

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

***Audited Consolidated Financial Statements
for the Year Ended November 30, 2020***

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Altech Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at November 30, 2020, and the consolidated statement of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at November 30, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Board and its Members

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern using the going concern basis of accounting, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Board and its Members are responsible for overseeing the execution of the duties of Directors related to designing and operating the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosure of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board and its Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board and its Members with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

Our audit 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 25, 2021

Crowe Toyo & Co.

ALTECH Co., Ltd. and Consolidated Subsidiaries
**Consolidated Balance Sheet
November 30, 2020**

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u> (Note 1)		<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u> (Note 1)
	<u>2020</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>	<u>2019</u>	<u>2020</u>
ASSETS				LIABILITIES AND NET ASSETS			
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and deposits (Note 3)	¥ 3,870,930	¥ 3,321,250	\$ 37,260	Trade notes and accounts payable	¥ 862,732	¥ 622,460	\$ 8,304
Trade notes and accounts receivable	2,130,708	1,908,376	20,509	Current portion of long-term borrowings (Note 6)	139,479	157,119	1,343
Electronically recorded monetary claims	440,280	429,063	4,238	Short-term lease obligations (Note 6)	128,921	192,104	1,241
Inventories	2,516,600	1,525,773	24,224	Accounts payable-other (Note 6)	197,011	198,462	1,896
Advances paid	1,340,951	1,018,514	12,907	Accrued expenses	518,426	440,047	4,990
Other current assets	<u>317,133</u>	<u>324,854</u>	<u>3,053</u>	Income taxes payable (Note 8)	84,155	51,265	810
Total current assets	<u>10,616,602</u>	<u>8,527,830</u>	<u>102,191</u>	Advances received	2,841,036	1,251,430	27,347
				Accrued losses on sales contracts	400	722	4
				Other current liabilities	<u>36,959</u>	<u>210,012</u>	<u>356</u>
				Total current liabilities	<u>4,809,119</u>	<u>3,123,621</u>	<u>46,291</u>
PROPERTY, PLANT AND EQUIPMENT:				LONG-TERM LIABILITIES:			
Buildings and structures	3,459,823	3,366,389	33,303	Long-term borrowings (Note 6)	549,317	510,953	5,287
Machinery and equipment, and vehicles	3,260,118	3,185,412	31,381	Long-term lease obligations (Note 6)	185,210	161,946	1,783
Land	55,309	55,309	532	Other long-term liabilities	<u>11,558</u>	<u>9,277</u>	<u>111</u>
Lease assets	1,759,929	1,614,724	16,940	Total long-term liabilities	<u>746,085</u>	<u>682,176</u>	<u>7,181</u>
Construction in progress	259,210	170,972	2,495	Total liabilities	<u>5,555,204</u>	<u>3,805,797</u>	<u>53,472</u>
Other	<u>2,254,015</u>	<u>2,207,099</u>	<u>21,696</u>	SHAREHOLDERS' EQUITY (Note 10):			
Total	11,048,404	10,599,905	106,347	Common stock	5,527,830	5,527,830	53,208
Accumulated depreciation	<u>(7,559,950)</u>	<u>(7,222,063)</u>	<u>(72,769)</u>	Capital surplus	2,149,339	2,149,339	20,689
Net property, plant and equipment	<u>3,488,454</u>	<u>3,377,842</u>	<u>33,578</u>	Retained earnings	3,082,363	2,536,399	29,670
				Treasury stock	<u>(1,343,072)</u>	<u>(1,073,084)</u>	<u>(12,928)</u>
				Total shareholders' equity	<u>9,416,460</u>	<u>9,140,484</u>	<u>90,639</u>
INTANGIBLE ASSETS, NET	406,962	414,382	3,917	ACCUMULATED OTHER COMPREHENSIVE INCOME:			
				Net unrealized gain on available-for-sale securities (Note 4)	42,693	49,641	411
				Deferred gain on derivatives under hedge accounting (Note 16)	32,252	3,571	310
				Foreign currency translation adjustments	<u>850,754</u>	<u>772,013</u>	<u>8,189</u>
				Total accumulated other comprehensive income	<u>925,699</u>	<u>825,225</u>	<u>8,910</u>
				NON-CONTROLLING INTERESTS			
					<u>283,280</u>	<u>195,325</u>	<u>2,727</u>
				Total net assets	<u>10,625,439</u>	<u>10,161,034</u>	<u>102,276</u>
				COMMITMENTS AND CONTINGENCIES (Note 17)			
TOTAL	¥ <u>16,180,643</u>	¥ <u>13,966,831</u>	\$ <u>155,748</u>	TOTAL	¥ <u>16,180,643</u>	<u>13,966,831</u>	\$ <u>155,748</u>

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations Year Ended November 30, 2020

	<u>Thousands of yen</u>		Thousands of <u>U.S. dollars</u> (Note 1)
	<u>2020</u>	<u>2019</u>	<u>2020</u>
NET SALES	¥ 12,945,573	¥ 14,562,380	\$ 124,608
COST OF SALES	<u>9,597,126</u>	<u>11,074,590</u>	<u>92,378</u>
Gross profit	3,348,447	3,487,790	32,230
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	<u>2,698,691</u>	<u>2,877,574</u>	<u>25,976</u>
Operating profit	<u>649,756</u>	<u>610,216</u>	<u>6,254</u>
OTHER INCOME (EXPENSES):			
Interest and dividends income	14,093	10,220	135
Equity in earnings of affiliates	87,383	83,264	841
Foreign exchange loss	(16,233)	(37,022)	(156)
Interest expense	(34,531)	(57,594)	(332)
Commission paid	(3,607)	(23,080)	(35)
Amortization of organization expenses	(441)	—	(4)
Share issuance costs	(2,052)	—	(20)
Gain on sale of property, plant and equipment	11,921	8,852	115
Subsidy income	25,650	—	247
Loss on sale of property, plant and equipment	(23,096)	—	(222)
Loss on retirement of property, plant and equipment	(3,972)	—	(38)
Impairment loss (Note 12)	(16,312)	(50,281)	(157)
Loss on shutdown (Note 13)	(37,208)	—	(358)
Other—net	<u>6,002</u>	<u>1,951</u>	<u>57</u>
Other income (expenses)—net	<u>7,597</u>	<u>(63,690)</u>	<u>73</u>
INCOME BEFORE INCOME TAXES AND NON- CONTROLLING INTERESTS	<u>657,353</u>	<u>546,526</u>	<u>6,327</u>
INCOME TAXES (Note 8):			
Current	86,423	63,355	832
Deferred	<u>8,282</u>	<u>(1,150)</u>	<u>79</u>
Total income taxes	<u>94,705</u>	<u>62,205</u>	<u>911</u>
INCOME	<u>562,648</u>	<u>484,321</u>	<u>5,416</u>
LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	<u>(32,736)</u>	<u>(24,841)</u>	<u>(315)</u>
INCOME ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 595,384</u>	<u>¥ 509,162</u>	<u>\$ 5,731</u>

