

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

***Audited Consolidated Financial Statements  
for the Year Ended November 30, 2015***



Tel: +81-3-3295-1040  
Fax: +81-3-3295-1993  
www.bdo-toyo.or.jp

BDO Toyo & Co.  
Kandamitoshirocho7,  
Chiyoda-ku, Tokyo  
101-0053 Japan

## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Altech Co., Ltd. and consolidated subsidiaries, which comprise the consolidated balance sheet as of November 30, 2015, and the consolidated statement of operations, comprehensive income (loss), changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Altech Co., Ltd. and consolidated subsidiaries as of November 30, 2015, and their consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

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

BDO Toyo & Co.  
Tokyo, Japan  
February 26, 2016

*BDO Toyo & Co.*

**ALTECH Co., Ltd. and Consolidated Subsidiaries**
**Consolidated Balance Sheet  
November 30, 2015**

	Thousands of yen		Thousands of U.S. dollars (Note 1)		Thousands of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015		2015	2014	2015
<b>ASSETS</b>				<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and deposits (Note 3)	¥ 3,353,632	¥ 3,205,882	\$ 27,305	Trade notes and accounts payable	¥ 1,212,517	¥ 2,055,757	\$ 9,872
Trade notes and accounts receivable	2,656,093	2,412,068	21,626	Short-term borrowings and current portion of long-term borrowings (Notes 6, 7 and 8)	1,005,477	1,098,122	8,187
Inventories	1,396,182	1,852,644	11,368	Current portion of bond (Note 6)	26,000	36,000	211
Advances paid	702,989	570,830	5,723	Short-term lease obligations (Note 6)	315,313	71,774	2,567
Other current assets	857,394	400,928	6,981	Accounts payable-other	160,057	296,785	1,303
Allowance for doubtful receivables	(134)	(617)	(1)	Accrued expenses	382,083	354,017	3,111
Total current assets	<u>8,966,156</u>	<u>8,441,735</u>	<u>73,002</u>	Income taxes payable (Note 9)	33,198	37,704	270
				Deferred tax liabilities (Note 9)	1,938	19,317	16
<b>PROPERTY, PLANT AND EQUIPMENT :</b>				Advances received	972,153	706,158	7,916
Buildings and structures (Note 7)	3,667,065	3,379,771	29,857	Accrued losses on sales contracts	385	157	3
Machinery and equipment, and vehicles	3,559,911	5,794,786	28,985	Other current liabilities	<u>22,297</u>	<u>35,464</u>	<u>182</u>
Land	55,309	55,309	450	Total current liabilities	<u>4,131,418</u>	<u>4,711,255</u>	<u>33,638</u>
Lease assets	1,797,682	400,988	14,637	<b>LONG-TERM LIABILITIES:</b>			
Construction in progress	938,022	760,573	7,637	Bond (Note 6)	32,000	58,000	261
Other	<u>2,069,612</u>	<u>2,348,023</u>	<u>16,851</u>	Long-term borrowings (Notes 6, 7 and 8)	1,594,295	1,376,140	12,981
Total	12,087,601	12,739,450	98,417	Long-term lease obligations (Note 6)	1,034,543	185,562	8,423
Accumulated depreciation	<u>(6,695,846)</u>	<u>(6,888,673)</u>	<u>(54,517)</u>	Deferred tax liabilities (Note 9)	73,769	116,009	601
Net property, plant and equipment	<u>5,391,755</u>	<u>5,850,777</u>	<u>43,900</u>	Other long-term liabilities	<u>5,096</u>	<u>5,095</u>	<u>41</u>
				Total long-term liabilities	<u>2,739,703</u>	<u>1,740,806</u>	<u>22,307</u>
<b>INTANGIBLE ASSETS, NET (Note 7)</b>				Total liabilities	<u>6,871,121</u>	<u>6,452,061</u>	<u>55,945</u>
	836,312	671,837	6,809	<b>SHAREHOLDERS' EQUITY (Note 11):</b>			
<b>INVESTMENTS AND OTHER ASSETS:</b>				Common stock	5,527,830	5,527,830	45,008
Investment securities (Notes 4 and 7)	380,288	540,520	3,096	Capital surplus	2,149,339	2,200,779	17,500
Investment in capital of affiliates (Note 5)	1,167,298	1,220,303	9,504	Retained earnings	947,700	1,946,181	7,716
Lease deposits (Note 10)	106,862	182,731	870	Treasury stock	<u>(923,020)</u>	<u>(922,965)</u>	<u>(7,516)</u>
Deferred tax assets (Note 9)	86	36	1	Total shareholders' equity	<u>7,701,849</u>	<u>8,751,825</u>	<u>62,708</u>
Other assets	37,453	50,541	305	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>			
Allowance for doubtful receivables	—	(256)	—	Net unrealized gain on available-for-sale securities (Note 4)	57,158	87,206	465
Total investments and other assets	<u>1,691,987</u>	<u>1,993,875</u>	<u>13,776</u>	Deferred gain (loss) on derivatives under hedge accounting (Note 16)	(6,658)	31,677	(54)
				Foreign currency translation adjustments	<u>2,097,701</u>	<u>1,488,331</u>	<u>17,079</u>
				Total accumulated other comprehensive income	<u>2,148,201</u>	<u>1,607,214</u>	<u>17,490</u>
<b>TOTAL</b>				<b>MINORITY INTERESTS</b>			
¥ <u>16,886,210</u>	¥ <u>16,958,224</u>	\$ <u>137,487</u>		<u>165,039</u>	<u>147,124</u>	<u>1,344</u>	
				Total net assets	<u>10,015,089</u>	<u>10,506,163</u>	<u>81,542</u>
				<b>COMMITMENTS AND CONTINGENCIES (Note 17)</b>			
				<b>TOTAL</b>			
				¥ <u>16,886,210</u>	¥ <u>16,958,224</u>	\$ <u>137,487</u>	

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Operations Year Ended November 30, 2015

