

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

***Audited Consolidated Financial Statements
for the Year Ended November 30, 2017***



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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, 2017, 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, 2017, 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 27, 2018

BDO Toyo & Co

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ALTECH Co., Ltd. and Consolidated Subsidiaries
**Consolidated Balance Sheet
November 30, 2017**

	Thousands of yen		Thousands of U.S. dollars (Note 1)		Thousands of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017		2017	2016	2017
ASSETS				LIABILITIES AND NET ASSETS			
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and deposits (Note 3)	¥ 3,444,775	¥ 2,987,275	\$ 30,743	Trade notes and accounts payable	¥ 1,148,057	¥ 858,094	\$ 10,246
Trade notes and accounts receivable	2,741,853	2,918,867	24,470	Short-term borrowings and current portion of long-term borrowings (Notes 6, 7 and 8)	1,039,281	889,841	9,275
Inventories	1,630,482	975,296	14,551	Current portion of bond (Note 6)	16,000	16,000	143
Advances paid	991,887	1,125,655	8,852	Short-term lease obligations (Note 6)	339,851	253,542	3,033
Deferred tax assets (Note 9)	113,967	–	1,017	Accounts payable-other (Note 6)	228,568	206,732	2,040
Other current assets	947,137	463,542	8,453	Accrued expenses	346,468	448,734	3,092
Allowance for doubtful receivables	(32,623)	(93)	(291)	Income taxes payable (Note 9)	107,670	43,101	961
Total current assets	<u>9,837,478</u>	<u>8,470,542</u>	<u>87,795</u>	Deferred tax liabilities (Note 9)	–	5,713	–
				Advances received	1,571,320	1,420,899	14,023
PROPERTY, PLANT AND EQUIPMENT :				Accrued losses on sales contracts	8,847	379	79
Buildings and structures (Note 7)	3,669,765	3,317,820	32,751	Other current liabilities	<u>57,293</u>	<u>88,768</u>	<u>511</u>
Machinery and equipment, and vehicles	3,416,930	3,202,969	30,495	Total current liabilities	<u>4,863,355</u>	<u>4,231,803</u>	<u>43,403</u>
Land	55,309	55,309	494				
Lease assets	1,650,942	1,241,230	14,734	LONG-TERM LIABILITIES:			
Construction in progress	277,028	12,748	2,472	Bond (Note 6)	–	16,000	–
Other	<u>2,141,882</u>	<u>2,111,323</u>	<u>19,115</u>	Long-term borrowings (Notes 6, 7 and 8)	631,587	995,043	5,637
Total	11,211,856	9,941,399	100,061	Long-term lease obligations (Note 6)	654,457	639,323	5,841
Accumulated depreciation	<u>(6,691,805)</u>	<u>(5,664,719)</u>	<u>(59,721)</u>	Deferred tax liabilities (Note 9)	64,772	42,830	578
Net property, plant and equipment	<u>4,520,051</u>	<u>4,276,680</u>	<u>40,340</u>	Other long-term liabilities (Note 6)	<u>47,654</u>	<u>71,273</u>	<u>425</u>
				Total long-term liabilities	<u>1,398,470</u>	<u>1,764,469</u>	<u>12,481</u>
INTANGIBLE ASSETS, NET (Note 7)	511,863	660,764	4,568	Total liabilities	<u>6,261,825</u>	<u>5,996,272</u>	<u>55,884</u>
INVESTMENTS AND OTHER ASSETS:				SHAREHOLDERS' EQUITY (Note 11):			
Investment securities (Notes 4 and 7)	345,367	368,687	3,082	Common stock	5,527,830	5,527,830	49,334
Investment in capital of affiliates (Note 5)	908,800	801,459	8,111	Capital surplus	2,149,339	2,149,339	19,182
Lease deposits (Note 10)	73,927	69,862	660	Retained earnings	1,564,021	961,233	13,958
Deferred tax assets (Note 9)	493	335	4	Treasury stock	<u>(923,102)</u>	<u>(923,058)</u>	<u>(8,238)</u>
Other assets	<u>49,199</u>	<u>45,098</u>	<u>439</u>	Total shareholders' equity	<u>8,318,088</u>	<u>7,715,344</u>	<u>74,236</u>
Total investments and other assets	<u>1,377,786</u>	<u>1,285,441</u>	<u>12,296</u>				
				ACCUMULATED OTHER COMPREHENSIVE INCOME:			
				Net unrealized gain on available-for-sale securities (Note 4)	107,637	52,401	960
				Deferred gain on derivatives under hedge accounting (Note 18)	29,304	6,204	262
				Foreign currency translation adjustments	<u>1,329,709</u>	<u>770,662</u>	<u>11,867</u>
				Total accumulated other comprehensive income	<u>1,466,650</u>	<u>829,267</u>	<u>13,089</u>
				NON-CONTROLLING INTERESTS	<u>200,615</u>	<u>152,544</u>	<u>1,790</u>
				Total net assets	<u>9,985,353</u>	<u>8,697,155</u>	<u>89,115</u>
				COMMITMENTS AND CONTINGENCIES (Note 19)			
TOTAL	¥ <u>16,247,178</u>	¥ <u>14,693,427</u>	\$ <u>144,999</u>	TOTAL	¥ <u>16,247,178</u>	¥ <u>14,693,427</u>	\$ <u>144,999</u>

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations Year Ended November 30, 2017