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended November 30, 2020

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
			(Note 1)
			<u>2020</u>
INCOME	¥ 562,648	¥ 484,321	\$ 5,416
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):			
Net unrealized loss on available-for-sale securities	(6,948)	(10,782)	(67)
Deferred gain on derivatives under hedge accounting	28,681	935	276
Foreign currency translation adjustments	99,240	(380,758)	955
Share of other comprehensive loss of affiliates accounted for by equity method	<u>(31,015)</u>	<u>(60,253)</u>	<u>(298)</u>
Total other comprehensive income (loss)	89,958	(450,858)	866
COMPREHENSIVE INCOME	¥ <u>652,606</u>	¥ <u>33,463</u>	\$ <u>6,282</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Comprehensive income attributable to owners of parent	695,857	56,415	6,698
Comprehensive income (loss) attributable to non-controlling interests	(43,251)	(22,952)	(416)

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries
**Consolidated Statement of Changes in Net Assets
Year ended November 30, 2020**

	Thousands of yen										
	Shareholders' equity (Note 10)					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, 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
Changes arising during the year:											
Dividends			(68,584)		(68,584)						(68,584)
Income attributable to owners of parent			509,162		509,162						509,162
Purchase of treasury stock				(149,981)	(149,981)						(149,981)
Net changes other than shareholders' equity						(10,782)	935	(442,899)	(452,746)	(24,113)	(476,859)
Total changes during the year			440,578	(149,981)	290,597	(10,782)	935	(442,899)	(452,746)	(24,113)	(186,262)
Balance at November 30, 2019	¥ 5,527,830	¥ 2,149,339	¥ 2,536,399	¥ (1,073,084)	¥ 9,140,484	¥ 49,641	¥ 3,571	¥ 772,013	¥ 825,225	¥ 195,325	¥ 10,161,034
Changes arising during the year:											
Dividends			(49,420)		(49,420)						(49,420)
Income attributable to owners of parent			595,384		595,384						595,384
Purchase of treasury stock				(269,988)	(269,988)						(269,988)
Net changes other than shareholders' equity						(6,948)	28,681	78,741	100,474	87,955	188,429
Total changes during the year			545,964	(269,988)	275,976	(6,948)	28,681	78,741	100,474	87,955	464,405
Balance at November 30, 2020	¥ 5,527,830	¥ 2,149,339	¥ 3,082,363	¥ (1,343,072)	¥ 9,416,460	¥ 42,693	¥ 32,252	¥ 850,754	¥ 925,699	¥ 283,280	¥ 10,625,439

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity (Note 10)					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, 2019	\$ 53,208	\$ 20,689	\$ 24,415	\$ (10,329)	\$ 87,983	\$ 478	\$ 34	\$ 7,431	\$ 7,943	\$ 1,880	\$ 97,806
Changes arising during the year:											
Dividends			(476)		(476)						(476)
Income attributable to owners of parent			5,731		5,731						5,731
Purchase of treasury stock				(2,599)	(2,599)						(2,599)
Net changes other than shareholders' equity						(67)	276	758	967	847	1,814
Total changes during the year			5,255	(2,599)	2,656	(67)	276	758	967	847	4,470
Balance at November 30, 2020	\$ 53,208	\$ 20,689	\$ 29,670	\$ (12,928)	\$ 90,639	\$ 411	\$ 310	\$ 8,189	\$ 8,910	\$ 2,727	\$ 102,276

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year ended November 30, 2020

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2020</u>	<u>2019</u>	<u>(Note 1)</u> <u>2020</u>
OPERATING ACTIVITIES:			
Income before income taxes and non-controlling interests	¥ 657,353	¥ 546,526	\$ 6,327
Depreciation and amortization	576,451	661,197	5,549
Provision for doubtful receivables	–	(1,027)	–
Interest and dividends income	(14,093)	(10,220)	(136)
Interest expense	34,531	57,594	332
Foreign exchange loss	399	30,855	4
Equity in earnings of affiliates	(87,383)	(83,264)	(841)
Impairment loss	16,312	50,281	157
Loss (Gain) on sale of property, plant and equipment	11,175	(8,852)	108
Loss on retirement of property, plant and equipment	3,972	–	38
Subsidy income	(25,650)	–	(247)
Decrease (Increase) in trade receivables	(222,916)	753,565	(2,146)
Decrease (Increase) in inventories	(867,599)	637,061	(8,351)
Increase (Decrease) in trade payables	241,332	(296,624)	2,323
Increase in advances paid	(320,063)	(341,007)	(3,081)
Increase (Decrease) in accrued expenses	80,263	(139,551)	773
Increase in advances received	1,592,137	25,443	15,325
Decrease and increase in consumption taxes receivable or payable	(300,932)	131,095	(2,897)
Other, net	<u>(7,709)</u>	<u>(46,070)</u>	<u>(74)</u>
Sub total	1,367,580	1,967,002	13,163
Interest and dividends received	13,771	9,934	133
Interest paid	(34,606)	(58,031)	(333)
Income taxes paid	(79,368)	(74,574)	(764)
Income taxes refunded	10,036	18,150	97
Proceeds from subsidy income	<u>4,480</u>	<u>3,748</u>	<u>43</u>
Net cash provided by operating activities	<u>1,281,893</u>	<u>1,866,229</u>	<u>12,339</u>

