November 8, 2018

Consolidated Financial Statements

For the Second Quarter ended September 30, 2018

INNOTECH CORPORATION

Stock Listed: Tokyo Stock Exchange Section 1

Code No.: 9880

URL: https://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, 2018

(April 1, 2018 to September 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	%
Second Quarter, FY2018	13,596	△ 5.6	695	72.8	979	118.6	673	133.0
Second Quarter, FY2017	14,401	△ 3.9	402	△ 50.9	447	△ 50.8	289	△ 49.3

[Note] Comprehensive income Second Quarter, FY2018: 469 million yen (131%) Second Quarter, FY2017: 203 million yen (△30.3%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Second Quarter, FY2018	39.94	38.29
Second Quarter, FY2017	16.45	15.81

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2018	34,207	23,850	67.2
FY2017	32,488	25,068	74.5

[Reference] Net worth Second Quarter, FY2018: 22,995 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	–	20.00			
FY2018 (outlook)			–	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	76.29

[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, 2018	18,218,901 shares	March 31, 2018	18,218,901 shares

② Outstanding treasury shares as of:

September 30, 2018	1,833,118 shares	March 31, 2018	888,418 shares

③ Average outstanding shares for the second quarter ended:

September 30, 2018	16,865,681 shares	September 30, 2017	17,576,234 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 September 30, 2018
Assets		
Current assets		
Cash and deposits	5,763,265	5,272,163
Notes and accounts receivable - trade	7,119,991	6,727,473
Merchandise and finished goods	2,524,642	3,889,712
Work in process	166,639	460,665
Raw materials	310,622	439,803
Other	1,929,258	2,401,918
Total current assets	17,814,419	19,191,735
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,109,712	8,053,851
Accumulated depreciation	△4,368,868	△4,376,074
Buildings and structures, net	3,740,843	3,677,776
Land	5,721,345	5,721,345
Other	2,018,688	2,079,817
Accumulated depreciation	△1,245,337	△1,313,968
Other, net	773,350	765,848
Total property, plant and equipment	10,235,540	10,164,970
Intangible assets		
Goodwill	983,726	879,761
Other	504,807	680,005
Total intangible assets	1,488,533	1,559,767
Investments and other assets		
Investment securities	1,383,833	1,683,473
Other	1,565,808	1,607,589
Total investments and other assets	2,949,642	3,291,062
Total non-current assets	14,673,716	15,015,800
Total assets	32,488,135	34,207,535
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,024,690	2,110,358
Short-term loans payable	—	408,300
Current portion of long-term loans payable	—	166,664
Income taxes payable	348,177	330,627
Advances received	3,063,679	3,887,185
Provision for bonuses	226,841	327,028
Provision for directors' bonuses	—	37,698
Other	1,199,290	1,004,912
Total current liabilities	6,862,680	8,272,775
Non-current liabilities		
Bonds payable	—	1,200,000
Long-term loans payable	—	291,670
Provision for directors' retirement benefits	102,863	111,213
Net defined benefit liability	196,253	216,729
Other	257,406	264,816
Total non-current liabilities	556,523	2,084,429
Total liabilities	7,419,203	10,357,205
Net assets		
Shareholders' equity		
Capital stock	10,517,159	10,517,159
Capital surplus	7,328,535	7,325,393
Retained earnings	6,784,175	7,111,218
Treasury shares	△627,879	△1,921,877
Total shareholders' equity	24,001,991	23,031,894
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	82,746	82,940
Deferred gains or losses on hedges	41,071	△78,051
Foreign currency translation adjustment	69,552	△44,281
Remeasurements of defined benefit plans	6,528	2,584
Total accumulated other comprehensive income	199,900	△36,807
Share acquisition rights	290,679	280,301
Non-controlling interests	576,361	574,940
Total net assets	25,068,932	23,850,330
Total liabilities and net assets	32,488,135	34,207,535

