



Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [Japanese GAAP]

February 13, 2024

Company name: Altech Corporation
Stock exchange listing: Tokyo
Code number: 4641
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Scheduled date of the Annual General Meeting of Shareholders: March 26, 2024

Scheduled date of commencing dividend payments: March 27, 2024

Scheduled date of filing annual securities report: March 27, 2024

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(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	%
Fiscal year ended December 31, 2023	46,216	5.9	4,982	7.2	5,053	10.8	3,696	8.2
December 31, 2022	43,647	11.2	4,649	19.9	4,560	(0.3)	3,416	10.4

(Note) Comprehensive income: Fiscal year ended December 31, 2023 3,842 million yen (13.1%)

Fiscal year ended December 31, 2022 3,398 million yen (1.4%)

	Net profit per share	Diluted earnings per share	Return on equity	Return on asset	Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2023	185.16	—	22.7	20.5	10.8
December 31, 2022	169.47	—	22.6	19.5	10.7

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended December 31, 2023 — million yen

Fiscal year ended December 31, 2022 — million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended December 31, 2023	25,025	16,866	67.2	846.62
December 31, 2022	24,274	15,741	64.6	778.68

(Reference) Equity capital As of December 31, 2023 16,822 million yen

As of December 31, 2022 15,687 million yen

(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 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 31, 2023	3,213	138	(2,684)	10,737
December 31, 2022	3,663	(125)	(2,881)	10,003

2. Dividends

	Annual dividends					Total dividends	Payout ratio (Consolidated)	Dividend to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2022	—	38.00	—	47.00	85.00	1,711	50.2	11.4
December 31, 2023	—	52.00	—	51.00	103.00	2,046	55.6	12.7
Fiscal year ending December 31, 2024 (Forecast)	—	44.00	—	44.00	88.00		—	

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		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of 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

*Notes

- (1) Changes in significant subsidiaries during the period under review: Yes
(changes in specified subsidiaries resulting in changes in scope of consolidation):
New: — (Company name)
Exclusion: 1 company (Company name: PANA R&D CO., LTD.)
(Note) For details, please refer to “(5) Notes to Consolidated Financial Statements, (Changes in significant subsidiaries during the period under review)” on page 12 of the attached document.
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2023 21,746,675 shares
December 31, 2022 21,746,675 shares
 - 2) Number of treasury shares at the end of the period:
December 31, 2023 1,876,739 shares
December 31, 2022 1,600,065 shares
 - 3) Average number of shares outstanding during the period:
Fiscal year ended December 31, 2023 19,962,073 shares
Fiscal year ended December 31, 2022 20,162,291 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2023	36,274	8.5	4,632	8.4	4,827	8.2	3,523	4.1
December 31, 2022	33,435	8.2	4,271	25.0	4,461	7.7	3,384	18.0
	Net profit per share		Diluted earnings per share					
	Yen		Yen					
Fiscal year ended December 31, 2023	176.52		—					
December 31, 2022	167.84		—					

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	21,728	14,910	68.6	750.43
December 31, 2022	20,702	14,011	67.7	695.47

(Reference) Equity capital As of December 31, 2023 14,910 million

As of December 31, 2022 14,011 million

2. 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		Net profit 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

* Consolidated financial results are not subject to audit by certified public accountants or auditing firms.

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

The forecasts in the Future Outlook (page 3) 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.

The Company plans to hold a financial-result briefing online for institutional investors and analysts on Thursday, February 15, 2024. Materials for this briefing to be used on the day will be posted on the Company website as soon as possible after the event.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Period under Review

During the fiscal year under review (From January 1, 2023 to December 31, 2023), the Japanese economy was on a moderate recovery trend due in part to the reclassification of COVID-19 to Class 5 infectious diseases. On the other hand, there is a possibility that an increase in prices triggered by the emergence of geopolitical risks, together with a downturn in overseas economic activity, such as the impact of global monetary tightening and concerns about the outlook for the Chinese economy, will depress the Japanese economy. It is also important to pay close attention to developments in the Middle East and changes in domestic monetary policy.

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 consolidated fiscal year under review, the Company recorded net sales of 46,216 million yen (up 5.9% year on year), operating profit of 4,982 million yen (up 7.2% year on year), ordinary profit of 5,053 million yen (up 10.8% year on year), and net profit attributable to owners of parent of 3,696 million yen (up 8.2% year on year).

