

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

***Audited Consolidated Financial Statements  
for the Year Ended November 30, 2021***

## 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, 2021, and the consolidated statement of operations, 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, 2021, 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.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The appropriateness of the determination of an accounting period in which sales in the wholesale business is recognized	
Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 21 "SEGMENT INFORMATION", the Group recorded sales in the wholesale business of ¥8,502,233 thousand which is 61 % of the Group total sales of ¥13,860,942 thousand in the accompanying consolidated statement of operations.</p> <p>Sales in the wholesale business are mainly sales of industrial machinery and equipment. The Company covers a wide range of product lines and recognizes revenue from sales of various industrial machinery and equipment at the time of acceptance inspection by customers. Customers inspect the products when the confirmation procedure necessary for inspection such as installation or test run is</p>	<p>We have performed mainly the following audit procedures to verify the appropriateness of the determination of an accounting period in which sales in the wholesale business is recognized.</p> <ul style="list-style-type: none"> <li>• We have examined the effectiveness of the design and operation of internal control for sales of industrial machinery and equipment.</li> <li>• We have verified the evidence documents such as contracts, shipment certificates and inspection documents for the selected samples from the sales for the year.</li> <li>• We have verified the agreement of the acceptance inspection date on the inspection document and the sales record date for the</li> </ul>

<p>completed following delivering of industrial machinery and equipment to the customers, but the acceptance inspection may not be completed as scheduled.</p> <p>The sales or profit amount per each sales transaction of industrial machinery and equipment is significant. If the sales may not be recorded as scheduled because the acceptance inspection may not be completed, it may have a significant impact on the achievement of the performance targets of the Company. Therefore, it is necessary to carefully consider the period that the sales belong to.</p> <p>We, therefore, have determined to focus on the appropriateness of the determination of an accounting period in which sales in the wholesale business is recognized, and accordingly, a key audit matter.</p>	<p>sales that was recorded before and after the year end.</p> <ul style="list-style-type: none"> <li>• We have verified the reasonableness of the reason for the sales return subsequent to the year end.</li> <li>• We have confirmed the balance of trade receivables as at the year end.</li> <li>• Regarding the sales that incurred or expected to incur additional costs subsequent to the year end, we have verified the appropriateness that the sales was recognized for the current year by interviewing sales staff and reviewing evidence documents such as contracts and quotations.</li> </ul>
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**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.
- 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.

From the matters communicated with the Audit and Supervisory Board and its Members, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### ***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, 2022



**ALTECH Co., Ltd. and Consolidated Subsidiaries**
**Consolidated Balance Sheet  
November 30, 2021**

	Thousands of yen		Thousands of U.S. dollars (Note 1)		Thousands of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021		2021	2020	2021
<b>ASSETS</b>				<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and deposits (Note 3)	¥ 4,243,354	¥ 3,870,930	\$ 37,298	Trade notes and accounts payable	¥ 994,007	¥ 862,732	\$ 8,737
Trade notes and accounts receivable	2,103,382	2,130,708	18,488	Short-term borrowings and current portion of long-term borrowings (Notes 6 and 7)	1,283,135	139,479	11,278
Electronically recorded monetary claims	388,551	440,280	3,415	Short-term lease obligations (Note 6)	99,691	128,921	876
Inventories	3,363,123	2,516,600	29,561	Accounts payable-other	173,479	197,011	1,525
Advances paid	1,620,707	1,340,951	14,245	Accrued expenses	469,429	518,426	4,126
Other current assets	590,200	317,133	5,188	Income taxes payable (Note 8)	82,604	84,155	726
Allowance for doubtful receivables	(267)	—	(2)	Advances received	3,662,837	2,841,036	32,195
Total current assets	<u>12,309,050</u>	<u>10,616,602</u>	<u>108,193</u>	Accrued losses on sales contracts	10,087	400	89
				Other current liabilities	<u>46,723</u>	<u>36,959</u>	<u>411</u>
				Total current liabilities	<u>6,821,992</u>	<u>4,809,119</u>	<u>59,963</u>
<b>PROPERTY, PLANT AND EQUIPMENT :</b>				<b>LONG-TERM LIABILITIES:</b>			
Buildings and structures (Note 7)	4,144,603	3,459,823	36,430	Long-term borrowings (Note 6)	1,004,444	549,317	8,829
Machinery and equipment, and vehicles	3,884,754	3,260,118	34,146	Long-term lease obligations (Note 6)	152,116	185,210	1,337
Land	55,309	55,309	486	Deferred tax liabilities (Note 8)	706	—	6
Lease assets	1,934,582	1,759,929	17,004	Other long-term liabilities	<u>19,535</u>	<u>11,558</u>	<u>172</u>
Construction in progress	1,383,636	259,210	12,162	Total long-term liabilities	<u>1,176,801</u>	<u>746,085</u>	<u>10,344</u>
Other	<u>2,580,329</u>	<u>2,254,015</u>	<u>22,680</u>	Total liabilities	<u>7,998,793</u>	<u>5,555,204</u>	<u>70,307</u>
Total	13,983,213	11,048,404	122,908				
Accumulated depreciation	<u>(8,859,794)</u>	<u>(7,559,950)</u>	<u>(77,875)</u>	<b>SHAREHOLDERS' EQUITY (Note 10):</b>			
Net property, plant and equipment	<u>5,123,419</u>	<u>3,488,454</u>	<u>45,033</u>	Common stock	5,527,830	5,527,830	48,588
				Capital surplus	2,148,821	2,149,339	18,887
				Retained earnings	3,578,304	3,082,363	31,452
				Treasury stock	<u>(1,530,704)</u>	<u>(1,343,072)</u>	<u>(13,454)</u>
				Total shareholders' equity	<u>9,724,251</u>	<u>9,416,460</u>	<u>85,473</u>
INTANGIBLE ASSETS, NET (Note 7)	478,883	406,962	4,209	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>			
				Net unrealized gain on available-for-sale securities (Note 4)	40,780	42,693	358
INVESTMENTS AND OTHER ASSETS:				Deferred gain on derivatives under hedge accounting (Note 17)	(12,751)	32,252	(112)
Investment securities (Notes 4 and 7)	274,657	274,392	2,414	Foreign currency translation adjustments	<u>1,552,967</u>	<u>850,754</u>	<u>13,650</u>
Investment in capital of affiliates (Note 5)	1,122,624	1,114,247	9,867	Total accumulated other comprehensive income	<u>1,580,996</u>	<u>925,699</u>	<u>13,896</u>
Lease deposits (Note 9)	105,030	104,533	923				
Deferred tax assets (Note 8)	56,498	66,559	497	NON-CONTROLLING INTERESTS	<u>285,241</u>	<u>283,280</u>	<u>2,507</u>
Other assets	149,543	137,117	1,314	Total net assets	<u>11,590,488</u>	<u>10,625,439</u>	<u>101,876</u>
Allowance for doubtful receivables	<u>(30,423)</u>	<u>(28,223)</u>	<u>(267)</u>	<b>COMMITMENTS AND CONTINGENCIES (Note 18)</b>			
Total investments and other assets	<u>1,677,929</u>	<u>1,668,625</u>	<u>14,748</u>				
				TOTAL	¥ <u>19,589,281</u>	¥ <u>16,180,643</u>	\$ <u>172,183</u>

