

Altech Corporation

4641

Tokyo Stock Exchange Prime Market

2-May-2023

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FISCO Ltd.

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Index

Summary	01
1. Company profile	01
2. FY12/22 consolidated results	01
3. Outlook for FY12/23	01
4. Medium- to long-term growth strategy	02
Company profile	03
1. Company profile	03
2. Group structure (and bases)	05
3. Business overview	05
4. History	07
Business performance	09
1. Trends in past results (consolidated)	09
2. Overview of FY12/22 results	11
3. Summary of FY12/22 results	13
Main activities and achievements	14
1. Recruitment and education achievements	14
2. Progress made in new business	14
3. Group reorganization	15
Business outlook	15
1. Outlook for FY12/23	15
2. View of FISCO's analysts	15
Medium- to long-term growth strategy	16
1. The medium- to long-term growth vision	16
2. Themes of the medium-term management plan and progress	17
3. Industry trends and the Company's position	18
4. Points to focus on from FISCO's analysts	19
Sustainability and ESG initiatives	19
1. Initiatives for SDGs	19
2. Establishment of a basic policy on sustainability	20
Shareholder return policy	20
1. Basic dividend policy	20
2. Dividend trend and plan	20

Summary

In FY12/22, sales and operating profit increased, exceeding the forecasts. Capturing growth fields such as semiconductors, software development, and R&D for next-generation automobiles led the growth in results

1. Company profile

Altech Corporation <4641> (hereafter, also “the Company”) is a comprehensive engineering outsourcer that provides high-level technological services to major manufacturing companies in fields such as machinery, electricity and electronics, software, IT, and chemistry. It places great importance on its “Heart to Heart” corporate philosophy and consistently since its foundation, it has focused on human education from the standpoint of maintaining the highest levels among its employees not only as engineers, but also as members of society, in addition to strengthening their technical abilities. It steadily expanded the scope of agriculture- and nursing-related businesses, which were launched as businesses for its second foundation on the occasion of its 50th anniversary, and in 2023, which marks its 55th anniversary, aims to increase the profitability of these agriculture- and nursing-related businesses and create new business for solving social issues.

2. FY12/22 consolidated results

In FY12/22 consolidated results, the Company recorded increased sales and profit that exceeded forecasts, with net sales of ¥43,647mn, up 11.2% year on year (YoY), and operating profit of ¥4,649mn, up 19.9%, achieving record highs. Although the future of the manufacturing industry remains uncertain, as exemplified by turmoil in supply chains and reduced production due to soaring raw material costs, R&D investment is firm, especially in the semiconductor industry, which is performing well, software development, and the automotive industry, where the development of next-generation automobiles is intensifying. Results were led by an increase in mobilized engineers (maintaining a high mobilization rate) and improvements to contract unit prices. Additionally, the Global Business expanded significantly, with a focus on business for the semiconductor industry which is seeing increasing demand. In terms of profit and loss, the Company achieved a significant increase in operating profit due to a rise in the bottom-line earnings level in conjunction with increased sales and an improvement in the operating profit margin stemming from a recovery in the mobilization rate. In terms of activities, steady progress was made in new businesses and other areas.

3. Outlook for FY12/23

In its outlook for FY12/23, the Company is forecasting continued growth in sales and profits, with net sales set to increase 6.8% YoY to ¥46,600mn and operating profit to increase 7.5% to ¥5,000mn, setting new record highs. With strong customer needs, including expanding demand in semiconductors and medical systems, as well as software development related to advanced technologies, net sales and operating profit are both expected to grow steadily. The Company also anticipates that the agriculture-related field, which has been accepting global human resources along with the easing of immigration restrictions, will also contribute to the growth of its business performance.

Summary

4. Medium- to long-term growth strategy

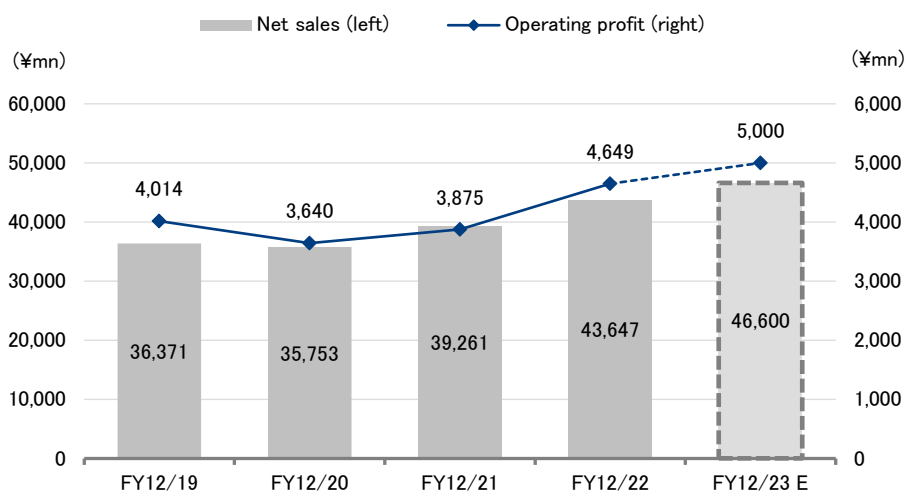
As its medium- to long-term growth vision, the Company has laid out five strategic themes: 1) responding to state-of-the-art technologies, 2) promoting new businesses, 3) developing globally, 4) providing high-tech services and 5) obtaining first mover advantages. In particular, among qualitative targets in the eleventh five-year plan, its policy is to promote the Reinvestment of Management Resources toward the New Industrial Revolution. To solve societal problems as well, it intends to continue making contributions in the agriculture- and nursing care-related fields that are suffering from serious labor shortages, including by providing advanced technologies, which will lead to the further improvement of its enterprise value. In the three-year (rolling) medium-term management plan, it has set FY12/25 targets of net sales of ¥52,700mn, operating profit of ¥5,400mn, and ROE of 20% or above.

Amid a declining Japanese population and economic globalization, we at FISCO consider that the direction that the Company is taking for its business development is a rational strategy that anticipates future changes in the industrial structure. Looking ahead, the key points to focus on will be how many new growth pillars can be set on track, including new businesses such as agriculture and nursing care and manufacturing business, and whether these will lead to sustainable growth.

Key Points

- Achieved increased sales and profit exceeding forecasts in FY12/22 through an increase in mobilized engineers (maintaining a high mobilization rate) and improvements to contract unit prices.
- Performance favorable for semiconductors and software development, etc. where demand is growing along with the advancement of DX, and the mobilization rate recovered to the level before the spread of the novel coronavirus (hereinafter, “COVID-19”)
- Forecasts record highs in FY12/23 as well through continual increases to sales and profits
- It is advancing the eleventh five-year plan’s qualitative target to promote “the Reinvestment of Management Resources toward the New Industrial Revolution.” Its policy is to actively work toward the SDGs in fields related to agriculture and nursing care by promoting the activities of global human resources ahead of the times.

Business performance



Source: Prepared by FISCO from the Company's financial results

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■ Company profile

From its predecessor of a design office, it has become a group of high-level engineers that provides technologies according to customer requests

1. Company profile

The Company is a comprehensive engineering outsourcing company that provides advanced technological services to major manufacturing companies in fields such as machinery, electricity and electronics, software, IT, and chemistry. Its features include that unlike fixed-term employment-based employment agencies, it only employs full-time engineers*, and it is a group of highly skilled engineers specializing in upstream processes, such as development and design.

* For example, even during recession periods such as the 2008 financial crisis, it has not dismissed employees.