To create new corporate value, the Company, celebrating its 55th anniversary, is strengthening its outsourcing 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.

In the outsourcing services business, 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 fiscal year under review were 42,688 million yen (up 6.3% year on year), and operating profit was 4,548 million yen (up 2.7% 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.

In the global business, net sales for the consolidated fiscal year under review were 3,527 million yen (up 0.6% year on year), and operating profit was 431 million yen (up 99.4% year on year), due to additional orders for large-scale projects since 2022.

(2) Overview of Financial Position for the Period under Review

Total assets at the end of the consolidated fiscal year under review were 25,025 million yen, an increase of 751 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits. Total liabilities were 8,158 million yen, a decrease of 373 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease in income taxes payable. As a result, net assets increased by 1,124 million yen from the end of the previous consolidated fiscal year to 16,866 million yen.

Accordingly, the capital adequacy ratio was 67.2%.

(3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents at the end of the consolidated fiscal year under review (hereinafter referred to as "net cash") amounted to 10,737 million yen, an increase of 734 million yen from the end of the previous consolidated fiscal year.

The status of cash flows for the consolidated fiscal year under review and their factors for change are as follows:

1) Cash flows from operating activities

Net cash provided by operating activities amounted to 3,213 million yen in the consolidated fiscal year under review (down 12.3% year on year). This was mainly due to an increase in inventories.

2) Cash flows from investing activities

Net cash provided by investing activities amounted to 138 million yen in the consolidated fiscal year under review (previous consolidated fiscal year: net cash used in investing activities of 125 million yen). This was mainly due to an increase in proceeds from sales of investment securities.

3) Cash flows from financing activities

Net cash used in financing activities was 2,684 million yen in the consolidated fiscal year under review (down 6.8% year on year). This was mainly due to a decrease in repayment of short-term borrowings.

(4) Future Outlook

Although there are concerns about the impact of foreign exchange fluctuations and other factors caused by stagnant economic trends in China and monetary policy changes at home and abroad, requests for assignment from major manufacturing companies, the Group's main customers, remain firm, and we expect this trend to continue.

Please refer to the Summary Information for the financial results forecast (consolidated and non-consolidated) for the next period.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Periods

With regard to the distribution of profits, the Company positions the return of profits to shareholders as one of the important management issues and aims to share earnings in accordance with financial results. Retained earnings will be utilized for investments in education, systems and others that contribute to the improvement of corporate value over the medium to long term. Dividends to shareholders will be paid in cash on a consolidated basis with a dividend payout ratio of 50% as an indicator. The interim dividend is expected to be 50% of the annual dividend. In addition, the basic policy is to maintain an annual dividend of 10 yen (interim and year-end dividends of 5 yen each) per share, regardless of financial results, with the aim of maintaining a stable dividend.

The annual dividend for the consolidated fiscal year under review will be 103 yen per share, and since we have already paid an interim dividend of 52 yen (including a commemorative dividend of 10 yen for the 55th anniversary), the Board of Directors has resolved that the year-end dividend will be 51 yen, and it will be submitted to the Annual General Meeting of Shareholders scheduled to be held in March 2024.

With regard to the dividend for the next period, the Company plans to pay an annual dividend of 88 yen per share (Interim and year-end dividends of 44 yen each).

2. Basic Views on the Selection of Accounting Standards

As many of the Group's stakeholders are domestic shareholders, creditors, and business partners, and there is little need to raise funds from overseas, Japanese accounting standards are applied.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	10,696,566	11,430,737
Notes and accounts receivable - trade, and contract assets	6,622,872	6,547,477
Merchandise and finished goods	1,074	1,074
Work in process	238,003	484,449
Raw materials and supplies	57,597	92,967
Other	535,665	706,446
Total current assets	18,151,780	19,263,151
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,301,101	3,366,419
Accumulated depreciation	(1,737,179)	(1,877,089)
Buildings and structures, net	1,563,922	1,489,329
Machinery, equipment and vehicles	213,831	219,096
Accumulated depreciation	(180,412)	(187,886)
Machinery, equipment and vehicles, net	33,418	31,210
Land	1,527,337	1,541,637
Other	346,955	432,948
Accumulated depreciation	(293,246)	(339,306)
Other, net	53,708	93,641
Total property, plant and equipment	3,178,388	3,155,819
Intangible assets		
Goodwill	243,122	159,111
Other	141,115	124,947
Total intangible assets	384,237	284,059
Investments and other assets		
Investment securities	1,049,802	1,023,942
Shares of subsidiaries and associates	32,218	32,218
Deferred tax assets	862,242	777,764
Other	615,857	488,730
Total investments and other assets	2,560,120	2,322,655
Total non-current assets	6,122,746	5,762,534
Total assets	24,274,526	25,025,686

