

Consolidated Financial Statements

Ended March 31, 2019

INNOTECH CORPORATION

Stock Listed: Tokyo Stock Exchange Section 1
 Code No.: 9880
 URL: <https://www.innotech.co.jp/>
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 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 2018 (April 1, 2018 to March 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	%
FY2018	29,804	3.7	1,955	57.1	2,459	103.5	1,493	107.1
FY2017	28,735	△ 0.4	1,244	24.5	1,208	△ 3.4	721	△ 10.6

[Note] Comprehensive income FY2018: 1,368 million yen (52.1%) FY2017: 899 million yen (8.6%)

	EPS	EPS, Diluted	ROE	ROA	Operating income to net sales
	yen sen	yen sen	%	%	%
FY2018	93.48	89.48	6.6	7.5	6.6
FY2017	41.02	39.38	3.0	3.9	4.3

[Reference] Equity in earnings (losses) of affiliated companies FY2018: 3 million yen FY2017: 6 million yen

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	BPS
	million yen	million yen	%	yen sen
FY2018	32,880	21,915	63.9	1,430.36
FY2017	32,488	25,068	74.5	1,396.49

[Reference] Net worth FY2018: 21,009 million yen FY2017: 24,201 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
FY2018	1,109	△ 1,575	△ 649	4,288
FY2017	2,009	△ 887	△ 533	5,453

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	%	%
FY2017	—	10.00	—	20.00	30.00	522	73.1	2.2
FY2018	—	20.00	—	20.00	40.00	621	42.8	2.8
FY2019 (outlook)	—	20.00	—	20.00	40.00		53.4	

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		EPS
	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	74.89

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during FY2018

Newly — (Name of Company) —

: None

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, 2019: 15,700,000 shares As of March 31, 2018: 18,218,901 shares

② Outstanding treasury shares as of:

As of March 31, 2019: 1,011,618 shares As of March 31, 2018: 888,418 shares

③ Average outstanding shares for the quarter ended:

Year ended March 31, 2019: 15,972,817 shares Year ended March 31, 2018: 17,579,071 shares

(Reference) Summary of Non-consolidated Financial Results

Non-Consolidated Financial Highlights for FY2018 (April 1, 2018 to March 31, 2019)

(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	%
FY2018	14,630	△ 4.8	531	—	1,620	778.7	1,244	—
FY2017	15,373	△ 9.8	15	△ 90.5	184	△ 53.4	108	△ 54.5

	EPS	EPS, Diluted
	yen sen	yen sen
FY2018	77.93	74.59
FY2017	6.17	5.93

(2) Non-Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	BPS
	million yen	million yen	%	yen sen
FY2018	25,436	18,140	70.2	1,216.08
FY2017	25,271	21,479	83.8	1,222.65

[Reference] Net worth FY2018: 17,862 million yen FY2017: 21,189 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.

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	5,763,265	4,498,187
Notes and accounts receivable - trade	7,119,991	7,428,417
Merchandise and finished goods	2,524,642	2,951,313
Work in process	166,639	495,908
Raw materials	310,622	475,322
Other	1,929,258	1,551,091
Total current assets	17,814,419	17,400,241
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,109,712	8,103,451
Accumulated depreciation	△4,368,868	△4,457,036
Buildings and structures, net	3,740,843	3,646,414
Machinery, equipment and vehicles	989,509	1,290,376
Accumulated depreciation	△556,997	△672,361
Machinery, equipment and vehicles, net	432,512	618,014
Land	5,721,345	5,721,345
Other	1,029,178	1,092,502
Accumulated depreciation	△688,340	△707,372
Other, net	340,838	385,130
Total property, plant and equipment	10,235,540	10,370,905
Intangible assets		
Goodwill	983,726	775,795
Other	504,807	713,800
Total intangible assets	1,488,533	1,489,596
Investments and other assets		
Investment securities	1,383,833	1,850,568
Deferred tax assets	140,421	288,585
Net defined benefit asset	308,287	263,072
Other	1,117,099	1,217,899
Total investments and other assets	2,949,642	3,620,126
Total non-current assets	14,673,716	15,480,628
Total assets	32,488,135	32,880,869
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,024,690	1,637,306
Short-term loans payable	—	361,000
Current portion of long-term loans payable	—	366,664
Income taxes payable	348,177	433,645
Advances received	3,063,679	2,498,582
Provision for bonuses	226,841	281,151
Other	1,199,290	1,576,783
Total current liabilities	6,862,680	7,155,133
Non-current liabilities		
Bonds payable	—	2,200,000
Long-term loans payable	—	958,338
Provision for directors' retirement benefits	102,863	120,226
Net defined benefit liability	196,253	208,698
Other	257,406	323,009
Total non-current liabilities	556,523	3,810,272
Total liabilities	7,419,203	10,965,406
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	7,261,876
Treasury shares	△627,879	△1,268,187
Total shareholders' equity	24,001,991	21,017,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	82,746	56,855
Deferred gains or losses on hedges	41,071	△30,307
Foreign currency translation adjustment	69,552	△13,638
Remeasurements of defined benefit plans	6,528	△20,308
Total accumulated other comprehensive income	199,900	△7,400
Share acquisition rights	290,679	278,663
Non-controlling interests	576,361	627,191
Total net assets	25,068,932	21,915,463
Total liabilities and net assets	32,488,135	32,880,869