	<u>Thousands of yen</u>		Thousands of <u>U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u> (Note 1)
NET SALES	¥ 15,810,474	¥ 16,235,871	\$ 128,729
COST OF SALES	<u>12,786,501</u>	<u>13,008,734</u>	<u>104,108</u>
Gross profit	3,023,973	3,227,137	24,621
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 12 and 13)	<u>2,855,867</u>	<u>2,938,336</u>	<u>23,252</u>
Operating profit	<u>168,106</u>	<u>288,801</u>	<u>1,369</u>
OTHER INCOME (EXPENSES):			
Interest and dividends income	32,460	18,306	264
Equity in earnings (loss) of affiliates	2,442	(103,875)	20
Foreign exchange gain	24,531	136,847	200
Interest expense	(136,677)	(115,967)	(1,113)
Commission paid	(23,565)	(19,689)	(192)
Business commencement expense	(185,018)	(4,355)	(1,506)
Gain on sale of property, plant and equipment	64,194	96,911	523
Gain on sale of investment securities	179,831	–	1,464
Gain on sale of an affiliate stock	–	8,802	–
Insurance received	6,539	–	53
Loss on sale of property, plant and equipment	(222)	(1,790)	(2)
Impairment loss (Note 13)	(997,814)	(79,450)	(8,124)
Other—net	<u>(25,823)</u>	<u>(6,526)</u>	<u>(211)</u>
Other expenses—net	<u>(1,059,122)</u>	<u>(70,786)</u>	<u>(8,624)</u>
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>(891,016)</u>	<u>218,015</u>	<u>(7,255)</u>
INCOME TAXES (Note 9):			
Current	104,617	71,731	852
Deferred	<u>(20,392)</u>	<u>(16,930)</u>	<u>(166)</u>
Total income taxes	<u>84,225</u>	<u>54,801</u>	<u>686</u>
INCOME (LOSS) BEFORE MINORITY INTERESTS	<u>(975,241)</u>	<u>163,214</u>	<u>(7,941)</u>
MINORITY INTERESTS	<u>(23,240)</u>	<u>(29,234)</u>	<u>(189)</u>
NET INCOME (LOSS)	<u>¥ (998,481)</u>	<u>¥ 133,980</u>	<u>\$ (8,130)</u>

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Comprehensive Income (Loss) Year Ended November 30, 2015

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
			(Note 1)
			<u>2015</u>
INCOME (LOSS) BEFORE MINORITY INTERESTS	¥ (975,241)	¥ 163,214	\$ (7,941)
OTHER COMPREHENSIVE INCOME (Note 14):			
Net unrealized gain (loss) on available-for-sale securities	(30,048)	20,981	(245)
Deferred gain (loss) on derivatives under hedge	(38,335)	19,910	(312)
Foreign currency translation adjustments	353,631	611,563	2,879
Share of other comprehensive income of affiliates accounted for by equity method	<u>255,739</u>	<u>21,968</u>	<u>2,083</u>
Total other comprehensive income	540,987	674,422	4,405
COMPREHENSIVE INCOME (LOSS)	¥ <u>(434,254)</u>	¥ <u>837,636</u>	\$ <u>(3,536)</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Comprehensive income (loss) attributable to owners of parent	(453,604)	799,108	(3,693)
Comprehensive income attributable to minority interests	19,350	38,528	157

See accompanying notes to consolidated financial statements.

**ALTECH Co., Ltd. and Consolidated Subsidiaries**
**Consolidated Statement of Changes in Net Assets  
Year ended November 30, 2015**

	Thousands of yen										
	Shareholders' equity (Note 12)				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain (loss) on available-for-sale securities (Note 4)	Deferred gain (loss) on derivatives under hedge (Note 16)	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at November 30, 2013	¥ 5,527,830	¥ 2,252,220	¥ 1,812,201	¥ (922,916)	¥ 8,669,335	¥ 66,225	¥ 11,767	¥ 854,800	¥ 932,792	¥ 108,597	¥ 9,710,724
Changes arising during the year:											
Dividends		(51,441)			(51,441)						(51,441)
Net income (loss)			133,980		133,980						133,980
Purchase of treasury stock				(49)	(49)						(49)
Net changes other than shareholders' equity						20,981	19,910	633,531	674,422	38,527	712,949
Total changes during the year		(51,441)	133,980	(49)	82,490	20,981	19,910	633,531	674,422	38,527	795,439
Balance at November 30, 2014	5,527,830	2,200,779	1,946,181	(922,965)	8,751,825	87,206	31,677	1,488,331	1,607,214	147,124	10,506,163
Changes arising during the year:											
Dividends		(51,440)			(51,440)						(51,440)
Net income (loss)			(998,481)		(998,481)						(998,481)
Purchase of treasury stock				(55)	(55)						(55)
Net changes other than shareholders' equity						(30,048)	(38,335)	609,370	540,987	17,915	558,902
Total changes during the year		(51,440)	(998,481)	(55)	(1,049,976)	(30,048)	(38,335)	609,370	540,987	17,915	(491,074)
Balance at November 30, 2015	¥ 5,527,830	¥ 2,149,339	¥ 947,700	¥ (923,020)	¥ 7,701,849	¥ 57,158	¥ (6,658)	¥ 2,097,701	¥ 2,148,201	¥ 165,039	¥ 10,015,089

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity (Note 12)				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain (loss) on available-for-sale securities (Note 4)	Deferred gain (loss) on derivatives under hedge (Note 16)	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at November 30, 2014	\$ 45,008	\$ 17,919	\$ 15,846	\$ (7,515)	\$ 71,258	\$ 710	\$ 258	\$ 12,118	\$ 13,086	\$ 1,198	\$ 85,542
Changes arising during the year:											
Dividends		(419)			(419)						(419)
Net income (loss)			(8,130)		(8,130)						(8,130)
Purchase of treasury stock				(1)	(1)						(1)
Net changes other than shareholders' equity						(245)	(312)	4,961	4,404	146	4,550
Total changes during the year		(419)	(8,130)	(1)	(8,550)	(245)	(312)	4,961	4,404	146	(4,000)
Balance at November 30, 2015	\$ 45,008	\$ 17,500	\$ 7,716	\$ (7,516)	\$ 62,708	\$ 465	\$ (54)	\$ 17,079	\$ 17,490	\$ 1,344	\$ 81,542

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Cash Flows Year ended November 30, 2015

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u> (Note 1)
<b>OPERATING ACTIVITIES:</b>			
Income (Loss) before income taxes and minority interests ¥	(891,016)	¥ 218,015	\$ (7,255)
Depreciation and amortization	1,065,140	1,063,299	8,672
Provision for doubtful receivables	(739)	(21,351)	(6)
Interest and dividends income	(32,460)	(18,306)	(264)
Interest expense	136,677	115,967	1,113
Foreign exchange gain	(52,051)	(134,504)	(424)
Equity in earnings of affiliates	(2,442)	103,875	(20)
Gain on sale of an affiliate stock	-	(8,802)	-
Gain on sale of investment securities	(179,831)	-	(1,464)
Loss on valuation of investment securities	17,769	-	145
Impairment loss	997,814	79,450	8,124
Gain on sale of property, plant and equipment	(63,972)	(95,121)	(521)
Insurance received	(6,539)	-	(53)
Decrease (Increase) in trade receivables	(205,332)	93,214	(1,672)
Decrease (Increase) in inventories	509,995	(133,153)	4,153
Decrease in trade payables	(872,681)	(322,848)	(7,105)
Decrease in claims in bankruptcy and reorganization	-	21,513	-
Increase in advances paid	(126,503)	(70,035)	(1,030)
Increase in accrued expenses	21,494	265	175
Increase (Decrease) in advances received	269,256	(5,137)	2,192
Other, net	<u>(100,103)</u>	<u>(6,741)</u>	<u>(815)</u>
Sub total	484,476	879,600	3,945
Interest and dividends received	32,241	20,069	263
Dividends received from an affiliate accounted for by equity method	307,172	-	2,501
Interest paid	(138,026)	(122,397)	(1,124)
Income taxes paid	(132,853)	(91,140)	(1,082)
Income taxes refunded	45,135	1,138	367
Insurance received	<u>6,539</u>	<u>-</u>	<u>53</u>
Net cash provided by operating activities	<u>604,684</u>	<u>687,270</u>	<u>4,923</u>

