



ALINCO INCORPORATED

Medium-term Business Plan 2027

Restructure the earnings base for
medium-to long-term growth

April 3, 2024

Stock code: 5933

<https://www.alinco.co.jp/>

Main theme: Restructure the earnings base for medium-to long-term growth

Medium-term Business Plan 2027

FY3/27

| | |
|------------------------------|---------------|
| Net sales | ¥68.0 billion |
| Ordinary profit | ¥5.0 billion |
| Ordinary profit to net sales | 7% or more |
| ROE | 9% or more |
| PBR | 1.0x or more |

Point1

Evolve core businesses and restructure the business portfolio

Point2

Realize management that is conscious of cost of capital and stock price

Point3

Target payout ratio of 40% plus progressive dividends

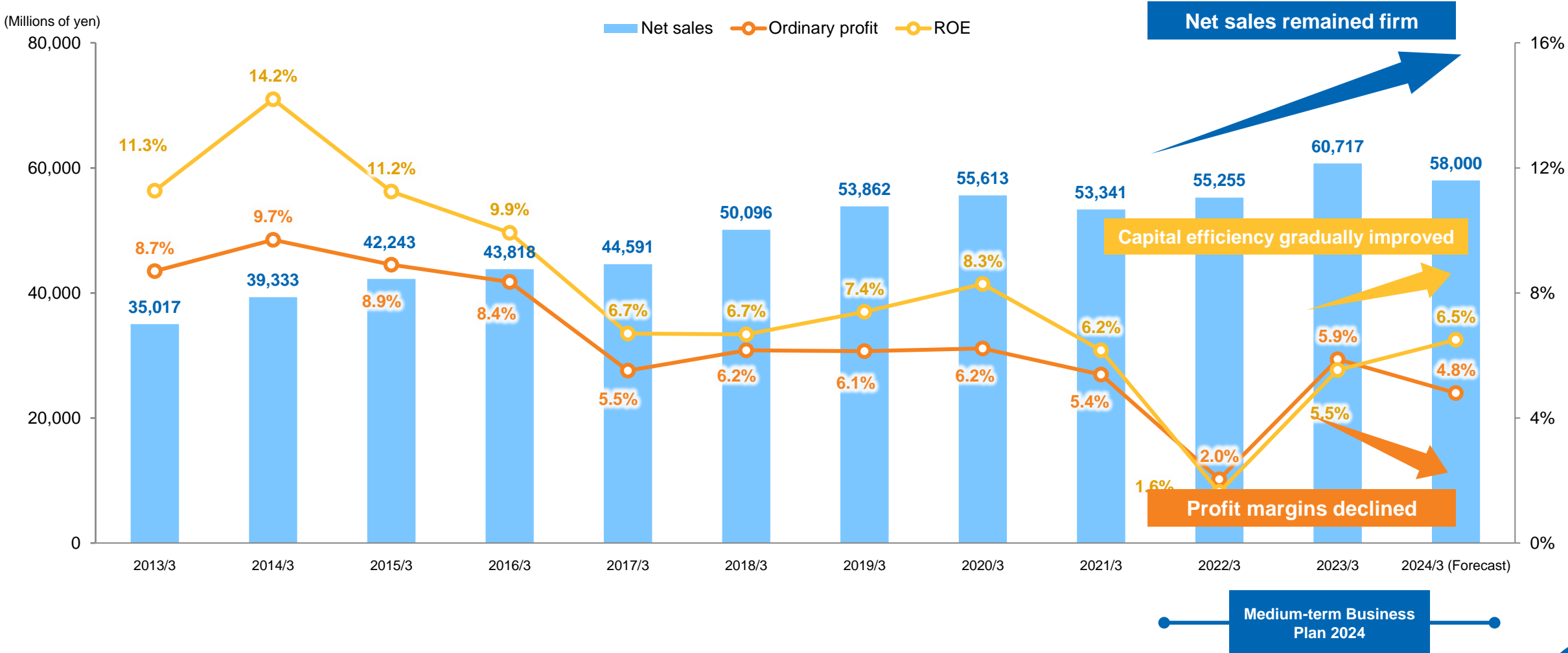
| | |
|---|----|
| Review of Medium-term Business Plan 2024 | 3 |
| Approach to Medium-term Business Plan 2027 and Our Positioning | 8 |
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The background of the slide is a high-angle, aerial view of a city. The buildings are represented as 3D block models in various shades of light blue and white. The perspective is from a high vantage point, looking down at the city's layout. The text is centered over the middle of the image.

Review of Medium-term Business Plan 2024

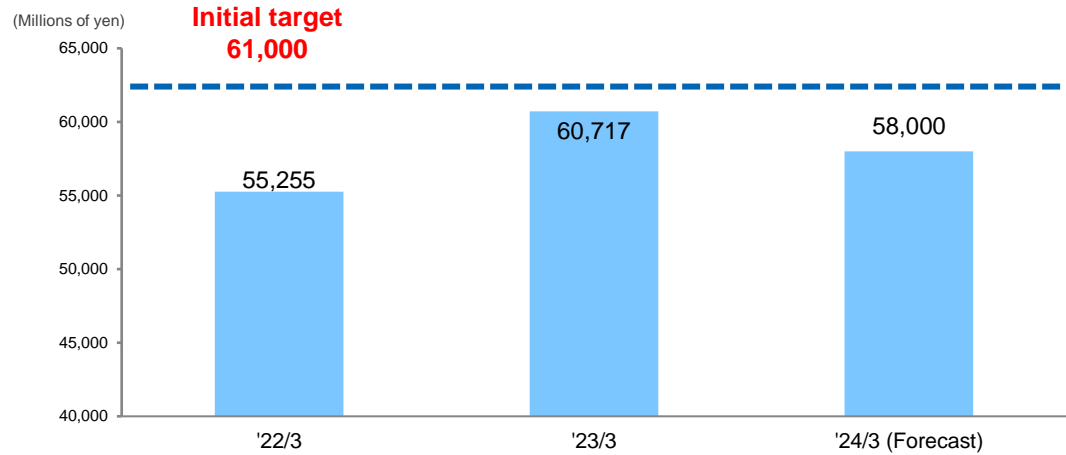
Review of Medium-term Business Plan 2024

- Net sales for the final year is expected to be 58,000 million yen due to the further development of manufacturing, sales, and rental of scaffolding materials, which is our core business, and favorable orders for printed wiring boards of HIGASHI ELECTRONICS INDUSTRY CO., LTD., which we acquired in the planned period.
- Each profit are expected to fall below targets due to the economic stagnation caused by the COVID-19 pandemic, soaring resource and energy prices, and the yen's depreciation exceeding expectations when the plan was formulated.

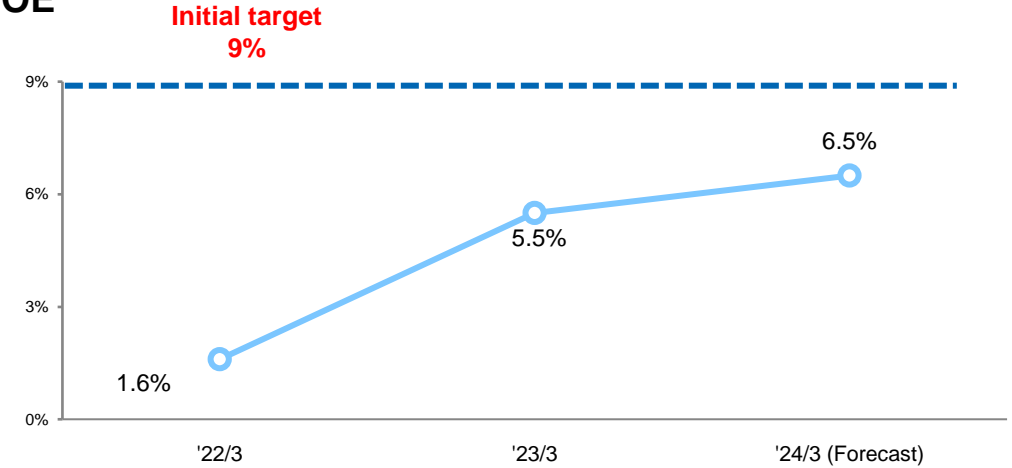


Review of Medium-term Business Plan 2024 (Quantitative Targets)

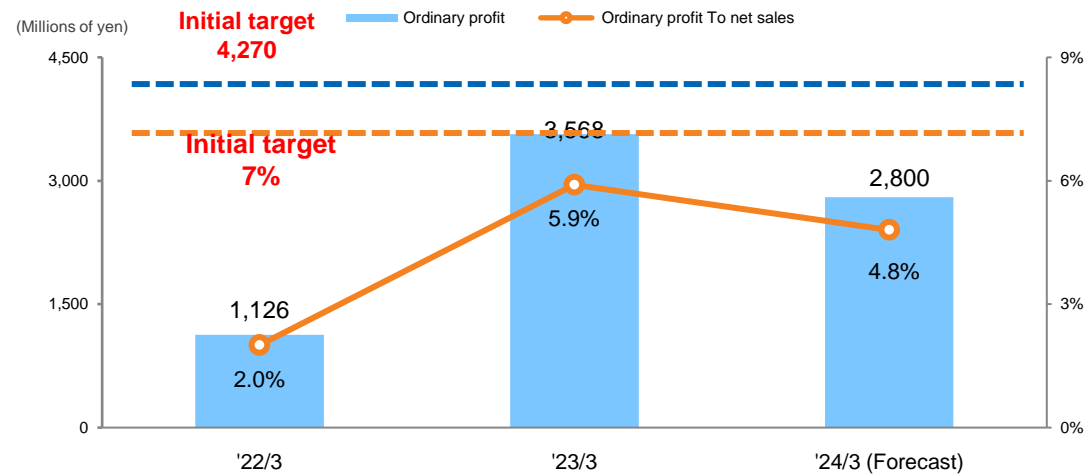
Net sales



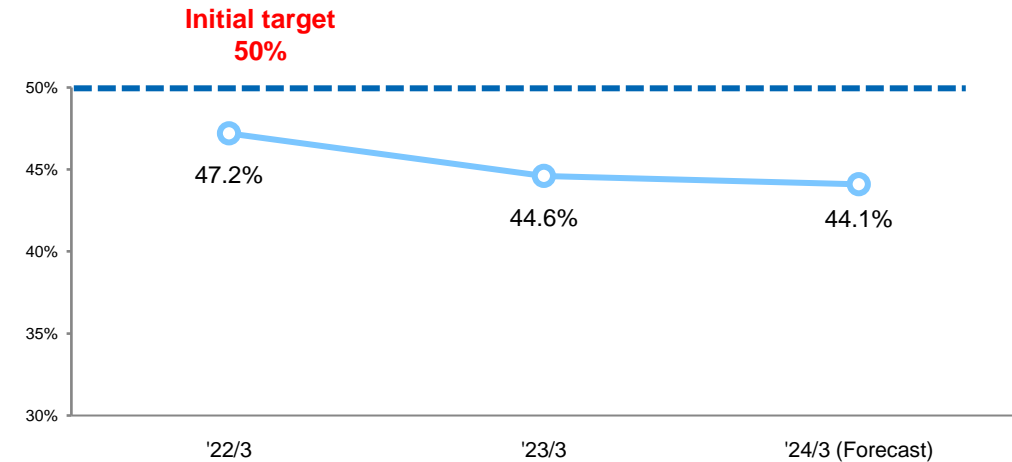
ROE



Ordinary profit/Ordinary profit to net sales



Equity ratio



Review of Medium-term Business Plan 2024 (Qualitative Targets)

| | Measures Taken | Results | Evaluation | Issues for the Next Medium-Term Business Plan |
|-----------------------------|---|---|------------|---|
| Construction materials | <ul style="list-style-type: none"> Establish a leading position in the new type of scaffolding market Develop new types of scaffolding products to expand the applications | <ul style="list-style-type: none"> Sale of ALBATROSS significantly exceeded targets due to increased adoption by major general contractors Strengthened the supply base by investment in ALBATROSS' production capacity expansion Rental demand increased in line with ALBATROSS' market share expansion Increased investments in rental assets for medium to high-rise buildings drove increased occupancy rate and sales growth The scaffolding material rental business in the Asian market has entered the investment recovery phase | | <ul style="list-style-type: none"> Full-scale expansion of ALBATROSS into other areas, such as civil engineering Further expansion of market share and development of new products such as aluminum workbenches Active investment in rental assets to meet growing rental needs Logistics equipment business expanded to meet growing EC demand |
| Scaffolding material rental | <ul style="list-style-type: none"> Stremline production and logistics operations Foster rental scaffolding material market in Asia Expand logistics-related businesses | <ul style="list-style-type: none"> In the field of aluminum elevating products, sales of product genres acquired through M&A expanded Launch of new fitness equipment brands Developed new categories of fitness equipment for professional use and healthcare | | <ul style="list-style-type: none"> Productivity improvement through reshoring of production bases Further meticulous support for custom-order products and separate-order products for aluminum elevating products Full-scale entry into the professional use market and sales expansion of these products |
| Home equipment | <ul style="list-style-type: none"> Pursuit of M&A synergies Expand the fitness business | <ul style="list-style-type: none"> Commercialized new genre products such as IP communication devices, wireless communication apps and sensor modules HIGASHI ELECTRONICS INDUSTRY CO., LTD. acquired through M&A contributed to segment sales growth. Increased production capacity by establishing a new plant | | <ul style="list-style-type: none"> Expanded sales of new categories such as IP communication devices, wireless communication apps and sensor modules Increase in profits due to stable operation of a new plant in HIGASHI ELECTRONICS INDUSTRY CO., LTD. |
| Electronic equipment | <ul style="list-style-type: none"> Expand the product range from wireless communication products to data communication related products | | | |

