Translation

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# Summary of Consolidated Financial Results for the Year Ended December 31, 2019 (Based on Japanese GAAP)

February 6, 2020

Company name: Altech Corporation
Stock exchange listing: Tokyo
Stock code: 4641 URL https://www.alpsgiken.co.jp/
Representative: President Atsushi Imamura
Inquiries: Director General Manager Akira Kouno TEL 042(774)3333
Scheduled date of ordinary general meeting of shareholders: March 26, 2020
Scheduled date to file Securities Report: March 27, 2020
Scheduled date to commence dividend payments: March 27, 2020
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Consolidated operating results

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended December 31, 2019 | 36,371 | 11.0 | 4,014 | 11.9 | 4,098 | 13.7 | 2,908 | 9.0 |
| Year ended December 31, 2018 | 32,781 | 8.3 | 3,586 | 10.7 | 3,605 | 10.1 | 2,667 | 12.7 |

| | Earnings per share | Diluted earnings per share | Profit attributable to owners of parent/equity | Ordinary profit/total assets | Operating profit/net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended December 31, 2019 | 138.93 | – | 25.6 | 22.3 | 11.0 |
| Year ended December 31, 2018 | 124.07 | – | 23.3 | 20.2 | 10.9 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| As of December 31, 2019 | 19,471 | 12,165 | 62.4 | 579.62 |
| As of December 31, 2018 | 17,341 | 10,613 | 61.1 | 506.53 |

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended December 31, 2019 | 3,109 | (264) | (1,323) | 6,921 |
| Year ended December 31, 2018 | 2,966 | (1,013) | (4,459) | 5,406 |

2. Cash dividends

| | Annual dividends per share | | | | | Total cash dividends (Total) | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Year ended December 31, 2018 | – | 39.00 | – | 41.00 | 80.00 | 1,514 | 58.6 | 13.8 |
| Year ended December 31, 2019 | – | 35.00 | – | 38.00 | – | 1,461 | 50.3 | 12.8 |
| Year ending December 31, 2020 (Forecast) | – | 35.00 | – | 35.00 | 70.00 | | 50.4 | |

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending June 30, 2020 | 18,120 | 9.2 | 1,780 | 8.3 | 1,790 | 5.8 | 1,210 | 0.3 | 57.81 |
| Full year | 38,320 | 5.4 | 4,270 | 6.4 | 4,270 | 4.2 | 2,910 | 0.1 | 139.02 |

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2019 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

| | | | |
|---|---|---|---|
| As of December 31, 2019 | 24,746,675 shares | As of December 31, 2018 | 24,746,675 shares |

Number of treasury shares at the end of the period

| | | | |
|---|---|---|---|
| As of December 31, 2019 | 3,797,910 shares | As of December 31, 2018 | 3,831,876 shares |

Average number of shares during the period

| | | | |
|---|---|---|---|
| Year ended December 31, 2019 | 20,932,011 shares | Year ended December 31, 2018 | 21,500,162 shares |

# Consolidated financial statements
## Consolidated balance sheets

(Thousands of yen)

| | As of December 31, 2018 | As of December 31, 2019 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,902,923 | 7,442,059 |
| Notes and accounts receivable - trade | 4,630,481 | 5,382,018 |
| Securities | 1,302 | 1,301 |
| Work in process | 341,584 | 155,568 |
| Raw materials and supplies | 984 | 961 |
| Other | 378,486 | 425,392 |
| Allowance for doubtful accounts | (1,930) | (2,115) |
| Total current assets | 11,253,830 | 13,405,188 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 2,979,285 | 3,013,586 |
| Accumulated depreciation | (1,236,217) | (1,286,261) |
| Buildings and structures, net | 1,743,068 | 1,727,325 |
| Machinery, equipment and vehicles | 78,534 | 86,251 |
| Accumulated depreciation | (68,949) | (71,877) |
| Machinery, equipment and vehicles, net | 9,584 | 14,374 |
| Land | 1,457,135 | 1,449,757 |
| Other | 307,297 | 311,113 |
| Accumulated depreciation | (222,402) | (245,122) |
| Other, net | 84,895 | 65,990 |
| Total property, plant and equipment | 3,294,684 | 3,257,447 |
| Intangible assets | | |
| Goodwill | 335,704 | 277,321 |
| Other | 158,145 | 160,120 |
| Total intangible assets | 493,850 | 437,442 |
| Investments and other assets | | |
| Investment securities | 986,453 | 1,020,504 |
| Deferred tax assets | 613,757 | 643,338 |
| Noncurrent assets for rent | 276,523 | 345,035 |
| Accumulated depreciation | (173,710) | (220,968) |
| Noncurrent asserts for rent, net | 102,813 | 124,067 |
| Other | 596,032 | 583,449 |
| Total investments and other assets | 2,299,056 | 2,371,360 |
| Total non-current assets | 6,087,590 | 6,066,250 |
| Total assets | 17,341,421 | 19,471,438 |

