



Bridge Report Altech Corporation (4641)

 Soichi Ushijima, President	Company	Altech Corporation	 The Human Makes Future—Next Technology Frontier
	Code No.	4641	
	Exchange	First Section, TSE	
	Industry	Service	
	President	Soichi Ushijima	
	HQ Address	Queen's Tower C 18F, 2-3-5 Minatomirai, Nishi-ku, Yokohama, Kanagawa, 220-6218, Japan	
Business Description	Altech Corporation conducts technical expert, engineer assignment, and boasts of particular strengths in upstream processes of development and design for product development in the machine, electronics, software, information technology and other industries. Subsidiaries provide job placement support and other comprehensive human resources services within Japan, and engineering services in Taiwan and Shanghai, China.		
Year-end	December		
Homepage	http://www.alpsgiken.co.jp/english/index.html		

— Stock Information —

Share Price	Shares Outstanding		Market Cap.	ROE (actual)	Trading Unit
¥1,717	10,271,970 shares		¥17.637 billion	14.4%	100 shares
DPS(Est.)	Dividend Yield (Est.)	EPS(Est.)	PER(Est.)	BPS(actual)	PBR(actual)
¥65.00	3.8%	¥128.51	13.4x	¥881.98	1.9x

* Stock price as of closing on February 17, 2015. Number of shares issued at the end of the most recent quarter excluding treasury shares. ROE and BPS are from the end of last fiscal year.

— Consolidated Earnings Trends —

(Unit: Million Yen)

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	Dividend (¥)
December 2011	16,910	768	891	691	62.24	31.00
December 2012	17,460	1,162	1,223	603	55.26	28.00
December 2013	18,097	1,070	1,089	651	60.63	45.00
December 2014	20,169	1,626	1,617	1,260	119.81	60.00
December 2015 Est.	22,600	1,870	1,920	1,320	128.51	65.00

* Estimates are those of the Company. An additional ¥15 per share was paid to commemorate the 45th year anniversary of the Company during FY12/13.

We present this Bridge Report reviewing Altech Corporation and details of its fiscal year December 2014 earnings results.

1. Company Overview
2. Strengths and Characteristics
3. Fiscal Year December 2014 Earnings Results
4. Fiscal Year December 2015 Earnings Estimates
5. Conclusions

Key Points

- Sales and ordinary income rose by 11.5% and 48.4% year-on-year respectively during fiscal year December 2014. Strong sales of the outsourcing services business (Assignment of technical experts, engineers to major manufacturing companies) to clients, especially in the automobile industry, are credited for the higher overall sales. Operating income rose by 51.9% year-on-year due to record high average utilization rates and higher pricing during the full year. A full year dividend of ¥60 per share (A ¥15 increase from the previous term), which includes a yearend dividend of ¥50, is expected to be paid.
- Altech Corporation's fiscal year December 2015 earnings estimates call for sales and ordinary income to rise by 12.1% and 18.7% year-on-year respectively. The technical expert assignment service within the outsourcing services business is expected to continue to trend strongly. The 2,330 technical experts, up 8.7% from the beginning of the previous term, are expected to operate at full utilization rates. In addition, efforts will be made to assign the 140 mid-career and 270 new graduate hires at an early stage in response to the needs, and to improve profitability by increasing contract pricing.
- Atsushi Imamura, director of the marketing and sales promotion division, is expected to be appointed as the new president following the successful passage of resolutions to be submitted in the annual general shareholders' meeting and board of directors meeting to be held immediately thereafter on March 25, 2015. This rejuvenation in management is taken as a step to fortify the overall management structure and is based upon the outlook for the "need to transform our Company in response to changes in the operating environment." Altech Corporation will pursue higher levels of growth based upon this new management structure.

1. Company Overview

Altech Corporation is one of the industry's leading technical expert and engineer assignment companies, with particular strengths in assignment of "Alps Engineer" brand technical experts, who are retained as full time employees of Altech, and a client list of about 400 major manufacturing companies operating in the automobile and automobile parts, electronics, semiconductor and other industries. The Company provides high value added services focused upon the upstream manufacturing cycle processes of "research, planning and design" that require high levels of technological skills. Altech Corporation has implemented human character and technological skills training since its founding as a means of cultivating technical experts who not only have high levels of technological skills but also human skills as a great member of the society.

<Corporate History>

1968	July	The Company was founded as Matsui Design Office in Kanagawa Prefecture. The first five-year plan, "Develop the Company," was started.
1971	January	Matsui Design Office was renamed and incorporated as a private limited company, Altech Inc.
1981	March	Reorganized into a publicly traded company and renamed Altech Corporation
1986	April	Established a technological research subsidiary called "Technical Training Center Co., Ltd." (Currently known as Alps Business Services Co., Ltd.)
1990	October	Adopted an independent divisional organization structure to utilize profit center management and accounting systems with six different divisions
1996	June	Altech listed on the OTC market of the Japan Securities Dealers Association (Currently known as JASDAQ).
1998	December	Incorporated Altech Taiwan Co., Ltd. (Altech Shine Co., Ltd.) in Taipei City, Taiwan as a wholly owned subsidiary of Altech Corporation
2000	September	Listed on the second section of the Tokyo Stock Exchange.
2001	July	Constructed a new headquarter building and completed construction of a comprehensive training center.
2004	October	Established "Alps International Mechanical Design Engineer Education Center" through a technological collaborative partnership with Qingdao University of Science and Technology in China.
	December	Listed on the first section of the Tokyo Stock Exchange
2006	April	Established "Alps International Mechanical Design Engineer Education Center" through a technological collaborative partnership with China University of Petroleum in China.
	May	Opened an assisted care senior citizen nursing home called "Ayase"

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2007	February	Participated in the establishment of Nippon Engineering Outsourcing Association (NEOA). Through NEOA, providing opinions and advice about policies regarding revisions of The Worker Dispatching Act thereafter.
2009	January	Created the subsidiary Altech Forest Corporation (Capitalization of ¥100 million)
2010	March	Established the subsidiary Altech Shanghai Co., Ltd. (China) in Shanghai, China
2011	March	Moved the headquarters to Nishi-ku, Yokohama City, Kanagawa Prefecture.
2012	August	Established the subsidiary Alps Career Designing Corporation in Chiyoda-ku, Tokyo (Capitalization of ¥200 million).
2013	July	Celebrated the 45 th anniversary of operations since establishment
2014	December	Altech Corporation sells all of its shares of Altech Forest Corporation and removes it from the scope of consolidation

Chairman Toshio Matsui originally founded Altech Corporation as Matsui Design Office in 1968. At the time, various problems arose from the fact that electrical and mechanical design processes were conducted separately. Toshio Matsui came up with a unique solution called “integrated electrical and mechanical design” to overcome this problem. While he and his Company encountered numerous difficulties in the face of the oil crisis and other critical moments, the tireless efforts of Toshio Matsui and his company staff and their ability to “provide technologies that meet the clients’ needs” as a venture company quickly won the support of its clients.