Review of Medium-term Business Plan 2024 (Status of Investments)

- Investments during the three years of the Medium-term Business Plan 2024 are expected to total 14.1 billion yen.
- Actively invested in production equipment and rental property to meet the two needs of purchasing and renting in response to the growing market share of the new ring lock ALBATROSS system.
- Acquired HIGASHI ELECTRONICS INDUSTRY CO., LTD., a manufacturer of printed wiring boards, to capture growth opportunities in the expanding market.

| Category | Amount (FY3/22-FY3/24) | | | |
|--|------------------------|----------------------------|----------------------------------|--|
| | Plan | Forecast | Vs. plan | |
| Investment in rental assets | ¥6.1 billion | ¥6.84 billion | +¥0.74 billion (+12.1%) | <ul style="list-style-type: none"> • Expand the market share of ALBATROSS • Increase the percentage of high value-added assets |
| Investment in productivity and capacity | ¥3.0 billion | ¥3.56 billion | -¥1.04 billion (-22.6%) | <ul style="list-style-type: none"> • Maintain and streamline distribution bases • Automate the manufacturing processes |
| Investment in new product development | ¥1.6 billion | | | <ul style="list-style-type: none"> • Increase the applicability of new ALBATROSS scaffolding • Improve the capability of dealing custom order • Increase IoT related products |
| Investment in M&A activities | ¥4.5 billion | ¥3.61 billion [*] | -¥0.89 billion (-19.8%) | <ul style="list-style-type: none"> • Perform M&A with companies which have influence in niche markets to create synergies with our business <p><i>* "Forecast" of M&A-related investment includes the investment in the construction of a new plant executed by HIGASHI ELECTRONICS INDUSTRY CO. as its post-merger integration process</i></p> |
| Investment in human resource development | ¥0.1 billion | ¥0.11 billion | +¥0.01 billion (+10.0%) | <ul style="list-style-type: none"> • Hire human resources with advanced professional skills |
| Three-year Total | ¥15.3 billion | ¥14.12 billion | -1.18 billion (-7.7%) | |



Approach to Medium-term Business Plan 2027 and Our Positioning


Management Policies

To be the Leading Company in Niche Markets

Current situation


Top group position for each segment in their respective business domains

Electronic equipment



Specified low-power wireless communication devices
Wireless communication devices option

Number of items **No.1**



Digital fire alarm receiver
In-vehicle digital simplified wireless communication devices

Market share **No.1**

Home equipment

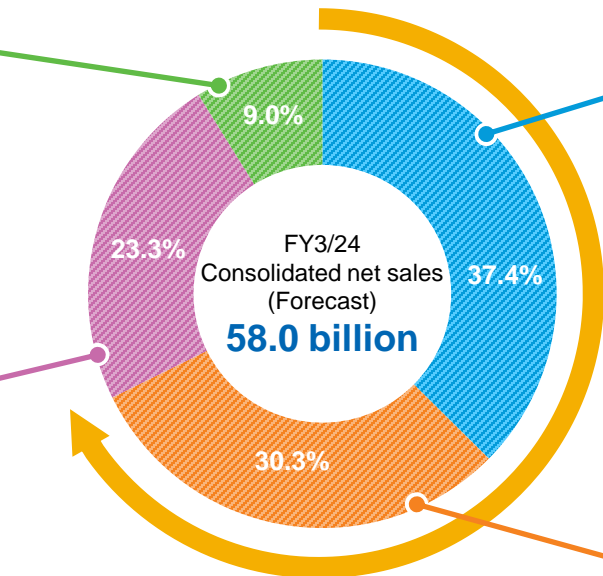
Aluminum elevating equipment, etc.
Share in the mass merchandiser market **No.1**



Home fitness
Market share **No.1**



Sales by Business Segment



Core businesses* 68%

**Core businesses* refer to the Construction materials business and the Scaffolding material rental business

Construction materials

New ring lock ALBATROSS system

Share in the medium/high-rise building market **No.1**

Adoption rate among major general contractors **No.1**

Number of items handled **No.1**




Aluminum protective shelf/hanging scaffold

Market share **No.1**



Scaffolding material rental

Business development in collaboration with the construction materials business

Aiming to build a well-balanced portfolio with high profitability in each business

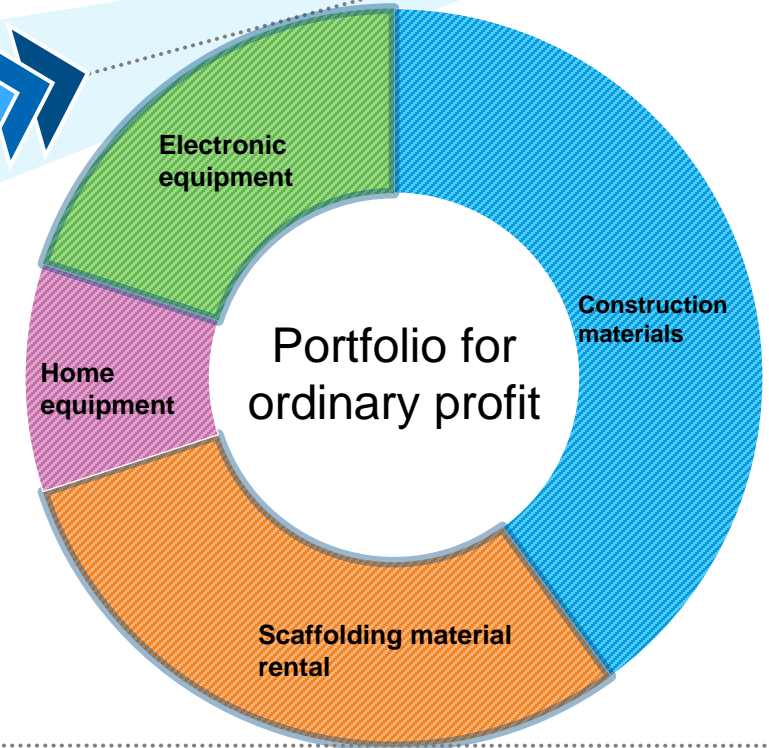
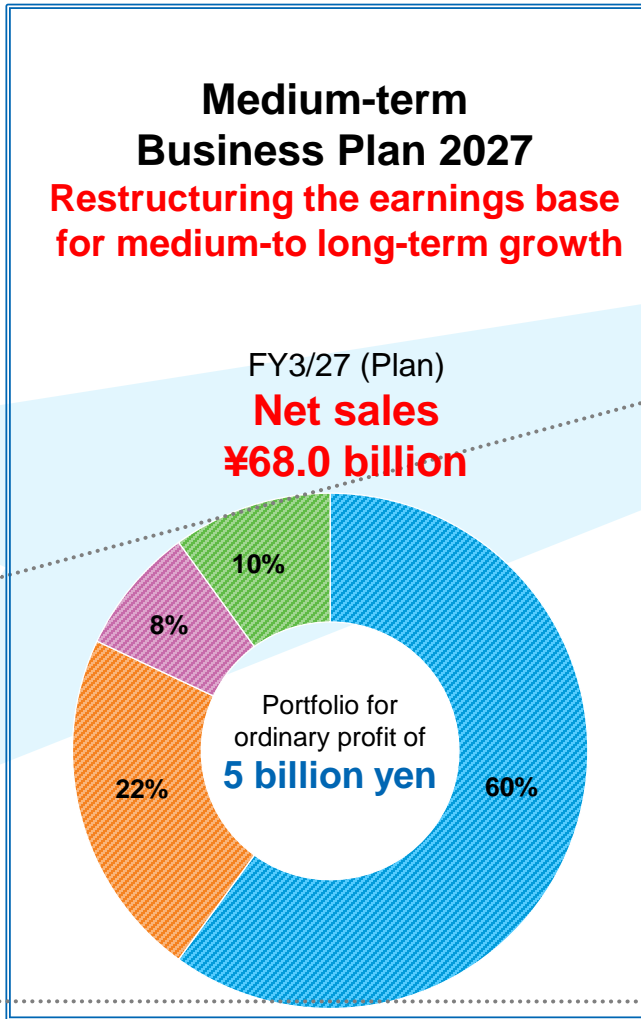
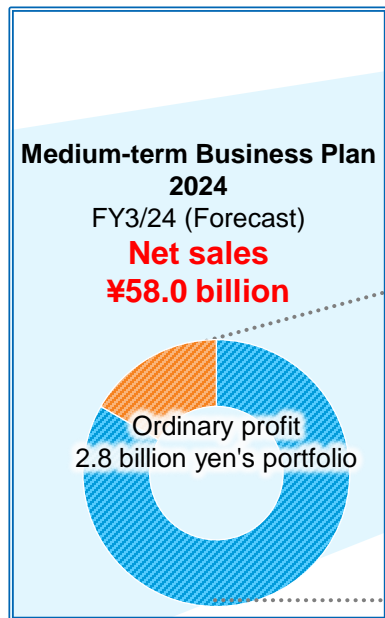
Improve our portfolio through investments for the Medium-term Business Plan 2024

Medium-term Business Plan 2027
Restructuring the earnings base for medium-to long-term growth