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

Consolidated Statement of Cash Flows Year ended November 30, 2020

	Thousands of yen		Thousands of U.S. dollars
	2020	2019	(Note 1) 2020
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(627,537)	(321,885)	(6,041)
Proceeds from sales of property, plant and equipment	13,259	17,574	128
Purchases of intangible fixed assets	(1,383)	(7,297)	(13)
Payments for lease and guarantee deposits	(1,604)	(5,755)	(15)
Purchases of investment securities	(2,651)	(2,539)	(26)
Proceeds from subsidy income	25,650	–	247
Other, net	(116)	(275)	(1)
Net cash used in investing activities	<u>(594,382)</u>	<u>(320,177)</u>	<u>(5,721)</u>
FINANCING ACTIVITIES:			
Decrease in short-term borrowings	–	(300,000)	–
Proceeds from long-term borrowings	200,000	400,000	1,925
Repayments on long-term borrowings	(185,517)	(317,561)	(1,786)
Repayments on lease obligations	(202,965)	(347,630)	(1,954)
Payments for purchase of treasury stock	(269,988)	(149,981)	(2,599)
Dividends paid to shareholders	(49,734)	(68,525)	(479)
Dividends paid to non-controlling shareholders	(1,094)	(1,161)	(10)
Proceeds from share issuance to non-controlling shareholders	22,300	–	215
Proceeds from sale and leaseback	157,027	20,074	1,511
Payments for installment payables for property and equipment	<u>(9,597)</u>	<u>(36,356)</u>	<u>(92)</u>
Net cash used in financing activities	<u>(339,568)</u>	<u>(801,140)</u>	<u>(3,269)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>22,683</u>	<u>(67,134)</u>	<u>219</u>
Net increase in cash and cash equivalents	370,626	677,778	3,568
Cash and cash equivalents at beginning of year	<u>3,444,688</u>	<u>2,766,910</u>	<u>33,157</u>
Cash and cash equivalents at end of year (Note 3)	¥ <u>3,815,314</u>	¥ <u>3,444,688</u>	\$ <u>36,725</u>

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Year Ended November 30, 2020

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 2019 financial statements to conform to the classifications used in 2020.

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 ¥103.89 to \$1, the approximate rate of exchange at November 30, 2020. 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, 2020 include the accounts of the Company and its 10 significant (9 in 2019) 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 2019) 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.

For four consolidated subsidiaries with a fiscal year ended on September 30, 2020, the financial

statements for the year ended September 30, 2020 were used for consolidation and four consolidated subsidiaries with a fiscal year ended on December 31, 2020, the tentative financial statements for the year ended September 30, 2020 were used for consolidation.

Necessary adjustments were made on consolidation for material transactions that occurred between the end of the closing date of these subsidiaries and the end of the consolidated balance sheet date.

- 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.

Pursuant to the treatment in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020), the Company and some of its consolidated domestic subsidiaries do not apply the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018) with respect to items which transitioned to the group tax sharing system established in the “Act for Partial Revision of the

Income Tax Act, etc.” (Act No.8 of 2020) as well as items for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system. Accordingly, the amounts of deferred tax assets and deferred tax liabilities are presented pursuant to the provisions in tax laws before the amendment.

- 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) principally 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 and meet specific matching criteria are not measured at fair value and 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. The Company recorded non-recoverable amounts attributable to the current fiscal year as expenses, instead of recognizing a liability for asset retirement obligations.

o. Accounting standards issued but not yet applied

1. Accounting Standard for Revenue Recognition etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2020)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 30, 2020)

(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 (ASBJ) 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.

2. Accounting Standard for Fair Value Measurement etc.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 30, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) each have established detailed guidance regarding fair value measurements that are nearly identical (IFRS No. 13 in IASB, Topic 820 in FASB). In order to improve the comparability with such international accounting standards, the Accounting Standards Board of Japan (ASBJ) has developed accounting standards for fair value measurement and published them together with implementation guidance.

The ASBJ basic policy in developing accounting standards for fair value measurement is thought to be setting accounting standards, generally adopting all principles of IFRS No. 13, from a standpoint of comparability between financial statements of domestic and overseas companies. However, for any item that we should take into account in practices, etc. that have been conducted in Japan, other accounting treatments without impairing comparability shall be determined.

(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.

3. Accounting Standard for Disclosure of Accounting Estimates

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 30, 2020)

(1) Overview

The International Accounting Standards Board (IASB) issued the “International Accounting Standards (IASs)” 1, “Presentation of Financial Statements” in 2003, and the paragraph 125 of this accounting standard requires a disclosure of key sources of estimation uncertainty. As this information is required for the convenience of users of financial statements in Japan, the Accounting Standards Board of Japan (ASBJ) has developed accounting standard for disclosure of accounting estimates and published them.

The ASBJ basic policy in developing accounting standards for disclosure of accounting estimates is thought to be not expanding individual notes but showing the principle (disclosure purpose) and specific disclosure content is determined by the disclosure purpose of each company.

(2) Planned applicable date

The accounting standards are to be applied from the end of the year ending November 30, 2021.

4. Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 30, 2020)

(1) Overview

In response to a proposal to consider the enhancement of information regarding the “Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc., are not clear,” the Accounting Standards Board of Japan (ASBJ) made the necessary revisions and announced accounting standards for the disclosure of accounting policy changes in accounting and correction of errors.

In pursuing the enhancement of information pertaining to “Principles and procedures of accounting treatment adopted when the provisions of related accounting standards etc., are not clear,” if the relevant accounting standards are clear, the provisions of the Note on Corporate Accounting Principles (Note 1-2) will take over so as not to affect the practice to date.

(2) Planned applicable date

The accounting standards are to be applied from the end of the year ending November 30, 2021.

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, 2020.

q. Additional Information — It is very difficult to predict when COVID-19 pandemic will be under control. The Company made the accounting estimates, including those for impairment losses of non-current assets and recoverability of deferred tax assets, on the assumption that the impact of the COVID-19 infection spread will gradually decrease toward the end of the fiscal year ending November 30, 2021 by distributing the vaccine.

When actual results differ from these estimates, there is a possibility of impacting financial position, financial performance and cash flows of the Group.

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, 2020 and 2019 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
			<u>2020</u>
Cash and deposits	¥ 3,870,930	¥ 3,321,250	\$ 37,260
Time deposits	(55,616)	(58,122)	(535)
Short-term investments	<u>—</u>	<u>181,560</u>	<u>—</u>
Cash and cash equivalents	¥ <u>3,815,314</u>	¥ <u>3,444,688</u>	\$ <u>36,725</u>

4. INVESTMENT SECURITIES

Acquisition cost, balance sheet amount, and unrealized gain (loss) of available-for sale securities with fair value at November 30, 2020 and 2019 are summarized as follows:

	<u>Thousands of yen</u>			
	<u>Acquisition cost</u>	<u>Unrealized gain</u>	<u>Unrealized loss</u>	<u>Balance sheet amount</u>
<u>November 30, 2020</u>				
Equity securities	¥ <u>201,909</u>	¥ <u>97,288</u>	¥ <u>(24,805)</u>	¥ <u>274,392</u>
	¥ <u>201,909</u>	¥ <u>97,288</u>	¥ <u>(24,805)</u>	¥ <u>274,392</u>
<u>November 30, 2019</u>				
Equity securities	¥ <u>199,259</u>	¥ <u>100,328</u>	¥ <u>(20,824)</u>	¥ <u>278,763</u>
	¥ <u>199,259</u>	¥ <u>100,328</u>	¥ <u>(20,824)</u>	¥ <u>278,763</u>
	<u>Thousands of U.S. dollars</u>			
	<u>Acquisition cost</u>	<u>Unrealized Gain</u>	<u>Unrealized loss</u>	<u>Balance sheet amount</u>
<u>November 30, 2020</u>				
Equity securities	\$ <u>1,943</u>	\$ <u>937</u>	\$ <u>(239)</u>	\$ <u>2,641</u>
	\$ <u>1,943</u>	\$ <u>937</u>	\$ <u>(239)</u>	\$ <u>2,641</u>

5. INVESTMENTS IN CAPITAL OF AFFILIATES

The aggregate carrying amounts of investment in capital of an affiliate at November 30, 2020 and 2019 are ¥1,114,247 thousand (\$10,726 thousand) and ¥1,057,879 thousand, respectively.

6. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) Long-term borrowings

Long-term borrowings at November 30, 2020 and 2019, consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Loans from banks and other financial institutions, due serially to 2025 with average interest rates of 1.5%	¥ 688,796	¥ —	\$ 6,630
Loans from banks and other financial institutions, due serially to 2022 with average interest rates of 2.3%	<u>—</u>	<u>668,072</u>	<u>—</u>
	688,796	668,072	6,630
Less current portion	<u>139,479</u>	<u>157,119</u>	<u>1,343</u>
	¥ <u>549,317</u>	¥ <u>510,953</u>	\$ <u>5,287</u>

The aggregate annual maturities of long-term borrowings after November 30, 2021 are as follows:

	<u>Thousands of</u> <u>yen</u>	<u>Thousands of</u> <u>U.S. dollars</u>
Year ending November 30:		
2022	¥ 454,873	\$ 4,378
2023	40,196	387
2024	39,346	379
2025	14,902	143

(2) Lease obligations

Lease obligations at November 30, 2020 and 2019 consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Lease obligations, with average interest rates of 5.4%	¥ 314,131	¥ —	\$ 3,024
Lease obligations, with average interest rates of 5.0%	<u>—</u>	<u>354,050</u>	<u>—</u>
	314,131	354,050	\$ 3,024
Less current portion	<u>128,921</u>	<u>192,104</u>	<u>1,241</u>
	¥ <u>185,210</u>	¥ <u>161,946</u>	\$ <u>1,783</u>

The aggregate annual maturities of lease obligations after November 30, 2021 are as follows:

	<u>Thousands of</u> <u>yen</u>	<u>Thousands of</u> <u>U.S. dollars</u>
Year ending November 30:		
2022	¥ 83,773	\$ 806
2023	41,608	401
2024	34,288	330
2025	25,541	246

(3) Payable in installments

Payable in installments at November 30, 2019 consisted of the followings:

	Thousands of yen
Payable in installments, with average interest rates of 1.7%	¥ 9,597
Less current portion	<u>9,597</u>
	¥ <u>—</u>

(4) Commitments

At November 30, 2020, the Company has commitment line contracts with four banks to flexibly and efficiently finance the operating fund. Components of commitment line contracts were as follows:

	Thousands of yen	Thousands of U.S. dollars
Total commitments	¥ 1,000,000	\$ 9,626
Borrowings	<u>—</u>	<u>—</u>
Unused commitments	¥ <u>1,000,000</u>	\$ <u>9,626</u>

7. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral and collateralized debt at November 30, 2020 and 2019, were as follows:

	<u>Thousands of yen</u>		Thousands of <u>U.S. dollars</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Assets pledged as collateral:			
Investment securities	¥ <u>6,728</u>	¥ <u>8,672</u>	\$ <u>65</u>
Total	¥ <u>6,728</u>	¥ <u>8,672</u>	\$ <u>65</u>
Collateralized debt:			
Short-term borrowings	¥ —	¥ —	\$ —
Long-term borrowings	<u>—</u>	<u>—</u>	<u>—</u>
Total	¥ <u>—</u>	¥ <u>—</u>	\$ <u>—</u>

The above assets pledged are taken out as collateral for banking transactions. There is no corresponding debt.

8. 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 30.6% for the both years ended November 30, 2020 and 2019.

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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Statutory tax rate	30.6%	30.6%
Foreign withholding tax	-	1.3
Expenses not deductible for tax purposes	3.0	4.7
Per capita tax	1.2	1.2
Lower income tax rates applicable to income in certain foreign countries	(2.9)	(2.3)
Valuation allowance	(14.3)	(18.6)
Income taxes for prior years, etc.	0.2	(1.5)
Not recognized deferred taxes on unrealized gains	(0.6)	(0.8)
Equity in earnings, etc.	(4.1)	(4.7)
Undistributed earnings of foreign affiliates accounted for by equity method	1.0	0.8
Other	0.2	0.7
Effective tax rate	<u>14.4%</u>	<u>11.4%</u>

Significant components of deferred tax assets and liabilities at November 30, 2020 and 2019 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
			<u>2020</u>
Deferred tax assets:			
Accrued expenses	¥ 73,423	¥ 63,341	\$ 707
Other payables	16,283	10,226	157
Loss on valuation of products	25,069	22,375	241
Excess depreciation	18,379	62,102	177
Land	654	654	6
Unrealized intercompany profits	5,054	7,421	49
Revaluation loss on investment securities	12,612	12,612	121
Lease deposit depreciated as asset retirement obligations	9,221	9,221	89
Tax loss carryforwards	250,125	397,010	2,408
Other	<u>38,363</u>	<u>47,188</u>	<u>369</u>
Total deferred tax assets	449,183	632,150	4,324
Valuation allowance for tax loss carryforwards *2	(198,436)	(335,678)	(1,910)
Valuation allowance for total deductible temporary differences	<u>(87,436)</u>	<u>(132,019)</u>	<u>(842)</u>
Total valuation allowance *1	(285,872)	(467,697)	(2,752)
Offset with deferred tax liabilities	<u>(96,752)</u>	<u>(77,092)</u>	<u>(931)</u>
Net deferred tax assets	¥ <u>66,559</u>	¥ <u>87,361</u>	\$ <u>641</u>
Deferred tax liabilities:			
Business tax receivable	1,700	22	16
Dividends receivable	961	833	9
Deferred gains or losses on hedges	14,439	2,494	139
Loss on revaluation of assets under consolidated tax return system	1,546	1,546	15
Undistributed earnings of foreign affiliates accounted for by equity method	48,317	41,351	465
Unrealized gain on available-for-sale securities	29,789	29,863	287
Other	<u>—</u>	<u>983</u>	<u>—</u>
Total deferred tax liabilities	96,752	77,092	931
Offset with deferred tax assets	<u>(96,752)</u>	<u>(77,092)</u>	<u>(931)</u>
Net deferred tax liabilities	¥ <u>—</u>	¥ <u>—</u>	\$ <u>—</u>

*1 For the year ended November 30, 2020, the valuation allowance decreased by ¥181,825 thousand (\$1,750 thousand). This is mainly due to a ¥137,242 thousand (\$1,321 thousand) decrease of the valuation allowance for tax loss carryforwards of the Company and 6 consolidated subsidiaries.