The Worker Dispatching Act was implemented in July 1986. The provision, introduction and solicitation to corporations of workers had been prohibited by The Employment Security Act, but the implementation of The Worker Dispatching Act in response to diversification of the work environment and changes in demand allowed for “worker assignment” services to be provided. Based upon this change and with the goal of increasing recognition and understanding of the worker assignment industry, the Company listed its shares on the over the counter market in June 1996. The Company moved its listing to the Second Section, and then later to the First Section of the Tokyo Stock Exchange in September 2000 and December 2004 respectively. And while utilization rates of assigned workers declined to 60% in the third quarter of 2009 in the aftermath of the “Lehman Shock,” Altech Corporation developed a reputation for being a company that looks after its employees by avoiding any layoffs or restructurings despite the difficult operating environment (the utilization rates of the year in December 2014, excluding new graduate hires, is 97.4% by full-year average).

Toshio Matsui established the Company name “Alps Giken” in Japanese to reflect the symbolism of the magnificent Alps and because of his love for mountains.

<Corporate Philosophy>

The Human Makes Future—Next Technology Frontier



“Heart to Heart”

Altech Corporation values the heart-to-heart relationship between human beings, and recognizes the principle that “human relationship is the foundation for the development of everything from society to companies and individuals.” The Company also identifies kindness, care, and truth as important characteristics in relationships. It is important to remain stoic and disciplined in the process of pursuing the research of human beings. As a member of corporation, it is also vital to be passionate about technologies and products of the corporation put forth into society.

At the time of the Company’s founding, it was deemed that “proper and superior management philosophy was the most important factor in pursuing growth and development of the company.” Based upon this belief, the corporate philosophy of “Heart to Heart” was adopted. It is also deemed important for engineers and technical experts to maintain the essence of this corporate philosophy of “a strict attitude towards employees is warranted if it is designed to contribute to a better future for that individual in the process of developing human relationships.” Altech also values the belief that “a company is only as good as its people,” and it focuses upon cultivating human resources with the goal of developing human relationships that contribute to corporate growth and development. Altech has historically maintained a focus upon employee training based upon the concepts of “cultivation of human resources as the backbone of management for small to medium sized corporations” and “companies being a stage for people to realize their potential.”

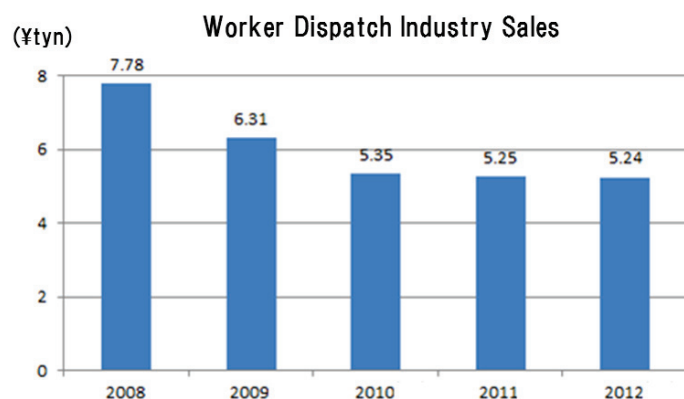
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<Market Environment>

◎Market Overview

According to the “White Paper on Worker Dispatching Business” published by the Ministry of Health, Labor and Welfare, the total sales arising from worker dispatching business, which includes general and specialized worker dispatching, declined by a large margin in the aftermath of the Lehman Shock, but more recently trended stably around the ¥5 trillion level.



(Ministry of Health, Labor and Welfare “Fiscal Year 2013 Worker Dispatching Business White Paper”)

The size of the “technical expert assignment market” in which Altech participates is estimated to be ¥1.1331 trillion in size or about 20% of the total worker assignment market in fiscal year 2010, according to the “Technical Expert Assignment Industry and Specialized Assignment Business (June 2013)” survey conducted by the Nippon Engineering Outsourcing Association (NEOA), to which Altech belongs. Customer demand for outsourcing is growing along with the recent recovery in the economy, and utilization rates (the percent of Altech’s technical experts who have been assigned to client companies relative to their total number) have remained at close to full utilization since the latter half of 2013.

◎Competitor Conditions

There are about 10 companies, many of which also belong to the Nippon Engineering Outsourcing Association (NEOA), that may be considered to be competitors to Altech Corporation depending upon the market region.

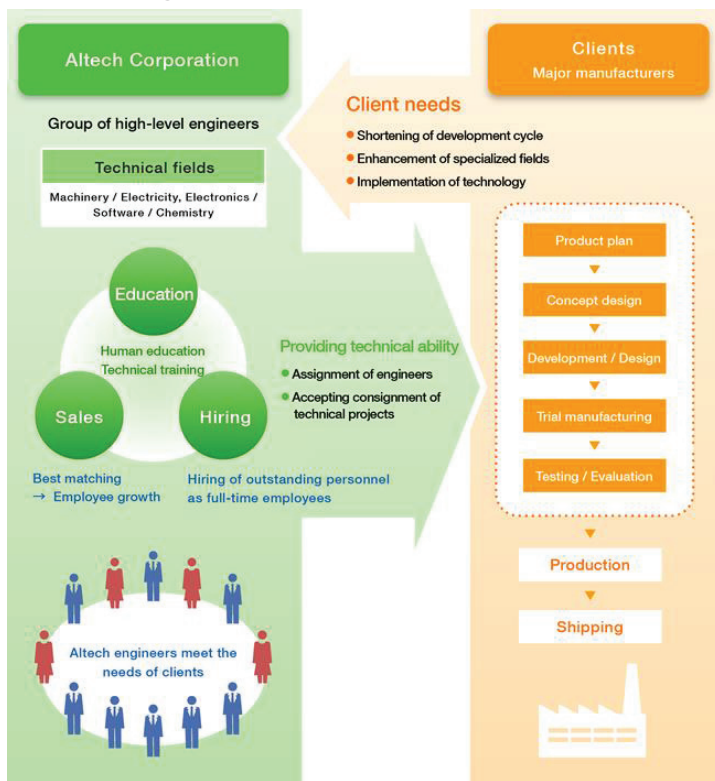
<Business Description>

The “outsourcing service business” that assigns “Alps Engineer” technical experts to some 400 client companies (major manufacturing companies) comprised 92.8% of Altech’s total sales during fiscal year December 2014. Technical experts assigned to client companies on a long-term contract basis are full time employees of Altech. As of the end December 2014, the total number of technical experts stood at 2,330, and the number of sales offices and technical craftsmanship centers (Monozukuri Center) stood at 18 and 3, respectively. The group company, Alps Business Service Corporation, contributes earnings to the “outsourcing services business” by assigning human resources services for personnel in technical and administrative functions from design to after-sales service and staff assignment to manufacturing companies.

In addition, Alps Career Designing Corporation, which provides job placement and career change support services in the “job placement business,” accounted for 0.3% of sales, and “the global business” by the subsidiary companies in Taiwan and Shanghai, China, providing machinery equipment facilitation and human resources services to Japanese companies operating overseas accounted for 3.9% of sales.

Moreover, during the fiscal year December 2014, Altech Forest Corporation, which operates private nursing home services in the “nursing care business” segment, accounted for 3.0% of sales, but all of the shares of the corporation were transferred on December 11, 2014.