Long-term vision

Sustained growth

Net sales
¥100.0 billion



Well-balanced portfolio with high profitability in each business

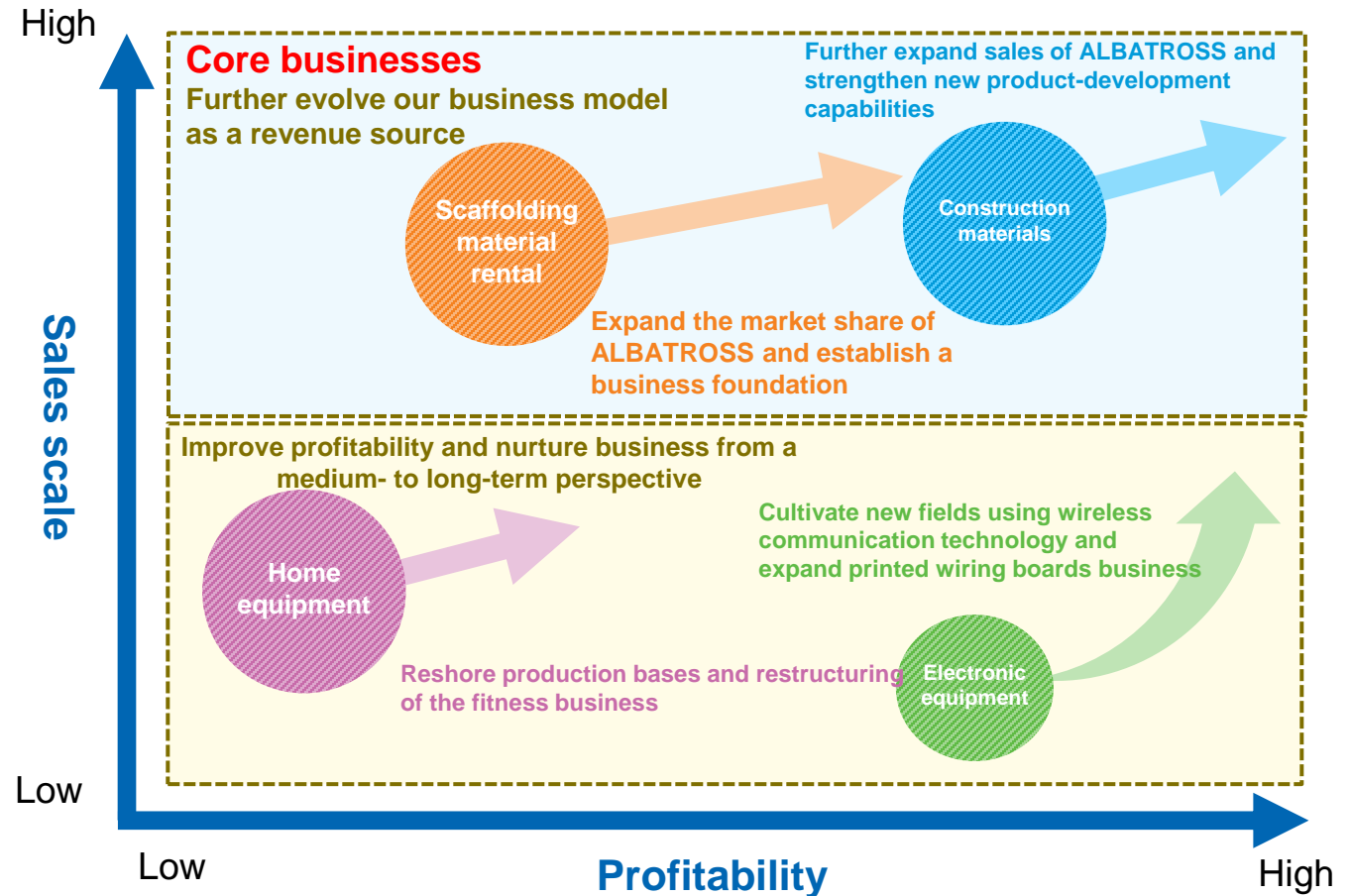
Image of ordinary profit composition



Restructure the earnings base for medium-to long-term growth

Theme of Medium-term Business Plan 2027

| | |
|---|---|
| <p>Sustainable growth through strategic integration</p> | <p>Strategic evolution of core business integrating manufacturing, sales and rental</p> <ul style="list-style-type: none"> ● Construction materials Leverage ALBATROSS advantages to achieve sustainable growth and strengthen new product-development capabilities ● Scaffolding material rental Establish business foundation for ALBATROSS expansion phase |
| <p>Stabilize business through structural reforms</p> | <ul style="list-style-type: none"> ● Home equipment Return of production bases for aluminum elevating products to the domestic market Product portfolio restructuring in the fitness business |
| <p>Develop growth businesses that drive earnings</p> | <ul style="list-style-type: none"> ● Electronic equipment Develop new fields using wireless technology and expand printed wiring boards business |



*The direction of the arrow indicates the direction each business is heading.

Respond to strong demand for ALBATROSS as our core business and rebuild the earnings base for home equipment and electronic equipment.

Core businesses

Construction materials

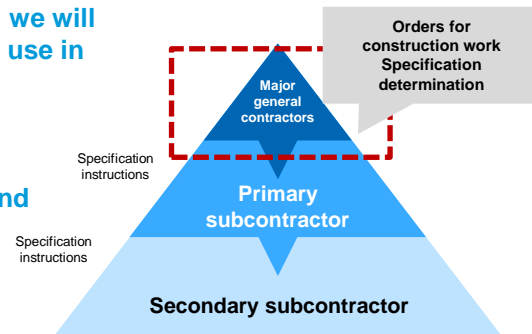
ALBATROSS was certified as "recommended" by several major general contractors

Based on the "Recommended" certification from several major general contractors, we will promote the expansion of ALBATROSS use in subcontractors in the future



Strengthen new product development and expand sales

The construction industry is structured in such a way that subcontractors work according to specifications determined by major general contractors.

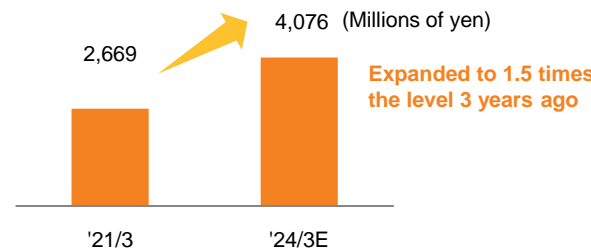


Scaffolding material rental

Establish a system to tap into demand for ALBATROSS

Accumulation of ALBATROSS's rental property

Expand the Equipment Center



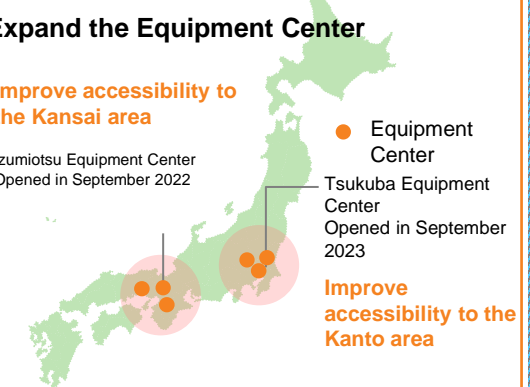
Improve accessibility to the Kansai area

Izumitsu Equipment Center
Opened in September 2022

Equipment Center

Tsukuba Equipment Center
Opened in September 2023

Improve accessibility to the Kanto area



Home equipment

Start to rebuild the production system under the yen's depreciation. Rebuild domestic production bases and correct the overseas bias of the supply network

- Convert part of the Moteji Office (logistics base) into a factory.
- Expand production facilities at a subsidiary (Showa Bridge Sales Co., Ltd.)

Begin reorganization of fitness product mix

- Develop new-brand MIVIOS and WELMORE products
- Enter into the professional use market



WELMORE

New brand for small products
MIVIOS

Electronic equipment

Develop products for IoT and ICT market

Wireless module



Wireless communication app



IP wireless communication devices



Acquired HIGASHI ELECTRONICS INDUSTRY CO., LTD. as a subsidiary and established a foundation for growth strategies through investment in production.





Outline of Medium-term Business Plan 2027

Overall theme

Restructuring the Earnings Base for Medium-to Long-Term Growth

Further evolve core businesses and improve the portfolio through investments in the Medium-term Business Plan 2024.

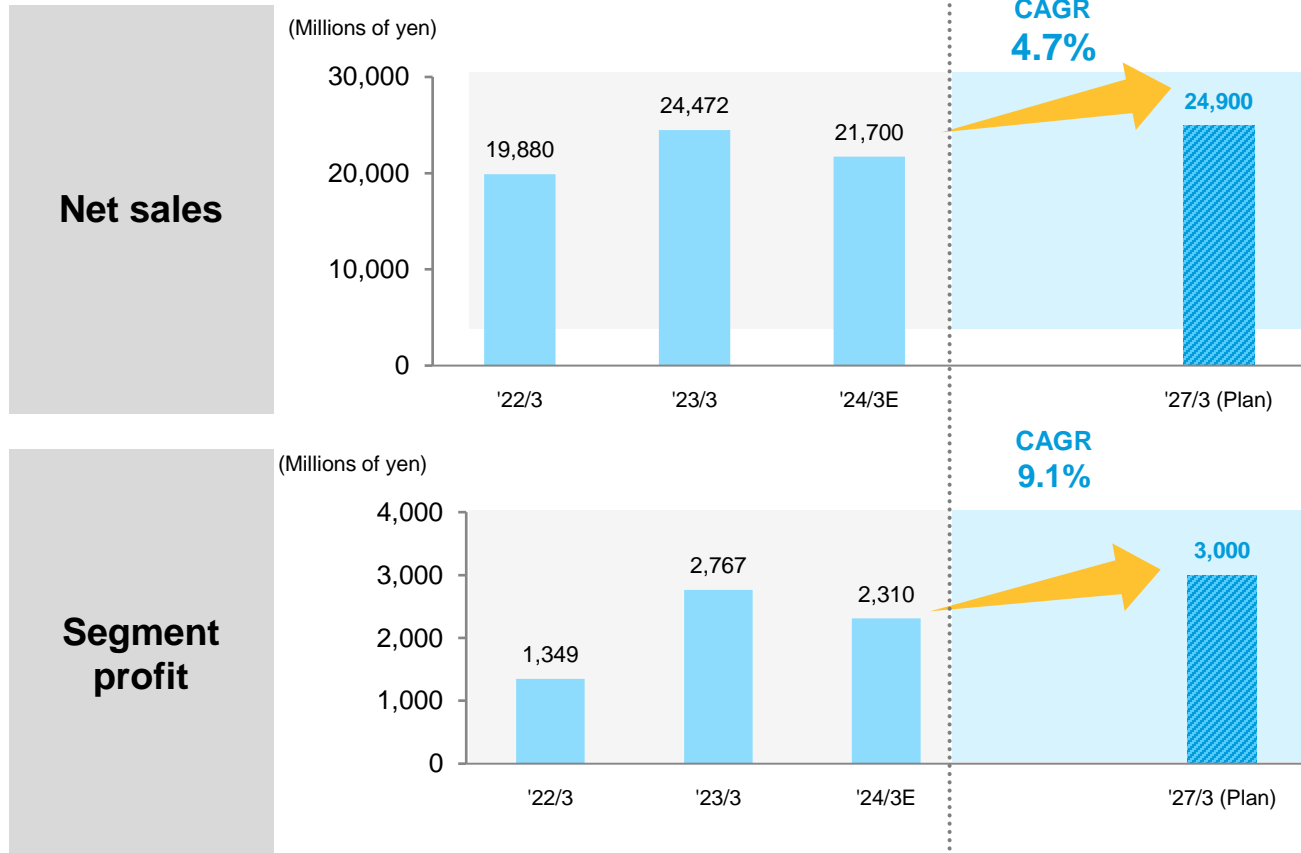
| (Millions of yen) | FY3/23 Results | FY3/24 Forecast | FY3/27 Target | FY3/24 Vs. Forecast |
|----------------------------------|----------------|-----------------|---------------|---------------------|
| Net sales | 60,717 | 58,000 | 68,000 | +17.2% |
| Ordinary profit | 3,568 | 2,800 | 5,000 | +78.6% |
| Ordinary profit to net sales (%) | 5.9% | 4.8% | 7.4% | +2.6%pt |
| ROE (%) | 5.5% | 6.5% | 9.0% | +2.5%pt |
| Equity ratio (%) | 44.6% | 44.1% | 45.0% | +0.9%pt |

Themes and Quantitative Targets of the Medium-term Business Plan 2027

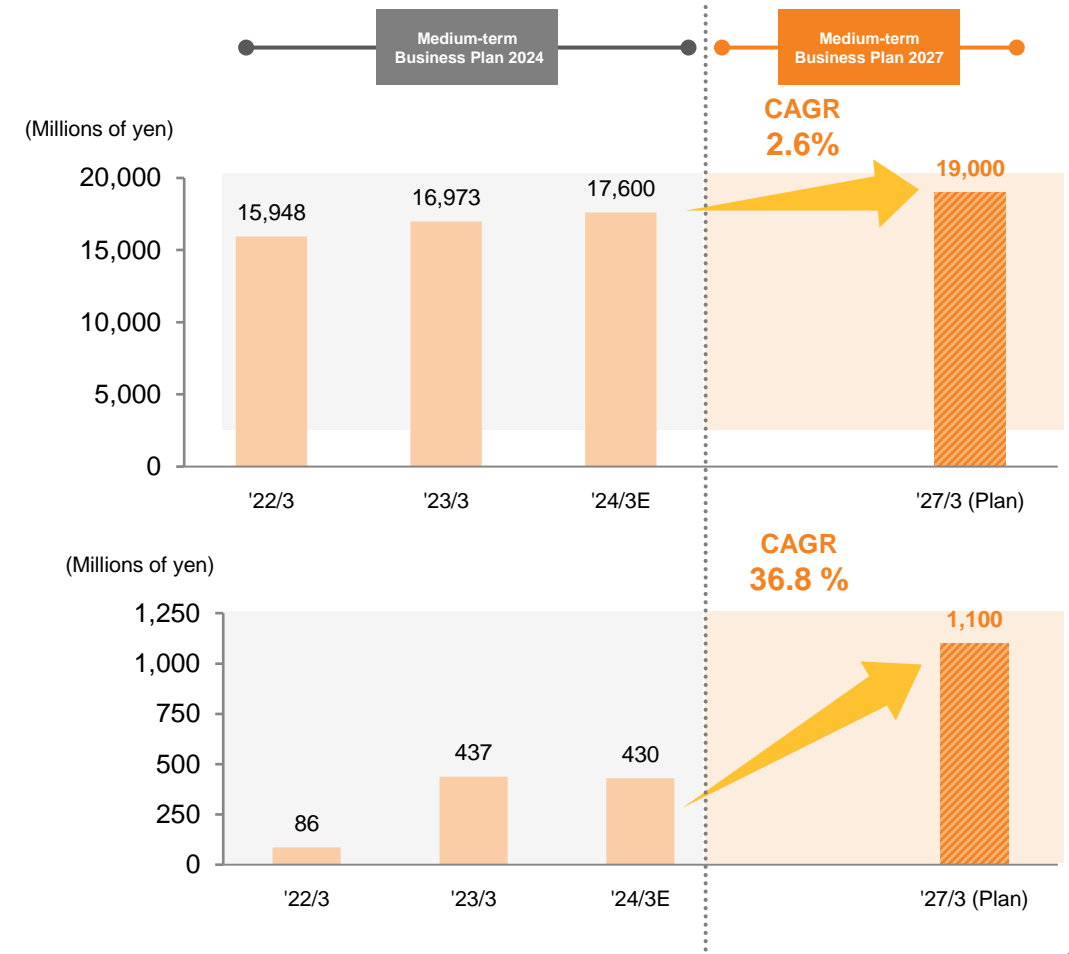
| Themes | Core businesses | | | | Home equipment | Electronic equipment | | |
|--------------------|---------------------------------|------------------------------------|-----------------------------|------------------------------------|--------------------|------------------------------------|-----------------|------------------------------------|
| | Construction materials | | Scaffolding material rental | | | | | |
| | Evolution of the business model | | | | Structural reforms | Accelerating growth | | |
| (Millions of yen) | FY3/24 Forecast | FY3/27 Target (FY3/24 Forecast) | FY3/24 Forecast | FY3/27 Target (FY3/24 Forecast) | FY3/24 Forecast | FY3/27 Target (FY3/24 Forecast) | FY3/24 Forecast | FY3/27 Target (FY3/24 Forecast) |
| Net sales | 21,700 | 24,900 (+14.7%) | 17,600 | 19,000 (+8.0%) | 13,500 | 16,800 (+24.4%) | 5,200 | 7,300 (+40.4%) |
| | Total (core businesses) | | 39,300 | 43,900 (+11.7%) | | | | |
| Segment profit | 2,310 | 3,000 (+29.9%) | 430 | 1,100 (+155.8%) | -370 | 400 (-) | -80 | 500 (-) |
| | Total (core businesses) | | 2,740 | 4,100 (+49.6%) | | | | |
| Profit margins (%) | 10.6% | 12.0% | 2.4% | 5.8% | -2.7% | 2.4% | -1.5% | 6.8% |
| | Total (core businesses) | | 7.0% | 9.3% | | | | |