(Thousands of yen)

| | As of December 31, 2018 | As of December 31, 2019 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 110,180 | 112,052 |
| Short-term loans payable | 700,000 | 700,000 |
| Accounts payable - other | 1,576,361 | 1,559,567 |
| Income taxes payable | 736,342 | 864,974 |
| Accrued consumption taxes | 456,023 | 839,756 |
| Provision for bonuses | 1,336,104 | 1,333,112 |
| Provision for bonuses for directors (and other officers) | 25,820 | 32,085 |
| Other | 1,477,272 | 1,546,685 |
| Total current liabilities | 6,418,105 | 6,988,234 |
| Non-current liabilities | | |
| Deferred tax liabilities | 2,188 | – |
| Retirement benefit liability | 220,062 | 206,035 |
| Other | 87,447 | 111,430 |
| Total non-current liabilities | 309,699 | 317,466 |
| Total liabilities | 6,727,805 | 7,305,700 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,347,163 | 2,347,163 |
| Capital surplus | 3,035,196 | 3,060,564 |
| Retained earnings | 8,962,864 | 10,425,509 |
| Treasury shares | (4,000,849) | (3,963,015) |
| Total shareholders' equity | 10,344,375 | 11,870,221 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 230,928 | 257,173 |
| Foreign currency translation adjustment | 18,746 | 15,021 |
| Total accumulated other comprehensive income | 249,675 | 272,195 |
| Non-controlling interests | 19,565 | 23,321 |
| Total net assets | 10,613,616 | 12,165,737 |
| Total liabilities and net assets | 17,341,421 | 19,471,438 |

## Consolidated statements of income and consolidated statements of comprehensive income
## Consolidated statements of income

(Thousands of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|---|---|---|
| Net sales | 32,781,260 | 36,371,294 |
| Cost of sales | 24,406,302 | 27,173,320 |
| Gross profit | 8,374,957 | 9,197,973 |
| Selling, general and administrative expenses | | |
| Remuneration for directors (and other officers) | 133,667 | 148,315 |
| Employees' salaries | 1,427,724 | 1,565,387 |
| Provision for bonuses | 123,754 | 129,792 |
| Retirement benefit expenses | 29,854 | 31,764 |
| Depreciation | 188,369 | 244,788 |
| Provision for bonuses for directors (and other officers) | 25,817 | 32,085 |
| Provision of allowance for doubtful accounts | 111 | 184 |
| Other | 2,858,883 | 3,031,115 |
| Total selling, general and administrative expenses | 4,788,183 | 5,183,433 |
| Operating profit | 3,586,774 | 4,014,540 |
| Non-operating income | | |
| Interest income | 1,580 | 2,718 |
| Dividend income | 22,704 | 24,569 |
| Subsidy income | 12,682 | 31,178 |
| Rent income | 39,971 | 37,963 |
| Other | 37,210 | 51,698 |
| Total non-operating income | 114,150 | 148,129 |
| Non-operating expenses | | |
| Interest expenses | 1,798 | 3,347 |
| Commission expenses | 27,009 | – |
| Cost of lease revenue | 27,121 | 20,458 |
| Contribution | 23,422 | 18,356 |
| Loss on extinguishment share-based compensation expenses | 2,024 | 9,079 |
| Foreign exchange losses | 10,843 | 8,751 |
| Other | 2,850 | 4,611 |
| Total non-operating expenses | 95,070 | 64,605 |
| Ordinary profit | 3,605,854 | 4,098,064 |