	<u>Thousands of yen</u>		Thousands of <u>U.S. dollars</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u> (Note 1)
NET SALES	¥ 15,173,739	¥ 13,775,474	\$ 135,419
COST OF SALES	<u>11,658,598</u>	<u>10,746,739</u>	<u>104,048</u>
Gross profit	3,515,141	3,028,735	31,371
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	<u>2,880,515</u>	<u>2,662,304</u>	<u>25,707</u>
Operating profit	<u>634,626</u>	<u>366,431</u>	<u>5,664</u>
OTHER INCOME (EXPENSES):			
Interest and dividends income	18,509	27,131	165
Equity in earnings of affiliates	53,946	74,628	481
Foreign exchange gain (loss)	6,206	(182,569)	55
Compensation income	26,976	-	241
Interest expense	(97,208)	(99,659)	(867)
Commission paid	(9,597)	(9,651)	(86)
Business commencement expense	-	(19,200)	-
Gain on sale of property, plant and equipment	13,097	61,030	117
Gain on sale of investment securities	-	3,570	-
Subsidy income	54,542	-	487
Loss on sale of property, plant and equipment	(861)	(789)	(8)
Impairment loss (Note 13)	(28,458)	(7,650)	(254)
Loss on business structure improvement (Note 14)	-	(39,011)	-
Loss on business withdrawal (Note 15)	-	(74,797)	-
Provision of allowance for doubtful accounts	(31,953)	-	(285)
Other—net	<u>18,563</u>	<u>10,762</u>	<u>166</u>
Other income (expenses)—net	<u>23,762</u>	<u>(256,205)</u>	<u>212</u>
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS	<u>658,388</u>	<u>110,226</u>	<u>5,876</u>
INCOME TAXES (Note 9):			
Current	105,611	66,091	943
Deferred	<u>(126,373)</u>	<u>(28,135)</u>	<u>(1,128)</u>
Total income taxes	<u>(20,762)</u>	<u>37,956</u>	<u>(185)</u>
INCOME	<u>679,150</u>	<u>72,270</u>	<u>6,061</u>
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	<u>24,923</u>	<u>7,298</u>	<u>222</u>
INCOME ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 654,227</u>	<u>¥ 64,972</u>	<u>\$ 5,839</u>

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income (Loss) Year Ended November 30, 2017

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			(Note 1)
			<u>2017</u>
INCOME	¥ 679,150	¥ 72,270	\$ 6,061
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Net unrealized gain (loss) on available-for-sale securities	55,236	(4,757)	493
Deferred gain on derivatives under hedge accounting	23,101	12,862	206
Foreign currency translation adjustments	530,273	(1,113,467)	4,732
Share of other comprehensive income (loss) of affiliates accounted for by equity method	<u>53,396</u>	<u>(232,095)</u>	<u>477</u>
Total other comprehensive income (loss)	662,006	(1,337,457)	5,908
COMPREHENSIVE INCOME (LOSS)	¥ <u>1,341,156</u>	¥ <u>(1,265,187)</u>	\$ <u>11,969</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Comprehensive income (loss) attributable to owners of parent	1,291,611	(1,253,961)	11,527
Comprehensive income (loss) attributable to non-controlling interests	49,545	(11,226)	442

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries
**Consolidated Statement of Changes in Net Assets
Year ended November 30, 2017**

	Thousands of yen										
	Shareholders' equity (Note 11)					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain on available-for-sale securities (Note 4)	Deferred gain on derivatives under hedge accounting (Note 18)	Foreign currency translation adjustments	Total	Non-controlling interests	Total net assets
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 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
Changes arising during the year:											
Dividends			(51,439)		(51,439)						(51,439)
Income attributable to owners of parent			654,227		654,227						654,227
Purchase of treasury stock				(44)	(44)						(44)
Net changes other than shareholders' equity						55,236	23,100	559,047	637,383	48,071	685,454
Total changes during the year			602,788	(44)	602,744	55,236	23,100	559,047	637,383	48,071	1,288,198
Balance at November 30, 2017	¥ 5,527,830	¥ 2,149,339	¥ 1,564,021	¥ (923,102)	¥ 8,318,088	¥ 107,637	¥ 29,304	¥ 1,329,709	¥ 1,466,650	¥ 200,615	¥ 9,985,353

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity (Note 11)					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain on available-for-sale securities (Note 4)	Deferred gain on derivatives under hedge accounting (Note 18)	Foreign currency translation adjustments	Total	Non-controlling interests	Total net assets
Balance at November 30, 2016	\$ 49,334	\$ 19,182	\$ 8,578	\$ (8,237)	\$ 68,857	\$ 467	\$ 56	\$ 6,878	\$ 7,401	\$ 1,361	\$ 77,619
Changes arising during the year:											
Dividends			(459)		(459)						(459)
Income attributable to owners of parent			5,839		5,839						5,839
Purchase of treasury stock				(1)	(1)						(1)
Net changes other than shareholders' equity						493	206	4,989	5,688	429	6,117
Total changes during the year			5,380	(1)	5,379	493	206	4,989	5,688	429	11,496
Balance at November 30, 2017	\$ 49,334	\$ 19,182	\$ 13,958	\$ (8,238)	\$ 74,236	\$ 960	\$ 262	\$ 11,867	\$ 13,089	\$ 1,790	\$ 89,115

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year ended November 30, 2017