©Outsourcing Service Business Model

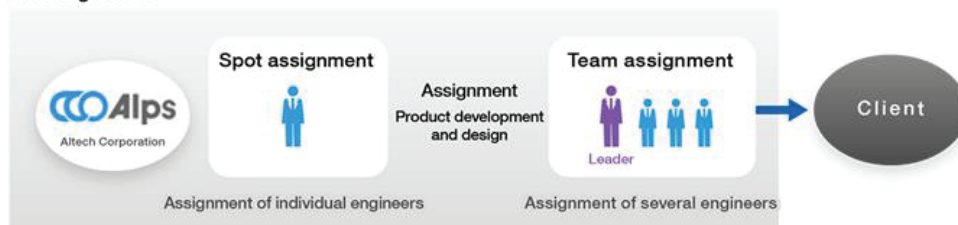


(Source: Altech Corporation)

While competition among companies is intensifying, companies are implementing proactive efforts to optimize various areas of their business. With regards to the product development process of manufacturers, while there is the definite need for companies to strengthen and improve their competitive standing through "shortening the development cycle," "strengthening fields of specialization" and "implementing cutting edge technologies," it is not realistic for any company to train and cultivate newly hired employees in the point of view of required time and cost.

Consequently, the assignment of highly skilled "Alps engineers" technical experts, consignment of projects, and other forms of technological support are practical responses to clients' needs and support their research and development and product development process.

■ Assignment



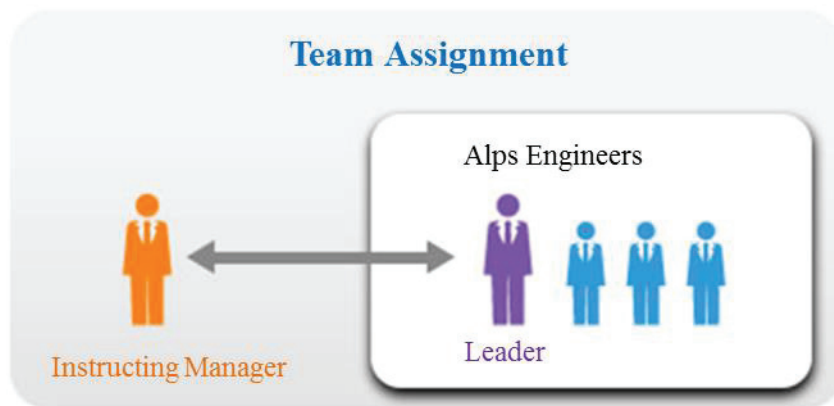
■ Project consignment acceptance



(Source: Altech Corporation)

* Assignment

“Alps Engineer” technical experts assigned to client companies are employees hired by Altech, and therefore, they are capable of providing consistent and reliable technological support on any given day. The use of Alps Engineer technical experts allows client companies to reduce the time and cost required to hire and train their own engineers and technical experts. In addition, Altech maintains a database full of information on the skills, number of years experiences in specific fields, and fields of specialty of each Alps Engineer technical expert, which enables it to send the most appropriate technical expert to best match the clients’ needs. Moreover, Altech also assigns teams of technical experts in addition to assigning individual technical experts.

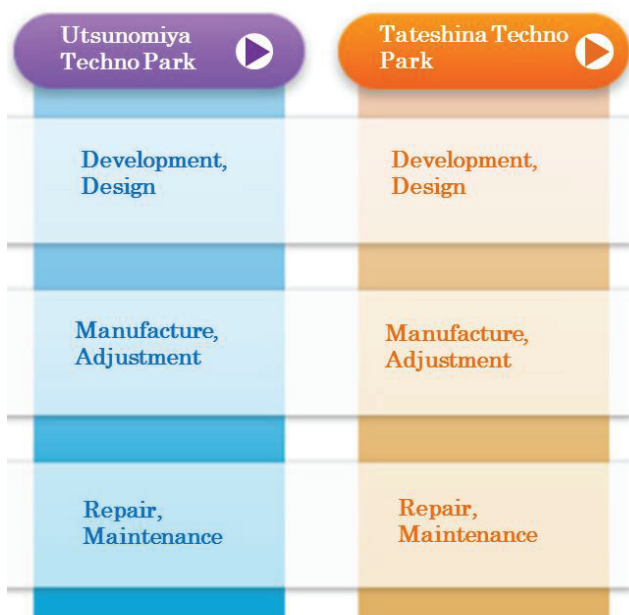


(Source: Altech Corporation)

The advantage of taking on a team of assigned technical experts includes the ability to have the team leader manage the members of the team, thereby reducing the burden of instruction and guidance of client staff. Altech also benefits by being able to have on the job training by assigning new graduate staff hires along with more senior technical experts, and thereby raising utilization rates.

* Contract Work, Consigned Development

Altech operates two plants including the “Utsunomiya Techno Park” and the “Tateshina Techno Park.” The maintenance of its own plants allows Altech to take on consigned project work that covers the development, design, and manufacture processes.



(Source: Altech Corporation)

◎Realms of Service Provision

Altech provides services that support the upstream processes of product manufacturing including “research, planning, and design.” By various work processes, planning and research and development accounts for 8%, design and development 58%, evaluation, analysis and manufacturing technologies 30% of the overall workflow for Altech. By composition of staff’s technological expertise, mechanical accounts for 38.6%, electrical and electronics 30.3%, software and IT 28.2%, and chemical and other realms 2.9%. The main technological realms are described in further detail in the table below.

Specialization Realm	Staff Composition	Main Task Description
Mechanical	38.6%	<ul style="list-style-type: none"> ➤ Engine development (EV, PHV, diesel, gasoline, others) ➤ Exterior body parts (Doors, fenders, hoods, others) design ➤ Semiconductor manufacturing equipment mechanism design ➤ Audio-visual equipment chassis, mechanism design ➤ Aircraft, aircraft engine design and development, analysis
Electrical, Electronics	30.3%	<ul style="list-style-type: none"> ➤ Hybrid automobile control device design ➤ Electronic control unit design ➤ Various control device microcomputer design ➤ Automobile audio, navigation circuitry design ➤ Space station, satellite equipment design
Software, IT	28.2%	<ul style="list-style-type: none"> ➤ Hybrid automobile control device software development ➤ Electronic control unit software development ➤ Smartphone control middleware development ➤ Industrial robot control software development ➤ Industrial machinery image processing software development
Chemical, Others	2.9%	<ul style="list-style-type: none"> ➤ Semiconductor product and material-related tasks ➤ Product design, process development, manufacturing technology

Altech is involved with the core tasks of research and development for manufacturing companies, which require high-level skills to assigned staff. Consequently, the average cost of each technical expert assigned to client companies is significantly higher than the cost of general office workers, sales staff, or staff working at production facilities.

