088,770 shares	June 30, 2017	17,570,724 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, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	5,763,265	5,545,679
Notes and accounts receivable-trade	7,119,991	6,526,938
Merchandise and finished goods	2,524,642	2,786,948
Work in process	166,639	492,926
Raw materials	310,622	420,564
Other	1,929,258	2,485,732
Total current assets	17,814,419	18,258,790
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,109,712	8,044,447
Accumulated depreciation	△4,368,868	△4,335,895
Buildings and structures, net	3,740,843	3,708,551
Land	5,721,345	5,721,345
Other	2,018,688	2,055,219
Accumulated depreciation	△1,245,337	△1,260,517
Other, net	773,350	794,702
Total property, plant and equipment	10,235,540	10,224,598
Intangible assets		
Goodwill	983,726	931,743
Other	504,807	584,658
Total intangible assets	1,488,533	1,516,402
Investments and other assets		
Investment securities	1,383,833	1,492,426
Other	1,565,808	1,592,189
Total investments and other assets	2,949,642	3,084,615
Total non-current assets	14,673,716	14,825,616
Total assets	32,488,135	33,084,407
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,024,690	1,741,663
Short-term loans payable	—	300,000
Current portion of long-term loans payable	—	166,664
Income taxes payable	348,177	191,502
Advances received	3,063,679	4,170,578
Provision for bonuses	226,841	252,543
Provision for directors' bonuses	—	4,526
Other	1,199,290	1,348,917
Total current liabilities	6,862,680	8,176,396
Non-current liabilities		
Long-term loans payable	—	333,336
Provision for directors' retirement benefits	102,863	106,707
Net defined benefit liability	196,253	201,471
Other	257,406	254,329
Total non-current liabilities	556,523	895,844
Total liabilities	7,419,203	9,072,240
Net assets		
Shareholders' equity		
Capital stock	10,517,159	10,517,159
Capital surplus	7,328,535	7,320,950
Retained earnings	6,784,175	6,593,941
Treasury shares	△627,879	△1,253,219
Total shareholders' equity	24,001,991	23,178,832
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	82,746	72,544
Deferred gains or losses on hedges	41,071	△43,078
Foreign currency translation adjustment	69,552	△28,901
Remeasurements of defined benefit plans	6,528	4,556
Total accumulated other comprehensive income	199,900	5,121
Share acquisition rights	290,679	281,097
Non-controlling interests	576,361	547,115
Total net assets	25,068,932	24,012,166
Total liabilities and net assets	32,488,135	33,084,407

Quarterly Consolidated Statements of Income

(Unit: thousand yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	6,921,791	6,398,612
Cost of sales	5,122,250	4,422,359
Gross profit	1,799,540	1,976,252
Selling, general and administrative expenses	1,709,473	1,787,592
Operating profit	90,066	188,660
Non-operating income		
Real estate rent	105,292	114,097
Other	19,268	31,993
Total non-operating income	124,561	146,090
Non-operating expenses		
Rent expenses on real estates	78,164	75,583
Other	39,462	8,890
Total non-operating expenses	117,626	84,473
Ordinary profit	97,001	250,277
Extraordinary income		
Gain on sales of non-current assets	—	885
Gain on reversal of share acquisition rights	289	—
Total extraordinary income	289	885
Profit before income taxes	97,290	251,163
Income taxes	17,318	87,114
Profit	79,972	164,048
Profit attributable to non-controlling interests	6,047	7,672
Profit attributable to owners of parent	73,924	156,375

Quarterly Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	79,972	164,048
Other comprehensive income		
Valuation difference on available-for-sale securities	8,064	△10,201
Deferred gains or losses on hedges	△2,478	△84,150
Foreign currency translation adjustment	△70,505	△101,003
Remeasurements of defined benefit plans, net of tax	△3,227	△1,972
Total other comprehensive income	△68,146	△197,327
Comprehensive income	11,825	△33,279
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	882	△38,402
Comprehensive income attributable to non-controlling interests	10,942	5,123