*2 Tax loss carryforwards will expire as follows:

		Thousands of yen						
		2020						
		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	Total
Tax loss carryforwards	¥	78,029	¥ 5,742	¥ 97,959	¥ 54,789	¥ 13,606	¥ -	¥ 250,125
Valuation allowance		(74,265)	(5,731)	(65,918)	(38,916)	(13,606)	-	(198,436)
Deferred tax assets	¥	3,764	¥ 11	¥ 32,041	¥ 15,873	¥ -	¥ -	¥ 51,689

		Thousands of yen						
		2019						
		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	Total
Tax loss carryforwards	¥	136,854	¥ 99,485	¥ 6,155	¥ 48,362	¥ 105,305	¥ 849	¥ 397,010
Valuation allowance		(81,938)	(99,485)	(5,591)	(42,679)	(105,305)	(680)	(335,678)
Deferred tax assets	¥	54,916	¥ -	¥ 564	¥ 5,683	¥ -	¥ 169	¥ 61,332

		Thousands of U.S. dollars						
		2020						
		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	Total
Tax loss carryforwards	\$	751	\$ 55	\$ 943	\$ 528	\$ 131	\$ -	\$ 2,408
Valuation allowance		(715)	(55)	(634)	(375)	(131)	-	(1,910)
Deferred tax assets	\$	36	\$ 0	\$ 309	\$ 153	\$ -	\$ -	\$ 498

The amount of tax loss carryforwards shown in the table above is the amount obtained by multiplying the effective statutory tax rate.

The Company recognized deferred tax assets of ¥51,689 thousand (\$498 thousand) for tax loss carryforwards of ¥250,125 thousand (\$2,408 thousand) (the amount obtained by multiplying the effective statutory tax rate) at November 30, 2020. As regarding tax loss carryforwards of the Company and 5 subsidiaries, the Company determined that a part of tax loss carryforwards is recoverable based on expected future taxable income.

The Company recognized deferred tax assets of ¥61,332 thousand for tax loss carryforwards of ¥397,010 thousand (the amount obtained by multiplying the effective statutory tax rate) at November 30, 2019. As regarding tax loss carryforwards of the Company and 6 subsidiaries, the Company determined that a part of tax loss carryforwards is recoverable based on expected future taxable income.

9. 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, 2020 and recorded the amount attributable to the current fiscal year as expenses, instead of recognizing a liability for asset retirement obligations.

10. 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, 2020 and 2019. Changes in the number of shares of common stock issued for the two years ended November 30, 2020 are as follows:

	<u>Issued shares</u>
Balance at November 30, 2018	19,354,596
Balance at November 30, 2019	<u>19,354,596</u>
Balance at November 30, 2020	<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, 2019 which was approved by the general meeting of shareholders held on February 27, 2019 were as follows:

(a) Total dividends	¥68,584 thousand
(b) Cash dividends per common share	¥4
(c) Record date	November 30, 2018
(d) Effective date	February 28, 2019

Dividends paid during the year ended November 30, 2020 which was approved by the general meeting of shareholders held on February 27, 2020 were as follows:

(a) Total dividends	¥49,420 thousand (\$476 thousand)
(b) Cash dividends per common share	¥3 (\$0.03)
(c) Record date	November 30, 2019
(d) Effective date	February 28, 2020

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended November 30, 2020 which was approved by the general meeting of shareholders held on February 25, 2021 are as follows:

(a) Total dividends	¥46,079 thousand (\$444 thousand)
(b) Dividends source	Retained earnings
(c) Cash dividends per common share	¥3 (\$0.03)
(d) Record date	November 30, 2020
(e) Effective date	February 26, 2021

(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, 2020 are as follows:

	<u>Shares</u>
Balance at November 30, 2018	2,208,598
Acquisition for treasury	<u>672,560</u>
Balance at November 30, 2019	2,881,158
Acquisition for treasury	<u>1,113,880</u>
Balance at November 30, 2020	<u>3,995,038</u>

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended November 30, 2020 and 2019 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
Salaries	¥ 908,871	¥ 941,833	\$ 8,748

12. IMPAIRMENT LOSS

The Company recognized impairment losses for the years ended November 30, 2020 and 2019 as follows:

2020

Location	Usage	Classification
Tsurumi Ward, Yokohama City, Kanagawa	Assets expected to be non-operation	Other

2019

Location	Usage	Classification
Taizhou City, China	Business assets	Buildings and structures, Machinery and equipment, and vehicles, and Other

Classification	Thousands of yen	Thousands of U.S. dollars
	2020	2020
Other	¥ 16,312	\$ 157
Total	¥ 16,312	\$ 157

Classification	Thousands of yen
	2019
Buildings and structures	¥ 2,626
Machinery and equipment, and vehicles	46,511
Other	1,144
Total	¥ 50,281

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 assets expected to be non-operation of the Group are measured by its net selling price, but the assets in Tsurumi ward are assessed by memorandum value because the assets are difficult to sell or divert.

13. LOSS ON SHUTDOWN

The Company recognized loss on shutdown for fixed costs incurred during the suspension of operations, for the year ended November 30, 2020.

For an effort to prevent the spread of the COVID-19, factories in China were temporary suspended at the request of local government authorities.

14. OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification and tax effect of other comprehensive income (loss) for the years ended November 30, 2020 and 2019 are as follows are as follows:

	Thousands of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Net unrealized loss on available-for-sale securities:			
Arising during the year	¥ (7,022)	¥ (18,885)	\$ (68)
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	(7,022)	(18,885)	(68)
Tax effect	74	8,103	1
Net-of-tax amount	(6,948)	(10,782)	(67)
Deferred gain on derivatives under hedge accounting:			
Arising during the year	41,339	2,204	398
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	41,339	2,204	398
Tax effect	(12,658)	(1,269)	(122)
Net-of-tax amount	28,681	935	276
Foreign currency translation adjustments:			
Arising during the year	99,240	(380,758)	955
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	99,240	(380,758)	955
Tax effect	—	—	—
Net-of-tax amount	99,240	(380,758)	955
Share of other comprehensive income of affiliates accounted for by equity method:			
Arising during the year	(31,015)	(60,253)	(298)
Reclassification adjustment through profit or loss	—	—	—
	(31,015)	(60,253)	(298)
Total other comprehensive income (loss)	¥ 89,958	¥ (450,858)	\$ 866

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

Investment securities which are 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 long-term debt and lease obligations to finance capital investment and operating funds. Some debts are exposed to interest rate risk.

