ALTECH Co., Ltd. and Consolidated Subsidiaries

Audited Consolidated Financial Statements

for the Year Ended November 30, 2023

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

(Thousands of yen)

	As of November 30, 2022	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	4,138,883	3,158,269
Notes receivable	99,027	104,196
Accounts receivable	2,396,164	2,584,183
Electronically recorded monetary claims	542,433	549,944
Merchandise and finished goods	2,403,518	2,928,045
Raw materials and supplies	624,015	754,890
Work in progress	1,871	–
Advances paid	1,700,229	1,377,014
Short term loans receivable	–	798,166
Other	277,796	486,256
Allowance for doubtful receivables	(358)	(0)
Total current assets	12,183,580	12,740,968
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,756,540	5,669,002
Accumulated depreciation	(2,960,726)	(3,183,473)
Buildings and structures (net)	*2 1,795,814	*2 2,485,528
Machinery and equipment, and vehicles	4,475,699	5,823,429
Accumulated depreciation	(3,503,753)	(3,599,080)
Machinery and equipment, and vehicles (net)	971,945	2,224,349
Land	55,308	435,519
Lease assets	2,534,885	2,677,229
Accumulated depreciation	(1,704,370)	(1,818,773)
Lease assets (net)	830,514	858,456
Construction in progress	1,973,225	428,853
Other	2,970,455	3,248,114
Accumulated depreciation	(2,412,909)	(2,559,757)
Other (net)	557,545	688,357
Total property, plant and equipment	6,184,355	7,121,065
Intangible fixed assets	*2 534,780	*2 532,733
Investments and other assets		
Investment securities	*2 290,690	*2 426,898
Investment in capital of affiliates	1,452,931	445,153
Lease deposits	106,928	113,636
Deferred tax assets	49,181	116,267
Other	179,762	140,674
Allowance for doubtful receivables	(91,693)	(91,851)
Total Investments and other assets	1,987,800	1,150,778
Total non-current assets	8,706,936	8,804,577
Total assets	20,890,517	21,545,546

(Thousands of yen)

	As of November 30, 2022	As of November 30, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	921,523	1,061,562
Short term borrowings and current portion of long-term borrowings	*2 1,301,286	*2, *3, *4 3,979,494
Short term lease obligations	133,902	156,167
Accounts payable-other	321,217	230,926
Accrued expenses	551,944	420,025
Income taxes payable	135,505	73,956
Advances received	*1 2,738,050	*1 2,190,828
Accrued losses on sales contracts	242	29
Other	203,048	24,363
Total current liabilities	6,306,721	8,137,354
Non-current liabilities		
Long term borrowings	1,264,248	1,117,902
Long term lease obligations	409,442	439,857
Deferred tax liabilities	22,763	2,343
Other	12,371	27,520
Total non-current liabilities	1,708,826	1,587,623
Total liabilities	8,015,547	9,724,977
Net assets		
Shareholders’ equity		
Common stock	5,527,829	5,527,829
Capital surplus	790,215	790,215
Retained earnings	3,936,516	2,772,797
Treasury stock	(460,634)	(445,282)
Total shareholders’ equity	9,793,926	8,645,560
Accumulated other comprehensive income		
Net unrealized gain on available for sale securities	50,933	157,601
Deferred gains on derivatives under hedge accounting	41,284	21,250
Foreign currency translation adjustments	2,840,579	2,846,841
Total accumulated other comprehensive income	2,932,797	3,025,694
Non-controlling interests	148,245	149,312
Total net assets	12,874,969	11,820,568
Total liabilities and net assets	20,890,517	21,545,546

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

Consolidated Statement of Operations

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Net sales	*1 16,319,749	*1 17,832,014
Cost of sales	*2 12,755,517	*2 14,688,198
Gross profit	3,564,231	3,143,815
Selling, general and administrative expenses	*3 3,123,431	*3 3,419,796
Operating profit (loss)	440,800	(275,980)
Non-operating income		
Interest income	6,061	13,187
Dividends income	8,727	8,864
Foreign exchange gain	—	62,473
Equity in earnings of affiliates	106,589	—
Tax refund income	—	16,517
Other	32,892	45,002
Total non-operating income	154,270	146,045
Non-operating expenses		
Interest expense	72,675	87,164
Commission paid	27,259	3,592
Foreign exchange loss	7,913	—
Equity in losses of affiliates	—	*4 703,287
Other	11,145	39,251
Total non-operating expenses	118,994	833,296
Ordinary profit (loss)	476,076	(963,231)
Extraordinary income		
Gain on sale of property, plant and equipment	*5 21,935	*5 3,160
Subsidy income	9,573	—
Total extraordinary income	31,509	3,160
Extraordinary losses		
Loss on sale of property, plant and equipment	*6 7,500	*6 9,948
Loss on retirement of property, plant and equipment	*7 2,353	*7 2,934
Impairment loss	962	*8 93,189
Other	21	—
Total extraordinary losses	10,838	106,072
Income (loss) before income taxes and non-controlling interests	496,747	(1,066,143)
Income taxes-current	135,658	157,112
Income taxes - deferred	2,673	(105,319)
Total income taxes	138,332	51,793
Income (loss)	358,415	(1,117,936)
Loss attributable to non-controlling interests	(44,370)	(91,816)
Income (loss) attributable to owners of parent	402,785	(1,026,120)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Income (loss)	358,415	(1,117,936)
Other comprehensive income		
Net unrealized gain on available for sale securities	10,152	106,668
Deferred gains (losses) on derivatives under hedge accounting	54,035	(20,033)
Foreign currency translation adjustments	1,096,748	50,312
Share of other comprehensive income (loss) of affiliates accounted for by equity method	214,556	(32,463)
Total other comprehensive income	* 1,375,492	* 104,484
Comprehensive income (loss)	1,733,908	(1,013,451)
Comprehensive income (loss) attributable to:		
Comprehensive income (loss) attributable to owners of parent	1,754,587	(933,223)
Comprehensive loss attributable to non-controlling interests	(20,678)	(80,228)

