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Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]

May 13, 2024

Company name: Altech Corporation
 Code number: 4641 URL <https://www.alpsgiken.co.jp/>
 Representative: Atsushi Imamura President
 Contact: Hisaki Kikuchi Corporate Officer and General Manager of Corporate Planning
 Phone: +81-42 (774) 3333

Stock exchange listing: Tokyo

Scheduled date of filing quarterly securities report: May 14, 2024

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended March 31, 2024 (January 1, 2024 to March 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2024:	11,840	6.3	1,305	(11.4)	1,330	(12.0)	854	(31.4)
March 31, 2023:	11,138	10.4	1,473	25.2	1,511	26.8	1,244	55.6

(Note) Comprehensive income: Three months ended March 31, 2024: ¥1,071 million [-10.8%]
 Three months ended March 31, 2023: ¥1,201 million [51.9%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2024:	42.98		—	
March 31, 2023:	61.80		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024:	26,389	16,908	63.9
As of December 31, 2023	25,025	16,866	67.2

(Reference) Equity: As of March 31, 2024: ¥16,859 million As of December 31, 2023: ¥16,822 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen				
Fiscal year ended December 31, 2023	—	52.00	—	51.00	103.00
Fiscal year ending December 31, 2024	—				
Fiscal year ending December 31, 2024 (Forecast)		44.00	—	44.00	88.00

(Note 1) Revision to the forecast for dividends announced most recently: No

(Note 2) Breakdown of the 2nd quarter dividend for the fiscal year ending December 31, 2023:

Ordinary dividend 42 yen

55th Anniversary dividend 10 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2024	23,500	3.0	2,000	(16.0)	2,000	(19.0)	1,300	(28.4)	65.43
Full year	49,500	7.1	5,200	4.4	5,300	4.9	3,500	(5.3)	176.15

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

- (1) Changes in significant subsidiaries during the three months ended March 31, 2024: No
(changes in specified subsidiaries resulting in changes in scope of consolidation):
New: — (Company name), Exclusion: — (Company name)
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards : No
 - 2) Changes in accounting policies other than 1) above : No
 - 3) Changes in accounting estimates : No
 - 4) Retrospective restatement : No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):	As of March 31, 2024:	21,746,675 shares	As of December 31, 2023:	21,746,675 shares
2) Total number of treasury shares at the end of the period:	As of March 31, 2024:	1,877,856 shares	As of December 31, 2023:	1,876,739 shares
3) Average number of shares outstanding during the period:	Three months ended March 31, 2024:	19,869,137 shares	Three months ended March 31, 2023:	20,144,576 shares

* Quarterly consolidated financial results are not subject to quarterly review by certified public accountants or auditing firms.

* Explanation on appropriate use of financial results forecast, and other special notes

(Caution regarding forward-looking statements, etc.)

Please refer to “Explanation on Consolidated Financial Results Forecasts and Other Forward-looking Statements” on page 2 of the attached document for the assumptions used in developing the financial results forecasts. The forecast figures are based on information available at the present time, and contain some uncertainties. Actual results may differ from the above forecasts due to changes in business conditions and other factors.

(Reference) Non-consolidated Financial Results Forecast

Non-consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Net profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2024	18,700	6.2	2,300	(3.2)	1,600	(13.6)	80.52
Full year	38,000	4.8	5,100	5.6	3,500	(0.7)	176.15

(Note) Revision to the financial results forecast announced most recently: No

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1. Qualitative Information on Financial Results for the Period Under Review

(1) Explanation of Operating Results

During the three months under review (From January 1, 2024 to March 31, 2024), the Japanese economy was on a moderate recovery trend due to the higher appetite for investment among corporations backed by strong financial performance with continued improvement of the employment and income situation. On the other hand, the impact of the Bank of Japan's lifting of its negative interest rate policy and the continued depreciation of the yen require close monitoring of future trends. In addition, there is a possibility that a downturn in overseas economic activity, such as the impact of global monetary tightening, concerns about the outlook for the Chinese economy, and growing tension in the Middle East, will depress the Japanese economy.

