May 11, 2020

Consolidated Financial Statements

Ended March 31, 2020

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 / FAX: 81-45-474-9089
President and CEO:	Toshihiko Ono
U.S. Accounting Principle:	Not adopted

(Amounts below one million are rounded down)

1. Consolidated Financial Highlights for FY 2019 (April 1, 2019 to March 31, 2020)

(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	%
FY2019	31,161	4.6	1,670	△ 14.6	1,896	△ 22.9	1,168	△ 21.7
FY2018	29,804	3.7	1,955	57.1	2,459	103.5	1,493	107.1

[Note] Comprehensive income FY2019: 1,274 million yen (△6.9%) FY2018: 1,368 million yen (52.1%)

	EPS	EPS, Diluted	ROE	ROA	Operating income to net sales
	yen sen	yen sen	%	%	%
FY2019	80.99	77.26	5.8	5.6	5.4
FY2018	93.48	89.48	6.6	7.5	6.6

[Reference] Equity in earnings (losses) of affiliated companies FY2019: 4 million yen FY2018: 3 million yen

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	BPS
	million yen	million yen	%	yen sen
FY2019	34,967	20,418	55.5	1,528.53
FY2018	32,880	21,915	63.9	1,430.36

[Reference] Net worth FY2019: 19,416 million yen FY2018: 21,009 million yen

(3) Consolidated Cash Flows

	CF from operating activities	CF from investing activities	CF from financial activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY2019	3,116	△ 1,713	288	6,174
FY2018	1,109	△ 1,575	△ 649	4,288

2. Dividend Payment Results and Outlook

	Annual dividend per share Total					Total amount of dividends paid/payable (full-year)	Dividend payout ratio (consolidated)	Rate of dividend to net assets (consolidated)
	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	million yen	%	%
FY2018	–	20.00	–	20.00	40.00	621	42.8	2.8
FY2019	–	20.00	–	20.00	40.00	548	49.4	2.7
FY2020 (outlook)	–	20.00	–	20.00	40.00		46.2	

3. Consolidated Business Outlook for FY2020 (April 1, 2020 to March 31, 2021)

(% represents the change from the same period in the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		EPS
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2020	32,000	2.7	1,650	△ 1.2	1,800	△ 5.1	1,100	△ 5.9	86.60

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during FY2019 : None
Newly — (Name of Company) — Exception — (Name of Company) —

(2) 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

(3) Number of shares outstanding (common stock)
① Total outstanding shares including treasury shares as of:
As of March 31, 2020: 13,700,000 shares As of March 31, 2019: 15,700,000 shares
② Outstanding treasury shares as of:
As of March 31, 2020: 997,418 shares As of March 31, 2019: 1,011,618 shares
③ Average outstanding shares for the quarter ended:
Year ended March 31, 2020: 14,430,121 shares Year ended March 31, 2019: 15,972,817 shares

(Reference) Summary of Non-consolidated Financial Results

Non-Consolidated Financial Highlights for FY2019 (April 1, 2019 to March 31, 2020)

(1) Non-Consolidated Operating Results (% represents the change from the same period in the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2019	12,863	△ 12.1	50	△ 90.6	711	△ 56.1	624	△ 49.9
FY2018	14,630	△ 4.8	531	—	1,620	778.7	1,244	—

	EPS	EPS, Diluted
	yen sen	yen sen
FY2019	43.25	41.26
FY2018	77.93	74.59

(2) Non-Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	BPS
	million yen	million yen	%	yen sen
FY2019	25,537	15,929	61.3	1,232.18
FY2018	25,436	18,140	70.2	1,216.08

[Reference] Net worth FY2019: 15,651 million yen FY2018: 17,862 million yen

[Note] Information about audit 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.