3) Consolidated Statement of Changes in Net Assets

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

Fiscal year ended November 30, 2023

(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	790,215	3,936,516	(460,634)	9,793,926
Changes arising during the year					
Dividends			(137,219)		(137,219)
Loss attributable to owners of parent			(1,026,120)		(1,026,120)
Purchase of treasury stock				(73)	(73)
Disposal of treasury stock			(378)	15,425	15,047
Net changes other than shareholders' equity					
Total changes during the year	―	―	(1,163,718)	15,352	(1,148,365)
Balance at the end of the year	5,527,829	790,215	2,772,797	(445,282)	8,645,560

	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	50,933	41,284	2,840,579	2,932,797	148,245	12,874,969
Changes arising during the year						
Dividends						(137,219)
Loss attributable to owners of parent						(1,026,120)
Purchase of treasury stock						(73)
Disposal of treasury stock						15,047
Net changes other than shareholders' equity	106,668	(20,033)	6,262	92,896	1,067	93,964
Total changes during the year	106,668	(20,033)	6,262	92,896	1,067	(1,054,401)
Balance at the end of the year	157,601	21,250	2,846,841	3,025,694	149,312	11,820,568

4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Cash flows from operating activities		
Income (loss) before income taxes and non-controlling interests	496,747	(1,066,143)
Depreciation and amortization	606,097	685,130
Amortization of goodwill	—	3,330
Interest and dividends income	(14,788)	(22,051)
Interest expense	72,675	87,164
Foreign exchange loss (gain)	(96,998)	10,443
Equity in losses (earnings) of affiliates	(106,589)	703,287
Subsidy income	(9,573)	—
Loss (gain) on sale of property, plant and equipment	(14,434)	6,787
Loss on retirement of property, plant and equipment	2,353	2,934
Impairment loss	962	93,189
Increase in trade receivables	(373,649)	(185,346)
Decrease (increase) in inventories	505,781	(575,311)
Increase (decrease) in trade payables	(114,469)	122,020
Decrease (increase) in advances paid	(14,939)	351,578
Increase (decrease) in accrued expenses	68,387	(149,441)
Decrease in advances received	(942,146)	(573,927)
Decrease and increase in consumption taxes receivable or payable	211,758	(358,109)
Other, net	167,964	242,472
Sub total	445,139	(647,991)
Interest and dividends received	244,194	17,345
Interest paid	(72,740)	(86,910)
Income taxes paid	(114,786)	(221,512)
Income taxes refunded	14,255	0
Proceeds from subsidy income	8,996	1,155
Net cash provided by operating activities	525,059	(937,914)

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Cash flows from investing activities		
Purchases of property, plant and equipment	(985,223)	(1,661,517)
Proceeds from sales of property, plant and equipment	31,425	4,618
Purchases of intangible fixed assets	(6,327)	(6,020)
Purchases of investment securities	(2,696)	(2,794)
Payments of short-term loans receivable	—	(748,653)
Proceeds from collection of short-term loans receivable	—	7,159
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 (15,203)
Payments for investments in capital of and associates	(9,162)	(13,236)
Proceeds from subsidy income	9,573	—
Other, net	222	(763)
Net cash used in investing activities	(962,188)	(2,436,412)
Cash flows from financing activities		
Increase in short-term borrowings	305,550	2,617,803
Proceeds from long-term borrowings	400,000	—
Repayments on long-term borrowings	(559,434)	(140,196)
Repayments on lease obligations	(143,329)	(145,628)
Payments for purchase of treasury stock	(299,688)	(73)
Dividends paid to shareholders	(44,439)	(136,591)
Dividends paid to non-controlling shareholders	(1,247)	(1,276)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(35,423)
Proceeds from sale and leaseback	398,089	195,829
Other, net	—	13,547
Net cash used in financing activities	55,499	2,367,992
Effect of exchange rate changes on cash and cash equivalents	268,266	20,826
Net decrease in cash and cash equivalents	(113,362)	(985,507)
Cash and cash equivalents at beginning of year	4,187,877	4,074,515
Cash and cash equivalents at end of year	*1 4,074,515	*1 3,089,007

[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: 14

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.
LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD.

Of the above companies, LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. was newly included in the scope of consolidation in the fiscal year ended November 30, 2023, as became a subsidiary by our acquisition of 51% of its equity interest.

(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

The above company 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.

(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
LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY 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 seven 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 20 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 the group tax sharing system

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system.

2) Accounting treatment for corporate tax and local corporate tax or related tax effect accounting treatment

Starting from the beginning of the fiscal year ended November 30, 2023, the Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system. The Company follows the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42 issued on August 12, 2021) for the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting.

SIGNIFICANT ACCOUNTING ESTIMATES

(Impairment of non-current assets)

(1) Amount recorded in the consolidated financial statements

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Property, plant and equipment	6,184,355	7,121,065
Intangible fixed assets	534,780	532,733
Impairment loss	962	93,189

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

1) Calculation method

The long-lived assets that are used for business are mainly grouped by company. Idle assets are grouped as individual property.

If the operating loss arising from an asset or asset group continued, or is expected to continue, or if the market value of non-current assets significantly declines, the Group recognizes indication of impairment.