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Operations Year Ended November 30, 2021

	<u>Thousands of yen</u>		Thousands of <u>U.S. dollars</u> (Note 1)
	<u>2021</u>	<u>2020</u>	<u>2021</u>
NET SALES	¥ 13,860,942	¥ 12,945,573	\$ 121,833
COST OF SALES	<u>10,372,505</u>	<u>9,597,126</u>	<u>91,171</u>
Gross profit	3,488,437	3,348,447	30,662
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	<u>2,880,365</u>	<u>2,698,691</u>	<u>25,317</u>
Operating profit	<u>608,072</u>	<u>649,756</u>	<u>5,345</u>
OTHER INCOME (EXPENSES):			
Interest and dividends income	11,832	14,093	104
Equity in earnings of affiliates	94,119	87,383	827
Foreign exchange loss	(1,391)	(16,233)	(12)
Interest expense	(41,482)	(34,531)	(365)
Commission paid	(19,771)	(3,607)	(174)
Amortization of organization expenses	(1,027)	(441)	(9)
Share issuance costs	-	(2,052)	-
Gain on sale of property, plant and equipment	10,356	11,921	91
Subsidy income	25,777	25,650	227
Loss on sale of property, plant and equipment	(3,074)	(23,096)	(27)
Loss on retirement of property, plant and equipment	(1,510)	(3,972)	(13)
Impairment loss (Note 12)	-	(16,312)	-
Loss on shutdown (Note 13)	-	(37,208)	-
Loss on business withdrawal (Note 14)	(43,600)	-	(383)
Other—net	<u>4,007</u>	<u>6,002</u>	<u>35</u>
Other income (expenses)—net	<u>34,236</u>	<u>7,597</u>	<u>301</u>
INCOME BEFORE INCOME TAXES AND NON- CONTROLLING INTERESTS	<u>642,308</u>	<u>657,353</u>	<u>5,646</u>
INCOME TAXES (Note 8):			
Current	153,984	86,423	1,354
Deferred	<u>31,076</u>	<u>8,282</u>	<u>273</u>
Total income taxes	<u>185,060</u>	<u>94,705</u>	<u>1,627</u>
INCOME	<u>457,248</u>	<u>562,648</u>	<u>4,019</u>
LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	<u>(84,771)</u>	<u>(32,736)</u>	<u>(745)</u>
INCOME ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 542,019</u>	<u>¥ 595,384</u>	<u>\$ 4,764</u>

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Comprehensive Income Year Ended November 30, 2021

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
			(Note 1)
			<u>2021</u>
INCOME	¥ 457,248	¥ 562,648	\$ 4,019
OTHER COMPREHENSIVE INCOME (Note 15):			
Net unrealized loss on available-for-sale securities	(1,913)	(6,948)	(17)
Deferred gain (loss) on derivatives under hedge accounting	(45,003)	28,681	(396)
Foreign currency translation adjustments	560,968	99,240	4,931
Share of other comprehensive income (loss) of affiliates accounted for by equity method	<u>138,655</u>	<u>(31,015)</u>	<u>1,219</u>
Total other comprehensive income	652,707	89,958	5,737
COMPREHENSIVE INCOME	¥ <u>1,109,955</u>	¥ <u>652,606</u>	\$ <u>9,756</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Comprehensive income attributable to owners of parent	1,197,317	695,857	10,524
Comprehensive loss attributable to non-controlling interests	(87,362)	(43,251)	(768)

See accompanying notes to consolidated financial statements.

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

**Consolidated Statement of Changes in Net Assets**  
**Year ended November 30, 2021**

	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 17)	Foreign currency translation adjustments	Total	Non-controlling interests	Total net assets
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
Changes arising during the year:											
Dividends			(46,078)		(46,078)						(46,078)
Income attributable to owners of parent			542,019		542,019						542,019
Purchase of treasury stock				(199,985)	(199,985)						(199,985)
Disposal of treasury stock		(518)		12,353	11,835						11,835
Net changes other than shareholders' equity						(1,913)	(45,003)	702,213	655,297	1,961	657,258
Total changes during the year		(518)	495,941	(187,632)	307,791	(1,913)	(45,003)	702,213	655,297	1,961	965,049
Balance at November 30, 2021	¥ 5,527,830	¥ 2,148,821	¥ 3,578,304	¥ (1,530,704)	¥ 9,724,251	¥ 40,780	¥ (12,751)	¥ 1,552,967	¥ 1,580,996	¥ 285,241	¥ 11,590,488

