

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

***Audited Consolidated Financial Statements
for the Year Ended November 30, 2022***

(1) Consolidated Financial Statements**1) Consolidated Balance Sheet**

(Thousands of yen)

	As of November 30, 2021	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	4,243,353	4,138,883
Trade notes and accounts receivable	2,103,382	-
Notes receivable	-	99,027
Accounts receivable	-	2,396,164
Electronically recorded monetary claims	388,551	542,433
Merchandise and finished goods	2,813,650	2,403,518
Raw materials and supplies	540,195	624,015
Work in progress	9,276	1,871
Advances paid	1,620,706	1,700,229
Other	590,200	277,796
Allowance for doubtful receivables	(266)	(358)
Total current assets	12,309,050	12,183,580
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,144,602	4,756,540
Accumulated depreciation	(2,385,823)	(2,960,726)
Buildings and structures (net)	*2 1,758,779	*2 1,795,814
Machinery and equipment, and vehicles	3,884,753	4,475,699
Accumulated depreciation	(2,920,698)	(3,503,753)
Machinery and equipment, and vehicles (net)	964,055	971,945
Land	55,308	55,308
Lease assets	1,934,582	2,534,885
Accumulated depreciation	(1,483,158)	(1,704,370)
Lease assets (net)	451,423	830,514
Construction in progress	1,383,635	1,973,225
Other	2,580,329	2,970,455
Accumulated depreciation	(2,070,113)	(2,412,909)
Other (net)	510,216	557,545
Total property, plant and equipment	5,123,418	6,184,355
Intangible fixed assets	*2 478,883	*2 534,780
Investments and other assets		
Investment securities	*2 274,657	*2 290,690
Investment in capital of affiliates	1,122,624	1,452,931
Lease deposits	105,030	106,928
Deferred tax assets	56,498	49,181
Other	149,543	179,762
Allowance for doubtful receivables	(30,423)	(91,693)
Total Investments and other assets	1,677,929	1,987,800
Total non-current assets	7,280,231	8,706,936
Total assets	19,589,281	20,890,517

(Thousands of yen)

	As of November 30, 2021	As of November 30, 2022
Liabilities		
Current liabilities		
Trade notes and accounts payable	994,007	921,523
Short term borrowings and current portion of long-term borrowings	*2 1,283,134	*2 1,301,286
Short term lease obligations	99,691	133,902
Accounts payable-other	173,479	321,217
Accrued expenses	469,428	551,944
Income taxes payable	82,604	135,505
Advances received	3,662,836	*1 2,738,050
Accrued losses on sales contracts	10,086	242
Other	46,723	203,048
Total current liabilities	6,821,991	6,306,721
Non-current liabilities		
Long term borrowings	1,004,444	1,264,248
Long term lease obligations	152,116	409,442
Deferred tax liabilities	706	22,763
Other	19,534	12,371
Total non-current liabilities	1,176,800	1,708,826
Total liabilities	7,998,792	8,015,547
Net assets		
Shareholders' equity		
Common stock	5,527,829	5,527,829
Capital surplus	2,148,821	790,215
Retained earnings	3,578,304	3,936,516
Treasury stock	(1,530,704)	(460,634)
Total shareholders' equity	9,724,251	9,793,926
Accumulated other comprehensive income		
Net unrealized gain on available for sale securities	40,780	50,933
Deferred gains (losses) on derivatives under hedge accounting	(12,750)	41,284
Foreign currency translation adjustments	1,552,966	2,840,579
Total accumulated other comprehensive income	1,580,996	2,932,797
Non-controlling interests	285,241	148,245
Total net assets	11,590,488	12,874,969
Total liabilities and net assets	19,589,281	20,890,517

2) Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income

Consolidated Statement of Operations

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Net sales	13,860,941	*1 16,319,749
Cost of sales	*2 10,372,504	*2 12,755,517
Gross profit	3,488,437	3,564,231
Selling, general and administrative expenses	*3 2,880,365	*3 3,123,431
Operating profit	608,071	440,800
Non-operating income		
Interest income	4,291	6,061
Dividends income	7,540	8,727
Equity in earnings of affiliates	94,119	106,589
Other	31,310	32,892
Total non-operating income	137,261	154,270
Non-operating expenses		
Interest expense	41,481	72,675
Commission paid	19,770	27,259
Foreign exchange loss	1,391	7,913
Amortization of organization expenses	1,027	—
Other	27,303	11,145
Total non-operating expenses	90,974	118,994
Ordinary profit	654,358	476,076
Extraordinary income		
Gain on sale of property, plant and equipment	*4 10,356	*4 21,935
Subsidy income	25,777	9,573
Total extraordinary income	36,133	31,509
Extraordinary losses		
Loss on sale of property, plant and equipment	*5 3,074	*5 7,500
Loss on retirement of property, plant and equipment	*6 1,509	*6 2,353
Impairment loss	—	962
Loss on business withdrawal	*7 43,600	—
Other	—	21
Total extraordinary losses	48,184	10,838
Income before income taxes and non-controlling interests	642,307	496,747
Income taxes-current	153,984	135,658
Income taxes - deferred	31,075	2,673
Total income taxes	185,060	138,332
Income	457,247	358,415
Loss attributable to non-controlling interests	(84,771)	(44,370)
Income attributable to owners of parent	542,019	402,785

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Income	457,247	358,415
Other comprehensive income		
Net unrealized gain on available for sale securities	(1,912)	10,152
Deferred gains (losses) on derivatives under hedge accounting	(45,002)	54,035
Foreign currency translation adjustments	560,967	1,096,748
Share of other comprehensive income of affiliates accounted for by equity method	138,655	214,556
Total other comprehensive income	* 652,707	* 1,375,492
Comprehensive income	1,109,954	1,733,908
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,197,317	1,754,587
Comprehensive loss attributable to non-controlling interests	(87,362)	(20,678)

3) Consolidated Statement of Changes in Net Assets

Fiscal year ended November 30, 2021

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	5,527,829	2,149,338	3,082,363	(1,343,072)	9,416,459
Changes arising during the year					
Dividends			(46,078)		(46,078)
Income attributable to owners of parent			542,019		542,019
Purchase of treasury stock				(199,985)	(199,985)
Disposal of treasury stock		(517)		12,353	11,835
Net changes other than shareholders' equity					
Total changes during the year	—	(517)	495,940	(187,632)	307,791
Balance at the end of the year	5,527,829	2,148,821	3,578,304	(1,530,704)	9,724,251

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gain on available for sale securities	Deferred gains (losses) on derivatives under hedge accounting	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of the year	42,693	32,252	850,753	925,698	283,280	10,625,438
Changes arising during the year						
Dividends						(46,078)
Income attributable to owners of parent						542,019
Purchase of treasury stock						(199,985)
Disposal of treasury stock						11,835
Net changes other than shareholders' equity	(1,912)	(45,002)	702,213	655,297	1,961	657,258
Total changes during the year	(1,912)	(45,002)	702,213	655,297	1,961	965,049
Balance at the end of the year	40,780	(12,750)	1,552,966	1,580,996	285,241	11,590,488

Fiscal year ended November 30, 2022

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	5,527,829	2,148,821	3,578,304	(1,530,704)	9,724,251
Changes arising during the year					
Dividends			(44,269)		(44,269)
Income attributable to owners of parent			402,785		402,785
Purchase of treasury stock				(299,993)	(299,993)
Disposal of treasury stock		(2,536)		17,584	15,047
Cancellation of treasury stock		(1,352,174)	(304)	1,352,478	—
Change in ownership interest of parent due to transactions with non-controlling interests		(4,563)			(4,563)
Purchase of treasury stock of consolidated subsidiaries		669			669
Net changes other than shareholders' equity					
Total changes during the year	—	(1,358,605)	358,211	1,070,069	69,675
Balance at the end of the year	5,527,829	790,215	3,936,516	(460,634)	9,793,926

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gain on available for sale securities	Deferred gains (losses) on derivatives under hedge accounting	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of the year	40,780	(12,750)	1,552,966	1,580,996	285,241	11,590,488
Changes arising during the year						
Dividends						(44,269)
Income attributable to owners of parent						402,785
Purchase of treasury stock						(299,993)
Disposal of treasury stock						15,047
Cancellation of treasury stock						—
Change in ownership interest of parent due to transactions with non-controlling interests						(4,563)
Purchase of treasury stock of consolidated subsidiaries						669
Net changes other than shareholders' equity	10,152	54,035	1,287,612	1,351,801	(136,995)	1,214,805
Total changes during the year	10,152	54,035	1,287,612	1,351,801	(136,995)	1,284,480
Balance at the end of the year	50,933	41,284	2,840,579	2,932,797	148,245	12,874,969

