ALINCO INCORPORATED

# Financial Results for the Fiscal Year Ended March 20, 2024 and Medium-Term Business Plan

May 27, 2024

Stock code: 5933

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

## Notice of Formulation of Medium-Term Business Plan 2027

The Company announces that it has formulated the Medium-Term Business Plan 2027, which covers 3 years from the fiscal year ending March 20, 2025 (55th period) to the fiscal year ending March 20, 2027 (57th period).

1. Background of formulation and its policy

In the previous medium-term business plan (from the fiscal year ended March 20, 2022 to the fiscal year ended March 20, 2024), we promoted further growth by strengthening our business diversification under our management policy of "To be the Leading Company in Niche Markets" to respond to the diverse and rapidly changing business environment. During the period of the previous Medium-Term Business Plan, we made progress in cultivating businesses related to the manufacture, sale and rental of scaffolding materials, which we have positioned as our core business, with a focus on expanding sales of the new ring lock ALBATROSS system. In addition, in the Electronic Equipment segment, which is positioned as a future growth business, we acquired the printed circuit board business, which leads to new growth opportunities, through M&A.

However, changes in consumption trends following the outbreak of the COVID-19 disease, soaring resource and energy prices, and the yen's depreciation amid global monetary tightening put pressure on profits at a faster pace than expected.

Against this backdrop, we have formulated our new business plan Medium-Term Business Plan 2027, which covers the 3-year period from the fiscal year ending March 20, 2025 to the fiscal year ending March 20, 2027. In light of the Tokyo Stock Exchange's March 2023 request for “management that is conscious of the cost of capital and stock price,” we intend to make a mid- to long-term leap forward by implementing a business plan with the following key points.

**Point 1: Evolve core businesses and restructure the business portfolio**
**Point 2: Realize management that is conscious of cost of capital and stock price**
**Point 3: Target payout ratio of 40% plus progressive dividends**

*Excerpt from the April 3, 2024 announcement “Notice of Formulation of Medium-Term Business Plan 2027”

# Topics ② Year-end Dividend for FY3/24 Increased by 1 Yen From the Initial Forecast

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Notice Concerning Dividends of Surplus (Dividend Increase)

ALINCO INCORPORATED hereby announces that, at the meeting of the Board of Directors held on May 2, 2024, the Company has resolved to pay dividends of surplus with a record date of March 20, 2024, as described below.

The Articles of Incorporation stipulate that the Company may pay dividends of surplus by resolution of the Board of Directors.

1. Contents of dividend of surplus (year-end dividend)

| | Determined amount | Most recent dividend forecast (Announced on May 2, 2023) | Results for the previous fiscal year (FY3/23) |
|---|---|---|---|
| Record date | March 20, 2024 | Same as left | March 20, 2023 |
| Dividend per share | 21 yen | 20 yen | 20 yen |
| Total dividend amount | 418 million yen | - | 397 million yen |
| Effective date | May 29, 2024 | - | May 29, 2023 |
| Dividend Resources | Retained earnings | - | Retained earnings |

2. Reason

Our basic policy is to maintain stable dividends, and we will pay dividends with a target dividend payout ratio of 40%. In addition to the existing dividend policy, during the period of the "Medium-Term Management Plan 2027" announced on April 3, 2024 (from the fiscal year ending March 20, 2025 (55th period) to the fiscal year ending March 20, 2027 (57th period)), the Company will pay a progressive dividend, with the amount of the dividend per share increasing in line with profit growth, with the minimum amount set at the previous year's results.

Based on this policy, the Company has decided to pay a year-end dividend of 21 yen per share for the fiscal year ended March 20, 2024, taking into consideration the consolidated results of operations and the consolidated dividend payout ratio. Combined with the interim dividend of 20 yen per share that was already paid on November 22, 2023, the annual dividend will be 41 yen per share, an increase of 1 yen from the previous fiscal year, and the consolidated dividend payout ratio will be 40.6%.

*Excerpt from the May 2, 2024 announcement “Notice Concerning Dividends of Surplus (Dividend Increase)”

# Contents

# FY3/24 Results

# FY3/24 Result Highlights

## ■ Profit attributable to owners of parent increased year on year.

- ✓ Net sales were heavily impacted by the decline in sales of rental scaffolding materials related products. Scaffolding materials users chose to rent instead of purchasing equipment, and sales in the rental segment increased. However, rental segment could not drive other segments.
- ✓ Despite the effects of sales price revisions up to the previous fiscal year, operating profit and ordinary profit increased due to further yen's depreciation amid a decline in net sales. The hedging effect of foreign exchange contracts also decreased, with operating profit down 26.4% and ordinary profit down 19.3% YoY.
- ✓ The increase in profit attributable to owners of parent (+28.5% YoY) was attributable to the result of profitability at an overseas subsidiary in Indonesia. In addition to the elimination of extraordinary losses associated with the conversion to a subsidiary in the previous fiscal year, the Company captured rental needs for recycling plant construction, and its results trended favorably from the beginning of the fiscal year.

| | Actual | YoY |
|---|---|---|
| Net sales | 57,876 million yen | - 4.7% |
| Operating profit | 1,781 million yen | -26.4% |
| Ordinary profit | 2,879 million yen | -19.3% |
| Profit attributable to owners of parent | 1,988 million yen | +28.5% |

# Highlights of Financial Position FY3/24

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## ■ Consolidated total assets increased due to active investments. The equity ratio was 44.7%, unchanged from the previous fiscal year-end.

- ✓ Actively investing in rental property in the scaffolding material rental business, which has continued to be favorable business result since the beginning of the fiscal year.

  Investment in rental assets was 2.8 billion yen compared to the initial plan of 2.25 billion yen.
- ✓ As for HIGASHI ELECTRONICS INDUSTRY CO., LTD., which is our subsidiary, a total of approximately 2.2 billion yen (invested 1.39 billion yen during the fiscal year) was invested in building a new plant to increase manufacturing capacity. Construction of the new plant was completed as planned, and installation of facilities began gradually from the beginning of 2024.
- ✓ Inventories increased by 2.11 billion yen from the end of the previous fiscal year due to the implementation of planned production in preparation for future orders, assuming continuation of high-level construction investment.

| | Result | YoY |
|---|---|---|
| Total assets | 68,315 million yen | +4,633 million yen |
| Net assets | 30,544 million yen | +2,101 million yen |
| Equity Ratio | 44.7% | +0.1 ppt. |
| PBR | 0.68x | |

# FY3/24  Consolidated Results

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- ✓ Net sales were significantly affected by the decline in sales of rental scaffolding materials related products, and this was not enough to offset the decline in sales in the Home equipment and Electronic equipment segments.
- ✓ In the core business, the need for equipment procurement by scaffolding materials rental companies remained unchanged. Delays in construction starts and progress were longer than expected from the beginning of the period, leading to increased in rental sales due to increasing trend of shift from purchasing to renting scaffolding material. However, this was not enough to offset the decline in sales.
- ✓ In terms of profits, operating profit and ordinary profit declined YoY due to an increase in depreciation from an active investment in rental assets in response to increased rental needs from customers amid ongoing upward pressure on costs, including the continuation of the yen's depreciation from the beginning of the fiscal year and persistently high raw material prices.

