

Consolidated Financial Statements

For the Second Quarter ended September 30, 2021

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 Representative Director: Nobuyuki Otsuka
 U.S. Accounting Principle: Not adopted

(Amounts below one million are rounded down)

1. Consolidated Financial Highlights for the Second Quarter ended September 30, 2021

(April 1, 2021 to September 30, 2021)

(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, FY2021	18,863	26.3	1,681	268.2	1,952	226.0	1,406	383.6
Second Quarter, FY2020	14,935	5.3	456	△ 26.3	599	△ 11.7	290	△ 31.9

[Note] Comprehensive income Second Quarter, FY2021: 1,882 million yen (774.3%) Second Quarter, FY2020: 215 million yen (△47.1%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Second Quarter, FY2021	108.89	104.68
Second Quarter, FY2020	22.89	21.70

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2021	40,857	22,550	53.0
FY2020	37,680	21,127	53.3

[Reference] Net worth Second Quarter, FY2021: 21,674 million yen FY2020: 20,094 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
FY2020	—	20.00	—	30.00	50.00
FY2021	—	30.00	—	—	—
FY2021 (outlook)	—	—	—	30.00	60.00

[Note] Revision made in the forecast dividend as of the end of the current quarter: None

3. Consolidated Business Outlook for FY2021 (April 1, 2021 to March 31, 2022)

(% 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
FY2021	36,400	11.9	2,400	22.8	2,650	7.7	1,800	17.3	137.32

[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 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. : Yes
- 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, 2021 13,700,000 shares March 31, 2021 13,700,000 shares
- ② Outstanding treasury shares as of:
September 30, 2021 591,818 shares March 31, 2021 967,318 shares
- ③ Average outstanding shares for the second quarter ended:
September 30, 2021 12,917,530 shares September 30, 2020 12,705,504 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

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	5,626,102	6,117,477
Notes and accounts receivable - trade	8,550,611	—
Notes and accounts receivable - trade, and contract assets	—	9,579,291
Merchandise and finished goods	3,063,070	3,265,509
Work in process	843,715	1,013,650
Raw materials	886,696	1,251,546
Other	1,511,271	2,158,598
Allowance for doubtful accounts	△5,260	△5,146
Total current assets	20,476,207	23,380,927
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,490,409	8,502,361
Accumulated depreciation	△4,859,204	△4,963,428
Buildings and structures, net	3,631,205	3,538,933
Land	5,877,882	5,832,882
Other	3,093,267	3,578,038
Accumulated depreciation	△1,888,906	△2,122,292
Other, net	1,204,360	1,455,746
Total property, plant and equipment	10,713,449	10,827,562
Intangible assets		
Goodwill	1,270,585	1,292,750
Other	953,886	1,058,233
Total intangible assets	2,224,472	2,350,984
Investments and other assets		
Investment securities	2,059,944	1,997,288
Other	2,206,165	2,300,993
Allowance for doubtful accounts	△45	—
Total investments and other assets	4,266,064	4,298,282
Total non-current assets	17,203,986	17,476,828
Total assets	37,680,193	40,857,756

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,947,360	2,204,797
Short-term borrowings	4,590,106	4,629,942
Current portion of long-term borrowings	521,690	480,016
Income taxes payable	654,806	664,580
Advances received	2,393,416	4,107,039
Provision for bonuses	209,848	457,045
Provision for bonuses for directors (and other officers)	—	43,127
Other	1,866,509	1,580,085
Total current liabilities	12,183,738	14,166,633
Non-current liabilities		
Bonds payable	2,200,000	2,200,000
Long-term borrowings	1,233,312	993,304
Provision for retirement benefits for directors (and other officers)	137,148	146,253
Retirement benefit liability	260,216	270,000
Other	538,603	530,798
Total non-current liabilities	4,369,280	4,140,355
Total liabilities	16,553,018	18,306,989
Net assets		
Shareholders' equity		
Share capital	10,517,159	10,517,159
Capital surplus	4,468,928	4,228,916
Retained earnings	6,606,521	7,565,443
Treasury shares	△1,113,930	△681,517
Total shareholders' equity	20,478,678	21,630,002
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	43,782	60,637
Deferred gains or losses on hedges	△89,184	△71,238
Foreign currency translation adjustment	△337,861	55,514
Remeasurements of defined benefit plans	△1,013	△798
Total accumulated other comprehensive income	△384,277	44,115
Share acquisition rights	273,336	128,849
Non-controlling interests	759,437	747,798
Total net assets	21,127,174	22,550,766
Total liabilities and net assets	37,680,193	40,857,756