	Thousands of yen		Thousands of U.S. dollars
	2017	2016	(Note 1) 2017
OPERATING ACTIVITIES:			
Income before income taxes and non-controlling interests	¥ 658,388	¥ 110,226	\$ 5,876
Depreciation and amortization	731,230	749,289	6,526
Provision for doubtful receivables	32,530	(42)	290
Interest and dividends income	(18,509)	(27,131)	(165)
Interest expense	97,209	99,659	868
Foreign exchange loss (gain)	(94,056)	249,411	(839)
Equity in earnings of affiliates	(53,946)	(74,628)	(481)
Gain on sale of investment securities	–	(3,570)	–
Impairment loss	28,458	7,650	254
Gain on sale of property, plant and equipment	(12,236)	(60,241)	(109)
Loss on retirement of non-current assets	2,219	12,454	20
Subsidy income	(54,542)	–	(487)
Loss on business structure improvement	–	39,011	–
Loss on business withdrawal	–	74,797	–
Decrease (Increase) in trade receivables	260,092	(411,853)	2,321
Decrease (Increase) in inventories	(591,966)	204,706	(5,283)
Increase (Decrease) in trade payables	260,753	(296,328)	2,327
Decrease (Increase) in advances paid	149,478	(530,087)	1,334
Increase (Decrease) in accrued expenses	(107,118)	75,396	(956)
Increase in advances received	135,978	544,351	1,213
Other, net	(51,023)	6,331	(456)
Sub total	1,372,939	769,401	12,253
Interest and dividends received	18,314	28,046	163
Dividends received from an affiliate accounted for by equity method	–	208,372	–
Interest paid	(100,279)	(101,539)	(895)
Income taxes paid	(60,172)	(79,260)	(537)
Income taxes refunded	4,779	25,439	43
Proceeds from subsidy income	8,500	–	76
Extraordinary retirement payments	–	(39,011)	–
Net cash provided by operating activities	<u>1,244,081</u>	<u>811,448</u>	<u>11,103</u>

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

Consolidated Statement of Cash Flows Year ended November 30, 2017

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2017</u>	<u>2016</u>	<u>(Note 1) 2017</u>
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(625,104)	(366,362)	(5,579)
Proceeds from sales of property, plant and equipment	11,224	74,297	100
Purchases of intangible fixed assets	(3,769)	(6,401)	(34)
Proceeds from sales of intangible fixed assets	190,291	–	1,698
Purchases of investment securities	(2,471)	(2,458)	(22)
Proceeds from sale of investment securities	–	107,342	–
Proceeds from redemption of investment securities	100,000	–	892
Proceeds from subsidy income	54,542	–	487
Other, net	<u>(2,419)</u>	<u>26,921</u>	<u>(21)</u>
Net cash used in investing activities	<u>(277,706)</u>	<u>(166,661)</u>	<u>(2,479)</u>
FINANCING ACTIVITIES:			
Decrease in short-term debt	169,600	–	1,514
Proceeds from long-term debt	144,160	117,847	1,287
Repayments on long-term debt	(607,653)	(655,659)	(5,423)
Repayments on bonds	(16,000)	(26,000)	(143)
Repayments on lease obligations	(306,830)	(355,093)	(2,738)
Payments for purchase of treasury stock	(44)	(37)	(1)
Dividends paid to shareholders	(51,570)	(51,426)	(460)
Dividends paid to non-controlling shareholders	(1,474)	(1,269)	(13)
Proceeds from sale and leaseback	341,840	55,236	3,051
Proceeds from sales and buyback in installments	15,503	123,320	138
Payments for installment payables for property and equipment	<u>(34,467)</u>	<u>(22,613)</u>	<u>(308)</u>
Net cash used in financing activities	<u>(346,935)</u>	<u>(815,694)</u>	<u>(3,096)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>196,818</u>	<u>(421,992)</u>	<u>1,757</u>
Net increase (decrease) in cash and cash equivalents	816,258	(592,899)	7,285
Cash and cash equivalents at beginning of year	<u>3,184,607</u>	<u>3,777,506</u>	<u>28,421</u>
Cash and cash equivalents at end of year (Note 3)	¥ <u>4,000,865</u>	¥ <u>3,184,607</u>	\$ <u>35,706</u>

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended November 30, 2017

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 2016 financial statements to conform to the classifications used in 2017.

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 ¥112.05 to \$1, the approximate rate of exchange at November 30, 2017. 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, 2017 include the accounts of the Company and its 12 significant (12 in 2016) 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 2016) affiliate is accounted for by the equity method.

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

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

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

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

- d. Allowance for Doubtful Receivables** — The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- e. Inventories** — Inventories held for sale in the ordinary course of business of the Company and consolidated subsidiaries were stated at the lower of cost determined by the specific identification method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. Inventories of certain consolidated subsidiaries were stated at the lower of cost, determined by the moving-average method, or market.
- f. Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation of the Company and consolidated subsidiaries is computed by the straight-line method. The range of useful lives is principally from 2 to 31 years for buildings and structures, and from 2 to 10 years for machinery and equipment, and vehicles.
- g. Intangible Assets** — Intangible assets are carried at cost less accumulated amortization. Land use right are amortized by the straight-line method over the contract terms. 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.

From the year ended November 30, 2017, the Company applied the “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26 March 28, 2016)”.

- i. Accrued Losses on Sales Contracts** — Accrued losses on sales contracts are provided for at the amount of estimated future losses on sales contracts at the balance sheet date when such losses are probable and can be reasonably estimated.
- j. Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized

in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

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

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

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

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

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

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

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

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

- o. 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, 2017.

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, 2017 and 2016 are follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Cash and deposits	¥ 3,444,775	¥ 2,987,275	\$ 30,743
Time deposits	(54,470)	(44,908)	(486)
Short-term investments	<u>610,560</u>	<u>242,240</u>	<u>5,449</u>
Cash and cash equivalents	¥ <u>4,000,865</u>	¥ <u>3,184,607</u>	\$ <u>35,706</u>

4. INVESTMENT SECURITIES

Acquisition cost, balance sheet amount, and unrealized gain (loss) of available-for sale securities with fair value at November 30, 2017 and 2016 are summarized as follows:

