ALTECH Co., Ltd. and Consolidated Subsidiaries

Audited Consolidated Financial Statements

for the Year Ended November 30, 2016

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, 2016, 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, 2016, 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 24, 2017

BDO Toyo & Co.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
November 30, 2016

	Thousands of yen 2016	Thousands of yen 2015	Thousands of U.S. dollars (Note 1) 2016
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Note 3)	¥ 2,987,275	¥ 3,353,632	$ 26,572
Trade notes and accounts receivable	2,918,867	2,656,093	25,964
Inventories	975,296	1,396,182	8,675
Advances paid	1,125,655	702,989	10,013
Other current assets	463,542	857,394	4,124
Allowance for doubtful receivables	(93)	(134)	(1)
Total current assets	8,470,542	8,966,156	75,347
PROPERTY, PLANT AND EQUIPMENT :			
Buildings and structures	3,317,820	3,667,065	29,513
Machinery and equipment, and vehicles	3,202,969	3,559,911	28,491
Land	55,309	55,309	492
Lease assets	1,241,230	1,797,682	11,041
Construction in progress	12,748	938,022	113
Other	2,111,323	2,069,612	18,781
Total	9,941,399	12,087,601	88,431
Accumulated depreciation	(5,664,719)	(6,695,846)	(50,389)
Net property, plant and equipment	4,276,680	5,391,755	38,042
INTANGIBLE ASSETS, NET	660,764	836,312	5,878
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 7)	368,687	380,288	3,280
Investment in capital of affiliates (Note 5)	801,459	1,167,298	7,129
Lease deposits (Note 10)	69,862	106,862	621
Deferred tax assets (Note 9)	335	86	3
Other assets	45,098	37,453	401
Total investments and other assets	1,285,441	1,691,987	11,434
TOTAL	¥ 14,693,427	¥ 16,886,210	$ 130,701

	Thousands of yen 2016	Thousands of yen 2015	Thousands of U.S. dollars (Note 1) 2016
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Trade notes and accounts payable	¥ 858,094	¥ 1,212,517	$ 7,633
Short-term borrowings and current portion of long-term borrowings (Notes 6, 7 and 8)	889,841	1,005,477	7,915
Current portion of bond (Note 6)	16,000	26,000	142
Short-term lease obligations (Note 6)	253,542	315,313	2,255
Accounts payable-other (Note 6)	206,732	160,057	1,839
Accrued expenses	448,734	382,083	3,992
Income taxes payable (Note 9)	43,101	33,198	383
Deferred tax liabilities (Note 9)	5,713	1,938	51
Advances received	1,420,899	972,153	12,639
Accrued losses on sales contracts	379	385	3
Other current liabilities	88,768	22,297	791
Total current liabilities	4,231,803	4,131,418	37,643
LONG-TERM LIABILITIES:			
Bond (Note 6)	16,000	32,000	142
Long-term borrowings (Notes 6, 7 and 8)	995,043	1,594,295	8,851
Long-term lease obligations (Note 6)	639,323	1,034,543	5,687
Deferred tax liabilities (Note 9)	42,830	73,769	381
Other long-term liabilities (Note 6)	71,273	5,096	634
Total long-term liabilities	1,764,469	2,739,703	15,695
Total liabilities	5,996,272	6,871,121	53,338
SHAREHOLDERS' EQUITY (Note 11):			
Common stock	5,527,830	5,527,830	49,171
Capital surplus	2,149,339	2,149,339	19,119
Retained earnings	961,233	947,700	8,550
Treasury stock	(923,058)	(923,020)	(8,211)
Total shareholders' equity	7,715,344	7,701,849	68,629
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Net unrealized gain on available-for-sale securities (Note 4)	52,401	57,158	466
Deferred gain (loss) on derivatives under hedge accounting (Note 18)	6,204	(6,658)	55
Foreign currency translation adjustments	770,662	2,097,701	6,856
Total accumulated other comprehensive income	829,267	2,148,201	7,377
NON-CONTROLLING INTERESTS	152,544	165,039	1,357
Total net assets	8,697,155	10,015,089	77,363
COMMITMENTS AND CONTINGENCIES (Note 19)			
TOTAL	¥ 14,693,427	¥ 16,886,210	$ 130,701

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended November 30, 2016

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
NET SALES	¥ 13,775,474	¥ 15,810,474	$ 122,536
COST OF SALES	10,746,739	12,786,501	95,595
Gross profit	3,028,735	3,023,973	26,941
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 12 and 13)	2,662,304	2,855,867	23,682
Operating profit	366,431	168,106	3,259
OTHER INCOME (EXPENSES):			
Interest and dividends income	27,131	32,460	241
Equity in earnings of affiliates	74,628	2,442	664
Foreign exchange gain (loss)	(182,569)	24,531	(1,624)
Interest expense	(99,659)	(136,677)	(886)
Commission paid	(9,651)	(23,565)	(86)
Business commencement expense	(19,200)	(185,018)	(171)
Gain on sale of property, plant and equipment	61,030	64,194	543
Gain on sale of investment securities	3,570	179,831	32
Insurance received	–	6,539	–
Loss on sale of property, plant and equipment	(789)	(222)	(7)
Impairment loss (Note 13)	(7,650)	(997,814)	(68)
Loss on business structure improvement (Note 14)	(39,011)	–	(347)
Loss on business withdrawal (Note15)	(74,797)	–	(665)
Other—net	10,762	(25,823)	95
Other expenses—net	(256,205)	(1,059,122)	(2,279)
INCOME (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS	110,226	(891,016)	980
INCOME TAXES (Note 9):			
Current	66,091	104,617	588
Deferred	(28,135)	(20,392)	(250)
Total income taxes	37,956	84,225	338
INCOME (LOSS)	72,270	(975,241)	642
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7,298	23,240	64
INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 64,972	¥ (998,481)	$ 578