Evolving a business strategy that combines sales and rentals, taking advantage of positioning in the new type of scaffolding market.

Construction materials



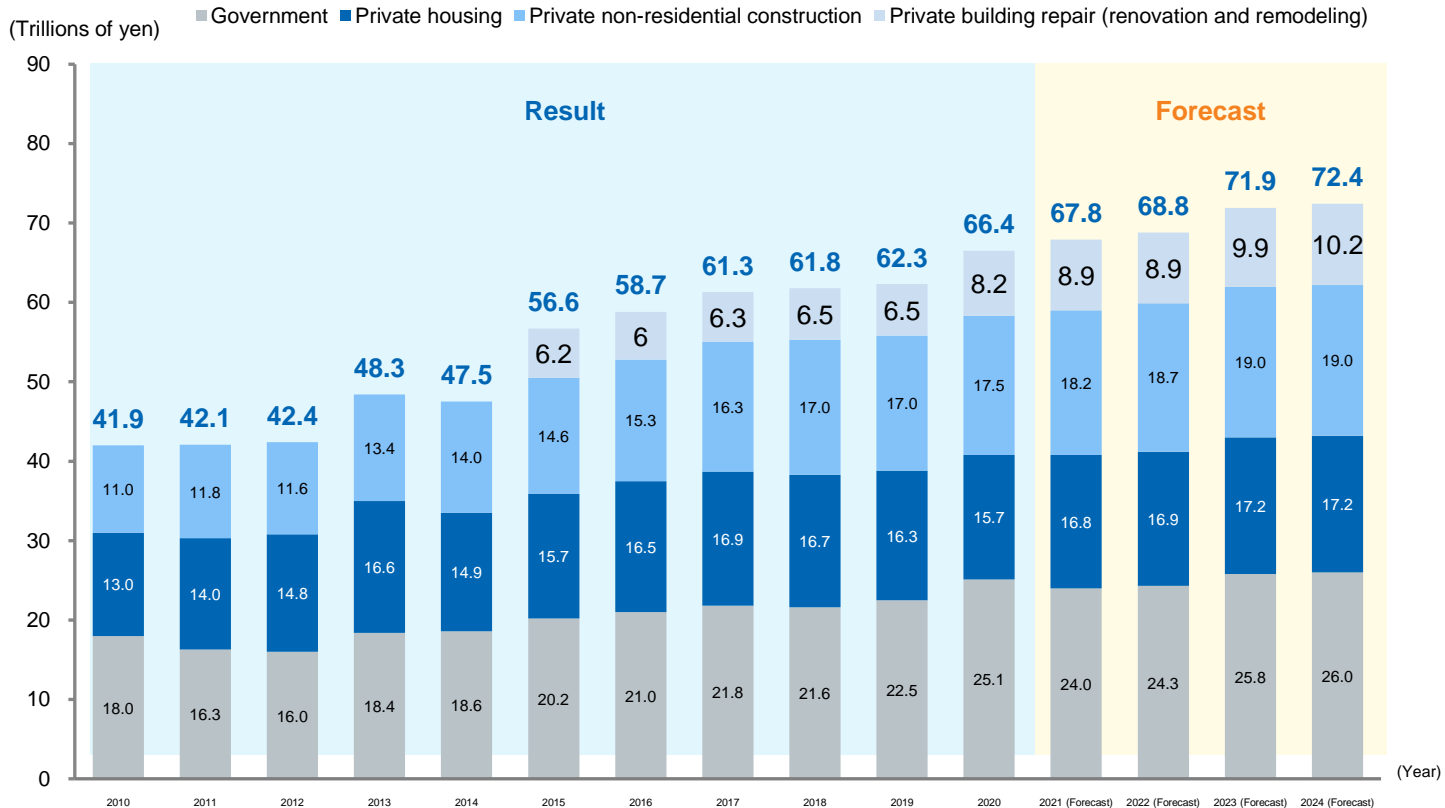
Scaffolding material rental



Business Conditions Surrounding Core Businesses

In addition to infrastructure development and urban redevelopment due to national resilience policies, relocation of production bases by companies triggered by expansion of investment in semiconductors, etc. is expected to push up investment in construction, mainly in private non-residential construction, and the macroeconomic environment is expected to remain firm.

Trends in construction investment (nominal)



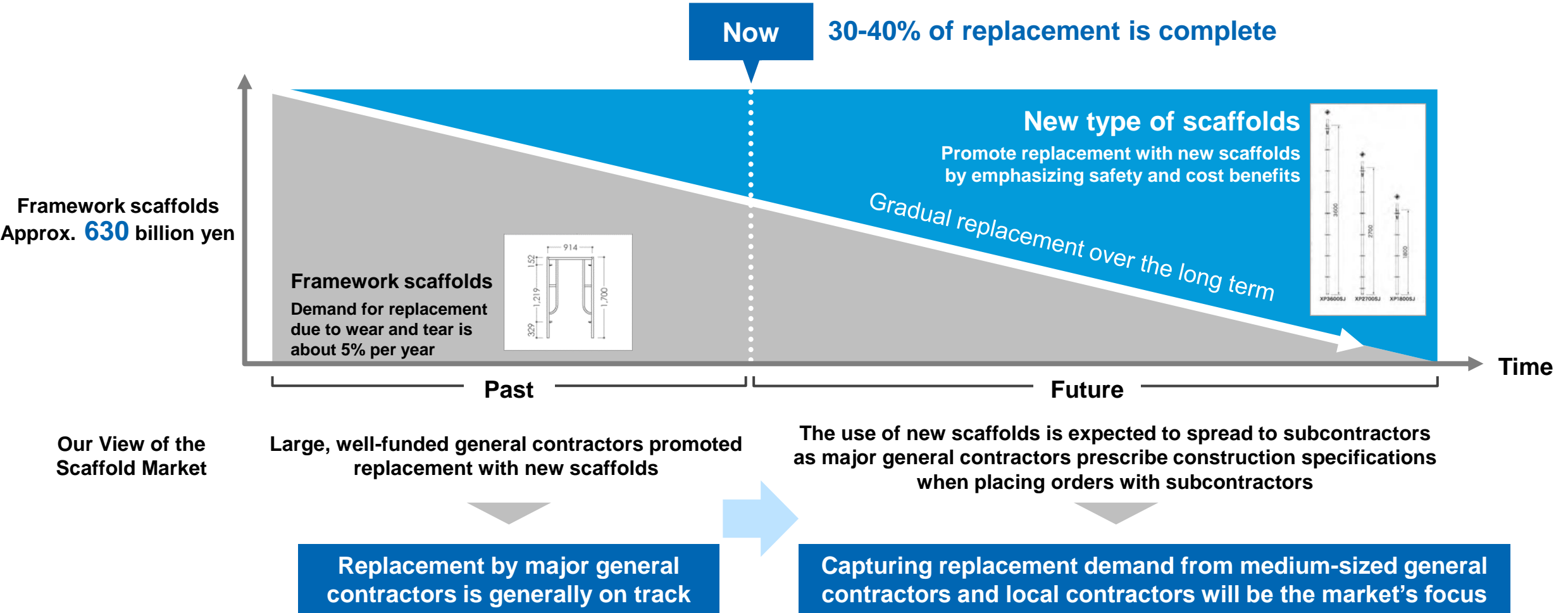
Source: Research Institute of Construction and Economy, Economic Research Institute, Economic Research Council, "Outlook for Construction Investment Based on the Construction Economic Model," January 2024.

Major private-sector construction projects (including projects under construction)

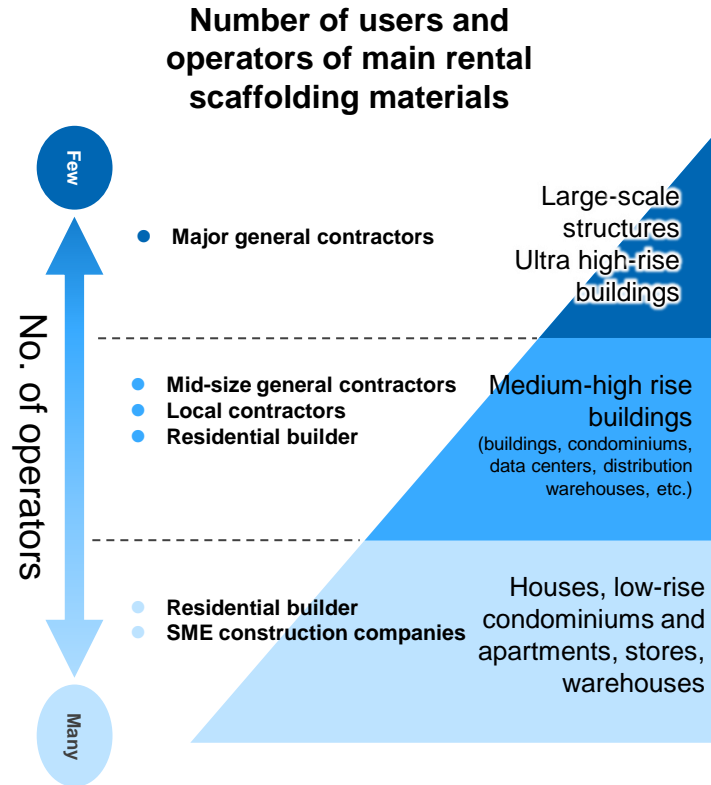
- [Hokkaido]**
 - Construction of Rapidus Chitose Semiconductor Plant
 - Renovation of Sapporo Station North Exit Facility
 - Extension of the Hokkaido Shinkansen
- [Tohoku]**
 - Construction of PSMC Miyagi Semiconductor Plant
 - Construction of KIOXIA Iwate Semiconductor Plant
- [Kyushu]**
 - Construction of TSMC Kumamoto Plant
 - Nagasaki Stadium City Project
- [Tokyo]**
 - Shinagawa Development Project
 - Shibuya Station Block Development Project
 - Tokyo Station Front Tokiwabashi Project
- [Chubu]**
 - Construction of Toyota Woven City
- [Osaka]**
 - Construction of the EXPO 2025 facilities
 - Project for establishment and operation of a specific tourist complex in the Yumeshima area, Osaka (Osaka Integrated Resort)

Demand to replace with new scaffolds is expected to continue over the long term

Image of replacement of framework scaffolds with new scaffolds



Providing comprehensive solutions in the field of light rental scaffolding materials through a coordinated strategy between sales and rentals, covering large sites as well as local, small and medium-sized sites



Accelerate expansion of market share by strengthening rentals

Reduce financial and construction/workload burdens to secure a certain level of market share

Downstream strategy

[Product]
ALBATROSS and related products

- Excellent load-bearing capacity to withstand large-scale construction
- Reliability trusted by major general contractors

X

[Supply Method]
Sales & Rentals

- Providing scaffold users with procurement method options
- Flexible procurement according to scaffolding operation schedules

