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

***Audited Consolidated Financial Statements***

***for the Year Ended November 30, 2019***

Crowe

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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 its consolidated subsidiaries, which comprise the consolidated balance sheet as of November 30, 2019, and the consolidated statement of operations, comprehensive income , 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 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 its consolidated subsidiaries as of November 30, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

***Convenience Translation***

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

Crowe Toyo & Co.

Crowe Toyo & Co.
Tokyo, Japan
February 27, 2020

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

**Consolidated Balance Sheet**
**November 30, 2019**

| | Thousands of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and deposits (Note 3) | ¥ 3,321,250 | ¥ 2,823,858 | $ 30,314 |
| Trade notes and accounts receivable | 1,908,376 | 2,584,632 | 17,419 |
| Electronically recorded monetary claims | 429,063 | 568,962 | 3,916 |
| Inventories | 1,525,773 | 2,225,723 | 13,926 |
| Advances paid | 1,018,514 | 688,181 | 9,296 |
| Other current assets | 324,854 | 215,573 | 2,966 |
| Allowance for doubtful receivables | – | (31,086) | – |
| Total current assets | 8,527,830 | 9,075,843 | 77,837 |
| PROPERTY, PLANT AND EQUIPMENT : | | | |
| Buildings and structures | 3,366,389 | 3,592,358 | 30,726 |
| Machinery and equipment, and vehicles | 3,185,412 | 3,499,169 | 29,075 |
| Land | 55,309 | 55,309 | 505 |
| Lease assets | 1,614,724 | 1,685,475 | 14,738 |
| Construction in progress | 170,972 | 55,459 | 1,561 |
| Other | 2,207,099 | 2,258,375 | 20,145 |
| Total | 10,599,905 | 11,146,145 | 96,750 |
| Accumulated depreciation | (7,222,063) | (7,165,843) | (65,919) |
| Net property, plant and equipment | 3,377,842 | 3,980,302 | 30,831 |
| INTANGIBLE ASSETS, NET | 414,382 | 474,932 | 3,782 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Notes 4 and 7) | 278,763 | 295,109 | 2,544 |
| Investment in capital of affiliates (Note 5) | 1,057,879 | 1,034,868 | 9,656 |
| Lease deposits (Note 10) | 102,966 | 98,416 | 940 |
| Deferred tax assets (Note 9) | 87,361 | 79,290 | 797 |
| Other assets | 147,286 | 82,327 | 1,344 |
| Allowance for doubtful receivables | (27,478) | – | (250) |
| Total investments and other assets | 1,646,777 | 1,590,010 | 15,031 |
| TOTAL | ¥ 13,966,831 | ¥ 15,121,087 | $ 127,481 |

| | Thousands of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES: | | | |
| Trade notes and accounts payable | ¥ 622,460 | ¥ 941,488 | $ 5,681 |
| Short-term borrowings and current portion of long-term borrowings (Notes 6, 7 and 8) | 157,119 | 631,109 | 1,434 |
| Short-term lease obligations (Note 6) | 192,104 | 362,634 | 1,753 |
| Accounts payable-other (Note 6) | 198,462 | 231,781 | 1,811 |
| Accrued expenses | 440,047 | 583,494 | 4,017 |
| Income taxes payable (Note 9) | 51,265 | 43,912 | 468 |
| Advances received | 1,251,430 | 1,230,043 | 11,422 |
| Accrued losses on sales contracts | 722 | 25,397 | 7 |
| Other current liabilities | 210,012 | 60,809 | 1,917 |
| Total current liabilities | 3,123,621 | 4,110,667 | 28,510 |
| LONG-TERM LIABILITIES: | | | |
| Long-term borrowings (Note 6) | 510,953 | 288,927 | 4,664 |
| Long-term lease obligations (Note 6) | 161,946 | 357,360 | 1,478 |
| Other long-term liabilities (Note 6) | 9,277 | 16,837 | 85 |
| Total long-term liabilities | 682,176 | 663,124 | 6,227 |
| Total liabilities | 3,805,797 | 4,773,791 | 34,737 |
| SHAREHOLDERS' EQUITY (Note 11): | | | |
| Common stock | 5,527,830 | 5,527,830 | 50,455 |
| Capital surplus | 2,149,339 | 2,149,339 | 19,617 |
| Retained earnings | 2,536,399 | 2,095,821 | 23,151 |
| Treasury stock | (1,073,084) | (923,103) | (9,794) |
| Total shareholders' equity | 9,140,484 | 8,849,887 | 83,429 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME: | | | |
| Net unrealized gain on available-for-sale securities (Note 4) | 49,641 | 60,423 | 453 |
| Deferred gain on derivatives under hedge accounting (Note 16) | 3,571 | 2,636 | 33 |
| Foreign currency translation adjustments | 772,013 | 1,214,912 | 7,046 |
| Total accumulated other comprehensive income | 825,225 | 1,277,971 | 7,532 |
| NON-CONTROLLING INTERESTS | 195,325 | 219,438 | 1,783 |
| Total net assets | 10,161,034 | 10,347,296 | 92,744 |
| COMMITMENTS AND CONTINGENCIES (Note 17) | | | |
| TOTAL | ¥ 13,966,831 | ¥ 15,121,087 | $ 127,481 |

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

**Consolidated Statement of Operations**
**Year Ended November 30, 2019**

| | Thousands of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| NET SALES | ¥ 14,562,380 | ¥ 16,200,964 | $ 132,917 |
| COST OF SALES | 11,074,590 | 12,567,188 | 101,082 |
| Gross profit | 3,487,790 | 3,633,776 | 31,835 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12) | 2,877,574 | 2,933,366 | 26,265 |
| Operating profit | 610,216 | 700,410 | 5,570 |
| OTHER INCOME (EXPENSES): | | | |
| Interest and dividends income | 10,220 | 16,345 | 93 |
| Equity in earnings of affiliates | 83,264 | 116,699 | 760 |
| Foreign exchange loss | (37,022) | (32,742) | (338) |
| Interest expense | (57,594) | (94,431) | (526) |
| Commission paid | (23,080) | (9,278) | (211) |
| Gain on sale of property, plant and equipment | 8,852 | 5,057 | 81 |
| Loss on sale of property, plant and equipment | – | (3,703) | – |
| Loss on retirement of property, plant and equipment | – | (3,791) | – |
| Impairment loss (Note 13) | (50,281) | (30,382) | (459) |
| Other—net | 1,951 | 24,217 | 18 |
| Other expenses—net | (63,690) | (12,009) | (582) |
| INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS | 546,526 | 688,401 | 4,988 |
| INCOME TAXES (Note 9): | | | |
| Current | 63,355 | 103,630 | 578 |
| Deferred | (1,150) | (11,276) | (10) |
| Total income taxes | 62,205 | 92,354 | 568 |
| INCOME | 484,321 | 596,047 | 4,420 |
| INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | (24,841) | 12,809 | (227) |
| INCOME ATTRIBUTABLE TO OWNERS OF PARENT | ¥ 509,162 | ¥ 583,238 | $ 4,647 |