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income (Loss)
Year Ended November 30, 2016

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
INCOME (LOSS)	¥ 72,270	¥ (975,241)	$ 642
OTHER COMPREHENSIVE INCOME (Note 16):			
Net unrealized loss on available-for-sale securities	(4,757)	(30,048)	(42)
Deferred gain (loss) on derivatives under hedge accounting	12,862	(38,335)	114
Foreign currency translation adjustments	(1,113,467)	353,631	(9,905)
Share of other comprehensive income (loss) of affiliates accounted for by equity method	(232,095)	255,739	(2,064)
Total other comprehensive income (loss)	(1,337,457)	540,987	(11,897)
COMPREHENSIVE LOSS	¥ (1,265,187)	¥ (434,254)	$ (11,255)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Comprehensive loss attributable to owners of parent	(1,253,961)	(453,604)	(11,155)
Comprehensive income (loss) attributable to non-controlling interests	(11,226)	19,350	(100)

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets
Year ended November 30, 2016

	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 18)	Foreign currency translation adjustments	Total	Non-controlling interests	Total net assets
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)
Income (loss) attributable to owners of parent			(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
Changes arising during the year:											
Dividends			(51,439)		(51,439)						(51,439)
Income (loss) attributable to owners of parent			64,972		64,972						64,972
Purchase of treasury stock				(38)	(38)						(38)
Net changes other than shareholders' equity					–	(4,757)	12,862	(1,327,039)	(1,318,934)	(12,495)	(1,331,429)
Total changes during the year	–	–	13,533	(38)	13,495	(4,757)	12,862	(1,327,039)	(1,318,934)	(12,495)	(1,317,934)
Balance at November 30, 2016	¥ 5,527,830	¥ 2,149,339	¥ 961,233	¥ (923,058)	¥ 7,715,344	¥ 52,401	¥ 6,204	¥ 770,662	¥ 829,267	¥ 152,544	¥ 8,697,155

	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 18)	Foreign currency translation adjustments	Total	Non-controlling interests	Total net assets
Balance at November 30, 2015	$ 49,171	$ 19,119	$ 8,430	$ (8,210)	$ 68,510	$ 508	$ (59)	$ 18,660	$ 19,109	$ 1,468	$ 89,087
Changes arising during the year:											
Dividends			(458)		(458)						(458)
Income (loss) attributable to owners of parent			578		578						578
Purchase of treasury stock				(1)	(1)						(1)
Net changes other than shareholders' equity					–	(42)	114	(11,804)	(11,732)	(111)	(11,843)
Total changes during the year	–	–	120	(1)	119	(42)	114	(11,804)	(11,732)	(111)	(11,724)
Balance at November 30, 2016	$ 49,171	$ 19,119	$ 8,550	$ (8,211)	$ 68,629	$ 466	$ 55	$ 6,856	$ 7,377	$ 1,357	$ 77,363

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year ended November 30, 2016

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income (loss) before income taxes and non-controlling interests	¥ 110,226	¥ (891,016)	$ 980
Depreciation and amortization	749,289	1,065,140	6,665
Provision for doubtful receivables	(42)	(739)	(0)
Interest and dividends income	(27,131)	(32,460)	(241)
Interest expense	99,659	136,677	886
Foreign exchange loss (gain)	249,411	(52,051)	2,219
Equity in earnings of affiliates	(74,628)	(2,442)	(664)
Gain on sale of investment securities	(3,570)	(179,831)	(32)
Loss on valuation of investment securities	–	17,769	–
Impairment loss	7,650	997,814	68
Gain on sale of property, plant and equipment	(60,241)	(63,972)	(536)
Loss on retirement of non-current assets	12,454	3,707	111
Insurance received	–	(6,539)	–
Loss on business structure improvement	39,011	–	347
Loss on business withdrawal	74,797	–	665
Increase in trade receivables	(411,853)	(205,332)	(3,663)
Decrease in inventories	204,706	509,995	1,821
Decrease in trade payables	(296,328)	(872,681)	(2,636)
Increase in advances paid	(530,087)	(126,503)	(4,715)
Increase in accrued expenses	75,396	21,494	671
Increase in advances received	544,351	269,256	4,842
Other, net	6,331	(103,810)	56
Sub total	769,401	484,476	6,844
Interest and dividends received	28,046	32,241	249
Dividends received from an affiliate accounted for by equity method	208,372	307,172	1,854
Interest paid	(101,539)	(138,026)	(903)
Income taxes paid	(79,260)	(132,853)	(705)
Income taxes refunded	25,439	45,135	226
Insurance received	–	6,539	–
Extraordinary retirement payments	(39,011)	–	(347)
Net cash provided by operating activities	811,448	604,684	7,218