4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Cash flows from operating activities		
Income before income taxes and non-controlling interests	642,307	496,747
Depreciation and amortization	556,657	606,097
Interest and dividends income	(11,832)	(14,788)
Interest expense	41,481	72,675
Foreign exchange gain	(51,697)	(96,998)
Equity in earnings of affiliates	(94,119)	(106,589)
Subsidy income	(25,777)	(9,573)
Gain on sale of property, plant and equipment	(7,281)	(14,434)
Loss on retirement of property, plant and equipment	1,509	2,353
Impairment loss	—	962
Decrease (Increase) in trade receivables	145,969	(373,649)
Decrease (Increase) in inventories	(766,113)	505,781
Increase (Decrease) in trade payables	112,346	(114,469)
Increase in advances paid	(251,876)	(14,939)
Increase (Decrease) in accrued expenses	(56,612)	68,387
Increase (Decrease) in advances received	814,378	(942,146)
Decrease and increase in consumption taxes receivable or payable	98,815	211,758
Other, net	138,367	167,964
Sub total	1,286,523	445,139
Interest and dividends received	11,552	244,194
Interest paid	(40,577)	(72,740)
Income taxes paid	(146,089)	(114,786)
Income taxes refunded	16,506	14,255
Proceeds from subsidy income	4,807	8,996
Net cash provided by operating activities	1,132,721	525,059

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,944,673)	(985,223)
Proceeds from sales of property, plant and equipment	17,255	31,425
Purchases of intangible fixed assets	(5,935)	(6,327)
Purchases of investment securities	(2,633)	(2,696)
Payments for investments in capital of and associates	—	(9,162)
Proceeds from subsidiary income	25,777	9,573
Other, net	(196)	222
Net cash used in investing activities	(1,910,407)	(962,188)
Cash flows from financing activities		
Increase in short-term borrowings	726,600	305,550
Proceeds from long-term borrowings	1,060,000	400,000
Repayments on long-term borrowings	(200,723)	(559,434)
Repayments on lease obligations	(142,612)	(143,329)
Payments for purchase of treasury stock	(199,985)	(299,688)
Dividends paid to shareholders	(46,310)	(44,439)
Dividends paid to non-controlling shareholders	(1,080)	(1,247)
Proceeds from share issuance to non-controlling shareholders	48,000	—
Proceeds from sale and leaseback	46,949	398,089
Net cash used in financing activities	1,290,837	55,499
Effect of exchange rate changes on cash and cash equivalents	(140,588)	268,266
Net increase (decrease) in cash and cash equivalents	372,563	(113,362)
Cash and cash equivalents at beginning of year	3,815,314	4,187,877
Cash and cash equivalents at end of year	*4,187,877	*4,074,515

[Notes to Consolidated Financial Statements]

SIGNIFICANT MATTERS THAT FORM THE BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of consolidated subsidiaries:

ALTECH NEW MATERIALS CO., LTD.
BAIFUN-ALTECH CO., LTD.
ALTECH NEW POWER CO., LTD.
ALTECH ASIA PACIFIC CO., LTD.
PT. ALTECH
PT. ALTECH ASIA PACIFIC INDONESIA
ALTECH ASIA PACIFIC VIETNAM CO., LTD.
ALTECH NEW MATERIALS (SUZHOU) CO., LTD.
ALTECH NEW MATERIALS (GUANGZHOU) CO., LTD.
CHONGQING ALTECH NEW MATERIALS CO., LTD.
ALTECH NEW MATERIALS (WUHAN) CO., LTD.
SUZHOU ALTECH IMP. & EXP. TRADING CO., LTD.
SUZHOU ALTECH NEW POWER CO., LTD.

(2) Name of non-consolidated subsidiary, etc.

Name of non-consolidated subsidiary:

ALTECH TRADING (LIUPANSHUI) CO., LTD.

Reasons for exclusion from the scope of consolidation

Although the above company was newly established in the fiscal year ended November 30, 2022, it is small-scale, and the total assets, sales, net income (loss) (the amount corresponding to the equity interest) and retained earnings (the amount corresponding to the equity interest), etc. do not have a material impact on the consolidated financial statements. Accordingly, it is excluded from the scope of consolidation.

2. Matters related to the application of the equity method

(1) Number of affiliates accounted for by the equity method: 2

Names of affiliates accounted for by the equity method:

ALTECH NEW MATERIALS (SHENZHEN) CO., LTD.
VALTE (SUZHOU) BIOTECHNOLOGY CO., LTD.

Of the above companies, VALTE (SUZHOU) BIOTECHNOLOGY CO., LTD. was newly established in the fiscal year ended November 30, 2022, so it is included in the scope of application of the equity method.

(2) Name of non-consolidated subsidiary not accounted for by the equity method, etc.

Name of non-consolidated subsidiary not accounted for by the equity method:

ALTECH TRADING (LIUPANSHUI) CO., LTD.

Reasons for not applying the equity method

Considering the above company's net income (amount corresponding to equity) and retained earnings (amount corresponding to equity), etc., the impact on the consolidated financial statements is minor even if they are excluded from the scope of application of the equity method and it is not material as a whole. Accordingly, it is excluded from the scope of application of the equity method.

(3) Matters deemed particularly necessary to be stated regarding procedures for application of the equity method

The closing date of two affiliated companies to which the equity method is applied is December 31. In applying the equity method, financial statements based on the provisional settlement of accounts as of June 30 of ALTECH NEW MATERIALS (SHENZHEN) CO., LTD. and financial statements based on the provisional settlement of accounts as of September 30 of VALTE (SUZHOU) BIOTECHNOLOGY CO., LTD. are used.

3. Matters related to the fiscal year of consolidated subsidiaries

Consolidated subsidiaries whose closing date differs from the consolidated closing date are as follows:

Company Name	Closing date
ALTECH ASIA PACIFIC CO., LTD.	September 30 *1
PT.ALTECH	September 30 *1
PT.ALTECH ASIA PACIFIC INDONESIA	September 30 *1
ALTECH ASIA PACIFIC VIETNAM CO., LTD.	September 30 *1
ALTECH NEW MATERIALS (SUZHOU) CO., LTD.	December 31 *2
ALTECH NEW MATERIALS (GUANGZHOU) CO., LTD.	December 31 *2
CHONGQING ALTECH NEW MATERIALS CO., LTD.	December 31 *2
ALTECH NEW MATERIALS (WUHAN) CO., LTD.	December 31 *2
SUZHOU ALTECH IMP. & EXP. TRADING CO., LTD.	December 31 *2
SUZHOU ALTECH NEW POWER CO., LTD.	December 31 *2

*1: For four consolidated subsidiaries, the financial statements for the year ended September 30 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.

*2: For six consolidated subsidiaries, the tentative financial statements for the year ended September 30 were used for consolidation. Necessary adjustments were made on consolidation for material transactions that occurred between the end of the tentative closing date of these subsidiaries and the end of the consolidated balance sheet date.

4. Matters related to accounting policies

(1) Basis and method for valuation of important assets

1) Securities

Available for sale securities

Securities other than stocks, etc. without market value

They are reported at fair value. (unrealized gains and losses are reported separately in a separate component of net assets and cost of securities sold is calculated by the moving average method)

Stocks, etc. without market value

They are stated at cost determined by the moving average method.

2) Derivatives

Derivative financial instruments are stated at fair value.

3) Inventories

Inventories are mainly stated at the cost determined by the specific identification method. (Carrying amount is calculated by the book value write-down method based on reduction in profitability.) Inventories of certain consolidated subsidiaries are stated at the cost determined by the moving average method. (Carrying amount is calculated by the book value write-down method based on reduction in profitability.)

(2) Method of depreciation and amortization of significant assets

1) Property, Plant and Equipment (Excluding lease assets)

Property, plant and equipment are depreciated 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 18 years for machinery and equipment, and vehicles.

2) Intangible Assets (Excluding lease assets)

Intangible assets are amortized by the straight line method. Land use right are amortized over the contract terms. The expenses for internal use computer software are amortized over the estimated useful lives (5 years).

3) Leased assets

Leased assets related to finance lease transactions that transfer ownership

Leased assets related to finance lease transactions that transfer ownership are depreciated by the same method applied to property, plant and equipment owned by the Company.

Leased assets related to finance lease transactions that do not transfer ownership

Leased assets related to finance lease transactions that do not transfer ownership are depreciated by the straight-line method, with the lease periods as their useful lives and no residual value.

(3) Basis for recognition of significant allowance and provisions

1) Allowance for doubtful receivables

The allowance for doubtful receivables is provided based on past loss experience for normal receivables and by estimating collectable amounts individually for specific receivables such as those feared to be defaulted on.