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

### Consolidated Statement of Cash Flows Year ended November 30, 2015

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>(Note 1)</u> <u>2015</u>
<b>INVESTING ACTIVITIES:</b>			
Increase of long-term deposits	(669)	(50,810)	(5)
Purchases of property, plant and equipment	(1,517,319)	(838,475)	(12,354)
Proceeds from sales of property, plant and equipment	307,737	159,415	2,506
Purchases of intangible fixed assets	(163,355)	(74,987)	(1,330)
Purchases of investment securities	(2,508)	(108,551)	(20)
Proceeds from sale of investment securities	192,103	5,806	1,564
Proceeds from sale of an affiliate stock	1,093	7,709	9
Increase in long-term loans receivable	–	(5,319)	–
Decrease in long-term loans receivable	5,569	111	45
Other, net	<u>90,061</u>	<u>(379)</u>	<u>732</u>
Net cash used in investing activities	<u>(1,087,288)</u>	<u>(905,480)</u>	<u>(8,853)</u>
<b>FINANCING ACTIVITIES:</b>			
Decrease in short-term debt	(129,200)	(362,760)	(1,052)
Proceeds from long-term debt	922,896	919,140	7,514
Repayments on long-term debt	(757,875)	(857,986)	(6,171)
Repayments on bonds	(36,000)	(36,000)	(293)
Repayments on lease obligations	(325,560)	(109,106)	(2,651)
Payments for purchase of treasury stock	(55)	(48)	(0)
Dividends paid to shareholders	(51,082)	(51,092)	(416)
Dividends paid to minority shareholders	(1,435)	–	(12)
Proceeds from sale and leaseback	<u>1,440,521</u>	<u>17,652</u>	<u>11,729</u>
Net cash provided by (used in) financing activities	<u>1,062,210</u>	<u>(480,200)</u>	<u>8,648</u>
Effect of exchange rate changes on cash and cash equivalents	<u>42,828</u>	<u>136,870</u>	<u>349</u>
Net increase (decrease) in cash and cash equivalents	622,434	(561,540)	5,067
Cash and cash equivalents at beginning of year	<u>3,155,072</u>	<u>3,716,612</u>	<u>25,689</u>
Cash and cash equivalents at end of year (Note 3)	¥ <u>3,777,506</u>	¥ <u>3,155,072</u>	\$ <u>30,756</u>

See accompanying notes to consolidated financial statements.



# ALTECH Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

Year Ended November 30, 2015

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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 2014 financial statements to conform to the classifications used in 2015.

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 ¥122.82 to \$1, the approximate rate of exchange at November 30, 2015. 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, 2015 include the accounts of the Company and its 13 significant (12 in 2014) 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.

Investments in 1 (1 in 2014) affiliates are accounted for by the equity method. Investment in the remaining 1 (1 in 2014) unconsolidated subsidiaries is stated at cost. If the equity method of accounting had been applied to the investment in the company, the effect on the accompanying consolidated financial statements would not be material.

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

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

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

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

- d. **Allowance for Doubtful Receivables** — The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- e. **Inventories** — Inventories held for sale in the ordinary course of business of the Company and consolidated subsidiaries were stated at the lower of cost determined by the specific identification method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. Inventories of certain consolidated subsidiaries were stated at the lower of cost, determined by the moving-average method, or market.
- f. **Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation of the Company and consolidated subsidiaries is computed by the straight-line method. The range of useful lives is principally from 2 to 34 years for buildings and structures, and from 2 to 10 years for machinery and equipment, and vehicles.

Previously, depreciation of the Company and its domestic consolidated subsidiaries was computed by the declining-balance method, except for the buildings acquired on or after April 1, 1998 and leased assets. The Company and its domestic consolidated subsidiaries changed the depreciation method from the declining-balance method to the straight-line method for the year ended November 30, 2015.

The Group has reviewed the actual use of property, plant and equipment upon budgeting based on the future development of the business. As a result, both within the trading business and preforms business, the economic benefits of the asset is expected to be spent over the useful life on average. Therefore, the Company judged that by distributing depreciation expenses equally over the useful life, and by making the Company's depreciation method agree with the method adopted by overseas subsidiaries whose importance on consolidation are getting bigger, the profit and loss must be more appropriately reflected to the consolidated financial statements.

As a result of the change, operating profit increased ¥34,274 thousand (\$279 thousand). Loss before income taxes and minority interests decreased ¥36,494 thousand (\$297 thousand).

- 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. Patent are amortized by the straight-line method over the estimated useful lives (from 4 to 8 years). The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years).

- h. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

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

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

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

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

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

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

- m. Leases** — All finance lease transactions are capitalized. Leased assets related to finance lease transactions without title transfer are depreciated by the straight-line method, with the lease periods as their useful lives and no residual value.

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

o. **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, 2015.

### 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, 2015 and 2014 are follows:

	Thousands of yen		Thousands of
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
Cash and deposits	¥ 3,353,632	¥ 3,205,882	\$ 27,305
Time deposits	(50,126)	(50,810)	(408)
Short-term investments	<u>474,000</u>	<u>—</u>	<u>3,859</u>
Cash and cash equivalents	¥ <u>3,777,506</u>	¥ <u>3,155,072</u>	\$ <u>30,756</u>

### 4. INVESTMENT SECURITIES

Acquisition cost, balance sheet amount, and unrealized gain (loss) of available-for sale securities with fair value at November 30, 2015 and 2014 are summarized as follows:

	Thousands of yen			
	<u>Acquisition cost</u>	<u>Unrealized gain</u>	<u>Unrealized loss</u>	<u>Balance sheet amount</u>
<u>November 30, 2015</u>				
Equity securities	¥ 193,995	¥ 88,363	¥ (3,985)	¥ 278,373
Bond	<u>101,915</u>	<u>—</u>	<u>—</u>	<u>101,915</u>
	¥ <u>295,910</u>	¥ <u>88,363</u>	¥ <u>(3,985)</u>	¥ <u>380,288</u>
<u>November 30, 2014</u>				
Equity securities	¥ 302,825	¥ 139,530	¥ (4,033)	¥ 438,322
Bond	<u>102,198</u>	<u>—</u>	<u>—</u>	<u>102,198</u>
	¥ <u>405,023</u>	¥ <u>139,530</u>	¥ <u>(4,033)</u>	¥ <u>540,520</u>
	Thousands of U.S. dollars			
	<u>Acquisition cost</u>	<u>Unrealized Gain</u>	<u>Unrealized loss</u>	<u>Balance sheet amount</u>
<u>November 30, 2015</u>				
Equity securities	\$ 1,579	\$ 719	\$ (33)	\$ 2,266
Bond	<u>830</u>	<u>—</u>	<u>—</u>	<u>830</u>
	\$ <u>2,410</u>	\$ <u>719</u>	\$ <u>(33)</u>	\$ <u>3,096</u>

For the years ended November 30, 2015 and 2014, proceeds from sales of available-for-sale securities are ¥291,169 thousand (\$2,371 thousand) and ¥5,806 thousand, gross realized gains on these sales are ¥179,831 thousand (\$1,464 thousand) and ¥345 thousand, gross realized losses on these sales are nil and nil, respectively.