Amid this social and economic environment, major manufacturing companies maintained upfront investment in R&D for competitive advantage, and requests to the Group remained firm.

Based on the corporate philosophy "Heart to Heart," the Group has set a vision of "Team Alps," and aims to raise corporate value by taking on new business challenges with the full strength of the Group. In the engineer assignment business, which is the core of the Group, we strengthened our recruitment measures and worked to secure talented engineers. In addition, we made company-wide efforts to strengthen technical education in cutting-edge technologies and the environment where growth is expected, and implemented initiatives in conjunction with sales policies such as team assignment. As a result of the above measures, both the total number of staff in operation and the contract unit price have increased. Driven by these various factors in the engineer assignment business, in the three months under review, the Company recorded net sales of 11,840 million yen (up 6.3% year on year), operating profit of 1,305 million yen (down 11.4% year on year), ordinary profit of 1,330 million yen (down 12.0% year on year), and net profit attributable to owners of parent of 854 million yen (down 31.4% year on year).

To create strengths for the next generation, the Company is strengthening its outsourcing service business, developing new business fields such as agriculture and nursing care, and expanding its manufacturing business.

The results of operations by segment are as follows:

1) Outsourcing Service Business

In the outsourcing services business, which is the Company's main business, we are engaged in the acceptance of consignment of technical projects, office staff assignment, job placement, and other services, with a focus on engineer assignment. Even in the fierce competition for talent, we focused on measures such as referral recruiting to secure talented personnel. In addition, we successfully maintained the rate of operation at a high level and raised the contract unit price by strengthening technical education in cutting-edge technologies and the environment where growth is expected, and implementing initiatives in conjunction with sales policies such as team assignment. As a result, net sales for the three months under review were 11,196 million yen (up 9.7% year on year), and operating profit was 1,204 million yen (up 1.8% year on year).

2) Global Business

In the global business, the Company provides design, manufacturing, installation and maintenance services for plant facilities, machinery and equipment, and staffing services overseas. As large-scale projects continuing from the year before last were completed last year, net sales for the three months under review were 626 million yen (down 33.1% year on year), and operating profit was 99 million yen (down 65.8% year on year).

(2) Explanation of Financial Position

Total assets at the end of the three months under review were 26,389 million yen, an increase of 1,363 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in notes and accounts receivable - trade, and contract assets. Total liabilities were 9,481 million yen, an increase of 1,322 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in provision for bonuses. As a result, net assets increased by 41 million yen from the end of the previous consolidated fiscal year to 16,908 million yen.

Accordingly, the capital adequacy ratio was 63.9%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements

As for the forecast for the fiscal year ending December 31, 2024, there are no changes to the consolidated and non-consolidated forecasts announced on February 13, 2024, as the current requests for assignment to the Group remain strong.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (December 31, 2023)	Three months under review (March 31, 2024)
Assets		
Current assets		
Cash and deposits	11,430,737	10,749,441
Notes and accounts receivable - trade, and contract assets	6,547,477	7,062,279
Merchandise and finished goods	1,074	1,074
Work in process	484,449	300,345
Raw materials and supplies	92,967	105,620
Other	706,446	854,807
Total current assets	19,263,151	19,073,570
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,366,419	3,871,352
Accumulated depreciation	(1,877,089)	(1,904,955)
Buildings and structures, net	1,489,329	1,966,396
Land	1,541,637	1,803,637
Other	652,045	660,396
Accumulated depreciation	(527,192)	(536,402)
Other, net	124,852	123,994
Total property, plant and equipment	3,155,819	3,894,027
Intangible assets		
Goodwill	159,111	298,181
Other	124,947	130,607
Total intangible assets	284,059	428,788
Investments and other assets		
Investment securities	1,023,942	1,251,548
Shares of subsidiaries and associates	32,218	32,218
Deferred tax assets	777,764	1,236,519
Other	488,730	472,910
Total investments and other assets	2,322,655	2,993,197
Total non-current assets	5,762,534	7,316,014
Total assets	25,025,686	26,389,584