Job Category	Assignment Fee
Software Development	¥30,455
Mechanical Design	¥28,314
Research and Development	¥28,327

Job Category	Assignment Fee
Administrative	¥19,913
Filing	¥17,731
Overall	¥23,638

*Average price for assigned worker based on an 8 hour working day (Source: Ministry of Health, Labor and Welfare “Worker Assignment White Paper FY2013)

◎Clients

Main Client Companies	
10 Largest Companies by Sales	Aisin Seiki Co., Ltd., Canon Inc., Denso Techno Co., Ltd., Toshiba Corporation, Nissan Motor Co., Ltd., Hitachi Appliances, Inc., Hitachi Automotive Systems, Ltd., Hino Motors, Ltd., Mitsubishi Heavy Industries, Ltd., Mitsubishi Electric Corporation
Others	IHI Corporation, Alpine Electronics, Inc., Isuzu Motors Ltd., NEC Corporation, Omron Corporation, Olympus Corporation, Komatsu Ltd., Sharp Corporation, Suzuki Motor Corporation, Sony Corporation, Tokyo Electron Limited, Toyota Motor Corporation, NSK Ltd., Hitachi Ltd., Honda Motor Co., Ltd., Mazda Motor Corporation

Sales of the top 10 clients relative to overall sales has declined in recent years (27.7%, 26.4%, 25.0% in FY12/12, FY12/13, FY12/14). At the same time, sales in the automobile industry has grown. And while the sales composition of the medical equipment, aeronautics, space, and alternative energy realms is still relatively low, sales in these realms are on the rise.

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【ROE Analysis】

	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14
ROE	7.64%	8.43%	7.11%	7.64%	14.38%
Net Income to Sales Ratio	3.67%	4.09%	3.45%	3.60%	6.25%
Total Assets Turnover (times)	1.54	1.50	1.49	1.49	1.51
Leverage (x)	1.35	1.37	1.38	1.42	1.47

* ROE is calculated from the following three elements: Net income to sales ratio (net income/sales); Total assets turnover (sales / total assets); and Leverage (total assets / equity, reciprocal of the equity ratio). ROE is “Net income to sales ratio” x “Total assets turnover” x “Leverage.”

* The data in the table above is based upon figures taken from the summary of financial statement and securities report, whereas the total assets and equity required to calculate the data above are of average balance for the term (using the values at the end of the previous and current terms, and therefore the data listed in the summary of financial statement and securities report, and the data above do not necessarily coincide because the former use the term-end equity ratio).

The Tokyo Stock Exchange’s “Summary of Earnings Digests by Listed Companies” shows that return on equity (ROE) of Tokyo First Section companies belonging to all industries with the exception of the finance industry as of August 15, 2014 was 8.66% in fiscal year 2013 (5.33% in the previous term), 8.55% (4.81% in the previous term) for manufacturing industry and 8.81% (6.07% in the previous term) for non-manufacturing industry. Altech boasts of a high level of profitability and superior asset turnover, in addition to balanced management as reflected by its high return on equity, which exceeds the average by listed companies of the First Section of the Tokyo Stock Market by a large margin.

Altech is on par even with the industry’s top seated company, Meitec Corporation. And while Meitec boasts of higher operating income margin, it has booked extraordinary losses and its net income to sales ratio is unstable. In this regard, Altech boasts of superior and sustained improvements in its net income to sales ratio. At the same time, Altech’s asset turnover ratio has consistently exceeded that of Meitec and is a reflection of the Company’s effective use of management resources (effective use of resources allows Altech to avoid booking extraordinary losses). By fortifying the “Altech brand” through endeavors towards achieving the Company’s medium term goals, Altech seeks to reduce the gap between itself and Meitec.

Meitec Corp. (9744)

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14
ROE	-2.62%	10.53%	7.64%	15.88%	10.67%
Net Income to Sales Ratio	-1.68%	5.97%	4.22%	8.52%	5.31%
Total Assets Turnover (x)	1.06	1.20	1.18	1.22	1.25
Leverage (x)	1.47	1.47	1.53	1.53	1.60

2. Strengths and Characteristics

Focus Upon Human Resources Cultivation

As touched upon earlier in the corporate philosophy segment of this report, Altech has continued to focus upon human resources cultivation, including “character training” and “practical work skills training” ever since the Company’s founding.

Altech believes that the ability to train superior engineers and instill high moral standards in its human resources can lead to higher levels of customer satisfaction. Consequently, the Company’s various detailed support in training of its human resources and character building through education and training is a unique characteristic of Altech. The Company conducts a one-week “new graduate training camp” for new graduate hires every year.

In this camp, employees are strictly taught business manners and other parts of the Company’s code of conduct. While conducting relatively strict training of newly hired employees, the camp also nurtures in participants insight into themselves to reflect on their past and to be able to observe their own state of mind. It also allows for participants to learn to appreciate those around them. In all, Altech highly values and therefore seeks to instill a strong sense of volition and proactive mind in the participants.

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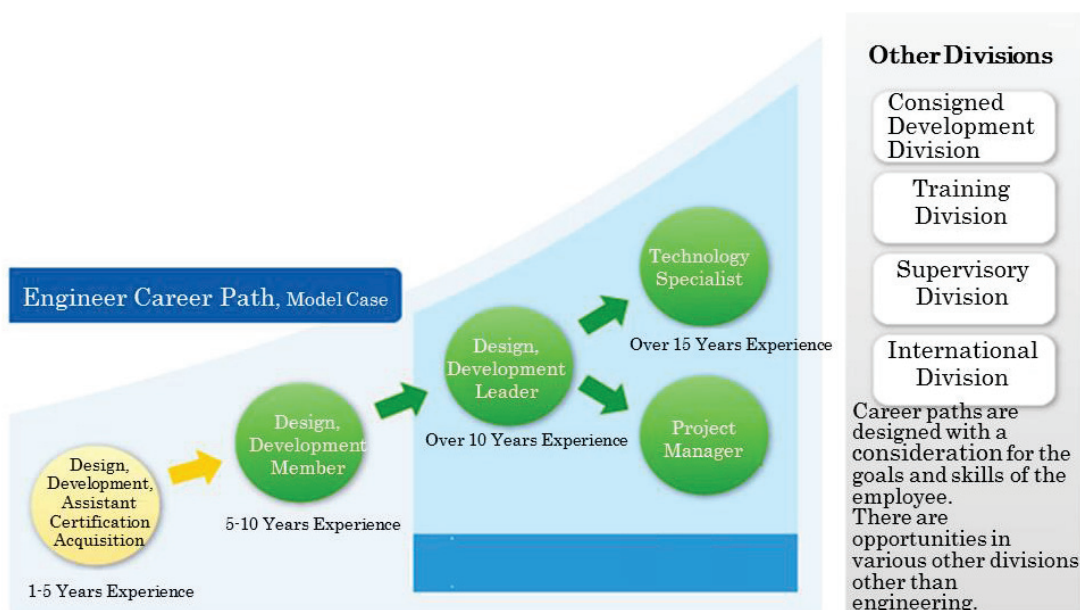


Altech also boasts of several tens of senior employees who serve as trainers in the camp. The fact that these trainers are provided with separate training programs themselves is an evidence of the high priority placed upon training of human resources (senior employees are taken out of the workplace during this period, which leads to a decline in sales; however, Altech believes that the benefits over the long term more than offset this near term negative impact.).