When the Group recognizes indication of impairment, if the total undiscounted future cash flows from the asset or asset group are less than its carrying amount, the carrying amount of an asset or asset group is reduced to its recoverable amount and the reduced amount is recorded as an impairment loss.

As for ALTECH NEW MATERIALS (SUZHOU) CO., LTD., non-current assets were scheduled for disposal. The recoverable value of these non-current assets was less than the carrying amount, therefore the carrying amount was reduced to the recoverable amount and ¥93,189 thousand was recognized as impairment loss. The recoverable amount in such cases is calculated based on net realizable value, but since it is difficult to convert these non-current assets to other use or sell, the value in use until stop using them is used. In addition, as operating loss is expected to continue and there is indication of impairment, the Group determined and measured the recognition of impairment. But impairment loss was not recognized because the total undiscounted future cash flows from the asset group exceeded its carrying amount.

2) Significant assumptions

Future cash flows are calculated based on business plans that incorporate estimated future sales volumes of products and goods for each consolidated company.

3) Effect on the consolidated financial statements for the fiscal year ended November 30, 2024

If the assumptions used in the initial estimate change due to changes in economic conditions, new impairment losses may occur in the fiscal year ended November 30, 2024 onward.

(Recoverability of deferred tax assets)

(1) Amount recorded in the consolidated financial statements

(Thousands of yen)

	As of November 30, 2022	As of November 30, 2023
Deferred tax assets	49,181	116,267

(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 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, 2024.

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system, and the recoverability of deferred tax assets is determined by considering the future taxable income of the total group as a whole.

2) Significant assumptions

The Group estimates the taxable income based on the business plan for the year ended November 30, 2024. This plan includes forecasts of sales volume, etc., based on the assumption that the recycled-pellets business will be fully operational during the year ended November 30, 2024 under a domestic consolidated subsidiary applying the group tax sharing system.

3) Effect on the consolidated financial statements for the year ended November 30, 2024

If the assumptions used in the initial estimate change due to changes in economic conditions, it becomes necessary to revise the estimated future taxable income. As a result, write-off of unrecoverable deferred tax assets and deferred tax expense may be recognized.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

・Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
・Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
・Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

In February 2018, "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (hereafter "ASBJ Statement No. 28, etc.") were announced and the transfer of the Japanese Institute of Certified Public Accountants' practical guidelines on tax effect accounting to the ASBJ was completed. In the course of the deliberations, the following two issues, which were to be examined again after the release of ASBJ Statement No. 28, etc., were deliberated and announced.

・Classification of tax expenses (taxes on other comprehensive income)
・Tax effect on sale of shares of subsidiaries and other securities (shares of subsidiaries or affiliates) when the group taxation regime is applied

(2) Planned applicable date

The accounting standards are to be applied from the beginning of the year ended November 30, 2025.

(3) Impact of application on these accounting standards

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

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, 2022	As of November 30, 2023
Buildings and structures	541,429	445,105
The right to use of land	78,188	71,884
Investment securities	11,326	18,825
	630,944	535,814

Obligations corresponding to the above assets are as follows:

(Thousands of yen)

	As of November 30, 2022	As of November 30, 2023
Short-term borrowings	611,100	1,432,200

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, 2022	As of November 30, 2023
Total commitments	1,500,000	1,500,000
Borrowings	—	600,000
Unused commitments	1,500,000	900,000

*4 Restrictive financial covenants

As of November 30, 2023

Syndicated loan contracts to the Company (arranger: MUFG Bank, Ltd., agreement date: March 24, 2022, maximum borrowing amount: ¥1,500,000 thousand, balance at November 30, 2023: ¥600,000 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.

1) Net assets reported in the consolidated balance sheet at the balance sheet date of each fiscal year must be greater than or equal to 75% of the net assets in the immediately preceding fiscal year, or the net assets at November 30, 2021.

2) The Group must not have two consecutive years of consolidated ordinary loss.

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

5 Contingencies

As of November 30, 2023, the Company was contingently liable for investment guarantee of ¥14,204 thousand (3,472 thousand Baht), for Altech Asia Pacific Co., Ltd. to SBCS Co., Ltd. and SMSB Co., Ltd, which are subsidiaries of Sumitomo Mitsui Banking Corporation. (As of November 30, 2022: ¥13,822 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, 2022	Fiscal year ended November 30, 2023
33,659	383,709

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

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Salaries	976,199	1,063,812
Retirement benefit cost	—	21,231

*4 Equity in losses of affiliates

For the fiscal year ended November 30, 2023

ALTECH NEW MATERIALS (SHENZHEN) CO., LTD., of an affiliate accounted for by the equity method, recorded a net loss due to default on some of its asset management products. Therefore, equity in losses of affiliates of ¥703,287 thousand was recorded as non-operating expenses.

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

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Machinery and equipment, and vehicles	120	—
Lease assets	11,739	—
Other	10,075	3,160
Total	21,935	3,160

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

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Machinery and equipment, and vehicles	1,626	9,382
Other	5,873	566
Total	7,500	9,948

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

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Buildings and structures	0	2,754
Machinery and equipment, and vehicles	—	97
Lease assets	2,284	63
Other	68	20
Total	2,353	2,934

*8 Impairment loss

For the fiscal year ended November 30, 2023

The Group recognized impairment loss for the fiscal year ended November 30, 2023.

Location	Usage	Classification
Suzhou City, China	Idle assets	Machinery and equipment, and vehicles Lease assets Other

Assets for which impairment loss was recognized:

(Thousands of yen)

Classification	Amount
Machinery and equipment, and vehicles	49,243
Lease assets	29,932
Other	14,013
Total	93,189

Background leading to recognition of impairment loss:

ALTECH NEW MATERIALS (SUZHOU) CO., LTD. has fixed assets to be disposal, and the recoverable value of the fixed assets is less than the carrying amount, so the carrying amount has been reduced to the recoverable amount.

