

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

***Audited Consolidated Financial Statements
for the Year Ended November 30, 2024***

z (1) Consolidated Financial Statements

1) Consolidated Balance Sheet

(Thousands of yen)

	As of November 30, 2023	As of November 30, 2024
Assets		
Current assets		
Cash and deposits	3,158,269	4,119,289
Notes receivable	104,196	*6 229,574
Accounts receivable	2,584,183	2,222,838
Electronically recorded monetary claims	549,944	*6 491,072
Merchandise and finished goods	2,928,045	2,837,852
Raw materials and supplies	754,890	956,971
Advances paid	1,377,014	1,228,917
Short term loans receivable	798,166	111,507
Other	486,256	195,490
Allowance for doubtful receivables	(0)	(15,583)
Total current assets	12,740,968	12,377,930
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,669,002	4,396,792
Accumulated depreciation	(3,183,473)	(3,078,500)
Buildings and structures (net)	*2 2,485,528	1,318,292
Machinery and equipment, and vehicles	5,823,429	4,846,579
Accumulated depreciation	(3,599,080)	(2,993,394)
Machinery and equipment, and vehicles (net)	2,224,349	1,853,184
Land	435,519	435,519
Lease assets	2,677,229	3,137,372
Accumulated depreciation	(1,818,773)	(1,973,097)
Lease assets (net)	858,456	1,164,275
Construction in progress	428,853	605,039
Other	3,248,114	3,139,215
Accumulated depreciation	(2,559,757)	(2,578,590)
Other (net)	688,357	560,624
Total property, plant and equipment	7,121,065	5,936,935
Intangible fixed assets	*2 532,733	281,505
Investments and other assets		
Investment securities	*2 426,898	*2 232,103
Investment in capital of affiliates	445,153	378,357
Lease deposits	113,636	112,157
Deferred tax assets	116,267	139,949
Other	140,674	69,141
Allowance for doubtful receivables	(91,851)	(35,682)
Total Investments and other assets	1,150,778	896,027
Total non-current assets	8,804,577	7,114,468
Total assets	21,545,546	19,492,398

(Thousands of yen)

As of November 30, 2023 As of November 30, 2024

Liabilities		
Current liabilities		
Trade notes and accounts payable	1,061,562	783,358
Short term borrowings and current portion of long-term borrowings	*2, *3, *4 3,979,494	3,087,034
Short term lease obligations	156,167	268,605
Accounts payable-other	230,926	272,847
Accrued expenses	420,025	517,284
Income taxes payable	73,956	96,612
Advances received	*1 2,190,828	*1 1,796,007
Accrued losses on sales contracts	29	499
Other	24,363	171,378
Total current liabilities	8,137,354	6,993,627
Non-current liabilities		
Long term borrowings	1,117,902	591,000
Long term lease obligations	439,857	723,688
Deferred tax liabilities	2,343	—
Other	27,520	20,417
Total non-current liabilities	1,587,623	1,335,105
Total liabilities	9,724,977	8,328,733
Net assets		
Shareholders' equity		
Common stock	5,527,829	5,527,829
Capital surplus	790,215	790,215
Retained earnings	2,772,797	2,577,565
Treasury stock	(445,282)	(445,310)
Total shareholders' equity	8,645,560	8,450,300
Accumulated other comprehensive income		
Valuation difference on available for sale securities	157,601	50,978
Deferred gains (losses) on derivatives under hedge accounting	21,250	(11,201)
Foreign currency translation adjustments	2,846,841	2,893,022
Total accumulated other comprehensive income	3,025,694	2,932,799
Non-controlling interests	149,312	(219,434)
Total net assets	11,820,568	11,163,665
Total liabilities and net assets	21,545,546	19,492,398