	<u>Thousands of yen</u>			
	<u>Acquisition cost</u>	<u>Unrealized gain</u>	<u>Unrealized loss</u>	<u>Balance sheet amount</u>
<u>November 30, 2017</u>				
Equity securities	¥ <u>194,218</u>	¥ <u>152,870</u>	¥ <u>(1,721)</u>	¥ <u>345,367</u>
	¥ <u>194,218</u>	¥ <u>152,870</u>	¥ <u>(1,721)</u>	¥ <u>345,367</u>
<u>November 30, 2016</u>				
Equity securities	¥ 191,748	¥ 77,340	¥ (2,032)	¥ 267,056
Bond	<u>101,631</u>	<u>—</u>	<u>—</u>	<u>101,631</u>
	¥ <u>293,379</u>	¥ <u>77,340</u>	¥ <u>(2,032)</u>	¥ <u>368,687</u>
	<u>Thousands of U.S. dollars</u>			
	<u>Acquisition cost</u>	<u>Unrealized Gain</u>	<u>Unrealized loss</u>	<u>Balance sheet amount</u>
<u>November 30, 2017</u>				
Equity securities	\$ <u>1,733</u>	\$ <u>1,364</u>	\$ <u>(15)</u>	\$ <u>3,082</u>
	\$ <u>1,733</u>	\$ <u>1,364</u>	\$ <u>(15)</u>	\$ <u>3,082</u>

For the year ended November 30, 2016, proceeds from sales of available-for-sale securities are ¥8,276 thousand, gross realized gains on these sales are ¥3,570 thousand, gross realized losses on these sales are nil.

5. INVESTMENTS IN AFFILIATES

The aggregate carrying amounts of investments in affiliates at November 30, 2017 and 2016 are ¥908,800 thousand (\$8,111 thousand) and ¥801,459 thousand, respectively.

6. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) Short-term borrowings

Short-term borrowings at November 30, 2017 and 2016, consisted of notes to banks, loan on deed and bank overdrafts. The average interest rates applicable to the short-term borrowings are 2.2% and 1.1% at November 30, 2017 and 2016, respectively.

(2) Bond

Bond at November 30, 2017 and 2016, consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Bond, due serially to 2018 with interest rate of 0.63%	¥ 16,000	¥ 32,000	\$ 143
Less current portion	<u>16,000</u>	<u>16,000</u>	<u>143</u>
Total	¥ <u>—</u>	¥ <u>16,000</u>	\$ <u>—</u>

(3) Long-term borrowings

Long-term borrowings at November 30, 2017 and 2016, consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Loans from banks and other financial institutions, due serially to 2022 with average interest rates of 3.6%	¥ 1,201,268	¥ —	\$ 10,721
Loans from banks and other financial institutions, due serially to 2021 with average interest rates of 3.0%	<u>—</u>	<u>1,584,884</u>	<u>—</u>
	1,201,268	1,584,884	10,721
Less current portion	<u>569,681</u>	<u>589,841</u>	<u>5,084</u>
Total	¥ <u>631,587</u>	¥ <u>995,043</u>	\$ <u>5,637</u>

The aggregate annual maturities of long-term borrowings after November 30, 2018 are as follows:

	<u>Thousands of</u>	<u>Thousands of</u>
	<u>yen</u>	<u>U.S. dollars</u>
Year ending November 30:		
2019	¥ 335,658	\$ 2,996
2020	171,555	1,531
2021	108,356	967
2022	16,018	143

(4) Lease liabilities

Lease liabilities at November 30, 2017 and 2016 consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
Lease liabilities, with average interest rates of 4.6%	¥ 994,308	¥ –	\$ 8,874
Lease liabilities, with average interest rates of 3.7%	–	892,865	–
Less current portion	<u>339,851</u>	<u>253,542</u>	<u>3,033</u>
Total	¥ <u>654,457</u>	¥ <u>639,323</u>	\$ <u>5,841</u>

The aggregate annual maturities of lease liabilities after November 30, 2018 are as follows:

	<u>Thousands of</u>	<u>Thousands of</u>
	<u>yen</u>	<u>U.S. dollars</u>
Year ending November 30:		
2019	¥ 351,853	\$ 3,140
2020	184,900	1,650
2021	84,300	752
2022	33,404	299

(5) Payable in installments

Payable in installments at November 30, 2017 and 2016 consisted of the followings:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
Payable in installments, with average interest rates of 1.7%	¥ 81,743	¥ 100,707	\$ 729
Less current portion	<u>35,790</u>	<u>30,456</u>	<u>319</u>
Total	¥ <u>45,953</u>	¥ <u>70,251</u>	\$ <u>410</u>

The aggregate annual maturities of payable in installments after November 30, 2018 are as follows:

	<u>Thousands of</u>	<u>Thousands of</u>
	<u>yen</u>	<u>U.S. dollars</u>
Year ending November 30:		
2019	¥ 36,356	\$ 324
2020	9,597	86

(6) Commitments

At November 30, 2017, the Company has commitment line contracts with five banks to flexibly and efficiently finance the operating fund. Components of commitment line contracts were as follows:

	<u>Thousands of</u>	<u>Thousands of</u>
	<u>yen</u>	<u>U.S. dollars</u>
Total commitments	¥ 1,150,000	\$ 10,263
Borrowings	–	–
Unused commitments	¥ <u>1,150,000</u>	\$ <u>10,263</u>

7. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral and collateralized debt at November 30, 2017 and 2016, were as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Assets pledged as collateral:			
Buildings	¥ 884,200	¥ —	\$ 7,891
The right to use of land	92,656	—	827
Investment securities	<u>11,882</u>	<u>10,047</u>	<u>106</u>
Total	¥ <u>988,738</u>	¥ <u>10,047</u>	\$ <u>8,824</u>
Collateralized debt:			
Short-term borrowings	¥ 289,600	¥ 120,000	\$ 2,584
Long-term borrowings	<u>30,000</u>	<u>150,000</u>	<u>268</u>
Total	¥ <u>319,600</u>	¥ <u>270,000</u>	\$ <u>2,852</u>

8. RESTRICTIVE FINANCIAL COVENANTS

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

- (1) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 19, 2012, maximum borrowing amount: ¥1,150,000 thousand (\$10,263 thousand), balance at November 30, 2017: nil) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
 - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2011.
 - b. The Company must not have two consecutive years of consolidated ordinary loss. Consolidated ordinary loss is defined as “Keijo-sonshitsu” in the consolidated statement of operations under accounting principles generally accepted in Japan. An ordinary income or loss, “Keijo-soneki” is an income or loss figure with certain adjustments made to income or loss before income taxes and non-controlling interests.

