

***ALTECH Co., Ltd. and  
Consolidated Subsidiaries***

***Audited Consolidated Financial Statements  
for the Year Ended November 30, 2018***

## Independent Auditor's Report

To the Board of Directors of  
Altech Co., Ltd.

We have audited the accompanying consolidated financial statements of Altech Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of November 30, 2018, and the consolidated statement of operations, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Altech Co., Ltd. and its consolidated subsidiaries as of November 30, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Crowe Toyo & Co.  
Tokyo, Japan  
February 27, 2019

*Crowe Toyo & Co.*

**ALTECH Co., Ltd. and Consolidated Subsidiaries**
**Consolidated Balance Sheet  
November 30, 2018**

	Thousands of yen		Thousands of U.S. dollars (Note 1)		Thousands of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018		2018	2017	2018
<b>ASSETS</b>				<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and deposits (Note 3)	¥ 2,823,858	¥ 3,444,775	\$ 24,886	Trade notes and accounts payable	¥ 941,488	¥ 1,148,057	\$ 8,297
Trade notes and accounts receivable	3,153,594	2,741,853	27,792	Short-term borrowings and current portion of long-term borrowings (Notes 6, 7 and 8)	631,109	1,039,281	5,562
Inventories	2,225,723	1,630,482	19,615	Current portion of bond (Note 6)	–	16,000	–
Advances paid	688,181	991,887	6,065	Short-term lease obligations (Note 6)	362,634	339,851	3,196
Deferred tax assets (Note 9)	143,122	113,967	1,261	Accounts payable-other (Note 6)	231,781	228,568	2,043
Other current assets	215,573	947,137	1,900	Accrued expenses	583,494	346,468	5,142
Allowance for doubtful receivables	(31,086)	(32,623)	(274)	Income taxes payable (Note 9)	43,912	107,670	387
Total current assets	<u>9,218,965</u>	<u>9,837,478</u>	<u>81,245</u>	Advances received	1,230,043	1,571,320	10,840
				Accrued losses on sales contracts	25,397	8,847	224
				Other current liabilities	<u>60,809</u>	<u>57,293</u>	<u>536</u>
				Total current liabilities	<u>4,110,667</u>	<u>4,863,355</u>	<u>36,227</u>
<b>PROPERTY, PLANT AND EQUIPMENT :</b>							
Buildings and structures (Note 7)	3,592,358	3,669,765	31,659	<b>LONG-TERM LIABILITIES:</b>			
Machinery and equipment, and vehicles	3,499,169	3,416,930	30,838	Long-term borrowings (Notes 6, 7 and 8)	288,927	631,587	2,546
Land	55,309	55,309	487	Long-term lease obligations (Note 6)	357,360	654,457	3,150
Lease assets	1,685,475	1,650,942	14,854	Deferred tax liabilities (Note 9)	64,522	64,772	569
Construction in progress	55,459	277,028	489	Other long-term liabilities (Note 6)	<u>16,837</u>	<u>47,654</u>	<u>148</u>
Other	<u>2,258,375</u>	<u>2,141,882</u>	<u>19,903</u>	Total long-term liabilities	<u>727,646</u>	<u>1,398,470</u>	<u>6,413</u>
Total	11,146,145	11,211,856	98,230	Total liabilities	<u>4,838,313</u>	<u>6,261,825</u>	<u>42,640</u>
Accumulated depreciation	<u>(7,165,843)</u>	<u>(6,691,805)</u>	<u>(63,152)</u>				
Net property, plant and equipment	<u>3,980,302</u>	<u>4,520,051</u>	<u>35,078</u>				
				<b>SHAREHOLDERS' EQUITY (Note 11):</b>			
<b>INTANGIBLE ASSETS, NET (Note 7)</b>	474,932	511,863	4,186	Common stock	5,527,830	5,527,830	48,716
				Capital surplus	2,149,339	2,149,339	18,942
<b>INVESTMENTS AND OTHER ASSETS:</b>				Retained earnings	2,095,821	1,564,021	18,470
Investment securities (Notes 4 and 7)	295,109	345,367	2,601	Treasury stock	<u>(923,103)</u>	<u>(923,102)</u>	<u>(8,135)</u>
Investment in capital of affiliates (Note 5)	1,034,868	908,800	9,120	Total shareholders' equity	<u>8,849,887</u>	<u>8,318,088</u>	<u>77,993</u>
Lease deposits (Note 10)	98,416	73,927	867				
Deferred tax assets (Note 9)	690	493	6	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>			
Other assets	<u>82,327</u>	<u>49,199</u>	<u>726</u>	Net unrealized gain on available-for-sale securities (Note 4)	60,423	107,637	532
Total investments and other assets	<u>1,511,410</u>	<u>1,377,786</u>	<u>13,320</u>	Deferred gain on derivatives under hedge accounting (Note 16)	2,636	29,304	23
				Foreign currency translation adjustments	<u>1,214,912</u>	<u>1,329,709</u>	<u>10,707</u>
				Total accumulated other comprehensive income	<u>1,277,971</u>	<u>1,466,650</u>	<u>11,262</u>
				<b>NON-CONTROLLING INTERESTS</b>	<u>219,438</u>	<u>200,615</u>	<u>1,934</u>
				Total net assets	<u>10,347,296</u>	<u>9,985,353</u>	<u>91,189</u>
				<b>COMMITMENTS AND CONTINGENCIES (Note 17)</b>			
<b>TOTAL</b>	¥ <u>15,185,609</u>	¥ <u>16,247,178</u>	\$ <u>133,829</u>	<b>TOTAL</b>	¥ <u>15,185,609</u>	¥ <u>16,247,178</u>	\$ <u>133,829</u>

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Operations Year Ended November 30, 2018

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u> (Note 1)
	<u>2018</u>	<u>2017</u>	<u>2018</u>
NET SALES	¥ 16,200,964	¥ 15,173,739	\$ 142,778
COST OF SALES	<u>12,567,188</u>	<u>11,658,598</u>	<u>110,754</u>
Gross profit	3,633,776	3,515,141	32,024
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	<u>2,933,366</u>	<u>2,880,515</u>	<u>25,851</u>
Operating profit	<u>700,410</u>	<u>634,626</u>	<u>6,173</u>
OTHER INCOME (EXPENSES):			
Interest and dividends income	16,345	18,509	144
Equity in earnings of affiliates	116,699	53,946	1,028
Foreign exchange gain (loss)	(32,742)	6,206	(289)
Compensation income	-	26,976	-
Interest expense	(94,431)	(97,208)	(832)
Commission paid	(9,278)	(9,597)	(82)
Gain on sale of property, plant and equipment	5,057	13,097	45
Subsidy income	-	54,542	-
Loss on sale of property, plant and equipment	(3,703)	(861)	(33)
Loss on retirement of property, plant and equipment	(3,791)	(2,219)	(33)
Impairment loss (Note 13)	(30,382)	(28,458)	(268)
Provision of allowance for doubtful accounts	-	(31,953)	-
Other—net	<u>24,217</u>	<u>20,782</u>	<u>214</u>
Other income (expenses)—net	<u>(12,009)</u>	<u>23,762</u>	<u>(106)</u>
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS	<u>688,401</u>	<u>658,388</u>	<u>6,067</u>
INCOME TAXES (Note 9):			
Current	103,630	105,611	913
Deferred	<u>(11,276)</u>	<u>(126,373)</u>	<u>(99)</u>
Total income taxes	<u>92,354</u>	<u>(20,762)</u>	<u>814</u>
INCOME	<u>596,047</u>	<u>679,150</u>	<u>5,253</u>
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	<u>12,809</u>	<u>24,923</u>	<u>113</u>
INCOME ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 583,238</u>	<u>¥ 654,227</u>	<u>\$ 5,140</u>

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Comprehensive Income Year Ended November 30, 2018

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			(Note 1)
			<u>2018</u>
INCOME	¥ 596,047	¥ 679,150	\$ 5,253
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):			
Net unrealized gain (loss) on available-for-sale securities	(47,214)	55,236	(416)
Deferred gain (loss) on derivatives under hedge accounting	(26,668)	23,101	(235)
Foreign currency translation adjustments	(117,001)	530,273	(1,032)
Share of other comprehensive income of affiliates accounted for by equity method	<u>9,369</u>	<u>53,396</u>	<u>83</u>
Total other comprehensive income (loss)	(181,514)	662,006	(1,600)
COMPREHENSIVE INCOME	¥ <u>414,533</u>	¥ <u>1,341,156</u>	\$ <u>3,653</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Comprehensive income attributable to owners of parent	394,559	1,291,611	3,477
Comprehensive income attributable to non-controlling interests	19,974	49,545	176

See accompanying notes to consolidated financial statements.