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

**Consolidated Statement of Comprehensive Income**
**Year Ended November 30, 2019**

| | Thousands of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| INCOME | ¥ 484,321 | ¥ 596,047 | $ 4,420 |
| OTHER COMPREHENSIVE INCOME (Note 14): | | | |
| Net unrealized loss on available-for-sale securities | (10,782) | (47,214) | (98) |
| Deferred gain (loss) on derivatives under hedge accounting | 935 | (26,668) | 9 |
| Foreign currency translation adjustments | (380,758) | (117,001) | (3,475) |
| Share of other comprehensive income (loss) of affiliates accounted for by equity method | (60,253) | 9,369 | (551) |
| Total other comprehensive loss | (450,858) | (181,514) | (4,115) |
| COMPREHENSIVE INCOME | ¥ 33,463 | ¥ 414,533 | $ 305 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Comprehensive income attributable to owners of parent | 56,415 | 394,559 | 515 |
| Comprehensive income (loss) attributable to non-controlling interests | (22,952) | 19,974 | (210) |

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

**Consolidated Statement of Changes in Net Assets**
**Year ended November 30, 2019**

| | 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 16) | Foreign currency translation adjustments | Total | Non-controlling interests | Total net assets |
| 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 |
| Changes arising during the year: | | | | | | | | | | | |
| Dividends | | | (51,438) | | (51,438) | | | | | | (51,438) |
| Income attributable to owners of parent | | | 583,238 | | 583,238 | | | | | | 583,238 |
| Purchase of treasury stock | | | | (1) | (1) | | | | | | (1) |
| Net changes other than shareholders' equity | | | | | – | (47,214) | (26,668) | (114,797) | (188,679) | 18,823 | (169,856) |
| Total changes during the year | – | – | 531,800 | (1) | 531,799 | (47,214) | (26,668) | (114,797) | (188,679) | 18,823 | 361,943 |
| Balance at November 30, 2018 | 5,527,830 | 2,149,339 | 2,095,821 | (923,103) | 8,849,887 | 60,423 | 2,636 | 1,214,912 | 1,277,971 | 219,438 | 10,347,296 |
| Changes arising during the year: | | | | | | | | | | | |
| Dividends | | | (68,584) | | (68,584) | | | | | | (68,584) |
| Income attributable to owners of parent | | | 509,162 | | 509,162 | | | | | | 509,162 |
| Purchase of treasury stock | | | | (149,981) | (149,981) | | | | | | (149,981) |
| Net changes other than shareholders' equity | | | | | – | (10,782) | 935 | (442,899) | (452,746) | (24,113) | (476,859) |
| Total changes during the year | – | – | 440,578 | (149,981) | 290,597 | (10,782) | 935 | (442,899) | (452,746) | (24,113) | (186,262) |
| Balance at November 30, 2019 | ¥ 5,527,830 | ¥ 2,149,339 | ¥ 2,536,399 | ¥ (1,073,084) | ¥ 9,140,484 | ¥ 49,641 | ¥ 3,571 | ¥ 772,013 | ¥ 825,225 | ¥ 195,325 | ¥ 10,161,034 |

| | 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 16) | Foreign currency translation adjustments | Total | Non-controlling interests | Total net assets |
| Balance at November 30, 2018 | $ 50,455 | $ 19,617 | $ 19,130 | $ (8,425) | $ 80,777 | $ 551 | $ 24 | $ 11,089 | $ 11,664 | $ 2,003 | $ 94,444 |
| Changes arising during the year: | | | | | | | | | | | |
| Dividends | | | (626) | | (626) | | | | | | (626) |
| Income attributable to owners of parent | | | 4,647 | | 4,647 | | | | | | 4,647 |
| Purchase of treasury stock | | | | (1,369) | (1,369) | | | | | | (1,369) |
| Net changes other than shareholders' equity | | | | | – | (98) | 9 | (4,043) | (4,132) | (220) | (4,352) |
| Total changes during the year | – | – | 4,021 | (1,369) | 2,652 | (98) | 9 | (4,043) | (4,132) | (220) | (1,700) |
| Balance at November 30, 2019 | $ 50,455 | $ 19,617 | $ 23,151 | $ (9,794) | $ 83,429 | $ 453 | $ 33 | $ 7,046 | $ 7,532 | $ 1,783 | $ 92,744 |

See accompanying notes to consolidated financial statements.

## ALTECH Co., Ltd. and Consolidated Subsidiaries

**Consolidated Statement of Cash Flows**
**Year ended November 30, 2019**

| | Thousands of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| OPERATING ACTIVITIES: | | | |
| Income before income taxes and non-controlling interests | ¥ 546,526 | ¥ 688,401 | $ 4,988 |
| Depreciation and amortization | 661,197 | 727,847 | 6,035 |
| Provision for doubtful receivables | (1,027) | (669) | (9) |
| Interest and dividends income | (10,220) | (16,345) | (93) |
| Interest expense | 57,594 | 94,431 | 526 |
| Foreign exchange loss | 30,855 | 39,448 | 282 |
| Equity in earnings of affiliates | (83,264) | (116,699) | (760) |
| Impairment loss | 50,281 | 30,382 | 459 |
| Gain on sale of property, plant and equipment | (8,852) | (1,354) | (81) |
| Loss on retirement of property, plant and equipment | – | 3,791 | – |
| Decrease (Increase) in trade receivables | 753,565 | (430,134) | 6,878 |
| Decrease (Increase) in inventories | 637,061 | (617,160) | 5,815 |
| Decrease in trade payables | (296,624) | (195,843) | (2,707) |
| Decrease (Increase) in advances paid | (341,007) | 304,281 | (3,113) |
| Increase (Decrease) in accrued expenses | (139,551) | 239,501 | (1,274) |
| Increase (Decrease) in advances received | 25,443 | (342,247) | 232 |
| Other, net | 85,025 | 55,620 | 776 |
| Sub total | 1,967,002 | 463,251 | 17,954 |
| Interest and dividends received | 9,934 | 16,272 | 91 |
| Interest paid | (58,031) | (96,029) | (530) |
| Income taxes paid | (74,574) | (166,825) | (681) |
| Income taxes refunded | 18,150 | 15,235 | 166 |
| Proceeds from subsidy income | 3,748 | 5,560 | 34 |
| Net cash provided by operating activities | 1,866,229 | 237,464 | 17,034 |

**Consolidated Statement of Cash Flows**
**Year ended November 30, 2019**

| | Thousands of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| INVESTING ACTIVITIES: | | | |
| Purchases of property, plant and equipment | (321,885) | (299,096) | (2,938) |
| Proceeds from sales of property, plant and equipment | 17,574 | 13,243 | 160 |
| Purchases of intangible fixed assets | (7,297) | (5,551) | (67) |
| Payments for lease and guarantee deposits | (5,755) | (25,041) | (52) |
| Purchases of investment securities | (2,539) | (2,502) | (23) |
| Other, net | (275) | 3,269 | (3) |
| Net cash used in investing activities | (320,177) | (315,678) | (2,923) |
| FINANCING ACTIVITIES: | | | |
| Decrease in short-term debt | (300,000) | (165,000) | (2,738) |
| Proceeds from long-term debt | 400,000 | – | 3,651 |
| Repayments on long-term debt | (317,561) | (564,278) | (2,898) |
| Repayments on bonds | – | (16,000) | – |
| Repayments on lease obligations | (347,630) | (346,216) | (3,173) |
| Payments for purchase of treasury stock | (149,981) | (1) | (1,369) |
| Dividends paid to shareholders | (68,525) | (51,782) | (625) |
| Dividends paid to non-controlling shareholders | (1,161) | (1,151) | (11) |
| Proceeds from sale and leaseback | 20,074 | 63,117 | 183 |
| Payments for installment payables for property and equipment | (36,356) | (35,791) | (332) |
| Net cash used in financing activities | (801,140) | (1,117,102) | (7,312) |
| Effect of exchange rate changes on cash and cash equivalents | (67,134) | (38,639) | (613) |
| Net increase (decrease) in cash and cash equivalents | 677,778 | (1,233,955) | 6,186 |
| Cash and cash equivalents at beginning of year | 2,766,910 | 4,000,865 | 25,255 |
| Cash and cash equivalents at end of year (Note 3) | ¥ 3,444,688 | ¥ 2,766,910 | $ 31,441 |

See accompanying notes to consolidated financial statements.