(Thousands of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|---|---|---|
| Extraordinary income | | |
| Gain on sales of non-current assets | 287 | 112 |
| donation income | 300,000 | 200,000 |
| Total extraordinary income | 300,287 | 200,112 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 27 | 443 |
| Loss on retirement of non-current assets | 2,384 | 2 |
| Impairment loss | 14,441 | – |
| Loss on valuation of investment securities | 4,123 | – |
| Loss on valuation of membership | – | 299 |
| foundation memorial project cost | 60,305 | – |
| Total extraordinary losses | 81,281 | 746 |
| Profit before income taxes | 3,824,859 | 4,297,430 |
| Income taxes - current | 1,217,285 | 1,428,509 |
| Income taxes - deferred | (61,746) | (42,858) |
| Total income taxes | 1,155,538 | 1,385,650 |
| Profit | 2,669,320 | 2,911,779 |
| Profit attributable to non-controlling interests | 1,826 | 3,647 |
| Profit attributable to owners of parent | 2,667,494 | 2,908,132 |

## Consolidated statements of comprehensive income

(Thousands of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|---|---|---|
| Profit | 2,669,320 | 2,911,779 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (207,264) | 26,244 |
| Foreign currency translation adjustment | (32,059) | (3,475) |
| Total other comprehensive income | (239,323) | 22,769 |
| Comprehensive income | 2,429,997 | 2,934,549 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,429,968 | 2,930,793 |
| Comprehensive income attributable to non-controlling interests | 28 | 3,755 |

## Consolidated statements of changes in equity

Fiscal year ended December 31, 2018

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,347,163 | 2,785,329 | 7,684,179 | (1,027,763) | 11,788,908 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (1,388,808) | | (1,388,808) |
| Profit attributable to owners of parent | | | 2,667,494 | | 2,667,494 |
| Purchase of treasury shares | | | | (3,174,823) | (3,174,823) |
| Disposal of treasury shares | | 249,867 | | 201,737 | 451,605 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | – | 249,867 | 1,278,685 | (2,973,085) | (1,444,533) |
| Balance at end of current period | 2,347,163 | 3,035,196 | 8,962,864 | (4,000,849) | 10,344,375 |

| | Accumulated other comprehensive income | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 438,192 | 49,008 | 487,200 | 19,536 | 12,295,646 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | | | (1,388,808) |
| Profit attributable to owners of parent | | | | | 2,667,494 |
| Purchase of treasury shares | | | | | (3,174,823) |
| Disposal of treasury shares | | | | | 451,605 |
| Net changes of items other than shareholders' equity | (207,264) | (30,261) | (237,525) | 28 | (237,496) |
| Total changes of items during period | (207,264) | (30,261) | (237,525) | 28 | (1,682,029) |
| Balance at end of current period | 230,928 | 18,746 | 249,675 | 19,565 | 10,613,616 |

Fiscal year ended December 31, 2019

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,347,163 | 3,035,196 | 8,962,864 | (4,000,849) | 10,344,375 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (1,445,488) | | (1,445,488) |
| Profit attributable to owners of parent | | | 2,908,132 | | 2,908,132 |
| Purchase of treasury shares | | | | (4,084) | (4,084) |
| Disposal of treasury shares | | 25,367 | | 41,918 | 67,286 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | – | 25,367 | 1,462,644 | 37,833 | 1,525,845 |
| Balance at end of current period | 2,347,163 | 3,060,564 | 10,425,509 | (3,963,015) | 11,870,221 |

| | Accumulated other comprehensive income | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 230,928 | 18,746 | 249,675 | 19,565 | 10,613,616 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | | | (1,445,488) |
| Profit attributable to owners of parent | | | | | 2,908,132 |
| Purchase of treasury shares | | | | | (4,084) |
| Disposal of treasury shares | | | | | 67,286 |
| Net changes of items other than shareholders' equity | 26,244 | (3,724) | 22,519 | 3,755 | 26,275 |
| Total changes of items during period | 26,244 | (3,724) | 22,519 | 3,755 | 1,552,121 |
| Balance at end of current period | 257,173 | 15,021 | 272,195 | 23,321 | 12,165,737 |