	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 17)	Foreign currency translation adjustments	Total	Non-controlling interests	Total net assets
Balance at November 30, 2020	\$ 48,588	\$ 18,892	\$ 27,093	\$ (11,805)	\$ 82,768	\$ 375	\$ 283	\$ 7,478	\$ 8,136	\$ 2,490	\$ 93,394
Changes arising during the year:											
Dividends			(405)		(405)						(405)
Income attributable to owners of parent			4,764		4,764						4,764
Purchase of treasury stock				(1,758)	(1,758)						(1,758)
Disposal of treasury stock		(5)		109	104						104
Net changes other than shareholders' equity						(17)	(395)	6,172	5,760	17	5,777
Total changes during the year		(5)	4,359	(1,649)	2,705	(17)	(395)	6,172	5,760	17	8,482
Balance at November 30, 2021	\$ 48,588	\$ 18,887	\$ 31,452	\$ (13,454)	\$ 85,473	\$ 358	\$ (112)	\$ 13,650	\$ 13,896	\$ 2,507	\$ 101,876

See accompanying notes to consolidated financial statements.



## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Cash Flows Year ended November 30, 2021

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2021</u>	<u>2020</u>	<u>(Note 1)</u> <u>2021</u>
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and non-controlling interests	¥ 642,308	¥ 657,353	\$ 5,646
Depreciation and amortization	556,657	576,451	4,893
Interest and dividends income	(11,832)	(14,093)	(104)
Interest expense	41,482	34,531	365
Foreign exchange loss (gain)	(51,698)	399	(454)
Equity in earnings of affiliates	(94,119)	(87,383)	(827)
Impairment loss	-	16,312	-
Loss (Gain) on sale of property, plant and equipment	(7,282)	11,175	(64)
Loss on retirement of property, plant and equipment	1,510	3,972	13
Subsidy income	(25,777)	(25,650)	(227)
Decrease (Increase) in trade receivables	145,970	(222,916)	1,283
Increase in inventories	(766,114)	(867,599)	(6,734)
Increase in trade payables	112,347	241,332	987
Increase in advances paid	(251,876)	(320,063)	(2,214)
Increase (Decrease) in accrued expenses	(56,613)	80,263	(498)
Increase in advances received	814,378	1,592,137	7,158
Decrease and increase in consumption taxes receivable or payable	98,816	(300,932)	869
Other, net	<u>138,367</u>	<u>(7,709)</u>	<u>1,216</u>
Sub total	1,286,524	1,367,580	11,308
Interest and dividends received	11,552	13,771	102
Interest paid	(40,577)	(34,606)	(357)
Income taxes paid	(146,090)	(79,368)	(1,284)
Income taxes refunded	16,506	10,036	145
Proceeds from subsidy income	<u>4,807</u>	<u>4,480</u>	<u>42</u>
Net cash provided by operating activities	<u>1,132,722</u>	<u>1,281,893</u>	<u>9,956</u>

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

### Consolidated Statement of Cash Flows Year ended November 30, 2021

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2021</u>	<u>2020</u>	<u>(Note 1) 2021</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(1,944,674)	(627,537)	(17,093)
Proceeds from sales of property, plant and equipment	17,256	13,259	152
Purchases of intangible fixed assets	(5,935)	(1,383)	(52)
Purchases of investment securities	(2,634)	(2,651)	(23)
Proceeds from subsidy income	25,777	25,650	227
Other, net	<u>(197)</u>	<u>(1,720)</u>	<u>(2)</u>
Net cash used in investing activities	<u>(1,910,407)</u>	<u>(594,382)</u>	<u>(16,791)</u>
<b>FINANCING ACTIVITIES:</b>			
Increase in short-term borrowings	726,600	–	6,386
Proceeds from long-term borrowings	1,060,000	200,000	9,317
Repayments on long-term borrowings	(200,724)	(185,517)	(1,764)
Repayments on lease obligations	(142,612)	(202,965)	(1,254)
Payments for purchase of treasury stock	(199,985)	(269,988)	(1,758)
Dividends paid to shareholders	(46,311)	(49,734)	(407)
Dividends paid to non-controlling shareholders	(1,080)	(1,094)	(9)
Proceeds from share issuance to non-controlling shareholders	48,000	22,300	422
Proceeds from sale and leaseback	46,949	157,027	413
Payments for installment payables for property and equipment	<u>–</u>	<u>(9,597)</u>	<u>–</u>
Net cash used in financing activities	<u>1,290,837</u>	<u>(339,568)</u>	<u>11,346</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(140,588)</u>	<u>22,683</u>	<u>(1,236)</u>
Net increase in cash and cash equivalents	372,564	370,626	3,275
Cash and cash equivalents at beginning of year	<u>3,815,314</u>	<u>3,444,688</u>	<u>33,535</u>
Cash and cash equivalents at end of year (Note 3)	¥ <u>4,187,878</u>	¥ <u>3,815,314</u>	\$ <u>36,810</u>

See accompanying notes to consolidated financial statements.

# ALTECH Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

Year Ended November 30, 2021

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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 2020 financial statements to conform to the classifications used in 2021.

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 ¥113.77 to \$1, the approximate rate of exchange at November 30, 2021. 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, 2021 include the accounts of the Company and its 13 significant (10 in 2020) 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 2020) 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, 2021, the financial

statements for the year ended September 30, 2021 were used for consolidation and six consolidated subsidiaries with a fiscal year ended on December 31, 2021, the tentative financial statements for the year ended September 30, 2021 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 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 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, June 17, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 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.

**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, 2021.

**q. Adoption of Accounting Standards for Disclosure of Accounting Estimates** — The “Accounting Standards for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) applies to the consolidated financial statements for the year ended November 30, 2021.

**r. Significant Accounting Estimates**

- Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the year ended November 30, 2021

	Thousands of yen	Thousands of U.S. dollars
Deferred tax assets	¥ 56,498	\$ 497

(2) Information about contents of significant accounting estimates for identified items

① Calculation method

The Group judged the recoverability of deferred tax assets for the future deductible temporary differences and tax loss carryforwards based on the taxable income estimates and tax planning taking the future profitability into consideration. The Group considers the business environment in the near future based on the plan for the year ended November 30, 2022 and the medium-term management plan.