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

Consolidated Statement of Operations

(Thousands of yen)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Net sales	*1 17,832,014	*1 18,233,202
Cost of sales	*2 14,688,198	*2 15,027,651
Gross profit	3,143,815	3,205,551
Selling, general and administrative expenses	*3 3,419,796	*3 3,353,874
Operating loss	(275,980)	(148,322)
Non-operating income		
Interest income	13,187	18,820
Dividends income	8,864	10,646
Foreign exchange gain	62,473	11,733
Tax refund income	16,517	73,515
Gain on sale of scraps	12,728	26,402
Other	32,273	97,434
Total non-operating income	146,045	238,553
Non-operating expenses		
Interest expense	87,164	149,717
Commission paid	3,592	4,941
Equity in losses of affiliates	*4 703,287	116,459
Other	39,251	72,957
Total non-operating expenses	833,296	344,076
Ordinary loss	(963,231)	(253,846)
Extraordinary income		
Gain on sale of property, plant and equipment	*5 3,160	*5 575,484
Gain on sale of investment securities	—	*6 169,847
Total extraordinary income	3,160	745,331
Extraordinary losses		
Loss on sale of property, plant and equipment	*7 9,948	*7 160
Loss on retirement of property, plant and equipment	*8 2,934	*8 2,233
Impairment loss	*9 93,189	*9 65,302
Business restructuring expenses	—	*10 665,393
Total extraordinary losses	106,072	733,090
Loss before income taxes and non-controlling interests	(1,066,143)	(241,604)
Income taxes-current	157,112	148,974
Income taxes - deferred	(105,319)	33,030
Total income taxes	51,793	182,004
Loss	(1,117,936)	(423,609)
Loss attributable to non-controlling interests	(91,816)	(324,788)
Loss attributable to owners of parent	(1,026,120)	(98,820)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Loss	(1,117,936)	(423,609)
Other comprehensive income (loss)		
Valuation difference on available for sale securities	106,668	(106,623)
Deferred losses on derivatives under hedge accounting	(20,033)	(32,452)
Foreign currency translation adjustments	50,312	793
Share of other comprehensive income (loss) of affiliates accounted for by equity method	(32,463)	45,141
Total other comprehensive income (loss)	* 104,484	* (93,140)
Comprehensive loss	(1,013,451)	(516,749)
Comprehensive loss attributable to:		
Comprehensive loss attributable to owners of parent	(933,223)	(191,715)
Comprehensive loss attributable to non-controlling interests	(80,228)	(325,033)

3) Consolidated Statement of Changes in Shareholder's equity

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 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
	Valuation difference 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 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

Fiscal year ended November 30, 2024

(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	2,772,797	(445,282)	8,645,560
Changes during the year					
Dividends			(96,387)		(96,387)
Loss attributable to owners of parent			(98,820)		(98,820)
Purchase of treasury stock				(28)	(28)
Decrease due to liquidation of consolidated subsidiaries			(23)		(23)
Net changes other than shareholders' equity					
Total changes during the year	—	—	(195,231)	(28)	(195,259)
Balance at the end of the year	5,527,829	790,215	2,577,565	(445,310)	8,450,300

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference 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	157,601	21,250	2,846,841	3,025,694	149,312	11,820,568
Changes during the year						
Dividends						(96,387)
Loss attributable to owners of parent						(98,820)
Purchase of treasury stock						(28)
Decrease due to liquidation of consolidated subsidiaries						(23)
Net changes other than shareholders' equity	(106,623)	(32,452)	46,181	(92,895)	(368,747)	(461,642)
Total changes during the year	(106,623)	(32,452)	46,181	(92,895)	(368,747)	(656,902)
Balance at the end of the year	50,978	(11,201)	2,893,022	2,932,799	(219,434)	11,163,665

4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Cash flows from operating activities		
Loss before income taxes and non-controlling interests	(1,066,143)	(241,604)
Depreciation and amortization	685,130	816,888
Amortization of goodwill	3,330	7,030
Interest and dividends income	(22,051)	(29,466)
Interest expense	87,164	149,717
Foreign exchange loss	10,443	30,077
Equity in losses of affiliates	703,287	116,459
Gain on sale of investment securities	—	(169,847)
Loss (gain) on sale of property, plant and equipment	6,787	(575,324)
Loss on retirement of property, plant and equipment	2,934	2,233
Impairment loss	93,189	65,302
Business restructuring expenses	—	665,393
Increase (decrease) in trade receivables	(185,346)	295,884
Increase in inventories	(575,311)	(121,335)
Increase (decrease) in trade payables	122,020	(245,257)
Decrease (increase) in advances paid	351,578	(131,962)
Increase (decrease) in accrued expenses	(149,441)	80,231
Decrease in advances received	(573,927)	(381,605)
Decrease and increase in consumption taxes receivable or payable	(384,109)	306,128
Other, net	225,954	(12,528)
Sub total	(664,509)	626,415
Interest and dividends received	17,345	25,673
Interest paid	(86,910)	(146,771)
Income taxes paid	(221,512)	(132,499)
Income taxes refunded	0	925
Proceeds from subsidy income	1,155	7,327
Proceeds from value added tax refund	16,517	73,515
Net cash provided by (used in) operating activities	(937,914)	454,587