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. Please see Note 2. l.

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 is 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 stock prices and the issuers' 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, 2020 and 2019 are as follows:

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

	Thousands of yen					
	2020			2019		
	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Cash and deposits	¥ 3,870,930	¥ 3,870,930	¥ —	¥ 3,321,250	¥ 3,321,250	¥ —
Trade notes and accounts receivable	2,130,708	2,130,708	—	1,908,376	1,908,376	—
Electronically recorded monetary claims	440,280	440,280	—	429,063	429,063	—
Investment securities	274,392	274,392	—	278,763	278,763	—
Total assets	¥ 6,716,310	¥ 6,716,310	¥ —	¥ 5,937,452	¥ 5,937,452	¥ —
Trade notes and accounts payable	¥ 862,732	¥ 862,732	¥ —	¥ 622,460	¥ 622,460	¥ —
Long-term borrowings *1	688,796	687,286	(1,510)	668,072	665,073	(2,999)
Lease obligations *2	314,131	316,055	1,924	354,050	352,289	(1,761)
Payable in installments *3	—	—	—	9,597	9,592	(5)
Total liabilities	¥ 1,865,659	¥ 1,866,073	¥ 414	¥ 1,654,179	¥ 1,649,414	¥ (4,765)
Derivatives *4	¥ 46,486	¥ 46,486	¥ —	¥ 5,085	¥ 5,085	¥ —

	Thousands of U.S. dollars		
	2020		
	Carrying amount	Fair value	Differences
Cash and deposits	\$ 37,260	\$ 37,260	\$ —
Trade notes and accounts receivable	20,509	20,509	—
Electronically recorded monetary claims	4,238	4,238	—
Investment securities	2,641	2,641	—
Total assets	\$ 64,648	\$ 64,648	\$ —
Trade notes and accounts payable	\$ 8,304	\$ 8,304	\$ —
Long-term borrowings *1	6,630	6,616	(14)
Lease obligations *2	3,024	3,042	18
Payable in installments *3	—	—	—
Total liabilities	\$ 17,958	\$ 17,962	\$ 4
Derivatives *4	\$ 447	\$ 447	\$ —

*1 Long-term borrowings includes current portion of long-term borrowings.

*2 Lease obligations includes short-term lease obligations.

*3 Payable in installments is included in accounts payable-other (current liabilities) in the accompanying consolidated balance sheet.

*4 Derivative receivables and payables are on net basis.

Notes

1. Fair values of financial instruments

Assets

- a. Cash and deposits, trade notes and accounts receivable and electronically recorded monetary claims
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
Fair values of stocks are based on prices of the stock exchanges and fair values of bonds are based on quotes from counterparties. Also please see Note 4.

Liabilities

- a. Trade notes and accounts payable
Because the fair values are approximately equal to the carrying amounts as these are settled in short term, such carrying amounts are used.
- b. Long-term borrowings, lease obligations and payable in installments
Fair value of long-term borrowings, lease obligations and payables in installment are based on the present value of future cash flows of interest and principal payments discounted using the current interest rate for similar borrowings, lease transactions and installment purchases of a comparable maturity.
- c. Derivatives
Please see Note 16.

2. Financial instruments whose fair value is extremely difficult to measure at November 30, 2020 and 2019 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Investment securities: Unlisted stock, etc.	¥ 0	¥ 0	\$ 0
Investments in capital of affiliates: Unlisted stock, etc.	1,114,247	1,057,879	10,725
Others: Unlisted stock, etc.	<u>120</u>	<u>120</u>	<u>1</u>
	¥ <u>1,114,367</u>	¥ <u>1,057,999</u>	\$ <u>10,726</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>year</u>	<u>More than</u> <u>one year</u> <u>through</u> <u>five years</u>	<u>More than</u> <u>five years</u> <u>through ten</u> <u>years</u>	<u>More than</u> <u>ten years</u>
Cash and deposits	¥ 3,870,930	¥ —	¥ —	¥ —
Trade notes and accounts receivable	2,130,708	—	—	—
Electronically recorded monetary claim	<u>440,280</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	¥ <u>6,441,918</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	\$ 37,260	\$ —	\$ —	\$ —
Trade notes and accounts receivable	20,509	—	—	—
Electronically recorded monetary claim	4,238	—	—	—
Total	<u>\$ 62,007</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

4. The annual maturities after the balance sheet date 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
Long-term borrowings	¥ 139,479	¥ 454,873	¥ 40,196	¥ 39,346	¥ 14,902	¥ -
Lease liabilities	128,921	83,773	41,608	34,288	25,541	-
Total	<u>¥ 268,400</u>	<u>¥ 538,646</u>	<u>¥ 81,804</u>	<u>¥ 73,634</u>	<u>¥ 40,443</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
Long-term borrowings	\$ 1,343	\$ 4,378	\$ 387	\$ 379	\$ 143	\$ -
Lease liabilities	1,241	806	401	330	246	-
Total	<u>\$ 2,584</u>	<u>\$ 5,184</u>	<u>\$ 788</u>	<u>\$ 709</u>	<u>\$ 389</u>	<u>\$ -</u>

16. DERIVATIVES

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

The Company had no derivatives outstanding at November 30, 2020 and 2019 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, 2020 and 2019:

		Thousands of yen	
		Contract or	Fair value
	<u>Hedged items</u>	<u>notional amounts</u>	
<u>November 30, 2020</u>			
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar	¥	0	¥ —
Euro		14,253	(641)
Other currencies		5,264	(28)
Buying foreign currency: Accounts payable			
U.S. dollar		206,817	(3,599)
Euro		932,813	17,129
Other currencies		926,802	33,625
		Thousands of yen	
		Contract or	Fair value
	<u>Hedged items</u>	<u>notional amounts</u>	
<u>November 30, 2019</u>			
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar	¥	3,550	¥ (31)
Euro		70,645	(2,666)
Other currencies		26,424	(263)
Buying foreign currency: Accounts payable			
U.S. dollar		623,460	8,486
Euro		420,247	(550)
Other currencies		48,203	110
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	20,000	*
		Thousands of U.S. dollars	
		Contract or	Fair value
	<u>Hedged items</u>	<u>notional amounts</u>	
<u>November 30, 2020</u>			
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar	\$	0	\$ —
Euro		137	(6)
Other currencies		51	(0)
Buying foreign currency: Accounts payable			
U.S. dollar		1,991	(35)
Euro		8,979	165
Other currencies		8,921	324