Grouping Method:

The long-lived assets that are used for business are mainly grouped by company. Idle assets are grouped as individual property.

Calculation method of recoverable amount, etc.:

Since this asset group is a fixed asset to be disposed of within one year, its recoverable amount is evaluated as zero.

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, 2022	Fiscal year ended November 30, 2023
Net unrealized gain on available for sale securities:		
Arising during the year	13,336	133,414
Reclassification adjustments	—	—
Before tax effect	13,336	133,414
Tax effect	(3,183)	(26,745)
Net unrealized gain on available for sale securities	10,152	106,668
Deferred gains (losses) on derivatives under hedge accounting:		
Arising during the year	77,883	(28,875)
Reclassification adjustment	—	—
Before tax effect	77,883	(28,875)
Tax effect	(23,847)	8,841
Deferred gains (losses) on derivatives under hedge accounting	54,035	(20,033)
Foreign currency translation adjustments:		
Arising during the year	1,096,748	50,312
Reclassification adjustment	—	—
Before tax effect	1,096,748	50,312
Tax effect	—	—
Foreign currency translation adjustments	1,096,748	50,312
Share of other comprehensive income (loss) of affiliates accounted for by equity method:		
Arising during the year	214,556	(32,463)
Reclassification adjustment	—	—
Share of other comprehensive income (loss) of affiliates accounted for by equity method	214,556	(32,463)
Total other comprehensive income	1,375,492	104,484

MATTERS RELATED TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

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 (Thousand 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 (Thousand 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

For the fiscal year ended November 30, 2023

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	15,153,000	—	—	15,153,000
Total	15,153,000	—	—	15,153,000
Treasury shares:				
Common stock (Notes 1 and 2)	1,431,002	280	47,921	1,383,361
Total	1,431,002	280	47,921	1,383,361

Notes

1. The increase shares in treasury shares are due to purchase of fractional shares.
2. The decrease shares in treasury shares are due to disposal of treasury shares as restricted stock remuneration on March 24, 2023.

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 (Thousand of yen)	Dividends per share (yen)	Record date	Effective date
General meeting of shareholders held on February 27, 2023	Common stock	137,219	10.00	November 30, 2022	February 28, 2023

(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 (Thousand of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
General meeting of shareholders held on February 28, 2024	Common stock	96,387	Retained earnings	7.00	November 30, 2023	February 29, 2024

MATTERS RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

*1 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, 2022	Fiscal year ended November 30, 2023
Cash and deposits	4,138,883	3,158,269
Time deposits with maturities of more than three months	(64,367)	(69,262)
Cash and cash equivalents	4,074,515	3,089,007

*2 Breakdown of assets and liabilities of a company that newly became a consolidated subsidiary through the acquisition of equity interest:

For the fiscal year ended November 30, 2023

Breakdown of assets and liabilities of LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. at the time of its consolidation because of the acquisition of its equity interest and the relationship with the acquisition cost of the equity interest and expenditures for acquisition (net amount) are as follows:

	(Thousands of yen)
Current assets	252,565
Non-current assets	98,556
Goodwill	13,098
Current liabilities	(178,985)
Non-current liabilities	(3,619)
Non-controlling interests	(82,573)
Acquisition cost	99,042
Cash and cash equivalents	(83,838)
Deduction amount: Expenditures for acquisition	15,203

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, and electronically 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

The fair value of financial instruments includes values based on market prices and, in the absence of market prices, reasonably calculated values. 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, 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	―

For the fiscal year ended November 30, 2023

(Thousands of yen)

	Carrying amount	Fair value	Differences
(1) Investment securities (*2)	426,898	426,898	―
Total assets	426,898	426,898	―
(1) Long-term borrowings (*3)	1,264,248	1,264,250	2
(2) Lease obligations (*4)	596,024	588,187	(7,837)
Total liabilities	1,860,272	1,852,437	(7,834)
Derivatives (*5)	30,629	30,629	―

(*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", "Short term loans receivable", "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	As of November 30, 2023
Unlisted stock, etc.	1,453,101	445,323

(*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, 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	—	—	—

As of November 30, 2023

(Thousands of yen)

	Within one year	More than one year through five years	More than five years through ten years	More than ten years
Cash and deposits	3,158,269	—	—	—
Notes receivable	104,196	—	—	—
Accounts receivable	2,584,183	—	—	—
Electronically recorded monetary claim	549,944	—	—	—
Short term loans receivable	798,166	—	—	—
Total	7,194,760	—	—	—

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, 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

As of November 30, 2023

(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	3,833,148	—	—	—	—	—
Long-term borrowings	146,346	526,902	112,000	112,000	112,000	255,000
Lease obligations	156,167	151,880	118,844	78,138	25,215	65,777
Total	4,135,661	678,782	230,844	190,138	137,215	320,777

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.