(Millions of yen)

| | FY3/22 | FY3/23 | FY3/24 | |
|---|---|---|---|---|
| | Results (% to sales) | Results (% to sales) | Results (% to sales) | YoY change |
| Net sales | 55,255 (100.0%) | 60,717 (100.0%) | **57,876 (100.0%)** | -2,841 (-4.7%) |
| Operating profit | 1,119 (2.0%) | 2,420 (4.0%) | **1,781 (3.1%)** | -639 (-26.4%) |
| Ordinary profit | 1,126 (2.0%) | 3,568 (5.9%) | **2,879 (5.0%)** | -689 (-19.3%) |
| Profit attributable to owners of parent | 451 (0.8%) | 1,546 (2.5%) | **1,988 (3.4%)** | +441 (+28.5%) |
| Investments in rental assets | 2,048 | 1,813 | **2,796** | +982 |
| General capital expenditures | 1,246 | 2,078 | **2,576** | +498 |
| Depreciation of rental assets | 2,006 | 1,905 | **2,066** | +160 |
| Other depreciation | 1,000 | 1,056 | **1,196** | +140 |

Note: Amounts are rounded down to the nearest million yen.

# FY3/24 Segment Information

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- ✓ In the Construction materials segment, rental scaffolding materials-related sales decreased 9.9% YoY because the timing of purchases by scaffolding materials rental companies was delayed. In logistics, sales declined by 13.0% YoY due to fewer large-scale orders. In the Rental segment, utilization rates of rental assets continue to be at a high level due to the expansion of rental demand because of the delay in purchasing rental scaffolding materials. Although the depreciation burden increased, the consolidation of an overseas rental subsidiary also contributed to the performance, underpinning overall consolidated results.
- ✓ In the Home equipment segment, further depreciation of the yen led to higher procurement costs and a decrease in the effects of hedging foreign exchange contracts. In the Electronic equipment segment, earnings were constrained by a decline in the operation of facilities at subsidiary ALINCO TOYAMA INCORPORATED and the recording of upfront expenses for the construction of a new plant of HIGASHI ELECTRONICS INDUSTRY CO., LTD.

(Millions of yen)

| Upper: Net sales<br>Lower: Segment profit | FY3/22 | FY3/23 | FY3/24 | |
|---|---|---|---|---|
| | Results | Results | Results | YoY change |
| Construction materials | 19,880<br>1,349 | 24,472<br>2,767 | **21,829**<br>**2,514** | -10.8%<br>-9.2% |
| Scaffolding material rental | 15,948<br>86 | 16,973<br>437 | **17,607**<br>**383** | +3.7%<br>-12.4% |
| Home equipment | 15,070<br>-200 | 13,780<br>-124 | **13,274**<br>**-462** | -3.7%<br>— |
| Electronic equipment | 4,355<br>153 | 5,491<br>225 | **5,164**<br>**-65** | -5.9%<br>— |
| Adjustment | —<br>-263 | —<br>261 | **—**<br>**509** | —<br>— |
| Consolidated total | 55,255<br>1,126 | 60,717<br>3,568 | **57,876**<br>**2,879** | -4.7%<br>-19.3% |

Note: Amounts are rounded down to the nearest million yen.

# FY3/24 Factors behind Changes in Net Sales by Segment

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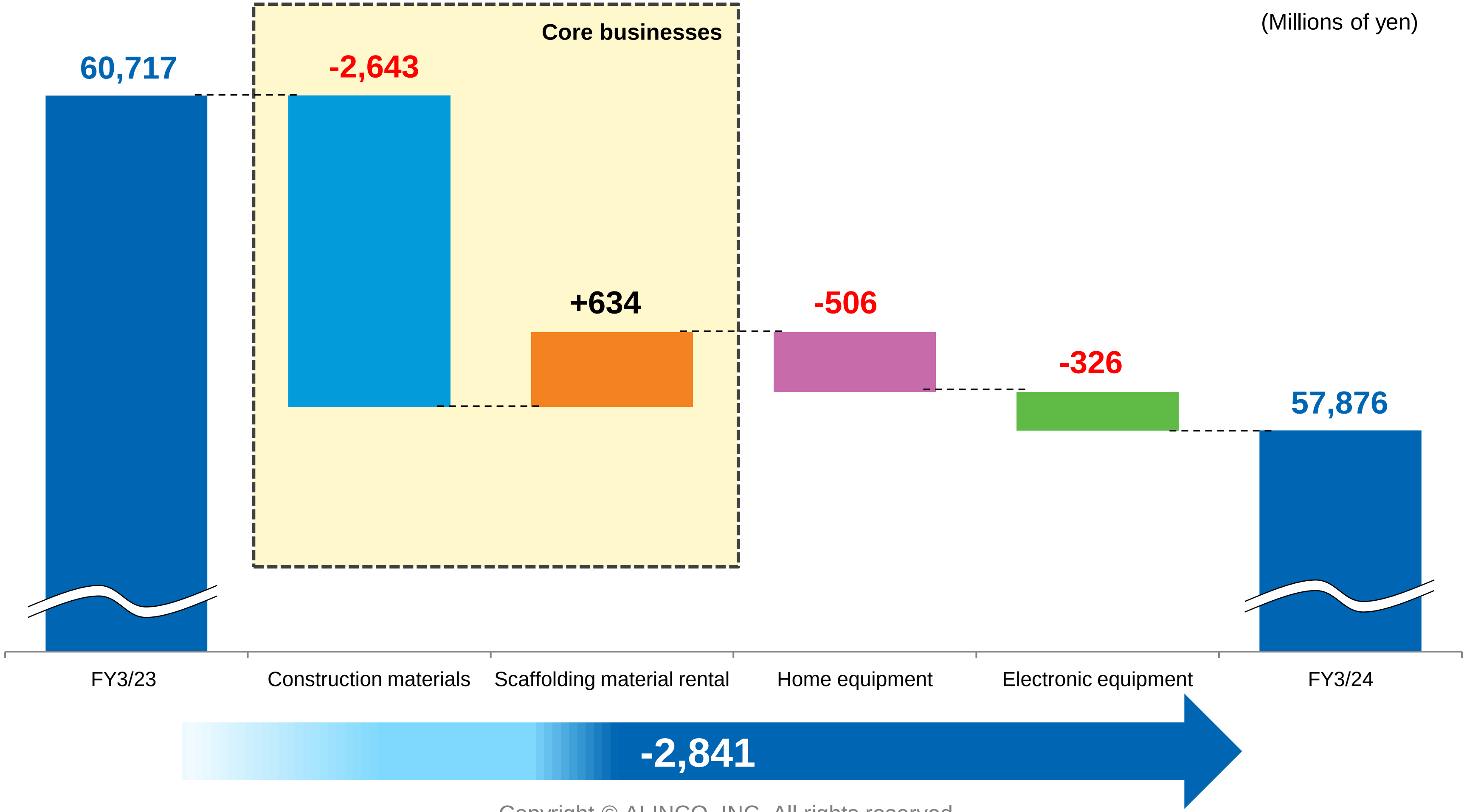
- ✓ Sales declined 2,841 million yen YoY to 57,876 million yen.
- ✓ In the Construction materials segment, sales of scaffolding materials declined 1.68 billion yen YoY, while sales of racks and other equipment for distribution warehouses fell 960 million yen YoY.
- ✓ In the Scaffolding material rental segment, sales increased due to a shift in purchasing needs for scaffolding materials to rentals, as well as a recovery in sales to overseas rental subsidiaries.
- ✓ In the Home equipment segment, sales fell because new product sales could not compensate for the decline in sales due to price increases for existing products. In the Electronic equipment segment, sales at ALINCO TOYAMA INCORPORATED decreased.