Based on its “Heart to Heart” corporate philosophy, consistently since its foundation, the Company has focused on human education from the standpoint of maintaining the highest levels among its employees not only as engineers, but also as members of society, in addition to strengthening their technical abilities. In particular, its strengths include its corporate organizational culture which produces high-quality human resources and an original education and training system*, and its results are steadily growing, supported by its excellent reputation among its customers and the favorable ordering environment.

* The Company has established an education and training system, broadly divided into the abilities development education system and career development support, to develop human resources to have advanced technical skills and expertise, including education according to level and needs, and follow-up from career supporters (senior engineers). Moreover, the employment period is indefinite (permanent employees), which enables long-term education and training plans.

In accordance with the Revised Worker Dispatching Act (enforced on September 30, 2015), the employment period limitation was ended for indefinite-term employment, while incidental work was also ended due to the abolition of specialized work classifications. Also, the acceptance of foreign workers (the establishment of a new residency status) is to be expanded following the revision to the Immigration Control and Refugee Recognition Act (enforced on April 1, 2019), and these and other revisions have been positive developments for the Company. Although the Company was affected by immigration restrictions from FY12/20 onward due to COVID-19, it has recently made full-scale efforts to employ global human resources along with the easing of the restrictions. In addition, equal pay for equal work regulations, which were enacted in April 2020, will not have a negative impact on the areas of development and design, since these areas traditionally achieve high unit prices.

At the end of December 2022, the Company had 4,165 engineers, among which 3,985 (2022 average) were mobilized. Over the past few years, the Company has maintained an overall high mobilization rate despite a certain level of impact of COVID-19.

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Company profile

The Company has two business segments, the Outsourcing Business, which is mainly an assignment and outsourcing business in Japan, and the Global Business, which supports Japanese companies' operations overseas. The Outsourcing Business generates the majority of net sales, but the policy* going forward is to expand the Global Business, for which there is strong demand primarily from Japanese companies located in East Asia, as well as new businesses, which are considered to have high growth potential, and the manufacturing business, in which the Company can develop strengths for the next generation.

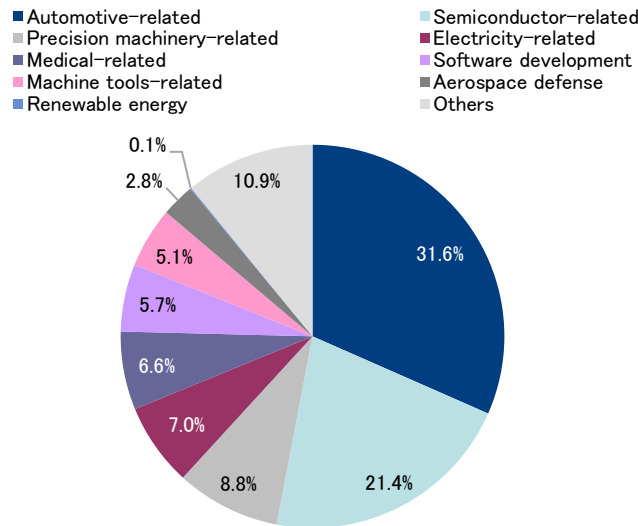
* New businesses and the manufacturing business, centered on consolidated subsidiaries DONKEY Corporation and Digital Spice Corporation are currently included in the Outsourcing Business.

In net sales by industry, 31.6% is provided by automotive-related*1, in which R&D investment is active, and a total of 37.2% by semiconductor, precision equipment and electrical machinery-related. Therefore, its customer industries are diverse and structured so that the Company is not easily affected by economic fluctuations. Also, recently its market shares of strongly performing fields such as semiconductors, medical-related business, and software development have been trending upward*2. It also has around 700 customer companies, and the extent of its reliance on the top 10 customers for sales (mainly major manufacturers, such as Tokyo Electron Technology Solutions Ltd., Kioxia Holdings Corporation, Mitsubishi Electric Corporation <6503>, and Sony Semiconductor Solutions Corporation) is 22.6%, so it avoids relying on a single company (FY12/22 results).

*1 Even if the technological field is electrical machinery, if the final product is an EV (electric vehicle), it is classified as "automotive-related."

*2 Compared to five years prior (FY12/17), the Company has increased its market share of semiconductor-related business from 15.8% to 21.4% (up 5.6pt) and software development from 2.5% to 5.7% (up 3.2pt).

Composition of net sales by industry (FY12/22 results)



Source: Prepared by FISCO from the Company's briefing materials

Company profile

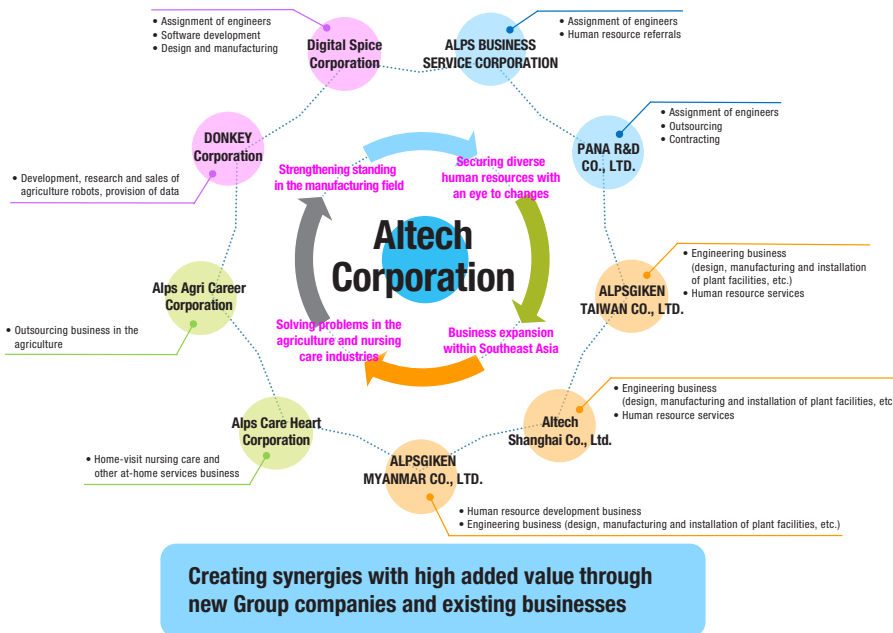
2. Group structure (and bases)

In total, there are eight consolidated subsidiaries (as of the end of FY12/22): ALPS BUSINESS SERVICE CORPORATION, a provider of total staffing services; PANA R&D CO., LTD.*1, which joined the Group in September 2016 and carries out the assignment of technical experts, ALPSGIKEN TAIWAN CO., LTD. (Taiwan) and Altech Shanghai Co., Ltd. (China), which conduct the Global Business; as new businesses, Alps Agri Career Corporation, which operates in the agriculture-related field and Alps Care Heart Corporation, which operates in the nursing care-related field; Digital Spice Corporation, which joined the Group in July 2020, and DONKEY Corporation, which became a consolidated subsidiary in February 2022. The Group also includes the non-equity-method affiliate ALPSGIKEN MYANMAR CO., LTD., which was established in October 2020. The generation of synergies with high-added-value by these nine Group companies forms a “spiderweb-type network organization.” The Group has approximately 6,000 employees, among which roughly 10% are global human resources. In addition, to the Head Office (Yokohama City), Altech Corporation Building No. 1 (Sagamihara City, formerly the back office and training center), and Altech Corporation Building No. 2 (Sagamihara City), the Company also has 2 techno parks for manufacturing, 23 sales offices in Japan*2, and 1 overseas branch (Myanmar).

*1 PANA R&D was absorbed and merged with the Company on April 1, 2023.

*2 25 sales offices as of April 1, 2023.