Two-way strategy to accelerate the speed of penetration of ALINCO products

Upstream strategy

[Product]
Octosystem

- Merchantability that can shorten construction period and reduce costs
- Total support including construction

X

[Supply Method]
Material transportation & erection work

- High convenience through nationwide network
- Close communication with individual customers

Change in depreciation period and method for rental assets

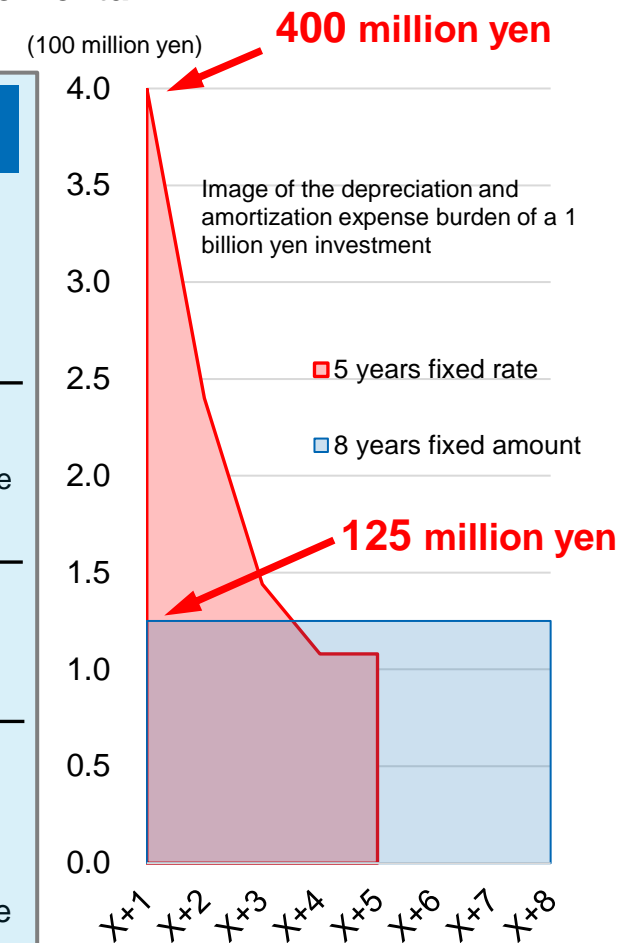
In line with the change in the positioning of the rental business, the period and method of depreciation of rental assets will be changed from the fiscal year ending March 20, 2025

| | Previous |
|--|--|
| Positioning of Business | Estimate scale of rental business Focus on segregation from the material sales business and control |
| Status of Investment in Rental Assets | <ul style="list-style-type: none"> Investment fluctuates depending on short-term changes in utilization rates Focus on short-term profit restrains the scale of investment |
| Depreciation method | 5 years Declining balance method |
| Approach to depreciation | <ul style="list-style-type: none"> Select a depreciation method that is shorter than the useful life of the asset, based on short-term changes in the asset's utilization rate Difficult to see the effect of investment from accounting profits |

Change in environment

- Strong construction demand
- Customers changing to "asset-light management"

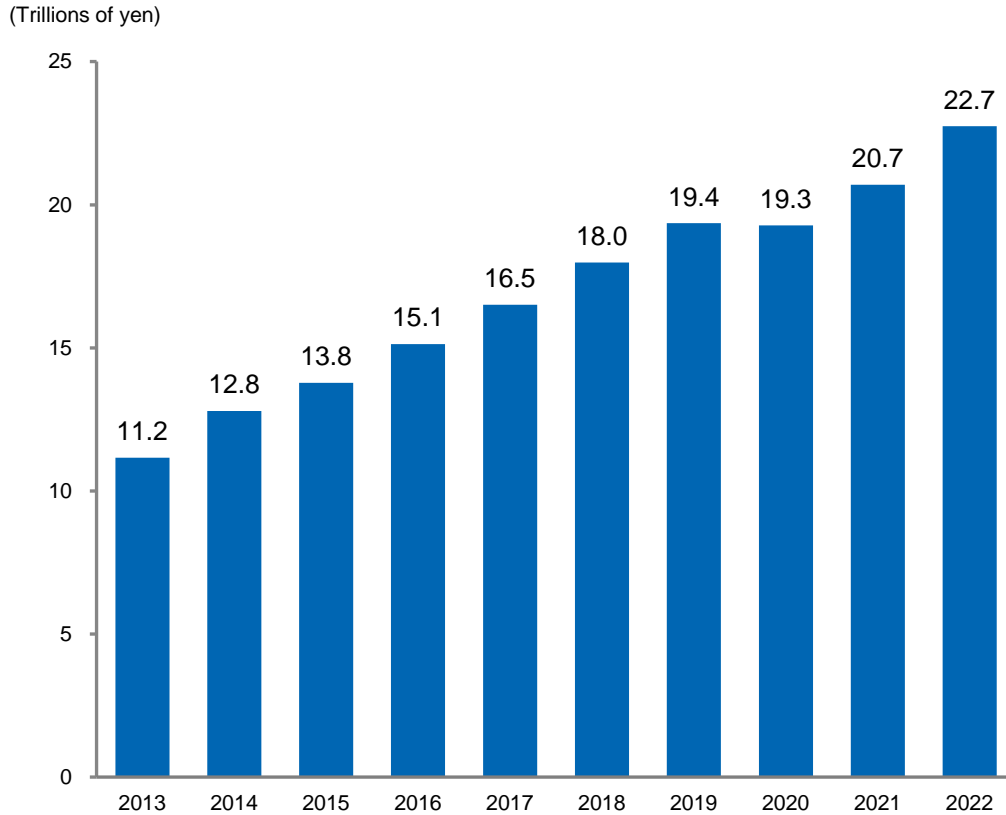
| Future |
|--|
| <p>Accelerate business development by proactively offering rental options to meet the wide range of replacement needs from framework scaffolds to ALBATROSS</p> <ul style="list-style-type: none"> Continued investment is needed to ensure stable response to rental needs as the scale of investment increases due to market share expansion |
| 8 years Straight-line method |
| <ul style="list-style-type: none"> Select a depreciation method that more closely approximates the useful life of the asset with the expectation of a stable utilization rate Effect of investments are better reflected in accounting profits |



The change in depreciation method is estimated to reduce the depreciation cost of rental assets by approximately 1.4 billion yen in the first year following the change, but due to continuous investment the impact is expected to decrease over the next four years to about 60% of previous annual depreciation costs.

Capture investment needs to improve efficiency in the logistics industry against the backdrop of the expansion of EC market and the “Logistics 2024” problem.

Trends in BtoC (EC) market size
BtoC (EC) market size has roughly doubled in a decade

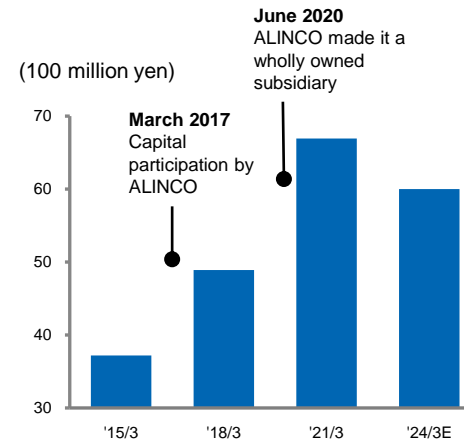


Source: Ministry of Economy, Trade and Industry, Commerce and Information Policy Bureau, Information Economy Division, FY2022 Market Survey Report on Electronic Commerce (August 2023)

Our Strengths in the Logistics Equipment Business

- **Broad product lineups**
 Manufactures a wide range of equipment with integrated functions from product planning to system design
- **High seismic performance**
 High-strength design capable of withstanding earthquakes by adopting rack posts and beams based on an original manufacturing method
 ⇒ **Patented proprietary manufacturing method**
 ⇒ **Strengths in shuttle-type automated warehouses**

Changes in sales of Sofuku Koki Co., Ltd.



Priority Measures

- **Boost business scale by expanding customer base**
- **Expand facilities and personnel to increase orders from large-scale logistics facilities**

Examples of Delivery (Picking Rack)

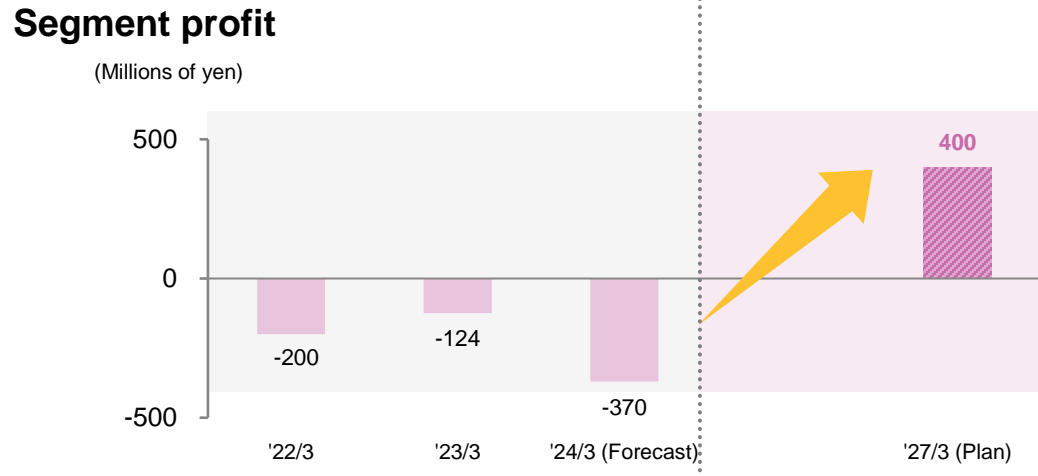
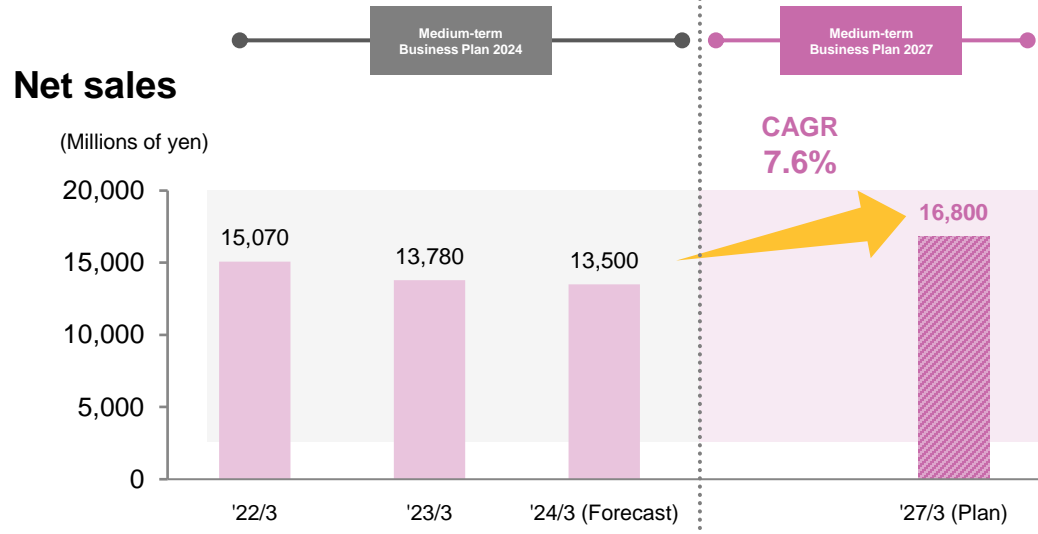


Examples of Delivery (Mid-to-High-Rise Rack)



Targets and Measures of Home Equipment Segment

- Review production bases for aluminum elevating products and return some production to the domestic factories
- Strengthen orders for custom-made aluminum elevating products and increase the composition ratio of high-value-added products
- The fitness business responds to changes in consumer needs through the development of professional equipment and new brand products



Business Themes

Structural reforms

Priority Measures

Improve profitability by reviewing the production system for aluminum elevating products

- Responding to the persistent trend of yen depreciation by transferring a portion of production to the domestic factories
- Improve production lines by reorganizing the functions of logistics bases and subsidiaries
- Increase market share in machinery, tools, hardware and other sales channels
- Increase orders for custom-made products to meet individual user needs

Cultivate new customers by changing the fitness equipment product mix

- Develop BtoB sales channels (gyms, etc.)
- Expand massage and beauty-related small product genres
Expand sales of lifestyle products that appeal to users' lifestyles
- Regain appeal for large products such as walkers and exercise bike
Create a sense of value for users and reduce procurement costs in anticipation of competition with low-cost 24-hour gyms