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

- (2) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: September 25, 2013, balance at November 30, 2017: ¥140,000 thousand (\$1,249 thousand)) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
 - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2012.
 - b. The Company must not have two consecutive years of consolidated ordinary loss.

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

- (3) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: March 26, 2014, balance at November 30, 2017: ¥180,000 thousand (\$1,606 thousand)) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
- a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2013.
 - b. The Company must not have two consecutive years of consolidated ordinary loss.

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

- (4) Long-term loan contracts to the Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company with BOT Lease (H.K.) Co., Ltd., agreement date: April 7, 2014, balance at November 30, 2017: 2,597 thousand Chinese Yuan (¥44,772 thousand, \$400 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, 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, 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) 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) 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 have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.
 - a. Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 70% of the net assets at November 30, 2013.
 - b. Altech New Materials (Suzhou) Co., Ltd. must not have two consecutive years of the loss which is sum of ordinary loss plus depreciation.

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

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.9% and 32.3% for the years ended November 30, 2017 and 2016, 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 years ended November 30, 2017 and 2016 are follows:

	<u>2017</u>	<u>2016</u>
Statutory tax rate	30.9%	32.3%
Foreign withholding tax	0.3	2.9
Expenses not deductible for tax purposes	1.9	22.5
Income not credited for tax purposes	0.0	2.7
Per capita tax	1.0	7.0
Lower income tax rates applicable to income in certain foreign countries	(3.7)	8.7
Valuation allowance	(37.2)	5.5
Income taxes for prior years, etc.	0.3	(3.3)
Not recognized deferred taxes on unrealized gains	4.0	3.1
Equity in earnings, etc.	(2.5)	(21.8)
Undistributed earnings of foreign affiliates accounted for by equity method	1.1	(24.3)
Other	0.7	(0.9)
Effective tax rate	<u>(3.2)%</u>	<u>34.4%</u>

Significant components of deferred tax assets and liabilities at November 30, 2017 and 2016 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Deferred tax assets (current):			
Accrued expenses	¥ 75,395	¥ 54,441	\$ 673
Other payables	8,126	9,806	72
Allowance for doubtful receivables	63	29	1
Products	20,398	10,487	182
Tax loss carryforwards	28,151	–	251
Other	<u>18,003</u>	<u>6,928</u>	<u>161</u>
	150,136	81,691	1,340
Valuation allowance	(21,895)	(81,691)	(196)
Offset with deferred tax liabilities	<u>(14,274)</u>	<u>–</u>	<u>(127)</u>
	113,967	–	1,017
Deferred tax liabilities (current):			
Accrued consumption tax	400	–	4
Dividends receivable	794	682	7
Deferred gains or losses on hedges	<u>13,080</u>	<u>5,031</u>	<u>116</u>
	14,274	5,713	127
Offset with deferred tax assets	<u>(14,274)</u>	<u>–</u>	<u>(127)</u>
	–	5,713	–
Net deferred tax assets (liabilities)	¥ <u>113,967</u>	¥ <u>(5,713)</u>	\$ <u>1,017</u>
Deferred tax assets (non-current):			
Excess depreciation	¥ 30,647	¥ 180,455	\$ 274
Land	654	654	6
Unrealized intercompany profits	2,724	184	24
Revaluation loss on investment securities	12,612	12,612	113
Revaluation loss on investments	19,482	19,482	174
Tax loss carryforwards	542,952	691,310	4,846
Lease deposit (Asset retirement obligations)	9,221	9,221	82
Other	<u>6,837</u>	<u>6,719</u>	<u>60</u>
	625,129	920,637	5,579
Valuation allowance	(618,647)	(920,302)	(5,522)
Offset with deferred tax liabilities	<u>(5,989)</u>	<u>–</u>	<u>(53)</u>
	493	335	4
Deferred tax liabilities (non-current):			
Loss on revaluation of assets under consolidated tax return system	1,548	1,515	14
Undistributed earnings of foreign affiliates accounted for by equity method	25,701	18,408	229
Unrealized gain on available-for-sale securities	<u>43,512</u>	<u>22,907</u>	<u>388</u>
	70,761	42,830	631
Offset with deferred tax assets	<u>(5,989)</u>	<u>–</u>	<u>(53)</u>
	<u>64,772</u>	<u>42,830</u>	<u>578</u>
Net deferred tax liabilities	¥ <u>64,279</u>	¥ <u>42,495</u>	\$ <u>574</u>

10. ASSET RETIREMENT OBLIGATIONS

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

The Company estimated non-recoverable amounts of lease deposits under lease contracts at November 30, 2017, 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, 2017 and 2016. Changes in the number of shares of common stock issued for the two years ended November 30, 2017 are as follows:

	<u>Issued shares</u>
Balance at November 30, 2015	19,354,596
Balance at November 30, 2016	<u>19,354,596</u>
Balance at November 30, 2017	<u><u>19,354,596</u></u>

(2) *Retained Earnings and Dividends*

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

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

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

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

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

(a) Total dividends	¥51,439 thousand (\$459 thousand)
(b) Cash dividends per common share	¥3 (\$0.03)
(c) Record date	November 30, 2016
(d) Effective date	February 27, 2017