# FY3/24 Factors behind Changes in Ordinary Profit

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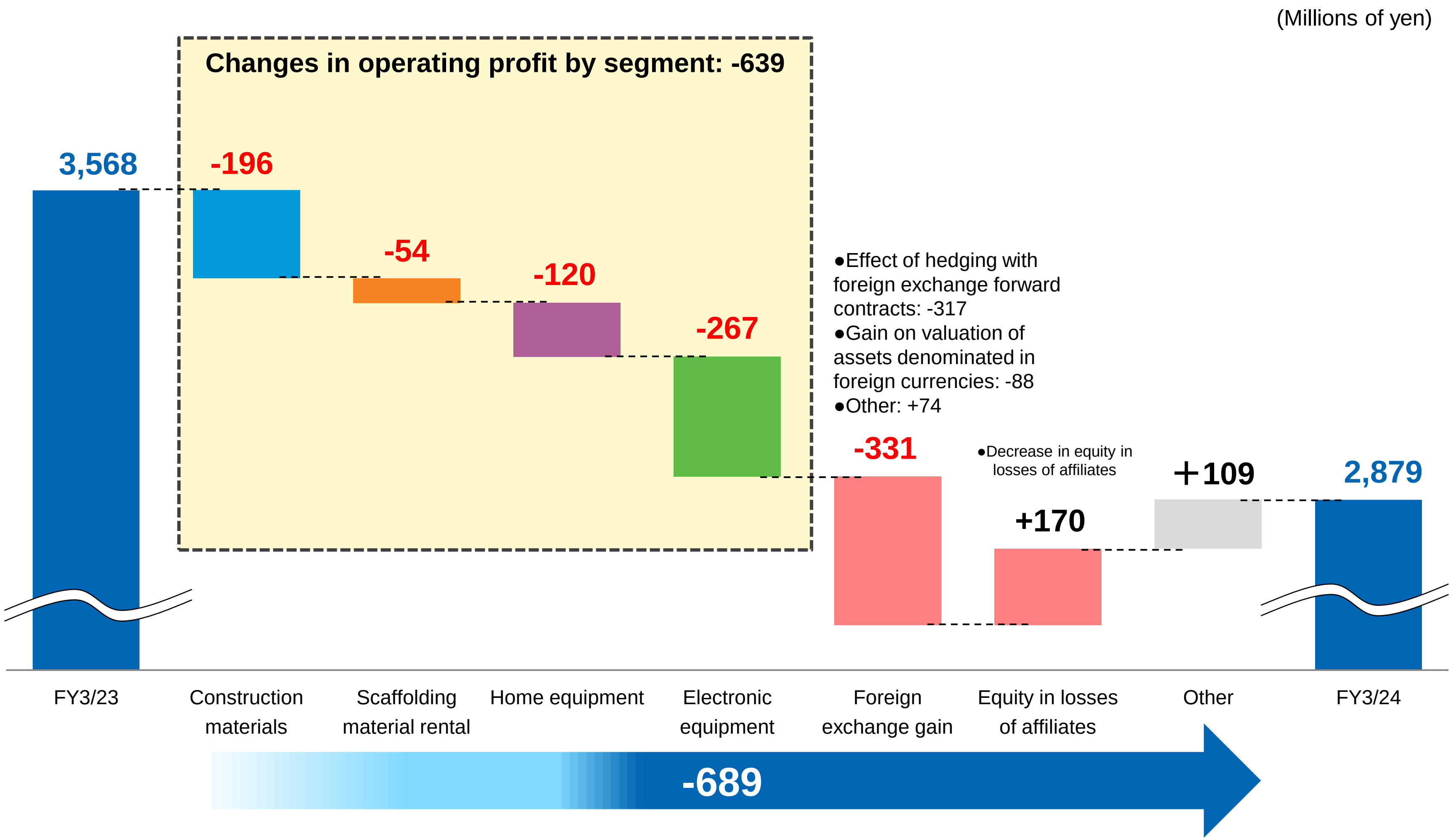
- ✓ Operating profit decreased YoY due to a decrease in net sales, an increase in depreciation due to active investment in rental assets, and an increase in purchasing costs due to the depreciation of the yen.
- ✓ Ordinary profit decreased from the previous fiscal year due to a decrease in foreign exchange gains from foreign currency hedging. Ordinary profit decreased 689 million yen YoY to 2,879 million yen.



# FY3/24 Results by Segment

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| | | | |
|---|---|---|---|
| Construction materials segment | ✓ There has been a growing trend for customers who had been considering purchasing ALBATROSS to opt for renting instead due to the delay in construction starts.<br>✓ Although sales of ALBATROSS-related products decreased year-on-year, sales of aluminum work platforms were favorable in anticipation of increased demand for indoor pipes, electric works, and other operations.<br>✓ In racks for distribution warehouses sales, sales decreased due to fewer large-scale orders. | Home equipment segment | ✓ Demand for specialty ladders increased for aluminum lifting equipment and other products. This was due to the full-fledged recovery in the number of exhibitions held and the expansion of the scope of application of mandatory truck elevator facilities from October 2023. Sales of elevated work platforms and other products for work in high places to semiconductor plants also increased. Still, it could not compensate for lower sales due to price increases for existing products.<br>✓ As for fitness equipment, despite actively adding new products that were prepared in the previous fiscal year with a "sense of affordability," sales of existing products in the high price range did not grow due to the impact of rising prices.<br>✓ The further depreciation of the yen exerted even stronger upward pressure on costs. |
| Scaffolding material rental segment | ✓ Scaffolding materials rental companies continue to respond by renting equipment instead of purchasing and for rentals for medium to high-rise buildings' occupancy rates remain at a high level.<br>✓ Increase in depreciation burden due to aggressive investment in rental assets from the beginning of the fiscal year in response to an increase in orders.<br>✓ Rentals for low-rise buildings also performed well as the acceptance of overseas trainees, which had been stagnant due to the COVID-19 disaster, recovered and the construction system stabilized.<br>✓ An overseas subsidiary in Indonesia performed well due to brisk construction of resource plants. | Electronic equipment segment | ✓ Strong sales of new digital receivers supported by high-end consumers and sales of products in response to bandwidth expansion (frequency increase) for digital simplex radio stations led to firm sales of wireless communication devices and other products.<br>✓ Lower sales at subsidiary ALINCO TOYAMA INCORPORATED pushed down segment results. Decline in profitability due to lower occupancy rates of circuit board installation facilities affected by production cutbacks by external customers.<br>✓ The new plant of HIGASHI ELECTRONICS INDUSTRY CO., LTD. was completed in November. New lines started operation at the beginning of 2024. |

# FY3/24 Consolidated Balance Sheet

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(Millions of yen)

| | FY3/23 | FY3/24 | |
|---|---|---|---|
| | Results (Comp.) | Results (Comp.) | YoY change |
| Current assets | 41,942 (65.9%) | **43,894(64.3%)** | +1,952 (+4.7%) |
| Non-current assets | 21,739 (34.1%) | **24,420(35.7%)** | +2,681 (+12.3%) |
| Total assets | 63,681 (100.0%) | **68,315 (100.0%)** | +4,633 (+7.3%) |
| Current liabilities | 22,595 (35.5%) | **19,860 (29.1%)** | -2,734 (-12.1%) |
| Non-current liabilities | 12,642 (19.9%) | **17,910 (26.2%)** | +5,267 (+41.7%) |
| Total liabilities | 35,238 (55.3%) | **37,771 (55.3%)** | +2,532 (+7.2%) |
| Net assets | 28,443 (44.7%) | **30,544 (44.7%)** | +2,101 (+7.4%) |
| Total liabilities and net assets | 63,681 (100.0%) | **68,315 (100.0%)** | +4,633 (+7.3%) |
| Equity ratio | 44.6% | **44.7%** | +0.1ppt. |
| Debt equity ratio | 73.4% | **82.7%** | +9.3ppt. |

Note: Amounts are rounded down to the nearest million yen.