(Thousands of yen)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,661,517)	(689,212)
Proceeds from sales of property, plant and equipment	4,618	1,860,850
Purchases of intangible fixed assets	(6,020)	(19,115)
Purchases of investment securities	(2,794)	(2,957)
Proceeds from sale of investment securities	—	216,070
Payments of short-term loans receivable	(748,653)	(391,512)
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	(13,236)	(4,522)
Proceeds from subsidy income	—	7,979
Other, net	(763)	(4,615)
Net cash provided by (used in) investing activities	(2,436,412)	972,963
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	2,617,803	(597,805)
Repayments on long-term borrowings	(140,196)	(146,346)
Repayments on lease obligations	(145,628)	(241,216)
Payments for purchase of treasury stock	(73)	(28)
Dividends paid to shareholders	(136,591)	(95,759)
Dividends paid to non-controlling shareholders	(1,276)	(1,375)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(35,423)	—
Proceeds from sale and leaseback	195,829	639,859
Other, net	13,547	(2,852)
Net cash provided by (used in) financing activities	2,367,992	(445,523)
Effect of exchange rate changes on cash and cash equivalents	20,826	(28,122)
Net increase (decrease) in cash and cash equivalents	(985,507)	953,906
Cash and cash equivalents at the beginning of the year	4,074,515	3,089,007
Cash and cash equivalents at the end of the year	*1 3,089,007	*1 4,042,913

[Notes to Consolidated Financial Statements]

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

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of consolidated subsidiaries:

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

SUZHOU ALTECH NEW POWER CO., LTD., which was a consolidated subsidiary in the fiscal year ended November 30, 2023, was liquidated in the fiscal year ended November 30, 2024, and is therefore excluded from the scope of consolidation. However, its statement of operation for the period up until the completion of liquidation is included in the consolidation.

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

Name of non-consolidated subsidiary:

LIUPANSHUI ALTECH NEW MATERIALS TECHNOLOGY 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:

LIUPANSHUI ALTECH NEW MATERIALS TECHNOLOGY 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
LIUPANSHUI ALTECH 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 six consolidated subsidiaries, the tentative financial statements for the year ended September 30 were used for consolidation. Necessary adjustments were made on consolidation for material transactions that occurred between the end of the tentative closing date of these subsidiaries and the end of the consolidated balance sheet date.

4. Matters related to accounting policies

(1) Basis and method for valuation of important assets

1) Securities

Available for sale securities

Securities other than stocks, etc. without market value

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

Stocks, etc. without market value

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

2) Derivatives

Derivative financial instruments are stated at fair value.

3) Inventories

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

(2) Method of depreciation and amortization of significant assets

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

Property, plant and equipment are depreciated by the straight line method. The range of useful lives is principally from 2 to 31 years for buildings and structures, and from 2 to 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

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system and 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, 2023	Fiscal year ended November 30, 2024
Property, plant and equipment	7,121,065	5,936,935
Intangible fixed assets	532,733	281,505
Impairment loss	93,189	65,302

(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 CO., LTD. and 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 ¥65,302 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 stopping using them is used. In addition, regarding ALTECH NEW MATERIALS CO., LTD. and ALTECH NEW MATERIALS (SUZHOU) CO., LTD., operating losses continued, and Regarding LIUPANSHUI ALTECH ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD., which became a consolidated subsidiary in the fiscal year ended November 30, 2023, delays in full-scale operations caused a discrepancy between the initial business plan and actual results, which led to indications of impairment, the Group determined 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

Undiscounted future cash flows are estimated based on business plans and net realizable value (for certain consolidated subsidiaries). The business plan is estimated by incorporating the estimated sales volume of preforms for PET bottles and the estimated sales volume of the new business of recycled-pellets. Net realizable value is calculated based on the appraisal value, etc. by a real estate appraiser.

3) Effect on the consolidated financial statements for the fiscal year ended November 30, 2025

If the assumptions are used in the initial estimate change due to changes in economic conditions, new impairment losses may occur in the fiscal year ended November 30, 2025 onward.

(Recoverability of deferred tax assets)

(1) Amount recorded in the consolidated financial statements

(Thousands of yen)

	As of November 30, 2023	As of November 30, 2024
Deferred tax assets	116,267	139,949

(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, 2025.

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, 2025. Certain domestic consolidated subsidiaries that apply the group tax sharing system estimate taxable income based on their business plans, which include sales volume forecasts of preforms for PET bottles and sales volume forecasts of the new business of recycled-pellets.

3) Effect on the consolidated financial statements for the year ended November 30, 2025

If the assumptions are 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 etc.)

- 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.

(Accounting Standard for Leases etc.)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024) etc.

(1) Overview

As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the accounting Standard for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc. that adopts only the key provisions of IFRS 16 that is based on the single accounting model. The revision aims to be simple and highly convenient, and to make it unnecessary to revise non-consolidated financial statements that apply IFRS 16 in the Accounting Standard for Leases, etc.

Regarding the method for allocating the lease expenses in the lessee’s accounting treatment, using the same approach as IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

(2) Planned applicable date

The accounting standards are to be applied from the beginning of the year ended November 30, 2028.

(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.