**ALTECH Co., Ltd. and Consolidated Subsidiaries**

**Consolidated Statement of Changes in Net Assets**  
**Year ended November 30, 2018**

	Thousands of yen										
	Shareholders' equity (Note 11)					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain on available-for-sale securities (Note 4)	Deferred gain on derivatives under hedge accounting (Note 16)	Foreign currency translation adjustments	Total	Non-controlling interests	Total net assets
Balance at November 30, 2016	¥ 5,527,830	¥ 2,149,339	¥ 961,233	¥ (923,058)	¥ 7,715,344	¥ 52,401	¥ 6,204	¥ 770,662	¥ 829,267	¥ 152,544	¥ 8,697,155
Changes arising during the year:											
Dividends			(51,439)		(51,439)						(51,439)
Income attributable to owners of parent			654,227		654,227						654,227
Purchase of treasury stock				(44)	(44)						(44)
Net changes other than shareholders' equity						55,236	23,100	559,047	637,383	48,071	685,454
Total changes during the year			602,788	(44)	602,744	55,236	23,100	559,047	637,383	48,071	1,288,198
Balance at November 30, 2017	5,527,830	2,149,339	1,564,021	(923,102)	8,318,088	107,637	29,304	1,329,709	1,466,650	200,615	9,985,353
Changes arising during the year:											
Dividends			(51,438)		(51,438)						(51,438)
Income attributable to owners of parent			583,238		583,238						583,238
Purchase of treasury stock				(1)	(1)						(1)
Net changes other than shareholders' equity						(47,214)	(26,668)	(114,797)	(188,679)	18,823	(169,856)
Total changes during the year			531,800	(1)	531,799	(47,214)	(26,668)	(114,797)	(188,679)	18,823	361,943
Balance at November 30, 2018	¥ 5,527,830	¥ 2,149,339	¥ 2,095,821	¥ (923,103)	¥ 8,849,887	¥ 60,423	¥ 2,636	¥ 1,214,912	¥ 1,277,971	¥ 219,438	¥ 10,347,296

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity (Note 11)					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain on available-for-sale securities (Note 4)	Deferred gain on derivatives under hedge accounting (Note 16)	Foreign currency translation adjustments	Total	Non-controlling interests	Total net assets
Balance at November 30, 2017	\$ 48,716	\$ 18,942	\$ 13,783	\$ (8,135)	\$ 73,306	\$ 948	\$ 258	\$ 11,719	\$ 12,925	\$ 1,768	\$ 87,999
Changes arising during the year:											
Dividends			(453)		(453)						(453)
Income attributable to owners of parent			5,140		5,140						5,140
Purchase of treasury stock				(0)	(0)						(0)
Net changes other than shareholders' equity						(416)	(235)	(1,012)	(1,663)	166	(1,497)
Total changes during the year			4,687	(0)	4,687	(416)	(235)	(1,012)	(1,663)	166	3,190
Balance at November 30, 2018	\$ 48,716	\$ 18,942	\$ 18,470	\$ (8,135)	\$ 77,993	\$ 532	\$ 23	\$ 10,707	\$ 11,262	\$ 1,934	\$ 91,189

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Cash Flows Year ended November 30, 2018

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2018</u>	<u>2017</u>	<u>(Note 1)</u> <u>2018</u>
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and non-controlling interests	¥ 688,401	¥ 658,388	\$ 6,067
Depreciation and amortization	727,847	731,230	6,414
Provision for doubtful receivables	(669)	32,530	(6)
Interest and dividends income	(16,345)	(18,509)	(144)
Interest expense	94,431	97,209	832
Foreign exchange loss (gain)	39,448	(94,056)	348
Equity in earnings of affiliates	(116,699)	(53,946)	(1,028)
Impairment loss	30,382	28,458	268
Gain on sale of property, plant and equipment	(1,354)	(12,236)	(12)
Loss on retirement of property, plant and equipment	3,791	2,219	33
Subsidy income	-	(54,542)	-
Decrease (Increase) in trade receivables	(430,134)	260,092	(3,791)
Increase in inventories	(617,160)	(591,966)	(5,439)
Increase (Decrease) in trade payables	(195,843)	260,753	(1,726)
Decrease in advances paid	304,281	149,478	2,682
Increase (Decrease) in accrued expenses	239,501	(107,118)	2,111
Increase (Decrease) in advances received	(342,247)	135,978	(3,016)
Other, net	<u>55,620</u>	<u>(51,023)</u>	<u>490</u>
Sub total	463,251	1,372,939	4,083
Interest and dividends received	16,272	18,314	143
Interest paid	(96,029)	(100,279)	(846)
Income taxes paid	(166,825)	(60,172)	(1,470)
Income taxes refunded	15,235	4,779	134
Proceeds from subsidy income	<u>5,560</u>	<u>8,500</u>	<u>49</u>
Net cash provided by operating activities	<u>237,464</u>	<u>1,244,081</u>	<u>2,093</u>

## ALTECH Co., Ltd. and Consolidated Subsidiaries (continued)

### Consolidated Statement of Cash Flows Year ended November 30, 2018

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2018</u>	<u>2017</u>	<u>(Note 1) 2018</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(299,096)	(625,104)	(2,636)
Proceeds from sales of property, plant and equipment	13,243	11,224	117
Purchases of intangible fixed assets	(5,551)	(3,769)	(49)
Proceeds from sales of intangible fixed assets	–	190,291	–
Payments for lease and guarantee deposits	(25,041)	(789)	(221)
Purchases of investment securities	(2,502)	(2,471)	(22)
Proceeds from redemption of investment securities	–	100,000	–
Proceeds from subsidy income	–	54,542	–
Other, net	<u>3,269</u>	<u>(1,630)</u>	<u>29</u>
Net cash used in investing activities	<u>(315,678)</u>	<u>(277,706)</u>	<u>(2,782)</u>
<b>FINANCING ACTIVITIES:</b>			
Increase (Decrease) in short-term debt	(165,000)	169,600	(1,454)
Proceeds from long-term debt	–	144,160	–
Repayments on long-term debt	(564,278)	(607,653)	(4,973)
Repayments on bonds	(16,000)	(16,000)	(141)
Repayments on lease obligations	(346,216)	(306,830)	(3,051)
Payments for purchase of treasury stock	(1)	(44)	(0)
Dividends paid to shareholders	(51,782)	(51,570)	(456)
Dividends paid to non-controlling shareholders	(1,151)	(1,474)	(10)
Proceeds from sale and leaseback	63,117	341,840	555
Proceeds from sales and buyback in installments	–	15,503	–
Payments for installment payables for property and equipment	<u>(35,791)</u>	<u>(34,467)</u>	<u>(315)</u>
Net cash used in financing activities	<u>(1,117,102)</u>	<u>(346,935)</u>	<u>(9,845)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(38,639)</u>	<u>196,818</u>	<u>(341)</u>
Net increase (decrease) in cash and cash equivalents	(1,233,955)	816,258	(10,875)
Cash and cash equivalents at beginning of year	<u>4,000,865</u>	<u>3,184,607</u>	<u>35,260</u>
Cash and cash equivalents at end of year (Note 3)	¥ <u>2,766,910</u>	¥ <u>4,000,865</u>	\$ <u>24,385</u>

See accompanying notes to consolidated financial statements.