**Major factors**
**(Millions of yen)**

**Current assets**
Increase in inventories due to planned production for future orders: +2,107

**Non-current assets**
Increase in property, plant, and equipment due to the construction of a new plant of HIGASHI ELECTRONICS INDUSTRY CO., LTD. and active investment in rental assets: +2,134

**Liabilities**
Increase in long-term and short-term borrowings: +4,386
Increase in accrued taxes on income: +826

**Net assets**
Profit attributable to owners of parent: +1,988
Dividend payments: -795

# FY3/24 Consolidated Cash Flows

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(Millions of yen)

| | FY3/23 | FY3/24 | |
|---|---|---|---|
| | Results | Results | YoY change |
| Cash flows from operating activities | 2,688 | **1,685** | -1,002 |
| Cash flows from investing activities | -3,723 | **-5,332** | -1,608 |
| Cash flows from financing activities | 2,537 | **3,652** | +1,114 |
| Effect of exchange rate change on cash and cash equivalents | 6,628 | **6,622** | -5 |
| Free cash flows | -1,035 | **-3,647** | -2,611 |

**Major factors**
**(Millions of yen)**

**Operating cash flows**
**(Decrease in income)**
Decrease in accounts receivable: +934
Increase in income taxes, etc.: -1,353

**Cash flows from investing activities**
**(Increase in outflows)**
Increase in payments for purchase of property, plant, and equipment: -1,840

**Cash flows from financing activities**
**(Increase in income)**
Proceeds from an increase in borrowings: +1,143

Note: Amounts are rounded down to the nearest million yen.

- ✓ Cash flows from operating activities increased due to the collection of trade receivables, but income decreased YoY due to an increase in income taxes paid.
- ✓ Cash flows from investing activities increased YoY due to continued investment in rental assets, mainly for ALBATROSS, and the completion of a new plant of HIGASHI ELECTRONICS INDUSTRY CO., LTD.
- ✓ Loans were used to offset part of the negative free cash flows.

# FY3/25 Forecast

# FY3/25 (55th Period) Forecast for Consolidated Statement of Income

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- ✓ Plans to improve the performance in the Home equipment segment and promote growth strategies in the Electronic equipment segment, underpinned by stable growth in core businesses backed by high-level construction investment.
- ✓ In addition to the planned increase in sales in all segments, operating profit will be boosted by the fact that the increase in ALBATROSS shares in the core businesses and the change in the depreciation method (from the 5-year declining-balance method to the 8-year straight-line method) based on the high and stable level of rental asset investment in response to the change in customers' need to "shift from purchasing to rental." On the other hand, growth in ordinary profit is limited because the hedge effect of foreign exchange forward contracts will not be expected.

(Millions of yen)

| | FY3/23 53th Results | FY3/24 54th Results | | | FY3/25 55th Plan | | |
|---|---|---|---|---|---|---|---|
| | | 1H (YoY change) | 2H (YoY change) | Full-year (YoY change) | 1H (YoY change) | 2H (YoY change) | Full-year (YoY change) |
| Net sales | 60,717 | 29,230 (-2.1%) | 28,646 (-7.2%) | 57,876 (-4.7%) | 30,500 (+4.3%) | 30,500 (+6.5%) | 61,000 (+5.4%) |
| Operating profit | 2,420 | 1,367 (+36.4%) | 414 (-70.8%) | 1,781 (-26.4%) | 1,550 (+13.4%) | 1,650 (+298.6%) | 3,200 (+79.7%) |
| Ordinary profit | 3,568 | 2,103 (+3.8%) | 776 (-49.7) | 2,879 (-19.3%) | 1,600 (-24.0%) | 1,700 (+119.1%) | 3,300 (+14.6%) |
| Profit attributable to owners of parent | 1,546 | 1,468 (+20.1%) | 520 (＋60.2) | 1,988 (+28.5%) | 1,000 (-31.9%) | 1,100 (+115.4%) | 2,100 (+5.6%) |
| Investments in rental assets | 1,813 | ――― | ――― | 2,796 | ――― | ――― | 3,200 |
| General capital expenditures | 2,078 | ――― | ――― | 2,576 | ――― | ――― | 2,784 |
| Depreciation of rental assets | 1,905 | ――― | ――― | 2,066 | ――― | ――― | 892 |
| Other depreciation | 1,056 | ――― | ――― | 1,196 | ――― | ――― | 1,550 |

# FY3/25 ($55^{th}$ Period) Forecast for Performance by Segment

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- ✓ In the Construction materials segment, forecasts are for higher sales but lower profits due to adjustments in production output in response to changes in customer needs from purchasing to rental, a rebound in material prices, and an increase in logistics costs.
- ✓ In the Scaffolding material rental segment, the depreciation method was changed from the 5-year declining-balance method to the 8-year straight-line method, assuming continued investment in rental assets at a high level and stable against the backdrop of expanding rental needs. We factored the impact of this change into our forecast for this segment.
- ✓ In the Home equipment segment, the Company plans to improve its performance by expanding sales channels to machinery tools, construction-related equipment, and fitness equipment for commercial use.
- ✓ The Electronic equipment segment is forecasting higher sales and lower profits due to the upfront depreciation burden from the start of operations at a new plant of HIGASHI ELECTRONICS INDUSTRY CO., LTD.

(Millions of yen)

| Upper: Net sales<br>Lower: Segment profit | FY3/23 $53^{th}$ Results | FY3/24 $54^{th}$ Results | | | FY3/25 $55^{th}$ Plan | | | |
|---|---|---|---|---|---|---|---|---|
| | | 1H | 2H | Full year | 1H | 2H | Full year | YoY change |
| Construction materials | 24,472<br>2,767 | 10,853<br>1,323 | 10,975<br>1,190 | 21,829<br>2,514 | 11,800<br>1,310 | 11,280<br>910 | 23,080<br>2,220 | +5.7%<br>-11.7% |
| Scaffolding material rental | 16,973<br>437 | 8,766<br>449 | 8,841<br>-66 | 17,607<br>383 | 8,800<br>560 | 9,030<br>690 | 17,830<br>1,250 | +1.3%<br>+226.4% |
| Home equipment | 13,780<br>-124 | 6,939<br>-196 | 6,335<br>-266 | 13,274<br>-462 | 7,100<br>-200 | 7,140<br>30 | 14,240<br>-170 | +7.3%<br>— |
| Electronic equipment | 5,491<br>225 | 2,670<br>0 | 2,493<br>-66 | 5,164<br>-65 | 2,800<br>-120 | 3,050<br>20 | 5,850<br>-100 | +13.3%<br>— |
| Adjustment | —<br>261 | —<br>525 | —<br>-15 | —<br>509 | —<br>50 | —<br>50 | —<br>100 | —<br>— |
| Consolidated total | 60,717<br>3,568 | 29,230<br>2,103 | 28,646<br>776 | 57,876<br>2,879 | 30,500<br>1,600 | 30,500<br>1,700 | 61,000<br>3,300 | +5.4%<br>+14.6% |