(Thousands of yen)

	Previous consolidated fiscal year (December 31, 2023)	Three months under review (March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	355,993	335,290
Short-term borrowings	224,262	219,126
Accounts payable - other	1,941,659	1,591,121
Income taxes payable	760,350	1,049,444
Provision for bonuses	1,745,647	3,123,445
Provision for bonuses for directors (and other officers)	31,500	7,220
Other	2,778,929	2,833,139
Total current liabilities	7,838,342	9,158,788
Non-current liabilities		
Long-term borrowings	21,014	17,160
Retirement benefit liability	160,777	159,883
Other	138,736	145,589
Total non-current liabilities	320,527	322,632
Total liabilities	8,158,870	9,481,420
Net assets		
Shareholders' equity		
Share capital	2,347,163	2,347,163
Capital surplus	2,798,742	2,798,742
Retained earnings	13,688,994	13,529,862
Treasury shares	(2,739,199)	(2,739,199)
Total shareholders' equity	16,095,701	15,936,568
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	480,241	641,476
Foreign currency translation adjustment	246,304	281,344
Total accumulated other comprehensive income	726,545	922,820
Non-controlling interests	44,568	48,774
Total net assets	16,866,815	16,908,163
Total liabilities and net assets	25,025,686	26,389,584

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
(For the three months)

(Thousands of yen)

	For the three months of previous fiscal year (From January 1, 2023 to March 31, 2023)	For the three months under review (From January 1, 2024 to March 31, 2024)
Net sales	11,138,013	11,840,463
Cost of sales	8,278,882	8,999,980
Gross profit	2,859,131	2,840,482
Selling, general and administrative expenses	1,385,830	1,535,478
Operating profit	1,473,300	1,305,004
Non-operating income		
Interest income	1,870	876
Dividend income	100	100
Subsidy income	4,381	15,043
Foreign exchange gains	19,914	—
Other	22,361	18,725
Total non-operating income	48,627	34,744
Non-operating expenses		
Interest expenses	345	1,108
Loss on extinguishment share-based compensation expenses	4,032	2,751
Loss on investments in investment partnerships	4,789	1,459
Foreign exchange losses	—	4,046
Other	1,024	323
Total non-operating expenses	10,192	9,690
Ordinary profit	1,511,736	1,330,059
Extraordinary income		
Gain on sale of non-current assets	299	99
Gain on sale of investment securities	257,611	—
Total extraordinary income	257,911	99
Extraordinary losses		
Loss on retirement of non-current assets	0	2,383
Cancellation penalty	—	15,000
Total extraordinary losses	0	17,383
Profit before income taxes	1,769,648	1,312,775
Income taxes - current	961,705	981,500
Income taxes - deferred	(442,058)	(525,820)
Total income taxes	519,646	455,679
Profit	1,250,001	857,096
Profit attributable to non-controlling interests	5,081	3,045
Profit attributable to owners of parent	1,244,920	854,050

Quarterly Consolidated Statements of Comprehensive Income
(For the three months)

(Thousands of yen)

	For the three months of previous fiscal year (From January 1, 2023 to March 31, 2023)	For the three months under review (From January 1, 2024 to March 31, 2024)
Profit	1,250,001	857,096
Other comprehensive income		
Valuation difference on available-for-sale securities	(65,820)	161,234
Foreign currency translation adjustment	17,535	53,509
Total other comprehensive income	(48,284)	214,744
Comprehensive income	1,201,716	1,071,840
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,196,173	1,067,635
Comprehensive income attributable to non- controlling interests	5,543	4,205

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in significant subsidiaries during the three months ended March 31, 2024)

As Tanpopo Shiki no Mori was newly acquired during the three months under review, it is included in the scope of consolidation. Tanpopo Shiki no Mori is not a specified subsidiary.