As of November 30, 2023

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Available for sale securities	426,898	—	—	426,898
Derivatives:				
Currency related (*)	—	30,629	—	30,629
Total assets	426,898	30,629	—	457,528

(*) 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

As of November 30, 2023

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	1,264,250	—	1,264,250
Lease obligations	—	588,187	—	588,187
Total liabilities	—	1,852,437	—	1,852,437

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, 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

As of November 30, 2023

(Thousands of yen)

	Type of securities	Balance sheet amount	Acquisition cost	Difference
Securities for which balance sheet amount exceeds acquisition cost	(1) Equity securities	325,018	106,999	218,018
	(2) Bonds			
	1) Government bonds, local bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	325,018	106,999	218,018
Securities for which balance sheet amount does not exceed acquisition cost	(1) Equity securities	101,880	103,034	(1,154)
	(2) Bonds			
	1) Government bonds, local bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	101,880	103,034	(1,154)
Total		426,898	210,034	216,864

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, 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

As of November 30, 2023

(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	54,824	–	720
	Other currencies		4,718	–	(90)
	Buying foreign currency				
	U.S. dollar	Accounts payable	293,172	–	6,540
	Euro		341,675	–	24,426
	Other currencies		138,367	–	(967)
Total			832,758	–	30,629

(2) Interest rate related

As of November 30, 2022

Not applicable.

As of November 30, 2023

Not applicable.

RETIREMENT BENEFITS

1. Outline of retirement benefits plans

The Company introduced an optional defined contribution corporate pension plan in the fiscal year ended November 30, 2023. In addition, some consolidated subsidiaries are in the Small and Medium Enterprise Retirement Allowance Mutual Aid System.

2. Defined contribution pension plans

For the fiscal year ended November 30, 2023

The amount of contribution required by the Company and some consolidated subsidiaries to the defined contribution pension plan for the current consolidated fiscal year is ¥22,628 thousand.

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, 2022	As of November 30, 2023
Deferred tax assets:		
Accrued expenses	79,244	56,441
Other payables	6,481	3,890
Loss on valuation of products	44,276	161,555
Excess depreciation	28,244	117,326
Land	654	654
Unrealized intercompany profits	2,358	2,358
Revaluation loss on investment securities	12,612	12,612
Lease deposit (depreciation of asset retirement obligations)	9,220	9,789
Tax loss carryforwards (Note 2)	160,549	263,765
Other	45,514	55,261
Total deferred tax assets	389,156	683,655
Valuation allowance for tax loss carryforwards (Note 2)	(131,480)	(250,482)
Valuation allowance for total deductible temporary differences	(114,586)	(247,827)
Total valuation allowance (Note 1)	(246,066)	(498,310)
Offset with deferred tax liabilities	(93,908)	(69,077)
Net deferred tax assets	49,181	116,267
Deferred tax liabilities:		
Dividends receivable	1,211	1,234
Deferred gains or losses on hedges	18,305	9,378
Loss on revaluation of assets under consolidated tax return system	1,545	1,545
Undistributed earnings of foreign affiliates accounted for by equity method	63,093	—
Unrealized gain on available-for-sale securities	32,516	59,262
Total deferred tax liabilities	116,672	71,421
Offset with deferred tax assets	(93,908)	(69,077)
Net deferred tax liabilities	22,763	2,343

Notes

1. For the year ended November 30, 2023, the valuation allowance increased by ¥252,243 thousand. This is mainly due to an increase of the valuation allowance for tax loss carryforwards of 8 consolidated subsidiaries, and an increase of the valuation allowance for total deductible temporary differences of the Company and 7 consolidated subsidiaries.

2. Tax loss carryforwards will expire as follows:

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.

As of November 30, 2023

(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)	17,516	16,128	15,776	9,915	151,933	52,495	263,765
Valuation allowance	(4,233)	(16,128)	(15,776)	(9,915)	(151,933)	(52,495)	(250,482)
Deferred tax assets	13,283	―	―	―	―	―	(*2) 13,283

(*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 ¥13,283 thousand for tax loss carryforwards of ¥263,765 thousand (the amount obtained by multiplying the effective statutory tax rate) at November 30, 2023. As regarding tax loss carryforwards of 11 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, 2022	As of November 30, 2023
Statutory tax rate	30.6%	
(Adjustments)		
Expenses not deductible for tax purposes	3.7	Disclosure is omitted because a "loss before income taxes and non-controlling interests" has been recorded.
Per capita tax	1.7	
Lower income tax rates applicable to income in certain foreign subsidiaries	(3.1)	
Valuation allowance	(3.3)	
Income taxes for prior years, etc.	1.6	
Not recognized deferred taxes on unrealized gains	(0.7)	
Equity in earnings, etc.	(6.6)	
Undistributed earnings of foreign affiliates accounted for by equity method	3.9	
Other	0.0	
Effective tax rate	27.9	

3. Accounting treatment for corporate tax and local corporate tax or related tax effect accounting treatment

Starting from the beginning of the fiscal year ended November 30, 2023, the Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system. The Company follows the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42 issued on August 12, 2021) for the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting.

BUSINESS COMBINATIONS

(Business combination through acquisition)

1. Overview of business combination

(1) Name of acquired company and its business outline

Name of acquired company:	LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD.
Business outline:	Manufacture and sale of recycled PET resin

(2) Main reason for business combination

LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. is a recycled PET resin manufacturing and sales company based in Liupanshui City, the only model city for the recycling and recycling of recycled resources in Guizhou Province. In recent years, environmental regulations have increased in China, and the recycling of plastic resources has become more active. Therefore, it was determined that making LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. a consolidated subsidiary would contribute to increasing the added value of the Group.

(3) Date of business combination

March 23, 2023 (Deemed acquisition date: March 31, 2023)

(4) Legal form of business combination

Acquisition of equity interest for cash consideration

(5) Name of the combined company

As of November 30, 2023, there was no change in the name of the combined company, but as of February 4, 2024, the trade name has been changed to LIUPANSHUI ALTECH ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD.

(6) Ratio of voting rights acquired

Ratio of voting rights held immediately before the business combination:	－%
Ratio of voting rights additionally acquired on the date of business combination:	51.0% (indirect ownership of which 51.0%)
Ratio of voting rights after acquisition:	51.0% (indirect ownership of which 51.0%)

(7) Main basis for determining the acquiring company

A consolidated subsidiary of the Company acquired the equity interest for cash consideration.