## 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 2018 financial statements to conform to the classifications used in 2019.

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 ¥109.56 to $1, the approximate rate of exchange at November 30, 2019. 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, 2019 include the accounts of the Company and its 9 significant (9 in 2018) 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 2018) affiliate is accounted for by the equity method.

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

For four consolidated subsidiaries with a fiscal year ended on September 30, 2019, the financial

statements for the year ended September 30, 2019 were used for consolidation and four consolidated subsidiaries with a fiscal year ended on December 31, 2019, the tentative financial statements for the year ended September 30, 2019 were used for consolidation.
Necessary adjustments were made on consolidation for material transactions that occurred between the end of the closing date of these subsidiaries and the end of the consolidated balance sheet date.

*b.* ***Cash Equivalents —*** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value, which mature or become due within three months of the date of acquisition.

*c.* ***Investment Securities —*** Under the Accounting Standards for Financial Instruments, securities are classified into four categories – "trading securities," "held-to-maturity securities," "investments in affiliates" and "available-for-sale securities." Holding securities of the Group are classified as available-for-sale securities which are not classified as either trading securities or held-to-maturity debt securities.

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

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

*d.* ***Allowance for Doubtful Receivables —*** The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

*e.* ***Inventories —*** Inventories held for sale in the ordinary course of business of the Company and consolidated subsidiaries were stated at the lower of cost determined by the specific identification method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. Inventories of certain consolidated subsidiaries were stated at the lower of cost, determined by the moving-average method, or market.

*f.* ***Property, Plant and Equipment —*** Property, plant and equipment are stated at cost. Depreciation of the Company and consolidated subsidiaries is computed by the straight-line method. The range of useful lives is principally from 2 to 31 years for buildings and structures, and from 2 to 10 years for machinery and equipment, and vehicles.

*g.* ***Intangible Assets —*** Intangible assets are carried at cost less accumulated amortization. Land use right are amortized by the straight-line method over the contract terms. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years).

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

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and 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) principally derivatives are measured at fair value and recognized as either assets or liabilities, and gains or losses on derivatives are recognized in the consolidated statement of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at fair value and the differential paid or received under the swap agreements are recognized and included in interest expense or income.

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

***n.*** ***Asset Retirement Obligations —*** The Company recognizes an asset retirement obligation which is a statutory or similar obligation with regard to the removal of assets. The Company recorded non-recoverable amounts attributable to the current fiscal year as expenses, instead of recognizing a liability for asset retirement obligations.

***o.*** ***Accounting standards issued but not yet applied***

1. Accounting Standard for Revenue Recognition etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published “Revenue from Contracts with Customers” in May 2014 (IFRS No. 15 in IASB, Topic 606 in FASB). Given that IFRS No. 15 will be applied from the fiscal year starting on or after January 1, 2018 and Topic 606 from the fiscal year starting after December 15, 2017, the Accounting

Standards Board of Japan has developed comprehensive accounting standards for revenue recognition and published them together with implementation guidance.
The ASBJ basic policy in developing accounting standards for revenue recognition is thought to be setting accounting standards, with the incorporation of the basic principles of IFRS No. 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS No. 15, and to be adding alternative accounting treatments without losing comparability if there is an item that we should take into account in practices, etc. that have been conducted in Japan.

(2) Planned applicable date

The accounting standards are to be applied from the beginning of the year ending November 30, 2022.

(3) Impact of application on these accounting standards

The Company is currently evaluating the impact of application of these accounting standards to the consolidated financial statements.

2. Accounting Standard for Fair Value Measurement etc.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) each have established detailed guidance regarding fair value measurements that are nearly identical (IFRS No. 13 in IASB, Topic 820 in FASB). In order to improve the comparability with such international accounting standards, the Accounting Standards Board of Japan has developed accounting standards for fair value measurement and published them together with implementation guidance.
The ASBJ basic policy in developing accounting standards for fair value measurement is thought to be setting accounting standards, generally adopting all principles of IFRS No. 13, from a standpoint of comparability between financial statements of domestic and overseas companies. However, for any item that we should take into account in practices, etc. that have been conducted in Japan, other accounting treatments without impairing comparability shall be determined.

(2) Planned applicable date

The accounting standards are to be applied from the beginning of the year ending November 30, 2022.

(3) Impact of application on these accounting standards

The Company is currently evaluating the impact of application of these accounting standards to the consolidated financial statements.

***p. Reclassifications* —** Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended November 30, 2019.

## 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, 2019 and 2018 are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Cash and deposits | ¥ 3,321,250 | ¥ 2,823,858 | $ 30,314 |
| Time deposits | (58,122) | (56,948) | (530) |
| Short-term investments | 181,560 | － | 1,657 |
| Cash and cash equivalents | ¥ 3,444,688 | ¥ 2,766,910 | $ 31,441 |

## 4. INVESTMENT SECURITIES

Acquisition cost, balance sheet amount, and unrealized gain (loss) of available-for sale securities with fair value at November 30, 2019 and 2018 are summarized as follows:

| | Thousands of yen | | | |
|---|---|---|---|---|
| | Acquisition cost | Unrealized gain | Unrealized loss | Balance sheet amount |
| November 30, 2019 | | | | |
| Equity securities | ¥ 199,259 | ¥ 100,328 | ¥ (20,824) | ¥ 278,763 |
| | ¥ 199,259 | ¥ 100,328 | ¥ (20,824) | ¥ 278,763 |
| November 30, 2018 | | | | |
| Equity securities | ¥ 196,720 | ¥ 126,510 | ¥ (28,121) | ¥ 295,109 |
| | ¥ 196,720 | ¥ 126,510 | ¥ (28,121) | ¥ 295,109 |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Acquisition cost | Unrealized Gain | Unrealized loss | Balance sheet amount |
| November 30, 2019 | | | | |
| Equity securities | $ 1,818 | $ 916 | $ (190) | $ 2,544 |
| | $ 1,818 | $ 916 | $ (190) | $ 2,544 |

## 5. INVESTMENTS IN CAPITAL OF AFFILIATES

The aggregate carrying amounts of investment in capital of an affiliate at November 30, 2019 and 2018 are ¥1,057,879 thousand ($9,656 thousand) and ¥1,034,868 thousand, respectively.