Group structure (spiderweb-type network)



Source: The Company's results briefing materials

3. Business overview

(1) Outsourcing Business

Outsourcing Business is the Company's core business. It specializes in the development and design fields, which are manufacturing upstream processes, and positions the provision of high-level technological services by design and development engineers as the center of its business model.

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Company profile

The Company provides services in the form of assignment engineers and outsourcing. Assignment services take the form of spot assignments (assignment of a single engineer) and team assignments (assignment of a team of engineers whose members have various high-level skills and who conduct product design and development work). The outsourcing services take the form of on-site (the engineer is stationed at the customer's site) and off-site (the engineer returns to the Company's techno park or other site) for project outsourcing (outsourcing of design, prototyping, manufacturing, and evaluation, either on a single or collective contract basis).

Since it was founded as a design office, the Company has met the technical needs of its customers in the field of mechatronics through its concept of "machinery and electrical integrated design." In particular, it utilizes its strength of having a unique business form with its own manufacturing bases (its own factories), and the Group overall has established a structure able to handle all the manufacturing processes, from development, prototyping, manufacturing to evaluation. Even within this structure, the Company's main area of technological expertise is upstream processes, where it possesses competitive advantages in the processes requiring high-level technological capabilities, including basic research, product planning, concept design, detailed and mass production design, prototypes and experiments, and evaluation and analysis.

The central areas of the technology field include machinery design, electricity and electronics design, software development, and chemistry. Alongside the transition to a high-level network society, the priority items have become the development and design of a variety of advanced technologies such as for IoT and AI, 3D-CAD for which further demand is expected, CAE technologies, and aerospace-related, medical-related, and robot development technologies. Therefore, the Company's customer companies are spread across a wide range of industries, including automotive, semiconductors and LSI, industrial equipment, digital precision equipment, aerospace, space and defense, and medical and welfare equipment.

(2) Global Business

The Company currently has three overseas subsidiaries, ALPSGIKEN TAIWAN CO., LTD., Altech Shanghai Co., Ltd., and ALPSGIKEN MYANMAR CO., LTD., which was established in October 2020. In addition to work for installing production facilities and other facilities for Japanese companies overseas and providing maintenance and ancillary staffing services, ALPSGIKEN MYANMAR CO., LTD. conducts business to develop human resources who can be active in various fields, including the fields of technology, agriculture, and nursing care, through the management of the Altech Higher Vocational Training College. The expansion of Global Business serves as one strategic axis amid the advancement of economic globalization.

(3) New businesses (agriculture- and nursing care-related fields)

These businesses are being developed by Alps Agri Career Corporation (agriculture-related field) *, and Alps Care Heart Corporation (nursing care-related field), which was established in July 2021. As they have only just been launched, they are currently included in the Outsourcing Business segment. The goal is to create a new model for the worker assignment markets for the agriculture-related field, which is a growth industry, and the nursing care-related field, which is experiencing a noticeable shortage of human resources. It is said that in these fields, the keys are introducing state-of-the-art technologies, such as AI, IoT, and robots, and utilizing an overseas labor force. It appears that the Company's strategy is to seek first-mover advantages in fields where it can utilize its advanced technological capabilities and expertise in developing human resources (including recruitment of global human resources) that it has cultivated up to now.

* Changed its name from Agri & Care Corporation on July 1, 2021 and made a new start as a company specializing in the agriculture-related field.

Company profile

4. History

The Company's predecessor, the Matsui Design Office, was founded in 1968 based on the concept of "mechanical and electrical integrated design" of its founder, Toshio Matsui. At that time, electrical design and mechanical design were conducted separately, and to solve the various problems that arose from this, he proposed "mechanical and electrical integrated design" to customer companies as a proprietary and innovative method. The Company has encountered various difficulties, including the oil crises, but through constant efforts it has steadily gained an excellent reputation among its customers for being a comprehensive engineering outsourcer "that provides technologies according to customer requests." Furthermore, under the leadership of the current President and Representative Director Atsushi Imamura, it is aiming to improve results and expand its business, including by focusing on training human resources who are specialized in upstream processes, such as development and design, and the early mobilization of new graduate engineers.

History

Date	Major event
July 1968	Matsui Design Office was founded in Sobudai, Sagami-hara City, Kanagawa Prefecture Started the first five-year plan, "Develop the Company"
January 1971	Renamed the Matsui Design Office as Altech Inc., and established it in Sobudai, Sagami-hara City, Kanagawa Prefecture
July 1973	Started the second five-year plan, "Increase Business with Prime Customers and Maintain Internal Capital"
July 1978	Started the third five-year plan, "Implement an Institutionalization of the Company and Improve Technical Capabilities"
January 1981	Moved head office to Kyowa, Sagami-hara City, Kanagawa Prefecture
March 1981	Reorganized the organization and transferred it to Altech Corporation
July 1983	Started the fourth five-year plan, "To be an International company and Develop Human Resources"
April 1984	Opened the Tohoku business office in Koriyama City, Fukushima Prefecture
April 1985	Opened the Shinshu business office in Shiojiri City, Nagano Prefecture
July 1985	Constructed a building in Nishi-Hashimoto, Sagami-hara City, Kanagawa Prefecture and relocation of Head Office to
February 1986	Established Kita Kanto business office in Fukaya City, Saitama Prefecture
April 1986	Established subsidiary Technical Training Center CO., LTD. (currently, ALPS BUSINESS SERVICE CORPORATION) from the technical training department
July 1988	Started the fifth five-year plan, "Restructuring of the Organization and Developing the Company's own Technology."
December 1989	Established Tateshina Techno Park in Chino City, Nagano Prefecture, started production of in-house developed products and the design and production of precision machinery
October 1990	Adopted a divisional organization structure to utilize profit center management and accounting systems. Established six business division below the Tohoku business division
July 1993	Started the sixth five-year plan, "Nurture High-quality Human Resources for High-quality Companies"
June 1996	Altech is listed on the OTC market of the Japan Securities Dealers Association (currently, JASDAQ) Increased capital to ¥832,619,000
July 1997	Increased capital to ¥1,502,219,000
January 1998	The Tokyo Business Division was separated from the Kanto Division, and the West Japan Division divided into the Osaka Division, the Nagoya Division and the Kyushu Division, and the Tateshina Techno Park was newly established from the Chubu Division. In addition to Tohoku Division, the Company became an eight-business division structure
July 1998	Started the seventh five-year plan, "Restructuring our Business Field and our Core Competencies."
September 1998	Completed the new building of Chubu business division as own property in Shiojiri City, Nagano Prefecture
December 1998	Established the Taiwanese subsidiary (currently, ALPSGIKEN TAIWAN CO., LTD.), in Taipei City, Taiwan
October 1999	Utsunomiya Factory (now Utsunomiya Techno Park) opened in Yaita City, Tochigi prefecture
July 2000	Tateshina Techno Park No. 2 factory completed
September 2000	Listed on the second section of the Tokyo Stock Exchange (listing date September 28, 2000)
July 2001	Completed a new building and the Training Center Relocated the Head Office
March 2003	Introduced a business headquarters system from the business division system (four blocks nationwide)
July 2003	Started the eighth five-year plan, "Creation of New Corporate Value"
October 2004	Entered-into a technical alliance with Qingdao University of Science Technology in China, opened the "Machinery Design Education Program"
December 2004	Listed on the Tokyo Stock Exchange First Section. (first section designation date, December 1, 2004)
July 2005	Introduced the central organization structure to upgrade risk management capabilities.
April 2006	Entered-into a technical alliance with China University of Petroleum, established the China University of Petroleum ALPS International Engineer Education Center