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	459,100	355,993
Short-term borrowings	274,391	224,262
Accounts payable - other	1,978,431	1,941,659
Income taxes payable	897,393	760,350
Accrued consumption taxes	929,610	788,459
Provision for bonuses	1,704,119	1,745,647
Provision for bonuses for directors (and other officers)	28,497	31,500
Other	1,861,504	1,990,470
Total current liabilities	8,133,048	7,838,342
Non-current liabilities		
Long-term borrowings	45,276	21,014
Provision for retirement benefits for directors (and other officers)	1,470	1,470
Deferred tax liabilities	4,012	—
Retirement benefit liability	177,916	160,777
Other	170,861	137,266
Total non-current liabilities	399,535	320,527
Total liabilities	8,532,583	8,158,870
Net assets		
Shareholders' equity		
Share capital	2,347,163	2,347,163
Capital surplus	2,784,651	2,798,742
Retained earnings	11,973,136	13,688,994
Treasury shares	(1,987,433)	(2,739,199)
Total shareholders' equity	15,117,517	16,095,701
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	385,442	480,241
Foreign currency translation adjustment	184,722	246,304
Total accumulated other comprehensive income	570,165	726,545
Non-controlling interests	54,259	44,568
Total net assets	15,741,943	16,866,815
Total liabilities and net assets	24,274,526	25,025,686

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (From January 1, 2023 to December 31, 2023)
Net sales	43,647,698	46,216,036
Cost of sales	33,159,104	35,263,472
Gross profit	10,488,594	10,952,564
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	173,765	175,054
Employee salaries	1,704,393	1,774,611
Provision for accrued bonuses	239,803	184,574
Retirement benefit expenses	32,352	33,237
Depreciation	285,719	283,759
Provision for accrued bonuses for directors (and other officers)	28,497	32,020
Provision of allowance for doubtful accounts	(3,817)	—
Other	3,378,702	3,486,837
Total selling, general and administrative expenses	5,839,416	5,970,095
Operating profit	4,649,178	4,982,468
Non-operating income		
Interest income	6,074	9,697
Dividend income	30,107	27,028
Subsidy income	139,293	21,315
Foreign exchange gains	—	23,573
Other	90,838	108,562
Total non-operating income	266,313	190,177
Non-operating expenses		
Interest expenses	2,613	908
Donations	309,703	81,671
Foreign exchange losses	3,447	—
Other	38,730	36,753
Total non-operating expenses	354,493	119,332
Ordinary profit	4,560,997	5,053,312
Extraordinary income		
Gain on sale of non-current assets	253	364
Gain on sale of investment securities	—	257,611
Donation income	300,000	—
Total extraordinary income	300,253	257,975
Extraordinary losses		
Impairment losses	128,330	51,573
Loss on retirement of non-current assets	8	1,786
Total extraordinary losses	128,338	53,360
Net profit before income taxes	4,732,912	5,257,928
Income taxes - current	1,542,833	1,484,622
Income taxes - deferred	(214,369)	84,561
Total income taxes	1,328,463	1,569,183
Net profit	3,404,448	3,688,744
Net profit/(loss) attributable to non-controlling interests	(12,483)	(7,335)
Profit attributable to owners of parent	3,416,932	3,696,080

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (From January 1, 2023 to December 31, 2023)
Net profit	3,404,448	3,688,744
Other comprehensive income		
Valuation difference on available-for-sale securities	(53,969)	94,798
Foreign currency translation adjustment	48,380	59,226
Total other comprehensive income	(5,588)	154,025
Comprehensive income	3,398,860	3,842,769
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,414,398	3,852,460
Comprehensive income attributable to non-controlling interests	(15,538)	(9,690)