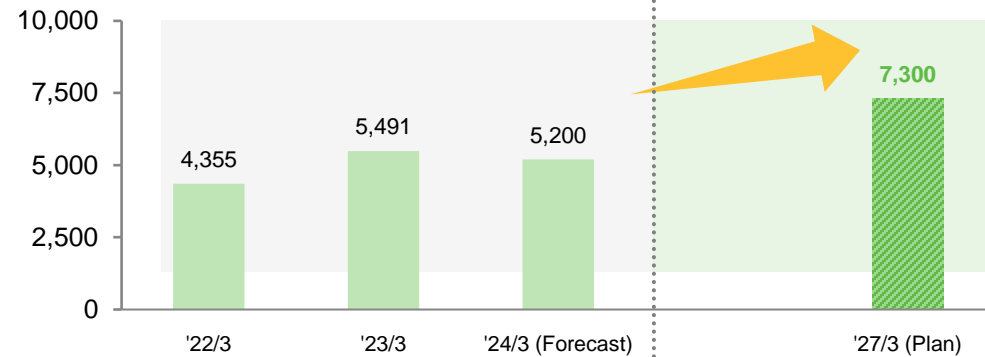
An example of a custom-made product (Equipment in factory)

New brands of small products MIVIOS

Strengthen development of new products using wireless technologies and expand printed wiring boards business

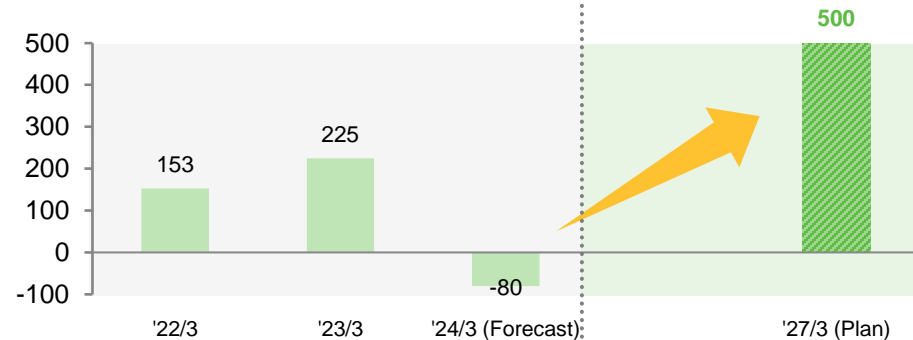
Net sales

(Millions of yen)



Segment profit

(Millions of yen)



Themes

Accelerating growth

Priority Measures

- Wireless communication devices link various devices with cloud servers. Our wireless technology solves problems in the fields of disaster prevention, infrastructure maintenance, and agriculture and forestry.
- Promote growth of printed wiring boards business by increasing production capacity at HIGASHI ELECTRONICS INDUSTRY CO., LTD.

IP wireless communication devices

Specified low-power wireless communication devices

Wireless communication devices for business applications

ALINCO Cloud Server

Connect all products over a network

Wireless communication app

Sensor modules/IoT equipment

ALINCO TOYAMA INCORPORATED ELECTRONICS INDUSTRY CO., LTD.

HIGASHI ELECTRONICS INDUSTRY CO., LTD.



Connecting user needs from upstream to downstream processes in one integrated process



Manufacture of printed wiring boards

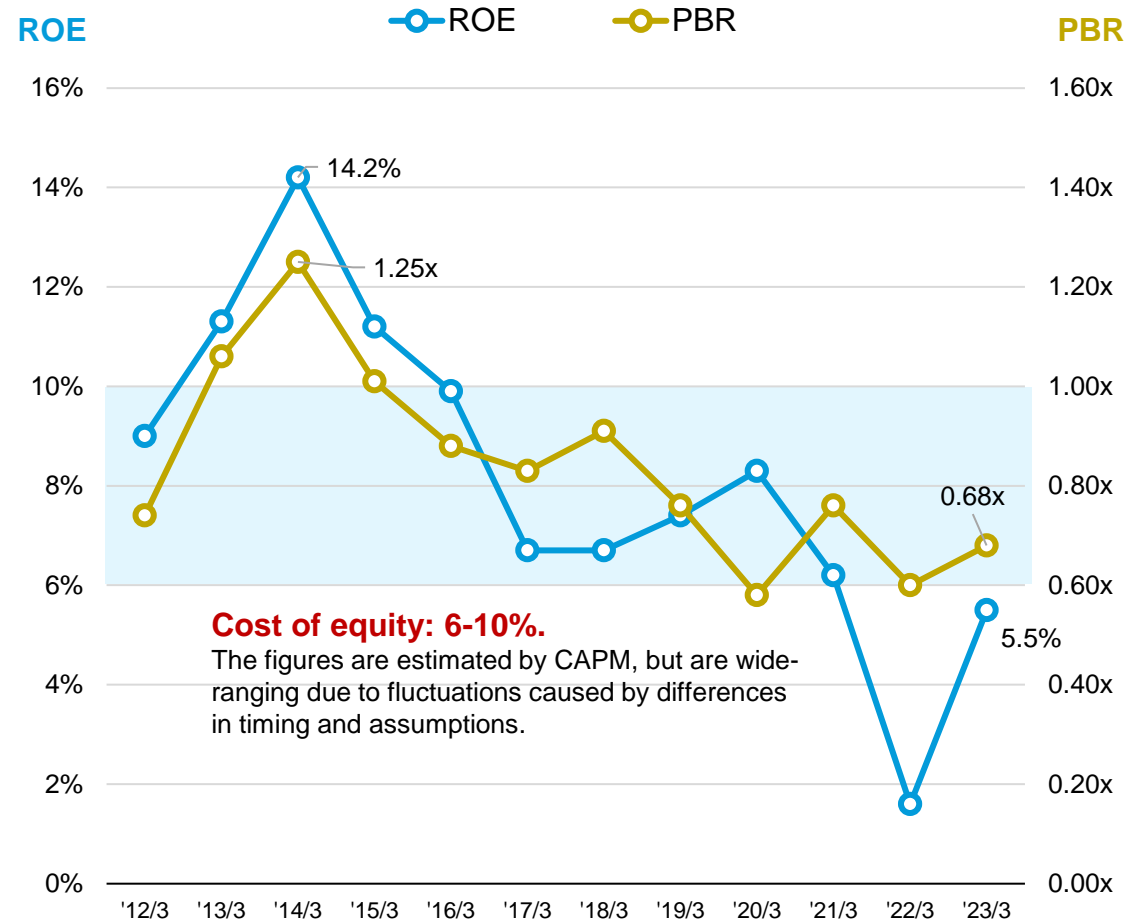
EMS Board Mounting



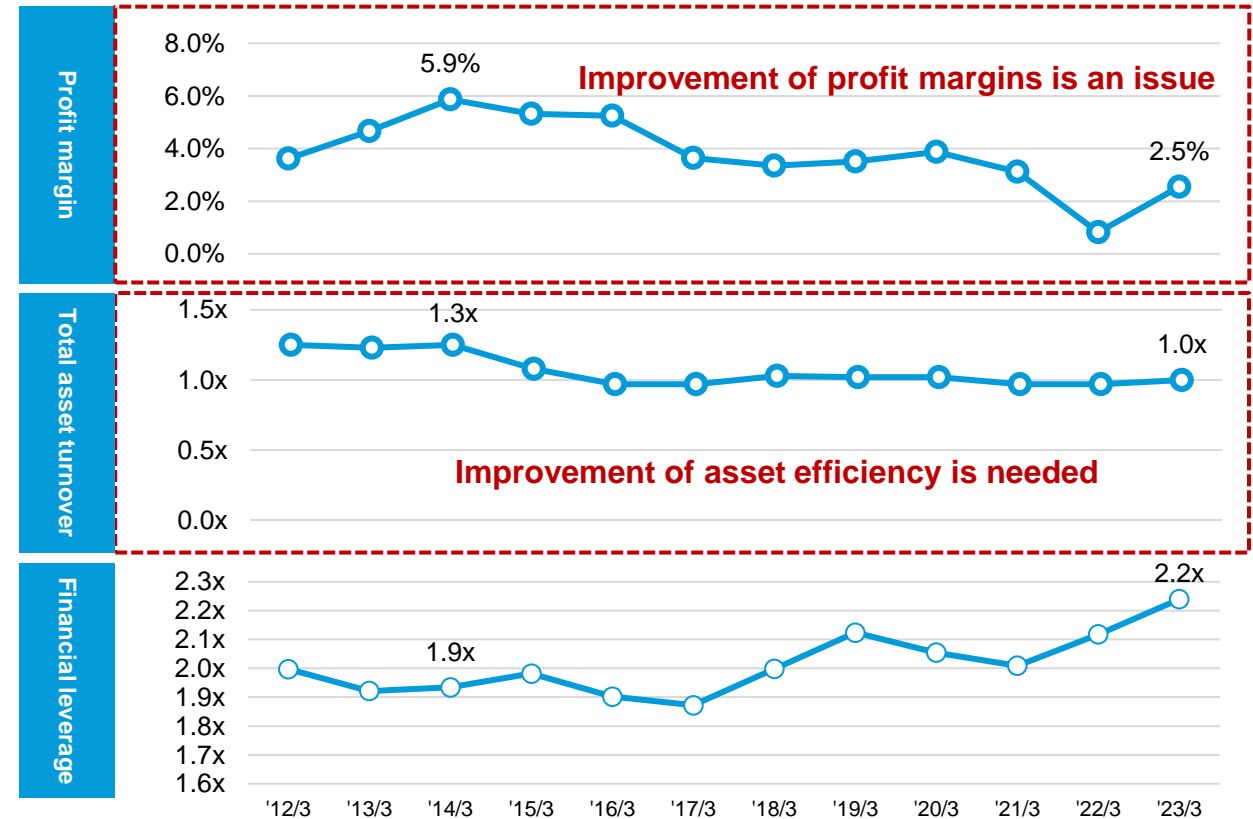
**Toward Realization of
Management that is
Conscious of Cost of Capital
and Stock Price**

Trends in ROE and PBR (Analyze Current Status)

The main reason for the P/B ratio below 1x is the weak ROE due to lower profit margins in segments other than construction materials

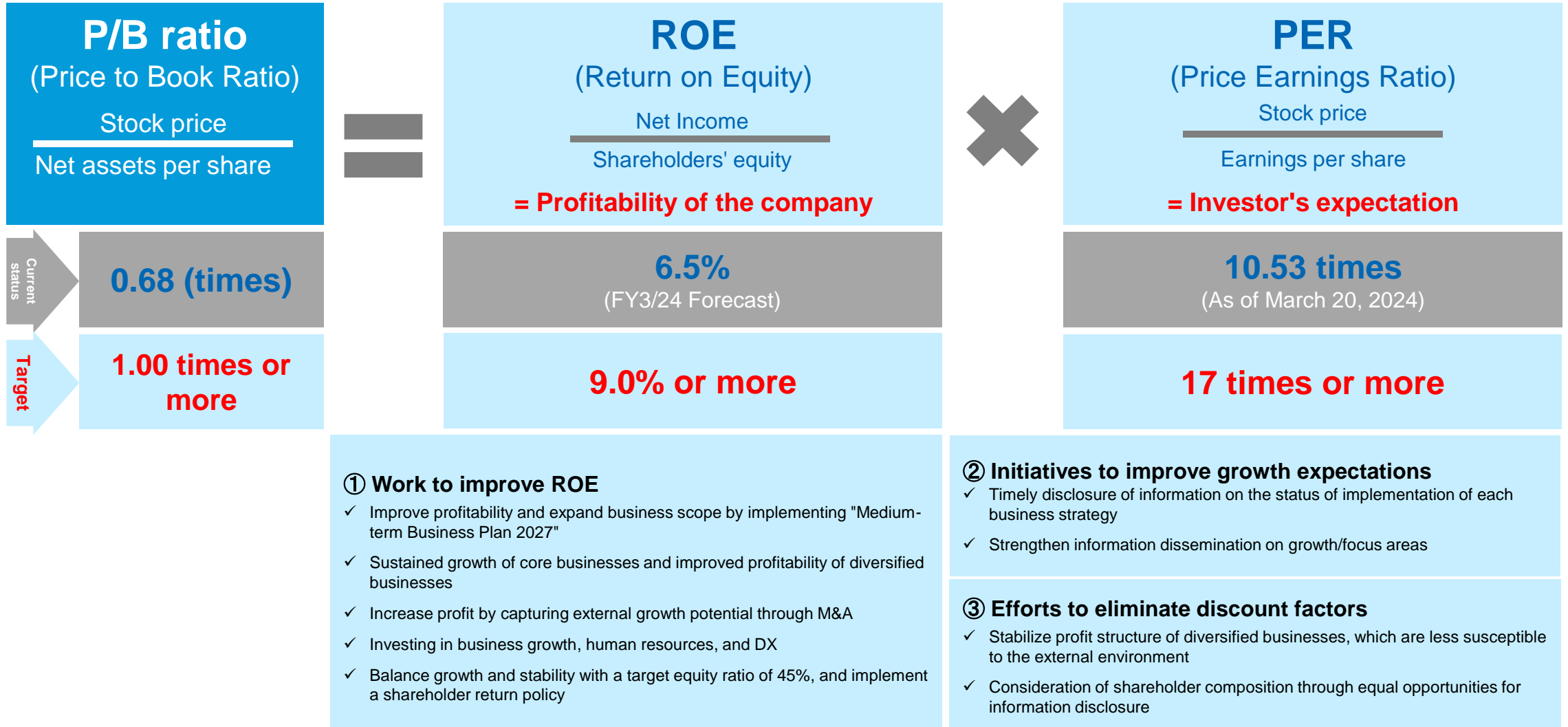


- Profitability of the home equipment business, which has a large share of overseas purchases, decreased due to higher purchasing costs due to the weaker yen.
- Depreciation burden due to investment in scaffolding material rental business and goodwill amortization burden due to aggressive M&A put pressure on accounting profit.