Quarterly Consolidated Statements of Income

（Unit: thousand yen）

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	14,401,724	13,596,090
Cost of sales	10,553,042	9,276,071
Gross profit	3,848,682	4,320,018
Selling, general and administrative expenses	3,445,835	3,624,099
Operating profit	402,847	695,919
Non-operating income		
Real estate rent	212,430	229,358
Gain on investments in partnership	2,841	117,139
Other	31,572	119,218
Total non-operating income	246,845	465,716
Non-operating expenses		
Rent expenses on real estates	156,339	151,175
Other	45,530	31,459
Total non-operating expenses	201,869	182,634
Ordinary profit	447,822	979,001
Extraordinary income		
Gain on sales of non-current assets	—	888
Gain on reversal of share acquisition rights	289	—
Total extraordinary income	289	888
Profit before income taxes	448,111	979,889
Income taxes	141,103	269,339
Profit	307,008	710,550
Profit attributable to non-controlling interests	17,865	36,897
Profit attributable to owners of parent	289,142	673,652

Quarterly Consolidated Statements of Comprehensive Income

（Unit: thousand yen）

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	307,008	710,550
Other comprehensive income		
Valuation difference on available-for-sale securities	8,720	193
Deferred gains or losses on hedges	△28,503	△119,122
Foreign currency translation adjustment	△77,305	△117,684
Remeasurements of defined benefit plans, net of tax	△6,454	△3,944
Total other comprehensive income	△103,543	△240,557
Comprehensive income	203,465	469,992
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	180,549	436,945
Comprehensive income attributable to non-controlling interests	22,915	33,047

Quarterly Consolidated Statements of Cash Flows

（Unit: thousand yen）

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	448,111	979,889
Depreciation	283,978	358,936
Amortization of goodwill	109,985	103,965
Increase (decrease) in allowance for doubtful accounts	36	—
Increase (decrease) in provision for bonuses	99,135	107,176
Increase (decrease) in net defined benefit liability	△13,147	14,883
Interest and dividend income	△5,083	△5,217
Loss (gain) on investments in partnership	9,019	△117,139
Share of (profit) loss of entities accounted for using equity method	△2,757	△1,414
Decrease (increase) in notes and accounts receivable - trade	△269,506	345,952
Decrease (increase) in inventories and advance payments	△1,585,280	△2,113,748
Increase (decrease) in notes and accounts payable - trade	103,765	114,497
Increase (decrease) in advances received	1,713,658	859,223
Other, net	△223,814	△440,779
Subtotal	668,101	206,225
Interest and dividend income received	5,083	5,289
Interest expenses paid	△2,195	△944
Income taxes (paid) refund	△124,402	△407,867
Net cash provided by (used in) operating activities	546,587	△197,296
Cash flows from investing activities		
Payments into time deposits	△300,000	△200,000
Proceeds from withdrawal of time deposits	300,000	300,000
Purchase of property, plant and equipment	△422,896	△160,246
Purchase of intangible assets	△118,884	△283,860
Purchase of long-term prepaid expenses	△45,863	△45,631
Purchase of investment securities	△847,510	△184,799
Purchase of insurance funds	△41,875	△43,996
Proceeds from cancellation of insurance funds	6,194	76,288
Other, net	△7,887	13,037
Net cash provided by (used in) investing activities	△1,478,723	△529,207
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	513,800	408,300
Proceeds from long-term loans payable	—	500,000
Repayments of long-term loans payable	—	△41,666
Proceeds from issuance of bonds	—	1,200,000
Purchase of treasury shares	△33	△1,344,649
Cash dividends paid	△139,859	△317,275
Dividends paid to non-controlling interests	—	△30,000
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△489	—
Other, net	7,848	12,701
Net cash provided by (used in) financing activities	381,265	387,409
Effect of exchange rate change on cash and cash equivalents	△2,996	△51,554
Net increase (decrease) in cash and cash equivalents	△553,867	△390,648
Cash and cash equivalents at beginning of period	4,844,519	5,453,186
Cash and cash equivalents at end of period	4,290,651	5,062,537