CHANGE IN PRESENTATION

(Consolidated Statement of Operations)

In the fiscal year ended November 30, 2023, "Gain on sale of scraps" was included in "Other" under "Non-operating income", but due to its increasing monetary significance, it has been presented separately from the the fiscal year ended November 30, 2024. In order to reflect this change in presentation, the consolidated financial statements for the fiscal year ended November 30, 2023, have been reclassified.

As a result, ¥45,002 thousand presented as "Other" under "Non-operating income" in the consolidated statement of operations for the fiscal year ended November 30, 2023, has been reclassified as "Gain on sale of scraps" of ¥12,728 thousand and "Other" of ¥32,273 thousand.

(Consolidated Statement of Cash Flows)

In the previous consolidated fiscal year, "Proceeds from value added tax refund" was included in "Other" before the subtotal column of "Net cash provided by operating activities", but due to its increasing monetary significance, it has been presented separately below the subtotal column from the the fiscal year ended November 30, 2024. In order to reflect this change in presentation, the consolidated financial statements for the fiscal year ended November 30, 2023, have been reclassified.

As a result, ¥242,472 thousand presented in "Other" before the subtotal column of "Net cash provided by operating activities" in the consolidated statement of cash flows for the fiscal year ended November 30, 2023, has been reclassified as ¥225,954 thousand in "Other" before the subtotal column and ¥16,517 thousand in "Proceeds from value added tax refund" below the subtotal column. In addition, the "Subtotal" of ¥ (647,991) thousand has been changed to ¥ (664,509) thousand.

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, 2023	As of November 30, 2024
Buildings and structures	445,105	—
The right to use land	71,884	—
Investment securities	18,825	26,880
	535,814	26,880

Obligations corresponding to the above assets are as follows:

	(Thousands of yen)	
	As of November 30, 2023	As of November 30, 2024
Short-term borrowings	1,432,200	—

As of November 30, 2024, revolving mortgages related to banking transactions have been established to assets pledged, but there are no obligations corresponding to assets pledged.

*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, 2023	As of November 30, 2024
Total commitments	1,500,000	1,500,000
Borrowings	600,000	—
Unused commitments	900,000	1,500,000

*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, 2024, the Company was contingently liable for investment guarantee of ¥15,315 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, 2023: ¥14,204 thousand (3,472 thousand Baht))

*6 Notes receivable and electronically recorded monetary claims maturing on the last day of the consolidated fiscal year

Notes receivable and electronically recorded monetary claims maturing on the last day of the consolidated fiscal year are settled on the bill clearing date or settlement date. November 30, 2024, was a holiday for financial institutions, therefore notes receivable and electronically recorded monetary claims maturing on the last day of the consolidated fiscal year included in the consolidated balance sheet. These amounts are as follows:

	(Thousands of yen)	
	As of November 30, 2023	As of November 30, 2024
Notes receivable	—	125,800
Electronically recorded monetary claims	—	1,243

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, 2023	Fiscal year ended November 30, 2024
383,709	46,717

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

(Thousands of yen)		
	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Salaries	1,063,812	991,971
Retirement benefit cost	21,231	22,342
Provision of allowance for doubtful accounts	—	15,285

*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, 2023	Fiscal year ended November 30, 2024
Buildings and structures	—	459,047
Machinery and equipment, and vehicles	—	4,666
Lease assets	—	445
The right to use land	—	107,459
Other	3,160	3,866
Total	3,160	575,484

*6 Gain on sale of investment securities

For the fiscal year ended November 30, 2024

As a result of selling some of the investment securities held (1 listed stock, 1 unlisted stock), gain on sale of investment securities of ¥169,847 thousand was recorded as extraordinary income.

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

(Thousands of yen)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Machinery and equipment, and vehicles	9,382	146
Other	566	13
Total	9,948	160

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

(Thousands of yen)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Buildings and structures	2,754	—
Machinery and equipment, and vehicles	97	92
Lease assets	63	1,480
Other	20	661
Total	2,934	2,233

*9 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.

For the fiscal year ended November 30, 2024

The Group recognized impairment loss for the fiscal year ended November 30, 2024.

Location	Usage	Classification
Sakai City, Fukui	Idle assets	Construction in progress
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	1,014
Lease assets	56,931
Construction in progress	3,847
Other	3,509
Total	65,302

Background leading to recognition of impairment loss:

ALTECH NEW MATERIALS CO., LTD. and ALTECH NEW MATERIALS (SUZHOU) CO., LTD. have 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.

*10 Business restructuring expense

For the fiscal year ended November 30, 2024

Result to reviewing the base network of the new recycled-pellets business of the preform business, business restructuring expense of ¥665,393 thousand was recorded as extraordinary losses. This loss consists of loss from the liquidation of assets and liabilities of the business, costs associated with personnel reductions, etc.