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended November 30, 2017 which was approved by the general meeting of shareholders held on February 27, 2018 are as follows:

(a) Total dividends	¥51,438 thousand (\$459 thousand)
(b) Dividends source	Retained earnings
(c) Cash dividends per common share	¥3 (\$0.03)
(d) Record date	November 30, 2017
(e) Effective date	February 28, 2018

(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, 2017 are as follows:

	<u>Shares</u>
Balance at November 30, 2015	2,208,167
Acquisition for treasury	<u>240</u>
Balance at November 30, 2016	2,208,407
Acquisition for treasury	<u>188</u>
Balance at November 30, 2017	<u><u>2,208,595</u></u>

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended November 30, 2017 and 2016 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>
Salaries	¥ 944,816	¥ 909,493	\$ 8,432

13. IMPAIRMENT LOSS

The Company recognized impairment losses for the years ended November 30, 2017 and 2016 as follows:

2017

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

2016

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

Thousands of yen

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

Thousands of U.S. dollars

Classification	2017			
	Koto City, Tokyo	Sakai City, Fukui	Bangkok City, Thailand	Total
Buildings and structures	\$ —	\$ 3	\$ —	\$ 3
Machinery and equipment, and vehicles	24	—	—	24
Lease assets	—	96	—	96
Construction in progress	—	1	—	1
Other	—	0	130	130
Total	\$ 24	\$ 100	\$ 130	\$ 254

Thousands of yen

Classification	2016
	Sakai City, Fukui
Machinery and equipment, and vehicles	¥ 834
Lease assets	6,816
Total	¥ 7,650

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 Koto City, Sakai City and Bangkok City are measured by its net selling price, but the assets are assessed by memorandum value because the assets are difficult to sell or divert.

14. 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 <u>yen</u>
Impairment loss	¥ 51,739
Special severance payment	8,860
Consulting fee	6,225
Other	<u>7,973</u>
Total	¥ <u><u>74,797</u></u>

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

<u>Location</u>	<u>Usage</u>	<u>Classification</u>
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, 2017 and 2016 are as follows are as follows:

	Thousands of yen		Thousands of
	2017	2016	U.S. dollars
			2017
Net unrealized gain (loss) on available-for-sale securities:			
Arising during the year	¥ 75,841	¥ (5,500)	\$ 677
Reclassification adjustment through profit or loss	—	(3,570)	—
Before tax effect	75,841	(9,070)	677
Tax effect	(20,605)	4,313	(184)
Net-of-tax amount	55,236	(4,757)	493
Deferred gain on derivatives under hedge accounting:			
Arising during the year	31,149	17,893	278
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	31,149	17,893	278
Tax effect	(8,048)	(5,031)	(72)
Net-of-tax amount	23,101	12,862	206
Foreign currency translation adjustments:			
Arising during the year	530,273	(1,113,467)	4,732
Reclassification adjustment through profit or loss	—	—	—
Before tax effect	530,273	(1,113,467)	4,732
Tax effect	—	—	—
Net-of-tax amount	530,273	(1,113,467)	4,732
Share of other comprehensive income (loss) of affiliates accounted for by equity method:			
Arising during the year	53,396	(232,095)	477
Reclassification adjustment through profit or loss	—	—	—
	53,396	(232,095)	477
Total other comprehensive income (loss)	¥ 662,006	¥ (1,337,457)	\$ 5,908

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, 2017 and 2016 are as follows:

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

	Thousands of yen					
	2017			2016		
	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Cash and deposits	¥ 3,444,775	¥ 3,444,775	¥ —	¥ 2,987,275	¥ 2,987,275	¥ —
Trade notes and accounts receivable	2,741,853	2,741,853		2,918,867	2,918,867	
less: Allowance for doubtful receivables *1	(669)	(669)		(93)	(93)	
	2,741,184	2,741,184	—	2,918,774	2,918,774	—
Investment securities	345,367	345,367	—	368,687	367,587	(1,100)
Total assets	¥ 6,531,326	¥ 6,531,326	¥ —	¥ 6,274,736	¥ 6,273,636	¥ (1,100)
Trade notes and accounts payable	¥ 1,148,057	¥ 1,148,057	¥ —	¥ 858,094	¥ 858,094	¥ —
Short-term borrowings	469,600	469,600	—	300,000	300,000	—
Bond *2	16,000	16,078	78	32,000	32,233	233
Long-term borrowings *3	1,201,268	1,207,554	6,286	1,584,884	1,586,704	1,820
Lease obligations *4	994,308	985,360	(8,948)	892,865	886,836	(6,029)
Payable in installments *5	81,743	81,655	(88)	100,707	100,593	(114)
Total liabilities	¥ 3,910,976	¥ 3,908,304	¥ (2,672)	¥ 3,768,550	¥ 3,764,460	¥ (4,090)
Derivatives *6	¥ 42,032	¥ 42,032	¥ —	¥ 11,235	¥ 11,235	¥ —

	Thousands of U.S. dollars					
	2017					
	Carrying amount	Fair value	Differences			
Cash and deposits	\$ 30,743	\$ 30,743	\$ —			
Trade notes and accounts receivable	24,470	24,470				
less: Allowance for doubtful receivables *1	(6)	(6)				
	24,464	24,464	—			
Investment securities	3,082	3,082	—			
Total assets	\$ 58,289	\$ 58,289	\$ —			
Trade notes and accounts payable	\$ 10,246	\$ 10,246	\$ —			
Short-term borrowings	4,191	4,191	—			
Bond *2	143	144	1			
Long-term borrowings *3	10,721	10,777	56			
Lease obligations *4	8,874	8,794	(80)			
Payable in installments *5	729	729	(0)			
Total liabilities	\$ 34,904	\$ 34,881	\$ (23)			
Derivatives *6	\$ 375	¥ 375	\$ —			