② Significant assumptions

The Group estimates the taxable income based on the business plan of each consolidated company, which include estimated its future sales volume. It is very difficult to predict when COVID-19 pandemic will be under control in Japan and overseas. The Group assumes that the COVID-19 situation will gradually calm down toward the end of the fiscal year ending November 30, 2022, and the world economy will recover but will not reach the level before COVID-19 crisis.

③ Effect on the consolidated financial statements for the year ended November 30, 2022

If the assumptions are changed due to changes in economic conditions, including the impact of COVID-19 situation or other disaster, it becomes necessary to revise the estimated future taxable income. As a result, write-off of unrecoverable deferred tax assets and deferred tax expense will be recognized.

**s. 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, 2022 by the measures of each country including distributing booster vaccines. 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, 2021 and 2020 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
			<u>2021</u>
Cash and deposits	¥ 4,243,354	¥ 3,870,930	\$ 37,298
Time deposits	<u>(55,476)</u>	<u>(55,616)</u>	<u>(488)</u>
Cash and cash equivalents	¥ <u>4,187,878</u>	¥ <u>3,815,314</u>	\$ <u>36,810</u>

### 4. INVESTMENT SECURITIES

Acquisition cost, balance sheet amount, and unrealized gain (loss) of available-for sale securities with fair value at November 30, 2021 and 2020 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, 2021</u>				
Equity securities	¥ 204,543	¥ 97,165	¥ (27,051)	¥ 274,657
	<u>¥ 204,543</u>	<u>¥ 97,165</u>	<u>¥ (27,051)</u>	<u>¥ 274,657</u>
<u>November 30, 2020</u>				
Equity securities	¥ 201,909	¥ 97,288	¥ (24,805)	¥ 274,392
	<u>¥ 201,909</u>	<u>¥ 97,288</u>	<u>¥ (24,805)</u>	<u>¥ 274,392</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, 2021</u>				
Equity securities	\$ 1,798	\$ 854	\$ (238)	\$ 2,414
	<u>\$ 1,798</u>	<u>\$ 854</u>	<u>\$ (238)</u>	<u>\$ 2,414</u>

### 5. INVESTMENTS IN CAPITAL OF AFFILIATES

The aggregate carrying amounts of investment in capital of an affiliate at November 30, 2021 and 2020 are ¥1,122,624 thousand (\$9,867 thousand) and ¥1,114,247 thousand, respectively.



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

### (1) Short-term borrowings

Short-term borrowings at November 30, 2021, consisted of notes to banks, loan on deed and bank overdrafts. The average interest rates applicable to the short-term borrowings is 3.9% at November 30, 2021.

### (2) Long-term borrowings

Long-term borrowings at November 30, 2021 and 2020, consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
			<u>2021</u>
Loans from banks and other financial institutions, due serially to 2030 with average interest rates of 0.7%	¥ 1,560,979	¥ —	\$ 13,720
Loans from banks and other financial institutions, due serially to 2025 with average interest rates of 1.5%	—	688,796	—
	<u>1,560,979</u>	<u>688,796</u>	<u>13,720</u>
Less current portion	<u>556,535</u>	<u>139,479</u>	<u>4,891</u>
	¥ <u>1,004,444</u>	¥ <u>549,317</u>	\$ <u>8,829</u>

The aggregate annual maturities of long-term borrowings after November 30, 2022 are as follows:

	<u>Thousands of</u>	
	<u>yen</u>	<u>U.S. dollars</u>
Year ending November 30:		
2023	¥ 140,196	\$ 1,232
2024	146,346	1,286
2025	126,902	1,116
2026	112,000	985
2027 and thereafter	479,000	4,210

### (3) Lease obligations

Lease obligations at November 30, 2021 and 2020 consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
			<u>2021</u>
Lease obligations, with average interest rates of 4.9%	¥ 251,807	¥ —	\$ 2,213
Lease obligations, with average interest rates of 5.4%	—	314,131	—
	<u>251,807</u>	<u>314,131</u>	<u>\$ 2,213</u>
Less current portion	<u>99,691</u>	<u>128,921</u>	<u>876</u>
	¥ <u>152,116</u>	¥ <u>185,210</u>	\$ <u>1,337</u>

The aggregate annual maturities of lease obligations after November 30, 2022 are as follows:

	<u>Thousands of</u>	
	<u>yen</u>	<u>U.S. dollars</u>
Year ending November 30:		
2023	¥ 54,740	\$ 481
2024	49,425	434
2025	38,005	335
2026	7,392	65
2027	2,554	22

#### (4) Commitments

At November 30, 2021, 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	\$ 8,790
Borrowings	<u>—</u>	<u>—</u>
Unused commitments	¥ <u>1,000,000</u>	\$ <u>8,790</u>

#### 7. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral and collateralized debt at November 30, 2021 and 2020, were as follows:

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Assets pledged as collateral:			
Buildings and structures	¥ 548,249	¥ —	\$ 4,819
The right to use of land	72,026	—	633
Investment securities	<u>9,021</u>	<u>6,728</u>	<u>79</u>
Total	¥ <u>629,296</u>	¥ <u>6,728</u>	\$ <u>5,531</u>
Collateralized debt:			
Short-term borrowings	¥ 380,600	¥ —	\$ 3,345
Long-term borrowings	<u>—</u>	<u>—</u>	<u>—</u>
Total	¥ <u>380,600</u>	¥ <u>—</u>	\$ <u>3,345</u>

The above assets pledged at November 30, 2020 were taken out as collateral for banking transactions and there was 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, 2021 and 2020.