Efforts to Achieve 1x P/B Ratio

- Efforts to increase ROE and PER to achieve P/B ratio of above 1x as a top priority
- Improve PER and P/B ratio by enhancing the growth potential of each segment through our unique business model



Efforts to Improve Capital Efficiency ①

Optimize the business portfolio

| | FY3/24 Forecast (Millions of yen) | Medium-term Business Plan 2027 | FY3/27 Target (Millions of yen) | From FY3/28 |
|--|--|--|--|--|
| Construction materials Evolution of the business model | Sales : 21,700 Segment profit : 2,310 Profit margins : 10.6% | <ul style="list-style-type: none"> Accelerate penetration of ALBATROSS in the market through collaboration with the scaffolding material rental business Expand production system for growth in logistics-related businesses | Sales : 24,900 Segment profit : 3,000 Profit margins : 12.0% | Strengthen our profit base by leveraging our core product, ALBATROSS, to gain a stable market share. Strengthen the profit base by acquiring stable market share. |
| Scaffolding material rental Evolution of the business model | Sales : 17,600 Segment profit : 430 Profit margins : 2.4% | <ul style="list-style-type: none"> Invest assets and expand yards to strengthen the sales combination strategy Streamline operations by restructuring the network of oct system sales offices | Sales : 19,000 Segment profit : 1,100 Profit margins : 5.8% | Through both rental and sales, we will help stabilize our market share by meeting the needs for scaffolding materials for high-rise and low-rise buildings. |
| Home equipment Structural reforms | Sales : 13,500 Segment profit : -370 Profit margins : -2.7% | <ul style="list-style-type: none"> Streamline product procurement network by reviewing internal and external ratios Hire technical personnel to strengthen our capabilities to develop BtoB products | Sales : 16,800 Segment profit : 400 Profit margins : 2.4% | Time to realize profit growth through a comprehensive review of the ratio of domestic and overseas product procurement networks. |
| Electronic equipment Accelerating growth | Sales : 5,200 Segment profit : -80 Profit margins : -1.5% | <ul style="list-style-type: none"> Grow the printed wiring boards business and improve profitability Develop high-value-added products such as wireless modules and IP wireless communication devices, wireless communication app products into growth drivers | Sales : 7,300 Segment profit : 500 Profit margins : 6.8% | Time to upgrade the earnings structure by driving the printed wiring boards business and high-value-added wireless-related products. |

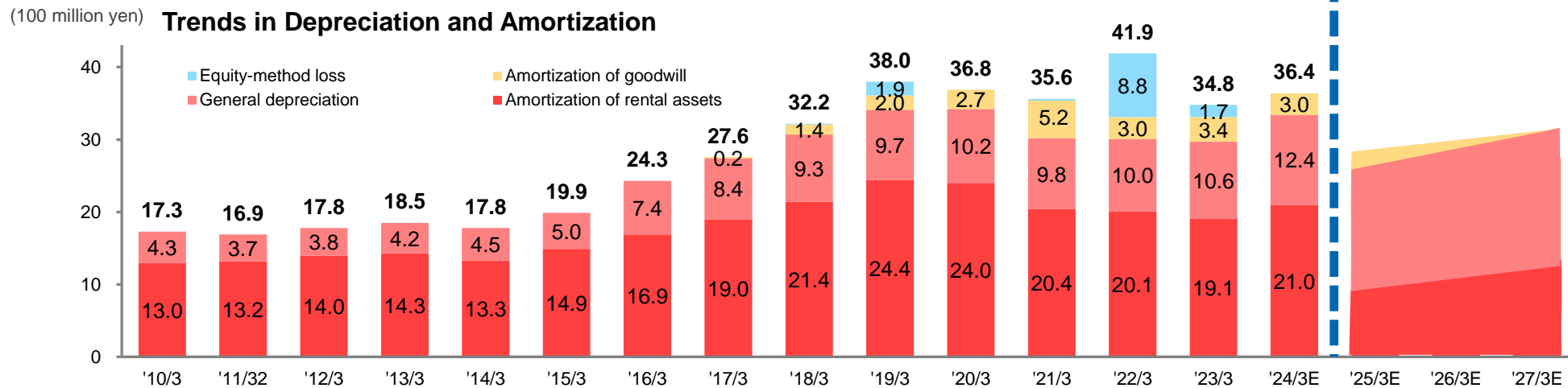
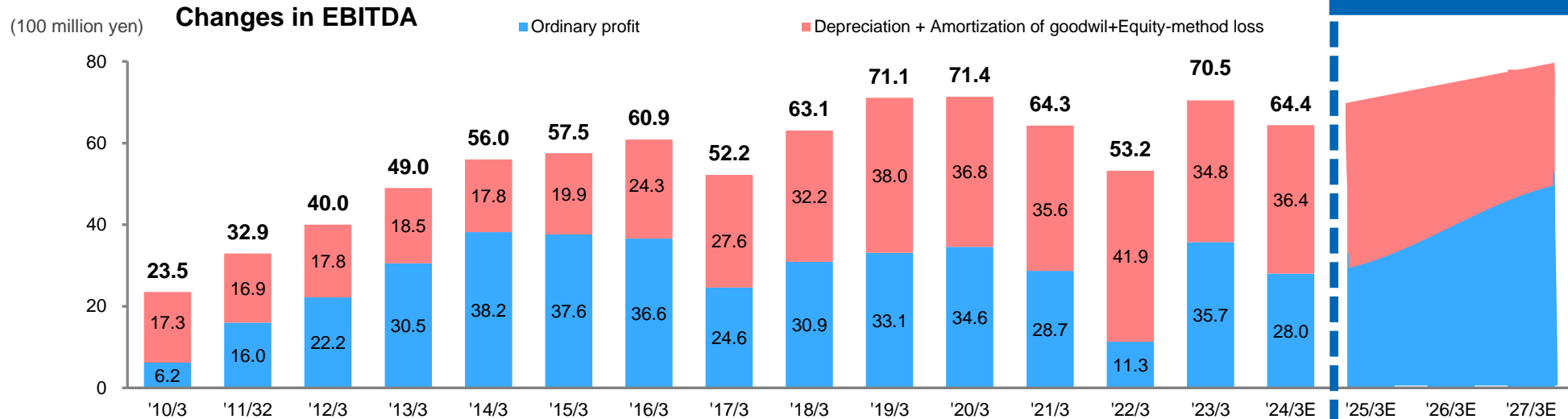
Overall strategy

| | | | | |
|--|--|--|--|--|
| <p>We deploy business activities to contribute to the enhancement of corporate value through strategies in our four segments, emphasizing dialogue with the capital markets.</p> | Net sales : 58,000 Ordinary profit : 2,800 Ordinary profit to net sales : 4.8% ROE : 6.5% Equity ratio : 44.1% | <ul style="list-style-type: none"> Growth through continued active M&A investment Strengthen management foundation by investing in human capital and DX Improve asset efficiency by strengthening shareholder returns Enhance dialogue with investors to offer predictability Initiatives for social issues through business activities | Net sales : 68,000 Ordinary profit : 5,000 Ordinary profit to net sales : 7.4% ROE : 9.0% Equity ratio : 45.0% | <ul style="list-style-type: none"> Continue to implement initiatives for sustainable growth with improved margins to enhance market evaluation Continue to improve ROE to expand the equity spread Continue to maintain financial soundness |
|--|--|--|--|--|

Efforts to Improve Capital Efficiency ②

Reduce the gap between accounting profit and cash flow by reviewing the depreciation method and period of rental property in light of the actual business situation.

Review depreciation to ensure that ROE is an indicator that reflects the actual state of the business





Investments and Shareholder Returns

Cash flows from operating activities

Total EBITDA for 3 years (FY3/25-FY3/27)

21 billion yen as a basis

+

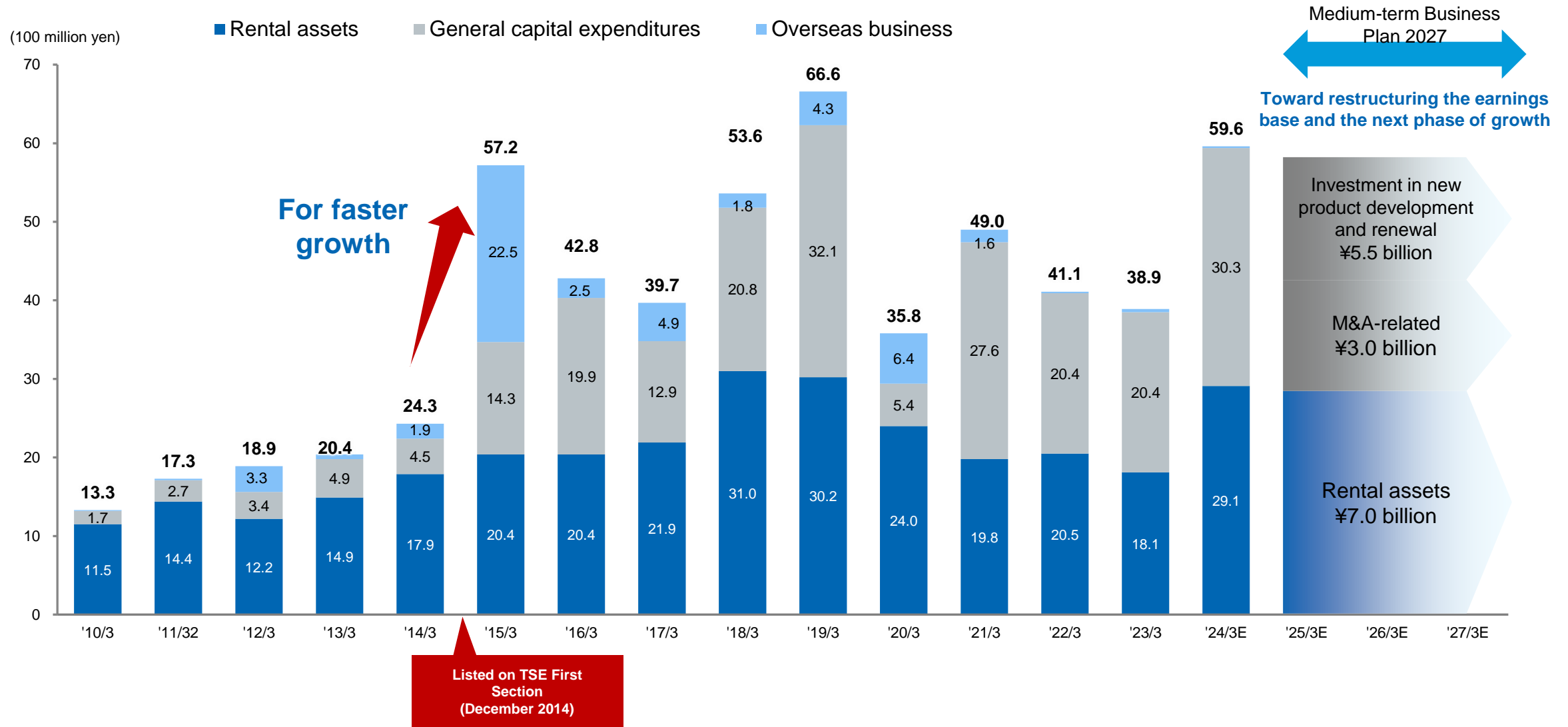
Debt financing

| Item | Invested amount (FY3/25-FY3/27) | |
|---|--|---|
| | Amount | Details |
| Rental assets | ¥7.0 billion | <ul style="list-style-type: none"> Active investment to expand the new ring lock shares |
| Investment in new product development/ Investment to improve productivity and increase production capacity | ¥5.5 billion | <ul style="list-style-type: none"> Investment in development to increase the added value of products Investment to improve maintenance capacity of material centers Investment in manufacturing process automation |
| M&A-related investments | ¥3.0 billion | <ul style="list-style-type: none"> Acquire niche top companies that can be expected to generate synergies with our existing businesses and form alliances with them |
| Investing in human capital and DX | ¥1.0 billion | <ul style="list-style-type: none"> Hire highly professional human resources Streamline in-house systems, establish data platforms, and automate business operations and save manpower |
| Shareholder Returns | <ul style="list-style-type: none"> Targeting a consolidated dividend payout ratio of 40% with a basic policy of stable dividends During the period of the "Medium-term Business Plan 2027," the dividend per share will be increased in line with profit growth, with the minimum amount set at the previous year's dividend per share. | |
| Internal reserve | <ul style="list-style-type: none"> Targeting the equity ratio of 45% | |