*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, 2017 and 2016 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u> <u>U.S. dollars</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>
Investment securities: Unlisted stock, etc.	¥ 0	¥ 0	\$ 0
Investments in capital of affiliates: Unlisted stock, etc.	908,800	801,459	8,111
Others: Unlisted stock, etc.	<u>20</u>	<u>20</u>	<u>0</u>
	¥ <u>908,820</u>	¥ <u>801,479</u>	\$ <u>8,111</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	¥ 3,444,775	¥ —	¥ —
Trade notes and accounts receivable	<u>2,741,853</u>	<u>—</u>	<u>—</u>
Total	¥ <u>6,186,628</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	\$ 30,743	\$ —	\$ —
Trade notes and accounts receivable	24,470	—	—
Total	<u>\$ 55,213</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	¥ 469,600	¥ -	¥ -	¥ -	¥ -	¥ -
Bond	16,000	-	-	-	-	-
Long-term borrowings	569,681	335,658	171,556	108,356	16,017	-
Lease liabilities	339,851	351,853	184,900	84,300	33,404	-
Installment payables	35,790	36,356	9,598	-	-	-
Total	<u>¥ 1,430,922</u>	<u>¥ 723,867</u>	<u>¥ 366,054</u>	<u>¥ 192,656</u>	<u>¥ 49,421</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	\$ 4,191	\$ -	\$ -	\$ -	\$ -	\$ -
Bond	143	-	-	-	-	-
Long-term borrowings	5,084	2,996	1,531	967	143	-
Lease liabilities	3,033	3,140	1,650	752	299	-
Installment payables	319	325	86	-	-	-
Total	<u>\$ 12,770</u>	<u>\$ 6,461</u>	<u>\$ 3,267</u>	<u>\$ 1,719</u>	<u>\$ 442</u>	<u>\$ -</u>

18. DERIVATIVES

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

The Company had no derivatives outstanding at November 30, 2017 and 2016 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, 2017 and 2016:

		Thousands of yen	
		Contract or	Fair value
<u>November 30, 2017</u>	<u>Hedged items</u>	<u>notional amounts</u>	
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar		¥ 48,266	¥ 163
Euro		1,702	(21)
Other currencies		57,051	354
Buying foreign currency: Accounts payable			
U.S. dollar		137,771	(586)
Euro		884,876	40,703
Other currencies		420,515	1,420
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	420,000	*

		Thousands of yen	
		Contract or	Fair value
<u>November 30, 2016</u>	<u>Hedged items</u>	<u>notional amounts</u>	
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	Long-term		
— fixed rate payment, floating rate receipt	borrowings	720,000	*

		Thousands of U.S. dollars	
		Contract or	Fair value
<u>November 30, 2017</u>	<u>Hedged items</u>	<u>notional amounts</u>	
Forward exchange contracts:			
Selling foreign currency: Accounts receivable			
U.S. dollar		\$ 431	\$ 1
Euro		15	(0)
Other currencies		509	3
Buying foreign currency: Accounts payable			
U.S. dollar		1,230	(5)
Euro		7,897	363
Other currencies		3,753	13
Interest rate swaps	Long-term		
— fixed rate payment, floating rate receipt	borrowings	3,748	*

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, 2017, the Company was contingently liable for investment guarantee of 3,472 thousand Baht (¥12,225 thousand, \$109 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, 2017 and 2016 is as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
Total current assets	¥ 1,975,581	¥ 1,655,857	\$ 17,631
Total non-current assets	482,831	403,568	4,309
Total current liabilities	438,856	278,406	3,916
Total non-current liabilities	—	—	—
Total net assets	2,019,556	1,781,019	18,024
Sales	1,063,454	1,282,947	9,491
Income before income taxes	159,839	206,713	1,426
Net income	119,879	165,840	1,070

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, 2017 and 2016 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
Net income from the rental property	¥ 27,759	¥ 66,215	\$ 248

- (2) The carrying amounts and fair values related to the rental property at November 30, 2017 and 2016, and movement of the carrying amount for the years then ended are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Carrying amount:			
At beginning of the year	¥ 1,079,812	¥ 1,441,136	\$ 9,637
Movement	<u>50,305</u>	<u>(361,324)</u>	<u>449</u>
At end of the year	¥ <u>1,130,117</u>	¥ <u>1,079,812</u>	\$ <u>10,086</u>
Fair value at end of the year	¥ <u>1,339,920</u>	¥ <u>1,260,856</u>	\$ <u>11,958</u>

Notes

1. Because rental property is not significant, fair value is represented by the total amount of the rental property and the property if part of it used as rental.
2. Carrying amount is the amount after deducting accumulated impairment losses and accumulated depreciation from the acquisition cost.
3. For the year ended November 30, 2017, the increase is arising from currency fluctuations of ¥129,805 thousand (\$1,159 thousand) and the decrease is due to depreciation of ¥79,500 thousand (\$710 thousand). For the year ended November 30, 2016, the decrease are arising from currency fluctuations of ¥290,355 thousand and depreciation of ¥70,969 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, 2017 and 2016 are summarized as follows:

Thousands of yen						
2017						
Reported segments						
	Wholesale	Preform	Total	Adjustments	Consolidated	
Operating revenues:						
Revenues from third parties	¥ 10,278,768	¥ 4,894,971	¥ 15,173,739	¥ –	¥ 15,173,739	
Intersegment revenues	40	42,895	42,935	(42,935)	–	
Total	10,278,808	4,937,866	15,216,674	(42,935)	15,173,739	
Segment income	¥ 792,580	¥ 37,432	¥ 830,012	¥ (195,386)	¥ 634,626	
Segment assets	¥ 3,870,862	¥ 9,537,477	¥ 13,408,339	¥ 2,838,839	¥ 16,247,178	
Others:						
Depreciation and amortization	¥ 37,251	¥ 673,005	¥ 710,256	¥ 20,974	¥ 731,230	
Increase in property and equipment and intangible assets	¥ 63,504	¥ 711,801	¥ 775,305	¥ 7,995	¥ 783,300	