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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Statutory tax rate	30.6%	30.6%
Expenses not deductible for tax purposes	5.8	3.0
Per capita tax	1.3	1.2
Lower income tax rates applicable to income in certain foreign countries	(3.9)	(2.9)
Valuation allowance	0.5	(14.3)
Income taxes for prior years, etc.	0.2	0.2
Not recognized deferred taxes on unrealized gains	(0.9)	(0.6)
Equity in earnings, etc.	(4.5)	(4.1)
Undistributed earnings of foreign affiliates accounted for by equity method	(0.7)	1.0
Other	0.4	0.2
Effective tax rate	<u>28.8%</u>	<u>14.4%</u>

Significant components of deferred tax assets and liabilities at November 30, 2021 and 2020 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
			<u>2021</u>
Deferred tax assets:			
Accrued expenses	¥ 87,799	¥ 73,423	\$ 772
Other payables	5,648	16,283	50
Loss on valuation of products	31,065	25,069	273
Excess depreciation	24,043	18,379	211
Land	654	654	6
Unrealized intercompany profits	3,541	5,054	31
Revaluation loss on investment securities	12,612	12,612	111
Lease deposit depreciated as asset retirement obligations	9,221	9,221	81
Tax loss carryforwards	184,668	250,125	1,623
Other	<u>54,202</u>	<u>38,363</u>	<u>476</u>
Total deferred tax assets	413,453	449,183	3,634
Valuation allowance for tax loss carryforwards *2	(155,784)	(198,436)	(1,369)
Valuation allowance for total deductible temporary differences	<u>(125,579)</u>	<u>(87,436)</u>	<u>(1,104)</u>
Total valuation allowance *1	(281,363)	(285,872)	(2,473)
Offset with deferred tax liabilities	<u>(75,592)</u>	<u>(96,752)</u>	<u>(664)</u>
Net deferred tax assets	¥ <u>56,498</u>	¥ <u>66,559</u>	\$ <u>497</u>
Deferred tax liabilities:			
Business tax receivable	706	1,700	6
Dividends receivable	1,069	961	9
Deferred gains or losses on hedges	—	14,439	—
Loss on revaluation of assets under consolidated tax return system	1,546	1,546	13
Undistributed earnings of foreign affiliates accounted for by equity method	43,643	48,317	384
Unrealized gain on available-for-sale securities	<u>29,334</u>	<u>29,789</u>	<u>258</u>
Total deferred tax liabilities	76,298	96,752	670
Offset with deferred tax assets	<u>(75,592)</u>	<u>(96,752)</u>	<u>(664)</u>
Net deferred tax liabilities	¥ <u>706</u>	¥ <u>—</u>	\$ <u>6</u>

\*1 For the year ended November 30, 2021, the valuation allowance decreased by ¥4,509 thousand (\$40 thousand). This is due to a ¥42,652 thousand (\$375 thousand) decrease of the valuation allowance for tax loss carryforwards of the Company and 8 consolidated subsidiaries and a ¥38,143 thousand (\$335 thousand) increase of the valuation allowance for total deductible temporary differences of the Company and 4 consolidated subsidiaries.

\*2 Tax loss carryforwards will expire as follows:

		Thousands of yen						
		2021						
		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	¥	9,846	¥ 65,038	¥ 46,810	¥ 13,316	¥ 13,655	¥ 36,003	¥ 184,668
Valuation allowance		(9,846)	(62,746)	(20,796)	(13,316)	(13,077)	(36,003)	(155,784)
Deferred tax assets	¥	-	¥ 2,292	¥ 26,014	¥ -	¥ 578	¥ -	¥ 28,884

  

		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 U.S. dollars						
		2021						
		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	\$	87	\$ 572	\$ 411	\$ 117	\$ 120	\$ 316	\$ 1,623
Valuation allowance		(87)	(552)	(182)	(117)	(115)	(316)	(1,369)
Deferred tax assets	\$	-	\$ 20	\$ 229	\$ -	\$ 5	\$ -	\$ 254

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 ¥28,884 thousand (\$254 thousand) for tax loss carryforwards of ¥184,668 thousand (\$1,623 thousand) (the amount obtained by multiplying the effective statutory tax rate) at November 30, 2021. As regarding tax loss carryforwards of the Company and 8 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 ¥51,689 thousand for tax loss carryforwards of ¥250,125 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.

## 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, 2021 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, 2021 and 2020. Changes in the number of shares of common stock issued for the two years ended November 30, 2021 are as follows:

	<u>Issued shares</u>
Balance at November 30, 2019	19,354,596
Balance at November 30, 2020	<u>19,354,596</u>
Balance at November 30, 2021	<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, 2020 which was approved by the general meeting of shareholders held on February 27, 2020 were as follows:

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

Dividends paid during the year ended November 30, 2021 which was approved by the general meeting of shareholders held on February 25, 2021 were as follows:

(a) Total dividends	¥46,078 thousand (\$405 thousand)
(b) Cash dividends per common share	¥3 (\$0.03)
(c) Record date	November 30, 2020
(d) Effective date	February 26, 2021

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended November 30, 2021 which was approved by the general meeting of shareholders held on February 25, 2022 are as follows:

(a) Total dividends	¥44,270 thousand (\$389 thousand)
(b) Dividends source	Retained earnings
(c) Cash dividends per common share	¥3 (\$0.03)
(d) Record date	November 30, 2021
(e) Effective date	February 28, 2022

### (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, 2021 are as follows:

	<u>Shares</u>
Balance at November 30, 2019	2,881,158
Purchase of treasury stock	<u>1,113,880</u>
Balance at November 30, 2020	3,995,038
Purchase of treasury stock	639,976
Disposal of treasury stock	<u>(36,986)</u>
Balance at November 30, 2021	<u><u>4,598,028</u></u>

## 11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended November 30, 2021 and 2020 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
Salaries	¥ 951,787	¥ 908,871	\$ 8,366

## 12. IMPAIRMENT LOSS

The Company recognized impairment losses for the year ended November 30, 2020 as follows:

2020

Location	Usage	Classification
Tsurumi Ward, Yokohama City, Kanagawa	Assets expected to be non- operation	Other
	Thousands of yen	
	2020	
	Tsurumi Ward, Yokohama City, Kanagawa	
Classification		
Other	¥ 16,312	
Total	¥ 16,312	

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. LOSS ON BUSINESS WITHDRAWAL

The Company recognized loss on disposal of inventories due to withdrawal from the cross-border e-commerce business for the year ended November 30, 2021.