Investments
¥16.5 billion

Continue Strategic Investment to Rebuild Earnings Base

- Continue to actively invest in rental property to evolve the core business model
- Strengthen research of M&A targets and investment in new product development for the next phase of growth



Promoting measures to enhance corporate value linked to investment in human capital and DX promotion

Investment in DX

Responding to Construction DX

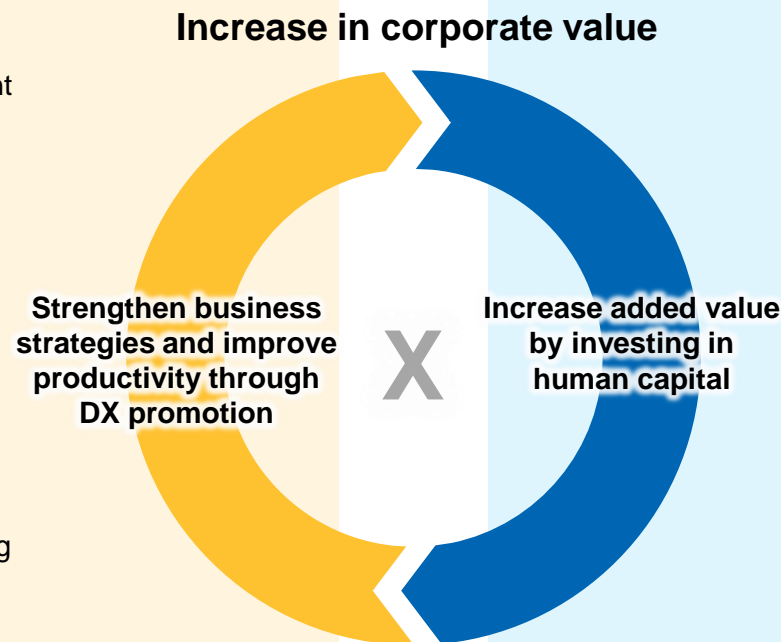
- Responding to BIM/CIM
- Build a data platform for centralized management of product and inventory information on rental scaffolding materials
- Development of sales support tools to support solution needs of rental scaffolding materials users

Digitalization of Management and Operations

- Review and streamline internal systems
- Automate and save labor in operations
- Develop data platform
- Strengthen information security
- Digitalize business processes
- Introduce integrated enterprise resource planning (ERP) system

Innovation through Products & Digitalization

- Improve efficiency by introducing AI in production processes
- Digitalize technology and know-how
- Visualization of manufacturing sites



Investment in Human Capital

Initiatives to Improve Employee Skill and Competency

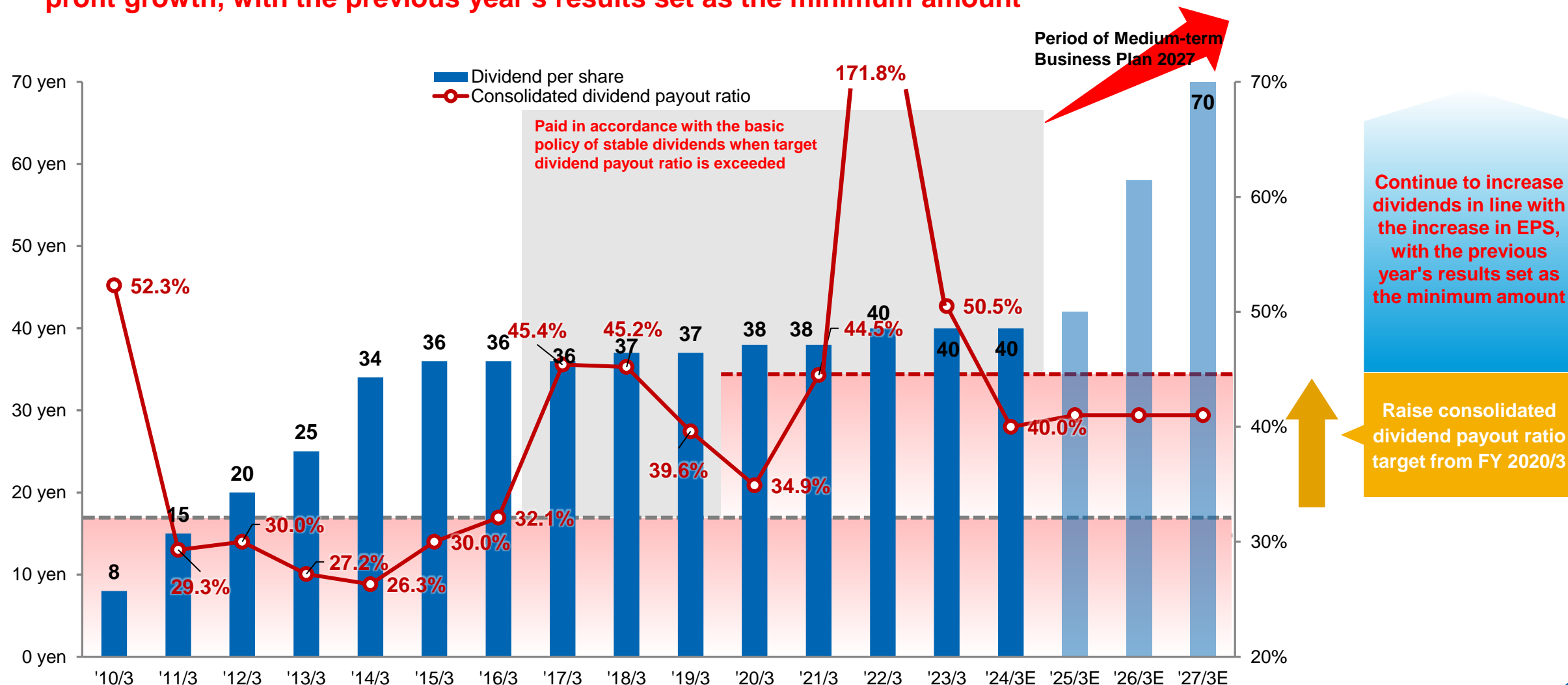
- Enhance training programs based on purpose and level
- Acquire highly specialized human resources with a view to business growth
- Enhance systems for acquiring and improving specialist skills
- Expand evaluation system for specialties

Develop a Work Environment that Utilizes Employee Individuality

- Create a workplace culture that respects diverse human resources
- Develop systems to maximize each individual's potential
- Create healthy employees through health management
- Create a work environment that ensures psychological safety

Shareholder Return and Dividend Policy

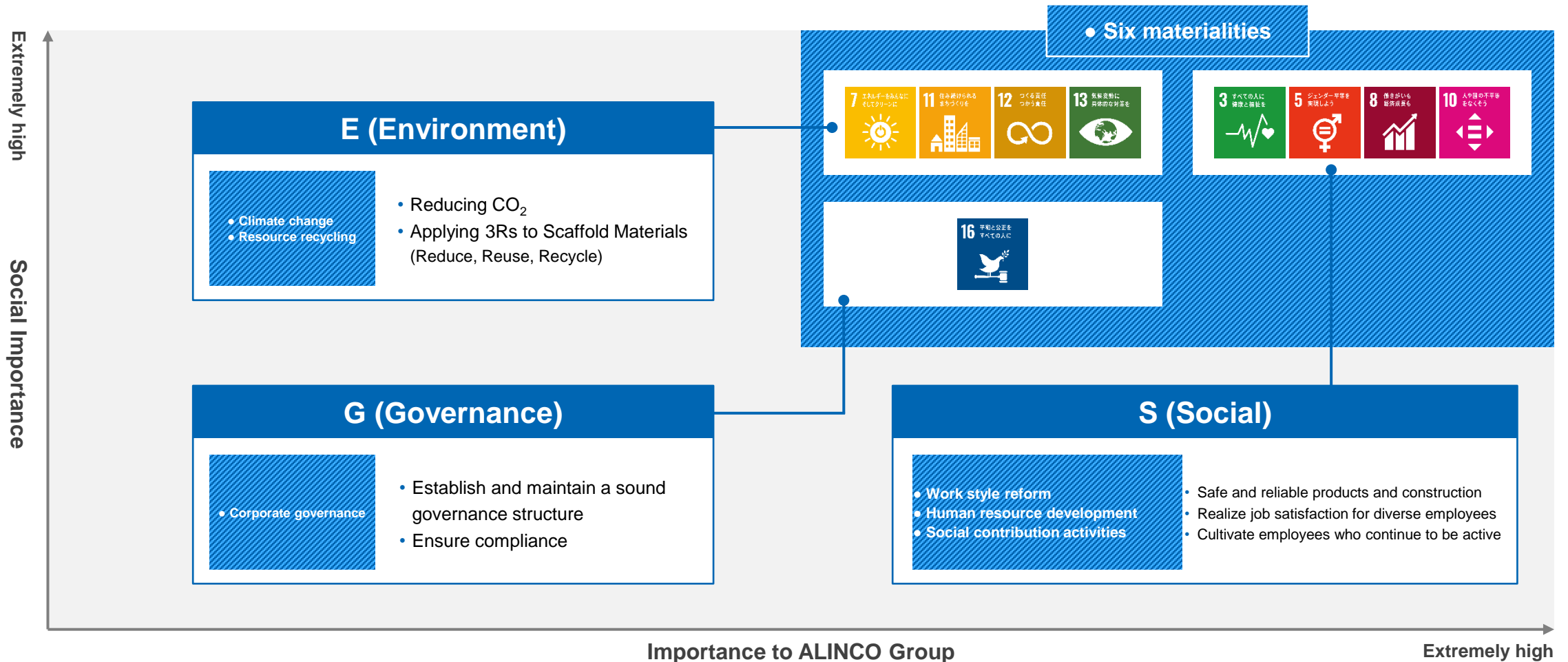
- Basic policy of stable dividends and target of 40% consolidated dividend payout ratio
- During the period of the "Medium-term Business Plan 2027," dividends per share will be increased in line with profit growth, with the previous year's results set as the minimum amount





Initiatives to Address Social Issues

Achieving sustainable growth and increasing medium to long-term corporate value, and contributing to the realization of a sustainable society through our products and services



ALINCO Group's management philosophy: "Contribution to society," "Development of the company," and "Growth of employees"

| | E (Environment) | S (Social) | G (Governance) |
|--------------------------|--|---|--|
| Management Materialities | <p>Climate Change and Resource Recycling</p> | <p>Social Contribution Activities Work Style Reform and Human Resource Development</p> | <p>Corporate Governance</p> |
| Major Initiatives | <p>Reduction of CO₂ emissions through business activities</p> <ul style="list-style-type: none"> ✓ Calculation of Group-wide CO₂ emissions ✓ Promotion of renewable energy introduction at major business locations <p>Contribution to resource recycling through scaffolding materials sales and rental businesses</p> <ul style="list-style-type: none"> ✓ Contributing to the reduction of environmental impact through the effective use of limited resources | <p>Contribution to occupational health and safety through improved safety of rental scaffolding materials</p> <p>"Work style reform"</p> <ul style="list-style-type: none"> ✓ Flexible operation of working hours ✓ Enhancement of support systems for balancing work and childcare/nursing care ✓ Hire diverse human resources to pass on technology and strengthen competitiveness ✓ Expansion of education and training ✓ Promotion of health management <p>Support social activities linked to the next generation</p> <ul style="list-style-type: none"> ✓ Support youth development through sports and other activities ✓ Support the promotion of local sports | <p>Ensure compliance</p> <ul style="list-style-type: none"> ✓ Spread awareness through regular training and surveys <p>Enhance the whistleblowing system</p> <ul style="list-style-type: none"> ✓ Establish and operate an external contact point that ensures anonymity and includes business partners <p>Internal control system</p> <ul style="list-style-type: none"> ✓ Three organizations under the direct control of the president work together organically to achieve sustainable growth and also contribute to a sustainable society <ul style="list-style-type: none"> • Executive Committee...Executes operations based on the business policies of the Board of Directors • Risk Management Committee...manages and oversees risk assessment, evaluation, and countermeasures • Sustainability Committee...Identifies materialities and promotes initiatives |

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