Quarterly Consolidated Statements of Income

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	14,935,844	18,863,432
Cost of sales	10,437,415	12,994,931
Gross profit	4,498,428	5,868,500
Selling, general and administrative expenses	4,041,898	4,187,480
Operating profit	456,530	1,681,020
Non-operating income		
Rental income from real estate	238,797	231,972
Subsidy income	20,981	109,347
Other	120,133	148,366
Total non-operating income	379,912	489,685
Non-operating expenses		
Rental expenses on real estate	169,063	163,968
Other	68,349	54,199
Total non-operating expenses	237,413	218,167
Ordinary profit	599,030	1,952,538
Extraordinary income		
Subsidy income	—	57,994
Other	—	7,810
Total extraordinary income	—	65,804
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	—	57,760
Total extraordinary losses	—	57,760
Profit before income taxes	599,030	1,960,582
Income taxes	312,286	521,574
Profit	286,743	1,439,008
Profit (loss) attributable to non-controlling interests	△4,118	32,402
Profit attributable to owners of parent	290,862	1,406,606

Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	286,743	1,439,008
Other comprehensive income		
Valuation difference on available-for-sale securities	△3,615	16,855
Deferred gains or losses on hedges	9,536	17,946
Foreign currency translation adjustment	△83,625	408,392
Remeasurements of defined benefit plans, net of tax	6,261	214
Total other comprehensive income	△71,443	443,409
Comprehensive income	215,300	1,882,418
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	233,846	1,835,000
Comprehensive income attributable to non-controlling interests	△18,545	47,417

Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	599,030	1,960,582
Depreciation	463,591	519,432
Amortization of goodwill	135,087	114,268
Increase (decrease) in allowance for doubtful accounts	449	△159
Increase (decrease) in provision for bonuses	140,310	237,442
Increase (decrease) in retirement benefit liability	△22,769	△4,735
Interest and dividend income	△11,407	△11,449
Loss (gain) on investments in investment partnerships	△65,789	7,237
Share of loss (profit) of entities accounted for using equity method	1,489	△1,903
Loss on tax purpose reduction entry of non-current assets	—	57,760
Decrease (increase) in trade receivables	660,988	△894,679
Decrease (increase) in inventories and advance payments	△1,512,534	△964,068
Increase (decrease) in trade payables	△570,524	198,415
Increase (decrease) in advances received	2,050,900	1,687,543
Other, net	△540,260	△654,732
Subtotal	1,328,560	2,250,954
Interest and dividends received	12,636	12,825
Interest paid	△12,487	△15,800
Income taxes refund (paid)	△233,580	△613,457
Net cash provided by (used in) operating activities	1,095,129	1,634,522
Cash flows from investing activities		
Payments into time deposits	△36,840	△120
Proceeds from withdrawal of time deposits	15,230	17,130
Purchase of property, plant and equipment	△377,521	△404,191
Purchase of intangible assets	△140,865	△305,673
Purchase of long-term prepaid expenses	△23,145	△74,064
Purchase of investment securities	△60	△60
Proceeds from distributions from investment partnerships	10,480	204,477
Purchase of insurance funds	△56,344	△54,535
Proceeds from cancellation of insurance funds	19,747	95,016
Payments for acquisition of businesses	—	△45,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△790,553	—
Other, net	△22,092	△5,416
Net cash provided by (used in) investing activities	△1,401,965	△572,435
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	963,637	△33,063
Proceeds from long-term borrowings	300,000	—
Repayments of long-term borrowings	△439,911	△281,682
Dividends paid	△239,213	△379,926
Dividends paid to non-controlling interests	△21,450	△23,313
Other, net	18	15,860
Net cash provided by (used in) financing activities	563,081	△702,125
Effect of exchange rate change on cash and cash equivalents	△23,057	132,232
Net increase (decrease) in cash and cash equivalents	233,188	492,193
Cash and cash equivalents at beginning of period	6,174,541	5,432,804
Cash and cash equivalents at end of period	6,407,729	5,924,998