# ALTECH Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

Year Ended November 30, 2018

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### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Altech Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

"Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards (IFRSs) or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material. The Company has made necessary modification to the consolidated financial statements according to the PITF.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of IFRSs.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 financial statements to conform to the classifications used in 2018.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113.47 to \$1, the approximate rate of exchange at November 30, 2018. Such translations should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*a. Consolidation* — The Consolidated financial statements at November 30, 2018 include the accounts of the Company and its 9 significant (12 in 2017) subsidiaries (together, the "Group").

Under the control or influence concept, a company in which the Company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the Group has the ability to exercise significant influence is accounted for by the equity method.

Investment in 1 (1 in 2017) affiliate is accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- b. **Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value, which mature or become due within three months of the date of acquisition.
- c. **Investment Securities** — Under the Accounting Standards for Financial Instruments, securities are classified into four categories – “trading securities,” “held-to-maturity securities,” “investments in affiliates” and “available-for-sale securities.” Holding securities of the Group are classified as available-for-sale securities which are not classified as either trading securities or held-to-maturity debt securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

Realized gains and losses on the sale of available-for-sale securities are computed using the moving-average cost.

- d. **Allowance for Doubtful Receivables** — The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- e. **Inventories** — Inventories held for sale in the ordinary course of business of the Company and consolidated subsidiaries were stated at the lower of cost determined by the specific identification method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. Inventories of certain consolidated subsidiaries were stated at the lower of cost, determined by the moving-average method, or market.
- f. **Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation of the Company and consolidated subsidiaries is computed by the straight-line method. The range of useful lives is principally from 2 to 31 years for buildings and structures, and from 2 to 10 years for machinery and equipment, and vehicles.
- g. **Intangible Assets** — Intangible assets are carried at cost less accumulated amortization. Land use right are amortized by the straight-line method over the contract terms. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years).
- h. **Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

- i. **Accrued Losses on Sales Contracts** — Accrued losses on sales contracts are provided for at the amount of estimated future losses on sales contracts at the balance sheet date when such losses are probable and can be reasonably estimated.
- j. **Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

- k. **Foreign Currency Financial Statements** — The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the exchange rate at the balance sheet date except for net assets, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in accumulated other comprehensive income and "Non-controlling interests".

- l. **Derivatives and Hedging Activities** — The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate fluctuation risks and reduce financing costs. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are measured at fair value and recognized as either assets or liabilities, and gains or losses on derivatives are recognized in the consolidated statement of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts are utilized to hedge foreign currency exposures. Monetary receivables and trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting are measured at fair value at the balance sheet date, and the unrealized gains or losses are deferred until maturity as other liability or asset. Additionally, swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

- m. **Leases** — All finance lease transactions are capitalized. Leased assets related to finance lease that title is transferred are depreciated by the same method applied to property, plant and equipment owned by the Company. Leased assets related to finance lease transactions without title transfer are depreciated by the straight-line method, with the lease periods as their useful lives and no residual value.

- n. **Asset Retirement Obligations** — The Company recognizes an asset retirement obligation which is a statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.

- o. **Accounting standards issued but not yet applied**

1. Implementation Guidance on Tax Effect Accounting etc.

- Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 revised by the Accounting Standards Board of Japan on February 16, 2018)
- Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 finally revised by the Accounting Standards Board of Japan on February 16, 2018)

(1) Overview

ASBJ made the following revisions that were deemed necessary on Implementation Guidance on Tax Effect Accounting, etc. basically following their relevant contents, when Practical Guidelines on Tax Effect Accounting were transferred to the Accounting Standards Board of

Japan from under the control of the Japanese Institute of Certified Public Accountants.

(Major revised accounting treatments)

- Accounting treatment on taxable temporary difference from subsidiary's stocks, etc. in non-consolidated financial statements
- Accounting treatment on recoverability of deferred tax assets in companies that qualifies as Category 1

(2) Planned applicable date

The accounting standards are to be applied from the beginning of the year ending November 30, 2019.

(3) Impact of application of these accounting standards, etc.

The Company is currently evaluating the impact of application of these accounting standards to the consolidated financial statements.

2. Accounting Standards for Revenue Recognition etc.

- Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published "Revenue from Contracts with Customers" in May 2014 (IFRS No. 15 in IASB, Topic 606 in FASB). Given that IFRS No. 15 will be applied from the fiscal year starting on or after January 1, 2018 and Topic 606 from the fiscal year starting after December 15, 2017, the Accounting Standards Board of Japan has developed comprehensive accounting standards for revenue recognition and published them together with implementation guidance

The ASBJ basic policy in developing accounting standards for revenue recognition is thought to be setting accounting standards, with the incorporation of the basic principles of IFRS No. 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS No. 15, and to be adding alternative accounting treatments without losing comparability if there is an item that we should take into account in practices, etc. that have been conducted in Japan.

(2) Planned applicable date

The accounting standards are to be applied from the beginning of the year ending November 30, 2022.

(3) Impact of application on these accounting standards

The Company is currently evaluating the impact of application of these accounting standards to the consolidated financial statements.

*p. Reclassifications* — Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended November 30, 2018.

### 3. CASH AND CASH EQUIVALENTS

Reconciliations between “Cash and deposits” in the accompanying consolidated balance sheet and “Cash and cash equivalents” in the accompanying consolidated statement of cash flows at November 30, 2018 and 2017 are follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Cash and deposits	¥ 2,823,858	¥ 3,444,775	\$ 24,886
Time deposits	(56,948)	(54,470)	(501)
Short-term investments	<u>—</u>	<u>610,560</u>	<u>—</u>
Cash and cash equivalents	¥ <u>2,766,910</u>	¥ <u>4,000,865</u>	\$ <u>24,385</u>

### 4. INVESTMENT SECURITIES

Acquisition cost, balance sheet amount, and unrealized gain (loss) of available-for sale securities with fair value at November 30, 2018 and 2017 are summarized as follows:

	<u>Thousands of yen</u>			
	<u>Acquisition</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Balance sheet</u>
	<u>cost</u>	<u>gain</u>	<u>loss</u>	<u>amount</u>
<u>November 30, 2018</u>				
Equity securities	¥ <u>196,720</u>	¥ <u>126,510</u>	¥ <u>(28,121)</u>	¥ <u>295,109</u>
	¥ <u>196,720</u>	¥ <u>126,510</u>	¥ <u>(28,121)</u>	¥ <u>295,109</u>
<u>November 30, 2017</u>				
Equity securities	¥ <u>194,218</u>	¥ <u>152,870</u>	¥ <u>(1,721)</u>	¥ <u>345,367</u>
	¥ <u>194,218</u>	¥ <u>152,870</u>	¥ <u>(1,721)</u>	¥ <u>345,367</u>
	<u>Thousands of U.S. dollars</u>			
	<u>Acquisition</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Balance sheet</u>
	<u>cost</u>	<u>Gain</u>	<u>loss</u>	<u>amount</u>
<u>November 30, 2018</u>				
Equity securities	\$ <u>1,734</u>	\$ <u>1,115</u>	\$ <u>(248)</u>	\$ <u>2,601</u>
	\$ <u>1,734</u>	\$ <u>1,115</u>	\$ <u>(248)</u>	\$ <u>2,601</u>

### 5. INVESTMENTS IN CAPITAL OF AFFILIATES

The aggregate carrying amounts of investment in capital of an affiliate at November 30, 2018 and 2017 are ¥1,034,868 thousand (\$9,120 thousand) and ¥908,800 thousand, respectively.