2) Accrued losses on sales contracts

Accrued losses on sales contracts are provided for at the amount of estimated future losses for the next fiscal year onward on sales contracts at the balance sheet date when such losses are probable and can be reasonably estimated.

(4) Basis for recognition of significant revenue and expense

The details of the main performance obligations in the main businesses of the Company and consolidated subsidiaries related to revenue arising from contracts with customers and the usual timing of satisfying such performance obligations (ordinary timing of recognizing revenue) are as follows. The consideration for the transaction was received within one year from the revenue recognition and does not include a significant financial component.

1) Wholesale business

“Wholesale business” mainly purchases and sells industrial machinery and equipment and provides related services. Since the control of the products is transferred to the customer when the product is delivered to the customer or when the customer completes acceptance inspection, the performance obligation is judged to be satisfied and revenue is recognized at that point.

2) Preform business

“Preform business” mainly manufactures and sells preforms for PET bottles, plastic caps and provides related services. Since the control of the goods or products is transferred to the customer when the goods or products are delivered to the customer, the performance obligation is judged to be satisfied and revenue is recognized at that point.

(5) Standards for conversion of significant foreign currency denominated assets or liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date, and differences arising from the translation are recognized as gain or loss. The assets and liabilities, and revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date and differences arising from such translation were shown as “Foreign currency translation adjustments” and “Non-controlling interests” in the net assets section.

(6) Significant hedge accounting method

1) Hedge accounting method

The Company and consolidated subsidiaries apply the deferred hedge accounting method. In addition, appropriation processing is used for foreign exchange contracts that meet the requirements for appropriation processing.

2) Hedging instruments and hedged items

Hedging instruments	:	Derivative transactions (foreign exchange contracts)
Hedged items	:	Foreign currency denominated monetary receivables and payables

3) Hedging policy

For the purpose of mitigating risks associated with exchange rate fluctuations, the Company and consolidated subsidiaries engage in currency derivative transactions.

4) Method for evaluation of hedge effectiveness

For forward exchange contracts, the evaluation of effectiveness is omitted because the important terms of hedging instruments and hedged items are the same, and the cash flow can be fixed after the start of hedging.

(7) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents are cash on hand, cash in banks and 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.

(8) Other

1) Adoption of consolidated tax return

The Company and its certain consolidated subsidiaries have adopted the consolidated tax return system.

2) Application of tax effect accounting for the transition from the consolidated tax return system to the group tax sharing system

The Company and some of domestic consolidated subsidiaries will transfer from the consolidated tax return system to the group tax sharing system from the following fiscal year. Pursuant to the treatment in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020), the Company and some of its consolidated domestic subsidiaries do not apply the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018) with respect to items which transitioned to the group tax sharing system established in the “Act for Partial Revision of the Income Tax Act, etc.” (Act No.8 of 2020) as well as items for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system. Accordingly, the amounts of deferred tax assets and deferred tax liabilities are presented pursuant to the provisions in tax laws before the amendment.

Starting from the beginning of the fiscal year ending November 30, 2023, the Company and some of its consolidated domestic subsidiaries will apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42 issued on August 12, 2021), which sets forth the accounting treatment and disclosure of corporate tax and local corporate tax as well as tax effect accounting under the group tax sharing system.

SIGNIFICANT ACCOUNTING ESTIMATES

(Recoverability of deferred tax assets)

(1) Amount recorded in the consolidated financial statements

(Thousands of yen)

	As of November 30, 2021	As of November 30, 2022
Deferred tax assets	56,498	49,181

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

1) Calculation method

The Group judged the recoverability of deferred tax assets for the future deductible temporary differences and tax loss carryforwards based on the taxable income estimates and tax planning taking the future profitability into consideration. The Group considers the business environment in the near future based on the plan for the year ended November 30, 2023.

2) Significant assumptions

The Group estimates the taxable income based on the business plan of each consolidated company, which include estimated its future sales volume. It is very difficult to predict when COVID-19 pandemic will be under control or the Russian-Ukrainian crisis will be de-escalated. The Group assumes that although the impact of COVID-19 pandemic will be minor in the next consolidated fiscal year and also assumes that raw material prices and transportation costs will continue to rise for a certain period of time due to the worsening the Russian-Ukrainian crisis.

3) Effect on the consolidated financial statements for the year ended November 30, 2023

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

CHANGES IN ACCOUNTING POLICIES

(Application of accounting standard for revenue recognition etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and its implementation guidance from the beginning of the fiscal year ended November 30, 2022. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the good or service.

As a result, some transactions that the total amount of consideration received from customers was previously recognized as revenue have been changed to recognize revenue on the net amount received from customers less amounts paid to suppliers.

In the case of a supply for a fee transaction falls under a repurchase agreements, previously the Company had recognized on a gross basis the sales and cost of sales including the amount equivalent to the materials supplied for a fee at the time of resale to the supplier. The Company has changed to recognize revenue on a net amount after deducting the amount equivalent to the materials supplied for a fee.

For some transactions, the Company delivers merchandise and provides free maintenance services within the warranty period based on contracts with customers. Previously, revenue of this free maintenance service was recognized at a point in time based on acceptance standards. The Company has changed its method of identifying performance obligations for merchandise delivery and for such maintenance services and recognize revenue when each performance obligation is satisfied.

In addition, sales discount which were previously recorded as “Non-operating expenses” has been changed to be deducted from “Net sales”.

The Company applies the Revenue Recognition Accounting Standard and its implementation guidance in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year ended November 30, 2022 with the new accounting policies applied from the beginning balance. However, the new accounting policy was not retrospectively applied to contracts in which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of this fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of this fiscal year were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of this fiscal year.

In addition, “Trade notes and accounts receivable” presented under “Current assets” of the consolidated balance sheet as of November 30, 2021 is presented as “Trade notes” and “Accounts receivable” from this fiscal year. However, in accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, statements for the fiscal year ended November 30, 2021 have not been reclassified to conform to the new presentation method.

As a result, compared to before application of the Accounting Standard for Revenue Recognition etc., the consolidated balance sheet as of November 30, 2022, show an increase of ¥3,125 thousand in “Other” under “Current liabilities”. In the consolidated statement of operations for the fiscal year ended November 30, 2022, “Net sales” decreased ¥70,872 thousand, “Cost of sales” decreased ¥63,700 thousand, “Operating profit” decreased ¥7,172 thousand, “Ordinary profit” decreased ¥3,125 thousand and “Income before income taxes and non-controlling interests” decreased ¥3,125 thousand. In the consolidated statement of cash flows for the fiscal year ended November 30, 2022, “Income before income taxes and non-controlling interests” decreased ¥3,125 thousand, “Other” increased ¥3,125 thousand under “Cash flows from operating activities”. There is no impact on the beginning balance of retained earnings for the fiscal year ended November 30, 2022 on the consolidated statement of changes in net assets.

The impact on per share information is described in Note “PER SHARE INFORMATION”.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Standard, Note “REVENUE RECOGNITION” for the fiscal year ended November 30, 2021 are not provided.

(Application of accounting standard for fair value measurement etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year ended November 30, 2022, and has prospectively applied the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

This does not affect the consolidated financial statements.

In addition, the Company has included notes to fair value information by level within the fair value hierarchy in Note “FINANCIAL INSTRUMENTS”. However, in accordance with the transitional treatment provided in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the fiscal year ended November 30, 2021 are not presented.

ADDITIONAL INFORMATION

(Assumption about the impacts of COVID-19 pandemic and the situation in Ukraine in making account estimates)

It is very difficult to predict when COVID-19 pandemic will be under control or the Russian-Ukrainian crisis will be de-escalated. The Company made the accounting estimates, including those for impairment losses of non-current assets and recoverability of deferred tax assets, on the assumption that raw material prices and transportation costs will continue to rise for a certain period due to the worsening the Russian-Ukrainian crisis, although the impact of COVID-19 pandemic will be minor.

When actual results differ from these estimates, there is a possibility of impacting financial position, financial performance, and cash flows of the Group.

MATTERS RELATED TO CONSOLIDATED BALANCE SHEETS

*1 The amount of contract liabilities arising from contracts with customers

Contract liabilities arising from contracts with customers are recorded in “Advances received”. The amount of contract liabilities is reported in Note “REVENUE RECOGNITION” 3. Information on the relationship between the satisfaction of performance obligations according to contracts with customers and cash flows generated from such contracts, and on the amounts and timing of revenue from contracts with existing customers as of the end of the current fiscal year that is expected to be recognized during or after the following fiscal year.