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Company profile

Date	Major event
July 2006	Issued 1st unsecured convertible bond type bonds with stock acquisition rights of ¥2 billion
January 2007	Opened the Atsugi Sales Office
February 2007	Participated in the establishment of the Nippon Engineering Outsourcing Association (currently, NEOA (public interest incorporated association))
March 2007	Established subsidiary ALTECH QINGDAO CO., LTD. in Qingdao City, China
July 2007	Opened the ALPS Qingdao Education Development Center (Qingdao City, China)
October 2007	Opened the Tsukuba Sales Office (currently, the Hitachi Sales Office)
July 2008	Started the ninth five-year plan "Leap to be a Leading Company"
January 2009	Established the subsidiary Altech Forest Corporation.
March 2009	Opened the Takasaki Sales Office
March 2010	Established the subsidiary Altech Shanghai CO., LTD. (CHINA) in Shanghai, China
March 2011	Relocated Head Office to Minato Mirai, Nishi Ward, Yokohama City, Kanagawa Prefecture Opened the Hitachi Sales Office
February 2012	Opened the Kyoto Sales Office
August 2012	Established the subsidiary Alps Career Designing Corporation in Chiyoda Ward, Tokyo
July 2013	Started the tenth five-year plan "Expansion of Enterprise Scale through Innovation" ~ Accelerate growth as we move toward our 50th anniversary ~
December 2014	Subsidiary Altech Forest Corporation removed from the scope of consolidation on the transfer of shares
April 2015	Opened Yangon branch office in Myanmar (Yangon city)
September 2016	Made PANA R&D CO., LTD. a consolidated subsidiary Alps Business Services Corporation merged with Alps Career Designing Cooperation
April 2017	Start of broadcasts of TV commercials
September 2017	Divided the Nagoya Sales Office into the Nagoya Office I and the Nagoya Office II, and opened the Himeji Sales Office
April 2018	Established Agri & Care Corporation in order to enter-into new business fields (agriculture- and nursing care-related fields) (capital: ¥100,000,000)
July 2018	Started eleventh five-year plan, the Reinvestment of Management Resources toward the New Industrial Revolution
September 2018	Completed the Altech Corporation Building No. 2
May 2020	Conducted a capital increase for DONKEY Corporation and made it an affiliate
July 2020	Made Digital Spice Corporation a consolidated subsidiary (capital: ¥27,500,000)
October 2020	Established the subsidiary ALPSGIKEN MYANMAR CO., LTD. in Myanmar (Yangon City) (capital: USD 200,000, including capital reserve)
July 2021	Subsidiary Agri & Care Corporation changed its name to Alps Agri Career Corporation Established the subsidiary Alps Care Heart Corporation (capital: ¥100,000,000)
February 2022	Made DONKEY Corporation a consolidated subsidiary (capital: ¥250,000,000)
April 2022	Transferred to the Tokyo Stock Exchange Prime Market

Source: Prepared by FISCO from the Company's website

Business performance

Growth in results driven by increasing the number of mobilized employees by actively recruiting new graduates and mobilizing them at an early stage, as well as improvement in the contract unit price

1. Trends in past results (consolidated)

Looking back at business performance up to now, we see that it has steadily grown alongside the increase in the number of engineer employees. Particularly since FY12/14, despite the ongoing severe recruitment environment, the Company has still been able to recruit around 250-300 new graduates per year and achieve early mobilization, which has driven the growth in results. It can be said that recruiting around 250-300 new graduates every year and around 80 global human resources*1 in fields with high levels of specialty, and completing their training at an early stage by promoting team formation*2 and maintaining a high mobilization rate is a growth model unique to the Company. For the contract unit price*3 as well, a performance indicator just as important as the number of mobilized employees, the market value has been steadily rising every year from the skills development programs and planned rotations based on the career plans of each worker (however, there was a decrease in FY12/20 due to temporary factors caused by COVID-19). Moreover, the collaboration with consolidated subsidiary ALPS BUSINESS SERVICE CORPORATION and PANA R&D CO., LTD., expansion of overseas business, and performance of Alps Agri Career Corporation, which is engaged in new business, contributed to the growth in consolidated results. Even from FY12/20 to FY12/21 when results were impacted by COVID-19, there were no major changes to the trends of the performance indicators that the Company prioritizes, which one could argue confirm the robustness of its businesses.

*1 Although the Company was unable to hire global human resources in FY12/21 due to the impact of immigration restrictions, in FY12/22 it hired approximately 170 people, including those awaiting entry into the country since FY12/21.

*2 By utilizing team assignments (consisting of multiple people), new employees can work while being guided, educated, and trained by senior engineers, enabling a strategy for their early mobilization. It seems that this framework is also highly evaluated by customers, as it gives them peace of mind.

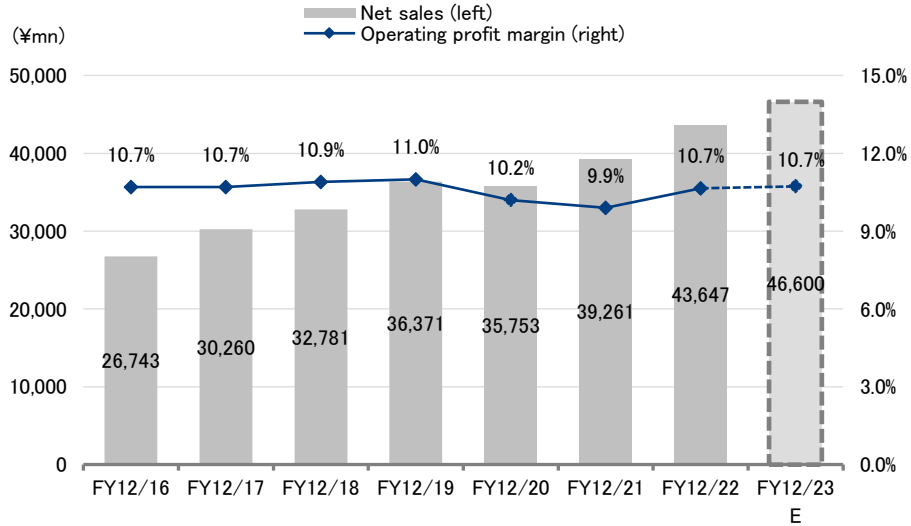
*3 The unit price per hour based on the contract with the customer. Unlike the actual unit price that constitutes sales, it does not include overtime.

In terms of profit and loss, profits have trended upward alongside the growth in net sales and the operating profit margin has also improved, trending at a high level above 10% for the past few years. The Company retained an operating profit margin of around 10% between FY12/20 and FY12/21, when it was impacted by COVID-19, and recovered up to the level of 10.7% in FY12/22.

For the Company's financial condition, the equity ratio remained at a level above 60% while total assets grew following the increases in cash and deposits and other items. On the other hand, ROE, which indicates capital efficiency, is rising year by year, and in FY12/17, it reached a level of above 20%. Therefore, the Company's financial condition can be evaluated as being extremely good. It also has plentiful liquidity on hand (cash and deposits), which serves as a buffer against unforeseen circumstances and expands the range of strategies it can adopt for growth, so it will be necessary to pay attention to M&A and other developments in the future.