## 6. SHORT-TERM DEBT AND LONG-TERM DEBT

### (1) Short-term borrowings

Short-term borrowings at November 30, 2018 and 2017, consisted of notes to banks, loan on deed and bank overdrafts. The average interest rates applicable to the short-term borrowings are 1.1% both at November 30, 2018 and 2017.

### (2) Bond

Bond at November 30, 2017, consisted of the followings:

	<u>Thousands of yen</u>
Bond, due serially to 2018 with interest rate of 0.63%	¥ 16,000
Less current portion	<u>16,000</u>
Total	¥ <u>—</u>

### (3) Long-term borrowings

Long-term borrowings at November 30, 2018 and 2017, consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Loans from banks and other financial institutions, due serially to 2022 with average interest rates of 4.1%	¥ 620,036	¥ —	\$ 5,464
Loans from banks and other financial institutions, due serially to 2022 with average interest rates of 3.6%	<u>—</u>	<u>1,201,268</u>	<u>—</u>
	620,036	1,201,268	5,464
Less current portion	<u>331,109</u>	<u>569,681</u>	<u>2,918</u>
Total	¥ <u>288,927</u>	¥ <u>631,587</u>	\$ <u>2,546</u>

The aggregate annual maturities of long-term borrowings after November 30, 2019 are as follows:

	<u>Thousands of</u> <u>yen</u>	<u>Thousands of</u> <u>U.S. dollars</u>
Year ending November 30:		
2020	¥ 167,927	\$ 1,480
2021	105,417	929
2022	15,583	137

**(4) Lease liabilities**

Lease liabilities at November 30, 2018 and 2017 consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Lease liabilities, with average interest rates of 4.7%	¥ 719,994	¥ –	\$ 6,346
Lease liabilities, with average interest rates of 4.6%	–	994,308	–
Less current portion	<u>362,634</u>	<u>339,851</u>	<u>3,196</u>
Total	¥ <u>357,360</u>	¥ <u>654,457</u>	\$ <u>3,150</u>

The aggregate annual maturities of lease liabilities after November 30, 2019 are as follows:

	<u>Thousands of</u> <u>yen</u>	<u>Thousands of</u> <u>U.S. dollars</u>
Year ending November 30:		
2020	¥ 199,734	\$ 1,760
2021	100,669	887
2022	51,395	453
2023	5,562	50

**(5) Payable in installments**

Payable in installments at November 30, 2018 and 2017 consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Payable in installments, with average interest rates of 1.7%	¥ 45,953	¥ 81,743	\$ 405
Less current portion	<u>36,356</u>	<u>35,790</u>	<u>320</u>
Total	¥ <u>9,597</u>	¥ <u>45,953</u>	\$ <u>85</u>

The aggregate annual maturities of payable in installments after November 30, 2019 are as follows:

	<u>Thousands of</u> <u>yen</u>	<u>Thousands of</u> <u>U.S. dollars</u>
Year ending November 30:		
2020	¥ 9,597	\$ 85

**(6) Commitments**

At November 30, 2018, the Company has commitment line contracts with five banks to flexibly and efficiently finance the operating fund. Components of commitment line contracts were as follows:

	<u>Thousands of</u> <u>yen</u>	<u>Thousands of</u> <u>U.S. dollars</u>
Total commitments	¥ 1,150,000	\$ 10,135
Borrowings	–	–
Unused commitments	¥ <u>1,150,000</u>	\$ <u>10,135</u>

## 7. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral and collateralized debt at November 30, 2018 and 2017, were as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Assets pledged as collateral:			
Buildings	¥ –	¥ 884,200	\$ –
The right to use of land	–	92,656	–
Investment securities	<u>9,368</u>	<u>11,882</u>	<u>83</u>
Total	¥ <u>9,368</u>	¥ <u>988,738</u>	\$ <u>83</u>
Collateralized debt:			
Short-term borrowings	¥ 30,000	¥ 289,600	\$ 264
Long-term borrowings	<u>–</u>	<u>30,000</u>	<u>–</u>
Total	¥ <u>30,000</u>	¥ <u>319,600</u>	\$ <u>264</u>

## 8. RESTRICTIVE FINANCIAL COVENANTS

Followings are information about syndicated loans at November 30, 2018.

- (1) Syndicated loan contracts to the Company (arranger: MUFG Bank, Ltd., agreement date: March 19, 2012, maximum borrowing amount: ¥1,150,000 thousand (\$10,135 thousand), balance at November 30, 2018: nil) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
  - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2011.
  - b. The Company must not have two consecutive years of consolidated ordinary loss. Consolidated ordinary loss is defined as “Keijo-sonshitsu” in the consolidated statement of operations under accounting principles generally accepted in Japan. An ordinary income or loss, “Keijo-soneki” is an income or loss figure with certain adjustments made to income or loss before income taxes and non-controlling interests.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

- (2) Syndicated loan contracts to the Company (arranger: MUFG Bank, Ltd., agreement date: March 26, 2014, balance at November 30, 2018: ¥60,000 thousand (\$529 thousand)) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
  - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2013.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.



- (3) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 7, 2014, balance at November 30, 2018: 886 thousand Chinese Yuan (¥14,757 thousand, \$130 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2013.
  - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

\* The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its legal name to MUFG Bank, Ltd., at April 1, 2018.

Followings are information about syndicated loans at November 30, 2017.

- (1) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 19, 2012, maximum borrowing amount: ¥1,150,000 thousand, balance at November 30, 2017: nil) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2011.
  - b. The Company must not have two consecutive years of consolidated ordinary loss. Consolidated ordinary loss is defined as “Keijo-sonshitsu” in the consolidated statement of operations under accounting principles generally accepted in Japan. An ordinary income or loss, “Keijo-soneki” is an income or loss figure with certain adjustments made to income or loss before income taxes and non-controlling interests.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

- (2) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: September 25, 2013, balance at November 30, 2017: ¥140,000 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2012.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

- (3) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 26, 2014, balance at November 30, 2017: ¥180,000 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2013.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

- (4) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 7, 2014, balance at November 30, 2017: 2,597 thousand Chinese Yuan (¥44,772 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2013.
  - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

## 9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.9% for the both years ended November 30, 2018 and 2017.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and non-controlling interests for the years ended November 30, 2018 and 2017 are follows:

	2018	2017
Statutory tax rate	30.9%	30.9%
Foreign withholding tax	0.6	0.3
Expenses not deductible for tax purposes	4.1	1.9
Per capita tax	1.0	1.0
Lower income tax rates applicable to income in certain foreign countries	(2.5)	(3.7)
Valuation allowance	(17.1)	(37.2)
Income taxes for prior years, etc.	0.2	0.3
Not recognized deferred taxes on unrealized gains	(0.8)	4.0
Equity in earnings, etc.	(5.2)	(2.5)
Undistributed earnings of foreign affiliates accounted for by equity method	1.7	1.1
Other	0.8	0.7
Effective tax rate	<u>13.4%</u>	<u>(3.2)%</u>