## Consolidated statements of cash flows

(Thousands of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 3,824,859 | 4,297,430 |
| Depreciation | 133,915 | 191,255 |
| Amortization of goodwill | 58,383 | 58,383 |
| Increase (decrease) in allowance for doubtful accounts | 111 | 184 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 1,457 | 6,265 |
| Increase (decrease) in provision for bonuses | 139,429 | (3,260) |
| Increase (decrease) in retirement benefit liability | (6,160) | (14,027) |
| Interest and dividend income | (24,285) | (27,288) |
| Subsidy income | (12,682) | (31,178) |
| Donation income | (300,000) | (200,000) |
| Interest expenses | 1,798 | 3,347 |
| Commission expenses | 27,009 | – |
| Donation | 23,422 | 18,356 |
| Loss on extinguishment share-based compensation expenses | 2,024 | 9,079 |
| Loss (gain) on sales of non-current assets | (259) | 331 |
| Loss on retirement of non-current assets | 2,384 | 2 |
| Impairment loss | 14,441 | – |
| Loss on valuation of membership | – | 299 |
| Loss (gain) on valuation of investment securities | 4,123 | – |
| Decrease (increase) in notes and accounts receivable - trade | (285,086) | (756,349) |
| Decrease (increase) in inventories | (109,238) | 182,573 |
| Increase (decrease) in notes and accounts payable - trade | (13,362) | 2,566 |
| Increase (decrease) in accounts payable - other | 226,304 | 47,694 |
| Increase (decrease) in accrued consumption taxes | (64,375) | 381,580 |
| Decrease (increase) in consumption taxes refund receivable | 1,628 | (2,261) |
| Other, net | 212,911 | 126,766 |
| Subtotal | 3,858,754 | 4,291,750 |
| Interest and dividend income received | 24,285 | 27,288 |
| Interest expenses paid | (1,800) | (3,353) |
| Proceeds from subsidy income | 12,682 | 21,178 |
| Proceeds from contribution revenues | 300,000 | 200,000 |
| Payment of contribution | (15,350) | (16,170) |
| Income taxes paid | (1,211,799) | (1,411,460) |
| Net cash provided by (used in) operating activities | 2,966,772 | 3,109,234 |

(Thousands of yen)

| | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 |
|---|---|---|
| Cash flows from investing activities | | |
| Payments into time deposits | (72,012) | (24,014) |
| Purchase of property, plant and equipment | (789,204) | (131,855) |
| Proceeds from sales of property, plant and equipment | 520 | 1,112 |
| Purchase of intangible assets | (75,454) | (90,773) |
| Purchase of investment securities | (100,000) | – |
| Proceeds from redemption of investment securities | 30,000 | – |
| Purchase of noncurrent assets for rent | (340) | (1,736) |
| Other, net | (6,616) | (16,942) |
| Net cash provided by (used in) investing activities | (1,013,106) | (264,208) |
| Cash flows from financing activities | | |
| Purchase of treasury shares | (3,196,927) | (3,870) |
| Dividends paid to non-controlling interests | (642) | – |
| Cash dividends paid | (1,261,784) | (1,319,669) |
| Net cash provided by (used in) financing activities | (4,459,354) | (1,323,539) |
| Effect of exchange rate change on cash and cash equivalents | (33,669) | (6,363) |
| Net increase (decrease) in cash and cash equivalents | (2,539,357) | 1,515,122 |
| Cash and cash equivalents at beginning of period | 7,945,526 | 5,406,169 |
| Cash and cash equivalents at end of period | 5,406,169 | 6,921,291 |