February 7, 2020

Consolidated Financial Statements

For the Third Quarter ended December 31, 2019

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

TEL: 81-45-474-9000

President and CEO: 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, 2019

(April 1, 2019 to December 31, 2019)

(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, FY2019	21,848	△ 2.3	1,072	△ 31.3	1,207	△ 39.3	735	△ 46.3
Third Quarter, FY2018	22,358	5.2	1,561	105.4	1,987	144.9	1,369	170.6

[Note] Comprehensive income Third Quarter, FY2019: 720 million yen (△46.2%) Third Quarter, FY2018: 1,340 million yen (175.4%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Third Quarter, FY2019	50.13	47.86
Third Quarter, FY2018	83.53	80.02

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Third Quarter, FY2019	33,452	21,681	62.0
FY2018	32,880	21,915	63.9

[Reference] Net worth Third Quarter, FY2019: 20,743 million yen FY2018: 21,009 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
FY2018	–	20.00	–	20.00	40.00
FY2019	–	20.00	–		
FY2019 (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 FY2019 (April 1, 2019 to March 31, 2020)

(% 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
FY2019	30,000	0.7	1,600	△ 18.2	1,750	△ 28.9	1,100	△ 26.3	76.65

[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 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, 2019	15,700,000 shares	March 31, 2019	15,700,000 shares

② Outstanding treasury shares as of:

December 31, 2019	1,349,118 shares	March 31, 2019	1,011,618 shares

③ Average outstanding shares for the third quarter ended:

December 31, 2019	14,663,425 shares	December 31, 2018	16,393,789 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, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	4,498,187	4,705,237
Notes and accounts receivable - trade	7,428,417	6,711,229
Merchandise and finished goods	2,951,313	2,745,829
Work in process	495,908	804,668
Raw materials	475,322	454,039
Other	1,551,091	2,168,735
Allowance for doubtful accounts	－	△4,314
Total current assets	17,400,241	17,585,426
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,103,451	8,230,198
Accumulated depreciation	△4,457,036	△4,587,907
Buildings and structures, net	3,646,414	3,642,290
Land	5,721,345	5,877,882
Other	2,382,879	2,525,452
Accumulated depreciation	△1,379,734	△1,519,871
Other, net	1,003,145	1,005,580
Total property, plant and equipment	10,370,905	10,525,754
Intangible assets		
Goodwill	775,795	619,847
Other	713,800	875,794
Total intangible assets	1,489,596	1,495,642
Investments and other assets		
Investment securities	1,850,568	1,992,851
Other	1,769,557	1,852,542
Total investments and other assets	3,620,126	3,845,394
Total non-current assets	15,480,628	15,866,791
Total assets	32,880,869	33,452,217
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,637,306	1,879,334
Short-term borrowings	361,000	848,000
Current portion of long-term borrowings	366,664	366,664
Income taxes payable	433,645	189,677
Provision for bonuses	281,151	364,084
Provision for bonuses for directors	－	22,900
Other	4,075,366	4,495,636
Total current liabilities	7,155,133	8,166,295
Non-current liabilities		
Bonds payable	2,200,000	2,200,000
Long-term borrowings	958,338	683,340
Provision for retirement benefits for directors	120,226	134,815
Retirement benefit liability	208,698	232,711
Other	323,009	353,056
Total non-current liabilities	3,810,272	3,603,922
Total liabilities	10,965,406	11,770,217
Net assets		
Shareholders' equity		
Share capital	10,517,159	10,517,159
Capital surplus	4,506,159	4,506,159
Retained earnings	7,261,876	7,450,471
Treasury shares	△1,268,187	△1,630,236
Total shareholders' equity	21,017,009	20,843,555
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	56,855	67,182
Deferred gains or losses on hedges	△30,307	△18,789
Foreign currency translation adjustment	△13,638	△130,421
Remeasurements of defined benefit plans	△20,308	△18,126
Total accumulated other comprehensive income	△7,400	△100,154
Share acquisition rights	278,663	278,494
Non-controlling interests	627,191	660,104
Total net assets	21,915,463	21,681,999
Total liabilities and net assets	32,880,869	33,452,217

Quarterly Consolidated Statements of Income

(Unit: thousand yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	22,358,431	21,848,336
Cost of sales	15,129,950	14,981,671
Gross profit	7,228,481	6,866,664
Selling, general and administrative expenses	5,667,358	5,794,085
Operating profit	1,561,122	1,072,578
Non-operating income		
Rental income from real estate	343,399	343,578
Gain on investments in investment partnerships	291,776	—
Other	90,703	81,891
Total non-operating income	725,878	425,469
Non-operating expenses		
Rental expenses on real estate	226,675	234,489
Other	73,114	56,381
Total non-operating expenses	299,790	290,871
Ordinary profit	1,987,210	1,207,177
Extraordinary income		
Gain on sales of non-current assets	1,250	—
Gain on reversal of share acquisition rights	—	168
Total extraordinary income	1,250	168
Profit before income taxes	1,988,461	1,207,346
Income taxes	550,293	392,182
Profit	1,438,167	815,164
Profit attributable to non-controlling interests	68,742	80,022
Profit attributable to owners of parent	1,369,425	735,141

Quarterly Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	1,438,167	815,164
Other comprehensive income		
Valuation difference on available-for-sale securities	△26,349	10,326
Deferred gains or losses on hedges	△68,953	11,518
Foreign currency translation adjustment	3,535	△118,259
Remeasurements of defined benefit plans, net of tax	△5,916	2,182
Total other comprehensive income	△97,684	△94,231
Comprehensive income	1,340,483	720,932
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,272,331	642,387
Comprehensive income attributable to non-controlling interests	68,151	78,545