Significant components of deferred tax assets and liabilities at November 30, 2018 and 2017 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
<b>Deferred tax assets (current):</b>			
Accrued expenses	¥ 74,807	¥ 75,395	\$ 659
Other payables	10,255	8,126	90
Allowance for doubtful receivables	7,772	63	69
Products	27,386	20,398	241
Tax loss carryforwards	31,086	28,151	274
Other	<u>35,154</u>	<u>18,003</u>	<u>310</u>
	186,460	150,136	1,643
Valuation allowance	(41,435)	(21,895)	(365)
Offset with deferred tax liabilities	<u>(1,903)</u>	<u>(14,274)</u>	<u>(17)</u>
	143,122	113,967	1,261
<b>Deferred tax liabilities (current):</b>			
Accrued consumption tax	—	400	—
Business tax receivable	296	—	3
Dividends receivable	825	794	7
Deferred gains or losses on hedges	<u>782</u>	<u>13,080</u>	<u>7</u>
	1,903	14,274	17
Offset with deferred tax assets	<u>(1,903)</u>	<u>(14,274)</u>	<u>(17)</u>
	—	—	—
Net deferred tax assets	¥ <u>143,122</u>	¥ <u>113,967</u>	\$ <u>1,261</u>
<b>Deferred tax assets (non-current):</b>			
Excess depreciation	¥ 37,537	¥ 30,647	\$ 331
Land	654	654	6
Unrealized intercompany profits	8,207	2,724	72
Revaluation loss on investment securities	12,612	12,612	111
Revaluation loss on investments	—	19,482	—
Tax loss carryforwards	928,408	542,952	8,182
Lease deposit (Asset retirement obligations)	9,221	9,221	81
Other	<u>7,081</u>	<u>6,837</u>	<u>62</u>
	1,003,720	625,129	8,845
Valuation allowance	(990,854)	(618,647)	(8,732)
Offset with deferred tax liabilities	<u>(12,176)</u>	<u>(5,989)</u>	<u>(107)</u>
	690	493	6
<b>Deferred tax liabilities (non-current):</b>			
Loss on revaluation of assets under consolidated tax return system	1,548	1,548	14
Undistributed earnings of foreign affiliates accounted for by equity method	37,183	25,701	328
Unrealized gain on available-for-sale securities	<u>37,967</u>	<u>43,512</u>	<u>334</u>
	76,698	70,761	676
Offset with deferred tax assets	<u>(12,176)</u>	<u>(5,989)</u>	<u>(107)</u>
	<u>64,522</u>	<u>64,772</u>	<u>569</u>
Net deferred tax liabilities	¥ <u>63,832</u>	¥ <u>64,279</u>	\$ <u>563</u>

## 10. ASSET RETIREMENT OBLIGATIONS

The Group has recognized estimated future restoration obligations related to leasehold contracts of offices as asset retirement obligations, however, the disclosures are omitted because the amount of obligations is immaterial.

The Company estimated non-recoverable amounts of lease deposits under lease contracts at November 30, 2018, and recorded the amount attributable to the current fiscal year as expenses, instead of recognizing a liability for asset retirement obligations.

## 11. SHAREHOLDERS' EQUITY

### (1) *Common Stock*

Under the Companies Act of Japan, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

The number of authorized shares is 40,000,000 at both November 30, 2018 and 2017. Changes in the number of shares of common stock issued for the two years ended November 30, 2018 are as follows:

	<u>Issued shares</u>
Balance at November 30, 2016	19,354,596
Balance at November 30, 2017	<u>19,354,596</u>
Balance at November 30, 2018	<u><u>19,354,596</u></u>

(2) *Retained Earnings and Dividends*

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus). No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Companies Act also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the shareholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheet.

Cash dividends charged to retained earnings represent dividends paid out during the year. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

Dividends paid during the year ended November 30, 2017 which was approved by the general meeting of shareholders held on February 24, 2017 were as follows:

(a) Total dividends	¥51,439 thousand
(b) Cash dividends per common share	¥3
(c) Record date	November 30, 2016
(d) Effective date	February 27, 2017

Dividends paid during the year ended November 30, 2018 which was approved by the general meeting of shareholders held on February 27, 2018 were as follows:

(a) Total dividends	¥51,438 thousand (\$453 thousand)
(b) Cash dividends per common share	¥3 (\$0.03)
(c) Record date	November 30, 2017
(d) Effective date	February 28, 2018

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended November 30, 2018 which was approved by the general meeting of shareholders held on February 27, 2019 are as follows:

(a) Total dividends	¥68,584 thousand (\$604 thousand)
(b) Dividends source	Retained earnings
(c) Cash dividends per common share	¥4 (\$0.04)
(d) Record date	November 30, 2018
(e) Effective date	February 28, 2019

(3) *Treasury stock*

The Companies Act provides for companies to purchase treasury stock and dispose of treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Changes in the number of shares of treasury stock for the two years ended November 30, 2018 are as follows:

	<u>Shares</u>
Balance at November 30, 2016	2,208,407
Acquisition for treasury	<u>188</u>
Balance at November 30, 2017	2,208,595
Acquisition for treasury	<u>3</u>
Balance at November 30, 2018	<u><u>2,208,598</u></u>

**12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Significant components of selling, general and administrative expenses for the years ended November 30, 2018 and 2017 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Salaries	¥ 961,870	¥ 944,816	\$ 8,477

### 13. IMPAIRMENT LOSS

The Company recognized impairment losses for the years ended November 30, 2018 and 2017 as follows:

#### 2018

Location	Usage	Classification
Sakai City, Fukui	Idle assets	Buildings and structures, Machinery and equipment, and vehicles, Lease assets, and Other

#### 2017

Location	Usage	Classification
Koto City, Tokyo	Idle assets	Machinery and equipment, and vehicles
Sakai City, Fukui	Idle assets	Buildings and structures, Lease assets, Construction in progress, and Other
Bangkok City, Thailand	Idle assets	Other

Classification	Thousands of	
	yen	U.S. dollars
	2018	2018
	Sakai City,	Sakai City,
	Fukui	Fukui
Buildings and structures	¥ 723	\$ 6
Machinery and equipment, and vehicles	5,030	44
Lease assets	21,161	187
Other	3,468	31
Total	¥ 30,382	\$ 268

Classification	Thousands of yen			
	2017			
	Koto City, Tokyo	Sakai City, Fukui	Bangkok City, Thailand	Total
Buildings and structures	¥ —	¥ 313	¥ —	¥ 313
Machinery and equipment, and vehicles	2,692	—	—	2,692
Lease assets	—	10,771	—	10,771
Construction in progress	—	144	—	144
Other	—	15	14,523	14,538
Total	¥ 2,692	¥ 11,243	¥ 14,523	¥ 28,458

The long-lived assets that are used for business are grouped according to the classification for management reporting, and the assets for wholesale business are grouped by business center and the assets for preform business are grouped by factory. Idle assets are grouped as individual property.

The idle assets are measured by its net selling price, but the assets are assessed by memorandum value because the assets are difficult to sell or divert.