Unlike other companies, Altech does not rely upon external training staff to run the training camps. Instead, they rely upon their own senior staff and use unique knowhow developed and cultivated in-house to train their new employees.

Moreover, Altech also performs follow-up training three years after the initial training. This secondary training program focuses upon many of the points which are easily forgotten in the course of performing daily operations, and allows fellow employees, who started at the Company on the same year but normally do not see each other on a daily basis, to stimulate each other by providing opportunities to discuss their work experiences. In addition to providing character training, the camp also provides training in business manners, communicative skills, logical thinking, and problem solving as part of the strict program for polishing the “human skills” of employees.

Furthermore, structured technological trainings are implemented by each division in order to raise the technological skills as a “group of technical experts.” Moreover, efforts are made to improve technological skills through ongoing “study group meetings” held by engineers themselves and “new employee technological achievement meetings.” About 1,000 study groups are held at nationwide facilities every year. This equates to nearly 50 study group meetings per facility per year and is a reflection of the strong desire of engineer employees to improve their skills.



(Source: Altech Corporation)

Altech also endeavors to create a “workplace where exchange across different age groups can be easily conducted,” and the founder himself hosts “founder’s meetings” to deepen employee understanding of the Company’s history and its corporate philosophy. Management hosts face-to-face “round table” meetings with Alps engineers to deepen their mutual understanding on a regular basis. Furthermore, other more social events including “robot contests,” “cherry blossom viewing parties,” and “futsal competitions” are held in addition to baseball and tennis clubs as means of increasing dialogue and discussions between technical experts who rarely see each other as they are assigned to different clients. Altech believes that the strong ties formed between its technical experts and other employees through these various activities are strength of the Company.

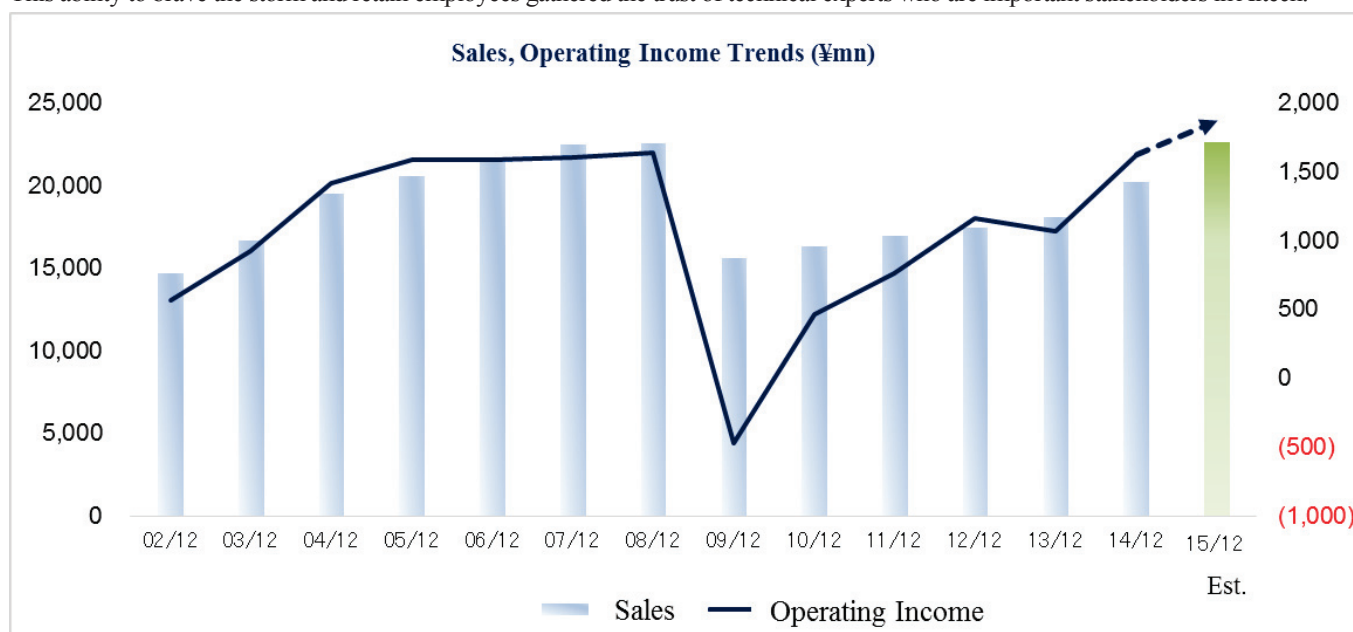
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Activities	Main Details
Character Training	<ul style="list-style-type: none"> ➤ Business manners ➤ Character training ➤ Leadership
Technology Training	<ul style="list-style-type: none"> ➤ Fundamental technologies for various divisions ➤ Assigned technical expert study group meetings by client ➤ Study group meetings for certification acquisition ➤ New graduate employee training
Career Development	<ul style="list-style-type: none"> ➤ Career development interview ➤ Career development follow-up
Bonding Activities	<ul style="list-style-type: none"> ➤ Networking events ➤ Societal contribution activities ➤ Internal events

©High Levels of Trust of Technical Expert Employees and Clients

In addition to boasting of a reputation as a “group of highly skilled technical experts,” Altech has gathered high levels of trust from clients in the manufacturing industry and its “client list” is one of its biggest assets. And while many of Altech’s competitors also boast of “maintaining technical experts as full time employees,” they have often resorted to drastic cuts in their work force through restructuring in response to volatility in earnings. Altech did not resort to restructuring even in the post “Lehman Shock” period when utilization rates declined to 60%. This ability to brave the storm and retain employees gathered the trust of technical experts who are important stakeholders in Altech.



3. Fiscal Year December 2014 Earnings Results

(1) Consolidated Earnings

(Units: Million Yen)

	FY12/13	Share	FY12/14	Share	YY Change	Initial Est.	Divergence
Sales	18,097	100.0%	20,169	100.0%	+11.5%	19,300	+4.5%
Gross Income	4,557	25.2%	5,093	25.3%	+11.8%	-	-
SG&A	3,486	19.3%	3,467	17.2%	-0.5%	-	-
Operating Income	1,070	5.9%	1,626	8.1%	+51.9%	1,340	+21.3%
Ordinary Income	1,089	6.0%	1,617	8.0%	+48.4%	1,350	+19.8%
Net Income	651	3.6%	1,260	6.2%	+93.3%	800	+57.5%

* Figures include reference figures calculated by Investment Bridge Co., Ltd. Actual results may differ (applies to all tables in this report)

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Sales, Ordinary Income Rise 11.5%, 48.4% Year-On-Year

Sales rose by 11.5% year-on-year to ¥20.169 billion during fiscal year December 2014. The negative impact of the consumption tax hike had been feared, but the impact upon manufacturing companies, which are the main clients of Altech, was limited. At the same time, the demand for outsourcing services business was bolstered by favorable demand for automobiles primarily in North America and sales rose by 13.3% year-on-year.