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, 2020, the Company was contingently liable for investment guarantee of 3,472 thousand Baht (¥12,225 thousand, \$118 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, 2020 and 2019 is as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
Total current assets	¥ 2,228,872	¥ 2,130,777	\$ 21,454
Total non-current assets	497,805	495,866	4,792
Total current liabilities	250,572	275,801	2,412
Total non-current liabilities	—	—	—
Total net assets	2,476,105	2,350,842	23,834
Sales	1,009,773	1,167,745	9,720
Income before income taxes	239,552	235,917	2,306
Net income	194,185	185,031	1,869

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, 2020 and 2019 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
Net income from the rental property	¥ 28,695	¥ 22,981	\$ 276

- (2) The carrying amounts and fair values related to the rental property at November 30, 2020 and 2019, and movement of the carrying amount for the years then ended are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
			<u>2020</u>
Carrying amount:			
At beginning of the year	¥ 866,332	¥ 1,022,121	\$ 8,339
Movement	<u>(49,367)</u>	<u>(155,789)</u>	<u>(475)</u>
At end of the year	¥ <u>816,965</u>	¥ <u>866,332</u>	\$ <u>7,864</u>
Fair value at end of the year	¥ <u>1,161,299</u>	¥ <u>1,130,660</u>	\$ <u>11,178</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, 2020, the increase is arising from currency fluctuations of ¥23,476 thousand (\$226 thousand) and the decrease is due to depreciation of ¥72,843 thousand (\$701 thousand). For the year ended November 30, 2019, the decrease are arising from currency fluctuations of ¥84,867 thousand and depreciation of ¥70,922 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, 2020 and 2019 are summarized as follows:

		Thousands of yen				
		2020				
		Reported segments				
		Wholesale	Preform	Total	Adjustments	Consolidated
Operating revenues:						
Revenues from third parties	¥	8,033,066	¥	4,912,507	¥	12,945,573
Intersegment revenues		–		28,197		28,197
Total		<u>8,033,066</u>		<u>4,940,704</u>		<u>12,973,770</u>
Segment income	¥	<u>551,066</u>	¥	<u>245,021</u>	¥	<u>796,087</u>
Segment assets	¥	<u>4,706,864</u>	¥	<u>8,807,810</u>	¥	<u>13,514,674</u>
Others:						
Depreciation and amortization	¥	51,072	¥	511,711	¥	562,783
Investments in entities accounted for using equity method	¥	–	¥	1,114,247	¥	1,114,247
Increase in property, plant and equipment and intangible assets	¥	27,283	¥	606,381	¥	633,664
		Thousands of yen				
		2019				
		Reported segments				
		Wholesale	Preform	Total	Adjustments	Consolidated
Operating revenues:						
Revenues from third parties	¥	9,077,561	¥	5,484,819	¥	14,562,380
Intersegment revenues		1,035		33,381		34,416
Total		<u>9,078,596</u>		<u>5,518,200</u>		<u>14,596,796</u>
Segment income	¥	<u>590,683</u>	¥	<u>159,284</u>	¥	<u>749,967</u>
Segment assets	¥	<u>3,301,707</u>	¥	<u>8,082,249</u>	¥	<u>11,383,956</u>
Others:						
Depreciation and amortization	¥	44,999	¥	595,663	¥	640,662
Investments in entities accounted for using equity method	¥	–	¥	1,057,879	¥	1,057,879
Increase in property, plant and equipment and intangible assets	¥	80,406	¥	215,962	¥	296,368

Thousands of U.S. dollars					
2020					
Reported segments					
	Wholesale	Preform	Total	Adjustments	Consolidated
Operating revenues:					
Revenues from third parties	\$ 77,323	\$ 47,285	\$ 124,608	\$ –	\$ 124,608
Intersegment revenues	–	271	271	(271)	–
Total	<u>77,323</u>	<u>47,556</u>	<u>124,879</u>	<u>(271)</u>	<u>124,608</u>
Segment income	\$ <u>5,304</u>	\$ <u>2,358</u>	\$ <u>7,662</u>	\$ <u>(1,408)</u>	\$ <u>6,254</u>
Segment assets	\$ <u>45,306</u>	\$ <u>84,780</u>	\$ <u>130,086</u>	\$ <u>25,661</u>	\$ <u>155,747</u>
Others:					
Depreciation and amortization	\$ 491	\$ 4,926	\$ 5,417	\$ 132	\$ 5,549
Investments in entities accounted for using equity method	\$ –	\$ 10,725	\$ 10,725	\$ –	\$ 10,725
Increase in property, plant and equipment and intangible assets	\$ 262	\$ 5,837	\$ 6,099	\$ 9	\$ 6,108

The adjustment in “Segment income” for the years ended November 30, 2020 and 2019 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Intersegment transactions	¥ 60,798	¥ 65,867	\$ 585
Non-categorized expenses	(208,735)	(207,224)	(2,009)
Adjustments of fixed assets	1,606	1,606	16
	<u>¥ (146,331)</u>	<u>¥ (139,751)</u>	<u>\$ (1,408)</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, 2020 and 2019 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Intersegment balances	¥ (50,367)	¥ (55,227)	\$ (485)
Non-categorized assets	2,716,336	2,638,102	26,146
	<u>¥ 2,665,969</u>	<u>¥ 2,582,875</u>	<u>\$ 25,661</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, 2020 and 2019 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Intersegment transactions	¥ (1,606)	¥ (1,606)	\$ (15)
Depreciation of company-wide assets	15,274	22,141	147
	<u>¥ 13,668</u>	<u>¥ 20,535</u>	<u>\$ 132</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>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
			<u>2020</u>
Japan	¥ 9,018,930	¥ 9,777,191	\$ 86,812
Asia	3,796,415	4,750,278	36,543
Americas	49,970	32,349	481
Europe	80,258	2,562	772
	¥ <u>12,945,573</u>	¥ <u>14,562,380</u>	\$ <u>124,608</u>

(2) Property, plant and equipment

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2020</u>	<u>2019</u>	<u>U.S. dollars</u>
			<u>2020</u>
Japan	¥ 813,607	¥ 742,770	\$ 7,831
Asia	2,674,847	2,635,072	25,747
	¥ <u>3,488,454</u>	¥ <u>3,377,842</u>	\$ <u>33,578</u>

3. Information by major customers

Disclosure for the years ended November 30, 2020 and 2019 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, 2020</u>				
Impairment loss	¥ 16,312	¥ –	¥ –	¥ 16,312
<u>November 30, 2019</u>				
Impairment loss	¥ –	¥ 50,281	¥ –	¥ 50,281

	<u>Thousands of U.S. dollars</u>			
	<u>Wholesale</u>	<u>Preform</u>	<u>Adjustments</u>	<u>Consolidated</u>
<u>November 30, 2020</u>				
Impairment loss	\$ 157	\$ –	\$ –	\$ 157

Information of amortization and balance of goodwill

Goodwill is not recorded for the years ended November 30, 2020 and 2019.