(3) Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	2,347,163	3,124,180	13,489,035	(4,931,131)	14,029,247
Changes during the period					
Dividend of surplus			(1,565,052)		(1,565,052)
Profit attributable to owners of parent			3,416,932		3,416,932
Acquisition of treasury shares				(843,970)	(843,970)
Disposal of treasury shares		27,691		52,668	80,360
Retirement of treasury shares		(3,735,000)		3,735,000	—
Transfer from retained earnings to capital surplus		3,367,779	(3,367,779)		—
Net changes in items other than shareholders' equity					
Total changes during the period	—	(339,529)	(1,515,899)	2,943,698	1,088,269
Ending balance	2,347,163	2,784,651	11,973,136	(1,987,433)	15,117,517

	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		
Beginning balance	439,412	133,287	572,700	33,218	14,635,166
Changes during the period					
Dividend of surplus					(1,565,052)
Profit attributable to owners of parent					3,416,932
Acquisition of treasury shares					(843,970)
Disposal of treasury shares					80,360
Retirement of treasury shares					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity	(53,969)	51,435	(2,534)	21,041	18,506
Total changes during the period	(53,969)	51,435	(2,534)	21,041	1,106,776
Ending balance	385,442	184,722	570,165	54,259	15,741,943

Consolidated fiscal year under review (From January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	2,347,163	2,784,651	11,973,136	(1,987,433)	15,117,517
Changes during the period					
Dividend of surplus			(1,980,273)		(1,980,273)
Profit attributable to owners of parent			3,696,080		3,696,080
Acquisition of treasury shares				(766,435)	(766,435)
Disposal of treasury shares		14,091		14,669	28,760
Other			51		51
Net changes in items other than shareholders' equity					
Total changes during the period	—	14,091	1,715,857	(751,765)	978,183
Ending balance	2,347,163	2,798,742	13,688,994	(2,739,199)	16,095,701

	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		
Beginning balance	385,442	184,722	570,165	54,259	15,741,943
Changes during the period					
Dividend of surplus					(1,980,273)
Profit attributable to owners of parent					3,696,080
Acquisition of treasury shares					(766,435)
Disposal of treasury shares					28,760
Other					51
Net changes in items other than shareholders' equity	94,798	61,581	156,379	(9,690)	146,689
Total changes during the period	94,798	61,581	156,379	(9,690)	1,124,872
Ending balance	480,241	246,304	726,545	44,568	16,866,815

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (From January 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Net profit before income taxes	4,732,912	5,257,928
Depreciation	200,483	257,338
Impairment losses	128,330	51,573
Amortization of goodwill	101,220	84,010
Increase (decrease) in allowance for doubtful accounts	(3,839)	—
Increase (decrease) in provision for bonuses for directors (and other officers)	(3,762)	3,002
Increase (decrease) in provision for bonuses	278,894	29,280
Increase (decrease) in retirement benefit liability	(14,415)	(17,138)
Interest and dividend income	(36,181)	(36,725)
Subsidy income	(139,293)	(21,315)
Interest expenses	2,613	908
Donations	309,703	81,671
Donation income	(300,000)	—
Loss (gain) on sale of non-current assets	(253)	(364)
Loss (gain) on sale of investment securities	—	(257,611)
Loss on retirement of non-current assets	8	1,786
Other non-operating income	(90,838)	(108,562)
Other non-operating expenses	38,730	36,753
Decrease (increase) in trade receivables and contract assets	(1,132,369)	141,588
Decrease (increase) in inventories	79,898	(281,815)
Increase (decrease) in trade payables	121,647	(120,200)
Increase (decrease) in other payables	254,827	(35,015)
Increase (decrease) in accrued consumption taxes	169,178	(139,943)
Decrease (increase) in consumption taxes refund	(11,943)	9,592
Other	266,154	51,358
Subtotal	4,951,704	4,988,100
Proceeds from interest and dividend income	36,181	36,507
Interest paid	(2,528)	(907)
Proceeds from subsidy income	132,469	21,315
Proceeds from contribution	300,000	—
Contribution paid	(309,703)	(81,671)
Income taxes paid	(1,444,575)	(1,749,696)
Cash flows from operating activities	3,663,548	3,213,647