#### 14. OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification and tax effect of other comprehensive income (loss) for the years ended November 30, 2018 and 2017 are as follows are as follows:

	Thousands of yen		Thousands of
	2018	2017	U.S. dollars
			2018
Net unrealized gain (loss) on available-for-sale securities:			
Arising during the year	¥ (52,759)	¥ 75,841	\$ (465)
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	(52,759)	75,841	(465)
Tax effect	5,545	(20,605)	49
Net-of-tax amount	(47,214)	55,236	(416)
Deferred gain (loss) on derivatives under hedge accounting:			
Arising during the year	(39,441)	31,149	(348)
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	(39,441)	31,149	(348)
Tax effect	12,773	(8,048)	113
Net-of-tax amount	(26,668)	23,101	(235)
Foreign currency translation adjustments:			
Arising during the year	(142,438)	530,273	(1,255)
Reclassification adjustment through profit or loss	25,437	—	223
Before tax effect	(117,001)	530,273	(1,032)
Tax effect	—	—	—
Net-of-tax amount	(117,001)	530,273	(1,032)
Share of other comprehensive income of affiliates accounted for by equity method:			
Arising during the year	9,369	53,396	83
Reclassification adjustment through profit or loss	—	—	—
	9,369	53,396	83
Total other comprehensive income (loss)	¥ (181,514)	¥ 662,006	\$ (1,600)



## 15. FINANCIAL INSTRUMENTS

### (1) *Conditions of financial instruments*

#### a. Policy for financial instruments

The group procures necessary funds mainly through loans from banks and leases according to the capital investment plan. Temporary idle funds are invested in a short-term deposit etc., and short-term operating funds are procured by loans from financial institutes. The group uses derivatives to hedge the risks described later and does not enter into derivatives for speculative purposes.

#### b. Type of financial instruments and risks

Trade notes and accounts receivable are exposed to customer credit risks. Trade notes and accounts receivable denominated in foreign currency are exposed to currency fluctuation risks.

Investment securities which mainly held for business relationships are exposed to fluctuations in market prices.

Maturities of trade notes and accounts payable are mostly within one year. Trade notes and accounts payable denominated in foreign currency are exposed to currency fluctuation risks.

The Company uses short-term debt mainly to finance operating funds and bond, long-term debt, lease obligations and payable in installments to finance capital investment and operating funds. Some debts are exposed to interest rate risk, and are hedged by using derivatives (interest rate swaps).

The Company uses foreign exchange forward contracts that are employed to hedge the foreign currency fluctuation risks of trade receivables and payable denominated in foreign currencies as well as interest rate swaps that are arranged to hedge the interest fluctuation risks on borrowings and bonds. Please see Note 2. I.

#### c. Risk management

##### ① Credit risk management

The group performs due date and balance controls for each customer in accordance with credit control rules and regularly monitors major customers' credit status to mitigate customers' credit risk of trade receivables.

##### ② Market risk management

The group mainly uses forward exchange contracts to hedge the currency fluctuation risks recognized by currency which associated with trade receivables and payables denominated in foreign currency. To mitigate the interest rate fluctuation risks associated with borrowings, the group uses interest rate swaps.

Derivative transactions are executed and controlled in accordance with internal rules which establish the trading limit and trading authorities. Also, in order to mitigate credit risk, the counterparties to derivative transactions are limited to financial institutions with high credit ratings.

The group regularly monitors a stock price and an issuer's financial condition, and continuously considers whether the investment securities are held.

##### ③ Liquidity risks management

The group prepares and updates a fund management plan and manages liquidity risk by maintaining an appropriate level of liquidity.

#### d. Supplement to fair values of financial instruments

Fair values of financial instruments are measured based on quoted market prices and reasonably assessed values in case quoted market prices are not available. Because the values are calculated based on certain assumptions, the results of valuation may differ when different assumption is applied.

(2) *Fair values of the financial instruments*

Carrying amounts in the consolidated balance sheet, fair values and differences at November 30, 2018 and 2017 are as follows:

Financial instruments whose fair value is extremely difficult to measure are not included in the below table.

	Thousands of yen					
	2018			2017		
	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Cash and deposits	¥ 2,823,858	¥ 2,823,858	¥ —	¥ 3,444,775	¥ 3,444,775	¥ —
Trade notes and accounts receivable	3,153,594	3,153,594		2,741,853	2,741,853	
less: Allowance for doubtful receivables *1	—	—		(669)	(669)	
	3,153,594	3,153,594	—	2,741,184	2,741,184	—
Investment securities	295,109	295,109	—	345,367	345,367	—
Total assets	¥ 6,272,561	¥ 6,272,561	¥ —	¥ 6,531,326	¥ 6,531,326	¥ —
Trade notes and accounts payable	¥ 941,488	¥ 941,488	¥ —	¥ 1,148,057	¥ 1,148,057	¥ —
Short-term borrowings	300,000	300,000	—	469,600	469,600	—
Bond *2	—	—	—	16,000	16,078	78
Long-term borrowings *3	620,036	613,703	(6,333)	1,201,268	1,207,554	6,286
Lease obligations *4	719,994	714,394	(5,600)	994,308	985,360	(8,948)
Payable in installments *5	45,953	45,919	(34)	81,743	81,655	(88)
Total liabilities	¥ 2,627,471	¥ 2,615,504	¥ (11,967)	¥ 3,910,976	¥ 3,908,304	¥ (2,672)
Derivatives *6	¥ 1,444	¥ 1,444	¥ —	¥ 42,032	¥ 42,032	¥ —

	Thousands of U.S. dollars		
	2018		
	Carrying amount	Fair value	Differences
Cash and deposits	\$ 24,886	\$ 24,886	\$ —
Trade notes and accounts receivable	27,792	27,792	
less: Allowance for doubtful receivables *1	—	—	
	27,792	27,792	—
Investment securities	2,601	2,601	—
Total assets	\$ 55,279	\$ 55,279	\$ —
Trade notes and accounts payable	\$ 8,297	\$ 8,297	\$ —
Short-term borrowings	2,644	2,644	—
Bond *2	—	—	—
Long-term borrowings *3	5,464	5,409	(55)
Lease obligations *4	6,346	6,296	(50)
Payable in installments *5	405	405	(0)
Total liabilities	\$ 23,156	\$ 23,051	\$ (105)
Derivatives *6	\$ 13	¥ 13	\$ —

\*1 Allowance for doubtful receivables which are estimated individually are excluded.

\*2 Bond includes bond redeemable within one year.

\*3 Long-term borrowings includes current portion of long-term borrowings.

\*4 Lease obligations includes short-term lease obligations.

\*5 Payable in installments are included in accounts payable-other (current liabilities) and other long-term liabilities (long-term liabilities) in the accompanying consolidated balance sheet.

\*6 Derivative receivables and payables are on net basis.

Notes

1. Fair values of financial instruments

Assets

- a. Cash and deposits and trade notes and accounts receivable  
Because the fair values are approximately equal to the carrying amounts as these are collected in short term, such carrying amounts are used.
- b. Investment securities  
Stocks fair values are based on prices of the stock exchanges and bonds fair values are based on quotes from counterparties. Also please see Note 4.

Liabilities

- a. Trade notes and accounts payable and short-term borrowings  
Because the fair values are approximately equal to the carrying amounts as these are settled in short term, such carrying amounts are used.
- b. Bond  
The fair value of bond with market value are based on market value and the fair value of bond without market value are quoted by the present value of future cash flows of interest and principal payments discounted using the estimated borrowing rate considering the remaining period and the credit risk.
- c. Long-term borrowings, lease obligations and payable in installments  
Fair value of long-term borrowings, lease obligations and Installment payables are based on the present value of future cash flows of interest and principal payments discounted using the current borrowing rate for similar borrowings of a comparable maturity.
- d. Derivatives  
Please see Note 16

2. Financial instruments whose fair value is extremely difficult to measure at November 30, 2018 and 2017 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Investment securities: Unlisted stock, etc.	¥ 0	¥ 0	\$ 0
Investments in capital of affiliates: Unlisted stock, etc.	1,034,868	908,800	9,120
Others: Unlisted stock, etc.	<u>120</u>	<u>20</u>	<u>1</u>
	¥ <u>1,034,988</u>	¥ <u>908,820</u>	\$ <u>9,121</u>

The above financial instruments have no market value, therefore, it is considered to be extremely difficult to measure the fair value, and thus the above are not included in "Investment securities."

