

## Consolidated Financial Statements

For the Second Quarter ended September 30, 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 Second Quarter ended September 30, 2019

(April 1, 2019 to September 30, 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	%
Second Quarter, FY2019	14,186	4.3	619	△ 11.0	678	△ 30.7	427	△ 36.6
Second Quarter, FY2018	13,596	△ 5.6	695	72.8	979	118.6	673	133.0

[Note] Comprehensive income Second Quarter, FY2019: 406 million yen (△13.4%) Second Quarter, FY2018: 469 million yen (131%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Second Quarter, FY2019	29.09	27.78
Second Quarter, FY2018	39.94	38.29

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2019	33,417	22,059	63.3
FY2018	32,880	21,915	63.9

[Reference] Net worth Second Quarter, FY2019: 21,142 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	74.83

[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, 2019	15,700,000 shares	March 31, 2019		15,700,000 shares
② Outstanding treasury shares as of:				
September 30, 2019	1,000,018 shares	March 31, 2019		1,011,618 shares
③ Average outstanding shares for the second quarter ended:				
September 30, 2019	14,691,298 shares	September 30, 2018		16,865,681 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.

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	4,498,187	5,602,826
Notes and accounts receivable - trade	7,428,417	5,711,278
Merchandise and finished goods	2,951,313	2,732,899
Work in process	495,908	829,585
Raw materials	475,322	498,163
Other	1,551,091	2,296,330
Allowance for doubtful accounts	—	△4,103
Total current assets	17,400,241	17,666,980
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,103,451	8,201,875
Accumulated depreciation	△4,457,036	△4,539,178
Buildings and structures, net	3,646,414	3,662,697
Land	5,721,345	5,721,345
Other	2,382,879	2,472,404
Accumulated depreciation	△1,379,734	△1,453,513
Other, net	1,003,145	1,018,891
Total property, plant and equipment	10,370,905	10,402,933
Intangible assets		
Goodwill	775,795	671,830
Other	713,800	824,545
Total intangible assets	1,489,596	1,496,375
Investments and other assets		
Investment securities	1,850,568	1,981,280
Other	1,769,557	1,869,743
Total investments and other assets	3,620,126	3,851,023
Total non-current assets	15,480,628	15,750,332
Total assets	32,880,869	33,417,313
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,637,306	1,667,515
Short-term borrowings	361,000	348,000
Current portion of long-term borrowings	366,664	366,664
Income taxes payable	433,645	319,577
Advances received	2,498,582	3,464,277
Provision for bonuses	281,151	377,118
Provision for bonuses for directors	—	10,900
Other	1,576,783	1,129,999
Total current liabilities	7,155,133	7,684,053
Non-current liabilities		
Bonds payable	2,200,000	2,200,000
Long-term borrowings	958,338	775,006
Provision for retirement benefits for directors	120,226	129,867
Retirement benefit liability	208,698	223,746
Other	323,009	345,301
Total non-current liabilities	3,810,272	3,673,921
Total liabilities	10,965,406	11,357,974
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,517,159	10,517,159
Capital surplus	4,506,159	4,506,159
Retained earnings	7,261,876	7,436,753
Treasury shares	△1,268,187	△1,253,645
Total shareholders' equity	21,017,009	21,206,428
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	56,855	47,373
Deferred gains or losses on hedges	△30,307	△13,061
Foreign currency translation adjustment	△13,638	△79,321
Remeasurements of defined benefit plans	△20,308	△18,853
Total accumulated other comprehensive income	△7,400	△63,863
Share acquisition rights	278,663	278,494
Non-controlling interests	627,191	638,280
Total net assets	21,915,463	22,059,339
Total liabilities and net assets	32,880,869	33,417,313

## Quarterly Consolidated Statements of Income

(Unit: thousand yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	13,596,090	14,186,623
Cost of sales	9,276,071	9,774,071
Gross profit	4,320,018	4,412,551
Selling, general and administrative expenses	3,624,099	3,793,268
Operating profit	695,919	619,282
Non-operating income		
Rental income from real estate	229,358	229,150
Gain on investments in investment partnerships	117,139	—
Other	119,218	44,703
Total non-operating income	465,716	273,854
Non-operating expenses		
Rental expenses on real estate	151,175	156,780
Other	31,459	58,099
Total non-operating expenses	182,634	214,879
Ordinary profit	979,001	678,257
Extraordinary income		
Gain on sales of non-current assets	888	—
Gain on reversal of share acquisition rights	—	168
Total extraordinary income	888	168
Profit before income taxes	979,889	678,425
Income taxes	269,339	215,284
Profit	710,550	463,141
Profit attributable to non-controlling interests	36,897	35,717
Profit attributable to owners of parent	673,652	427,423

## Quarterly Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	710,550	463,141
Other comprehensive income		
Valuation difference on available-for-sale securities	193	△9,481
Deferred gains or losses on hedges	△119,122	17,246
Foreign currency translation adjustment	△117,684	△65,522
Remeasurements of defined benefit plans, net of tax	△3,944	1,455
Total other comprehensive income	△240,557	△56,303
Comprehensive income	469,992	406,838
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	436,945	370,959
Comprehensive income attributable to non-controlling interests	33,047	35,878

## Quarterly Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	979,889	678,425
Depreciation	358,936	385,145
Amortization of goodwill	103,965	103,965
Increase (decrease) in allowance for doubtful accounts	—	4,103
Increase (decrease) in provision for bonuses	107,176	100,522
Increase (decrease) in retirement benefit liability	14,883	3,282
Interest and dividend income	△5,217	△6,671
Loss (gain) on investments in investment partnerships	△117,139	15,087
Share of loss (profit) of entities accounted for using equity method	△1,414	△3,930
Decrease (increase) in trade receivables	345,952	1,703,093
Decrease (increase) in inventories and advance payments - trade	△2,113,748	△794,292
Increase (decrease) in trade payables	114,497	48,696
Increase (decrease) in advances received	859,223	987,889
Other, net	△440,779	△390,203
Subtotal	206,225	2,835,113
Interest and dividends received	5,289	6,584
Interest paid	△944	△5,658
Income taxes (paid) refund	△407,867	△430,084
Net cash provided by (used in) operating activities	△197,296	2,405,954
Cash flows from investing activities		
Payments into time deposits	△200,000	△201,740
Proceeds from withdrawal of time deposits	300,000	200,000
Purchase of property, plant and equipment	△160,246	△237,752
Purchase of intangible assets	△283,860	△247,919
Purchase of long-term prepaid expenses	△45,631	△55,793
Purchase of investment securities	△184,799	△427,850
Purchase of insurance funds	△43,996	△53,844
Proceeds from cancellation of insurance funds	76,288	16,543
Other, net	13,037	△12,474
Net cash provided by (used in) investing activities	△529,207	△1,020,831
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	408,300	—
Proceeds from long-term borrowings	500,000	—
Repayments of long-term borrowings	△41,666	△183,332
Proceeds from issuance of bonds	1,200,000	—
Purchase of treasury shares	△1,344,649	—
Dividends paid	△317,275	△264,606
Dividends paid to non-controlling interests	△30,000	△22,166
Other, net	12,701	△454
Net cash provided by (used in) financing activities	387,409	△470,559
Effect of exchange rate change on cash and cash equivalents	△51,554	△54,162
Net increase (decrease) in cash and cash equivalents	△390,648	860,401
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	5,062,537	5,354,912