MATTERS RELATED TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

* Reclassification and tax effect of other comprehensive income (loss) are as follows:

(Thousands of yen)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Valuation difference on available for sale securities:		
Arising during the year	133,414	14,825
Reclassification adjustments	—	(166,355)
Before tax effect	133,414	(151,529)
Tax effect	(26,745)	44,906
Valuation difference on available for sale securities	106,668	(106,623)
Deferred losses on derivatives under hedge accounting:		
Arising during the year	(28,875)	(46,775)
Reclassification adjustment	—	—
Before tax effect	(28,875)	(46,775)
Tax effect	8,841	14,322
Deferred losses on derivatives under hedge accounting	(20,033)	(32,452)
Foreign currency translation adjustments:		
Arising during the year	50,312	793
Reclassification adjustment	—	—
Before tax effect	50,312	793
Tax effect	—	—
Foreign currency translation adjustments	50,312	793
Share of other comprehensive income (loss) of affiliates accounted for by equity method:		
Arising during the year	(32,463)	45,141
Reclassification adjustment	—	—
Share of other comprehensive income (loss) of affiliates accounted for by equity method	(32,463)	45,141
Total other comprehensive income (loss)	104,484	(93,140)

MATTERS RELATED TO CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

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

- The increase shares in treasury shares are due to purchase of fractional shares.
- 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

For the fiscal year ended November 30, 2024

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)	1,383,361	120	—	1,383,481
Total	1,383,361	120	—	1,383,481

Notes: The increase shares in treasury shares are due to purchase of fractional 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 28, 2024	Common stock	96,387	7.00	November 30, 2023	February 29, 2024

(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, 2025	Common stock	96,386	Retained earnings	7.00	November 30, 2024	February 28, 2025

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, 2023	Fiscal year ended November 30, 2024
Cash and deposits	3,158,269	4,119,289
Time deposits with maturities of more than three months	(69,262)	(76,375)
Cash and cash equivalents	3,089,007	4,042,913

*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, 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	—

For the fiscal year ended November 30, 2024

(Thousands of yen)

	Carrying amount	Fair value	Differences
(1) Investment securities (*2)	232,103	232,103	—
Total assets	232,103	232,103	—
(1) Long-term borrowings (*3)	1,117,902	1,113,907	(3,994)
(2) Lease obligations (*4)	992,293	989,853	(2,439)
Total liabilities	2,110,195	2,103,760	(6,434)
Derivatives (*5)	(16,144)	(16,144)	—

(*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, 2023	As of November 30, 2024
Unlisted stock, etc.	445,323	378,527

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

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

(*5) 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.

Notes

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

As of November 30, 2023

(Thousands of yen)

	Due Within one year	Due after one year through five years	Due after five years through ten years	Due after over 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	—	—	—

As of November 30, 2024

(Thousands of yen)

	Due Within one year	Due after one year through five years	Due after five years through ten years	Due after over ten years
Cash and deposits	4,119,289	—	—	—
Notes receivable	229,574	—	—	—
Accounts receivable	2,222,838	—	—	—
Electronically recorded monetary claim	491,072	—	—	—
Short term loans receivable	111,507	—	—	—
Total	7,174,281	—	—	—

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, 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

As of November 30, 2024

(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	2,560,132	—	—	—	—	—
Long-term borrowings	526,902	112,000	112,000	112,000	105,000	150,000
Lease obligations	268,605	244,670	211,120	165,754	57,673	44,469
Total	3,355,639	356,670	323,120	277,754	162,673	194,469

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, 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.

As of November 30, 2024

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Available for sale securities	232,103	—	—	232,103
Total assets	232,103	—	—	232,103
Derivatives:				
Currency related (*)	—	(16,144)	—	(16,144)
Total derivatives	—	(16,144)	—	(16,144)

(*) 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, 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

As of November 30, 2024

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	1,113,907	—	1,113,907
Lease obligations	—	989,853	—	989,853
Total liabilities	—	2,103,760	—	2,103,760

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, 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

As of November 30, 2024

(Thousands of yen)

	Type of securities	Balance sheet amount	Acquisition cost	Difference
Securities for which balance sheet amount exceeds acquisition cost	(1) Equity securities	232,103	166,769	65,334
	(2) Bonds			
	1) Government bonds, local bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	232,103	166,769	65,334
Securities for which balance sheet amount does not exceed acquisition cost	(1) Equity securities	—	—	—
	(2) Bonds			
	1) Government bonds, local bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		232,103	166,769	65,334

4. Available for sale securities sold

For the fiscal year ended November 30, 2023

Not applicable.