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

### *(1) Short-term borrowings*

Short-term borrowings at November 30, 2018, consisted of notes to banks, loan on deed and bank overdrafts. The average interest rates applicable to the short-term borrowings is 1.1% at November 30, 2018.

### (2) *Long-term borrowings*

Long-term borrowings at November 30, 2019 and 2018, consisted of the followings:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Loans from banks and other financial institutions, due serially to 2022 with average interest rates of 2.3% | ¥ 668,072 | ¥ – | $ 6,098 |
| Loans from banks and other financial institutions, due serially to 2022 with average interest rates of 4.1% | – | 620,036 | – |
| | 668,072 | 620,036 | 6,098 |
| Less current portion | 157,119 | 331,109 | 1,434 |
| | ¥ 510,953 | ¥ 288,927 | $ 4,664 |

The aggregate annual maturities of long-term borrowings after November 30, 2020 are as follows:

| | Thousands of yen | Thousands of U.S. dollars |
|---|---|---|
| Year ending November 30: | | |
| 2021 | ¥ 96,664 | $ 882 |
| 2022 | 414,289 | 3,782 |

### (3) *Lease liabilities*

Lease liabilities at November 30, 2019 and 2018 consisted of the followings:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Lease liabilities, with average interest rates of 5.0% | ¥ 354,050 | ¥ – | $ 3,231 |
| Lease liabilities, with average interest rates of 4.7% | – | 719,994 | – |
| Less current portion | 192,104 | 362,634 | 1,753 |
| | ¥ 161,946 | ¥ 357,360 | $ 1,478 |

The aggregate annual maturities of lease liabilities after November 30, 2020 are as follows:

| | Thousands of yen | Thousands of U.S. dollars |
|---|---|---|
| Year ending November 30: | | |
| 2021 | ¥ 98,565 | $ 900 |
| 2022 | 52,853 | 482 |
| 2023 | 9,807 | 90 |
| 2024 | 721 | 6 |

### (4) *Payable in installments*

Payable in installments at November 30, 2019 and 2018 consisted of the followings:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Payable in installments, with average interest rates of 1.7% | ¥ 9,597 | ¥ 45,953 | $ 88 |
| Less current portion | 9,597 | 36,356 | 88 |
| | ¥ – | ¥ 9,597 | $ – |

### *(5) Commitments*

At November 30, 2019, the Company has commitment line contracts with four banks to flexibly and efficiently finance the operating fund. Components of commitment line contracts were as follows:

| | Thousands of yen | Thousands of U.S. dollars |
|---|---|---|
| Total commitments | ¥ 1,000,000 | $ 9,127 |
| Borrowings | – | – |
| Unused commitments | ¥ 1,000,000 | $ 9,127 |

## 7. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral and collateralized debt at November 30, 2019 and 2018, were as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Assets pledged as collateral: | | | |
| Investment securities | ¥ 8,672 | ¥ 9,368 | $ 79 |
| Total | ¥ 8,672 | ¥ 9,368 | $ 79 |
| Collateralized debt: | | | |
| Short-term borrowings | ¥ – | ¥ 30,000 | $ – |
| Long-term borrowings | – | – | – |
| | – | | – |
| Total | ¥ – | ¥ 30,000 | $ – |

## 8. RESTRICTIVE FINANCIAL COVENANTS

Followings are information about syndicated loans at November 30, 2018.

(1) Syndicated loan contracts to the Company (arranger: MUFG Bank, Ltd., agreement date: March 19, 2012, maximum borrowing amount: ¥1,150,000 thousand, balance at November 30, 2018: 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: MUFG Bank, Ltd., agreement date: March 26, 2014, balance at November 30, 2018: ¥60,000 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.

(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 7, 2014, balance at November 30, 2018: 886 thousand Chinese Yuan (¥14,757 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.

## 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 30.6% and 30.9% for the years ended November 30, 2019 and 2018, 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, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Statutory tax rate | 30.6% | 30.9% |
| Foreign withholding tax | 1.3 | 0.6 |
| Expenses not deductible for tax purposes | 4.7 | 4.1 |
| Per capita tax | 1.2 | 1.0 |
| Lower income tax rates applicable to income in certain foreign countries | (2.3) | (2.5) |
| Valuation allowance | (18.6) | (17.1) |
| Income taxes for prior years, etc. | (1.5) | 0.2 |
| Not recognized deferred taxes on unrealized gains | (0.8) | (0.8) |
| Equity in earnings, etc. | (4.7) | (5.2) |
| Undistributed earnings of foreign affiliates accounted for by equity method | 0.8 | 1.7 |
| Other | 0.7 | 0.8 |
| Effective tax rate | 11.4% | 13.4% |

Significant components of deferred tax assets and liabilities at November 30, 2019 and 2018 are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Deferred tax assets: | | | |
| Accrued expenses | ¥ 63,341 | ¥ 74,807 | $ 578 |
| Other payables | 10,226 | 10,255 | 93 |
| Allowance for doubtful receivables | ― | 7,772 | ― |
| Loss on valuation of products | 22,375 | 27,386 | 204 |
| Excess depreciation | 62,102 | 37,537 | 567 |
| Land | 654 | 654 | 6 |
| Unrealized intercompany profits | 7,421 | 8,207 | 68 |
| Revaluation loss on investment securities | 12,612 | 12,612 | 115 |
| Lease deposit depreciated as asset retirement obligations | 9,221 | 9,221 | 84 |
| Tax loss carryforwards *2 | 397,010 | 959,494 | 3,624 |
| Other | 47,188 | 42,235 | 431 |
| Total deferred tax assets | 632,150 | 1,190,180 | 5,770 |
| Valuation allowance for tax loss carryforwards *3 | (335,678) | ― | (3,064) |
| Valuation allowance for total deductible temporary differences | (132,019) | ― | (1,205) |
| Total valuation allowance *1 | (467,697) | (1,032,290) | (4,269) |
| Offset with deferred tax liabilities | (77,092) | (78,600) | (704) |
| Net deferred tax assets | ¥ 87,361 | ¥ 79,290 | $ 797 |
| Deferred tax liabilities: | | | |
| Business tax receivable | 22 | 296 | 0 |
| Dividends receivable | 833 | 825 | 8 |
| Deferred gains or losses on hedges | 2,494 | 782 | 23 |
| Loss on revaluation of assets under consolidated tax return system | 1,546 | 1,547 | 14 |
| Undistributed earnings of foreign affiliates accounted for by equity method | 41,351 | 37,183 | 377 |
| Unrealized gain on available-for-sale securities | 29,863 | 37,967 | 273 |
| Other | 983 | ― | 9 |
| Total deferred tax liabilities | 77,092 | 78,600 | 704 |
| Offset with deferred tax assets | (77,092) | (78,600) | (704) |
| Net deferred tax liabilities | ¥ – | ¥ – | $ – |

*1 For the year ended November 30, 2019, the valuation allowance decreased by ¥564,593 thousand ($5,153 thousand). This is mainly due to a decrease of the valuation allowance for tax loss carryforwards of the Company.