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	¥ 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 U.S. dollars						
2017						
Reported segments						
	Wholesale	Preform	Total	Adjustments	Consolidated	
Operating revenues:						
Revenues from third parties	\$ 91,733	\$ 43,686	\$ 135,419	\$ –	\$ 135,419	
Intersegment revenues	1	382	383	(383)	–	
Total	91,734	44,068	135,802	(383)	135,419	
Segment income	\$ 7,073	\$ 335	\$ 7,408	\$ (1,744)	\$ 5,664	
Segment assets	\$ 34,546	\$ 85,118	\$ 119,664	\$ 25,335	\$ 144,999	
Others:						
Depreciation and amortization	\$ 332	\$ 6,007	\$ 6,339	\$ 187	\$ 6,526	
Increase in property and equipment and intangible assets	\$ 567	\$ 6,353	\$ 6,920	\$ 71	\$ 6,991	

The adjustment in “Segment income” for the years ended November 30, 2017 and 2016 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Intersegment transactions	¥ 2,755	¥ 6,344	\$ 24
Non-categorized expenses	(202,162)	(193,256)	(1,804)
Adjustments of fixed assets	4,021	15,853	36
	<u>¥ (195,386)</u>	<u>¥ (171,059)</u>	<u>\$ (1,744)</u>

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

The adjustment in “Segment assets” at November 30, 2017 and 2016 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Intersegment balances	¥ (56,131)	¥ (682,517)	\$ (501)
Non-categorized assets	2,894,970	3,131,930	25,836
	<u>¥ 2,838,839</u>	<u>¥ 2,449,413</u>	<u>\$ 25,335</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, 2017 and 2016 are as follows:

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Intersegment transactions	¥ (4,021)	¥ (15,853)	\$ (36)
Depreciation of company-wide assets	24,995	23,548	223
	<u>¥ 20,974</u>	<u>¥ 7,695</u>	<u>\$ 187</u>

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

Related information

1. Information by products and services

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

2. Geographical information

(1) Sales

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Japan	¥ 9,989,144	¥ 8,367,342	\$ 89,149
Asia	5,141,642	4,680,108	45,887
Americas	–	72	–
Europe	41,491	727,952	370
Other	1,462	–	13
	<u>¥ 15,173,739</u>	<u>¥ 13,775,474</u>	<u>\$ 135,419</u>

(2) Property and equipment

	<u>Thousands of yen</u>		<u>Thousands of</u>
	<u>2017</u>	<u>2016</u>	<u>U.S. dollars</u>
			<u>2017</u>
Japan	¥ 929,819	¥ 1,092,738	\$ 8,298
Asia	3,590,232	3,183,942	32,042
	<u>¥ 4,520,051</u>	<u>¥ 4,276,680</u>	<u>\$ 40,340</u>

3. Information by major customers

Disclosure for the years ended November 30, 2017 and 2016 is omitted because there are no customer more than 10% of net sales.

Information of impairment loss on fixed assets by reported segments

	<u>Thousands of yen</u>			
	<u>Wholesale</u>	<u>Preform</u>	<u>Adjustments</u>	<u>Consolidated</u>
<u>November 30, 2017</u>				
Impairment loss	¥ 17,215	¥ 11,243	¥ –	¥ 28,458
<u>November 30, 2016</u>				
Impairment loss	¥ –	¥ 59,389	¥ –	¥ 59,389
	<u>Thousands of U.S. dollars</u>			
	<u>Wholesale</u>	<u>Preform</u>	<u>Adjustments</u>	<u>Consolidated</u>
<u>November 30, 2017</u>				
Impairment loss	\$ 154	\$ 100	\$ –	\$ 254

Impairment loss for the year ended November 30, 2016 on the above table consists of the impairment loss of ¥7,650 thousand and the impairment loss of ¥51,739 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, 2017 and 2016.

Negative goodwill incurred by reported segments

Negative goodwill is not recorded for the years ended November 30, 2017 and 2016.

23. PER SHARE INFORMATION

(1) *Net Income per Share*

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended November 30, 2017 and 2016 are as follows:

	Yen		U.S. dollars
	2017	2016	2017
Basic net income per share	¥ 38.16	¥ 3.79	\$ 0.34
	Thousands of yen		Thousands of U.S. dollars
	2017	2016	2017
Income attributable to owners of parent	¥ 654,227	¥ 64,972	\$ 5,839
Net income not applicable to common shareholders	—	—	—
Income attributable to owners of parent applicable to common shareholders	¥ 654,227	¥ 64,972	\$ 5,839
	Number of shares		
	2017	2016	
Weighted average number of shares outstanding on which basic net income per share is calculated	17,146,124	17,146,284	

The diluted net income per share for the years ended November 30, 2017 and 2016 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, 2017 and 2016 are as follows:

	Yen		U.S. dollars
	2017	2016	2017
Net assets per share	¥ 570.67	¥ 498.34	\$ 5.09
	Thousands of yen		Thousands of U.S. dollars
	2017	2016	2017
Total net assets	¥ 9,985,353	¥ 8,697,155	\$ 89,115
Amount deducted from total net assets:			
Non-controlling interests	200,615	152,544	1,790
Net assets applicable to common shareholders	¥ 9,784,738	¥ 8,544,611	\$ 87,325
	Number of shares		
	2017	2016	
Number of shares outstanding at end of year on which net assets per share is calculated	17,146,001	17,146,189	