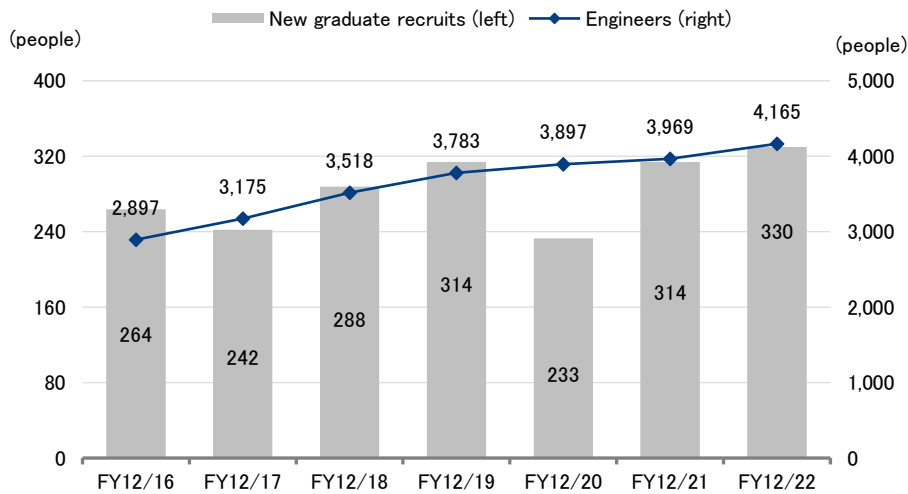
Business performance

Trends in net sales and operating profit margin (consolidated)



Source: Prepared by FISCO from the Company's financial results

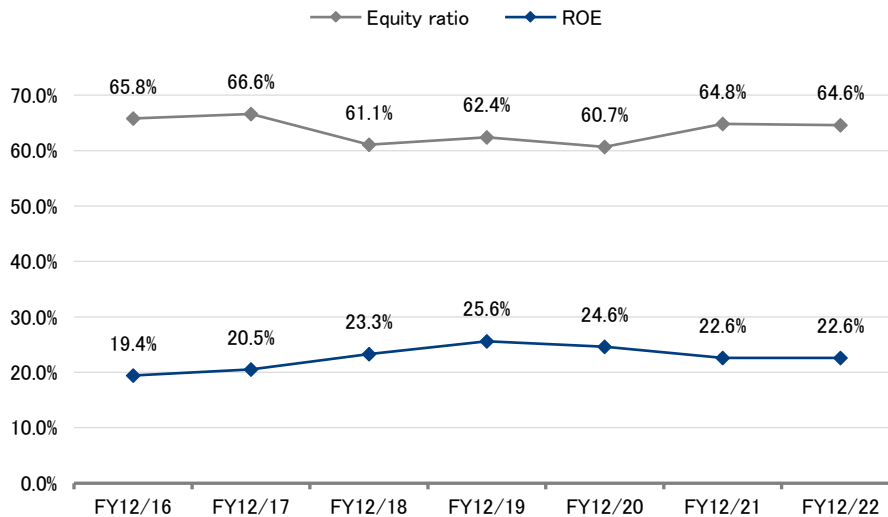
Trends in the number of new graduate recruits and engineers (standalone)



Source: Prepared by FISCO from the Company's briefing materials

Business performance

Trends in equity ratio and ROE (consolidated)



Source: Prepared by FISCO from the Company's financial results

2. Overview of FY12/22 results

In FY12/22, the Company recorded consolidated results that exceeded its forecast and posted significant increase in sales and profits (excluding ordinary profit), achieving a new record high. Net sales were ¥43,647mn, up 11.2% YoY, operating profit was ¥4,649mn, up 19.9%, ordinary profit was ¥4,560mn, down 0.3%, and profit attributable to owners of parent (final profit) was ¥3,416mn, up 10.4%.

Although the future of the manufacturing industry remains uncertain, as exemplified by turmoil in supply chains and reduced production due to soaring raw material costs, R&D investment is firm, especially in semiconductors, which are performing well, software development, and the automotive industry, where the development of next-generation vehicles is intensifying, and results were led by an increase in mobilized engineers (maintaining a high mobilization rate) and improvements to contract unit prices. Additionally, the Global Business expanded significantly, with a focus on business for the semiconductor industry which is seeing increasing demand.

In terms of profit and loss, the Company achieved a significant increase in operating profit due to a rise in the bottom-line earnings level in conjunction with increased sales and an improvement in the operating profit margin to 10.7% (9.9% in the previous fiscal year) stemming from a recovery in the mobilization rate. Meanwhile, the decline in ordinary profit was due to the absence of employment adjustment subsidies, and was within expectations.

Looking at financial conditions, total assets were up 7.7% from the end of the previous fiscal period to ¥24,274mn, due in part to increases in trade receivables and cash and deposits resulting from higher sales. Shareholders' equity rose 7.4% to ¥15,687mn due to the accumulation of internal reserves, and therefore the equity ratio was roughly level at 64.6% (64.8% at the end of the previous fiscal period).

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Business performance

Overview of FY12/22 results

	FY12/21		FY12/22		YoY		(¥mn)			
	Results	% of sales	Results	% of sales	Change	Rate of change	FY12/22		Vs. forecast	
							Forecast	% of sales	Change	Achievement rate
Net sales	39,261		43,647		4,386	11.2%	42,500		1,147	102.7%
Outsourcing Business	37,519	95.6%	40,141	92.0%	2,622	7.0%	-	-	-	-
Global Business	1,742	4.4%	3,505	8.0%	1,763	101.3%	-	-	-	-
Cost of sales	30,322	77.2%	33,159	76.0%	2,836	9.4%	-	-	-	-
SG&A expenses	5,063	12.9%	5,839	13.4%	776	15.3%	-	-	-	-
Operating profit	3,875	9.9%	4,649	10.7%	773	19.9%	4,550	10.7%	99	102.2%
Outsourcing Business	3,671	9.8%	4,430	11.0%	758	20.7%	-	-	-	-
Global Business	201	11.6%	216	6.2%	14	7.3%	-	-	-	-
Ordinary profit	4,574	11.7%	4,560	10.4%	-13	-0.3%	4,590	10.8%	-29	99.4%
Profit attributable to owners of parent	3,095	7.9%	3,416	7.8%	321	10.4%	3,120	7.3%	296	109.5%
Number of engineers	3,969		4,165		196					
Number of mobilized employees	3,706		3,985		279					
Mobilization hours*1	164.5		163.9		-0.6					
Contract unit price*2	4,021		4,059		38					

*1 Hours worked per month, corresponding to work as an engineer

*2 This refers to the unit price per hour based on the contract with the customer. Unlike the actual unit price that constitutes sales, it does not include overtime.

Note: Percentages related to operating profit represent the ratio of operating profit to net sales for each segment

Source: Prepared by FISCO from the Company's financial results and briefing materials

FY12/22 financial condition

	(¥mn)			
	End-FY12/21	End-FY12/22	Change	Rate of change
Current assets	16,331	18,151	1,820	11.1%
Cash and deposits	9,984	10,696	711	7.1%
Note and accounts receivable - trade, other	5,465	6,622	1,157	21.2%
Work in process	303	238	-65	-21.5%
Non-current assets	6,213	6,122	-90	-1.5%
Goodwill	327	243	-84	-25.7%
Total assets	22,545	24,274	1,729	7.7%
Current liabilities	7,442	8,133	690	9.3%
Accounts payable - trade	1,712	1,978	265	15.5%
Short-term loans payable	773	274	-499	-64.5%
Non-current liabilities	467	399	-68	-14.5%
Total liabilities	7,909	8,532	622	7.9%
Net assets	14,635	15,741	1,106	7.6%
Shareholders' equity	14,601	15,687	1,085	7.4%
Current ratio	219.4%	223.2%	3.8pt	-
Equity ratio	64.8%	64.6%	-0.2pt	-
Interest-bearing debt ratio	6.1%	2.0%	-4.1pt	-

Source: Prepared by FISCO from the Company's financial results

(1) Outsourcing Business

Net sales increased 7.0% YoY to ¥40,141mn and segment profit increased 20.7% to ¥4,430mn. Growth was steady thanks to factors including an increase in the number of mobilized engineers due to an increase in engineers and recovery of the mobilization rate, and improvements to contract unit prices.