*2 Assets pledged

Assets pledged as collateral are as follows:

	(Thousands of yen)	
	As of November 30, 2021	As of November 30, 2022
Buildings and structures	548,248	541,429
The right to use of land	72,026	78,188
Investment securities	9,021	11,326
	629,295	630,944

Obligations corresponding to the above assets are as follows:

	(Thousands of yen)	
	As of November 30, 2021	As of November 30, 2022
Short-term borrowings	380,600	611,100

In addition to the above obligations, revolving mortgages related to banking transactions have been established.

3 Commitments

The Company has commitment line contracts with four banks to flexibly and efficiently finance the operating fund and the business investment fund. Unused lines of credit related to the commitment line contracts are as follows:

	(Thousands of yen)	
	As of November 30, 2021	As of November 30, 2022
Total commitments	1,000,000	1,500,000
Borrowings	—	—
Unused commitments	1,000,000	1,500,000

4 Contingencies

As of November 30, 2022, the Company was contingently liable for investment guarantee of ¥13,822 thousand (3,472 thousand Baht), for Altech Asia Pacific Co., Ltd. to SBCS Co., Ltd. and SMBC Co., Ltd, which are subsidiaries of Sumitomo Mitsui Banking Corporation. (As of November 30, 2021: ¥12,016 thousand (3,472 thousand Baht))

MATTERS RELATED TO CONSOLIDATED STATEMENTS OF OPERATION

*1 Revenue from contracts with customers

Operating revenue is not presented separately for revenue from contracts with customers and other revenue. Revenue from contracts with customers is reported in Note “REVENUE RECOGNITION”, 1. Disaggregation of revenue from contracts with customers.

*2 The balance of inventories at the balance sheet date is the amount that have been written down due to a decline in profitability. The amount of write-downs included in cost of sales is as follows:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
	32,878	33,659

*3 Significant components of selling, general and administrative expenses are as follows:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Salaries	951,786	976,199

*4 Gain on sale of property, plant and equipment consisted of the following:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Machinery and equipment, and vehicles	3,967	120
Lease assets	645	11,739
Other	5,743	10,075
Total	10,356	21,935

*5 Loss on sale of property, plant and equipment consisted of the following:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Machinery and equipment, and vehicles	—	1,626
Other	3,074	5,873
Total	3,074	7,500

*6 Loss on retirement of property, plant and equipment consisted of the following:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Buildings and structures	1,439	0
Machinery and equipment, and vehicles	47	—
Lease assets	—	2,284
Other	22	68
Total	1,509	2,353

*7 Loss on business withdrawal

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

MATTERS RELATED TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Reclassification and tax effect of other comprehensive income are as follows:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Net unrealized gain on available for sale securities:		
Arising during the year	(2,368)	13,336
Reclassification adjustments	—	—
Before tax effect	(2,368)	13,336
Tax effect	455	(3,183)
Net unrealized gain on available for sale securities	(1,912)	10,152
Deferred gains (losses) on derivatives under hedge accounting:		
Arising during the year	(64,864)	77,883
Reclassification adjustment	—	—
Before tax effect	(64,864)	77,883
Tax effect	19,861	(23,847)
Deferred gains (losses) on derivatives under hedge accounting	(45,002)	54,035
Foreign currency translation adjustments:		
Arising during the year	560,967	1,096,748
Reclassification adjustment	—	—
Before tax effect	560,967	1,096,748
Tax effect	—	—
Foreign currency translation adjustments	560,967	1,096,748
Share of other comprehensive income of affiliates accounted for by equity method:		
Arising during the year	138,655	214,556
Reclassification adjustment	—	—
Share of other comprehensive income of affiliates accounted for by equity method	138,655	214,556
Total other comprehensive income	652,707	1,375,492

MATTERS RELATED TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended November 30, 2021

1. Type and number of shares issued and type and number of treasury shares are summarized as follows:

	Number of shares at the beginning of the year	Number of shares that increased during the year	Number of shares that decreased during the year	Number of shares at the end of the year
Shares issued:				
Common stock	19,354,596	—	—	19,354,596
Total	19,354,596	—	—	19,354,596
Treasury shares:				
Common stock (Notes 1 and 2)	3,995,038	639,976	36,986	4,598,028
Total	3,995,038	639,976	36,986	4,598,028

Notes

1. The breakdown of the increase of 639,976 shares in treasury shares is as follows:

Increase due to repurchase of treasury shares by resolution of the Board of Directors on January 14, 2021	175,900 shares
Increase due to repurchase of treasury shares by resolution of the Board of Directors on March 30, 2021	153,300 shares
Increase due to repurchase of treasury shares by resolution of the Board of Directors on June 30, 2021	152,400 shares
Increase due to repurchase of treasury shares by resolution of the Board of Directors on October 5, 2021	158,300 shares
Increase due to purchase of fractional shares	76 shares

2. The decrease of 36,986 shares in treasury shares is due to the disposal of treasury shares as restricted stock remuneration on March 24, 2021.

2. Stock acquisition rights and treasury stock acquisition rights

Not applicable.

3. Dividends

(1) Amount of cash dividends distributed

Resolution	Type of share	Total amount of dividends (Thousands of yen)	Dividends per share (yen)	Record date	Effective date
General meeting of shareholders held on February 25, 2021	Common stock	46,078	3.00	November 30, 2020	February 26, 2021

(2) Dividends with a record date in the current fiscal year, and an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividends (Thousands of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
General meeting of shareholders held on February 25, 2022	Common stock	44,269	Retained earnings	3.00	November 30, 2021	February 28, 2022

For the fiscal year ended November 30, 2022

1. Type and number of shares issued and type and number of treasury shares are summarized as follows:

	Number of shares at the beginning of the year	Number of shares that increased during the year	Number of shares that decreased during the year	Number of shares at the end of the year
Shares issued:				
Common stock (Note 1)	19,354,596	—	4,201,596	15,153,000
Total	19,354,596	—	4,201,596	15,153,000
Treasury shares:				
Common stock (Notes 2 and 3)	4,598,028	1,087,740	4,254,766	1,431,002
Total	4,598,028	1,087,740	4,254,766	1,431,002

Notes

1. The decrease of 4,201,596 shares in the number of shares issued is due to the cancellation of treasury shares implemented on September 15, 2022.

2. The breakdown of the increase of 1,087,740 shares in treasury shares is as follows:

Increase due to repurchase of treasury shares by resolution of the Board of Directors on January 14, 2022	181,600 shares
Increase due to repurchase of treasury shares by resolution of the Board of Directors on March 30, 2022	199,300 shares
Increase due to repurchase of treasury shares by resolution of the Board of Directors on June 30, 2022	706,700 shares
Increase due to purchase of fractional shares	140 shares

3. The breakdown of the decrease of 4,254,766 shares in treasury shares is as follows:

Decrease due to Disposal of treasury shares as restricted stock remuneration on March 24, 2022	53,170 shares
Decrease due to cancellation of treasury shares on September 15, 2022	4,201,596 shares

2. Stock acquisition rights and treasury stock acquisition rights

Not applicable.

3. Dividends

(1) Amount of cash dividends distributed

Resolution	Type of share	Total amount of dividends (Thousands of yen)	Dividends per share (yen)	Record date	Effective date
General meeting of shareholders held on February 25, 2022	Common stock	44,269	3.00	November 30, 2021	February 28, 2022

(2) Dividends with a record date in the current fiscal year, and an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividends (Thousands of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
General meeting of shareholders held on February 27, 2023	Common stock	137,219	Retained earnings	10.00	November 30, 2022	February 28, 2023

MATTERS RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

* Reconciliations of cash and cash equivalents in the consolidated statement of cash flows to accounts and amounts in the accompanying consolidated balance sheet are as follows:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Cash and deposits	4,243,353	4,138,883
Time deposits with maturities of more than three months	(55,475)	(64,367)
Cash and cash equivalents	4,187,877	4,074,515

LEASE TRANSACTION

(As a lessee)

Finance lease transactions

Finance lease transactions that transfer ownership

1) Details of leased assets

Property, plant and equipment

Machinery and equipment, and vehicles

Tools, furniture and fixtures

2) Method of depreciation and amortization of leased assets

This information is described in Note “SIGNIFICANT MATTERS THAT FORM THE BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS” 4. Matters related to accounting policies, (2) Method of depreciation and amortization of significant assets.

Finance lease transactions that do not transfer ownership

1) Details of leased assets

Property, plant and equipment

Machinery and equipment, and vehicles

Tools, furniture and fixtures

Intangible fixed assets

Software

2) Method of depreciation and amortization of leased assets

This information is described in Note “SIGNIFICANT MATTERS THAT FORM THE BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS” 4. Matters related to accounting policies, (2) Method of depreciation and amortization of significant assets.

FINANCIAL INSTRUMENTS

1. Status of financial instruments

(1) Management 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.