2. Period of business results of the acquired company included in the consolidated financial statements

Although the closing date of LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. is December 31, the tentative financial statements for the year ended September 30 were used for consolidation. Since the deemed acquisition date was March 31, 2023, the business results of LIUPANSHUI PUCHENG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. from April 1, 2023 to September 30, 2023 were included in the consolidated statement of operations for the fiscal year ended November 30, 2023.

3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	5,100 thousand Chinese yuan	(¥99 million)
Acquisition cost		5,100 thousand Chinese yuan	(¥99 million)

Note: Converted to yen at the rate of 1 Chinese yuan = 19.42 yen.

4. Details and amount of major acquisition-related expenses

Disclosure is omitted due to immateriality.

5. Amount of goodwill incurred, reasons for the goodwill incurred, and amortization method and amortization period

(1) Amount of goodwill incurred

¥13 million.

(2) Reason for the goodwill incurred

Since the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount was recorded as goodwill.

(3) Amortization method and amortization period

Equal amortization over 2 years.

6. Amount of assets acquired and liabilities assumed on the date of business combination and their breakdown

Current assets	13,005 thousand Chinese yuan	(¥252 million)
Non-current assets	5,074 thousand Chinese yuan	(¥98 million)
Total assets	18,080 thousand Chinese yuan	(¥351 million)
Current liabilities	9,216 thousand Chinese yuan	(¥178 million)
Non-current liabilities	186 thousand Chinese yuan	(¥3 million)
Total liabilities	9,402 thousand Chinese yuan	(¥182 million)

Note: Converted to yen at the rate of 1 Chinese yuan = 19.42 yen.

7. Estimated amount and calculation method of the effect of the business combination on the consolidated statement of operations for the current consolidated fiscal year as if the business combination had been completed at the beginning of the consolidated fiscal year

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.

Since security deposits related to leasehold contracts are recorded as assets, instead of recognizing asset retirement obligations as liabilities, the Group estimated non-recoverable amounts of lease deposits under lease contracts and recorded the amount attributable to the current fiscal year as expenses.

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, 2023 and 2022 are ¥29,844 thousand and ¥37,978 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, 2022	Fiscal year ended November 30, 2023
Carrying amount:			
	At beginning of the year	828,397	879,917
	Movement	51,520	767,015
	At end of the year	879,917	1,646,932
Fair value at end of the year		1,173,910	2,335,241

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, 2023, the increase is due to new acquisition of ¥877,508 thousand, the increase is arising from currency fluctuations of ¥3,887 thousand and the decrease is due to depreciation of ¥114,380 thousand. 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.
4. The fair value includes real estate that is scheduled to be sold in the next consolidated fiscal year. The details of these assets scheduled to be sold are described in the Note "SIGNIFICANT SUBSEQUENT EVENTS" in the consolidated financial statements.
5. The fair value is calculated based on real estate price published by Chinese Government. Regarding the real estate scheduled to be sold, the fair value is based on the scheduled sale price.

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).

For the fiscal year ended November 30, 2023

(Thousands of yen)

	Reported segments		Total
	Wholesale	Preform	
Japan	8,547,212	3,003,810	11,551,023
Asia	1,192,464	4,910,826	6,103,291
Americas	6,772	—	6,772
Europe	924	—	924
Revenue from contracts with customers	9,747,374	7,914,637	17,662,012
Other revenue (Note)	3,005	166,996	170,001
Revenues from third parties	9,750,380	8,081,633	17,832,014

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

As of November 30, 2022

(Thousands of yen)

	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.

As of November 30, 2023

(Thousands of yen)

	Beginning balance	Ending balance
Contract liabilities	2,738,050	2,190,828

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 ¥2,410,731 thousand of revenue recognized in the fiscal year ended November 30, 2023. Contract liabilities decreased by ¥547,221 thousand during the fiscal year ended November 30, 2023 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.

Unsatisfied (or partially unsatisfied) performance obligations amounted to ¥1,915,526 thousand at the end of the fiscal year ended November 30, 2023. 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 (loss) is calculated based on operating profit (loss) in the consolidated statement of operations.

Intersegment revenues and transfer are based on arms-length transactions and manufacturing costs.

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

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 profit presented in the consolidated statement of operations.

For the fiscal year ended November 30, 2023

(Thousands of yen)

	Reported segments			Adjustments (Notes 1, 2, 3 and 4)	Consolidated (Note 5)
	Wholesale	Preform	Total		
Operating revenues:					
Revenues from third parties	9,750,380	8,081,633	17,832,014	—	17,832,014
Intersegment revenues	567,319	37,221	604,541	(604,541)	—
Total	10,317,700	8,118,855	18,436,555	(604,541)	17,832,014
Segment income (loss)	547,953	(606,032)	(58,078)	(217,902)	(275,980)
Segment assets	5,336,558	14,475,858	19,812,416	1,733,129	21,545,546
Others:					
Depreciation and amortization	50,902	620,047	670,949	14,181	685,130
Investments in affiliates accounted for by the equity method	17,291	427,862	445,153	—	445,153
Increase in property, plant and equipment and intangible assets	64,823	1,436,056	1,500,880	102,685	1,603,565

Notes

1. The adjustment in “Segment income (loss)” of ¥ (217,902) thousand are the elimination of intersegment transactions of ¥46,127 thousand, the unallocated company-wide expenses of ¥ (265,634) thousand, and the adjustments of fixed assets of ¥1,604 thousand. Company-wide expenses are administrative expenses which are not attributable to the reported segments.
2. The adjustment in “Segment assets” of ¥1,733,129 thousand are the adjustment of investment capital of ¥ (52,695) thousand, the elimination of intersegment balances of ¥ (147,239) thousand and the unallocated company-wide assets (cash and deposits, investments securities, etc.) and assets related to the administrative department of ¥1,933,064 thousand.
3. The adjustment in “Depreciation and amortization” of ¥14,181 thousand are the elimination of intersegment transactions of ¥ (1,615) thousand and the depreciation of company-wide assets of ¥15,796 thousand.
4. The adjustment in “Increase in property, plant and equipment and intangible assets” is the increase of company-wide assets.
5. Segment income (loss) is calculated by adjusting operating loss presented in the consolidated statement of operations.