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

Consolidated Statement of Cash Flows
Year ended November 30, 2016

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
INVESTING ACTIVITIES:			
Increase of long-term deposits	(572)	(669)	(5)
Purchases of property, plant and equipment	(366,362)	(1,517,319)	(3,259)
Proceeds from sales of property, plant and equipment	74,297	307,737	661
Purchases of intangible fixed assets	(6,401)	(163,355)	(57)
Purchases of investment securities	(2,458)	(2,508)	(22)
Proceeds from sale of investment securities	107,342	192,103	955
Proceeds from sale of an affiliate stock	–	1,093	–
Decrease in long-term loans receivable	–	5,569	–
Other, net	27,493	90,061	245
Net cash used in investing activities	(166,661)	(1,087,288)	(1,482)
FINANCING ACTIVITIES:			
Decrease in short-term debt	–	(129,200)	–
Proceeds from long-term debt	117,847	922,896	1,048
Repayments on long-term debt	(655,659)	(757,875)	(5,832)
Repayments on bonds	(26,000)	(36,000)	(231)
Repayments on lease obligations	(355,093)	(325,560)	(3,159)
Payments for purchase of treasury stock	(37)	(55)	(0)
Dividends paid to shareholders	(51,426)	(51,082)	(458)
Dividends paid to non-controlling shareholders	(1,269)	(1,435)	(11)
Proceeds from sale and leaseback	55,236	1,440,521	491
Proceeds from sales and buyback in installments	123,320	–	1,097
Payments for installment payables for property and equipment	(22,613)	–	(201)
Net cash provided by (used in) financing activities	(815,694)	1,062,210	(7,256)
Effect of exchange rate changes on cash and cash equivalents	(421,992)	42,828	(3,754)
Net increase (decrease) in cash and cash equivalents	(592,899)	622,434	(5,274)
Cash and cash equivalents at beginning of year	3,777,506	3,155,072	33,602
Cash and cash equivalents at end of year (Note 3)	¥ 3,184,607	¥ 3,777,506	$ 28,328

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Year Ended November 30, 2016

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 2015 financial statements to conform to the classifications used in 2016.

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 ¥112.42 to $1, the approximate rate of exchange at November 30, 2016. 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, 2016 include the accounts of the Company and its 12 significant (13 in 2015) 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 2015) affiliate is accounted for by the equity method. Investment in the remaining 1 (1 in 2015) 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 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. 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 it's wholly owned domestic subsidiaries.

i. ***Accrued Losses on Sales Contracts —*** Accrued losses on sales contracts are provided for at the amount of estimated future losses on sales contracts at the balance sheet date when such losses are probable and can be reasonably estimated.

j. ***Foreign Currency Transactions —*** All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

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

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

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

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

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

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

m. ***Leases* — A**ll 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. ***Accounting Standard for Business Combination*** **—** From the year ended November 30, 2016, the Company applied the "Accounting Standard for Business Combination (ASBJ Statement No.21 September 13, 2013, hereinafter the "Accounting Standard for business Combination")", the "Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 September 13, 2013, hereinafter the "Accounting Standard for Consolidation")" and the "Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7 September 13, 2013, hereinafter the "Accounting Standard for Business Divestitures")" and other related standards and implementation guidance. Under the adopted accounting standards, the difference associated with the changes in the Company's ownership interest in subsidiaries in the case of subsidiaries under ongoing control of the Company recorded as capital surplus, and acquisition-related costs are recorded as expense for the year in which they are incurred. Also, as for business combination occurred on or after December 1, 2015, the accounting method was changed to reflect the adjustments of the provisional allocation of acquisition costs for a business combination shall be reflected in the consolidated financial statements for the year in which the business combination occurred. In addition, the presentation for "NET INCOME (LOSS)" and related items was changed and "MINORITY INTERESTS" was changed to "NON-CONTROLLING INTERESTS".

In accordance with the transitional treatment set forth in Article 58-2 (4) of the Accounting Standard for Business Combination, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Article 57-4 (4) of Accounting Standard for Business Divestiture, these standards have been applying prospectively from the beginning of the year.

The effect of these changes is nil.

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, 2016.

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, 2016 and 2015 are follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and deposits	¥ 2,987,275	¥ 3,353,632	$ 26,572
Time deposits	(44,908)	(50,126)	(399)
Short-term investments	242,240	474,000	2,155
Cash and cash equivalents	¥ 3,184,607	¥ 3,777,506	$ 28,328

4. INVESTMENT SECURITIES

Acquisition cost, balance sheet amount, and unrealized gain (loss) of available-for sale securities with fair value at November 30, 2016 and 2015 are summarized as follows:

	Thousands of yen			
	Acquisition cost	Unrealized gain	Unrealized loss	Balance sheet amount
November 30, 2016				
Equity securities	¥ 191,748	¥ 77,340	¥ (2,032)	¥ 267,056
Bond	101,631	—	—	101,631
	¥ 293,379	¥ 77,340	¥ (2,032)	¥ 368,687
November 30, 2015				
Equity securities	¥ 193,995	¥ 88,363	¥ (3,985)	¥ 278,373
Bond	101,915	—	—	101,915
	¥ 295,910	¥ 88,363	¥ (3,985)	¥ 380,288

	Thousands of U.S. dollars			
	Acquisition cost	Unrealized Gain	Unrealized loss	Balance sheet amount
November 30, 2016				
Equity securities	$ 1,705	$ 689	$ (18)	$ 2,376
Bond	904	—	—	904
	$ 2,609	$ 689	$ (18)	$ 3,280

For the years ended November 30, 2016 and 2015, proceeds from sales of available-for-sale securities are ¥8,276 thousand ($74 thousand) and ¥291,169 thousand, gross realized gains on these sales are ¥3,570 thousand ($32 thousand) and ¥179,831 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, 2016 and 2015 are ¥801,459 thousand ($7,129 thousand) and ¥1,167,298 thousand, respectively.

6. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) Short-term borrowings

Short-term borrowings at November 30, 2016 and 2015, consisted of notes to banks, loan on deed and bank overdrafts. The average interest rates applicable to the short-term borrowings are 1.1% and 1.2% at November 30, 2016 and 2015, respectively.

(2) Bond

Bond at November 30, 2016 and 2015, consisted of the followings:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Bond, due serially to 2016 with interest rate of 0.77%	¥ —	¥ 10,000	$ —
Less current portion	—	10,000	—
	—	—	—
Bond, due serially to 2018 with interest rate of 0.63%	32,000	48,000	284
Less current portion	16,000	16,000	142
	16,000	32,000	142
Total	¥ 16,000	¥ 32,000	$ 142

The aggregate annual maturities of the bond after November 30, 2017 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Year ending November 30:		
2018	16,000	142

(3) Long-term borrowings

Long-term borrowings at November 30, 2016 and 2015, consisted of the followings:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans from banks and other financial institutions, due serially to 2021 with average interest rates of 3.0%	¥ 1,584,884	¥ —	$ 14,098
Loans from banks and other financial institutions, due serially to 2021 with average interest rates of 2.9%	—	2,299,772	—
	1,584,884	2,299,772	14,098
Less current portion	589,841	705,477	5,247
Total	¥ 995,043	¥ 1,594,295	$ 8,851

The aggregate annual maturities of long-term borrowings after November 30, 2017 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Year ending November 30:		
2018	¥ 509,251	$ 4,530
2019	289,062	2,571
2020	128,600	1,144
2021	68,130	606

(4) Lease liabilities

Lease liabilities at November 30, 2016 and 2015 consisted of the followings:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Lease liabilities, with average interest rates of 3.7%	¥ 892,865	¥ –	$ 7,942
Lease liabilities, with average interest rates of 4.4%	–	1,349,856	–
Less current portion	253,542	315,313	2,255
Total	¥ 639,323	¥ 1,034,543	$ 5,687

The aggregate annual maturities of lease liabilities after November 30, 2017 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Year ending November 30:		
2018	¥ 260,640	$ 2,318
2019	267,113	2,376
2020	104,648	931
2021	6,922	62

(5) Payable in installments

Payable in installments at November 30, 2016 consisted of the followings:

	Thousands of yen	Thousands of U.S. dollars
Payable in installments, with average interest rates of 1.7%	¥ 100,707	$ 896
Less current portion	30,456	271
Total	¥ 70,251	$ 625

The aggregate annual maturities of payable in installments after November 30, 2017 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Year ending November 30:		
2018	¥ 30,924	$ 275
2019	31,401	279
2020	7,926	71

(6) Commitments

At November 30, 2016, 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	$ 10,229
Borrowings	—	—
Unused commitments	¥ 1,150,000	$ 10,229

7. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral and collateralized debt at November 30, 2016 and 2015, were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets pledged as collateral:			
Investment securities	¥ 10,047	¥ 11,850	$ —
Total	¥ 10,047	¥ 11,850	$ 89
Collateralized debt:			
Short-term borrowings	¥ 120,000	¥ 120,000	$ 1,067
Long-term borrowings	150,000	270,000	1,334
Total	¥ 270,000	¥ 390,000	$ 2,401

8. RESTRICTIVE FINANCIAL COVENANTS

Followings are information about syndicated loans at November 30, 2016.

(1) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 19, 2012, maximum borrowing amount: ¥1,150,000 thousand ($10,229 thousand), balance at November 30, 2016: nil) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.

a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2011.

b. The Company must not have two consecutive years of consolidated ordinary loss. Consolidated ordinary loss is defined as "Keijo-sonshitsu" in the consolidated statement of operations under accounting principles generally accepted in Japan. An ordinary income or loss, "Keijo-soneki" is an income or loss figure with certain adjustments made to income or loss before income taxes and non-controlling interests.

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

(2) 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, 2016: $121 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.

(3) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd.,

agreement date: September 25, 2013, balance at November 30, 2016 ¥280,000 thousand ($2,491 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.

(4) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 26, 2014, balance at November 30, 2016: ¥300,000 thousand ($2,669 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.

(5) 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, 2016: 4,230 thousand Chinese Yuan (¥70,148 thousand, $624 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, 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.

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, 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) 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) 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 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 32.3% and 35.6% for the years ended November 30, 2016 and 2015, respectively.
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 year ended November 30, 2016 is follows:

	2016
Statutory tax rate	32.3%
Foreign withholding tax	2.9
Expenses not deductible for tax purposes	22.5
Income not credited for tax purposes	2.7
Per capita tax	7.0
Lower income tax rates applicable to income in certain foreign countries	8.7
Valuation allowance	5.5
Income taxes for prior years, etc.	(3.3)
Not recognized deferred taxes on unrealized gains	3.1
Equity in earnings, etc.	(21.8)
Undistributed earnings of foreign affiliates accounted for by equity method	(24.3)
Other	(0.9)
Effective tax rate	34.4%

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 year ended November 30, 2015 were omitted, because loss before income taxes and non-controlling interests were recorded.