## 5. INVESTMENTS IN AFFILIATES

The aggregate carrying amounts of investments in affiliates at November 30, 2015 and 2014 are ¥1,167,298 thousand (\$9,504 thousand) and ¥1,220,303 thousand, respectively.

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

### (1) Short-term borrowings

Short-term borrowings at November 30, 2015 and 2014, consisted of notes to banks, loan on deed and bank overdrafts. The average interest rates applicable to the short-term borrowings are 1.2% and 5.5% at November 30, 2015 and 2014, respectively.

### (2) Bond

Bond at November 30, 2015 and 2014, consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
			<u>2015</u>
Bond, due serially to 2016 with interest rate of 0.77%	¥ 10,000	¥ 30,000	\$ 81
Less current portion	<u>10,000</u>	<u>20,000</u>	<u>81</u>
	—	10,000	—
Bond, due serially to 2018 with interest rate of 0.63%	48,000	64,000	391
Less current portion	<u>16,000</u>	<u>16,000</u>	<u>130</u>
	32,000	48,000	261
Total	¥ <u>32,000</u>	¥ <u>58,000</u>	\$ <u>261</u>

The aggregate annual maturities of the bond after November 30, 2016 are as follows:

	<u>Thousands of</u>	<u>Thousands of</u>
	<u>yen</u>	<u>U.S. dollars</u>
Year ending November 30:		
2017	16,000	130
2018	16,000	130

### (3) Long-term borrowings

Long-term borrowings at November 30, 2015 and 2014, consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
			<u>2015</u>
Loans from banks and other financial institutions, due serially to 2021 with average interest rates of 2.9%	¥ 2,299,772	¥ —	\$ 18,725
Loans from banks and other financial institutions, due serially to 2019 with average interest rates of 2.9%	<u>—</u>	<u>2,069,662</u>	<u>—</u>
	2,299,772	2,069,662	18,725
Less current portion	<u>705,477</u>	<u>693,522</u>	<u>5,744</u>
Total	¥ <u>1,594,295</u>	¥ <u>1,376,140</u>	\$ <u>12,981</u>

The aggregate annual maturities of long-term borrowings after November 30, 2016 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Year ending November 30:		
2017	¥ 628,843	\$ 5,120
2018	557,358	4,538
2019	318,836	2,596
2020	89,258	727

**(4) Lease liabilities**

Lease liabilities at November 30, 2015 and 2014 consisted of the followings:

	Thousands of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease liabilities, with average interest rates of 4.4%	¥ 1,349,856	¥ –	\$ 10,990
Lease liabilities, with average interest rates of 7.8%	–	257,336	–
Less current portion	<u>315,313</u>	<u>71,774</u>	<u>2,567</u>
Total	¥ <u>1,034,543</u>	¥ <u>185,562</u>	\$ <u>8,423</u>

The aggregate annual maturities of lease liabilities after November 30, 2016 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Year ending November 30:		
2017	¥ 322,987	\$ 2,630
2018	297,731	2,424
2019	302,134	2,460
2020	111,691	909

**(5) Commitments**

At November 30, 2015, the Company has commitment line contracts with five banks to flexibly and efficiently finance the operating fund. Components of commitment line contracts were as follows:

	Thousands of yen	Thousands of U.S. dollars
Total commitments	¥ 1,150,000	\$ 9,363
Borrowings	<u>–</u>	<u>–</u>
Unused commitments	¥ <u>1,150,000</u>	\$ <u>9,363</u>

## 7. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral and collateralized debt at November 30, 2015 and 2014, were as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
Assets pledged as collateral:			
Buildings and structures	¥ —	¥ 1,196,194	\$ —
Investment securities	11,850	10,296	96
Land use rights	<u>—</u>	<u>114,148</u>	<u>—</u>
Total	¥ <u>11,850</u>	¥ <u>1,320,638</u>	\$ <u>96</u>
Collateralized debt:			
Short-term borrowings	¥ 120,000	¥ 474,600	\$ 977
Long-term borrowings	<u>270,000</u>	<u>390,000</u>	<u>2,198</u>
Total	¥ <u>390,000</u>	¥ <u>864,600</u>	\$ <u>3,175</u>

## 8. RESTRICTIVE FINANCIAL COVENANTS

Followings are information about syndicated loans at November 30, 2015.

- (1) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 28, 2011, balance at November 30, 2015: \$242 thousand have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
  - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2010.
  - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation. 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 minority interests.

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

- (2) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 19, 2012, maximum borrowing amount: ¥1,150,000 thousand (\$9,363 thousand), balance at November 30, 2015: nil) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
  - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2011.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

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

- (3) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 3, 2012, balance at November 30, 2015: \$356 thousand have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2011.
  - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

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

- (4) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: September 25, 2013, balance at November 30, 2015: ¥420,000 thousand (\$3,420 thousand)) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2012.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

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

- (5) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 26, 2014, balance at November 30, 2015: ¥420,000 thousand (\$3,420 thousand)) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2013.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

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

- (6) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 7, 2014, balance at November 30, 2015: 5,791 thousand Chinese Yuan (¥111,998 thousand, \$912 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2013.
  - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

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



Followings are information about syndicated loans at November 30, 2014.

- (1) Long-term loan contracts to the Altech New Materials (Guangzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: February 18, 2011, balance at November 30, 2014: \$408 thousand have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
  - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2009.
  - b. Altech New Materials (Guangzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

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

- (2) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 28, 2011, balance at November 30, 2014: \$706 thousand have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
  - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2010.
  - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

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

- (3) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 19, 2012, maximum borrowing amount: ¥1,150,000 thousand, balance at November 30, 2014: nil) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
  - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2011.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

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

- (4) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 3, 2012, balance at November 30, 2014: \$582 thousand have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
  - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2011.
  - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

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

- (5) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: September 25, 2013, balance at November 30, 2014: ¥560,000 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2012.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

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

- (6) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 26, 2014, balance at November 30, 2014: ¥540,000 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2013.
  - b. The Company must not have two consecutive years of consolidated ordinary loss.