For the fiscal year ended November 30, 2024

(Thousands of yen)

Type of securities	Sale amount	Gain on sale	Loss on sale
(1) Equity securities	216,070	169,847	—
(2) Bonds			
1) Government bonds, local bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	216,070	169,847	—

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, 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

As of November 30, 2024

(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	180,656	—	(2,900)
	Euro		16,951	—	(293)
	Other currencies		83,316	—	2,073
	Buying foreign currency				
	U.S. dollar	Accounts payable	255,180	—	(466)
	Euro		318,578	—	(12,594)
	Other currencies		81,756	—	(1,962)
	Total		936,439	—	(16,144)

(2) Interest rate related

As of November 30, 2023

Not applicable.

As of November 30, 2024

Not applicable.

RETIREMENT BENEFITS

1. Outline of retirement benefits plans

The Company introduced an optional defined contribution corporate pension plan. 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.

For the fiscal year ended November 30, 2024

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 ¥24,638 thousand.

STOCK OPTIONS, etc.

Not applicable.

INCOME TAXES

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

	As of November 30, 2023	As of November 30, 2024
(Thousands of yen)		
Deferred tax assets:		
Accrued expenses	56,441	59,027
Other payables	3,890	4,861
Allowance for doubtful receivables	—	4,741
Loss on valuation of products	161,555	116,344
Excess depreciation	117,326	105,195
Land	654	654
Unrealized intercompany profits	2,358	2,354
Revaluation loss on investment securities	12,612	11,470
Lease deposit (depreciation of asset retirement obligations)	9,789	11,155
Tax loss carryforwards (Note 2)	263,765	505,278
Other	55,261	45,091
Total deferred tax assets	683,655	866,174
Valuation allowance for tax loss carryforwards (Note 2)	(250,482)	(505,278)
Valuation allowance for total deductible temporary differences	(247,827)	(203,940)
Total valuation allowance (Note 1)	(498,310)	(709,218)
Offset with deferred tax liabilities	(69,077)	(17,006)
Net deferred tax assets	116,267	139,949
Deferred tax liabilities:		
Dividends receivable	1,234	1,104
Deferred gains (losses) on derivative under hedge accounting	9,378	—
Loss on revaluation of assets under consolidated tax return system	1,545	1,545
Valuation difference on available-for-sale securities	59,262	14,356
Other	—	0
Total deferred tax liabilities	71,421	17,006
Offset with deferred tax assets	(69,077)	(17,006)
Net deferred tax liabilities	2,343	—

Notes

1. For the year ended November 30, 2024, the valuation allowance increased by ¥210,908 thousand. This is mainly due to an increase of the valuation allowance for tax loss carryforwards of 7 consolidated subsidiaries.

2. Tax loss carryforwards will expire as follows:

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.

As of November 30, 2024

(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 (*)	16,595	17,010	10,716	66,051	280,945	113,958	505,278
Valuation allowance	(16,595)	(17,010)	(10,716)	(66,051)	(280,945)	(113,958)	(505,278)
Deferred tax assets	—	—	—	—	—	—	—

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

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

Disclosure is omitted because a "loss before income taxes and non-controlling interests" has been recorded for the fiscal year ended November 30, 2023 and 2024.

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

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

Not applicable.

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, 2024 and 2023 are ¥81,055 thousand and ¥29,844 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, 2023	Fiscal year ended November 30, 2024
Carrying amount:		
At the beginning of the year	879,917	1,646,932
Movement	767,015	(1,390,188)
At the end of the year	1,646,932	256,744
Fair value at end of the year	2,335,241	465,292

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, 2024, the increase is due to new rental of ¥39,105 thousand, the decrease is due to sales of ¥1,355,036 thousand, and the decrease is due to depreciation of ¥74,256 thousand. 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.
4. The fair value for the fiscal year ended November 30, 2024 is amount based on real estate appraisal report etc. by an external real estate appraiser. The fair value for the fiscal year ended November 30, 2023 is calculated based on real estate price published by Chinese Government.

REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

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).

For the fiscal year ended November 30, 2024

(Thousands of yen)

	Reported segments		Total
	Wholesale	Preform	
Japan	7,960,803	3,636,217	11,597,020
Asia	738,486	5,441,173	6,179,660
Americas	17,767	—	17,767
Europe	19,410	—	19,410
Revenue from contracts with customers	8,736,468	9,077,390	17,813,859
Other revenue (Note)	6,395	412,947	419,343
Revenues from third parties	8,742,864	9,490,338	18,233,202

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, 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.

As of November 30, 2024

(Thousands of yen)		
	Beginning balance	Ending balance
Contract liabilities	2,190,828	1,796,007

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 ¥1,905,526 thousand of revenue recognized in the fiscal year ended November 30, 2024. Contract liabilities decreased by ¥394,821 thousand during the fiscal year ended November 30, 2024 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 ¥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.

Unsatisfied (or partially unsatisfied) performance obligations amounted to ¥4,788,952 thousand at the end of the fiscal year ended November 30, 2024. 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, 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.