Significant components of deferred tax assets and liabilities at November 30, 2016 and 2015 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets (current):			
Accrued expenses	¥ 54,441	¥ 48,784	$ 484
Other payables	9,806	7,988	87
Allowance for doubtful receivables	29	4,542	0
Products	10,487	16,862	93
Other	6,928	5,102	62
	81,691	83,278	726
Valuation allowance	(81,691)	(83,278)	(726)
Offset with deferred tax liabilities	–	–	–
	–	–	–
Deferred tax liabilities (current):			
Dividends receivable	682	1,028	6
Business tax receivable	–	910	–
Deferred gains or losses on hedges	5,031	–	45
	5,713	1,938	51
Offset with deferred tax assets	–	–	–
	5,713	1,938	51
Net deferred tax liabilities	¥ 5,713	¥ 1,938	$ 51
Deferred tax assets (non-current):			
Excess depreciation	¥ 180,455	¥ 950,502	$ 1,605
Land	654	689	6
Unrealized intercompany profits	184	208	2
Revaluation loss on investment securities	12,612	13,288	112
Subsidiaries' stock	–	2,258	–
Revaluation loss on investments	19,482	20,525	173
Tax loss carryforwards	691,310	1,162,671	6,149
Lease deposit (Asset retirement obligations)	9,221	9,715	82
Other	6,719	8,492	60
	920,637	2,168,348	8,189
Valuation allowance	(920,302)	(2,168,054)	(8,186)
Offset with deferred tax liabilities	–	(208)	–
	335	86	3
Deferred tax liabilities (non-current):			
Loss on revaluation of assets under consolidated tax return system	1,515	1,529	13
Undistributed earnings of foreign affiliates accounted for by equity method	18,408	45,228	164
Unrealized gain on available-for-sale securities	22,907	27,220	204
	42,830	73,977	381
Offset with deferred tax assets	–	(208)	–
	42,830	73,769	381
Net deferred tax liabilities	¥ 42,495	¥ 73,683	$ 378

The ”Act on Partial Revision of the Income Tax Act” (Act No.15 of 2016) and the “Act on Partial Revision of the Local Tax Act” (Act No.13 of 2016) were enacted in the Diet session on March 29, 2016 and the effective statutory tax rate is to be lowered from the year beginning on or after April 1, 2016.
In accordance with the changes, the effective 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.

	Tax rate
November 30, 2016 and before	32.3%
December 1, 2016 and onward	30.9%
December 1, 2018 and onward	30.6%

The effect on the deferred tax assets and liabilities and income taxes-deferred by this tax-rates change is immaterial.

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, 2016, 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, 2016 and 2015. Changes in the number of shares of common stock issued for the two years ended November 30, 2016 are as follows:

	Issued shares
Balance at November 30, 2014	19,354,596
Balance at November 30, 2015	19,354,596
Balance at November 30, 2016	19,354,596

(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, 2015 which was approved by the general meeting of shareholders held on February 26, 2015 were as follows:

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

Dividends paid during the year ended November 30, 2016 which was approved by the general meeting of shareholders held on February 26, 2016 were as follows:

(a) Total dividends	¥51,439 thousand ($458 thousand)
(b) Cash dividends per common share	¥3 ($0.02)
(c) Record date	November 30, 2015
(d) Effective date	February 29, 2016

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended November 30, 2016 which was approved by the general meeting of shareholders held on February 24, 2017 are as follows:

(a) Total dividends	¥51,438 thousand ($458 thousand)
(b) Dividends source	Retained earnings
(c) Cash dividends per common share	¥3 ($0.02)
(d) Record date	November 30, 2016
(e) Effective date	February 27, 2017

(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, 2016 are as follows:

	Shares
Balance at November 30, 2014	2,207,927
Acquisition for treasury	240
Balance at November 30, 2015	2,208,167
Acquisition for treasury	240
Balance at November 30, 2016	2,208,407

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended November 30, 2016 and 2015 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Salaries	¥ 909,493	¥ 931,697	$ 8,090

13. IMPAIRMENT LOSS

The Company recognized impairment losses for the years ended November 30, 2016 and 2015 as follows:

2016

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

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

Classification	Thousands of yen	Thousands of U.S. dollars
Machinery and equipment, and vehicles	¥ 834	$ 7
Lease assets	6,816	61
Total	¥ 7,650	$ 68

	Thousands of yen			
	2015			
Classification	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

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

14. LOSS ON BUSINESS STRUCTURE IMPROVEMENT

The Company recognized loss on business structure improvement for the year ended November 30, 2016. This loss is for constructing production and sales systems to overcome the harsh business environment where Altech New Materials (Suzhou) Co., Ltd. and Altech New Materials (Guangzhou) Co., Ltd. operate. The loss mainly consists of the special severance payments.