	(Thousands of yen)	
	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (From January 1, 2023 to December 31, 2023)
Cash flows from investing activities		
Purchase of property, plant and equipment	(57,134)	(175,604)
Proceeds from sales of property, plant and equipment	292	364
Proceeds from sales of investment securities	—	361,530
Proceeds from collection of loans	45,000	—
Purchase of intangible assets	(45,543)	(48,722)
Purchase of non-current assets for rent	(852)	—
Payments from changes in ownership interests in subsidiaries that result in change in scope of consolidation	(65,776)	—
Other	(1,918)	1,055
Cash flows from investing activities	(125,932)	138,622
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(519,339)	(50,129)
Repayment of long-term borrowings payable	(54,891)	(24,262)
Purchases of treasury shares	(844,595)	(767,014)
Dividends paid to non-controlling interests	(10,833)	(7,688)
Dividends paid	(1,451,682)	(1,835,481)
Proceeds from sales of treasury shares	300	98
Cash flows from financing activities	(2,881,041)	(2,684,477)
Net effect of exchange rate changes on cash and cash equivalents	54,044	66,373
Net increase (decrease) in cash and cash equivalents	710,618	734,167
Cash and cash equivalents at beginning of period	9,293,055	10,003,673
Cash and cash equivalents at end of period	10,003,673	10,737,841

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern)

Not applicable.

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

The Company acquired 281,100 shares of common stock on May 15, 2023 through the Tokyo Stock Exchange's Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) pursuant to a resolution of the Board of Directors meeting held on May 11, 2023. As a result, treasury shares increased by 751,765 thousand yen in the consolidated fiscal year under review, including an increase due to the purchase of fractional shares.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the consolidated fiscal year under review, and has applied the new accounting policies specified in the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional treatment specified in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future. This change in accounting policies has no impact on the consolidated financial statements.

(Changes in Significant Subsidiaries During the Consolidated Fiscal Year under Review)

During the second quarter of the consolidated fiscal year, the consignment acceptance division of PANA R&D CO., LTD., a consolidated subsidiary of the Company, was merged in an absorption-type split into Digital Spice Corporation, another consolidated subsidiary of the Company, as the successor company. In addition, other than the consignment acceptance division of PANA R&D CO., LTD., an absorption-type merger was conducted with the Company as the surviving company. As a result, PANA R&D CO., LTD. is excluded from the scope of consolidation.

(Segment Information)

1. Overview of Reportable Segments

The Company's reportable segments are the Group's operating units whose separate financial information is available, and are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and to evaluate performance.

The Company is focusing on the outsourcing services business, the Group's core business, and considering its content and market similarity, we have two reporting segments, the outsourcing services business and the global business.

In the outsourcing service business, the Group provides technical services through assignment and contracting, mainly through its core engineer assignment business.

In the global business, the Company provides installation and maintenance services for production facilities and staffing services to Japanese companies overseas.

2. Method of Calculating the Amount of Sales, Profit or Loss, Assets, Liabilities and Other Items for Each Reportable Segment

Accounting for the reported business segments is the same as the one described in "Material Matters That Serve as the Basis for Preparation of Consolidated Financial Statements."

Profit of the reportable segments is based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

3. Information on the Amount of Sales, Profit or Loss, Assets, Liabilities and Other Items for Each Reportable Segment

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Outsourcing Service Business	Global Business	Total
Net sales			
Sales to external customers	40,141,746	3,505,952	43,647,698
Intersegment sales and transfers	—	46,182	46,182
Total	40,141,746	3,552,134	43,693,881
Segment profit	4,430,158	216,386	4,646,544
Segment assets	22,521,196	2,026,909	24,548,105
Other items			
Depreciation	195,599	4,883	200,483
Amortization of goodwill	101,220	—	101,220
Increase in property, plant and equipment and intangible assets	98,080	3,577	101,657

Consolidated fiscal year under review (From January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Outsourcing Service Business	Global Business	Total
Net sales			
Sales to external customers	42,688,153	3,527,883	46,216,036
Intersegment sales and transfers	—	38,815	38,815
Total	42,688,153	3,566,698	46,254,852
Segment profit	4,548,440	431,507	4,979,948
Segment assets	23,428,038	2,135,665	25,563,703
Other items			
Depreciation	253,828	3,509	257,338
Amortization of goodwill	84,010	—	84,010
Increase in property, plant and equipment and intangible assets	214,904	2,737	217,642

4. Differences between the Total Amount of Reportable Segments and the Amounts Reported in Consolidated Financial Statements and the Details of the Differences (Matters Concerning Reconciliation of Differences)

(Thousands of yen)