# FY3/25 Forecast for Changes in Sales by Segment

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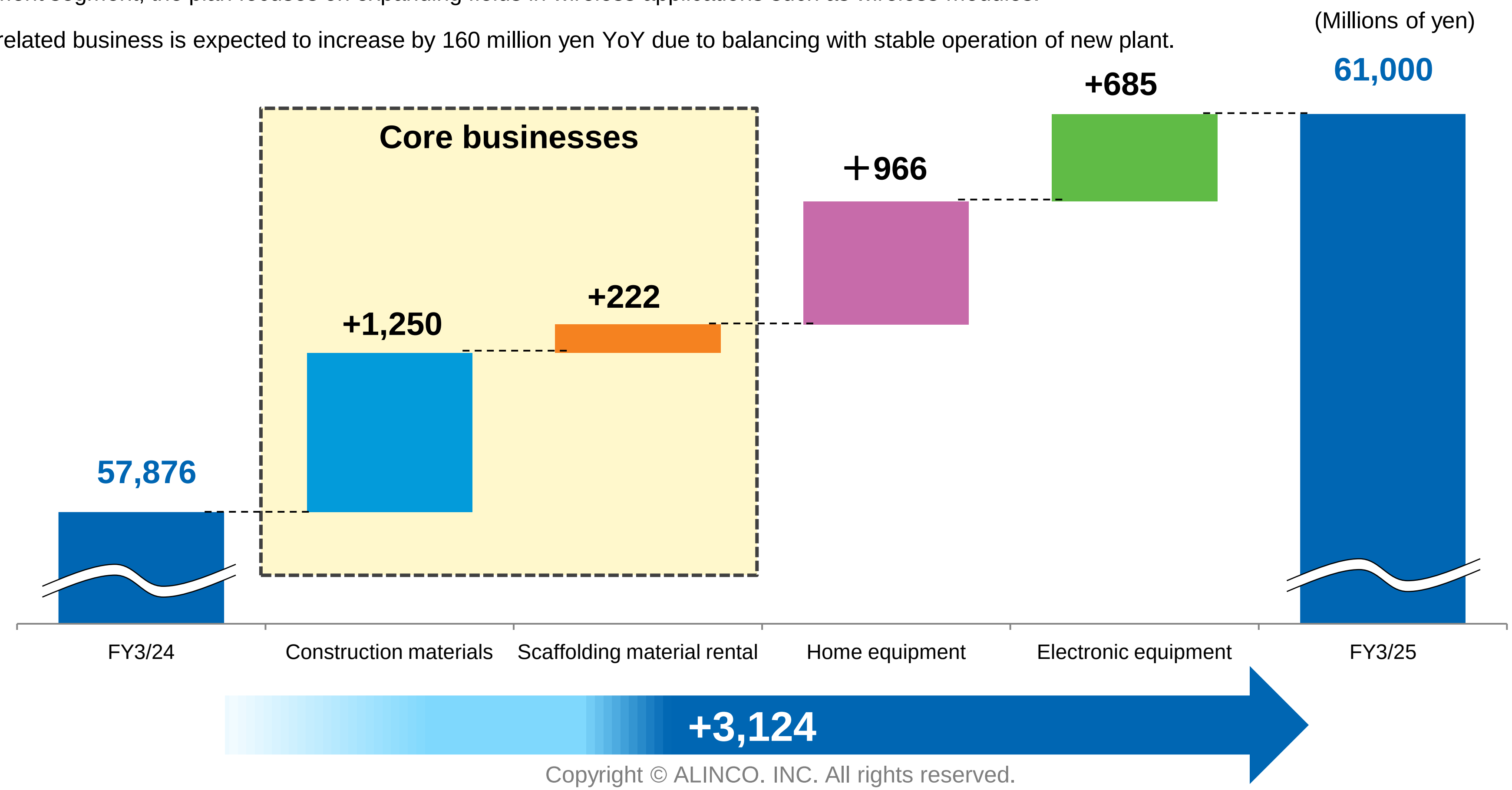
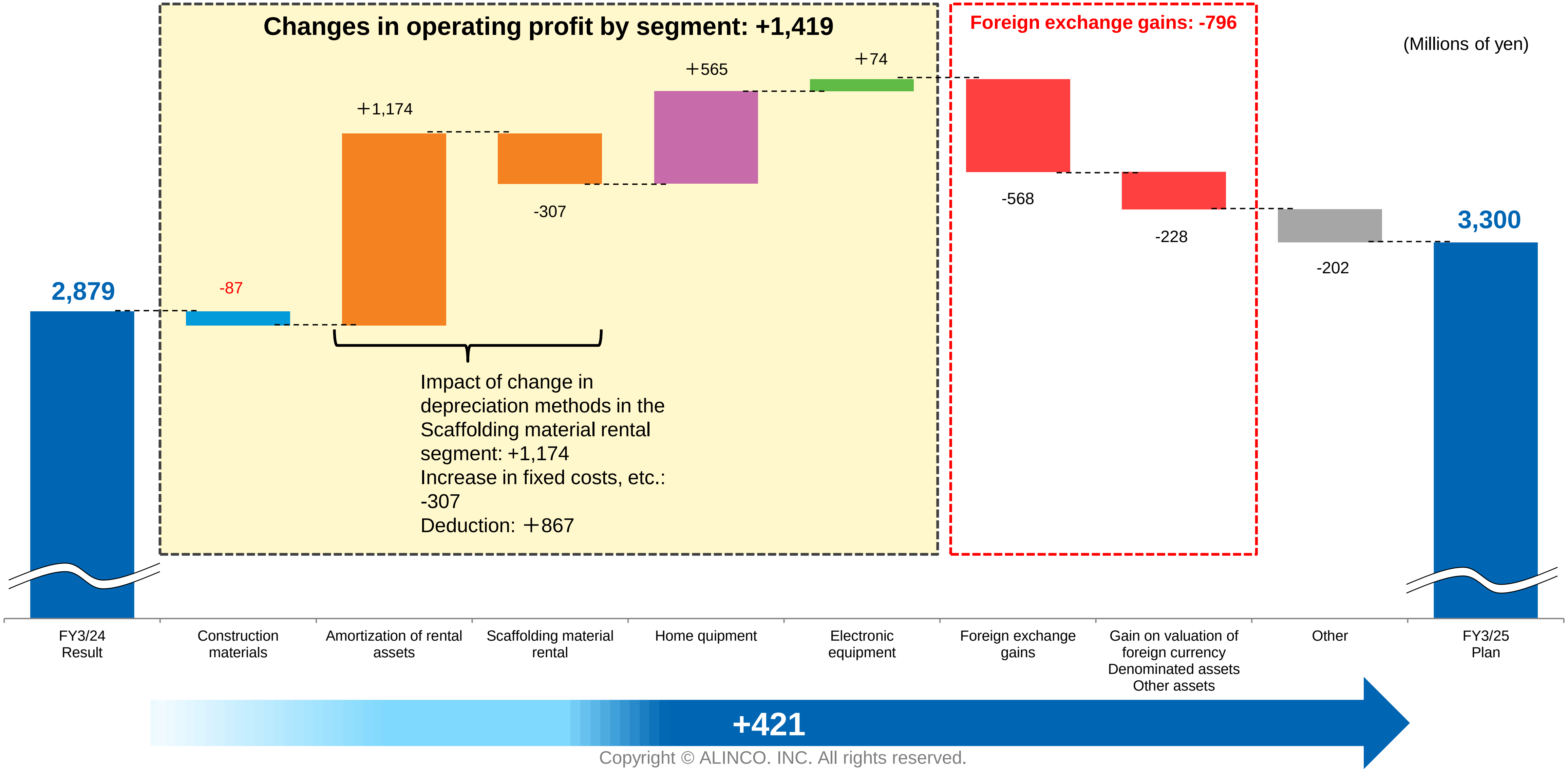
- ✓ Net sales forecast to be 61 billion yen, up 3,124 million yen from FY3/24.
- ✓ Sales are expected to increase YoY in all segments. A breakdown of the increase in sales is shown in the chart below.
- ✓ As for construction materials, which contributed significantly to higher sales, we expect large-scale logistics-related orders to increase by 500 million yen. As for rental scaffolding materials, we plan to expand sales of ALBATROSS and aluminum products.
- ✓ Plan to increase rental income as an investment effect of rental assets up to the previous fiscal year.
- ✓ In the Home equipment segment, we plan to expand sales of subsidiary products and penetrate new brands for fitness equipment.
- ✓ In the Electronic equipment segment, the plan focuses on expanding fields in wireless applications such as wireless modules.