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

- (7) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 7, 2014, balance at November 30, 2014: 7,280 thousand Chinese Yuan have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2013.
  - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

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

## 9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in statutory tax rates of approximately 35.6% and 38.0% for the years ended November 30, 2015 and 2014, respectively.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended November 30, 2014 was follows:

	<u>2014</u>
Statutory tax rate	38.0%
Expenses not deductible for tax purposes	3.7
Income not credited for tax purposes	(0.5)
Per capita tax	3.7
Lower income tax rates applicable to income in certain foreign countries	(26.2)
Valuation allowance	(2.8)
Not recognized deferred taxes on unrealized gains	(4.5)
Equity in earnings, etc.	18.1
Undistributed earnings of foreign affiliates accounted for by equity method	(2.8)
Consolidation adjustment for gain on sale of affiliates stocks	—
Other	(1.6)
	<u>25.1%</u>
Effective tax rate	<u>25.1%</u>

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended November 30, 2015 are omitted, because loss before income taxes and minority interests are recorded.

Significant components of deferred tax assets and liabilities at November 30, 2015 and 2014 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Deferred tax assets (current):			
Accrued expenses	¥ 48,784	¥ 47,445	\$ 397
Other payables	7,988	8,604	65
Allowance for doubtful receivables	4,542	8,442	37
Products	16,862	94,330	137
Other	<u>5,102</u>	<u>4,215</u>	<u>42</u>
	83,278	163,036	678
Valuation allowance	(83,278)	(163,036)	(678)
Offset with deferred tax liabilities	<u>—</u>	<u>—</u>	<u>—</u>
	—	—	—
Deferred tax liabilities (current):			
Dividends receivable	1,028	1,026	9
Business tax receivable	910	75	7
Deferred gains or losses on hedges	—	18,209	—
Other	<u>—</u>	<u>7</u>	<u>—</u>
	1,938	19,317	16
Offset with deferred tax assets	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,938</u>	<u>19,317</u>	<u>16</u>
Net deferred tax liabilities	¥ <u>1,938</u>	¥ <u>19,317</u>	\$ <u>16</u>

Deferred tax assets (non-current):			
Excess depreciation	¥ 950,502	¥ 62,068	\$ 7,739
Land	689	761	6
Unrealized intercompany profits	208	550	2
Revaluation loss on investment securities	13,288	64,362	108
Allowance for doubtful receivables	—	69	—
Subsidiaries' stock	2,258	2,495	18
Revaluation loss on investments	20,525	16,343	167
Tax loss carryforwards	1,162,671	1,038,281	9,466
Lease deposit (Asset retirement obligations)	9,715	10,733	79
Other	<u>8,492</u>	<u>9,336</u>	<u>69</u>
	2,168,348	1,204,998	17,654
Valuation allowance	(2,168,054)	(1,204,412)	(17,652)
Offset with deferred tax liabilities	<u>(208)</u>	<u>(550)</u>	<u>(1)</u>
	86	36	1
Deferred tax liabilities (non-current):			
Loss on revaluation of assets under consolidated tax return system	1,529	1,660	12
Undistributed earnings of foreign affiliates accounted for by equity method	45,228	66,608	368
Unrealized gain on available-for-sale securities	<u>27,220</u>	<u>48,291</u>	<u>223</u>
	73,977	116,559	603
Offset with deferred tax assets	<u>(208)</u>	<u>(550)</u>	<u>(2)</u>
	<u>73,769</u>	<u>116,009</u>	<u>601</u>
Net deferred tax liabilities	¥ <u>73,683</u>	¥ <u>115,973</u>	\$ <u>600</u>

The "Act for Partial Revision of the Income Tax Act" (Act No.9 of 2015) and the "Act on Partial Revision of the Local Tax Act" (Act No.2 of 2015) were issued on March 31, 2015.

In accordance with the changes, the statutory tax rate for the Company to calculate the amounts of deferred tax assets and liabilities have been applied as follows depending on the reversal timing of each temporary item.

	<u>Tax rate</u>
November 30, 2015 and before	35.6%
December 1, 2015 and onward	33.1%
December 1, 2016 and onward	32.3%

As a result of these changes, deferred tax liabilities decreased by ¥3,725 thousand (\$30 thousand), income taxes-deferred decreased by ¥873 thousand (\$7 thousand), while net unrealized gain on available-for-sale securities increased by ¥2,851 thousand (\$23 thousand), respectively.

## 10. ASSET RETIREMENT OBLIGATIONS

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

The Company estimated non-recoverable amounts of lease deposits under lease contracts at November 30, 2015, and recorded the amount attributable to the current fiscal year as expenses, instead of recognizing a liability for asset retirement obligations.

## 11. SHAREHOLDERS' EQUITY

### (1) Common Stock

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

The number of authorized shares is 40,000,000 at both November 30, 2015 and 2014. Changes in the number of shares of common stock issued for the two years ended November 30, 2015 are as follows:

	<u>Issued shares</u>
Balance at November 30, 2013	19,354,596
Balance at November 30, 2014	<u>19,354,596</u>
Balance at November 30, 2015	<u>19,354,596</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, 2014 which was approved by the general meeting of shareholders held on February 27, 2014 were as follows:

(a) Total dividends	¥51,441 thousand
(b) Cash dividends per common share	¥3
(c) Record date	November 30, 2013
(d) Effective date	February 28, 2014

Dividends paid during the year ended November 30, 2015 which was approved by the general meeting of shareholders held on February 26, 2015 were as follows:

(a) Total dividends	¥51,440 thousand (\$419 thousand)
(b) Cash dividends per common share	¥3 (\$0.02)
(c) Record date	November 30, 2014
(d) Effective date	February 27, 2015

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended November 30, 2015 which was approved by the general meeting of shareholders held on February 26, 2016 are as follows:

(a) Total dividends	¥51,439 thousand (\$419 thousand)
(b) Dividends source	Retained earnings
(c) Cash dividends per common share	¥3 (\$0.02)
(d) Record date	November 30, 2015
(e) Effective date	February 29, 2016

### (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, 2015 are as follows:

	<u>Shares</u>
Balance at November 30, 2013	2,207,727
Acquisition for treasury	<u>200</u>
Balance at November 30, 2014	2,207,927
Acquisition for treasury	<u>240</u>
Balance at November 30, 2015	<u><u>2,208,167</u></u>

## 12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended November 30, 2015 and 2014 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
			<u>2015</u>
Salaries	¥ 931,697	¥ 922,598	\$ 7,586

### 13. IMPAIRMENT LOSS

The Company recognized impairment losses for the years ended November 30, 2015 and 2014 as follows:

#### 2015

Location	Usage	Classification
Guangzhou City, China	Production equipment	Buildings and structures, Machinery and equipment, and vehicles, and Other
Foshan City, China	Production equipment	Construction in progress
Sukabumi City, Indonesia	Production equipment	Buildings and structures, Machinery and equipment, and vehicles, Lease assets, Construction in progress, and Other

#### 2014

Location	Usage	Classification
Suzhou City, China	Production equipment	Machinery and equipment, and vehicles and other

Thousands of yen

Classification	2015			
	Guangzhou City, China	Foshan City, China	Sukabumi City, Indonesia	Total
Buildings and structures	¥ 110,303	¥ —	¥ 5,686	¥ 115,989
Machinery and equipment, and vehicles	549,528	—	43,692	593,220
Lease assets	—	—	42,375	42,375
Construction in progress	—	18,666	19,972	38,638
Other	198,038	—	9,554	207,592
Total	¥ 857,869	¥ 18,666	¥ 121,279	¥ 997,814

Thousands of U.S. dollars

Classification	2015			
	Guangzhou City, China	Foshan City, China	Sukabumi City, Indonesia	Total
Buildings and structures	\$ 898	\$ —	\$ 46	\$ 944
Machinery and equipment, and vehicles	4,474	—	356	4,830
Lease assets	—	—	345	345
Construction in progress	—	152	163	315
Other	1,612	—	78	1,690
Total	\$ 6,984	\$ 152	\$ 988	\$ 8,124

Thousands of yen

Classification	2014
	Suzhou City, China
Machinery and equipment, and vehicles	¥ 56,650
Other	22,800
Total	¥ 79,450

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, the assets for preform business are grouped by factory and the assets for other business are grouped by business center or factory. Idle assets are grouped as individual property.

The production equipment in Guangzhou City is measured at its value in use which is calculated as the present value of the future cash flows discounted at 18.6%.

The production equipment in Foshan City is measured by its net selling price. The assets' book value is written off entirely because the recoverable amount is estimated to be zero as the assets are difficult to sell or divert.

The production equipment in Sukabumi City is measured at its value in use. The assets' book value is written off entirely because the assets are expected to generate no future cash flows.

#### 14. OTHER COMPREHENSIVE INCOME

Reclassification and tax effect of other comprehensive income for the years ended November 30, 2015 and 2014 are as follows are as follows:

	Thousands of yen		Thousands of
	2015	2014	U.S. dollars
			2015
Net unrealized gain (loss) on available-for-sale securities:			
Arising during the year	¥ 128,712	¥ 28,666	\$ 1,048
Reclassification adjustment through profit or loss	(179,831)	—	(1,464)
Before tax effect	(51,119)	28,666	(416)
Tax effect	21,071	(7,685)	171
Net-of-tax amount	(30,048)	20,981	(245)
Deferred gain (loss) on derivatives under hedge accounting:			
Arising during the year	(56,544)	29,868	(460)
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	(56,544)	29,868	(460)
Tax effect	18,209	(9,958)	148
Net-of-tax amount	(38,335)	19,910	(312)
Foreign currency translation adjustments:			
Arising during the year	353,631	611,563	2,879
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	353,631	611,563	2,879
Tax effect	—	—	—
Net-of-tax amount	353,631	611,563	2,879
Share of other comprehensive income of affiliates accounted for by equity method:			
Arising during the year	255,739	21,968	2,083
Reclassification adjustment through profit or loss	—	—	—
	255,739	21,968	2,083
Total other comprehensive income	¥ 540,987	¥ 674,422	\$ 4,405



## 15. FINANCIAL INSTRUMENTS

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

#### a. Policy for financial instruments

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

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

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

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

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

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

#### c. Risk management

##### ① Credit risk management

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

##### ② Market risk management

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

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

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

##### ③ Liquidity risks management

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

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

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

(2) *Fair values of the financial instruments*

Carrying amounts in the consolidated balance sheet, fair values and differences at November 30, 2015 and 2014 are as follows:

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

	Thousands of yen					
	2015			2014		
	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Cash and deposits	¥ 3,353,632	¥ 3,353,632	¥ —	¥ 3,205,882	¥ 3,205,882	¥ —
Trade notes and accounts receivable	2,656,093	2,656,093		2,412,068	2,412,068	
less: Allowance for doubtful receivables *1	(134)	(134)		(617)	(617)	
	2,655,959	2,655,959	—	2,411,451	2,411,451	—
Investment securities	380,288	379,432	(856)	540,520	539,837	(683)
Total assets	¥ 6,389,879	¥ 6,389,023	¥ (856)	¥ 6,157,853	¥ 6,157,170	¥ (683)
Trade notes and accounts payable	¥ 1,212,517	¥ 1,212,517	¥ —	¥ 2,055,757	¥ 2,055,757	¥ —
Short-term borrowings	300,000	300,000	—	404,600	404,600	—
Bond *2	58,000	58,411	411	94,000	94,761	761
Long-term borrowings *3	2,299,772	2,309,987	10,215	2,069,662	2,067,299	(2,363)
Lease obligations *4	1,349,856	1,351,407	1,551	257,336	240,636	(16,700)
Total liabilities	¥ 5,220,145	¥ 5,232,322	¥ 12,177	¥ 4,881,355	¥ 4,863,053	¥ (18,302)
Derivatives *5	¥ (6,653)	¥ (6,653)	¥ —	¥ 49,886	¥ 49,886	¥ —

  

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Differences
Cash and deposits	\$ 27,305	\$ 27,305	\$ —
Trade notes and accounts receivable	21,626	21,626	
less: Allowance for doubtful receivables *1	(1)	(1)	
	21,625	21,625	—
Investment securities	3,096	3,089	(7)
Total assets	\$ 52,026	\$ 52,019	\$ (7)
Trade notes and accounts payable	\$ 9,872	\$ 9,872	\$ —
Short-term borrowings	2,443	2,443	—
Bond *2	472	476	4
Long-term borrowings *3	18,725	18,808	83
Lease obligations *4	10,990	11,003	13
Total liabilities	\$ 42,502	\$ 42,602	\$ 100
Derivatives *5	\$ (54)	¥ (54)	\$ —

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

\*2 Bond includes bond redeemable within one year.

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

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

\*5 Derivative receivables and payables are on net basis.