*2 The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018, hereinafter the "Partial Amendments to Tax Effect Accounting Standard") from the beginning of the year ended November 30, 2019. Deferred tax assets are shown in the segment of investments and other assets, and deferred tax liabilities are shown in the segment of non-current liabilities. As a result, "deferred tax assets" classified as "current assets" decreased by ¥143,122 thousand and "deferred tax assets" classified as "investments and other assets" increased by ¥78,600 thousand, and "deferred tax liabilities" classified as "non-current liabilities" decreased by ¥64,522 thousand for the year ended November 30, 2018.
The Company offset deferred tax assets and liabilities when the deferred tax assets and liabilities were associated with the income taxes levied on the same taxable entity. As a result, total assets decreased by ¥64,522 thousand at November 30, 2018.

*3 The Company added descriptions stated in the annotation No. 8 (excluding the total amount of valuation allowances) and No. 9 of the "Accounting Standard for Tax Effect Accounting" set forth in Paragraph 3 to 5 of the Partial Amendments to Tax Effect Accounting Standard as follows. The Company does not add the descriptions for the year ended March 31, 2018 in accordance with the transition provision set forth in Paragraph 7.
Tax loss carryforwards will expire as follows:

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

| | Thousands of U.S. dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years | Total |
| Tax loss carryforwards | $ 1,249 | $ 908 | $ 56 | $ 442 | $ 961 | $ 8 | $ 3,624 |
| Valuation allowance | (748) | (908) | (51) | (390) | (961) | (6) | (3,064) |
| Deferred tax assets | $ 501 | $ - | $ 5 | $ 52 | $ - | $ 2 | $ 560 |

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

The Company recognized deferred tax assets of ¥61,332 thousand ($560 thousand) for tax loss carryforwards of ¥397,010 thousand ($3,624 thousand) (the amount obtained by multiplying the effective statutory tax rate). As regarding tax loss carryforwards of the Company and 6 subsidiaries, the Company determined that a part of tax loss carryforwards is recoverable based on expected future taxable income.

## 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, 2019 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, 2019 and 2018. Changes in the number of shares of common stock issued for the two years ended November 30, 2019 are as follows:

| | Issued shares |
|---|---|
| Balance at November 30, 2017 | 19,354,596 |
| Balance at November 30, 2018 | 19,354,596 |
| Balance at November 30, 2019 | 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, 2018 which was approved by the general meeting of shareholders held on February 27, 2018 were as follows:

| | |
|---|---|
| (a) Total dividends | ¥51,438 thousand |
| (b) Cash dividends per common share | ¥3 |
| (c) Record date | November 30, 2017 |
| (d) Effective date | February 28, 2018 |

Dividends paid during the year ended November 30, 2019 which was approved by the general meeting of shareholders held on February 27, 2019 were as follows:

| | |
|---|---|
| (a) Total dividends | ¥68,584 thousand ($626 thousand) |
| (b) Cash dividends per common share | ¥4 ($0.04) |
| (c) Record date | November 30, 2018 |
| (d) Effective date | February 28, 2019 |

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended November 30, 2019 which was approved by the general meeting of shareholders held on February 27, 2020 are as follows:

| | |
|---|---|
| (a) Total dividends | ¥49,420 thousand ($451 thousand) |
| (b) Dividends source | Retained earnings |
| (c) Cash dividends per common share | ¥3 ($0.03) |
| (d) Record date | November 30, 2019 |
| (e) Effective date | February 28, 2020 |

### *(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, 2019 are as follows:

| | Shares |
|---|---|
| Balance at November 30, 2017 | 2,208,595 |
| Acquisition for treasury | 3 |
| Balance at November 30, 2018 | 2,208,598 |
| Acquisition for treasury | 672,560 |
| Balance at November 30, 2019 | 2,881,158 |

## 12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended November 30, 2019 and 2018 are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Salaries | ¥ 941,833 | ¥ 961,870 | $ 8,597 |

## 13. IMPAIRMENT LOSS

The Company recognized impairment losses for the years ended November 30, 2019 and 2018 as follows:

2019

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

2018

| Location | Usage | Classification |
|---|---|---|
| Sakai City, Fukui | Idle assets | Buildings and structures, Machinery and equipment, and vehicles, Lease assets, and Other |

| | Thousands of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2019 | 2019 |
| Classification | Taizhou City, China | Taizhou City, China |
| Buildings and structures | ¥ 2,626 | $ 24 |
| Machinery and equipment, and vehicles | 46,511 | 425 |
| Other | 1,144 | 10 |
| Total | ¥ 50,281 | $ 459 |

| | Thousands of yen |
|---|---|
| | 2018 |
| Classification | Sakai City, Fukui |
| Buildings and structures | ¥ 723 |
| Machinery and equipment, and vehicles | 5,030 |
| Lease assets | 21,161 |
| Other | 3,468 |
| Total | ¥ 30,382 |

The long-lived assets that are used for business are grouped according to the classification for management reporting, and the assets for wholesale business are grouped by business center and the assets for preform business are grouped by factory. Idle assets are grouped as individual property.

The business assets of the Group are measured by its net selling price, but the assets in Taizhou City are assessed by memorandum value because the assets are difficult to sell or divert.

## 14. OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification and tax effect of other comprehensive income (loss) for the years ended November 30, 2019 and 2018 are as follows are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Net unrealized loss on available-for-sale securities: | | | |
| Arising during the year | ¥ (18,885) | ¥ (52,759) | $ (172) |
| Reclassification adjustment through profit or loss | — | — | — |
| Before tax effect | (18,885) | (52,759) | (172) |
| Tax effect | 8,103 | 5,545 | 74 |
| Net-of-tax amount | (10,782) | (47,214) | (98) |
| Deferred gain (loss) on derivatives under hedge accounting: | | | |
| Arising during the year | 2,204 | (39,441) | 20 |
| Reclassification adjustment through profit or loss | — | — | — |
| Before tax effect | 2,204 | (39,441) | 20 |
| Tax effect | (1,269) | 12,773 | (11) |
| Net-of-tax amount | 935 | (26,668) | 9 |
| Foreign currency translation adjustments: | | | |
| Arising during the year | (380,758) | (142,438) | (3,476) |
| Reclassification adjustment through profit or loss | — | 25,437 | — |
| Before tax effect | (380,758) | (117,001) | (3,476) |
| Tax effect | — | — | — |
| Net-of-tax amount | (380,758) | (117,001) | (3,476) |
| Share of other comprehensive income of affiliates accounted for by equity method: | | | |
| Arising during the year | (60,253) | 9,369 | (550) |
| Reclassification adjustment through profit or loss | — | — | — |
| | (60,253) | 9,369 | (550) |
| Total other comprehensive income (loss) | ¥ (450,858) | ¥ (181,514) | $ (4,115) |

## 15. FINANCIAL INSTRUMENTS

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

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

b. Type of financial instruments and risks
Trade notes and accounts receivable and electronically recorded monetary claims are exposed to customer credit risks. Trade notes and accounts receivable denominated in foreign currency are exposed to currency fluctuation risks.
Investment securities which are mainly held for business relationships are exposed to fluctuations in market prices.
Maturities of trade notes and accounts payable are mostly within one year. Trade notes and accounts payable denominated in foreign currency are exposed to currency fluctuation risks.
The Company uses short-term debt mainly to finance operating funds and bond, long-term debt, lease obligations and payable in installments to finance capital investment and operating funds. Some debts are exposed to interest rate risk, and are hedged by using derivatives (interest rate swaps).
The Company uses foreign exchange forward contracts that are employed to hedge the foreign currency fluctuation risks of trade receivables and payable denominated in foreign currencies as well as interest rate swaps that are arranged to hedge the interest fluctuation risks on borrowings and bonds.
Please see Note 2. *l*.

c. Risk management
① Credit risk management
The Group performs due date and balance controls for each customer in accordance with credit control rules and regularly monitors major customers' credit status to mitigate customers' credit risk of trade receivables.