(2) Type of financial instruments and risks

Trade receivables including notes receivable, accounts receivable, electronically and recorded monetary claims are exposed to customer credit risks. Part of trade receivables denominated in foreign currency are exposed to currency fluctuation risks.

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

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

The Company uses short-term borrowings mainly to finance operating funds and long-term borrowings and lease obligations to finance capital investment and operating funds. Some debts are exposed to interest rate risk.

The Company uses foreign exchange forward contracts that are employed to hedge the foreign currency fluctuation risks of trade receivables and payables denominated in foreign currencies. Regarding hedging methods and hedged items, hedging policy, methods for evaluating the effectiveness of hedging, etc. regarding hedge accounting, please see Note “SIGNIFICANT MATTERS THAT FORM THE BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS”, 4. Matters related to accounting policies, (6) Significant hedge accounting method.

(3) Risk management

1) Credit risk (risk related to nonperformance of contract by counterparty) 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.

2) Market risk (foreign currency and interest rate fluctuation risk) management

The Group mainly uses forward exchange contracts to hedge the currency fluctuation risks recognized by currency which is related to trade receivables and payables denominated in foreign currency.

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 risk (risk of being unable to make payments on due date) management

The department in charge prepares and updates a fund management plan in a timely manner based on each department report and manages liquidity risk by maintaining an appropriate level of liquidity.

(4) Supplement to fair values of financial instruments

Because the fair values are calculated based on variable factors, 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 are as follows:

For the fiscal year ended November 30, 2021

(Thousands of yen)

	Carrying amount	Fair value	Differences
(1) Investment securities (*2)	274,657	274,657	—
(2) Long-term other receivables	34,000	33,887	(113)
Total assets	308,657	308,544	(113)
(1) Long-term borrowings (*3)	1,560,978	1,560,944	(34)
(2) Lease obligations (*4)	251,807	252,521	714
Total liabilities	1,812,786	1,813,465	679
Derivatives (*5)	(18,378)	(18,378)	—

(*1) “Cash and deposits” are omitted because they are cash and their fair value approximates their book value due to their short maturities. “Trade notes and accounts receivable”, “Electronically recorded monetary claims”, “Trade notes and accounts payable” and “Short term borrowings” are omitted because their fair value approximates their book value due to their short maturities.

(*2) The following financial instruments have no market value and it is considered to be extremely difficult to measure the fair value, and thus these are not included in “Asset (1) Investment securities”. The carrying amounts of the relevant financial instruments are as follows:

(Thousands of yen)

Category	As of November 30, 2021
Investment securities: Unlisted stock, etc.	0
Investments in capital of affiliates: Unlisted stock, etc.	1,122,624
Others: Unlisted stock, etc.	120
Total	1,122,744

(*3) Long-term borrowings include current portion of long-term borrowings.

(*4) Lease obligations include short-term lease obligations.

(*5) Derivatives are on net basis.

For the fiscal year ended November 30, 2022

(Thousands of yen)

	Carrying amount	Fair value	Differences
(1) Investment securities (*2)	290,690	290,690	—
Total assets	290,690	290,690	—
(1) Long-term borrowings (*3)	1,404,444	1,404,348	(95)
(2) Lease obligations (*4)	543,344	543,498	153
Total liabilities	1,947,788	1,947,846	58
Derivatives (*5)	59,505	59,505	—

(*1) “Cash and deposits” are omitted because they are cash and their fair value approximates their book value due to their short maturities. “Notes receivable”, “Accounts receivable”, “Electronically recorded monetary claims”, “Trade notes and accounts payable” and “Short term borrowings” are omitted because their fair value approximates their book value due to their short maturities.

(*2) The following non marketable equity securities are not included in “Asset (1) Investment securities”.

(Thousands of yen)

Category	As of November 30, 2022
Unlisted stock, etc.	1,453,101

(*3) Long-term borrowings include current portion of long-term borrowings.

(*4) Lease obligations include short-term lease obligations.

(*5) Derivatives are on net basis.

Notes

1. Redemption schedule for financial receivables and securities with maturity dates after the consolidated balance sheet date

As of November 30, 2021

(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	4,243,353	—	—	—
Trade notes and accounts receivable	2,103,382	—	—	—
Electronically recorded monetary claim	388,551	—	—	—
Long-term other receivables	—	34,000	—	—
Total	6,735,286	34,000	—	—

As of November 30, 2022

(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	4,138,883	—	—	—
Trade notes and accounts receivable	2,495,191	—	—	—
Electronically recorded monetary claim	542,433	—	—	—
Total	7,176,507	—	—	—

2. Repayment schedule for bonds, long term borrowings, lease obligations and other interest-bearing debt after the consolidated balance sheet date

As of November 30, 2021

(Thousands of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after over five years
Short-term borrowings	726,600	—	—	—	—	—
Long-term borrowings	556,534	140,196	146,346	126,902	112,000	479,000
Lease obligations	99,691	54,740	49,425	38,005	7,392	2,553
Total	1,382,826	194,936	195,771	164,907	119,392	481,553

As of November 30, 2022

(Thousands of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after over five years
Short-term borrowings	1,161,090	—	—	—	—	—
Long-term borrowings	140,196	146,346	526,902	112,000	112,000	367,000
Lease obligations	133,902	134,667	125,521	94,242	52,961	2,049
Total	1,435,188	281,013	652,423	206,242	164,961	369,049

3. Breakdown of fair value of financial instruments by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs that reflect quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using inputs other than quoted prices included within Level 1

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs that are significant to the fair value measurement are used, the fair value measurement is categorized in the lowest priority level in which each input belongs.

(1) Financial instruments measured at fair value

As of November 30, 2022

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Available for sale securities	290,690	—	—	290,690
Derivatives:				
Currency related (*)	—	59,505	—	59,505
Total assets	290,690	59,505	—	350,195

(*) Net receivables and payables arising from derivative transactions are presented on a net basis, and items that are total net payables are shown in parentheses.

(2) Financial instruments other than those measured at fair value

As of November 30, 2022

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	1,404,348	—	1,404,348
Lease obligations	—	543,498	—	543,498
Total liabilities	—	1,947,846	—	1,947,846

Note: A description of the valuation techniques and inputs used in the fair value measurements

Investment securities

Listed shares are measured at their quoted prices on the stock exchange and is classified as Level 1 fair value.

Long-term borrowings and Lease obligations

The fair value of long-term borrowings and lease obligations is calculated by discounting the interest rate assumed for similar new loans and are classified as Level 2 fair value.

Derivatives

The market value of forward exchange contracts is calculated based on the prices, etc., presented by counterparty financial institutions and is classified as Level 2 fair value.

SECURITIES

1. Trading securities

Not applicable.

2. Held to maturity securities

Not applicable.

3. Available for sale securities

As of November 30, 2021

(Thousands of yen)

	Type of securities	Balance sheet amount	Acquisition cost	Difference
Securities for which balance sheet amount exceeds acquisition cost	(1) Equity securities	169,575	72,410	97,165
	(2) Bonds			
	1) Government bonds, local bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	169,575	72,410	97,165
Securities for which balance sheet amount does not exceed acquisition cost	(1) Equity securities	105,081	132,133	(27,051)
	(2) Bonds			
	1) Government bonds, local bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	105,081	132,133	(27,051)
Total		274,657	204,543	70,113

As of November 30, 2022

(Thousands of yen)

	Type of securities	Balance sheet amount	Acquisition cost	Difference
Securities for which balance sheet amount exceeds acquisition cost	(1) Equity securities	193,646	83,472	110,174
	(2) Bonds			
	1) Government bonds, local bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	193,646	83,472	110,174
Securities for which balance sheet amount does not exceed acquisition cost	(1) Equity securities	97,043	123,767	(26,724)
	(2) Bonds			
	1) Government bonds, local bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	97,043	123,767	(26,724)
Total		290,690	207,239	83,450

4. Available for sale securities sold

Not applicable.

5. Held to maturity securities sold

Not applicable.

6. Securities for which the holding purpose has been changed

Not applicable.

7. Impairment of securities

Not applicable.

DERIVATIVES

1. Derivative transactions for which hedge accounting is not applied

(1) Currency related

Not applicable.

(2) Interest rate related

Not applicable.

