February 7, 2019

Consolidated Financial Statements

For the Third Quarter ended December 31, 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 Third Quarter ended December 31, 2018

(April 1, 2018 to December 31, 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	%
Third Quarter, FY2018	22,358	5.2	1,561	105.4	1,987	144.9	1,369	170.6
Third Quarter, FY2017	21,255	△ 1.6	760	△ 24.2	811	△ 31.4	506	△ 33.1

[Note] Comprehensive income Third Quarter, FY2018: 1,340 million yen (175.4%) Third Quarter, FY2017: 486 million yen (4.0%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Third Quarter, FY2018	83.53	80.02
Third Quarter, FY2017	28.77	27.64

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Third Quarter, FY2018	34,390	21,899	61.1
FY2017	32,488	25,068	74.5

[Reference] Net worth Third Quarter, FY2018: 21,002 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	29,500	2.7	1,900	52.6	2,200	82.0	1,500	108.0	93.91

[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, 2018	15,700,000 shares	March 31, 2018	18,218,901 shares

② Outstanding treasury shares as of:

December 31, 2018	1,014,018 shares	March 31, 2018	888,418 shares

③ Average outstanding shares for the third quarter ended:

December 31, 2018	16,393,789 shares	December 31, 2017	17,589,283 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 December 31, 2018
Assets		
Current assets		
Cash and deposits	5,763,265	4,753,134
Notes and accounts receivable - trade	7,119,991	8,173,169
Merchandise and finished goods	2,524,642	3,028,106
Work in process	166,639	530,772
Raw materials	310,622	454,533
Other	1,929,258	2,056,452
Total current assets	17,814,419	18,996,168
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,109,712	8,106,717
Accumulated depreciation	△4,368,868	△4,417,521
Buildings and structures, net	3,740,843	3,689,196
Land	5,721,345	5,721,345
Other	2,018,688	2,189,220
Accumulated depreciation	△1,245,337	△1,375,546
Other, net	773,350	813,673
Total property, plant and equipment	10,235,540	10,224,215
Intangible assets		
Goodwill	983,726	827,778
Other	504,807	704,925
Total intangible assets	1,488,533	1,532,703
Investments and other assets		
Investment securities	1,383,833	2,052,160
Other	1,565,808	1,584,963
Total investments and other assets	2,949,642	3,637,124
Total non-current assets	14,673,716	15,394,043
Total assets	32,488,135	34,390,212
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,024,690	1,631,564
Short-term loans payable	—	1,173,000
Current portion of long-term loans payable	—	366,664
Income taxes payable	348,177	341,753
Provision for bonuses	226,841	401,154
Provision for directors' bonuses	—	53,869
Other	4,262,970	4,664,373
Total current liabilities	6,862,680	8,632,378
Non-current liabilities		
Bonds payable	—	2,200,000
Long-term loans payable	—	1,050,004
Provision for directors' retirement benefits	102,863	115,719
Net defined benefit liability	196,253	207,830
Other	257,406	284,343
Total non-current liabilities	556,523	3,857,898
Total liabilities	7,419,203	12,490,276
Net assets		
Shareholders' equity		
Capital stock	10,517,159	10,517,159
Capital surplus	7,328,535	4,506,159
Retained earnings	6,784,175	7,147,276
Treasury shares	△627,879	△1,271,195
Total shareholders' equity	24,001,991	20,899,400
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	82,746	56,397
Deferred gains or losses on hedges	41,071	△27,881
Foreign currency translation adjustment	69,552	73,678
Remeasurements of defined benefit plans	6,528	612
Total accumulated other comprehensive income	199,900	102,806
Share acquisition rights	290,679	279,241
Non-controlling interests	576,361	618,487
Total net assets	25,068,932	21,899,935
Total liabilities and net assets	32,488,135	34,390,212

Quarterly Consolidated Statements of Income

（Unit: thousand yen）

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	21,255,410	22,358,431
Cost of sales	15,264,807	15,129,950
Gross profit	5,990,603	7,228,481
Selling, general and administrative expenses	5,230,539	5,667,358
Operating profit	760,063	1,561,122
Non-operating income		
Real estate rent	323,020	343,399
Gain on investments in partnership	10,263	291,776
Other	49,257	90,703
Total non-operating income	382,541	725,878
Non-operating expenses		
Rent expenses on real estates	235,633	226,675
Other	95,423	73,114
Total non-operating expenses	331,057	299,790
Ordinary profit	811,548	1,987,210
Extraordinary income		
Gain on sales of non-current assets	—	1,250
Gain on reversal of share acquisition rights	457	—
Total extraordinary income	457	1,250
Profit before income taxes	812,005	1,988,461
Income taxes	274,993	550,293
Profit	537,012	1,438,167
Profit attributable to non-controlling interests	30,902	68,742
Profit attributable to owners of parent	506,110	1,369,425

Quarterly Consolidated Statements of Comprehensive Income

（Unit: thousand yen）

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	537,012	1,438,167
Other comprehensive income		
Valuation difference on available-for-sale securities	30,353	△26,349
Deferred gains or losses on hedges	△14,973	△68,953
Foreign currency translation adjustment	△56,014	3,535
Remeasurements of defined benefit plans, net of tax	△9,682	△5,916
Total other comprehensive income	△50,316	△97,684
Comprehensive income	486,695	1,340,483
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	453,025	1,272,331
Comprehensive income attributable to non-controlling interests	33,670	68,151