Net sales	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	43,693,881	46,254,852
Intersegment transaction elimination	(46,182)	(38,815)
Net sales in Consolidated Financial Statements	43,647,698	46,216,036

(Thousands of yen)

Profit	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	4,646,544	4,979,948
Intersegment transaction elimination	2,633	2,520
Operating profit in Consolidated Financial Statements	4,649,178	4,982,468

(Thousands of yen)

Assets	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	24,548,105	25,563,703
Intersegment transaction elimination	(273,579)	(538,017)
Total assets in Consolidated Financial Statements	24,274,526	25,025,686

(Thousands of yen)

Other items	Reportable segments total		Reconciliations		Amount reported in Consolidated Financial Statements	
	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review
Depreciation	200,483	257,338	—	—	200,483	257,338
Amortization of goodwill	101,220	84,010	—	—	101,220	84,010
Increase in property, plant and equipment and intangible assets	101,657	217,642	—	—	101,657	217,642

(Per Share Information)

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (From January 1, 2023 to December 31, 2023)
Net assets per share	778.68 yen	846.62 yen
Net profit per share	169.47 yen	185.16 yen

(Note) 1. Diluted earnings per share is not presented because there are no diluted shares.

2. The basis for calculating the amount of net assets per share is as follows:

	Previous consolidated fiscal year (December 31, 2022)	Consolidated fiscal year under review (December 31, 2023)
Total amount of net assets (Thousands of yen)	15,741,943	16,866,815
Amount to be deducted from the total amount of net assets (Thousands of yen)	54,259	44,568
(Of those, non-controlling interests)	(54,259)	(44,568)
Net assets of common shares at end of period (Thousands of yen)	15,687,683	16,822,246
Number of common shares at end of period (shares)	20,146,610	19,869,936

3. The basis for calculating net profit per share is as follows:

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (From January 1, 2023 to December 31, 2023)
Net profit per share		
Profit attributable to owners of parent (Thousands of yen)	3,416,932	3,696,080
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent for common shares (Thousands of yen)	3,416,932	3,696,080
Average number of shares outstanding during the period (shares)	20,162,291	19,962,073

(Significant Subsequent Events)

(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

Description of the 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

(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 will acquire shares in exchange for cash.

2. Breakdown of Acquisition Cost and Consideration of the Acquired Company by Type

Consideration for the acquisition	Cash	246,962	(Thousands of yen)
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Acquisition cost	246,962	(Thousands of yen)
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3. Details and Amounts of Major Acquisition-related Expenses

Advisory fees	27,397	(Thousands of yen)
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4. Amount of Goodwill, Cause, Method and Period of Amortization

It is not yet finalized at this time.

5. Amounts of Assets to Be Received and Liabilities to Be Assumed on the Date of Business Combination and Major Components

It is not yet finalized at this time.

4. Non-consolidated Statements of Income
Statements of Income

	(Thousands of yen)	
	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Net sales	33,435,192	36,274,311
Cost of sales	24,784,535	27,097,022
Gross profit	8,650,657	9,177,288
Selling, general and administrative expenses	4,378,972	4,544,753
Operating profit	4,271,684	4,632,535
Non-operating income		
Interest income	1,478	2,850
Dividend income	336,076	337,394
Foreign exchange gains	—	21,856
Subsidy income	112,326	20,138
Other	89,948	122,306
Total non-operating income	539,829	504,546
Non-operating expenses		
Interest expenses	845	462
Donations	309,703	127,364
Foreign exchange losses	1,562	—
Provision of allowance for doubtful accounts for subsidiaries and associates	—	144,328
Other	37,511	37,343
Total non-operating expenses	349,621	309,499
Ordinary profit	4,461,892	4,827,582
Extraordinary income		
Gain on sale of non-current assets	101	364
Gain on sale of investment securities	—	257,611
Donation income	300,000	—
Gain on extinguishment of tie-in shares	—	30,140
Total extraordinary income	300,101	288,116
Extraordinary losses		
Impairment losses	2,782	—
Loss on retirement of non-current assets	8	1,786
Loss on valuation of shares of subsidiaries and affiliates	230,790	225,943
Total extraordinary losses	233,581	227,730
Net profit before income taxes	4,528,412	4,887,968
Income taxes - current	1,305,804	1,310,735
Income taxes - deferred	(161,443)	53,611
Total income taxes	1,144,361	1,364,347
Net profit	3,384,051	3,523,621