Operating income rose by 51.9% year-on-year to ¥1.626 billion. Outsourcing services business utilization rates trended around record high levels on the back of strong demand from clients for assigned technical experts. In addition, improvements in contract pricing and increased assignment of teams of experts due to successful marketing efforts offset difficult conditions in the nursing care business and job placement business, allowing gross income margin to improve by 0.1% point to 25.3%. At the same time, improvements in productivity and cost reductions contributed to a slight decline in general and administrative expenses.

Net income rose by 93.3% year-on-year to ¥1.260 billion due in part to the sales of noncurrent assets (Sendai marketing office: ¥97 million), shares in affiliates (Consolidated subsidiary Altech Forest Corporation: ¥85 million), and marketable securities (¥51 million), which generated an extraordinary income of ¥268 million.

A full year dividend of ¥60 per share (Up ¥15 from the previous term) is expected to be paid, including a ¥50 dividend at the yearend.

Business Segment Earnings

(Units: Million Yen)

	FY12/13	Share	FY12/14	Share	YY Change
Outsourcing Services	16,527	91.3%	18,720	92.8%	+13.3%
Nursing Care	584	3.2%	606	3.0%	+3.7%
Job Placement	49	0.3%	55	0.3%	+12.9%
Global	935	5.2%	787	3.9%	-15.8%
Total Sales	18,097	100.0%	20,169	100.0%	+11.5%
Outsourcing Services	1,174	110.1%	1,688	104.0%	+43.7%
Nursing Care	-106	-9.9%	-82	-5.1%	-
Job Placement	-59	-5.6%	-46	-2.9%	-
Global	58	5.5%	63	3.9%	+8.0%
Adjustments	3	-	3	-	-
Total Operating Income	1,070	-	1,626	-	+51.9%

An increase in the number of technical experts and improvements in contract pricing of the outsourcing services business contributed to 13.3% and 43.7% year-on-year increases in sales and operating income to ¥18.720 and ¥1.688 billion respectively. At the same time, the nursing business undertaken by Altech Forest Corporation recorded a 3.7% year-on-year increase in sales to ¥606 million, but continued low levels of occupancy rates of residents contributed to the booking of an operating loss of ¥82 million (all of the shares in Altech Forest Corporation were sold on December 11, 2014). Alps Career Designing Corporation, which conducts job placement business and specializes in job placement support services and consigned hiring task for technical experts and engineers, benefitted from strengthened marketing activities and saw sales rise by 12.9% year-on-year to ¥55 million. However, relatively low success rates contributed to a loss of ¥46 million (compared with a loss of ¥59 million in the previous term). Sales of the subsidiaries conducting global business in Taiwan and Shanghai, China were impacted by reductions in the size of projects and declined by 15.8% year-on-year to ¥787 million, but improvements in cost of sales allowed operating income to rise by 8.0% year-on-year to ¥63 million. The knowhow cultivated in its various work processes will be leveraged to expand its maintenance business and in the realm of environment and energy, in addition to improving profitability by focusing upon marketing and order taking activities.

(2) Non-Consolidated Earnings

(Units: Million Yen)

	FY12/13	Share	FY12/14	Share	YY Change	Initial Est.	Divergence
Sales	15,476	100.0%	17,503	100.0%	+13.1%	16,250	+7.7%
Gross Income	4,202	27.2%	4,672	26.7%	+11.2%	-	-
SG&A	3,096	20.0%	3,095	17.7%	-0.0%	-	-
Operating Income	1,105	7.1%	1,576	9.0%	+42.6%	1,220	+29.2%
Ordinary Income	1,188	7.7%	1,647	9.4%	+38.7%	1,310	+25.7%
Net Income	707	4.6%	1,034	5.9%	+46.2%	750	+37.9%

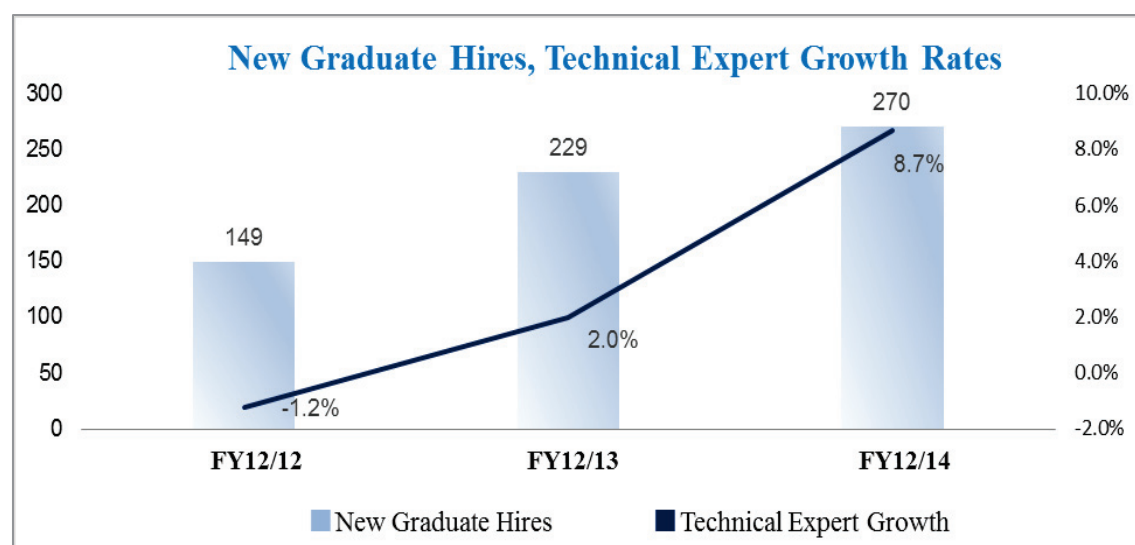
Strong Demand from the Automobile Industry, Cultivating New Demand in Environmental Related and Medical Equipment Realms

Demand from the automobile industry continued to trend strongly, and demand from the electronics and semiconductor industries has bottomed out and recovered. In addition, proactive marketing efforts were focused upon cultivating new client companies with strong growth potential as part of a strategy to develop new growth realms, and as a result, some new developments were made in the realms of environment and medical equipment. By industry, the automobile industry accounted for about ¥6.6 billion or 37.7% of total sales, the electronics ¥1.5 billion or 8.4%, camera and other precision equipment ¥3.5 billion or 20.1%, semiconductor ¥1.7 billion or 10.0%, and others (machine tools, software development, solar power, medical, and aeronautics and space related industries) ¥4.2 billion or 23.8%.