Business performance

Looking at the performance indicators (stand-alone) that the Company prioritizes, the number of engineers increased to 4,165 (up 196 engineers from the end of the previous fiscal year), and the number of mobilized engineers increased to 3,985 (up 279 engineers). Contract unit prices per person also improved from a momentary slump in the previous fiscal year to ¥4,059 (up ¥38). The full-year average mobilization rate was 96.1% (93.6% in the previous fiscal year) including newly graduated engineers (330 people), recovering to a high level much like before the COVID-19 pandemic. Net sales by industry were favorable in areas such as semiconductors, which are seeing increasing demand alongside the development of DX, and software development, and continued to be strong in automotive business, where the development of next-generation automobiles, including environmental responses, is intensifying. It can be assumed that the response to growth fields contributed to the growth in business performance.

In regards to Group companies, while ALPS BUSINESS SERVICE and PANA R&D performed well, Alps Agri Career, which is involved in agriculture-related fields, experienced gradual growth in recent results due to the impact* of immigration restrictions resulting from COVID-19. Additionally, Alps Care Heart, which conducts home-visit nursing care business, increased the number of facilities primarily in Kanagawa Prefecture, but has not yet reached the stage of making full-scale contributions to results.

| * The inability to accept global human resources in the previous fiscal year has affected FY12/22 results as well. |

In terms of profit and loss, although new businesses are still in the upfront cost stage, the segment profit margin improved significantly to 11.0% (9.8% in the previous fiscal year) due to a recovery in mobilization rates and higher contract unit prices, in addition to a rise in the bottom-line earnings level in conjunction with increased sales, enabling the Company to achieve significant profit increases.

(2) Global Business

Net sales increased 101.3% YoY to ¥3,505mn and segment profit increased 7.3% to ¥216mn. The acquisition of new orders received and expansion of the staffing service business, particularly in the semiconductor industry where demand is growing, contributed to the growth in earnings. However, it appears that the decline in the segment profit margin to 6.2% (11.6% in the previous fiscal year) was due to the impact of some projects with low profitability.

3. Summary of FY12/22 results

To summarize FY12/22, while there is still a sense of uncertainty about the future of the semiconductor industry overall, the Company's ability to quickly shift to growth areas and achieve earnings growth is a point that can be evaluated as its true essence. In terms of activities, amid intensifying competition for hiring, the Company was able to achieve a certain level of success in securing human resources, including global human resources for whom immigration restrictions have been eased, and made steady progress in new businesses, which will be positive factors for the future.

■ Main activities and achievements

Achieved a certain level of success in securing human resources, including global human resources. Steady developments were made in new business as well

1. Recruitment and education achievements

In human resource recruitment, which serves as the Company's growth driver, the Company secured 330 people (314 in 2021) as new 2022 college graduates, while the number of engineering staff (standalone) at the end of the period increased to 4,165 (up 196 from the end of the previous fiscal year), due to the hiring of about 90 career human resources with an emphasis on quality. There were roughly 280 new 2023 college graduates who joined the Company. As for global human resources, the relaxation of immigration restrictions due to COVID-19 allowed the Company to accept a total of approximately 170 global engineers and agriculture-related human resources (among which there were approximately 130 were agriculture-related human resources), making up for some of the delays that had occurred up to the previous fiscal year.

For education, the Company has arranged approximately 1,000 instructors, and held roughly 3,000 study sessions at each location. The topics of these study sessions include acquiring certification, career development, leadership development, and more recently, have focused on training engineers to work in cutting-edge fields.

2. Progress made in new business

(1) Agriculture-related field

Given the notable shortage of agriculture-related human resources within Japan, Alps Agri Career established a system alongside the easing of immigration restrictions put in place due to COVID-19 and positioned itself on a track toward growth. On September 13, 2022, the company entered a business alliance with Saitama Shinkin Bank regarding agricultural staffing services. The bank intends to solve the human resource shortages that have become an issue for agricultural businesses with which the bank does business by providing a wide range of human resource services from agri-tech* to farming (temporary staffing).

| * Agritech refers to the use of information transmission technology such as IoT and drones in agricultural fields |

(1) Nursing care-related field

Alps Care Heart, which provides nursing care-related services, first began in Sagami-hara City, using domestic human resources to provide home-visit nursing care services, and plans to expand its business locations to Kanagawa Prefecture, the Tokyo metropolitan area, and then nationwide. The company has steadily been increasing the number of locations, having opened No. 3 (Kikuna) in April 2022, No. 4 (Higashi-Kanagawa) in July of the same year, and No. 5 (Sagami-Ono) in March 2023.

Main activities and achievements

3. Group reorganization

In February 2023, the Company resolved to conduct an absorption-type company split (conducted on April 1, 2023) in which the contracting division of PANA R&D, a consolidated subsidiary, would be succeeded by Digital Spice, also a consolidated subsidiary, and to merge all divisions other than the contracting division of PANA R&D with Digital Spice. The intentions include building a structure that incorporates the technological abilities of the software field which PANA R&D boasts as a strength, and can realize more advanced and diverse technological services, improving corporate value, and concentrating the contract business, which will lead to growth in manufacturing business, in Digital Spice. The Company will also expand the business scope through speedy decision-making and increases to technical capabilities.

Business outlook

The FY12/23 outlook is also for new record high results driven by continued increases in sales and profits

1. Outlook for FY12/23

In its outlook for FY12/23, the Company is forecasting increase in sales and profit, with net sales set to increase 6.8% YoY to ¥46,600mn, operating profit to rise 7.5% to ¥5,000mn, ordinary profit to increase 10.9% to ¥5,060mn, and profit attributable to owners of parent to grow 0.1% to ¥3,420mn, for record high business results.

The Company expects both sales and operating profit to grow steadily against the background of strong customer demand for semiconductors, medical-related business, and software development related to cutting-edge technologies, for which demand is expanding. It also expects agriculture-related fields, where global human resources have been increasingly accepted along with the easing of immigration restrictions, to contribute to earnings growth.

2. View of FISCO's analysts

At FISCO, although sufficient caution is warranted regarding uncertain elements in the business environment, such as continued supply chain turmoil, soaring raw materials prices, and increased geopolitical risk, we believe the Company's forecasts are sufficiently attainable for the following reasons: 1) the R&D investment areas that the Company is targeting are long-term investment fields directly connected to its competitiveness in the future and in which strong demand is expected going forward; 2) even during the COVID-19 pandemic, it has steadily expanded its business foundation, including by recruiting and educating human resources; 3) while the Company is shifting to growth fields, the FY12/22 mobilization rate has returned to pre-COVID-19 levels, and 4) Group companies are all performing solidly. The pace at which the agriculture-related field, which has been accepting global human resources along with the easing of immigration restrictions, as well as businesses such as the home-visit nursing care business, which is steadily increasing the number of locations, will contribute to the growth of business performance must be given attention as factors that will additionally affect results.

■ Medium- to long-term growth strategy

Aiming to expand the portfolio by developing new technologies and opening markets, while also aiming for sustainable growth through solving societal problems

1. The medium- to long-term growth vision

The Company has explained its direction for its next business development in terms of a portfolio with four quadrants divided on two axes of markets and businesses, and into existing and new areas for each axis. Additionally, as a policy to create the next generation, it intends to link online environments to policies, based on the three pillars of employment, education, and sales, and enhance its customer satisfaction brand.