## 15. OTHER COMPREHENSIVE INCOME

Reclassification and tax effect of other comprehensive income for the years ended November 30, 2021 and 2020 are as follows are as follows:

	Thousands of yen		Thousands of
	2021	2020	U.S. dollars
			2021
Net unrealized loss on available-for-sale securities:			
Arising during the year	¥ (2,368)	¥ (7,022)	\$ (21)
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	(2,368)	(7,022)	(21)
Tax effect	455	74	4
Net-of-tax amount	(1,913)	(6,948)	(17)
Deferred gain on derivatives under hedge accounting:			
Arising during the year	(64,864)	41,339	(570)
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	(64,864)	41,339	(570)
Tax effect	19,861	(12,658)	174
Net-of-tax amount	(45,003)	28,681	(396)
Foreign currency translation adjustments:			
Arising during the year	560,968	99,240	4,931
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	560,968	99,240	4,931
Tax effect	—	—	—
Net-of-tax amount	560,968	99,240	4,931
Share of other comprehensive income of affiliates accounted for by equity method:			
Arising during the year	138,655	(31,015)	1,219
Reclassification adjustment through profit or loss	—	—	—
	138,655	(31,015)	1,219
Total other comprehensive income	¥ 652,707	¥ 89,958	\$ 5,737

## 16. 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, electronically recorded monetary claims and long-term other receivables 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, 2021 and 2020 are as follows:

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

	Thousands of yen					
	2021			2020		
	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Cash and deposits	¥ 4,243,354	¥ 4,243,354	¥ —	¥ 3,870,930	¥ 3,870,930	¥ —
Trade notes and accounts receivable	2,103,382	2,103,382		2,130,708	2,130,708	
less: Allowance for doubtful receivables *1	(267)	(267)		—	—	
	2,103,115	2,103,115	—	2,130,708	2,130,708	—
Electronically recorded monetary claims	388,551	388,551	—	440,280	440,280	—
Investment securities	274,657	274,657	—	274,392	274,392	—
Long-term other receivables *2	34,000	33,887	(113)	—	—	—
Total assets	¥ 7,043,677	¥ 7,043,564	¥ (113)	¥ 6,716,310	¥ 6,716,310	¥ —
Trade notes and accounts payable	¥ 994,007	¥ 994,007	¥ —	¥ 862,732	¥ 862,732	¥ —
Short-term borrowings	726,600	726,600	—	—	—	—
Long-term borrowings *3	1,560,979	1,560,944	(35)	688,796	687,286	(1,510)
Lease obligations *4	251,807	252,522	715	314,131	316,055	1,924
Total liabilities	¥ 3,533,393	¥ 3,534,073	¥ 680	¥ 1,865,659	¥ 1,866,073	¥ 414
Derivatives *5	¥ (18,378)	¥ (18,378)	¥ —	¥ 46,486	¥ 46,486	¥ —
	Thousands of U.S. dollars					
	2021					
	Carrying amount	Fair value	Differences			
Cash and deposits	\$ 37,298	\$ 37,298	\$ —			
Trade notes and accounts receivable	18,488	18,488				
less: Allowance for doubtful receivables *1	(2)	(2)				
	18,486	18,486	—			
Electronically recorded monetary claims	3,415	3,415	—			
Investment securities	2,414	2,414	—			
Long-term other receivables *2	299	298	(1)			
Total assets	\$ 61,912	\$ 61,911	\$ (1)			
Trade notes and accounts payable	\$ 8,737	\$ 8,737	\$ —			
Short-term borrowings	6,387	6,387	—			
Long-term borrowings *3	13,720	13,720	(0)			
Lease obligations *4	2,213	2,220	7			
Total liabilities	\$ 31,057	\$ 31,064	\$ 7			
Derivatives *5	\$ (162)	\$ (162)	\$ —			

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

\*2 Long-term other receivables is included in other assets (investments and other assets) in the accompanying consolidated balance sheet.

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

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

\*5 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.
- c. Long-term other receivables  
Fair value of long-term other receivables is based on the present value discounted by the interest rate considering the period until the collection date and credit risk.

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 and lease obligations  
Fair value of long-term borrowings and lease obligations are based on the present value of future cash flows of interest and principal payments discounted using the current interest rate for similar borrowings of a comparable maturity.
- c. Derivatives  
Please see Note 17.

2. Financial instruments whose fair value is extremely difficult to measure at November 30, 2021 and 2020 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Investment securities: Unlisted stock, etc.	¥ 0	¥ 0	\$ 0
Investments in capital of affiliates: Unlisted stock, etc.	1,122,624	1,114,247	9,867
Others: Unlisted stock, etc.	<u>120</u>	<u>120</u>	<u>1</u>
	¥ <u>1,122,744</u>	¥ <u>1,114,367</u>	\$ <u>9,868</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	¥ 4,243,354	¥ —	¥ —	¥ —
Trade notes and accounts receivable	2,103,382	—	—	—
Electronically recorded monetary claim	388,551	—	—	—
Long-term other receivables	—	34,000	—	—
Total	¥ <u>6,735,287</u>	¥ <u>34,000</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	\$ 37,298	\$ —	\$ —	\$ —
Trade notes and accounts receivable	18,488	—	—	—
Electronically recorded monetary claim	3,415	—	—	—
Long-term other receivables	—	299	—	—
Total	\$ <u>59,201</u>	\$ <u>299</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 over five years
Short-term borrowings	¥ 726,600	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	556,535	140,196	146,346	126,902	112,000	479,000
Lease liabilities	99,691	54,740	49,425	38,005	7,392	2,554
Total	¥ <u>1,382,826</u>	¥ <u>194,936</u>	¥ <u>195,771</u>	¥ <u>164,907</u>	¥ <u>119,392</u>	¥ <u>481,554</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 over five years
Short-term borrowings	\$ 6,387	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term borrowings	4,891	1,232	1,286	1,116	985	4,210
Lease liabilities	876	481	434	335	65	22
Total	\$ <u>12,154</u>	\$ <u>1,713</u>	\$ <u>1,720</u>	\$ <u>1,451</u>	\$ <u>1,050</u>	\$ <u>4,232</u>