Notes

1. Fair values of financial instruments

Assets

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

Liabilities

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

2. Financial instruments whose fair value is extremely difficult to measure at November 30, 2015 and 2014 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Investment securities: Unlisted stock, etc.	¥ 0	¥ 0	\$ 0
Investments in capital of affiliates: Unlisted stock, etc.	1,167,298	1,220,303	9,504
Others: Unlisted stock, etc.	<u>20</u>	<u>17,789</u>	<u>0</u>
	¥ <u>1,167,318</u>	¥ <u>1,238,092</u>	\$ <u>9,504</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 one</u> <u>year through</u> <u>five years</u>	<u>More than five</u> <u>years</u>
Cash and deposits	¥ 3,353,632	¥ —	¥ —
Trade notes and accounts receivable	<u>2,656,093</u>	<u>—</u>	<u>—</u>
Total	¥ <u>6,009,725</u>	¥ <u>—</u>	¥ <u>—</u>

	Thousands of U.S. dollars		
	Within one year	More than one year through five years	More than five years
Cash and deposits	\$ 27,305	\$ —	\$ —
Trade notes and accounts receivable	<u>21,626</u>	<u>—</u>	<u>—</u>
Total	\$ <u>48,931</u>	\$ <u>—</u>	\$ <u>—</u>

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

	Thousands of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 300,000	¥ -	¥ -	¥ -	¥ -	¥ -
Bond	26,000	16,000	16,000	-	-	-
Long-term borrowings	705,477	628,843	557,358	318,836	89,258	-
Lease liabilities	315,313	322,987	297,731	302,134	111,691	-
Total	¥ <u>1,346,790</u>	¥ <u>967,830</u>	¥ <u>871,089</u>	¥ <u>620,970</u>	¥ <u>200,949</u>	¥ <u>-</u>

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	\$ 2,443	\$ -	\$ -	\$ -	\$ -	\$ -
Bond	212	130	130	-	-	-
Long-term borrowings	5,744	5,120	4,538	2,596	727	-
Lease liabilities	2,567	2,630	2,424	2,460	909	-
Total	\$ <u>10,966</u>	\$ <u>7,880</u>	\$ <u>7,092</u>	\$ <u>5,056</u>	\$ <u>1,636</u>	\$ <u>-</u>

16. DERIVATIVES

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

The Company had no derivatives outstanding at November 30, 2015 and 2014 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, 2015 and 2014:

		Thousands of yen	
		Contract or	Fair value
<u>November 30, 2015</u>	<u>Hedged items</u>	<u>notional amounts</u>	
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar		¥ 22,024	¥ (491)
Other currencies		19,974	(314)
Buying foreign currency: Accounts payable			
U.S. dollar		89,939	595
Euro		340,199	(5,954)
Other currencies		12,857	(489)
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	1,020,000	*

		Thousands of yen	
		Contract or	Fair value
<u>November 30, 2014</u>	<u>Hedged items</u>	<u>notional amounts</u>	
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar		¥ 9,812	¥ (193)
Euro		12,206	(1,013)
Buying foreign currency: Accounts payable			
U.S. dollar		212,552	15,271
Euro		596,752	34,887
Other currencies		13,213	934
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	1,100,000	*

		Thousands of U.S. dollars	
		Contract or	Fair value
<u>November 30, 2015</u>	<u>Hedged items</u>	<u>notional amounts</u>	
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar		\$ 179	\$ (4)
Other currencies		163	(3)
Buying foreign currency: Accounts payable			
U.S. dollar		732	5
Euro		2,770	(48)
Other currencies		105	(4)
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	8,305	*

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, 2015, the Company was contingently liable for investment guarantee of ¥12,155 thousand (\$99 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, 2015 and 2014 is as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
Total current assets	¥ 3,179,435	¥ 2,340,039	\$ 25,887
Total non-current assets	113,132	1,098,235	921
Total current liabilities	698,571	718,388	5,688
Total non-current liabilities	—	—	—
Total net assets	2,593,996	2,719,886	21,120
Sales	3,821,454	5,323,961	31,114
Income (loss) before income taxes	7,235	(213,249)	59
Net income (loss)	5,426	(230,834)	44

## 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, 2015 and 2014 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
Net income from the rental property	¥ 263,811	¥ 240,235	\$ 2,148

- (2) The carrying amounts and fair values related to the rental property at November 30, 2015 and 2014, and movement of the carrying amount for the years then ended are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
			<u>2015</u>
Carrying amount:			
At beginning of the year	¥ 1,430,754	¥ 1,364,441	\$ 11,649
Movement	<u>10,382</u>	<u>66,313</u>	<u>85</u>
At end of the year	¥ <u>1,441,136</u>	¥ <u>1,430,754</u>	\$ <u>11,734</u>
Fair value at end of the year	¥ <u>1,689,813</u>	¥ <u>1,601,695</u>	\$ <u>13,758</u>

#### Notes

1. Because rental property is not significant, total amount of the rental property and the property if part of it used as rental, is presented.
2. Carrying amount is the amount after deducting accumulated impairment losses and accumulated depreciation from the acquisition cost.
3. For the years ended November 30, 2015 and 2014, the increase is mainly arising from currency fluctuations and the amount is ¥99,257 thousand (\$808 thousand) and ¥149,422 thousand, respectively, and the decrease is mainly due to depreciation of ¥88,875 thousand (\$723 thousand) and ¥83,109 thousand, respectively.
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.

The reported segments for the years ended November 30, 2015 have been changed from 3 segments (“Wholesale business”, “Preform business” and “Other business”) to 2 segments (“Wholesale business” and “Preform business”) because the Company withdrew from “Other business” in October 2014.

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, 2015 and 2014 are summarized as follows:

Thousands of yen						
2015						
	Wholesale	Preform	Total	Adjustments	Consolidated	
<b>Operating revenues:</b>						
Revenues from third parties	¥ 10,329,514	¥ 5,480,960	¥ 15,810,474	¥ –	¥ 15,810,474	
Intersegment revenues	48,072	8,728	56,800	(56,800)	–	
<b>Total</b>	<b>10,377,586</b>	<b>5,489,688</b>	<b>15,867,274</b>	<b>(56,800)</b>	<b>15,810,474</b>	
Segment income (loss)	¥ 445,083	¥ (101,840)	¥ 343,243	¥ (175,137)	¥ 168,106	
Segment assets	¥ 3,358,239	¥ 11,334,115	¥ 14,692,354	¥ 2,193,856	¥ 16,886,210	
<b>Others:</b>						
Depreciation and amortization	¥ 33,261	¥ 1,042,345	¥ 1,075,606	¥ (10,466)	¥ 1,065,140	
Increase in property and equipment and intangible assets	¥ 48,861	¥ 1,673,602	¥ 1,722,463	¥ 9,010	¥ 1,731,473	
Thousands of yen						
2014						
Reported segments						
	Wholesale	Preform	Other	Total	Adjustments	Consolidated
<b>Operating revenues:</b>						
Revenues from third parties	¥ 9,726,779	¥ 5,723,851	¥ 785,241	¥ 16,235,871	¥ –	¥ 16,235,871
Intersegment revenues	12,585	10,215	–	22,800	(22,800)	–
<b>Total</b>	<b>9,739,364</b>	<b>5,734,066</b>	<b>785,241</b>	<b>16,258,671</b>	<b>(22,800)</b>	<b>16,258,871</b>
Segment income (loss)	¥ 391,118	¥ (8,309)	¥ 79,104	¥ 461,913	¥ (173,112)	¥ 288,801
Segment assets	¥ 3,157,433	¥ 11,459,742	¥ –	¥ 14,617,175	¥ 2,341,049	¥ 16,958,224
<b>Others:</b>						
Depreciation and amortization	¥ 43,082	¥ 1,005,244	¥ 20,007	¥ 1,068,333	¥ (5,034)	¥ 1,063,299
Increase in property and equipment and intangible assets	¥ 68,847	¥ 744,654	¥ –	¥ 813,501	¥ 74,082	¥ 887,583
Thousands of U.S. dollars						
2015						
	Wholesale	Preform	Total	Adjustments	Consolidated	
<b>Operating revenues:</b>						
Revenues from third parties	\$ 84,103	\$ 44,626	\$ 128,729	\$ –	\$ 128,729	
Intersegment revenues	391	71	462	(462)	–	
<b>Total</b>	<b>84,494</b>	<b>44,697</b>	<b>129,191</b>	<b>(462)</b>	<b>128,729</b>	
Segment income (loss)	\$ 3,624	\$ (829)	\$ 2,795	\$ (1,426)	\$ 1,369	
Segment assets	\$ 27,343	\$ 92,282	\$ 119,625	\$ 17,862	\$ 137,487	
<b>Others:</b>						
Depreciation and amortization	\$ 271	\$ 8,486	\$ 8,757	\$ (85)	\$ 8,672	
Increase in property and equipment and intangible assets	\$ 398	\$ 13,626	\$ 14,024	\$ 73	\$ 14,097	