Related information

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.

For the fiscal year ended November 30, 2023

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
11,554,029	6,270,287	6,772	924	—	17,832,014

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	Total
2,201,163	4,919,902	7,121,065

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, 2022

(Thousands of yen)

	Wholesale	Preform	Adjustments	Total
Impairment loss	962	—	—	962

For the fiscal year ended November 30, 2023

(Thousands of yen)

	Wholesale	Preform	Adjustments	Total
Impairment loss	—	93,189	—	93,189

Information of amortization and balance of goodwill

For the fiscal year ended November 30, 2022

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

For the fiscal year ended November 30, 2023

(Thousands of yen)

	Wholesale	Preform	Adjustments	Total
Amortization amount	—	3,450	—	3,450
Ending balance	—	10,350	—	10,350

Negative goodwill incurred by reported segments

For the fiscal year ended November 30, 2022

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

For the fiscal year ended November 30, 2023

Negative goodwill is not recorded for the year ended November 30, 2023

Related party information

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.

Disclosure is omitted due to immateriality.

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 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

For the fiscal year ended November 30, 2023

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.

Disclosure is omitted due to immateriality.

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

Disclosure is omitted due to immateriality.

2. Notes on parent company or significant affiliates

(1) Notes on parent company

Not applicable.

(2) Notes on 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	1,432,453
Total non-current assets	31,197
Total current liabilities	512,846
Total non-current liabilities	—
Total net assets	950,804
Net sales	1,062,324
Loss before income taxes	1,608,968
Loss	1,553,128

PER SHARE INFORMATION

(Yen)

Fiscal year ended November 30, 2022		Fiscal year ended November 30, 2023	
Net assets per share	927.47	Net assets per share	847.61
Basic earnings per share	28.22	Basic loss per share	(74.60)

Notes

1. The diluted net income per share for the year ended November 30 2022 is not presented as there are no dilutive potential share at the year end.
2. The diluted net income per share for the year ended November 30 2023 is not presented due to recorded basic loss per share, and as there are no dilutive potential share at the year end.
3. The basis for calculating net assets per share is as follows:

(Thousands of yen)

	As of November 30, 2022	As of November 30, 2023
Total net assets	12,874,969	11,820,568
Amount deducted from total net assets:		
Non-controlling interests	148,245	149,312
Net assets applicable to common shareholders	12,726,724	11,671,255
Number of shares outstanding at end of year on which net assets per share is calculated	13,721,998 shares	13,769,639 shares

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

(Thousands of yen)

	Fiscal year ended November 30, 2022	Fiscal year ended November 30, 2023
Income (loss) attributable to owners of parent	402,785	(1,026,120)
Income not applicable to common shareholders	—	—
Income (loss) attributable to owners of parent applicable to common shareholders	402,785	(1,026,120)
Weighted average number of shares outstanding on which basic earnings (loss) per share is calculated	14,274,746 shares	13,754,951 shares

SIGNIFICANT SUBSEQUENT EVENTS

(Transfer of fixed assets in consolidated subsidiaries)

ALTECH NEW MATERIALS (SUZHOU) CO., LTD., the consolidated subsidiary of the Company resolved the transfer of fixed assets at a board of directors meeting held on November 29, 2023, and concluded a contract with the transferee on November 30, 2023.

Because of this, the Group expects to record an extraordinary income in the fiscal year ended November 30, 2024.

1. Overview of the consolidated subsidiary

・Name	ALTECH NEW MATERIALS (SUZHOU) CO., LTD.
・Location	Suzhou City, Jiangsu Province, China
・Title and name of company representative	Norihiro Chono / Chairman
・Business details	Manufactures and sells preforms for PET bottles, plastic caps and provides related services
・Capital	36,000 thousand US dollar

2. Reason for transfer

The purpose is to effectively utilize management resources, improve capital efficiency, strengthen financial structure and secure funds for investment in growth of the Group.

3. Details of assets to be transferred

・Name	Suzhou 4th factory and 5th factory (Land use right, etc.)
・Location	Suzhou City, Jiangsu Province, China
・Book value	65,667 thousand Chinese yuan (Approximately ¥1,308 million)
・Transfer price	90,000 thousand Chinese yuan (Approximately ¥1,793 million)
・Gain on transfer	16,107 thousand Chinese yuan (Approximately ¥321 million)

Note: Converted to yen at the rate of 1 Chinese yuan = 19.93 yen. The gain on transfer is the estimated amount obtained by subtracting the book value and estimated amount of miscellaneous expenses etc. related to the transfer from the transfer price.

4. Overview of the transferee

・Name	ZHIZHI NEW MATERIAL TECHNOLOGY (SUZHOU) CO., LTD.
・Location	Suzhou City, Jiangsu Province, China
・Relationship with the Company	There are no capital, personnel, or business relationships between the Company, its consolidated subsidiaries, and the transferee, and it is not a related party.