(1) State-of-the-art technologies (high-unit-price zone) development and design work (new markets, existing business)

This is development and design work in various advanced-technology areas, including those related to AI and IoT, robots, hybrid and EV vehicles, aerospace, and medicine, and the Company is responding to changes in technologies to meet societal needs to expand into corresponding markets. It is already actively training human resources, including organizing projects for increasing the number of mobilized employees in the AI and cutting-edge technology fields.

(2) Investigating potential new businesses (new markets, new business)

The Company intends to advance various measures, including utilizing nursing care human resources, opening up other fields (including agri-tech and agri-business), and conducting M&A. As previously mentioned, it has decided to establish a new company for the agriculture- and nursing care-related fields, and has begun specific measures toward the development of a new worker assignment business.

(3) Global development (existing markets, new business)

Basically, this is the provision of services like the construction and management of production facilities locally alongside the overseas expansion of its customer companies. For the time being, the Company's regional focus is on China and Asia, and it is also aiming to utilize global engineers, such as to act as bridging engineers.

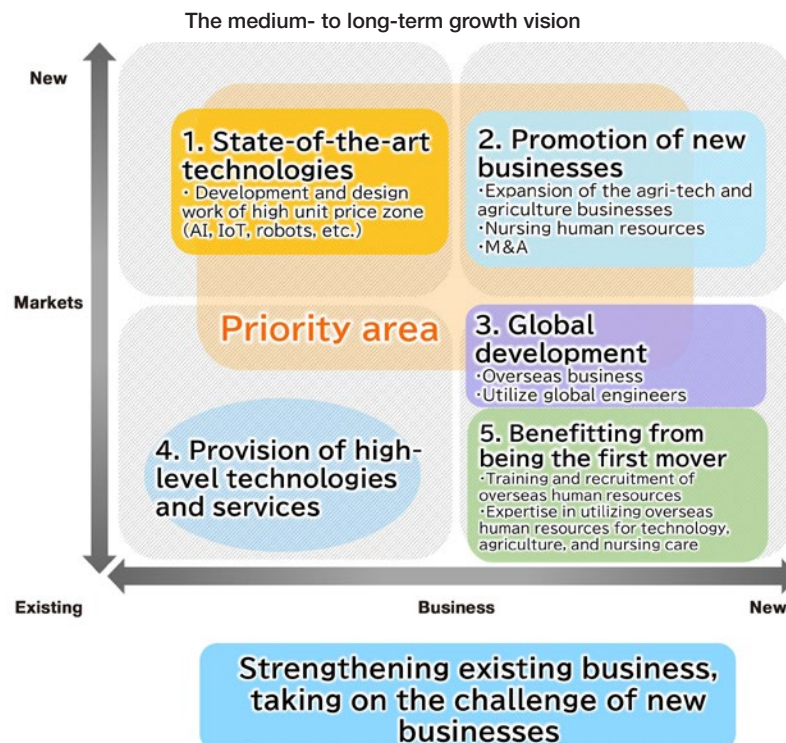
(4) Provision of high-level technological services (existing markets, existing business)

These are existing services, such as for machinery design, electricity and electronics design, and development. They are the Company's stable source of earnings and going forward, it is aiming to strengthen the project management structure and other structures for business expansion.

(5) Obtaining the first-mover advantage (existing markets and new businesses)

The Company will obtain the first-mover advantage from its expertise in the recruitment and training of human resources and utilization of overseas human resources in the fields of technology, agriculture, and nursing care.

Medium- to long-term growth strategy



Source: The Company's results briefing materials

2. Themes of the medium-term management plan and progress

Since its foundation, the Company has been formulating qualitative targets for every five years and quantitative targets for every three years (rolling targets in the medium-term management plan). On the 50th anniversary of its foundation in July 2018, it announced the next five-year plan (its vision up to 2023) at the fully fledged start of the second foundation period. With “Reinvestment of Management Resources toward the New Industrial Revolution” as the theme, it has implemented the three measures described below and achieved a certain level of success so far.

1) Create sustainable competitive advantages in the outsourcing market

As the Company has been shifting further into growth fields, net sales grew 33% compared to FY12/18 and the number of Group employees increased steadily by 31%. Regarding global human resources, the Company began hiring agriculture-related human resources in 2018, and made a start to creating a staff dispatch market through a new model.

2) Accelerate growth and strengthen the earnings foundation by increasing investment

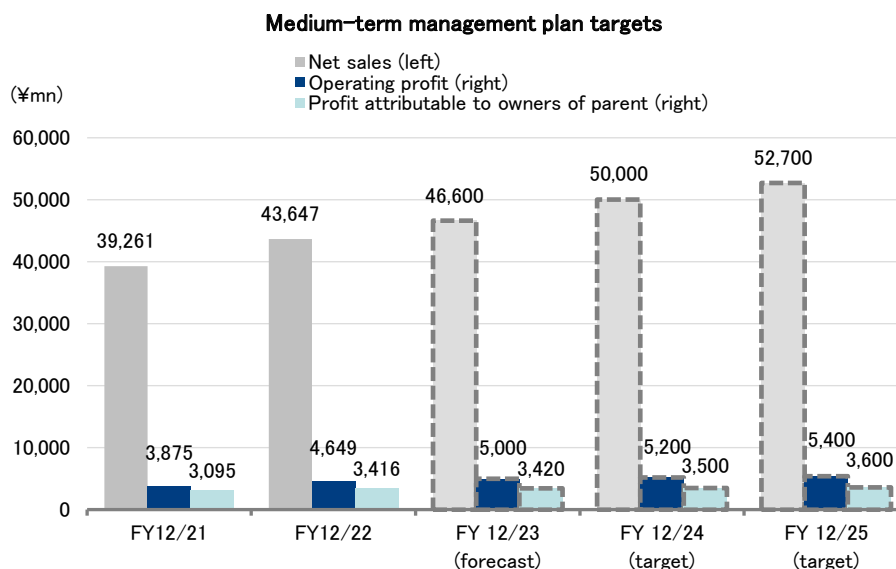
In order to make an entry into new businesses, in 2018 it established Agri & Care (now Alps Agri Career) and strengthened manufacturing business by establishing DONKEY and making Digital Spy into a subsidiary in 2020. It has been working to enhance its business portfolio through Group management, such as by establishing Alps Care Heart, which operates the home-visit nursing care business, in 2021, and merging and absorbing PANA R&D in 2023. What particularly sets the Company apart is that it is making investments unlike anything before in activities aimed at solving social issues such as agriculture and nursing care-related fields, as well as in strengthening its manufacturing business.

Medium- to long-term growth strategy

3) Optimize human resource development and the organization in response to changes in the business environment

In addition to launching a project and accelerating the training of advanced technicians in 2018, the Company has promoted the utilization of online functions in response to the changing environment (e.g., by developing an in-house studio and using it in recruitment, education, and sales). It is also working to promote the active participation of women especially among engineer groups, which have a strong tendency to be mostly male given the nature of the business, by increasing the percentage of women in managerial positions to 5.3% (up 1.5pt from the end of 2018).

In the three-year (rolling) medium-term management plan, it has set quantitative targets for FY12/25 of net sales of ¥52,700mn, operating profit of ¥5,400mn, and profit attributable to owners of parent of ¥3,600mn, while it also intends to secure ROE of 20% or above.