② Market risk management
The Group mainly uses forward exchange contracts to hedge the currency fluctuation risks recognized by currency which is associated with trade receivables and payables denominated in foreign currency. To mitigate the interest rate fluctuation risks associated with borrowings, the Group uses interest rate swaps.
Derivative transactions are executed and controlled in accordance with internal rules which establish the trading limit and trading authorities. Also, in order to mitigate credit risk, the counterparties to derivative transactions are limited to financial institutions with high credit ratings.
The Group regularly monitors stock prices and the issuers' financial condition, and continuously considers whether the investment securities are held.

③ Liquidity risks management
The Group prepares and updates a fund management plan and manages liquidity risk by maintaining an appropriate level of liquidity.

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

### (2) *Fair values of the financial instruments*

Carrying amounts in the consolidated balance sheet, fair values and differences at November 30, 2019 and 2018 are as follows:
Financial instruments whose fair value is extremely difficult to measure are not included in the below table.

| | Thousands of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Carrying amount | Fair value | Differences | Carrying amount | Fair value | Differences |
| Cash and deposits | ¥ 3,321,250 | ¥ 3,321,250 | ¥ — | ¥ 2,823,858 | ¥ 2,823,858 | ¥ — |
| Trade notes and accounts receivable | 1,908,376 | 1,908,376 | — | 2,584,632 | 2,584,632 | — |
| Electronically recorded monetary claims | 429,063 | 429,063 | — | 568,962 | 568,962 | — |
| Investment securities | 278,763 | 278,763 | — | 295,109 | 295,109 | — |
| Total assets | ¥ 5,937,452 | ¥ 5,937,452 | ¥ — | ¥ 6,272,561 | ¥ 6,272,561 | ¥ — |
| Trade notes and accounts payable | ¥ 622,460 | ¥ 622,460 | ¥ — | ¥ 941,488 | ¥ 941,488 | ¥ — |
| Short-term borrowings | — | — | — | 300,000 | 300,000 | — |
| Long-term borrowings *1 | 668,072 | 665,073 | (2,999) | 620,036 | 613,703 | (6,333) |
| Lease obligations *2 | 354,050 | 352,289 | (1,761) | 719,994 | 714,394 | (5,600) |
| Payable in installments *3 | 9,597 | 9,592 | (5) | 45,953 | 45,919 | (34) |
| Total liabilities | ¥ 1,654,179 | ¥ 1,649,414 | ¥ (4,765) | ¥ 2,627,471 | ¥ 2,615,504 | ¥ (11,967) |
| Derivatives *4 | ¥ 5,085 | ¥ 5,085 | ¥ — | ¥ 1,444 | ¥ 1,444 | ¥ — |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | 2019 | | |
| | Carrying amount | Fair value | Differences |
| Cash and deposits | $ 30,314 | $ 30,314 | $ — |
| Trade notes and accounts receivable | 17,419 | 17,419 | — |
| Electronically recorded monetary claims | 3,916 | 3,916 | — |
| Investment securities | 2,544 | 2,544 | — |
| Total assets | $ 54,193 | $ 54,913 | $ — |
| Trade notes and accounts payable | $ 5,681 | $ 5,681 | $ — |
| Short-term borrowings | — | — | — |
| Long-term borrowings *1 | 6,098 | 6,070 | (28) |
| Lease obligations *2 | 3,231 | 3,215 | (16) |
| Payable in installments *3 | 88 | 88 | (0) |
| Total liabilities | $ 15,098 | $ 15,054 | $ (44) |
| Derivatives *4 | $ 46 | $ 46 | $ — |

*1 Long-term borrowings includes current portion of long-term borrowings.
*2 Lease obligations includes short-term lease obligations.
*3 Payable in installments is included in accounts payable-other (current liabilities) and other long-term liabilities (long-term liabilities) in the accompanying consolidated balance sheet.
*4 Derivative receivables and payables are on net basis.

Notes

1. Fair values of financial instruments

Assets

a. Cash and deposits, trade notes and accounts receivable and electronically recorded monetary claims

   Because the fair values are approximately equal to the carrying amounts as these are collected in short term, such carrying amounts are used.

b. Investment securities

   Fair values of stocks are based on prices of the stock exchanges and fair values of bonds are based on quotes from counterparties. Also please see Note 4.

Liabilities

a. Trade notes and accounts payable 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. 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.

c. Derivatives

   Please see Note 16

2. Financial instruments whose fair value is extremely difficult to measure at November 30, 2019 and 2018 are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Investment securities: Unlisted stock, etc. | ¥ 0 | ¥ 0 | $ 0 |
| Investments in capital of affiliates: Unlisted stock, etc. | 1,057,879 | 1,034,868 | 9,656 |
| Others: Unlisted stock, etc. | 120 | 120 | 1 |
| | ¥ 1,057,999 | ¥ 1,034,988 | $ 9,657 |

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 through ten years | More than ten years |
| Cash and deposits | ¥ 3,321,250 | ¥ − | ¥ − | ¥ − |
| Trade notes and accounts receivable | 1,908,376 | − | − | − |
| Electronically recorded monetary claim | 429,063 | − | − | − |
| Total | ¥ 5,658,689 | ¥ − | ¥ − | ¥ − |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Within one year | More than one year through five years | More than five years through ten years | More than ten years |
| Cash and deposits | $ 30,314 | $ — | $ — | $ — |
| Trade notes and accounts receivable | 17,419 | — | — | — |
| Electronically recorded monetary claim | 3,916 | — | — | — |
| Total | $ 51,649 | $ — | $ — | $ — |

4. The annual maturities after the balance sheet date of the long-term debt and other interest-bearing debt

| | Thousands of yen | | | | | |
|---|---|---|---|---|---|---|
| | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Long-term borrowings | ¥ 157,119 | ¥ 96,664 | ¥ 414,289 | ¥ - | ¥ - | ¥ - |
| Lease liabilities | 192,104 | 98,565 | 52,853 | 9,807 | 721 | - |
| Payable in installments | 9,597 | - | - | - | - | - |
| Total | ¥ 358,820 | ¥ 195,229 | ¥ 467,142 | ¥ 9,807 | ¥ 721 | ¥ - |

| | Thousands of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Long-term borrowings | $ 1,434 | $ 882 | $ 3,782 | $ - | $ - | $ - |
| Lease liabilities | 1,753 | 900 | 482 | 90 | 6 | - |
| Payable in installments | 88 | - | - | - | - | - |
| Total | $ 3,275 | $ 1,782 | $ 4,264 | $ 90 | $ 6 | $ - |