2. Derivative transactions for which hedge accounting is applied

(1) Currency related

As of November 30, 2021

(Thousands of yen)

Hedge accounting method	Type of derivatives transactions	Hedged items	Contract or notional amounts	Out of contracts, etc., amounts exceeding one year	Fair value
Appropriation treatment of exchange contracts, etc. (Forecast transaction)	Forward exchange contracts				
	Selling foreign currency				
	U.S. dollar	Accounts receivable	1	—	(0)
	Other currencies		196,355	—	(1,125)
	Buying foreign currency				
	U.S. dollar	Accounts payable	362,732	—	5,545
	Euro		1,141,605	465,527	(21,738)
	Other currencies		68,292	—	(1,059)
	Total		1,768,987	465,527	(18,378)

As of November 30, 2022

(Thousands of yen)

Hedge accounting method	Type of derivatives transactions	Hedged items	Contract or notional amounts	Out of contracts, etc., amounts exceeding one year	Fair value
Appropriation treatment of exchange contracts, etc. (Forecast transaction)	Forward exchange contracts				
	Selling foreign currency				
	U.S. dollar	Accounts receivable	4,994	—	(13)
	Other currencies		2,566	—	(263)
	Buying foreign currency				
	U.S. dollar	Accounts payable	515,898	—	(3,858)
	Euro		1,133,367	21,699	64,013
	Other currencies		32,738	—	(373)
	Total		1,689,566	21,699	59,505

(2) Interest rate related

As of November 30, 2021

Not applicable.

As of November 30, 2022

Not applicable.

STOCK OPTIONS, etc.

Not applicable.

INCOME TAXES

1. Significant components of deferred tax assets and liabilities are as follows:

	(Thousands of yen)	
	As of November 30, 2021	As of November 30, 2022
Deferred tax assets:		
Accrued expenses	87,799	79,244
Other payables	5,648	6,481
Loss on valuation of products	31,064	44,276
Excess depreciation	24,042	28,244
Land	654	654
Unrealized intercompany profits	3,540	2,358
Revaluation loss on investment securities	12,612	12,612
Lease deposit (depreciation of asset retirement obligations)	9,220	9,220
Tax loss carryforwards (Note 2)	184,667	160,549
Other	54,201	45,514
Total deferred tax assets	413,452	389,156
Valuation allowance for tax loss carryforwards (Note 2)	(155,784)	(131,480)
Valuation allowance for total deductible temporary differences	(125,578)	(114,586)
Total valuation allowance (Note 1)	(281,363)	(246,066)
Offset with deferred tax liabilities	(75,591)	(93,908)
Net deferred tax assets	56,498	49,181
Deferred tax liabilities:		
Business tax receivable	706	—
Dividends receivable	1,069	1,211
Deferred gains or losses on hedges	—	18,305
Loss on revaluation of assets under consolidated tax return system	1,545	1,545
Undistributed earnings of foreign affiliates accounted for by equity method	43,642	63,093
Unrealized gain on available-for-sale securities	29,333	32,516
Total deferred tax liabilities	76,297	116,672
Offset with deferred tax assets	(75,591)	(93,908)
Net deferred tax liabilities	706	22,763

Notes

- For the year ended November 30, 2022, the valuation allowance decreased by ¥35,269 thousand. This is due to a ¥24,303 thousand decreases of the valuation allowance for tax loss carryforwards of the Company and 11 consolidated subsidiaries and a ¥10,992 thousand increase of the valuation allowance for total deductible temporary differences of the Company and 6 consolidated subsidiaries.

2. Tax loss carryforwards will expire as follows:

As of November 30, 2021

(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 (*1)	9,846	65,037	46,810	13,316	13,654	36,002	184,667
Valuation allowance	(9,846)	(62,746)	(20,795)	(13,316)	(13,076)	(36,002)	(155,784)
Deferred tax assets	—	2,291	26,014	—	577	—	(*2) 28,883

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

(*2) The Company recognized deferred tax assets of ¥28,884 thousand for tax loss carryforwards of ¥184,668 thousand (the amount obtained by multiplying the effective statutory tax rate) at November 30, 2021. As regarding tax loss carryforwards of the Company and 8 subsidiaries, the Company determined that a part of tax loss carryforwards is recoverable based on expected future taxable income.

As of November 30, 2022

(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 (*1)	27,494	10,936	14,429	14,696	52,294	40,698	160,549
Valuation allowance	(5,339)	(10,936)	(14,429)	(14,696)	(52,294)	(33,784)	(131,480)
Deferred tax assets	22,154	—	—	—	—	6,913	(*2) 29,068

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

(*2) The Company recognized deferred tax assets of ¥29,068 thousand for tax loss carryforwards of ¥160,549 thousand (the amount obtained by multiplying the effective statutory tax rate) at November 30, 2022. As regarding tax loss carryforwards of 10 subsidiaries, the Company determined that a part of tax loss carryforwards is recoverable based on expected future taxable income.

2. A reconciliation of the statutory tax rate and the effective tax rate as a percentage

	As of November 30, 2021	As of November 30, 2022
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible for tax purposes	5.8	3.7
Per capita tax	1.3	1.7
Lower income tax rates applicable to income in certain foreign subsidiaries	(3.9)	(3.1)
Valuation allowance	0.5	(3.3)
Income taxes for prior years, etc.	0.2	1.6
Not recognized deferred taxes on unrealized gains	(0.9)	(0.7)
Equity in earnings, etc.	(4.5)	(6.6)
Undistributed earnings of foreign affiliates accounted for by equity method	(0.7)	3.9
Other	0.4	0.0
Effective tax rate	28.8	27.9

BUSINESS COMBINATION

Disclosure is omitted due to immateriality.

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, 2022 and recorded the amount attributable to the current fiscal year as expenses, instead of recognizing a liability for asset retirement obligations.

FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

Altech New Materials (Suzhou) Co., Ltd., the consolidated subsidiary of the Company rents land and a part of the building in Suzhou factory, China. Part of the property is used by the consolidated subsidiary of the Company and the property includes the part used as a rental property.

Net income from the rental property and the property includes the part used as a rental property for the years ended November 30, 2022 and 2021 are ¥37,978 thousand and ¥33,376 thousand, respectively. The rental income is included in “Net sales” and the rental cost is mainly included in “Cost of sales”.

The carrying amounts change for the year and fair values related to the rental property are as follows:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Carrying amount:		
At beginning of the year	816,964	828,397
Movement	11,432	51,520
At end of the year	828,397	879,917
Fair value at end of the year	1,070,946	1,173,910

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 depreciation and accumulated impairment losses from the acquisition cost.
3. For the year ended November 30, 2022, the increase is arising from currency fluctuations of ¥147,004 thousand and the decrease is due to depreciation of ¥95,484 thousand. For the year ended November 30, 2021, the increase is arising from currency fluctuations of ¥92,526 thousand and the decrease is due to depreciation of ¥81,093 thousand.
4. The fair value is calculated based on real estate price published by Chinese Government.
5. The balance of property, plant and equipment at November 30, 2022 includes the construction in progress of ¥660,844 thousand, which is the factory buildings under construction. Because it is extremely difficult to measure the fair value, the amount is not included in the above table.

REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

For the fiscal year ended November 30, 2022

(Thousands of yen)

	Reported segments		Total
	Wholesale	Preform	
Japan	8,112,608	2,643,025	10,755,633
Asia	1,123,081	4,225,963	5,349,045
Europe	53,377	—	53,377
Revenue from contracts with customers	9,289,067	6,868,988	16,158,055
Other revenue (Note)	13,433	148,260	161,693
Revenues from third parties	9,302,500	7,017,248	16,319,749

Note: Other revenue is rental income under the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13).

2. Information in understanding revenue

Information in understanding revenue from contracts with customers is as presented in Note “SIGNIFICANT MATTERS THAT FORM THE BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS”, 4. Matters related to accounting policies, (4) Basis for recognition of significant revenue and expenses.

3. Information on the relationship between the satisfaction of performance obligations according to contracts with customers and cash flows generated from such contracts, and on the amounts and timing of revenue from contracts with existing customers as of the end of the current fiscal year that is expected to be recognized during or after the following fiscal year

(1) Balance of contract liabilities

(Thousands of yen)

	Fiscal year ended November 30, 2022	
	Beginning balance	Ending balance
Contract liabilities	3,662,836	2,738,050

Contract liabilities relate to advances received from customers prior to satisfaction of performance obligations. Contract liabilities are reversed upon recognition of revenue.

The beginning balance of contract liabilities included ¥2,265,426 thousand of revenue recognized in the fiscal year ended November 30, 2022. Contract liabilities decreased by ¥924,786 thousand during the fiscal year ended November 30, 2022 mainly due to the reversal of advances received upon recognition of revenue in “Wholesale business”.

Contract liabilities are recorded as “Advances received” under “Current liabilities” on the consolidated balance sheet.

(2) Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient method to note transaction prices allocated to remaining performance obligations and do not include the contracts with an expected initial term of one year or less in the note.

Unsatisfied (or partially unsatisfied) performance obligations amounted to ¥6,093,379 thousand at the end of the fiscal year ended November 30, 2022. Such performance obligations are expected to be recognized as revenue in approximately one to three years.