  Printed wiring boards related business is expected to increase by 160 million yen YoY due to balancing with stable operation of new plant.



# FY3/25 Forecast for Changes in Ordinary Profit by Segment

Ordinary profit is expected to increase by 421 million yen to 3.3 billion yen even after considering negative factors such as not expecting foreign exchange gains that occurred in FY3/24, while operating profit is expected to increase by 1.42 billion yen due to positive factors such as a growth in sales and profit in each segment and a change in the method of depreciation of rental assets.



# Summary of “Medium-term Business Plan 2027”

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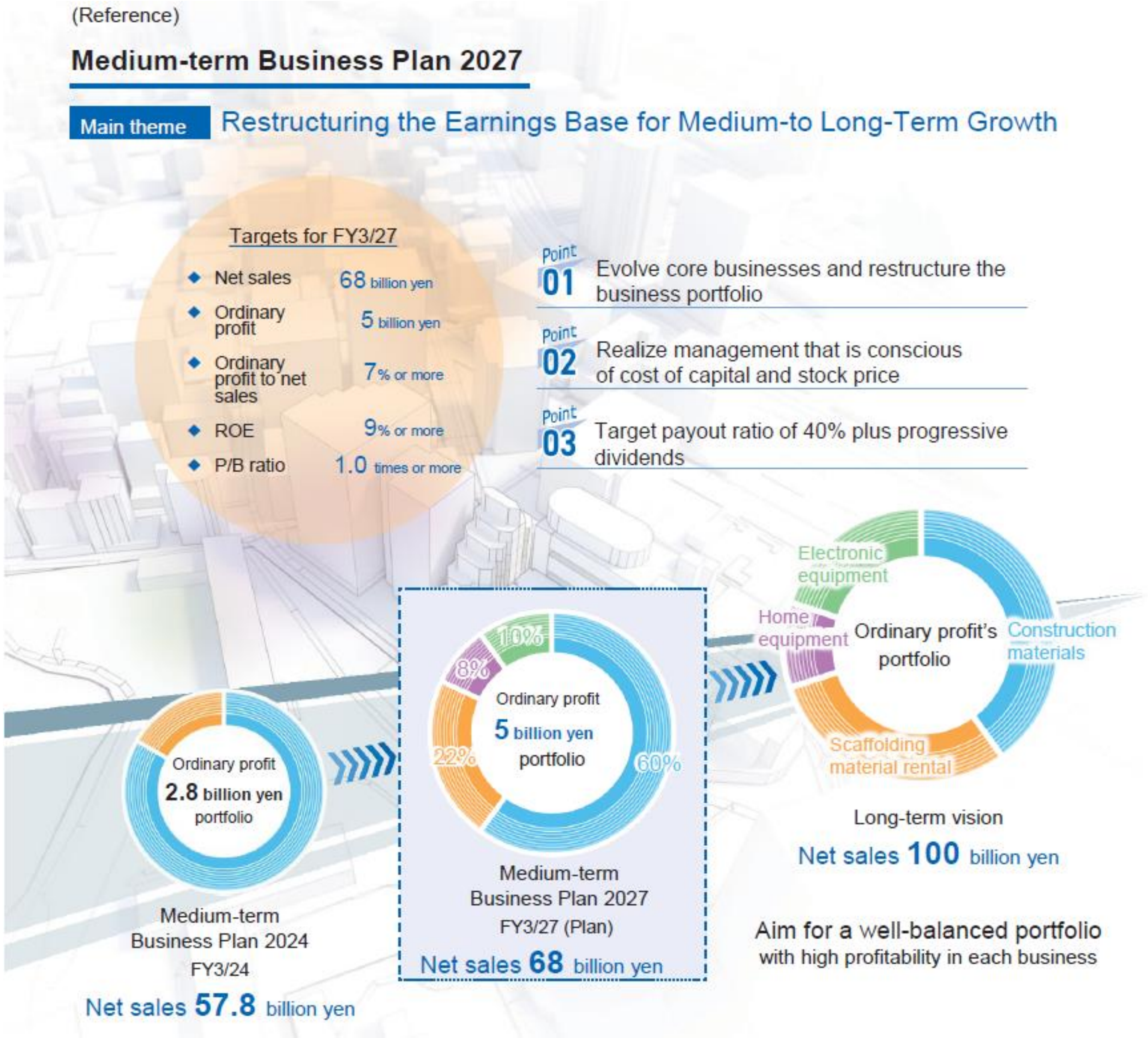


# Summary of “Medium-term Business Plan 2027”

## Point 01

Evolve core businesses and restructure the business portfolio

### Approach to Business Portfolio

**Core Business**

**Construction materials**
Sustainable growth and strengthening new product development by leveraging the advantage of ALBATROSS

**Scaffolding material rental**
Establishment of business foundation for the phase of expansion and diffusion of ALBATROSS

**Evolution of the business model**

**Home equipment**
Reshoring of aluminum elevating products
Restructuring of fitness equipment portfolio

**Structural reforms**

**Electronic equipment**
Development of new fields through wireless communication technologies
Expansion of printed wiring boards business

**Accelerating growth**

## Point 02

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

### Efforts to Achieve 1x P/B Ratio

＊As of March 20, 2024

| | P/B ratio (Price to Book Ratio) | = | ROE (Return on Equity) | × | P/E ratio (Price Earnings Ratio) |
|---|---|---|---|---|---|
| Current | 0.68 times | | 6.7%＊ | | 10.24 times＊ |
| Target | 1.0 times or more | | 9% or more | | 17 times or more |

## Point 03

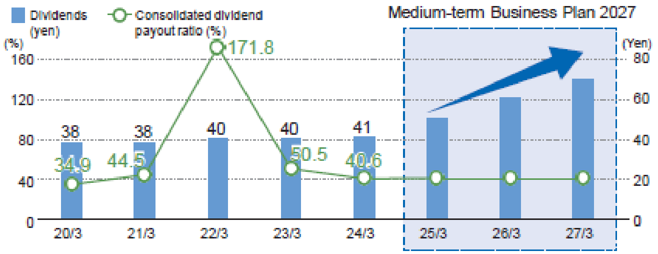
Target payout ratio of 40% plus progressive dividends