(Segment Information)

[Segment Information]

I For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

1. Information on the Amount of Sales and Profit or Loss for Each Reportable Segment

(Thousands of yen)

	Reportable segment			Others	Total
	Outsourcing Service Business	Global Business	Total		
Net sales					
Sales to external customers	10,201,659	936,353	11,138,013	—	11,138,013
Intersegment sales and transfers	—	6,905	6,905	—	6,905
Total	10,201,659	943,259	11,144,919	—	11,144,919
Segment profit	1,183,137	289,533	1,472,670	—	1,472,670

2. Differences between the Total Amount of Reportable Segments Profit or Loss and the Amounts Reported in Quarterly Consolidated Statements of Income and the Details of the Differences (Matters Concerning Reconciliation of Differences)

(Thousands of yen)

Profit	Amount
Reportable segments total	1,472,670
Profit in "Others"	-
Intersegment transaction elimination	630
Operating profit in Quarterly Consolidated Statements of Income	1,473,300

II For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

1. Information on the Amount of Sales and Profit or Loss for Each Reportable Segment

(Thousands of yen)

	Reportable segment			Others (Note)	Total
	Outsourcing Service Business	Global Business	Total		
Net sales					
Sales to external customers	11,196,225	626,760	11,822,986	17,477	11,840,463
Intersegment sales and transfers	—	—	—	—	—
Total	11,196,225	626,760	11,822,986	17,477	11,840,463
Segment profit	1,204,272	99,049	1,303,321	1,036	1,304,358

(Note) "Others" is a business segment not included in the reportable segments and includes Elderly Housing with Home-care Services.

2. Differences between the Total Amount of Reportable Segments Profit or Loss and the Amounts Reported in Quarterly Consolidated Statements of Income and the Details of the Differences (Matters Concerning Reconciliation of Differences)

(Thousands of yen)

Profit	Amount
Reportable segments total	1,303,321
Profit in "Others"	1,036
Intersegment transaction elimination	646
Operating profit in Quarterly Consolidated Statements of Income	1,305,004

3. Matters Concerning Changes in Reportable Segments

The "Others" business segment has been newly added as businesses not included in the reportable segments in the three months under review as the Company acquired shares of Tanpopo Shiki no Mori and included it in the scope of consolidation.

Segment information for the three months of the previous fiscal year is presented based on the classification method after the change.

4. Information on Impairment Loss of Fixed Assets or Goodwill for Each Reportable Segment (Significant Changes in the Amount of Goodwill)

In "Others," goodwill was recognized due to the acquisition of all shares of Tanpopo Shiki no Mori and its inclusion in the scope of consolidation. The increase in goodwill due to this event was 166,001 thousand yen in the three months under review.

(Business Combination)

(Business Combination by Acquisition)

At a meeting of the Board of Directors held on September 7, 2023, the Company resolved to acquire all of the shares of Tanpopo Shiki no Mori, and make it a subsidiary, and concluded a share transfer agreement on the same day. The acquisition of the shares was completed on January 4, 2024.

(1) Overview of Business Combination

1) Name of the Acquired Company and Its Business

Name of the acquired company: Tanpopo Shiki no Mori

Business: Elderly housing with home-care services, in-home care support, and home-visit care

2) Main Reason for the Business Combination

Since its foundation in 1968, the Company has supported the development of Japanese manufacturing by developing engineers with both technical capabilities and resourcefulness and providing advanced technical services under its "Heart to Heart" corporate philosophy. Subsequently, in 2021, the Company established Alps Care Heart Corporation, and is expanding the business in the field of nursing care, which faces social challenges such as a shortage of nursing care personnel. A new member to the Group, Tanpopo Shiki no Mori, was established on November 1, 2023 through an absorption-type split by Sakamoto Kikaku Co., Ltd. The business is centered on elderly housing with home-care services, as well as in-home care support and home-visit care.

Going forward, by strengthening synergies with Alps Care Heart Corporation, and by gathering know-how, the Group will realize the provision of a variety of services for the elderly and enhance our corporate value.