For the fiscal year ended November 30, 2024

(Thousands of yen)

	Reported segments			Adjustments (Notes 1, 2, 3 and 4)	Consolidated (Note 5)
	Wholesale	Preform	Total		
Operating revenues:					
Revenues from third parties	8,742,864	9,490,338	18,233,202	—	18,233,202
Intersegment revenues	21,900	32,375	54,276	(54,276)	—
Total	8,764,765	9,522,713	18,287,478	(54,276)	18,233,202
Segment income (loss)	628,756	(530,270)	98,485	(246,807)	(148,322)
Segment assets	4,665,601	13,256,549	17,922,150	1,570,248	19,492,398
Others:					
Depreciation and amortization	40,716	757,289	798,006	18,882	816,888
Investments in affiliates accounted for by the equity method	18,490	359,867	378,357	—	378,357
Increase in property, plant and equipment and intangible assets	21,997	704,837	726,835	4,072	730,908

Notes

1. The adjustment in “Segment income (loss)” of ¥ (246,807) thousand are the elimination of intersegment transactions of ¥37,023 thousand, the unallocated company-wide expenses of ¥ (285,309) thousand, and the adjustments of fixed assets of ¥1,477 thousand. Company-wide expenses are administrative expenses which are not attributable to the reported segments.
2. The adjustment in “Segment assets” of ¥1,570,248 thousand are the adjustment of investment capital of ¥ (10,128) thousand, the elimination of intersegment balances of ¥ (157,942) thousand and the unallocated company-wide assets (cash and deposits, investments securities, etc.) and assets related to the administrative department of ¥1,738,319 thousand.
3. The adjustment in “Depreciation and amortization” of ¥18,882 thousand are the elimination of intersegment transactions of ¥ (1,675) thousand and the depreciation of company-wide assets of ¥20,558 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, 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.

For the fiscal year ended November 30, 2024

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
11,603,416	6,592,607	17,767	19,410	—	18,233,202

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	Total
2,149,671	3,787,264	5,936,935

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, 2023

(Thousands of yen)

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

For the fiscal year ended November 30, 2024

(Thousands of yen)

	Wholesale	Preform	Adjustments	Total
Impairment loss	—	65,302	—	65,302

Information of amortization and balance of goodwill

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

For the fiscal year ended November 30, 2024

(Thousands of yen)

	Wholesale	Preform	Adjustments	Total
Amortization amount	—	6,900	—	6,900
Ending balance	—	3,450	—	3,450

Negative goodwill incurred by reported segments

For the fiscal year ended November 30, 2023

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

For the fiscal year ended November 30, 2024

Negative goodwill is not recorded for the year ended November 30, 2024

Related party information

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
Income before income taxes	1,608,968
Income	1,553,128

For the fiscal year ended November 30, 2024

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	851,469
Total non-current assets	14,205
Total current liabilities	65,969
Total non-current liabilities	—
Total net assets	799,705
Net sales	970,452
Loss before income taxes	251,234
Loss	251,234

PER SHARE INFORMATION

(Yen)

Fiscal year ended November 30, 2023		Fiscal year ended November 30, 2024	
Net assets per share	847.61	Net assets per share	826.69
Basic loss per share	(74.60)	Basic loss per share	(7.18)

Notes

- The diluted net income per share for the year ended November 30, 2023 and 2024 are not presented due to recorded basic losses per share for both years, and as there are no dilutive potential share at each year end.
- The basis for calculating net assets per share is as follows:

(Thousands of yen)

	As of November 30, 2023	As of November 30, 2024
Total net assets	11,820,568	11,163,665
Amount deducted from total net assets:		
Non-controlling interests	149,312	(219,434)
Net assets applicable to common shareholders	11,671,255	11,383,100
Number of shares outstanding at end of year on which net assets per share is calculated	13,769,639 shares	13,769,519 shares

- The basis for calculating basic loss per share is as follows:

(Thousands of yen)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Loss attributable to owners of parent	(1,026,120)	(98,820)
Income not applicable to common shareholders	—	—
Loss attributable to owners of parent applicable to common shareholders	(1,026,120)	(98,820)
Weighted average number of shares outstanding on which basic loss per share is calculated	13,754,951 shares	13,769,608 shares

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

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	3,833,148	2,560,132	1.3	—
Current portion of long-term borrowings	146,346	526,902	1.1	—
Short-term lease obligations	156,167	268,605	5.1	—
Short-term payable in installments (Note 3)	2,852	4,271	2.7	—
Long-term borrowings (excluding current portion)	1,117,902	591,000	1.0	April 20, 2029 to December 30, 2030
Long-term lease obligations (excluding current portion)	439,857	723,688	5.1	May 25, 2026 to September 30, 2033
Long-term payable in installments (excluding current portion) (Note 4)	10,695	7,843	2.7	August 31, 2028
Other interest-bearing debt	—	—	—	—
Total	5,706,968	4,682,441	—	—