15. LOSS ON BUSINESS WITHDRAWAL

The Company recognized loss on business withdrawal for the year ended November 30, 2016 as follows:

	Thousands of yen	Thousands of U.S. dollars
Impairment loss	¥ 51,739	$ 460
Special severance payment	8,860	79
Consulting fee	6,225	55
Other	7,973	71
Total	¥ 74,797	$ 665

The detail of an impairment loss in the above table is as follows:

Location	Usage	Classification
Jiangmen City, China	Idle assets	Machinery and equipment, and vehicles

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

16. OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification and tax effect of other comprehensive income (loss) for the years ended November 30, 2016 and 2015 are as follows are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized gain (loss) on available-for-sale securities:			
Arising during the year	¥ (5,500)	¥ 128,712	$ (49)
Reclassification adjustment through profit or loss	(3,570)	(179,831)	(31)
Before tax effect	(9,070)	(51,119)	(80)
Tax effect	4,313	21,071	38
Net-of-tax amount	(4,757)	(30,048)	(42)
Deferred gain (loss) on derivatives under hedge accounting:			
Arising during the year	17,893	(56,544)	159
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	17,893	(56,544)	159
Tax effect	(5,031)	18,209	(45)
Net-of-tax amount	12,862	(38,335)	114
Foreign currency translation adjustments:			
Arising during the year	(1,113,467)	353,631	(9,905)
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	(1,113,467)	353,631	(9,905)
Tax effect	—	—	—
Net-of-tax amount	(1,113,467)	353,631	(9,905)
Share of other comprehensive income (loss) of affiliates accounted for by equity method:			
Arising during the year	(232,095)	255,739	(2,064)
Reclassification adjustment through profit or loss	—	—	—
	(232,095)	255,739	(2,064)
Total other comprehensive income (loss)	¥ (1,337,457)	¥ 540,987	$ (11,897)

17. 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, 2016 and 2015 are as follows:
Financial instruments whose fair value is extremely difficult to measure are not included in the below table.

	Thousands of yen					
	2016			2015		
	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Cash and deposits	¥ 2,987,275	¥ 2,987,275	¥ —	¥ 3,353,632	¥ 3,353,632	¥ —
Trade notes and accounts receivable	2,918,867	2,918,867		2,656,093	2,656,093	
less: Allowance for doubtful receivables *1	(93)	(93)		(134)	(134)	
	2,918,774	2,918,774	—	2,655,959	2,655,959	—
Investment securities	368,687	367,587	(1,100)	380,288	379,432	(856)
Total assets	¥ 6,274,736	¥ 6,273,636	¥ (1,100)	¥ 6,389,879	¥ 6,389,023	¥ (856)
Trade notes and accounts payable	¥ 858,094	¥ 858,094	¥ —	¥ 1,212,517	¥ 1,212,517	¥ —
Short-term borrowings	300,000	300,000	—	300,000	300,000	—
Bond *2	32,000	32,233	233	58,000	58,411	411
Long-term borrowings *3	1,584,884	1,586,704	1,820	2,299,772	2,309,987	10,215
Lease obligations *4	892,865	886,836	(6,029)	1,349,856	1,351,407	1,551
Payable in installments *5	100,707	100,593	(114)	—	—	—
Total liabilities	¥ 3,768,550	¥ 3,764,460	¥ (4,090)	¥ 5,220,145	¥ 5,232,322	¥ 12,177
Derivatives *6	¥ 11,235	¥ 11,235	¥ —	¥ (6,653)	¥ (6,653)	¥ —

	Thousands of U.S. dollars		
	2016		
	Carrying amount	Fair value	Differences
Cash and deposits	$ 26,572	$ 26,572	$ —
Trade notes and accounts receivable	25,964	25,964	
less: Allowance for doubtful receivables *1	(1)	(1)	
	25,963	25,963	—
Investment securities	3,280	3,270	(10)
Total assets	$ 55,815	$ 55,805	$ (10)
Trade notes and accounts payable	$ 7,633	$ 7,633	$ —
Short-term borrowings	2,669	2,669	—
Bond *2	284	287	3
Long-term borrowings *3	14,097	14,114	17
Lease obligations *4	7,942	7,889	(53)
Payable in installments *5	896	895	(1)
Total liabilities	$ 33,521	$ 33,487	$ (34)
Derivatives *6	$ 100	¥ 100	$ —

*1 Allowance for doubtful receivables which are estimated individually are excluded.
*2 Bond includes bond redeemable within one year.
*3 Long-term borrowings includes current portion of long-term borrowings.
*4 Lease obligations includes short-term lease obligations.
*5 Payable in installments are included in accounts payable-other (current liabilities) and other long-term liabilities (long-term liabilities) in the accompanying consolidated balance sheet.
*6 Derivative receivables and payables are on net basis.

Notes

1. Fair values of financial instruments

Assets

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

Liabilities

a. Trade notes and accounts payable and short-term borrowings
   Because the fair values are approximately equal to the carrying amounts as these are settled in short term, such carrying amounts are used.
b. Bond
   The fair value of bond with market value are based on market value and the fair value of bond without market value are quoted by the present value of future cash flows of interest and principal payments discounted using the estimated borrowing rate considering the remaining period and the credit risk.
c. Long-term borrowings, lease obligations and payable in installments
   Fair value of long-term borrowings, lease obligations and Installment payables are based on the present value of future cash flows of interest and principal payments discounted using the current borrowing rate for similar borrowings of a comparable maturity.
d. Derivatives
   Please see Note 18

2. Financial instruments whose fair value is extremely difficult to measure at November 30, 2016 and 2015 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Investment securities: Unlisted stock, etc.	¥ 0	¥ 0	$ 0
Investments in capital of affiliates: Unlisted stock, etc.	801,459	1,167,298	7,129
Others: Unlisted stock, etc.	20	20	0
	¥ 801,479	¥ 1,167,318	$ 7,129