3) Date of the Business Combination

January 4, 2024 (Date of acquisition of shares with cash consideration)

January 1, 2024 (Deemed acquisition date)

4) Legal Form of the Business Combination

Acquisition of shares

5) Name of the Combined Entity

The name has not been changed.

6) Ratio of Voting Rights Acquired

100%

7) Main Rationale for Determining the Acquired Company

This is because the Company acquired shares in exchange for cash.

(2) Period of the acquired company's financial results included in the quarterly consolidated statements of income

From January 1, 2024 to March 31, 2024

(3) Breakdown of Acquisition Cost and Consideration of the Acquired Company by Type

Consideration for the acquisition	Cash	246,962 thousand yen
Acquisition cost		246,962 thousand yen

(4) Details and Amounts of Major Acquisition-related Expenses

Advisory fees 27,397 thousand yen

(5) Amount of Goodwill, Cause, Method and Period of Amortization

1) Amount of Goodwill

166,001 thousand yen

2) Cause

This was incurred due to future excess earning power expected from future business development.

3) Method and Period of Amortization

Straight-line method over 7 years

(6) Amounts of Assets to Be Received and Liabilities to Be Assumed on the Date of Business Combination and Major Components

Current assets	19,761 thousand yen
Non-current assets	771,816 thousand yen
Total assets	790,816 thousand yen
Current liabilities	11,688 thousand yen
Non-current liabilities	698,167 thousand yen
Total liabilities	709,855 thousand yen

(Significant Subsequent Events)
(Transactions under common control)

Merger Between Consolidated Subsidiaries

At a meeting of the Board of Directors held on May 13, 2024, the Company resolved to conduct an absorption-type merger with Alps Care Heart Corporation, a consolidated subsidiary of the Company, as the surviving company and with Tanpopo Shiki no Mori, another consolidated subsidiary of the Company, as the absorbed company.

(1) Overview of Merger

Absorption-type merger of consolidated subsidiaries

1) Name of the Combining Company and Its Business

a. Combining company (Surviving company)

Company name: Alps Care Heart Corporation

Business: Home-visit care, other in-home care services

b. Combined company (Absorbed company)

Company name: Tanpopo Shiki no Mori

Business: Elderly housing with home-care services, in-home care support, and home-visit care

2) Purpose of Business Combination

The Company decided to conduct this absorption-type merger for the purpose of accelerating the growth of the care business by consolidating the care-related business in the Group into Alps Care Heart Corporation to strengthen the ties among businesses and offering a variety of services for the elderly.

3) Date of the Business Combination (Effective Date)

July 1, 2024

4) Legal Form of the Business Combination

Absorption-type merger with Alps Care Heart Corporation as the surviving company and Tanpopo Shiki no Mori as the absorbed company

5) Name of the Combined Entity

Alps Care Heart Corporation

(2) Overview of Accounting

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company plans to record this merger as a transaction under common control.

3. (Reference)

(1) (Summary) Quarterly Non-consolidated Statements of Income for the Three Months Ended March 31, 2024

Account	For the three months of previous fiscal year (From January 1, 2023 to March 31, 2023)	For the three months under review (From January 1, 2024 to March 31, 2024)
	Amount (Thousands of yen)	Amount (Thousands of yen)
I Net sales	8,471,463	9,188,524
II Cost of sales	6,325,391	6,985,240
Gross profit	2,146,071	2,203,283
III Selling, general and administrative expenses	1,014,971	1,156,216
Operating profit	1,131,100	1,047,066
IV Non-operating income	216,885	147,950
V Non-operating expenses	10,574	89,832
Ordinary profit	1,337,411	1,105,184
VI Extraordinary income	257,911	99
VII Extraordinary losses	0	17,200
Net profit before income taxes	1,595,322	1,088,084
Income taxes - current	840,058	800,863
Income taxes - deferred	(391,473)	(460,549)
Profit	1,146,738	747,770

- (Note)
1. The quarterly statements of income are not subject to review in the statutory disclosure.
 2. The quarterly statements of income are prepared in accordance with the "Regulation on Quarterly Financial Statements" and are presented in summarized form.