## 16. DERIVATIVES

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

The Company had no derivatives outstanding at November 30, 2019 and 2018 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, 2019 and 2018:

| | Hedged items | Thousands of yen<br>Contract or notional amounts | | Fair value |
|---|---|---|---|---|
| November 30, 2019 | | | | |
| Forward exchange contracts: | | | | |
| Selling foreign currency: | Accounts receivable | | | |
| U.S. dollar | | ¥ 3,550 | ¥ | (31) |
| Euro | | 70,645 | | (2,666) |
| Other currencies | | 26,424 | | (263) |
| Buying foreign currency: | Accounts payable | | | |
| U.S. dollar | | 623,460 | | 8,486 |
| Euro | | 420,247 | | (550) |
| Other currencies | | 48,203 | | 110 |
| Interest rate swaps<br>— fixed rate payment, floating rate receipt | Long-term borrowings | 20,000 | | * |

| | Hedged items | Thousands of yen<br>Contract or notional amounts | | Fair value |
|---|---|---|---|---|
| November 30, 2018 | | | | |
| Forward exchange contracts: | | | | |
| Selling foreign currency: | Accounts receivable | | | |
| U.S. dollar | | ¥ 41 | ¥ | (0) |
| Euro | | 134 | | 1 |
| Other currencies | | 202,562 | | (1,552) |
| Buying foreign currency: | Accounts payable | | | |
| U.S. dollar | | 191,180 | | 4,555 |
| Euro | | 126,595 | | (490) |
| Other currencies | | 126,826 | | (1,069) |
| Interest rate swaps<br>— fixed rate payment, floating rate receipt | Long-term borrowings | 120,000 | | * |

| | Hedged items | Thousands of U.S. dollars<br>Contract or notional amounts | | Fair value |
|---|---|---|---|---|
| November 30, 2019 | | | | |
| Forward exchange contracts: | | | | |
| Selling foreign currency: | Accounts receivable | | | |
| U.S. dollar | | $ 32 | $ | (0) |
| Euro | | 645 | | (24) |
| Other currencies | | 241 | | (2) |
| Buying foreign currency: | Accounts payable | | | |
| U.S. dollar | | 5,691 | | 77 |
| Euro | | 3,836 | | (5) |
| Other currencies | | 440 | | 1 |
| Interest rate swaps<br>— fixed rate payment, floating rate receipt | Long-term borrowings | 183 | | * |

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

* For certain long-term borrowings for which interest rate swaps are used to hedge the interest rate fluctuations, the fair value of the derivative financial instruments is included in the fair value of the long-term borrowings as hedged item.

## 17. COMMITMENTS AND CONTINGENCIES

At November 30, 2019, the Company was contingently liable for investment guarantee of 3,472 thousand Baht (¥12,885 thousand, $118 thousand) for Altech Asia Pacific Co., Ltd. to SBCS Co., Ltd. and SMBC Co., Ltd, which are subsidiaries of Sumitomo Mitsui Banking Corporation.

## 18. BALANCES AND TRANSACTIONS WITH RELATED PARTY

The condensed financial information of the significant affiliate, Altech New Material (Shenzhen) Co., Ltd. at November 30, 2019 and 2018 is as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Total current assets | ¥ 2,130,777 | ¥ 2,111,674 | $ 19,448 |
| Total non-current assets | 495,866 | 428,596 | 4,526 |
| Total current liabilities | 275,801 | 240,563 | 2,517 |
| Total non-current liabilities | — | — | — |
| Total net assets | 2,350,842 | 2,299,707 | 21,457 |
| Sales | 1,167,745 | 905,877 | 10,658 |
| Income before income taxes | 235,917 | 345,774 | 2,153 |
| Net income | 185,031 | 259,331 | 1,689 |

## 19. FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

### *(1) Overview of Real Estate and Rental*

Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company rents land and a part of the building in Suzhou factory, China.

Net income from the rental property for the years ended November 30, 2019 and 2018 are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Net income from the rental property | ¥ 22,981 | ¥ 32,814 | $ 210 |

*(2)* The carrying amounts and fair values related to the rental property at November 30, 2019 and 2018, and movement of the carrying amount for the years then ended are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Carrying amount: | | | |
| At beginning of the year | ¥ 1,022,121 | ¥ 1,130,117 | $ 9,329 |
| Movement | (155,789) | (107,996) | (1,422) |
| At end of the year | ¥ 866,332 | ¥ 1,022,121 | $ 7,907 |
| Fair value at end of the year | ¥ 1,130,660 | ¥ 1,233,039 | $ 10,320 |

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, 2019, the decrease are arising from currency fluctuations of ¥84,867 thousand ($775 thousand) and depreciation of ¥70,922 thousand ($647 thousand). For the year ended November 30, 2018, the decrease are arising from currency fluctuations of ¥30,652 thousand and depreciation of ¥77,344 thousand.
4. The fair value is calculated based on real estate price published by Chinese Government.

## 20. SEGMENT INFORMATION

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.
The Group primarily operates purchase and sale of industrial machinery and equipments and related services, manufacture and sale of plastic molded products derived therefrom. "Wholesale business" and "Preform business" are the Company's reported segments.
"Wholesale business" mainly purchases and sells industrial machinery and equipments and provides related services. "Preform business" mainly manufactures and sells performs for PET bottles, plastic caps and provides related services.

Segment income is calculated based on operating profit in the consolidated statement of operations.
Intersegment revenues and transfer are based on arms-length transactions and manufacturing costs.

**Operating revenues, income, assets, liabilities and others by reported segments**

The reported segment information of the Company and its consolidated subsidiaries for the years ended November 30, 2019 and 2018 are summarized as follows:

| | Thousands of yen | | | | |
|---|---|---|---|---|---|
| | 2019 | | | | |
| | Reported segments | | | | |
| | Wholesale | Preform | Total | Adjustments | Consolidated |
| Operating revenues: | | | | | |
| Revenues from third parties | ¥ 9,077,561 | ¥ 5,484,819 | ¥ 14,562,380 | ¥ – | ¥ 14,562,380 |
| Intersegment revenues | 1,035 | 33,381 | 34,416 | (34,416) | – |
| Total | 9,078,596 | 5,518,200 | 14,596,796 | (34,416) | 14,562,380 |
| Segment income | ¥ 590,683 | ¥ 159,284 | ¥ 749,967 | ¥ (139,751) | ¥ 610,216 |
| Segment assets | ¥ 3,301,707 | ¥ 8,082,249 | ¥ 11,383,956 | ¥ 2,582,875 | ¥ 13,966,831 |
| Others: | | | | | |
| Depreciation and amortization | ¥ 44,999 | ¥ 595,663 | ¥ 640,662 | ¥ 20,535 | ¥ 661,197 |
| Investments in entities accounted for using equity method | ¥ – | ¥ 1,057,879 | ¥ 1,057,879 | ¥ – | ¥ 1,057,879 |
| Increase in property, plant and equipment and intangible assets | ¥ 80,406 | ¥ 215,962 | ¥ 296,368 | ¥ 24,800 | ¥ 321,168 |