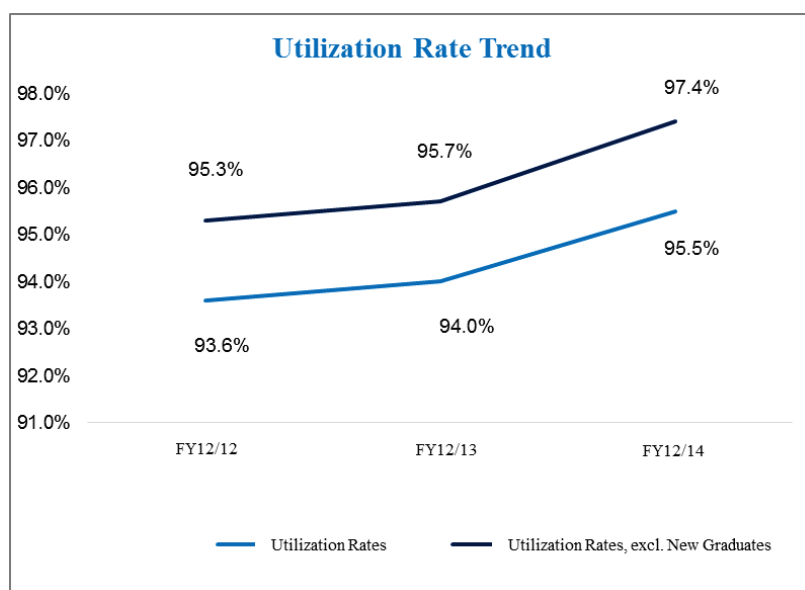
Measures to Increase Sales (Fortification of Hiring, Early Startup)

In response to strong demand for human resources, strengthened activities to hire both mid-career and new graduate workers have been successful in acquiring 135 mid-career hires, exceeding targets of 120, and 229 new graduates in April 2014 (149 hired in April 2013). Consequently, the number of technical experts rose by 8.7% to 2,330 at the end of the term. The measures to achieve early startup of new graduate hires implemented since fall of 2013 were successful in assigning all new graduates hired in April to client workplaces by August, and allowed Altech to achieve a record high utilization rate of 95.5% (94.0% in the previous term). The utilization rate when new graduates are excluded was an even higher 97.4% (compared with 95.7% in the previous term).

No. of engineers, term end:	FY12/13 2,143	⇒ FY12/14 2,330 (+187)
No. of utilized engineers, term end:	FY12/13 2,028	⇒ FY12/14 2,251 (+233)
Utilized hours per month:	FY12/13 172.2	⇒ FY12/14 173.8 (+1.6)
Contract price per hour:	FY12/13 ¥3,559	⇒ FY12/14 ¥3,683 (+¥124)



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Strengthen Sales Capability

Efforts are being conducted to “improve quality” and “expand scale” with a goal of strengthening sales capabilities.

- Improve Quality:** Raise contract pricing (effective rotation), early startup of new graduates (promote team assignment)
- Scale Expansion:** Expand superior transactions (cultivate new growth realms), increase marketing candidate projects (coordinated group sales)

As a measure to improve quality, effective rotation of assigned staff was utilized to raise contract pricing, along with assignment of technical experts in teams as a means of promoting early startup and contribution to earnings by new graduates. Rotation of assigned staff is the assignment of new staff at the start of on-going and renewed contracts. This strategy is utilized because of the difficulty in negotiating price increases when the same assigned staff is carried over at the same company when existing contracts are renewed. However, price increases are more easily negotiated when assigned staff are rotated. In addition to rotations of staff during fiscal year December 2014, the tailwind of economic measures implemented by Prime Minister Abe allowed Altech to increase its average contract pricing by ¥124 (while price hikes of over ¥100 on individual contracts are not so uncommon, the overall average contract pricing raised by over ¥100 is very rare).

In addition, promoting the assignment of technical experts in teams rather than individually allowed for on-the-job training of new graduates and contributed to their early startup and to earnings. The individual assignment of new graduates can lead to increased burdens upon clients due to the necessity for them to take on responsibility for instruction and support. However, when sent in teams, team leaders can instruct and support these new graduates. The use of team assignment including new graduates contributes to reductions in the overall contract pricing and eliminates the necessity to provide instruction and support on the client side. At the same time, team assignment contributes to increases in overall contract pricing from Altech’s perspective and the early startup and contribution of new graduates.

With regards to expansion of scale, increases in the number of superior clients through the cultivation of new growth realms, and collaboration within the Altech Group to fortify sales capabilities are expected to contribute to expansion of the scale of business. As explained earlier in this report with regards to new growth realm cultivation, the successful focusing of sales activities upon client companies with strong growth potential has resulted in development of potential leads in the environment related and medical equipment realms. In addition, coordinated sales within the Group was further promoted with Alps Business Services Corporation and in the global business (Taiwan and Shanghai). These coordinated Group sales activities are also designed to reduce the dependency upon the automobile industry for earnings and to realize latent synergies within the Group.

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Client Composition

FY12/12	FY12/13	FY12/14
Denso Techno	Denso Techno	Denso Techno
Canon	Canon	Canon
Nissan Motor	Toshiba	Toshiba
Toshiba	Nissan Motor	Hitachi Automotive Systems
Panasonic	Hitachi Automotive Systems	Hino Motors
Tokyo Electron Miyagi	Hino Motors	Mitsubishi Electric
Keihin	Panasonic	Nissan Motor
Hitachi Automotive Systems	Keihin	Aisin
Mitsubishi Heavy	Mitsubishi Heavy	Hitachi Appliance
Toyota Motors	Aisin	Mitsubishi Heavy
Top 10 share: 27.7%	Top 10 share: 26.4%	Top 10 share: 25.0%

(3) Financial Conditions and Cash Flow (CF)

Financial Conditions

(Units: Million Yen)

	12/13	12/14		12/13	12/14
Cash, equivalents	3,873	5,254	Unpaid taxes	287	1,161
Accounts receivables	2,367	2,811	Outstanding payments	643	690
Short term loans, receivable	6	983	Retirement reserves, liabilities	297	270
Current assets	6,842	9,748	Interest bearing liabilities (ST debt)	700	700
Tangible noncurrent assets	3,794	2,477	Lease liabilities	520	-
Intangible noncurrent assets	99	84	Liabilities	3,680	4,275
Investments, others	1,425	1,039	Net assets	8,482	9,075
Noncurrent assets	5,320	3,601	Total liabilities, net assets	12,162	13,350

Against the backdrop of the favorable earnings, increases in cash and equivalents arising from improved cash flow allowed total assets to rise by ¥1.187 billion from the end of the previous term to ¥13.350 billion at the end of the current term. The ability to meet near term payment commitments remained strong as reflected by the high current ratio of 243.9% (compared with 245% at the end of the previous term) and the indicator of financial safety remained at a healthy 40.7% (compared with 64.0% at the end of the previous term). And the indicator of how effective capital is used to generate profits of return on invested capital improved to 10.6% from 6.8% in the previous term. Therefore, the indicators of financial safety of current and fixed ratios remained at healthy levels, and the equity and return on invested capital ratios remained high.

Cash Flow

(Units: Million Yen)

	FY12/13	FY12/14	YY Change	
Operating Cash Flow (A)	470	1,772	+1,301	+276.7%
Investing Cash Flow (B)	-287	279	+567	-
Free Cash Flow (A + B)	183	2,052	+1,868	+1020.7%
Financing Cash Flow	-842	-693	+149	-
Cash and Equivalents at Term End	3,879	5,259	+1,380	+35.6%

4. Fiscal Year December 2015 Earnings Estimates

<Change of President>

Atsushi Imamura, director of the marketing and sales promotion division, is expected to be appointed as president following the successful passage of resolutions to be submitted in the 34th annual general shareholders' meeting and the board of directors meeting to be held immediately thereafter on March 25, 2015. This rejuvenation in management is taken as a step to fortify the overall management structure and is based upon the outlook for the "need to transform our Company in response to changes in the operating environment and in order to

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grow further.” Current president Soichi Ushijima will be appointed as director and senior adviser, and continue to support the management.