Negative goodwill incurred by reported segments

Negative goodwill is not recorded for the years ended November 30, 2020 and 2019.

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, 2020 and 2019 are as follows:

	Yen		U.S. dollars
	2020	2019	2020
Basic net income per share	¥ 37.56	¥ 30.11	\$ 0.36

	Thousands of yen		Thousands of U.S. dollars
	2020	2019	2020
Income attributable to owners of parent	¥ 595,384	¥ 509,162	\$ 5,731
Net income not applicable to common shareholders	—	—	—
Income attributable to owners of parent applicable to common shareholders	¥ 595,384	¥ 509,162	\$ 5,731

	Number of shares	
	2020	2019
Weighted average number of shares outstanding on which basic net income per share is calculated	15,849,918	16,908,622

The diluted net income per share for the years ended November 30, 2020 and 2019 are not presented as there are no dilutive potential share 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, 2020 and 2019 are as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥ 673.34	¥ 604.96	\$ 6.48

	Thousands of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets	¥ 10,625,439	¥ 10,161,034	\$ 102,276
Amount deducted from total net assets:			
Non-controlling interests	283,280	195,325	2,727
Net assets applicable to common shareholders	¥ 10,342,159	¥ 9,965,709	\$ 99,549

	Number of shares	
	2020	2019
Number of shares outstanding at end of year on which net assets per share is calculated	15,359,558	16,473,438

22. SUBSEQUENT EVENTS

(1) Significant Borrowing

Based on a resolution of the board meeting held on October 29, 2020, Altech New Materials Co., Ltd., the consolidated subsidiary of the Company concluded a syndicated loan contract on December 24, 2020. The borrowing balance of this loan at February 25, 2021 is ¥300,000 thousand (\$2,888 thousand).

a. Reason of the borrowing

Altech New Materials Co., Ltd. concluded a syndicated loan contract in order to secure capital investment.

b. Matter regarding the syndicated loan contracts

• Contract date	December 24, 2020
• Arranger and agent	MUFG Bank, Ltd.
• Borrower	Altech New Materials Co., Ltd.
• Execution period	From December 29, 2020 to March 31, 2021
• Repayment method	Equally repay 1/40 every 3 months (First repayment date: June 30, 2021)
• Amount	¥1,000,000 thousand (\$9,626 thousand)
• Term	10 years
• Interest rate	Basic interest rate + Spread
• Guarantee	Co-signed by Altech Co., Ltd.
• Financial covenants	<p>① 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, 2019.</p> <p>② 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.</p>

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

(2) Repurchase of Own Shares

The Company resolved at the board meeting held on January 14, 2021 the repurchase of the Company's own shares based on Article 156 of the Corporate Act of Japan as applied pursuant to Article 165 Paragraph 3.

a. Reason of the share repurchase

The Company decided to conduct the share purchase in order to strengthen shareholder returns and to improve capital efficiency.

b. Matter regarding the share repurchase

• Type of shares to be repurchased	Common stock
• Total number of shares to be repurchased	Up to 200,000 shares (1.30% of total issued shares outstanding, excluding treasury stock at December 31, 2020)
• Total cost of shares to be repurchased	Up to ¥50,000 thousand (\$481 thousand)
• Period for share repurchase	From January 15, 2021 to February 28, 2021
• Method of share repurchase	Market purchase on the Tokyo Stock Exchange

(3) Introduction of Restricted Stock Remuneration Plan

The Company resolved at the board meeting held on January 27, 2021 the introduction of restricted stock remuneration plan (the "Plan") for the Company's directors (excluding outside directors; the "Eligible Directors"). The company submitted the proposal for approval to the 45th ordinary general meeting of shareholders (the "Shareholders Meeting") held on February 25, 2021, and this proposal was approved at the Shareholders Meeting.

a. Reason of the introduction of the plan

The Plan provides incentives to the Eligible Directors to continuously improve the corporate value of the Company with the aim of further promoting value sharing with shareholders.

b. Overview of the plan

The Eligible Directors will pay all the monetary remuneration receivables granted by the Company under the Plan as in-kind contribution assets and will receive the Company's common stock issued or disposed of by the Company.

Under the Plan, the total amount of monetary remuneration receivables to be granted to the Eligible Directors shall be ¥30,000 thousand (\$289 thousand) or less per year in addition to the current amount of remuneration, and the total number of common stock to be newly issued or disposed by the Company will be 150,000 shares or less per year. However, in the event of unavoidable situation requiring adjustment of the number of shares (for example, stock split or stock consolidation), the total number shall be adjusted within a reasonable range as necessary.

The amount to be paid per share will be determined by the Company's board of meeting based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately before the date of resolution by the board of meeting (if no trade is closed on that day, the latest price prior to that) to the extent that it does not result in an overly advantageous amount for the Eligible Directors to subscribe for the common stock.

To achieve value sharing with shareholders for medium and long term, the Eligible Directors will be restricted to transfer restricted stocks from the date they will receive the allotment of stocks until the date they will lose their position.

The timing and allocation of payments to each the Eligible Directors will be decided by the Company's board of meeting.

When common shares of the Company are issued or disposed of under the Plan, the Company will conclude a restricted stock allotment agreement with the Eligible Directors (the “Allotment Agreement”) that include the following.

- ① The Eligible Directors shall not transfer, pledge, or take any other disposition of the common stock of the Company allotted under the Allotment Agreement during the predetermined period.
- ② The Company is entitled to acquire applicable stocks at no cost on the condition of the occurrence of a certain event.

(4) Disposal of Treasury Stock as Restricted Stock Remuneration

The Company resolved at the board meeting held on February 25, 2021 the disposal of treasury stock as restricted stock remuneration.

a. Matter regarding the disposal

• Disposal date	March 24, 2021
• Type and number of shares	36,986 shares of the common stock of the Company
• Disposal price	¥320 (\$3) per share
• Total amount of disposal	¥11,835,520 (\$113,924)
• Number of recipients, and shares disposed	4 Directors (excluding outside directors) 36,986 shares
• Other	Regarding this disposal of treasury stock, the Company has submitted a securities notice under the Financial Instruments and Exchange Act.

b. Reason of the disposal

Please see Note 22 (3).