## 17. DERIVATIVES

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

The Company had no derivatives outstanding at November 30, 2021 and 2020 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, 2021 and 2020:

		Thousands of yen	
		Contract or	
		notional amounts	Fair value
<u>November 30, 2021</u>		<u>Hedged items</u>	
Forward exchange contracts:			
Selling foreign currency:			
	Accounts receivable		
U.S. dollar	¥	2	¥ (0)
Other currencies		196,355	(1,125)
Buying foreign currency:			
	Accounts payable		
U.S. dollar		362,733	5,545
Euro		1,141,606	(21,738)
Other currencies		68,293	(1,060)

		Thousands of yen	
		Contract or	
		notional amounts	Fair value
<u>November 30, 2020</u>		<u>Hedged items</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 U.S. dollars	
		Contract or	
		notional amounts	Fair value
<u>November 30, 2021</u>		<u>Hedged items</u>	
Forward exchange contracts:			
Selling foreign currency:			
	Accounts receivable		
U.S. dollar	\$	0	\$ (0)
Other currencies		1,726	(10)
Buying foreign currency:			
	Accounts payable		
U.S. dollar		3,188	49
Euro		10,034	(191)
Other currencies		600	(10)

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

## 18. COMMITMENTS AND CONTINGENCIES

At November 30, 2021, the Company was contingently liable for investment guarantee of 3,472 thousand Baht (¥12,017 thousand, \$106 thousand) for Altech Asia Pacific Co., Ltd. to SBCS Co., Ltd. and SMBC Co., Ltd, which are subsidiaries of Sumitomo Mitsui Banking Corporation.

## 19. BALANCES AND TRANSACTIONS WITH RELATED PARTY

The condensed financial information of the significant affiliate, Altech New Material (Shenzhen) Co., Ltd. at November 30, 2021 and 2020 is as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
Total current assets	¥ 2,715,404	¥ 2,228,872	\$ 23,867
Total non-current assets	469,353	497,805	4,125
Total current liabilities	690,037	250,572	6,065
Total non-current liabilities	—	—	—
Total net assets	2,494,720	2,476,105	21,927
Sales	1,060,753	1,009,773	9,324
Income before income taxes	248,114	239,552	2,181
Net income	209,154	194,185	1,838

## 20. 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, 2021 and 2020 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
Net income from the rental property	¥ 33,377	¥ 28,695	\$ 293

- (2) The carrying amounts and fair values related to the rental property at November 30, 2021 and 2020, and movement of the carrying amount for the years then ended are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
			<u>2021</u>
Carrying amount:			
At beginning of the year	¥ 816,965	¥ 866,332	\$ 7,181
Movement	<u>11,432</u>	<u>(49,367)</u>	<u>100</u>
At end of the year	¥ <u>828,397</u>	¥ <u>816,965</u>	\$ <u>7,281</u>
Fair value at end of the year	¥ <u>1,070,947</u>	¥ <u>1,161,299</u>	\$ <u>9,413</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, 2021, the increase is arising from currency fluctuations of ¥92,526 thousand (\$813 thousand) and the decrease is due to depreciation of ¥81,094 thousand (\$713 thousand). For the year ended November 30, 2020, the increase is arising from currency fluctuations of ¥23,476 thousand and the decrease is due to depreciation of ¥72,843 thousand.
4. The fair value is calculated based on real estate price published by Chinese Government.
5. The balance of property, plant and equipment at November 30, 2021 includes the construction in progress of ¥365,381 thousand (\$3,212 thousand), which is the factory buildings under construction. Because it is extremely difficult to measure the fair value, the amount is not included in the above table.

## 21. 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, 2021 and 2020 are summarized as follows:

		Thousands of yen				
		2021				
		Reported segments				
		Wholesale	Preform	Total	Adjustments	Consolidated
Operating revenues:						
Revenues from third parties	¥	8,502,233	¥	5,358,709	¥	13,860,942
Intersegment revenues		221		170,004		170,225
Total		<u>8,502,454</u>		<u>5,528,713</u>		<u>14,031,167</u>
					<u>(170,225)</u>	
Segment income	¥	<u>235,392</u>	¥	<u>556,404</u>	¥	<u>791,796</u>
					<u>(183,724)</u>	¥
						<u>608,072</u>
Segment assets	¥	<u>5,785,837</u>	¥	<u>11,553,786</u>	¥	<u>17,339,623</u>
					<u>2,249,658</u>	¥
						<u>19,589,281</u>
Others:						
Depreciation and amortization	¥	44,505	¥	500,250	¥	544,755
Investments in entities accounted for using equity method	¥	–	¥	1,122,624	¥	1,122,624
Increase in property, plant and equipment and intangible assets	¥	53,471	¥	1,908,955	¥	1,962,426
					220	¥
						1,962,646
		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>
					<u>(28,197)</u>	
Segment income	¥	<u>551,066</u>	¥	<u>245,021</u>	¥	<u>796,087</u>
					<u>(146,331)</u>	¥
						<u>649,756</u>
Segment assets	¥	<u>4,706,864</u>	¥	<u>8,807,810</u>	¥	<u>13,514,674</u>
					<u>2,665,969</u>	¥
						<u>16,180,643</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
					943	¥
						634,607