The adjustment in "Segment income (loss)" for the years ended November 30, 2015 and 2014 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Intersegment transactions	¥ (10,723)	¥ 3,055	\$ (87)
Non-categorized expenses	(199,557)	(210,806)	(1,625)
Adjustments of fixed assets	35,143	34,639	286
	<u>¥ (175,137)</u>	<u>¥ (173,112)</u>	<u>\$ (1,426)</u>

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

The adjustment in "Segment assets" at November 30, 2015 and 2014 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Intersegment balances	¥ (1,246,125)	¥ (1,384,220)	\$ (10,146)
Non-categorized assets	3,439,981	3,725,269	28,008
	<u>¥ 2,193,856</u>	<u>¥ 2,341,049</u>	<u>\$ 17,862</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, 2015 and 2014 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Intersegment transactions	¥ (32,980)	¥ -	\$ (268)
Depreciation of company-wide assets	22,514	(5,034)	183
	<u>¥ (10,466)</u>	<u>¥ (5,034)</u>	<u>\$ (85)</u>

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

### **Change of the depreciation method**

The Company and its consolidated subsidiaries changed the depreciation method from the declining-balance method to the straight-line method for the year ended November 30, 2015.

As a result of the change, segment income increased (segment loss decreased) for the year ended November 30, 2015 as follows:

	<u>Thousands of yen</u>	<u>Thousands of U.S. dollars</u>
Wholesale	¥ 12,139	\$ 99
Preform	19,593	159
Adjustments	2,542	21
	<u>¥ 34,274</u>	<u>\$ 279</u>

## 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>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
			<u>2015</u>
Japan	¥ 7,955,881	¥ 8,417,822	\$ 64,777
Asia	6,545,648	5,999,511	53,295
Americas	10,036	15,851	82
Europe	1,235,160	1,755,137	10,056
Other	63,749	47,550	519
	<u>¥ 15,810,474</u>	<u>¥ 16,235,871</u>	<u>\$ 128,729</u>

#### (2) Property and equipment

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
			<u>2015</u>
Japan	¥ 1,153,057	¥ 965,096	\$ 9,388
Asia	4,238,698	4,885,681	34,512
	<u>¥ 5,391,755</u>	<u>¥ 5,850,777</u>	<u>\$ 43,900</u>

### 3. Information by major customers

The information for major customers for the year ended November 30, 2014 is as follow:

<u>Customer</u>	<u>Segment</u>	<u>Thousand of yen</u>
DNP PHOTO IMAGING EUROPE SAS	Wholesale	¥ 1,663,598

Disclosure for the year ended November 30, 2015 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>Other</u>	<u>Adjustments</u>	<u>Consolidated</u>
<u>November 30, 2015</u>					
Impairment loss	¥ –	¥ 997,814	¥ –	¥ –	¥ 997,814
<u>November 30, 2014</u>					
Impairment loss	¥ –	¥ 79,450	¥ –	¥ –	¥ 79,450
	<u>Thousands of U.S. dollars</u>				
	<u>Wholesale</u>	<u>Preform</u>	<u>Other</u>	<u>Adjustments</u>	<u>Consolidated</u>
<u>November 30, 2015</u>					
Impairment loss	\$ –	\$ 8,124	\$ –	\$ –	\$ 8,124

### Information of amortization and balance of goodwill

Goodwill is not recorded for the years ended November 30, 2015 and 2014.

**Negative goodwill incurred by reported segments**

Negative goodwill is not recorded for the years ended November 30, 2015 and 2014.

**21. PER SHARE INFORMATION****(1) Net Income (Loss) per Share**

Basic net income (loss) per share, and reconciliation of the numbers and the amounts used in the basic net income (loss) per share computations for the years ended November 30, 2015 and 2014 are as follows:

	Yen		U.S. dollars
	2015	2014	2015
Basic net income (loss) per share	¥ (58.23)	¥ 7.81	\$ (0.47)
	Thousands of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income (loss)	¥ (998,481)	¥ 133,980	\$ (8,130)
Net income (loss) not applicable to common shareholders	—	—	—
Net income (loss) applicable to common shareholders	¥ (998,481)	¥ 133,980	\$ (8,130)
	Number of shares		
	2015	2014	
Weighted average number of shares outstanding on which basic net income per share is calculated	17,146,512	17,146,736	

The diluted net income per share for the years ended November 30, 2015 and 2014 are not presented as there are not dilutive potential shares at each year end.

(2) *Net Assets per Share*

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at November 30, 2015 and 2014 are as follows:

	Yen		U.S. dollars
	2015	2014	2015
Net assets per share	¥ 574.47	¥ 604.14	\$ 4.68
	Thousands of yen		Thousands of U.S. dollars
	2015	2014	2015
Total net assets	¥ 10,015,089	¥ 10,506,163	\$ 81,542
Amount deducted from total net assets:			
Minority interests	165,039	147,124	1,344
Net assets applicable to common shareholders	¥ <u>9,850,050</u>	¥ <u>10,359,039</u>	\$ <u>80,198</u>
	Number of shares		
	2015	2014	
Number of shares outstanding at end of year on which net assets per share is calculated	<u>17,146,429</u>	<u>17,146,669</u>	