Consolidated Statements of Income

(Unit: thousand yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Net sales	28,735,690	29,804,612
Cost of sales	20,345,678	20,329,394
Gross profit	8,390,011	9,475,218
Selling, general and administrative expenses	7,145,027	7,519,772
Operating profit	1,244,983	1,955,445
Non-operating income		
Real estate rent	436,681	458,320
Gain on investments in partnership	10,040	314,751
Other	80,492	119,370
Total non-operating income	527,214	892,441
Non-operating expenses		
Rent expenses on real estates	306,957	307,420
Loss on investments in partnership	118,649	—
Foreign exchange losses	110,071	—
Other	27,764	80,834
Total non-operating expenses	563,444	388,255
Ordinary profit	1,208,754	2,459,631
Extraordinary income		
Gain on reversal of share acquisition rights	698	—
Gain on sales of non-current assets	—	1,214
Total extraordinary income	698	1,214
Extraordinary losses		
Loss on valuation of investment securities	—	203,871
Total extraordinary losses	—	203,871
Profit before income taxes	1,209,453	2,256,974
Income taxes - current	373,448	713,890
Income taxes - deferred	71,535	△37,032
Total Income taxes	444,983	676,857
Profit	764,469	1,580,117
Profit attributable to non-controlling interests	43,418	86,899
Profit attributable to owners of parent	721,051	1,493,217

Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Profit	764,469	1,580,117
Other comprehensive income		
Valuation difference on available-for-sale securities	11,847	△25,891
Deferred gains or losses on hedges	100,141	△71,379
Foreign currency translation adjustment	29,753	△87,447
Remeasurements of defined benefit plans, net of tax	△6,458	△26,837
Total other comprehensive income	135,284	△211,556
Comprehensive income	899,754	1,368,560
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	846,384	1,285,917
Comprehensive income attributable to non-controlling interests	53,369	82,642

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	10,517,159	7,301,303	6,379,702	△ 256,447	23,941,719
Changes of items during period					
Dividends of surplus			△ 316,578		△ 316,578
Profit attributable to owners of parent			721,051		721,051
Purchase of treasury shares				△ 402,733	△ 402,733
Disposal of treasury shares		27,438		31,301	58,740
Purchase of shares of consolidated subsidiaries		△ 206			△ 206
Net changes of items other than shareholders' equity					
Total changes of items during period	—	27,232	404,472	△ 371,432	60,271
Balance at the end of current period	10,517,159	7,328,535	6,784,175	△ 627,879	24,001,991

	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	70,898	△ 59,070	49,750	12,986	74,566	305,838	298,301	24,620,426
Changes of items during period								
Dividends of surplus								△ 316,578
Profit attributable to owners of parent								721,051
Purchase of treasury shares								△ 402,733
Disposal of treasury shares								58,740
Purchase of shares of consolidated subsidiaries								△ 206
Net changes of items other than shareholders' equity	11,847	100,141	19,801	△ 6,458	125,333	△ 15,158	278,059	388,234
Total changes of items during period	11,847	100,141	19,801	△ 6,458	125,333	△ 15,158	278,059	448,506
Balance at the end of current period	82,746	41,071	69,552	6,528	199,900	290,679	576,361	25,068,932

	Shareholders' equity				
	Capital stock	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 of 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
Retirement of treasury shares		△ 2,818,294	△ 339,457	3,157,751	—
Net changes of items other than shareholders' equity					
Total changes of 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 of 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
Retirement of treasury shares								—
Net changes of items other than shareholders' equity	△ 25,891	△ 71,379	△ 83,191	△ 26,837	△ 207,300	△ 12,016	50,830	△ 168,486
Total changes of 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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,209,453	2,256,974
Depreciation	600,279	768,445
Amortization of goodwill	236,587	207,930
Increase (decrease) in allowance for doubtful accounts	△638	—
Increase (decrease) in provision for bonuses	56,245	61,299
Increase (decrease) in net defined benefit liability	△47,142	20,137
Interest and dividend income	△9,695	△11,762
Loss (gain) on valuation of investment securities	—	203,871
Loss (gain) on investments in partnership	108,609	△314,751
Decrease (increase) in notes and accounts receivable - trade	△455,535	△351,293
Decrease (increase) in inventories and advance payments	△664,505	△604,992
Increase (decrease) in notes and accounts payable - trade	475,433	△359,749
Increase (decrease) in advances received	1,144,185	△529,378
Other, net	△361,070	381,540
Subtotal	2,292,204	1,728,271
Interest and dividend income received	9,490	11,419
Interest expenses paid	△2,669	△7,174
Income taxes paid	△308,736	△622,885
Income taxes refund	19,372	84
Net cash provided by (used in) operating activities	2,009,662	1,109,714
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	△677,699	△611,529
Purchase of intangible assets	△304,894	△436,407
Purchase of long-term prepaid expenses	△139,529	△85,533
Purchase of investment securities	△313,195	△391,388
Proceeds from distribution of investment in partnerships	39,114	23,400
Proceeds from transfer of business	568,410	—
Purchase of insurance funds	△101,303	△101,885
Proceeds from cancellation of insurance funds	22,181	98,815
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	67,245	—
Other, net	△48,192	△170,713
Net cash provided by (used in) investing activities	△887,863	△1,575,243
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△50,578	361,000
Proceeds from long-term loans payable	—	1,500,000
Repayments of long-term loans payable	△23,015	△174,998
Proceeds from issuance of bonds	—	2,200,000
Purchase of treasury shares	△404,747	△3,871,491
Cash dividends paid	△315,229	△615,709
Dividends paid to non-controlling interests	—	△30,000
Proceeds from share issuance to non-controlling shareholders	228,104	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△489	—
Other, net	32,054	△17,982
Net cash provided by (used in) financing activities	△533,901	△649,180
Effect of exchange rate change on cash and cash equivalents	20,768	△50,013
Net increase (decrease) in cash and cash equivalents	608,666	△1,164,722
Cash and cash equivalents at beginning of period	4,844,519	5,453,186
Cash and cash equivalents at end of period	5,453,186	4,288,463