| | Thousands of yen | | | | |
|---|---|---|---|---|---|
| | 2018 | | | | |
| | Reported segments | | | | |
| | Wholesale | Preform | Total | Adjustments | Consolidated |
| Operating revenues: | | | | | |
| Revenues from third parties | ¥ 9,988,516 | ¥ 6,212,448 | ¥ 16,200,964 | ¥ – | ¥ 16,200,964 |
| Intersegment revenues | 17,647 | 51,463 | 69,110 | (69,110) | – |
| Total | 10,006,163 | 6,263,911 | 16,270,074 | (69,110) | 16,200,964 |
| Segment income | ¥ 717,226 | ¥ 149,537 | ¥ 866,763 | ¥ (166,353) | ¥ 700,410 |
| Segment assets | ¥ 4,287,903 | ¥ 8,868,072 | ¥ 13,155,975 | ¥ 1,965,112 | ¥ 15,121,087 |
| Others: | | | | | |
| Depreciation and amortization | ¥ 34,819 | ¥ 667,820 | ¥ 702,639 | ¥ 25,208 | ¥ 727,847 |
| Investments in entities accounted for using equity method | ¥ – | ¥ 1,034,868 | ¥ 1,034,868 | ¥ – | ¥ 1,034,868 |
| Increase in property, plant and equipment and intangible assets | ¥ 61,747 | ¥ 232,306 | ¥ 294,053 | ¥ 18,484 | ¥ 312,537 |

| | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | 2019 | | | | |
| | Reported segments | | | | |
| | Wholesale | Preform | Total | Adjustments | Consolidated |
| Operating revenues: | | | | | |
| Revenues from third parties | $ 82,855 | $ 50,062 | $ 132,917 | $ – | $ 132,917 |
| Intersegment revenues | 9 | 305 | 314 | (314) | – |
| Total | 82,864 | 50,367 | 133,231 | (314) | 132,917 |
| Segment income | $ 5,391 | $ 1,454 | $ 6,845 | $ (1,275) | $ 5,570 |
| Segment assets | $ 30,136 | $ 73,770 | $ 103,906 | $ 23,575 | $ 127,481 |
| Others: | | | | | |
| Depreciation and amortization | $ 411 | $ 5,437 | $ 5,848 | $ 187 | $ 6,035 |
| Investments in entities accounted for using equity method | $ – | $ 9,656 | $ 9,656 | $ – | $ 9,656 |
| Increase in property, plant and equipment and intangible assets | $ 734 | $ 1,971 | $ 2,705 | $ 226 | $ 2,931 |

The adjustment in “Segment income” for the years ended November 30, 2019 and 2018 are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Intersegment transactions | ¥ 65,867 | ¥ 42,557 | $ 601 |
| Non-categorized expenses | (207,224) | (211,107) | (1,891) |
| Adjustments of fixed assets | 1,606 | 2,197 | 15 |
| | ¥ (139,751) | ¥ (166,353) | $ (1,275) |

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

The adjustment in “Segment assets” at November 30, 2019 and 2018 are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Intersegment balances | ¥ (55,227) | ¥ (59,205) | $ (504) |
| Non-categorized assets | 2,638,102 | 2,024,317 | 24,079 |
| | ¥ 2,582,875 | ¥ 1,965,112 | $ 23,575 |

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, 2019 and 2018 are as follows:

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Intersegment transactions | ¥ (1,606) | ¥ (2,051) | $ (15) |
| Depreciation of company-wide assets | 22,141 | 27,259 | 202 |
| | ¥ 20,535 | ¥ 25,208 | $ 187 |

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

**Related information**

1. Information by products and services

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

2. Geographical information

(1) Sales

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Japan | ¥ 9,777,191 | ¥ 10,643,738 | $ 89,241 |
| Asia | 4,750,278 | 5,512,627 | 43,358 |
| Americas | 32,349 | 25,715 | 295 |
| Europe | 2,562 | 18,268 | 23 |
| Other | – | 616 | – |
| | ¥ 14,562,380 | ¥ 16,200,964 | $ 132,917 |

(2) Property, plant and equipment

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Japan | ¥ 742,770 | ¥ 811,293 | $ 6,780 |
| Asia | 2,635,072 | 3,169,009 | 24,051 |
| | ¥ 3,377,842 | ¥ 3,980,302 | $ 30,831 |

3. Information by major customers

Disclosure for the years ended November 30, 2019 and 2018 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 | Adjustments | Consolidated |
| November 30, 2019 | | | | |
| Impairment loss | ¥ – | ¥ 50,281 | ¥ – | ¥ 50,281 |
| November 30, 2018 | | | | |
| Impairment loss | ¥ – | ¥ 30,382 | ¥ – | ¥ 30,382 |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Wholesale | Preform | Adjustments | Consolidated |
| November 30, 2019 | | | | |
| Impairment loss | $ – | $ 459 | $ – | $ 459 |

**Information of amortization and balance of goodwill**

Goodwill is not recorded for the years ended November 30, 2019 and 2018.

**Negative goodwill incurred by reported segments**

Negative goodwill is not recorded for the years ended November 30, 2019 and 2018.

## 21. PER SHARE INFORMATION

### *(1) Net Income per Share*

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended November 30, 2019 and 2018 are as follows:

| | Yen | | U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Basic net income per share | ¥ 30.11 | ¥ 34.02 | $ 0.27 |

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Income attributable to owners of parent | ¥ 509,162 | ¥ 583,238 | $ 4,647 |
| Net income not applicable to common shareholders | – | – | – |
| Income attributable to owners of parent applicable to common shareholders | ¥ 509,162 | ¥ 583,238 | $ 4,647 |

| | Number of shares | |
|---|---|---|
| | 2019 | 2018 |
| Weighted average number of shares outstanding on which basic net income per share is calculated | 16,908,622 | 17,146,000 |

The diluted net income per share for the years ended November 30, 2019 and 2018 are not presented as there are no dilutive potential share at each year end.

*(2) Net Assets per Share*

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at November 30, 2019 and 2018 are as follows:

| | Yen | | U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Net assets per share | ¥ 604.96 | ¥ 590.68 | $ 5.52 |

| | Thousands of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Total net assets | ¥ 10,161,034 | ¥ 10,347,296 | $ 92,744 |
| Amount deducted from total net assets: | | | |
| Non-controlling interests | 195,325 | 219,438 | 1,783 |
| Net assets applicable to common shareholders | ¥ 9,965,709 | ¥ 10,127,858 | $ 90,961 |

| | Number of shares | |
|---|---|---|
| | 2019 | 2018 |
| Number of shares outstanding at end of year on which net assets per share is calculated | 16,473,438 | 17,145,998 |

## 22. SUBSEQUENT EVENTS

The company resolved at the board meeting held on January 14, 2020 the repurchase of the Company's own shares based on Article 156 of the Corporate Act of Japan as applied pursuant to Article 165 Paragraph 3.

***(1) Reason of the share repurchase***

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

***(2) Matters regarding the share repurchase***

| | |
|---|---|
| (a) Type of shares to be repurchased | Common stock |
| (b) Total number of shares to be repurchased | Up to 500,000 shares (3.04% of total issued shares outstanding, excluding treasury stock at December 31, 2019) |
| (c) Total cost of shares to be repurchased | Up to ¥100,000 thousand ($913 thousand) |
| (d) Period for share repurchase | From January 15, 2020 to February 29, 2020 |
| (e) Method of share repurchase | Market purchase on the Tokyo Stock Exchange |