3. The redemption schedule after the balance sheet date of monetary assets and securities with maturities

	<u>Thousands of yen</u>			
	<u>Within one</u>	<u>More than</u>	<u>More than</u>	<u>More than</u>
	<u>year</u>	<u>one year</u>	<u>five years</u>	<u>ten years</u>
		<u>through</u>	<u>through ten</u>	
		<u>five years</u>	<u>years</u>	
Cash and deposits	¥ 2,823,858	¥ —	¥ —	¥ —
Trade notes and accounts receivable	<u>3,153,594</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	¥ <u>5,977,452</u>	¥ <u>—</u>	¥ <u>—</u>	¥ <u>—</u>

	Thousands of U.S. dollars			
	Within one year	More than one year through five years	More than five years through ten years	More than ten years
Cash and deposits	\$ 24,886	\$ —	\$ —	\$ —
Trade notes and accounts receivable	27,792	—	—	—
Total	<u>\$ 52,678</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

4. The annual maturities of the long-term debt and other interest-bearing debt

	Thousands of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 300,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term borrowings	331,109	167,927	105,417	15,583	-	-
Lease liabilities	362,634	199,734	100,669	51,395	5,562	-
Payable in installments	36,356	9,597	-	-	-	-
Total	<u>¥ 1,030,099</u>	<u>¥ 377,258</u>	<u>¥ 206,086</u>	<u>¥ 66,978</u>	<u>¥ 5,562</u>	<u>¥ -</u>

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	\$ 2,644	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term borrowings	2,918	1,480	929	137	-	-
Lease liabilities	3,196	1,760	887	453	50	-
Payable in installments	320	85	-	-	-	-
Total	<u>\$ 9,078</u>	<u>\$ 3,325</u>	<u>\$ 1,816</u>	<u>\$ 590</u>	<u>\$ 50</u>	<u>\$ -</u>

16. DERIVATIVES

(1) *Derivative transactions for which hedge accounting is not applied*

The Company had no derivatives outstanding at November 30, 2018 and 2017 for which hedge accounting is not applied.

(2) *Derivative transactions for which hedge accounting is applied*

The Company had the following derivatives outstanding at November 30, 2018 and 2017:

		Thousands of yen	
		Contract or	Fair value
	<u>Hedged items</u>	<u>notional amounts</u>	
<u>November 30, 2018</u>			
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar		¥ 41	¥ (0)
Euro		134	1
Other currencies		202,562	(1,552)
Buying foreign currency: Accounts payable			
U.S. dollar		191,180	4,555
Euro		126,595	(490)
Other currencies		126,826	(1,069)
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	120,000	*
		Thousands of yen	
		Contract or	Fair value
	<u>Hedged items</u>	<u>notional amounts</u>	
<u>November 30, 2017</u>			
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar		¥ 48,266	¥ 163
Euro		1,702	(21)
Other currencies		57,051	354
Buying foreign currency: Accounts payable			
U.S. dollar		137,771	(586)
Euro		884,876	40,703
Other currencies		420,515	1,420
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	420,000	*
		Thousands of U.S. dollars	
		Contract or	Fair value
	<u>Hedged items</u>	<u>notional amounts</u>	
<u>November 30, 2018</u>			
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar		\$ 0	\$ (0)
Euro		1	0
Other currencies		1,785	(14)
Buying foreign currency: Accounts payable			
U.S. dollar		1,685	40
Euro		1,116	(4)
Other currencies		1,118	(9)
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	1,058	*

The above fair value is estimated based on quotes from counterparties etc.

\* For certain long-term borrowings for which interest rate swaps are used to hedge the interest rate fluctuations, the fair value of the derivative financial instruments is included in the fair value of the long-term borrowings as hedged item.

## 17. COMMITMENTS AND CONTINGENCIES

At November 30, 2018, the Company was contingently liable for investment guarantee of 3,472 thousand Baht (¥12,225 thousand, \$108 thousand) for Altech Asia Pacific Co., Ltd. to SBCS Co., Ltd. and SMBC Co., Ltd, which are subsidiaries of Sumitomo Mitsui Banking Corporation.

## 18. BALANCES AND TRANSACTIONS WITH RELATED PARTY

The condensed financial information of the significant affiliate, Altech New Material (Shenzhen) Co., Ltd. at November 30, 2018 and 2017 is as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
Total current assets	¥ 2,111,674	¥ 1,975,581	\$ 18,610
Total non-current assets	428,596	482,831	3,777
Total current liabilities	240,563	438,856	2,120
Total non-current liabilities	—	—	—
Total net assets	2,299,707	2,019,556	20,267
Sales	905,877	1,063,454	7,983
Income before income taxes	345,774	159,839	3,047
Net income	259,331	119,879	2,285

## 19. FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

### (1) Overview of Real Estate and Rental

Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company rents land and a part of the building in Suzhou factory, China.

Net income from the rental property for the years ended November 30, 2018 and 2017 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
Net income from the rental property	¥ 32,814	¥ 27,759	\$ 289

- (2) The carrying amounts and fair values related to the rental property at November 30, 2018 and 2017, and movement of the carrying amount for the years then ended are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Carrying amount:			
At beginning of the year	¥ 1,130,117	¥ 1,079,812	\$ 9,960
Movement	<u>(107,996)</u>	<u>50,305</u>	<u>(952)</u>
At end of the year	¥ <u>1,022,121</u>	¥ <u>1,130,117</u>	\$ <u>9,008</u>
Fair value at end of the year	¥ <u>1,233,039</u>	¥ <u>1,339,920</u>	\$ <u>10,867</u>

#### Notes

1. Because rental property is not significant, fair value is represented by the total amount of the rental property and the property if part of it used as rental.
2. Carrying amount is the amount after deducting accumulated impairment losses and accumulated depreciation from the acquisition cost.
3. For the year ended November 30, 2018, the decrease are arising from currency fluctuations of ¥30,652 thousand (\$270 thousand) and depreciation of ¥77,344 thousand (\$682 thousand). For the year ended November 30, 2017, the increase is arising from currency fluctuations of ¥129,805 thousand and the decrease is due to depreciation of ¥79,500 thousand.
4. The fair value is calculated based on real estate price published by Chinese Government.

## 20. SEGMENT INFORMATION

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Group primarily operates purchase and sale of industrial machinery and equipments and related services, manufacture and sale of plastic molded products derived therefrom. “Wholesale business” and “Preform business” are the Company’s reported segments.

“Wholesale business” mainly purchases and sells industrial machinery and equipments and provides related services. “Preform business” mainly manufactures and sells performs for PET bottles, plastic caps and provides related services.

Segment income is calculated based on operating profit in the consolidated statement of operations.

Intersegment revenues and transfer are based on arms-length transactions and manufacturing costs.