SEGMENT INFORMATION, etc.

Segment information

1. Overview of reported segments

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 equipment and related services, manufacture and sale of plastic molded products and related services derived therefrom. “Wholesale business” and “Preform business” are the Company’s reported segments.

“Wholesale business” mainly purchases and sells industrial machinery and equipment and provides related services. “Preform business” mainly manufactures and sells preforms for PET bottles, plastic caps and provides related services.

2. Basis of measurement for the amounts of operating revenue, income or loss, assets, liabilities and others by reported segment

The accounting method for reported segments is the same as that described in “SIGNIFICANT MATTERS THAT FORM THE BASIS FOR PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS”. 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.

As described in Note “CHANGES IN ACCOUNTING POLICIES”, the Accounting Standard for Revenue Recognition, etc. have been applied from the beginning of the fiscal year ended November 30, 2022, and the method of accounting for revenue recognition has changed. Therefore, the method of calculating segment income has changed accordingly. As a result, compared with the previous method, in the “Wholesale business” segment, operating revenue decreased by ¥70,872 thousand and income decreased by ¥7,172 thousand, respectively, segment for the fiscal year ended November 30, 2022. There was no impact on operating revenue and income for the fiscal year ended November 30, 2022, in the “Preform business” segment.

3. Information on operating revenues, income or loss, assets and others by reported segments

For the fiscal year ended November 30, 2021

(Thousands of yen)

	Reported segments			Adjustments (Notes 1, 2, 3 and 4)	Consolidated (Note 5)
	Wholesale	Preform	Total		
Operating revenues:					
Revenues from third parties	8,502,233	5,358,708	13,860,941	—	13,860,941
Intersegment revenues	220	170,004	170,224	(170,224)	—
Total	8,502,453	5,528,712	14,031,166	(170,224)	13,860,941
Segment income	235,391	556,404	791,796	(183,724)	608,071
Segment assets	5,785,836	11,553,786	17,339,623	2,249,658	19,589,281
Others:					
Depreciation and amortization	44,505	500,249	544,755	11,901	556,657
Investments in affiliates accounted for by the equity method	—	1,122,624	1,122,624	—	1,122,624
Increase in property, plant and equipment and intangible assets	53,471	1,908,955	1,962,426	220	1,962,646

Notes

1. The adjustment in “Segment income” of ¥ (183,724) thousand are the elimination of intersegment transactions of ¥59,232 thousand, the unallocated company-wide expenses of ¥ (244,342) thousand, and the adjustments of fixed assets of ¥1,385 thousand. Company-wide expenses are administrative expenses which are not attributable to the reported segments.
2. The adjustment in “Segment assets” of ¥2,249,658 thousand are the adjustment of investment capital of ¥ (47,588) thousand, the elimination of intersegment balances of ¥ (828,194) thousand and the unallocated company-wide assets (cash and deposits, investments securities, etc.) and assets related to the administrative department of ¥3,125,440 thousand.
3. The adjustment in “Depreciation and amortization” of ¥11,901 thousand are the elimination of intersegment transactions of ¥ (1,606) thousand and the depreciation of company-wide assets of ¥13,507 thousand.
4. The adjustment in “Increase in property, plant and equipment and intangible assets” is the increase of company-wide assets.
5. Segment income is calculated by adjusting operating income presented in the consolidated statement of operations.

For the fiscal year ended November 30, 2022

(Thousands of yen)

	Reported segments			Adjustments (Notes 1, 2, 3 and 4)	Consolidated (Note 5)
	Wholesale	Preform	Total		
Operating revenues:					
Revenues from third parties	9,302,500	7,017,248	16,319,749	—	16,319,749
Intersegment revenues	12,412	44,449	56,861	(56,861)	—
Total	9,314,912	7,061,698	16,376,611	(56,861)	16,319,749
Segment income	465,710	164,370	630,081	(189,280)	440,800
Segment assets	5,931,422	13,477,875	19,409,297	1,481,220	20,890,517
Others:					
Depreciation and amortization	47,340	550,890	598,230	7,866	606,097
Investments in affiliates accounted for by the equity method	7,826	1,445,105	1,452,931	—	1,452,931
Increase in property, plant and equipment and intangible assets	33,476	1,024,087	1,057,563	19,484	1,077,048

Notes

1. The adjustment in “Segment income” of ¥ (189,280) thousand are the elimination of intersegment transactions of ¥79,484 thousand, the unallocated company-wide expenses of ¥ (270,143) thousand, and the adjustments of fixed assets of ¥1,377 thousand. Company-wide expenses are administrative expenses which are not attributable to the reported segments.
2. The adjustment in “Segment assets” of ¥1,481,220 thousand are the adjustment of investment capital of ¥ (48,923) thousand, the elimination of intersegment balances of ¥ (842,289) thousand and the unallocated company-wide assets (cash and deposits, investments securities, etc.) and assets related to the administrative department of ¥2,372,433 thousand.
3. The adjustment in “Depreciation and amortization” of ¥7,866 thousand are the elimination of intersegment transactions of ¥ (1,606) thousand and the depreciation of company-wide assets of ¥9,473 thousand.
4. The adjustment in “Increase in property, plant and equipment and intangible assets” is the increase of company-wide assets.
5. Segment income is calculated by adjusting operating income presented in the consolidated statement of operations.

Related information

For the fiscal year ended November 30, 2021

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)

Japan	Asia	Americas	Europe	Other	Total
9,892,134	3,957,387	—	11,420	—	13,860,941

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	Total
1,557,925	3,565,493	5,123,418

3. Information by major customers

Disclosure is omitted because there are no customer accounts for at least 10% of net sales recorded in the consolidated statement of operations.

For the fiscal year ended November 30, 2022

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)

Japan	Asia	Americas	Europe	Other	Total
10,769,066	5,497,305	—	53,377	—	16,319,749

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	Total
1,546,005	4,638,349	6,184,355

3. Information by major customers

Disclosure is omitted because there are no customer accounts for at least 10% of net sales recorded in the consolidated statement of operations.

Information of impairment loss on fixed assets by reported segments

For the fiscal year ended November 30, 2021

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

For the fiscal year ended November 30, 2022

(Thousands of yen)

	Wholesale	Preform	Adjustments	Total
Impairment loss	962	—	—	962

Information of amortization and balance of goodwill

For the fiscal year ended November 30, 2021

Goodwill is not recorded for the year ended November 30, 2021.

For the fiscal year ended November 30, 2022

Goodwill is not recorded for the year ended November 30, 2022.

Negative goodwill incurred by reported segments

For the fiscal year ended November 30, 2021

Negative goodwill is not recorded for the year ended November 30, 2021

For the fiscal year ended November 30, 2022

Negative goodwill is not recorded for the year ended November 30, 2022

Related party information

For the fiscal year ended November 30, 2021

1. Related party transactions

(1) Transactions between the filing company of the consolidated financial statements (hereinafter referred to as the “filing company”) and its related parties

a. The filing company’s unconsolidated subsidiaries and affiliates, etc.

Not applicable.

b. The filing company’s directors and individual major shareholders, etc.

Not applicable.

(2) Transactions between the filing company's consolidated subsidiaries and their related parties

a. The filing company’s unconsolidated subsidiaries and affiliates, etc.

Not applicable.

b. The filing company’s directors and individual major shareholders, etc.

Not applicable.

2. Notes on parent company or significant affiliates

(1) Notes on parent company

Not applicable.

(2) Notes on or significant affiliates

ALTECH NEW MATERIALS (SHENZHEN) CO., LTD. is an important affiliate for the current consolidated fiscal year, and its summary financial statements are as follows:

ALTECH NEW MATERIALS (SHENZHEN) CO., LTD.

(Thousands of yen)

Total current assets	2,715,404
Total non-current assets	469,352
Total current liabilities	690,037
Total non-current liabilities	—
Total net assets	2,494,720
Net sales	1,060,753
Income before income taxes	248,113
Income	209,153

For the fiscal year ended November 30, 2022

1. Related party transactions

(1) Transactions between the filing company of the consolidated financial statements (hereinafter referred to as the “filing company”) and its related parties

a. The filing company’s unconsolidated subsidiaries and affiliates, etc.

Not applicable.

b. The filing company’s directors and individual major shareholders, etc.

Not applicable.

(2) Transactions between the filing company's consolidated subsidiaries and their related parties

a. The filing company’s unconsolidated subsidiaries and affiliates, etc.

Not applicable.

b. The filing company’s directors and individual major shareholders, etc.

Not applicable.

2. Notes on parent company or significant affiliates

(1) Notes on parent company

Not applicable.