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

	Thousands of yen		
	Within one year	More than one year through five years	More than five years
Cash and deposits	¥ 2,987,275	¥ —	¥ —
Trade notes and accounts receivable	2,918,867	—	—
Total	¥ 5,906,142	¥ —	¥ —

		Thousands of U.S. dollars	
	Within one year	More than one year through five years	More than five years
Cash and deposits	$ 26,572	$ —	$ —
Trade notes and accounts receivable	25,964	—	—
Total	$ 52,536	$ —	$ —

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	16,000	16,000	-	-	-	-
Long-term borrowings	589,841	509,251	289,062	128,600	68,130	-
Lease liabilities	253,542	260,640	267,113	104,648	6,922	-
Installment payables	30,456	30,924	31,401	7,926	-	-
Total	¥ 1,189,839	¥ 816,815	¥ 587,576	¥ 241,174	¥ 75,052	¥ -

	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	$ 2,669	$ -	$ -	$ -	$ -	$ -
Bond	142	142	-	-	-	
Long-term borrowings	5,246	4,530	2,571	1,144	606	-
Lease liabilities	2,255	2,318	2,376	931	62	-
Installment payables	271	275	279	71	-	-
Total	$ 10,583	$ 7,265	$ 5,226	$ 2,146	$ 668	$ -

18. DERIVATIVES

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

The Company had no derivatives outstanding at November 30, 2016 and 2015 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, 2016 and 2015:

	Hedged items	Contract or notional amounts (Thousands of yen)		Fair value (Thousands of yen)	
November 30, 2016					
Forward exchange contracts:					
Selling foreign currency:	Accounts receivable				
U.S. dollar		¥	55,439	¥	(5,069)
Buying foreign currency:	Accounts payable				
U.S. dollar			200,938		6,752
Euro			1,311,190		(10,278)
Other currencies			353,692		19,830
Interest rate swaps — fixed rate payment, floating rate receipt	Long-term borrowings		720,000		*

	Hedged items	Contract or notional amounts (Thousands of yen)		Fair value (Thousands of yen)	
November 30, 2015					
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 — fixed rate payment, floating rate receipt	Long-term borrowings		1,020,000		*

	Hedged items	Contract or notional amounts (Thousands of U.S. dollars)		Fair value (Thousands of U.S. dollars)	
November 30, 2016					
Forward exchange contracts:					
Selling foreign currency:	Accounts receivable				
U.S. dollar		$	493	$	(45)
Buying foreign currency:	Accounts payable				
U.S. dollar			1,787		60
Euro			11,663		(91)
Other currencies			3,146		176
Interest rate swaps — fixed rate payment, floating rate receipt	Long-term borrowings		6,405		*

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.

19. COMMITMENTS AND CONTINGENCIES

At November 30, 2016, the Company was contingently liable for investment guarantee of 3,472 thousand Baht (¥11,252 thousand, $100 thousand) for Altech Asia Pacific Co., Ltd. to SBCS Co., Ltd. and SMBC Co., Ltd, which are subsidiaries of Sumitomo Mitsui Banking Corporation.

20. BALANCES AND TRANSACTIONS WITH RELATED PARTY

The condensed financial information of the significant affiliate, Altech New Material (Shenzhen) Co., Ltd. at November 30, 2016 and 2015 is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Total current assets	¥ 1,655,857	¥ 3,179,435	$ 14,729
Total non-current assets	403,568	113,132	3,590
Total current liabilities	278,406	698,571	2,476
Total non-current liabilities	—	—	—
Total net assets	1,781,019	2,593,996	15,843
Sales	1,282,947	3,821,454	11,412
Income (loss) before income taxes	206,713	7,235	1,839
Net income (loss)	165,840	5,426	1,475

21. 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, 2016 and 2015 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income from the rental property	¥ 66,215	¥ 263,811	$ 589

(2) The carrying amounts and fair values related to the rental property at November 30, 2016 and 2015, and movement of the carrying amount for the years then ended are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Carrying amount:			
At beginning of the year	¥ 1,441,136	¥ 1,430,754	$ 12,819
Movement	(361,324)	10,382	(3,214)
At end of the year	¥ 1,079,812	¥ 1,441,136	$ 9,605
Fair value at end of the year	¥ 1,260,856	¥ 1,689,813	$ 11,216

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, 2016, decrease are arising from currency fluctuations of ¥290,355 thousand ($2,583 thousand) and depreciation of ¥70,969 thousand ($631 thousand). For the year ended November 30, 2015, the increase is mainly arising from currency fluctuations of ¥99,257 thousand and the decrease is mainly due to depreciation of ¥88,875 thousand.
4. The fair value is calculated based on real estate price published by Chinese Government.