## Operating revenues, income, assets, liabilities and others by reported segments

The reported segment information of the Company and its consolidated subsidiaries for the years ended November 30, 2018 and 2017 are summarized as follows:

Thousands of yen					
2018					
Reported segments					
	Wholesale	Preform	Total	Adjustments	Consolidated
<b>Operating revenues:</b>					
Revenues from third parties	¥ 9,988,516	¥ 6,212,448	¥ 16,200,964	¥ –	¥ 16,200,964
Intersegment revenues	17,647	51,463	69,110	(69,110)	–
<b>Total</b>	<b>10,006,163</b>	<b>6,263,911</b>	<b>16,270,074</b>	<b>(69,110)</b>	<b>16,200,964</b>
Segment income	¥ 717,226	¥ 149,537	¥ 866,763	¥ (166,353)	¥ 700,410
Segment assets	¥ 4,287,903	¥ 8,868,072	¥ 13,155,975	¥ 2,029,634	¥ 15,185,609
<b>Others:</b>					
Depreciation and amortization	¥ 34,819	¥ 667,820	¥ 702,639	¥ 25,208	¥ 727,847
Increase in property, plant and equipment and intangible assets	¥ 61,747	¥ 232,306	¥ 294,053	¥ 18,484	¥ 312,537
Thousands of yen					
2017					
Reported segments					
	Wholesale	Preform	Total	Adjustments	Consolidated
<b>Operating revenues:</b>					
Revenues from third parties	¥ 10,278,768	¥ 4,894,971	¥ 15,173,739	¥ –	¥ 15,173,739
Intersegment revenues	40	42,895	42,935	(42,935)	–
<b>Total</b>	<b>10,278,808</b>	<b>4,937,866</b>	<b>15,216,674</b>	<b>(42,935)</b>	<b>15,173,739</b>
Segment income	¥ 792,580	¥ 37,432	¥ 830,012	¥ (195,386)	¥ 634,626
Segment assets	¥ 3,870,862	¥ 9,537,477	¥ 13,408,339	¥ 2,838,839	¥ 16,247,178
<b>Others:</b>					
Depreciation and amortization	¥ 37,251	¥ 673,005	¥ 710,256	¥ 20,974	¥ 731,230
Increase in property, plant and equipment and intangible assets	¥ 63,504	¥ 711,801	¥ 775,305	¥ 7,995	¥ 783,300
Thousands of U.S. dollars					
2018					
Reported segments					
	Wholesale	Preform	Total	Adjustments	Consolidated
<b>Operating revenues:</b>					
Revenues from third parties	\$ 88,028	\$ 54,750	\$ 142,778	\$ –	\$ 142,778
Intersegment revenues	155	454	609	(609)	–
<b>Total</b>	<b>88,183</b>	<b>55,204</b>	<b>143,387</b>	<b>(609)</b>	<b>142,778</b>
Segment income	\$ 6,321	\$ 1,318	\$ 7,639	\$ (1,466)	\$ 6,173
Segment assets	\$ 37,789	\$ 78,153	\$ 115,942	\$ 17,887	\$ 133,829
<b>Others:</b>					
Depreciation and amortization	\$ 307	\$ 5,885	\$ 6,192	\$ 222	\$ 6,414
Increase in property, plant and equipment and intangible assets	\$ 544	\$ 2,047	\$ 2,591	\$ 163	\$ 2,754



The adjustment in "Segment income" for the years ended November 30, 2018 and 2017 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Intersegment transactions	¥ 42,557	¥ 2,755	\$ 375
Non-categorized expenses	(211,107)	(202,162)	(1,860)
Adjustments of fixed assets	2,197	4,021	19
	<u>¥ (166,353)</u>	<u>¥ (195,386)</u>	<u>\$ (1,466)</u>

Non-categorized expenses are unallocated company-wide expenses which are not attributable to the reported segments.

The adjustment in "Segment assets" at November 30, 2018 and 2017 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Intersegment balances	¥ (59,205)	¥ (56,131)	\$ (522)
Non-categorized assets	2,088,839	2,894,970	18,409
	<u>¥ 2,029,634</u>	<u>¥ 2,838,839</u>	<u>\$ 17,887</u>

Non-categorized assets are unallocated company-wide assets which are cash and deposits, investment securities etc. and assets related to administrative division.

The adjustment in "depreciation and amortization" at November 30, 2018 and 2017 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Intersegment transactions	¥ (2,051)	¥ (4,021)	\$ (18)
Depreciation of company-wide assets	27,259	24,995	240
	<u>¥ 25,208</u>	<u>¥ 20,974</u>	<u>\$ 222</u>

The adjustment in "Increase in property, plant and equipment and intangible assets" is the increase of company-wide assets.

## Related information

### 1. Information by products and services

Disclosure is omitted because the classification of products and services are same as the classification of the reported segments.

## 2. Geographical information

### (1) Sales

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Japan	¥ 10,643,738	¥ 9,989,144	\$ 93,802
Asia	5,512,627	5,141,642	48,583
Americas	25,715	–	227
Europe	18,268	41,491	161
Other	616	1,462	5
	<u>¥ 16,200,964</u>	<u>¥ 15,173,739</u>	<u>\$ 142,778</u>

### (2) Property, plant and equipment

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. dollars</u>
			<u>2018</u>
Japan	¥ 811,293	¥ 929,819	\$ 7,150
Asia	3,169,009	3,590,232	27,928
	<u>¥ 3,980,302</u>	<u>¥ 4,520,051</u>	<u>\$ 35,078</u>

### 3. Information by major customers

Disclosure for the years ended November 30, 2018 and 2017 is omitted because there are no customer more than 10% of net sales.

### Information of impairment loss on fixed assets by reported segments

	<u>Thousands of yen</u>			
	<u>Wholesale</u>	<u>Preform</u>	<u>Adjustments</u>	<u>Consolidated</u>
<u>November 30, 2018</u>				
Impairment loss	¥ –	¥ 30,382	¥ –	¥ 30,382
<u>November 30, 2017</u>				
Impairment loss	¥ 17,215	¥ 11,243	¥ –	¥ 28,458

  

	<u>Thousands of U.S. dollars</u>			
	<u>Wholesale</u>	<u>Preform</u>	<u>Adjustments</u>	<u>Consolidated</u>
<u>November 30, 2018</u>				
Impairment loss	\$ –	\$ 268	\$ –	\$ 268

### Information of amortization and balance of goodwill

Goodwill is not recorded for the years ended November 30, 2018 and 2017.

### Negative goodwill incurred by reported segments

Negative goodwill is not recorded for the years ended November 30, 2018 and 2017.

## 21. PER SHARE INFORMATION

### (1) *Net Income per Share*

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended November 30, 2018 and 2017 are as follows:

	Yen		U.S. dollars
	2018	2017	2018
Basic net income per share	¥ 34.02	¥ 38.16	\$ 0.30

  

	Thousands of yen		Thousands of U.S. dollars
	2018	2017	2018
Income attributable to owners of parent	¥ 583,238	¥ 654,227	\$ 5,140
Net income not applicable to common shareholders	—	—	—
Income attributable to owners of parent applicable to common shareholders	¥ 583,238	¥ 654,227	\$ 5,140

  

	Number of shares	
	2018	2017
Weighted average number of shares outstanding on which basic net income per share is calculated	17,146,000	17,146,124

The diluted net income per share for the years ended November 30, 2018 and 2017 are not presented as there are not dilutive potential shares at each year end.

### (2) *Net Assets per Share*

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at November 30, 2018 and 2017 are as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share	¥ 590.68	¥ 570.67	\$ 5.21

  

	Thousands of yen		Thousands of U.S. dollars
	2018	2017	2018
Total net assets	¥ 10,347,296	¥ 9,985,353	\$ 91,189
Amount deducted from total net assets:			
Non-controlling interests	219,438	200,615	1,934
Net assets applicable to common shareholders	¥ 10,127,858	¥ 9,784,738	\$ 89,255

  

	Number of shares	
	2018	2017
Number of shares outstanding at end of year on which net assets per share is calculated	17,145,998	17,146,001