Consolidated Balance Sheets

(Unit: thousand yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	4,498,187	6,335,546
Notes and accounts receivable - trade	7,428,417	7,392,265
Merchandise and finished goods	2,951,313	2,762,420
Work in process	495,908	568,944
Raw materials	475,322	543,471
Other	1,551,091	1,645,145
Allowance for doubtful accounts	—	△4,373
Total current assets	17,400,241	19,243,419
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,103,451	8,250,949
Accumulated depreciation	△4,457,036	△4,643,051
Buildings and structures, net	3,646,414	3,607,898
Machinery, equipment and vehicles	1,290,376	1,470,589
Accumulated depreciation	△672,361	△825,760
Machinery, equipment and vehicles, net	618,014	644,829
Land	5,721,345	5,877,882
Other	1,092,502	1,168,445
Accumulated depreciation	△707,372	△733,396
Other, net	385,130	435,048
Total property, plant and equipment	10,370,905	10,565,659
Intangible assets		
Goodwill	775,795	567,864
Other	713,800	804,490
Total intangible assets	1,489,596	1,372,355
Investments and other assets		
Investment securities	1,850,568	2,013,424
Deferred tax assets	288,585	266,177
Net defined benefit asset	263,072	212,503
Other	1,217,899	1,293,479
Total investments and other assets	3,620,126	3,785,585
Total non-current assets	15,480,628	15,723,600
Total assets	32,880,869	34,967,020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,637,306	2,408,485
Short-term borrowings	361,000	2,773,200
Current portion of long-term borrowings	366,664	566,664
Income taxes payable	433,645	341,797
Advances received	2,498,582	2,020,905
Provision for bonuses	281,151	261,110
Other	1,576,783	1,748,794
Total current liabilities	7,155,133	10,120,957
Non-current liabilities		
Bonds payable	2,200,000	2,200,000
Long-term borrowings	958,338	1,391,674
Provision for retirement benefits for directors	120,226	139,762
Retirement benefit liability	208,698	235,127
Other	323,009	460,824
Total non-current liabilities	3,810,272	4,427,389
Total liabilities	10,965,406	14,548,347
Net assets		
Shareholders' equity		
Share capital	10,517,159	10,517,159
Capital surplus	4,506,159	4,506,361
Retained earnings	7,261,876	5,580,009
Treasury shares	△1,268,187	△1,148,593
Total shareholders' equity	21,017,009	19,454,937
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	56,855	16,235
Deferred gains or losses on hedges	△30,307	△48,060
Foreign currency translation adjustment	△13,638	23,971
Remeasurements of defined benefit plans	△20,308	△30,779
Total accumulated other comprehensive income	△7,400	△38,633
Share acquisition rights	278,663	277,867
Non-controlling interests	627,191	724,500
Total net assets	21,915,463	20,418,673
Total liabilities and net assets	32,880,869	34,967,020

Consolidated Statements of Income

（Unit: thousand yen）

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Net sales	29,804,612	31,161,788
Cost of sales	20,329,394	21,566,338
Gross profit	9,475,218	9,595,450
Selling, general and administrative expenses	7,519,772	7,925,072
Operating profit	1,955,445	1,670,377
Non-operating income		
Rental income from real estate	458,320	464,352
Other	434,121	130,512
Total non-operating income	892,441	594,864
Non-operating expenses		
Rental expenses on real estate	307,420	302,656
Other	80,834	66,490
Total non-operating expenses	388,255	369,147
Ordinary profit	2,459,631	1,896,094
Extraordinary income		
Gain on sales of non-current assets	1,214	127
Gain on reversal of share acquisition rights	—	168
Total extraordinary income	1,214	296
Extraordinary losses		
Loss on valuation of investment securities	203,871	—
Loss on sales of non-current assets	—	718
Total extraordinary losses	203,871	718
Profit before income taxes	2,256,974	1,895,671
Income taxes - current	713,890	510,467
Income taxes - deferred	△37,032	90,236
Total Income taxes	676,857	600,704
Profit	1,580,117	1,294,967
Profit attributable to non-controlling interests	86,899	126,201
Profit attributable to owners of parent	1,493,217	1,168,765

Consolidated Statements of Comprehensive Income

（Unit: thousand yen）

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Profit	1,580,117	1,294,967
Other comprehensive income		
Valuation difference on available-for-sale securities	△25,891	△40,619
Deferred gains or losses on hedges	△71,379	△17,752
Foreign currency translation adjustment	△87,447	48,261
Remeasurements of defined benefit plans, net of tax	△26,837	△10,470
Total other comprehensive income	△211,556	△20,581
Comprehensive income	1,368,560	1,274,385
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,285,917	1,137,532
Comprehensive income attributable to non-controlling interests	82,642	136,853

Consolidated statement of changes in equity

FY2018 (From April 1, 2018 to March 31, 2019)　　（Unit: thousand yen）

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	10,517,159	7,328,535	6,784,175	△ 627,879	24,001,991
Changes in items during period					
Dividends of surplus			△ 674,325		△ 674,325
Profit attributable to owners of parent			1,493,217		1,493,217
Purchase of treasury shares				△ 3,850,196	△ 3,850,196
Disposal of treasury shares		△ 4,081	△ 1,734	52,136	46,321
Cancellation of treasury shares		△ 2,818,294	△ 339,457	3,157,751	—
Net changes in items other than shareholders' equity					
Total changes in items during period	—	△ 2,822,376	477,701	△ 640,307	△ 2,984,982
Balance at the end of current period	10,517,159	4,506,159	7,261,876	△ 1,268,187	21,017,009