### Shareholder Return and Dividend Policy

Targeting a consolidated dividend payout ratio of 40%

+

Progressive dividend



# Outline of "Medium-term Business Plan 2027"

# Outline of Medium-term Business Plan 2027

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**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 | 57,876 | **68,000** | **+17.5%** |
| Ordinary profit | 3,568 | 2,879 | **5,000** | **+73.6%** |
| Ordinary profit to net sales (%) | 5.9% | 5.0% | **7.4%** | **+2.4pt** |
| ROE (%) | 5.5% | 6.7% | **9.0%** | **+2.3pt** |
| Equity ratio (%) | 44.6% | 44.7% | **45.0%** | **+0.3pt** |

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

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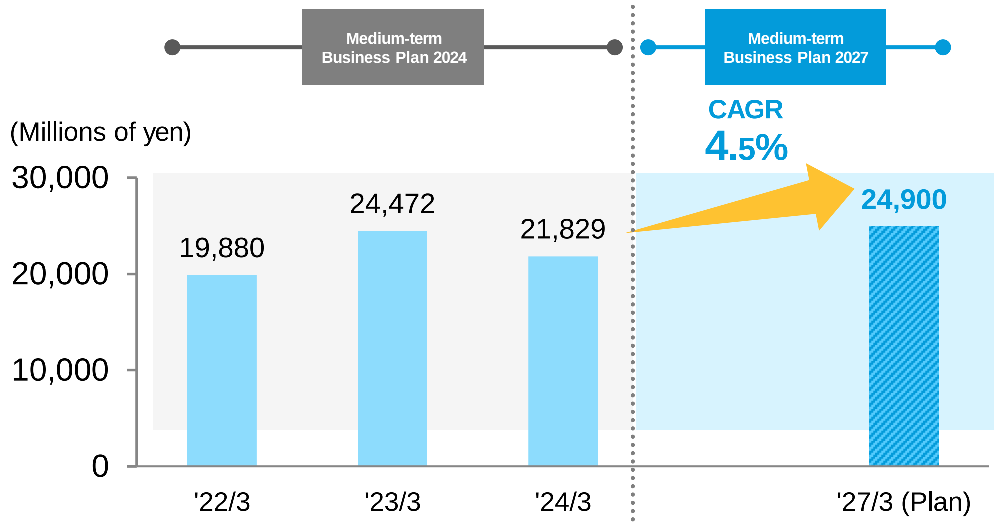
| Themes | Core businesses | | | | Home equipment | | Electronic equipment | |
|---|---|---|---|---|---|---|---|---|
| | Construction materials | | Scaffolding material rental | | | | | |
| | Evolution of the business model | | | | Structural reforms | | Accelerating growth | |
| (Millions of yen) | FY3/24 Results | FY3/27 Target (FY3/24 Comparison) | FY3/24 Results | FY3/27 Target (FY3/24 Comparison) | FY3/24 Results | FY3/27 Target (FY3/24 Comparison) | FY3/24 Results | FY3/27 Target (FY3/24 Comparison) |
| Net sales | 21,829 | **24,900 (+14.1%)** | 17,607 | **19,000 (+7.9%)** | 13,274 | **16,800 (+26.6%)** | 5,164 | **7,300 (+41.3%)** |
| | Total (core businesses) | | 39,437 | **43,900 (+11.3%)** | | | | |
| Segment profit (Ordinary profit) | 2,514 | **3,000 (+19.3%)** | 383 | **1,100 (+187.0%)** | -462 | **400 (−)** | -65 | **500 (−)** |
| | Total (core businesses) | | 2,897 | **4,100 (+41.5%)** | | | | |
| Profit margins (%) | 11.5% | **12.0%** | 2.2% | **5.8%** | -3.5% | **2.4%** | -1.3% | **6.8%** |
| | Total (core businesses) | | 7.3% | **9.3%** | | | | |

# Targets in Core Businesses

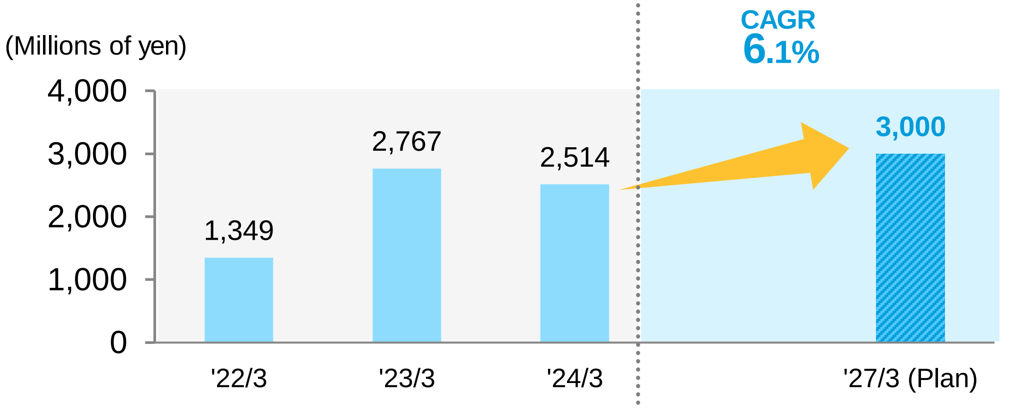
**Evolving a business strategy that combines sales and rentals, taking advantage of positioning in the new type of scaffolding market.**