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	112,000	112,000	112,000	105,000	150,000
Long-term lease obligations	244,670	211,120	165,754	57,673	44,469
Long-term payable in installments	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, 2024

Cumulative period	1st quarter	2nd quarter	3rd quarter	Full year
Net sales (Thousands of yen)	4,064,216	9,235,518	13,889,247	18,233,202
Income (loss) before income taxes and non-controlling interests (Thousands of yen)	(14,213)	6,305	441,822	(241,604)
Income (loss) attributable to owners of parent (Thousands of yen)	(42,937)	(71,839)	430,845	(98,820)
Basic earnings (loss) per share (Yen)	(3.12)	(5.22)	31.29	(7.18)

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings (loss) per share (Yen)	(3.12)	(2.10)	36.51	(38.47)

Note: Although the quarterly report for the third quarter has not been submitted, each figure for the third quarter is calculated based on the rules stipulated by the Financial Instruments and Exchange and reviewed during the period by the accounting auditor.



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

February 27, 2025

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

<Consolidated 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, 2023 to November 30, 2024, which comprise the consolidated balance sheet, the consolidated statements of operations, comprehensive income, changes in shareholder's equity, 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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

The validity of the judgment regarding the necessity of recognizing impairment losses on fixed assets of Altech New Materials Co., Ltd. and Altech New Materials (Suzhou) Co., Ltd.	
Key audit matter	How the matter was addressed in our audit
<p>The group has recorded property, plant and equipment of 5,936,935 thousand yen and intangible fixed assets of 281,505 thousand yen in the consolidated balance sheet for the current consolidated fiscal year. Among these, Altech New Materials Co., Ltd. and Altech New Materials (Suzhou) Co., Ltd. account for a significant share of the group.</p> <p>As noted in “Significant accounting estimates”, if the operating loss arising from an asset or asset group continued, or is expected to continue, etc., the Group recognizes indication of impairment.</p> <p>As in the current consolidated fiscal year, Altech New Materials Co., Ltd. and Altech New Materials (Suzhou) Co., Ltd., which are engaged in the preform business have recorded continued operating losses, indication of impairment has been recognized. Since the total amount of undiscounted future cash flows from the asset or asset group that show indication of impairment exceeds its carrying amount, impairment losses has not been recognized, excluding idle assets.</p> <p>The management has estimated the undiscounted future cash flows based on business plans and the net realizable value. The main assumptions used in business plans for calculating future cash flows are the estimated sales volumes of preforms for PET bottles and those of the new business of recycled-pellets. Net realizable value used for the expected future cash flows arising from disposal after use is based on the appraisal value, etc. by a real estate appraiser. These main assumptions involve subjective judgments by management and future uncertainties. Therefore, we have determined the validity of the judgment regarding the necessity of recognizing impairment losses on fixed assets of Altech New Materials Co., Ltd. and Altech New Materials (Suzhou) Co., Ltd. to be a key audit matter.</p>	<p>We primarily carried out the following audit procedures to evaluate the validity of the judgment regarding the necessity of recognizing impairment losses on fixed assets of Altech New Materials Co., Ltd. and Altech New Materials (Suzhou) Co., Ltd.</p> <ul style="list-style-type: none"> • We confirmed that the estimate period for future cash flows is set reasonably in comparison to the remaining useful life of the relevant assets. • We examined their consistency with the underlying business plans to evaluate the future cash flow estimates. • We assessed the accuracy of business plans estimates by comparing business plans and actual results for previous years. • In order to assess the reasonableness of the key assumptions in business plans, we discussed the feasibility of the projected sales volume related to preforms for PET bottles and the new business of recycled-pellets with the management. Additionally, we confirmed the reasonableness in light with past sales performance, market conditions, and other factors. • As for the appraisal value by the real estate appraiser, component auditors in China were involved in reviewing the real estate appraisal report and understanding the evaluation methods. In addition, we examined the validity of the appraisal value by the real estate appraiser by comparing it with available external data, such as market information from nearby, etc.

Other Information

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

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

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

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

We have nothing to report in this regard.

Management's and the Audit and Supervisory Board and its Members' Responsibilities for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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, 2024 of Altech Co., Ltd. ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at November 30, 2024 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.

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 in order to eliminate or reduce obstruction factors.

<Fee-Related information>

The amounts of fees for the audit and the other services charged to Altech Co., Ltd. and its subsidiaries by Crowe Toyo & Co. and other Crowe Network firms are disclosed in IV. CORPORATE INFORMATION 4. Corporate Governance (3) Audits.

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.