Atsushi Imamura, director of the marketing and sales promotion division, was born on January 10, 1969. He joined Altech in April 1990. In October 2006, he was appointed as manager of the technology division. Thereafter, he assumed the roles of sales promotion manager and operations executive director.

(1) Consolidated Earnings

(Units: Million Yen)

	FY12/14	Share	FY12/15 Est.	Share	YY Change
Sales	20,169	100.0%	22,600	100.0%	+12.1%
Operating Income	1,626	8.1%	1,870	8.3%	+15.0%
Ordinary Income	1,617	8.0%	1,920	8.5%	+18.7%
Net Income	1,260	6.2%	1,320	5.8%	+4.8%

Sales, Ordinary Income Expected to Rise 12.1%, 18.7% Year-On-Year to New Record Highs

During the coming fiscal year December 2015, Altech estimates call for sales to rise by 12.1% year-on-year to ¥22.6 billion. This increase is attributed to the outlook for continued strong demand for assigned technical experts in the main outsourcing services business throughout the entire term. In addition to full utilization of the 2,330 technical experts, which grew by 8.7% year-on-year at the start of the term, the Company will respond to the high demands with the early startup of 140 midcareer hires and 270 new graduate hires added to the workforce in April. The company will also aim to improve profitability through higher contract prices. Favorable trends are expected to continue in the automobile industry, and recoveries are expected in the electronics and semiconductor industries, which appear to have bottomed during the current term.

While Altech’s estimates for profits appear to be conservative, they still expect ¥1.870 billion or a brisk 15.0% year-on-year increase in operating income on the back of continued strength in the main outsourcing service business and an improvement in profitability arising from the sale of the nursing care subsidiary.

Non-Consolidated Earnings

(Units: Million Yen)

	FY12/14	Share	FY12/15 Est.	Share	YY Change
Sales	17,503	100.0%	20,050	100.0%	+14.6%
Operating Income	1,576	9.0%	1,680	8.4%	+6.6%
Ordinary Income	1,647	9.4%	1,730	8.6%	+5.0%
Net Income	1,034	5.9%	1,210	6.0%	+17.0%

Subsidiary Earnings (Consolidated – Non-Consolidated)

(Units: Million Yen)

	FY12/14	Share	FY12/15 Est.	Share	YY Change
Sales	2,666	100.0%	2,550	100.0%	-4.4%
Operating Income	49	1.8%	190	7.5%	+287.8%

(2) Main Strategies

Altech Corporation Parent Strategies

In addition to increasing the number of technical experts necessary to acquire growth, efforts will also be made to strengthen sales capabilities a step further. Altech maintains a goal of hiring 140 mid-career employees and has already hired 40 (recruitment activity started in the previous term). With regards to new graduates, 270 are expected to join the Company in April 2015, and a new set of recruitment activities has already launched with the aim of another 280 hires in spring 2016. Altech will also implement measures to prevent loss of employees, including employee satisfaction raising programs and other retention activities through various exchange activities between employees and round table meetings with management.

Altech will also continue to assign technical experts in teams to help gain early startup and contribution by new graduates and implement efforts to raise the average contract pricing (including overtime) to ¥4,000. In addition, collaboration within the Group will continue to be strengthened as a means of cultivating new clients and reducing the dependency upon clients in the automobile industry.

Group Wide Strategies

Domestically, Altech will implement efforts to strengthen the business of its two subsidiaries to become a comprehensive outsourcing services group. In addition, efforts will be made to strengthen the earnings generating capabilities of the subsidiaries in Taiwan and Shanghai, China, and expand into Southeast Asia as part of a strategy of developing new growth engines. Specifically, Alps Business Services will endeavor to maintain its high utilization rates and Alps Career Designing will seek to raise its success rates within Japan. At the same time, the subsidiaries in Taiwan and China will leverage their knowhow to expand their environmental energy and maintenance related services, in addition to more sales and order booking activities with the focus on profitability. Moreover, an office is expected to be established in Myanmar, where anticipatory investments were made since during Altech's founder Toshio Matsui had his tenure with the Company.

(3) Profit Allocation

Altech maintains a target dividend payout ratio of 50%, and seeks to maintain a stable level of annual dividends of ¥20 per share despite volatility in earnings. Interim period dividend payments started during fiscal year December 2013 is expected to be pursued in the current term with a full year payout ratio target of 50%. During fiscal year December 2015, full year dividend is expected to be raised by ¥5 to ¥65 per share (¥32 and ¥33 dividends expected to be paid at the end of the interim and full year periods).

(4) Medium Term Target (Non-Consolidated: FY12/15-FY12/17): Operating Income Margin Over 10%, Average Contract Price Over ¥4,000

Over the three years from fiscal year December 2015 to 2017, Altech seeks to raise its operating income margin to over 10% and its average contract price to over ¥4,000.

During fiscal year December 2014, the cost of sales and sales, general and administrative (SG&A) expense margins were 73.3% and 17.7% respectively, yielding an operating income margin of 9.0%. Based upon the outlook for continued high levels of utilization rates until fiscal year December 2017, Altech will work on raising contract pricing through negotiations with clients, while also aim to give raise to employees' wages, resulting in a slight rise in the cost of sales margin to 75.0%. At the same time, restraint in indirect costs is expected to lead to a reduction in SG&A margin to 15.0%. Consequently, Altech expects to be able to achieve operating income margin of 10.0%. Higher wages for technical experts is expected to raise their retention rates and attract highly skilled new employees, thereby contributing to both strengthening of the "Alps Brand" and earnings growth.

5. Conclusions

Utilization rates at the end of December reached 98%, with only four mid-career hires who were not assigned to client workplaces as of February 16. And while competition to secure human resources remains fierce, Altech was able to hire 135 mid-careers (Exceeding targets of 120) during the current term, and has already hired 40 of its target of 140 mid-career hires during the full year. The number of new graduate hires entering the Company in April is expected to rise by 40 from the previous year to 270, and they have compiled knowhow to ensure their early startup to convert earnings. The combination of higher numbers of productive staff and higher contract pricing is expected to allow Altech to achieve record high sales and profits, and could enable the company to exceed its conservative earnings estimates.

Utilization rates had declined to 60% in the third quarter of 2009 in the wake of the Lehman Shock, but Altech stood true to its corporate philosophy of looking after its employees and was able to avoid any staff reductions from rationalization of its work force. Furthermore, Atsushi Imamura, expected to take seat as the new president of Altech Corporation shortly, will endeavor to expand the Company's business domains and fortify earnings, while at the same time increase the cost of sales margin to improve the satisfaction of the employees. Stakeholders seems to be able to look forward to a new phase of growth in Altech under the direction of the new management structure.

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