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	82,746	41,071	69,552	6,528	199,900	290,679	576,361	25,068,932
Changes in items during period								
Dividends of surplus								△ 674,325
Profit attributable to owners of parent								1,493,217
Purchase of treasury shares								△ 3,850,196
Disposal of treasury shares								46,321
Cancellation of treasury shares								—
Net changes in items other than shareholders' equity	△ 25,891	△ 71,379	△ 83,191	△ 26,837	△ 207,300	△ 12,016	50,830	△ 168,486
Total changes in items during period	△ 25,891	△ 71,379	△ 83,191	△ 26,837	△ 207,300	△ 12,016	50,830	△ 3,153,468
Balance at the end of current period	56,855	△ 30,307	△ 13,638	△ 20,308	△ 7,400	278,663	627,191	21,915,463

FY2019 (From April 1, 2019 to March 31, 2020) （Unit: thousand yen）

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	10,517,159	4,506,159	7,261,876	△ 1,268,187	21,017,009
Changes in items during period					
Dividends of surplus			△ 587,767		△ 587,767
Profit attributable to owners of parent			1,168,765		1,168,765
Purchase of treasury shares				△ 2,201,137	△ 2,201,137
Disposal of treasury shares			△ 5,171	17,598	12,427
Cancellation of treasury shares			△ 2,303,132	2,303,132	—
Change in scope of consolidation			45,439		45,439
Change in ownership interest of parent due to transactions with non-controlling interests		201			201
Net changes in items other than shareholders' equity					
Total changes in items during period	—	201	△ 1,681,866	119,594	△ 1,562,071
Balance at the end of current period	10,517,159	4,506,361	5,580,009	△ 1,148,593	19,454,937

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	56,855	△ 30,307	△ 13,638	△ 20,308	△ 7,400	278,663	627,191	21,915,463
Changes in items during period								
Dividends of surplus								△ 587,767
Profit attributable to owners of parent								1,168,765
Purchase of treasury shares								△ 2,201,137
Disposal of treasury shares								12,427
Cancellation of treasury shares								—
Change in scope of consolidation								45,439
Change in ownership interest of parent due to transactions with non-controlling interests								201
Net changes in items other than shareholders' equity	△ 40,619	△ 17,752	37,609	△ 10,470	△ 31,232	△ 795	97,308	65,280
Total changes in items during period	△ 40,619	△ 17,752	37,609	△ 10,470	△ 31,232	△ 795	97,308	△ 1,496,790
Balance at the end of current period	16,235	△ 48,060	23,971	△ 30,779	△ 38,633	277,867	724,500	20,418,673

Consolidated Statements of Cash Flows

(Unit: thousand yen)

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	2,256,974	1,895,671
Depreciation	768,445	985,578
Amortization of goodwill	207,930	207,930
Increase (decrease) in allowance for doubtful accounts	—	4,373
Increase (decrease) in provision for bonuses	61,299	△24,483
Increase (decrease) in retirement benefit liability	20,137	61,686
Interest and dividend income	△11,762	△13,696
Loss (gain) on valuation of investment securities	203,871	—
Loss (gain) on investments in investment partnerships	△314,751	△28,699
Decrease (increase) in trade receivables	△351,293	85,559
Decrease (increase) in inventories and advance payments - trade	△604,992	240,378
Increase (decrease) in trade payables	△359,749	766,912
Increase (decrease) in advances received	△529,378	△482,799
Other, net	381,540	149,881
Subtotal	1,728,271	3,848,293
Interest and dividends received	11,419	11,210
Interest paid	△7,174	△13,046
Income taxes paid	△622,885	△729,815
Income taxes refund	84	—
Net cash provided by (used in) operating activities	1,109,714	3,116,642
Cash flows from investing activities		
Payments into time deposits	△200,000	△114,400
Proceeds from withdrawal of time deposits	300,000	200,000
Purchase of property, plant and equipment	△611,529	△678,752
Purchase of intangible assets	△436,407	△473,291
Purchase of long-term prepaid expenses	△85,533	△82,885
Purchase of investment securities	△391,388	△470,911
Proceeds from distributions from investment partnerships	23,400	44,500
Purchase of insurance funds	△101,885	△121,825
Proceeds from cancellation of insurance funds	98,815	34,291
Other, net	△170,713	△50,001
Net cash provided by (used in) investing activities	△1,575,243	△1,713,276
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	361,000	2,409,200
Proceeds from long-term borrowings	1,500,000	1,000,000
Repayments of long-term borrowings	△174,998	△366,664
Proceeds from issuance of bonds	2,200,000	—
Purchase of treasury shares	△3,871,491	△2,203,033
Dividends paid	△615,709	△529,103
Dividends paid to non-controlling interests	△30,000	△22,166
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	△1,019
Other, net	△17,982	1,022
Net cash provided by (used in) financing activities	△649,180	288,234
Effect of exchange rate change on cash and cash equivalents	△50,013	△11,570
Net increase (decrease) in cash and cash equivalents	△1,164,722	1,680,029
Cash and cash equivalents at beginning of period	5,453,186	4,288,463
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	206,047
Cash and cash equivalents at end of period	4,288,463	6,174,541