(2) Notes on or significant affiliates

ALTECH NEW MATERIALS (SHENZHEN) CO., LTD. is an important affiliate for the current consolidated fiscal year, and its summary financial statements are as follows:

ALTECH NEW MATERIALS (SHENZHEN) CO., LTD.

(Thousands of yen)

Total current assets	3,373,191
Total non-current assets	573,454
Total current liabilities	735,300
Total non-current liabilities	—
Total net assets	3,211,345
Net sales	1,248,955
Income before income taxes	307,658
Income	239,843

PER SHARE INFORMATION

(Yen)

Fiscal year ended November 30, 2021		Fiscal year ended November 30, 2022	
Net assets per share	766.12	Net assets per share	927.47
Basic earnings per share	35.96	Basic earnings per share	28.22

Notes

1. The diluted net income per share for the years ended November 30, 2021 and 2022 are not presented as there are no dilutive potential share at each year end.
2. As described in Note “CHANGES IN ACCOUNTING POLICIES”, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied. The Company applied the transitional treatment stipulated in the said standard. The effects this change had on net assets per share and basic earnings per share are minor.
3. The basis for calculating net assets per share is as follows:

(Thousands of yen)

	As of November 30, 2021	As of November 30, 2022
Total net assets	11,590,488	12,874,969
Amount deducted from total net assets:		
Non-controlling interests	285,241	148,245
Net assets applicable to common shareholders	11,305,247	12,726,724
Number of shares outstanding at end of year on which net assets per share is calculated	14,756,568 shares	13,721,998 shares

4. The basis for calculating basic earnings per share is as follows:

(Thousands of yen)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Income attributable to owners of parent	542,019	402,785
Income not applicable to common shareholders	—	—
Income attributable to owners of parent applicable to common shareholders	542,019	402,785
Weighted average number of shares outstanding on which basic net income per share is calculated	15,073,736 shares	14,274,746 shares

SIGNIFICANT SUBSEQUENT EVENTS

(Disposal of Treasury Stock as Restricted Stock Remuneration)

The Company resolved at the board meeting held on February 27, 2023 the disposal of treasury stock as restricted stock remuneration.

1. Matter regarding the disposal

• Disposal date	March 24, 2023
• Type and number of shares	47,921 shares of the common stock of the Company
• Disposal price	¥314 per share
• Total amount of disposal	¥15,047,194
• Number of recipients, and shares disposed	6 Directors (excluding outside directors and non-resident in Japan) 47,921 shares
• Other	Regarding this disposal of treasury stock, the Company has submitted a securities notice statement under the Financial Instruments and Exchange Act.

2. Reason and purpose of the disposal

The Company resolved at the board meeting held on January 27, 2021 the introduction of restricted stock remuneration plan (the “Plan”) to provide incentives to sustainably increase the Company’s corporate value and to ensure increasingly that the Company’s directors and shareholders share value for the Company’s directors (excluding outside directors and non-resident in Japan; the “Eligible Directors”). The 45th ordinary general meeting of shareholders held on February 25, 2021 approved that the total amount of monetary remuneration receivables to be granted to the Eligible Directors shall be ¥30,000 thousand or less per year in addition to the current amount of remuneration.

5) Consolidated Supplementary Schedules

Schedule of bonds

Not applicable.

Schedule of borrowings

Category	Beginning Balance (Thousands of yen)	Ending Balance (Thousands of yen)	Average interest rate (%)	Maturity
Short-term borrowings	726,600	1,161,090	3.8	—
Current portion of long-term borrowings	556,534	140,196	0.7	—
Short-term lease obligations	99,691	133,902	5.1	—
Long-term borrowings (excluding current portion)	1,004,444	1,264,248	0.7	December 31, 2024 to December 30, 2030
Long-term lease obligations (excluding current portion)	152,116	409,442	5.2	December 17, 2023 to August 31, 2031
Other interest-bearing debt	—	—	—	—
Total	2,539,386	3,108,878	—	—

Notes

1. “Average interest rate” is the weighted average interest rate for the balance of borrowings, etc. at the end of the period.
2. For floating interest rates, the interest rates as of the end of the current consolidated fiscal year are used.
3. Annual repayment schedule of long-term borrowings and lease obligations over a period of five years from the fiscal year-end are as follows:

(Thousands of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after over five years
Long-term borrowings	146,346	526,902	112,000	112,000	367,000
Long-term lease obligations	134,667	125,521	94,242	52,961	2,049

Schedule of Asset Retirement Obligations

Not applicable.

(2) Other

Quarterly financial information for the fiscal year ended November 30, 2022

Cumulative period	1st quarter	2nd quarter	3rd quarter	Full year
Net sales (Thousands of yen)	3,124,251	7,932,043	11,646,842	16,319,749
Income before income taxes and non-controlling interests (Thousands of yen)	34,467	426,324	550,081	496,747
Income attributable to owners of parent (Thousands of yen)	24,128	293,309	399,025	402,785
Basic earnings per share (Yen)	1.64	20.07	27.60	28.22

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (Yen)	1.64	18.52	7.47	0.27



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(English Translation)
Independent Auditor's Report and Internal Control Audit Report

February 27, 2023

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

Crowe Toyo & Co.
Tokyo office

Takashi Miura, CPA
Designated Partner,
Engagement Partner

Yuko Saruwatari, CPA
Designated Partner,
Engagement Partner

<Financial Statements Audit>

Opinion

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Altech Co., Ltd. and its consolidated subsidiaries (the "Group") included in "Financial Information" for the fiscal year from December 1, 2021 to November 30, 2022, which comprise the consolidated balance sheet, the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows, significant matters that form the basis for preparation of consolidated financial statements, other related notes, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at November 30, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The determination of an accounting period in which sales in the wholesale business of Altech Co., Ltd. (the "Company") is recognized	
Key audit matter	How the scope of our audit addressed the key audit matter
<p>As disclosed in the note "SEGMENT INFORMATION, etc.", the Group recorded sales in the wholesale business of ¥9,302,500 thousand of the Group total sales of ¥16,319,749 thousand in the accompanying consolidated statement of operations, and most of the sales belong to Altech Co., Ltd., the parent company. The Company recognizes revenue from sales of industrial machinery and equipment at the time of delivery or completion of the acceptance inspection by customers. Contracts with customers may involve sales that only the delivery of goods or sales requiring installation, test run or operation checks after the goods are delivered, and therefore a revenue recognition must be determined for each contract. Because the sales or profit amount per each sales transaction of industrial machinery and equipment may be relatively significant, it is important to ensure that sales are recorded as scheduled. Therefore, especially from the perspective of achieving the performance targets of the Company, potential risks exist regarding the period that the sales in the financial year-end month belong to.</p> <p>We, therefore, have determined the appropriateness of the determination of an accounting period in which sales in the financial year-end month of the Company's wholesale business is recognized to be a key audit matter.</p>	<p>We performed mainly the following audit procedures to verify the appropriateness of the determination of an accounting period in which sales in the financial year-end month of the Company's wholesale business is recognized.</p> <p>(1) Assessment of the internal controls We assessed the effectiveness of the design and operation of the Company's wholesale business relating to the revenue recognition.</p> <p>(2) Evaluation whether sales are recorded in the appropriate accounting period</p> <ul style="list-style-type: none"> • We vouched a contract ledger, purchase orders and shipment certificates for the selected samples that we considered to be important from the sales in the financial year-end month and verified the performance obligation has been completed. • We reviewed the journal entry data in the month following the financial year-end month and verified there were no material sales return. • We verified whether any additional costs were incurred subsequent to the year end that would be questionable on the appropriateness of an accounting period in which sales already recorded. • We confirmed the balance of accounts receivable as at the year end.

Other Information

The other information comprises the information included in Yukashoken-Houkokusho but does not include the consolidated financial statements, the non-consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Board and its Members are responsible for overseeing the duties of directors in designing and operating the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Management's and the Audit and Supervisory Board and its Members' Responsibilities 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 designing and operating such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board and its Members are responsible for overseeing the duties of directors in designing and operating the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board and its Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board and its Members with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

<Internal control audit>

Opinion

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at November 30, 2022 of Altech Co., Ltd. ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at November 30, 2022 of Altech Co., Ltd. is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's and the Audit and Supervisory Board and its Members' Responsibilities for Management's Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Board and its Members is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

Auditor's Responsibilities for the Audit of Internal Control

Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

As part of an audit in accordance with auditing standards on internal control generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in Management's Report. We are responsible for the direction, supervision, and performance of the audit of Management's Report. We remain solely responsible for our audit opinion.



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We communicate with the Audit and Supervisory Board and its Members regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies.

We also provide the Audit and Supervisory Board and its Members with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of internal control in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.