Thousands of U.S. dollars					
2021					
Reported segments					
	Wholesale	Preform	Total	Adjustments	Consolidated
Operating revenues:					
Revenues from third parties	\$ 74,732	\$ 47,101	\$ 121,833	\$ –	\$ 121,833
Intersegment revenues	2	1,494	1,496	(1,496)	–
Total	<u>74,734</u>	<u>48,595</u>	<u>123,329</u>	<u>(1,496)</u>	<u>121,833</u>
Segment income	\$ <u>2,069</u>	\$ <u>4,891</u>	\$ <u>6,960</u>	\$ <u>(1,615)</u>	\$ <u>5,345</u>
Segment assets	\$ <u>50,855</u>	\$ <u>101,554</u>	\$ <u>152,409</u>	\$ <u>19,774</u>	\$ <u>172,183</u>
Others:					
Depreciation and amortization	\$ 391	\$ 4,397	\$ 4,788	\$ 105	\$ 4,893
Investments in entities accounted for using equity method	\$ –	\$ 9,867	\$ 9,867	\$ –	\$ 9,867
Increase in property, plant and equipment and intangible assets	\$ 470	\$ 16,779	\$ 17,249	\$ 2	\$ 17,251

The adjustment in “Segment income” for the years ended November 30, 2021 and 2020 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Intersegment transactions	¥ 59,232	¥ 60,798	\$ 521
Non-categorized expenses	(244,342)	(208,735)	(2,148)
Adjustments of fixed assets	1,386	1,606	12
	<u>¥ (183,724)</u>	<u>¥ (146,331)</u>	<u>\$ (1,615)</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, 2021 and 2020 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Adjustment of investment capital	¥ (47,588)	¥ –	\$ (418)
Intersegment balances	(828,195)	(50,367)	(7,280)
Non-categorized assets	3,125,441	2,716,336	27,472
	<u>¥ 2,249,658</u>	<u>¥ 2,665,969</u>	<u>\$ 19,774</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, 2021 and 2020 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Intersegment transactions	¥ (1,606)	¥ (1,606)	\$ (14)
Depreciation of company-wide assets	13,508	15,274	119
	<u>¥ 11,902</u>	<u>¥ 13,668</u>	<u>\$ 105</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>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
			<u>2021</u>
Japan	¥ 9,892,134	¥ 9,018,930	\$ 86,949
Asia	3,957,387	3,796,415	34,784
Americas	–	49,970	–
Europe	11,421	80,258	100
	<u>¥ 13,860,942</u>	<u>¥ 12,945,573</u>	<u>\$ 121,833</u>

#### (2) Property, plant and equipment

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2021</u>	<u>2020</u>	<u>U.S. dollars</u>
			<u>2021</u>
Japan	¥ 1,557,926	¥ 813,607	\$ 13,694
Asia	3,565,493	2,674,847	31,339
	<u>¥ 5,123,419</u>	<u>¥ 3,488,454</u>	<u>\$ 45,033</u>

### 3. Information by major customers

Disclosure for the years ended November 30, 2021 and 2020 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

Impairment loss is not recorded for the years ended November 30, 2021.

## Information of amortization and balance of goodwill

Goodwill is not recorded for the years ended November 30, 2021 and 2020.

## Negative goodwill incurred by reported segments

Negative goodwill is not recorded for the years ended November 30, 2021 and 2020.

## 22. 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, 2021 and 2020 are as follows:

	Yen		U.S. dollars
	2021	2020	2021
Basic net income per share	¥ 35.96	¥ 37.56	\$ 0.32
	Thousands of yen		Thousands of U.S. dollars
	2021	2020	2021
Income attributable to owners of parent	¥ 542,019	¥ 595,384	\$ 4,764
Net income not applicable to common shareholders	—	—	—
Income attributable to owners of parent applicable to common shareholders	¥ 542,019	¥ 595,384	\$ 4,764
	Number of shares		
	2021	2020	
Weighted average number of shares outstanding on which basic net income per share is calculated	15,073,736	15,849,918	

The diluted net income per share for the years ended November 30, 2021 and 2020 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, 2021 and 2020 are as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 766.12	¥ 673.34	\$ 6.73
	Thousands of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥ 11,590,488	¥ 10,625,439	\$ 101,876
Amount deducted from total net assets:			
Non-controlling interests	285,241	283,280	2,507
Net assets applicable to common shareholders	¥ 11,305,247	¥ 10,342,159	\$ 99,369
	Number of shares		
	2021	2020	
Number of shares outstanding at end of year on which net assets per share is calculated	14,756,568	15,359,558	

## 23. SUBSEQUENT EVENTS

### (1) *Repurchase of Own Shares*

The Company resolved at the board meeting held on January 14, 2022 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 (1.36% of total issued shares outstanding, excluding treasury stock at December 31, 2021)
• Total cost of shares to be repurchased	Up to ¥50,000 thousand (\$439 thousand)
• Period for share repurchase	From January 17, 2022 to February 28, 2022
• Method of share repurchase	Market purchase on the Tokyo Stock Exchange

### (2) *Disposal of Treasury Stock as Restricted Stock Remuneration*

The Company resolved at the board meeting held on February 25, 2022 the disposal of treasury stock as restricted stock remuneration.

#### a. Matter regarding the disposal

• Disposal date	March 24, 2022
• Type and number of shares	53,170 shares of the common stock of the Company
• Disposal price	¥283 (\$2) per share
• Total amount of disposal	¥15,047,110 (\$132,259)
• Number of recipients, and shares disposed	6 Directors (excluding outside directors and non-resident in Japan) 53,170 shares
• Other	Regarding this disposal of treasury stock, the Company has submitted a securities notice under the Financial Instruments and Exchange Act.

#### b. Reason and purpose of the disposal

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 and non-resident in Japan; the "Eligible Directors"). The 45th ordinary general meeting of shareholders held on February 25, 2021 approved that the total amount of monetary remuneration receivables to be granted to the Eligible Directors shall be ¥30,000 thousand (\$264 thousand) or less per year in addition to the current amount of remuneration.