5. Transfer Schedule

・Board of Directors resolution date	November 29, 2023
・Contract date	November 30, 2023
・Ownership transfer date	End of March 2024 (Scheduled date)

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	1,161,090	3,833,148	2.3	－
Current portion of long-term borrowings	140,196	146,346	0.7	－
Short-term lease obligations	133,902	156,167	4.8	－
Short-term payable in installments (Note 3)	－	2,852	2.7	－
Long-term borrowings (excluding current portion)	1,264,248	1,117,902	0.7	December 31, 2024 to December 30, 2030
Long-term lease obligations (excluding current portion)	409,442	439,857	4.3	December 25, 2024 to September 30, 2033
Long-term payable in installments (excluding current portion) (Note 4)	－	10,695	2.7	August 31, 2028
Other interest-bearing debt	－	－	－	－
Total	3,108,878	5,706,968	－	－

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. Short-term payable in installments is included in accounts payable-other of current liabilities in the consolidated balance sheet.
4. Long-term payable in installments is included in other of non-current liabilities in the consolidated balance sheet.
5. Annual repayment schedule of long-term borrowings, long-term lease obligations and long-term payable in installments 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	526,902	112,000	112,000	112,000	255,000
Long-term lease obligations	151,880	118,844	78,138	25,215	65,777
Long-term payable in installments	2,852	2,852	2,852	2,139	－

Schedule of Asset Retirement Obligations

Not applicable.

(2) Other

Quarterly financial information for the fiscal year ended November 30, 2023

Cumulative period	1st quarter	2nd quarter	3rd quarter	Full year
Net sales (Thousands of yen)	3,671,855	7,634,447	12,790,565	17,832,014
Income (loss) before income taxes and non-controlling interests (Thousands of yen)	(61,667)	(77,158)	15,299	(1,066,143)
Loss attributable to owners of parent (Thousands of yen)	(86,907)	(123,153)	(74,214)	(1,026,120)
Basic loss per share (Yen)	(6.33)	(8.96)	(5.40)	(74.60)

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings (loss) per share (Yen)	(6.33)	(2.63)	3.55	(69.13)

Crowe Toyo & Co.
Sumitomo Fudosan Kanda Bldg.,6F
Kandamitoshirocho7
Chiyoda-ku, Tokyo 101-0053
Japan
Main +81 (3)3295 1040
Fax +81 (3)3295 1993
www.crowe.com/jp/en-us

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

February 28, 2024

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, 2022 to November 30, 2023, 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, 2023, 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.

Emphasis of Matter
We draw attention to the note "SIGNIFICANT SUBSEQUENT EVENTS", which describes that ALTECH NEW MATERIALS (SUZHOU) CO., LTD., a consolidated subsidiary of the Company, resolved the transfer of fixed assets at a board of directors meeting held on November 29, 2023, and concluded a contract with the transferee on November 30, 2023.
Our opinion is not modified in respect of this matter.

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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
As disclosed in the note "SEGMENT INFORMATION, etc.", the Group recorded sales in the wholesale business of ¥9,750,380 thousand of the Group total sales of ¥17,832,014 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, errors of the timing of revenue recognition will likely result in significant influence to the consolidated financial statements. We, therefore, have determined the appropriateness of the determination of an accounting period in which sales of the Company's wholesale business is recognized to be a key audit matter.	We performed mainly the following audit procedures to verify the appropriateness of the determination of an accounting period in which sales of the Company's wholesale business is recognized. (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. (2) Evaluation whether sales are recorded in the appropriate accounting period ・We vouched a contract ledger, purchase orders, shipment certificates and receiving reports for the selected samples that we considered to be important from the sales 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.

Recoverability of Deferred Tax Assets	
Key audit matter	How the scope of our audit addressed the key audit matter
As disclosed in the note "SIGNIFICANT ACCOUNTING ESTIMATES" and "INCOME TAXES", the Group recorded deferred tax assets of ¥116,267 thousand on the	We performed mainly the following audit procedures to verify the recoverability of deferred tax assets for the Tax sharing group.

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consolidated balance sheet after offsetting the gross deferred tax assets of ¥185,345 thousand recognized to be recoverable with the deferred tax liabilities. The Company and some of its domestic consolidated subsidiaries (the "Tax sharing group") have adopted the group tax sharing system. Therefore, the recoverability of deferred tax assets is determined by estimating future taxable income of the Tax sharing group as a whole. The estimation of the taxable income based on the future profitability is based on the business plan for the next fiscal year which takes into account the forecasts of sales volume, etc. This plan includes as a significant assumption by the management, forecasts of sales volume, etc., connected to the recycled-pellets business which is newly operated by a domestic consolidated subsidiary in the Tax sharing group. Since the estimation of the taxable income based on the future profitability on assessing the recoverability of deferred tax assets involves uncertainties and requires management's judgement, we have determined this matter to be a key audit matter.	・We examined the contents of the deductible temporary differences by reviewing related materials, as well as examined the rationality of the fiscal year in which they are expected to be reversed. ・In order to evaluate the estimation of future taxable income, we examined the underlying business plan for the next fiscal year. In examining the business plan, we verified its consistency with the latest budget approved by the management. ・We evaluated the accuracy of estimation of the business plan by comparing past business plans and actual results. ・In order to evaluate the rationality of the significant assumption in the business plan for the next fiscal year which is the basis of future taxable income, we discussed with the management about feasibility of forecasts of sales volume, etc. including a new business, recycled-pellets business and compared the forecasts with usage plans obtained by major customers.

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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.

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・ 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, 2023 of Altech Co., Ltd. ("Management's Report").

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Crowe Toyo & Co.
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In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at November 30, 2023 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 are 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.