22. 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, 2016 and 2015 are summarized as follows:

	Thousands of yen				
	2016				
	Reported segments				
	Wholesale	Preform	Total	Adjustments	Consolidated
Operating revenues:					
Revenues from third parties	¥ 9,435,260	¥ 4,340,214	¥ 13,775,474	¥ –	¥ 13,775,474
Intersegment revenues	(271)	24,807	24,536	(24,536)	–
Total	9,434,989	4,365,021	13,800,010	(24,536)	13,775,474
Segment income (loss)	¥ 476,671	¥ 60,819	¥ 537,490	¥ (171,059)	¥ 366,431
Segment assets	¥ 3,966,234	¥ 8,277,780	¥ 12,244,014	¥ 2,449,413	¥ 14,693,427
Others:					
Depreciation and amortization	¥ 34,376	¥ 707,218	¥ 741,594	¥ 7,695	¥ 749,289
Increase in property and equipment and intangible assets	¥ 37,880	¥ 665,870	¥ 703,750	¥ 9,009	¥ 712,759

	Thousands of yen				
	2015				
	Reported segments				
	Wholesale	Preform	Total	Adjustments	Consolidated
Operating revenues:					
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)	–
Total	10,377,586	5,489,688	15,867,274	(56,800)	15,810,474
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
Others:					
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 U.S. dollars				
	2016				
	Reported segments				
	Wholesale	Preform	Total	Adjustments	Consolidated
Operating revenues:					
Revenues from third parties	$ 83,929	$ 38,607	$ 122,536	$ –	$ 122,536
Intersegment revenues	(2)	221	219	(219)	–
Total	83,927	38,828	122,755	(219)	122,536
Segment income (loss)	$ 4,240	$ 541	$ 4,781	$ (1,522)	$ 3,259
Segment assets	$ 35,281	$ 73,633	$ 108,914	$ 21,787	$ 130,701
Others:					
Depreciation and amortization	$ 306	$ 6,291	$ 6,597	$ 68	$ 6,665
Increase in property and equipment and intangible assets	$ 337	$ 5,923	$ 6,260	$ 80	$ 6,340

The adjustment in “Segment income (loss)” for the years ended November 30, 2016 and 2015 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Intersegment transactions	¥ 6,344	¥ (10,723)	$ 56
Non-categorized expenses	(193,256)	(199,557)	(1,719)
Adjustments of fixed assets	15,853	35,143	141
	¥ (171,059)	¥ (175,137)	$ (1,522)

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, 2016 and 2015 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Intersegment balances	¥ (682,517)	¥ (1,246,125)	$ (6,071)
Non-categorized assets	3,131,930	3,439,981	27,858
	¥ 2,449,413	¥ 2,193,856	$ 21,787

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, 2016 and 2015 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Intersegment transactions	¥ (15,853)	¥ (32,980)	$ (140)
Depreciation of company-wide assets	23,548	22,514	208
	¥ 7,695	¥ (10,466)	$ 68

The adjustment in "Increase for property, plant, 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

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Japan	¥ 8,367,342	¥ 7,955,881	$ 74,429
Asia	4,680,108	6,545,648	41,631
Americas	72	10,036	1
Europe	727,952	1,235,160	6,475
Other	–	63,749	–
	¥ 13,775,474	¥ 15,810,474	$ 122,536

(2) Property and equipment

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Japan	¥ 1,092,738	¥ 1,153,057	$ 9,720
Asia	3,183,942	4,238,698	28,322
	¥ 4,276,680	¥ 5,391,755	$ 38,042

3. Information by major customers

Disclosure for the years ended November 30, 2016 and 2015 is omitted because there are no customer more than 10% of net sales.

Information of impairment loss on fixed assets by reported segments

	Thousands of yen				
	Wholesale	Preform	Other	Adjustments	Consolidated
November 30, 2016					
Impairment loss	¥ –	¥ 59,389	¥ –	¥ –	¥ 59,389
November 30, 2015					
Impairment loss	¥ –	¥ 997,814	¥ –	¥ –	¥ 997,814

	Thousands of U.S. dollars				
	Wholesale	Preform	Other	Adjustments	Consolidated
November 30, 2016					
Impairment loss	$ –	$ 528	$ –	$ –	$ 528

Impairment loss for the year ended November 30, 2016 on the above table consists of the impairment loss of ¥7,650 thousand ($68 thousand) and the impairment loss of ¥51,739 thousand ($460 thousand) included in loss on business withdrawal in the accompanying consolidated statement of operations.

Information of amortization and balance of goodwill

Goodwill is not recorded for the years ended November 30, 2016 and 2015.

Negative goodwill incurred by reported segments

Negative goodwill is not recorded for the years ended November 30, 2016 and 2015.

23. 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, 2016 and 2015 are as follows:

	Yen		U.S. dollars
	2016	2015	2016
Basic net income (loss) per share	¥ 3.79	¥ (58.23)	$ 0.03

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Income (loss) attributable to owners of parent	¥ 64,972	¥ (998,481)	$ 578
Net income (loss) not applicable to common shareholders	–	–	–
Income (loss) attributable to owners of parent applicable to common shareholders	¥ 64,972	¥ (998,481)	$ 578

	Number of shares	
	2016	2015
Weighted average number of shares outstanding on which basic net income per share is calculated	17,146,284	17,146,512

The diluted net income per share for the years ended November 30, 2016 and 2015 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, 2016 and 2015 are as follows:

	Yen		U.S. dollars
	2016	2015	2016
Net assets per share	¥ 498.34	¥ 574.47	$ 4.43

	Thousands of yen		Thousands of U.S. dollars
	2016	2015	2016
Total net assets	¥ 8,697,155	¥ 10,015,089	$ 77,363
Amount deducted from total net assets:			
Non-controlling interests	152,544	165,039	1,357
Net assets applicable to common shareholders	¥ 8,544,611	¥ 9,850,050	$ 76,006

	Number of shares	
	2016	2015
Number of shares outstanding at end of year on which net assets per share is calculated	17,146,189	17,146,429