Source: Prepared by FISCO from the Company's briefing materials

3. Industry trends and the Company's position

According to the Ministry of Labor, Health and Welfare's "Aggregated Results of Business Reports by Worker Dispatching Businesses (Preliminary Report)," the number of assignment workers nationwide peaked at 2.02mn at the time of the global financial crisis in 2008 and then trended downward, but this decline bottomed-out in 2013 and by June 1, 2021 had recovered to 1.69mn. Also, due to developments such as the revisions to the Worker Dispatching Act and the introduction of the equal pay for equal work system (both enacted on April 1, 2020)*, the environment surrounding the assignment business is approaching a major turning point. In other words, it is thought that aspects such as the technological capabilities and expertise of the assignment employees, and what the companies that they are assigned to expect from these employees, will change greatly in the future. Simply put, needs will be strong for human resources who possess new and advanced technological capabilities and expertise, but work in downstream processes is likely to change greatly, depending on economic trends and other factors.

* The equal pay for equal work system was introduced with the aim of eliminating the unfair differences in treatment between so-called regular employees (permanent workers recruited for an indefinite period) and non-regular employees (employees recruited for a fixed period, part time workers, and assignment workers) working in the same company or organization. Generally, there are concerns about the effects of introducing this system, such as that the wages of non-regular employees will increase and that wage differences will grow among non-regular employees.

Medium- to long-term growth strategy

In the Company, engineers have a stable position through being recruited for an indefinite period (permanent employees), and they receive education and training to have advanced technological capabilities and expertise. Therefore, they are trusted by customer companies. The results of the Company, which specializes in assignments of engineers recruited for an indefinite period, are expected to grow solidly. Of course, efforts will be needed to capture customer needs and to undertake upstream processes in industries requiring technological capabilities and expertise, such as the electricity and machinery, automotive, aviation and space industries. However, it is thought that its businesses can continuously grow by gaining the trust of customers, supported by long-term human resources education.

Also, having observed trends over several years, while the number of working hours per engineer is decreasing due to the impact of workstyle reforms, the number of engineers being requested is increasing. In addition to supplementing the labor shortage at manufacturers, there appears to be a distinct trend emerging where demand is increasing not only to compensate for personnel shortages at manufacturers but also in cutting-edge technological areas that require skills in specific technologies. Therefore, going forward, whether the Company can acquire (develop) excellent engineers in the fields with the most cutting-edge technologies, which it has positioned as its priority fields, is likely to become an increasingly important factor for its success in the future.

4. Points to focus on from FISCO's analysts

Amid a declining population in Japan and economic globalization, at FISCO we evaluate the Company's strategy for the direction of its business development, which involves ascertaining changes to the industrial structure and societal problems in the future, to be rational. The focus for the future will be on how to link sustainable growth with efforts to respond to new technological fields where demand is growing and to solve social issues, including the progress made in new businesses. In particular, it seems that its success or failure in the agriculture- and nursing care-related fields will be determined by whether the Company itself can advance ahead of other companies to create new markets, and whether its utilization of cutting-edge technologies and accumulation of expertise will lead to solving the labor-shortage problem and also to improving productivity (and securing profitability). Furthermore, the manufacturing business, centered on DONKEY Corporation and Digital Spice Corporation, holds potential upside factors for business performance, and we intend to focus on the Company's specific moves in this area going forward.

Sustainability and ESG initiatives

The Company has formulated a basic policy on sustainability and established a committee to further strengthen its specific initiatives

1. Initiatives for SDGs

The Company's Group supports the Sustainable Development Goals (SDGs) advocated by the United Nations and based on its "Heart to Heart" management philosophy, it is aiming to contribute to the achievement of the SDGs through its Outsourcing Business and other businesses, including by developing technologies. In August 2019, the Company newly established a page on its website to promote SDGs, while it is also listed on the website of the Ministry of Foreign Affairs as a company that is promoting SDGs.

Sustainability and ESG initiatives

2. Establishment of a basic policy on sustainability

In November 2021, the Company established a basic policy on sustainability in order to further strengthen its sustainability initiatives. At the same time, it established a sustainability committee with the purpose of overseeing concrete planning, execution, and management. The contribution to regional revitalization (Taiki-cho, Hokkaido) using the corporate version of the hometown tax donation system* conducted in the previous fiscal year can be viewed as part of these initiatives.

* Using the corporate version of the Hometown Tax Donation system, the Company made a donation to "From Taiki-cho! The Plan for Regional Revitalization through Aerospace Industry Accumulation" in Taiki-cho, Hokkaido. The aerospace business is one of the fields that the Company is focusing on, and its goal is to support the development of business that will advance Taiki -cho, aiming to further realize regional revitalization and a sustainable society.

Basic policy on sustainability

We of the Alps Giken group will value the bonds between people based on our corporate philosophy, "Heart to Heart." Through our business activities, we will aim to realize a sustainable environment and society, and sustainably increase our corporate value.

1. We will strive to preserve the global environment by providing advanced and diverse technology services.
2. We will utilize our management resources, namely human resources and technological capabilities, to engage in solving various social issues.
3. As a good corporate citizen, we will cooperate with stakeholders to engage in social contribution activities.

Source: Prepared by FISCO from the Company's website

Shareholder return policy

**Aims for a dividend payout ratio of 50% on a consolidated basis.
 Plans to pay an annual amount of ¥95, including a commemorative dividend of ¥10, in FY12/23**

1. Basic dividend policy

The Company pays dividends as its policy to return profits to shareholders. It aims for a dividend payout ratio on a consolidated basis of 50% (of which, the interim dividend is 50% of the annual dividend), and its basic policy is to pay an annual dividend of ¥10.0, regardless of results.

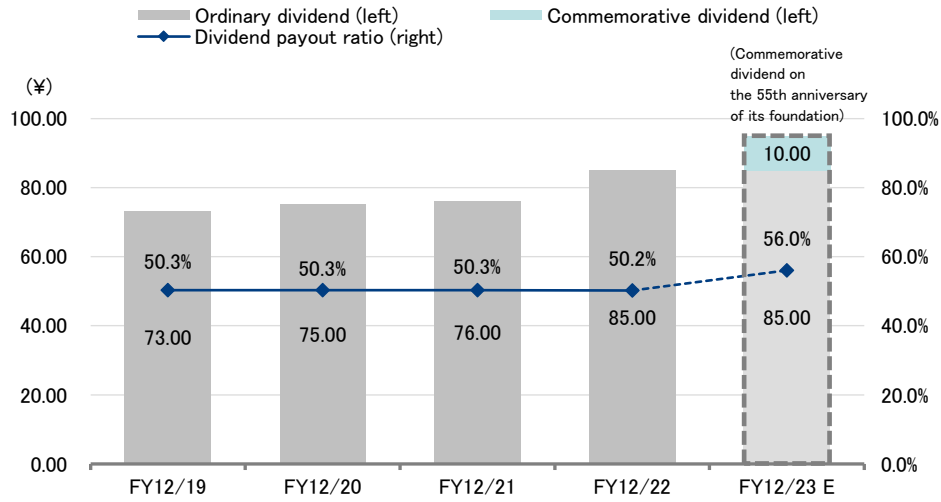
2. Dividend trend and plan

Profits increased more than forecast. Therefore, for the FY12/22 dividend per share, the Company upwardly revised the period-end dividend by ¥9 compared to the initial forecast and paid an annual ordinary dividend of ¥85 (interim dividend ¥38, period-end dividend ¥47; a dividend payout ratio of 50.2%).

For dividends per share in FY12/23, the Company plans to pay an annual amount of ¥95 (interim dividend ¥52, period-end dividend ¥43), which includes a commemorative dividend of ¥10 on top of the annual ordinary dividend of ¥85.

Shareholder return policy

Dividend and dividend payout



Note: Figures have been retroactively revised to take into account the Company having conducted a 1.1 for 1 share split on July 1, 2019.

Source: Prepared by FISCO from the Company's briefing materials



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