## Construction materials

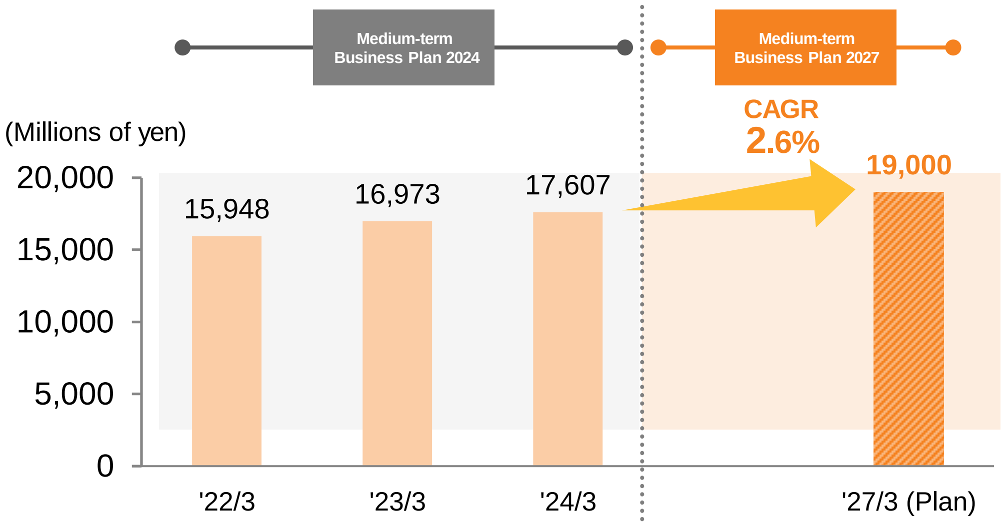
**Net sales**

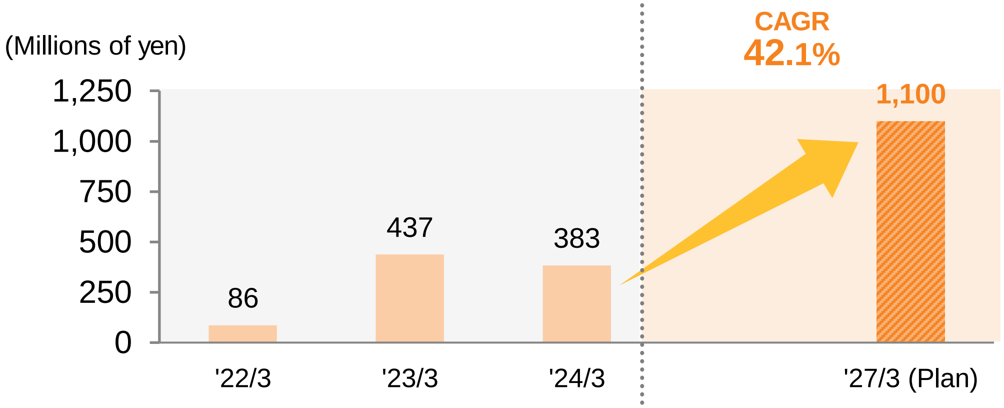



**Segment profit (Ordinary profit)**




## Scaffolding material rental



# Business Conditions Surrounding Core Businesses

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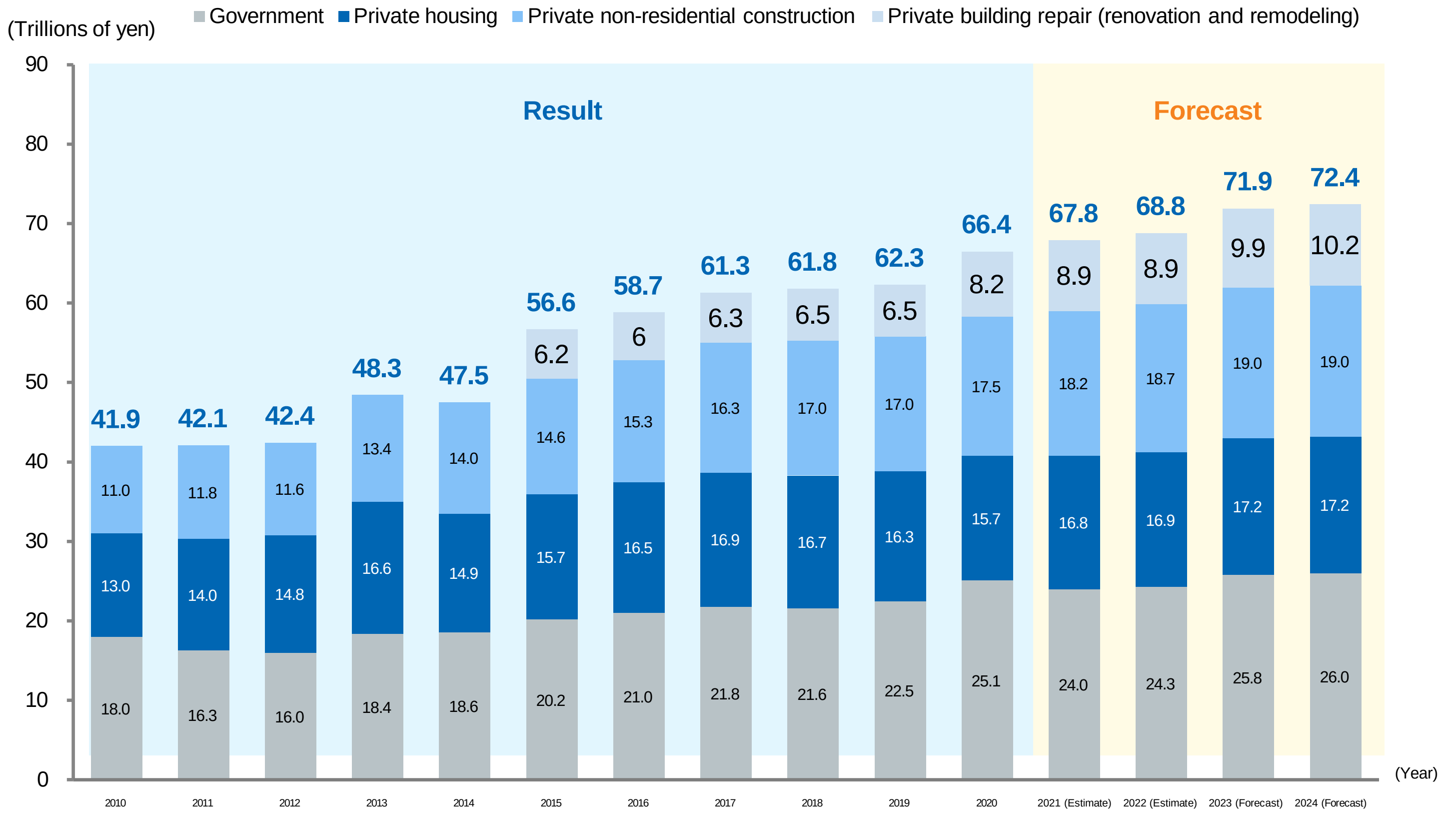
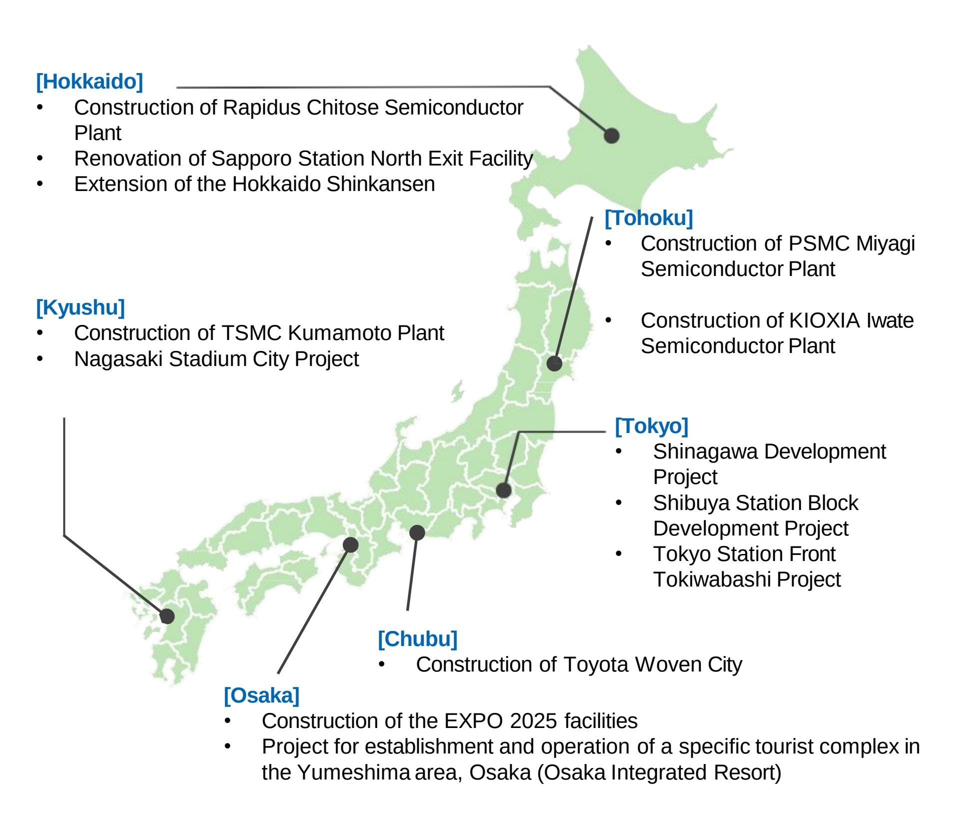
**In addition to infrastructure development and urban redevelopment due to national resilience policies, relocation of production bases by companies triggered by expansion of investment in semiconductors, etc. is expected to push up investment in construction, mainly in private non-residential construction,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

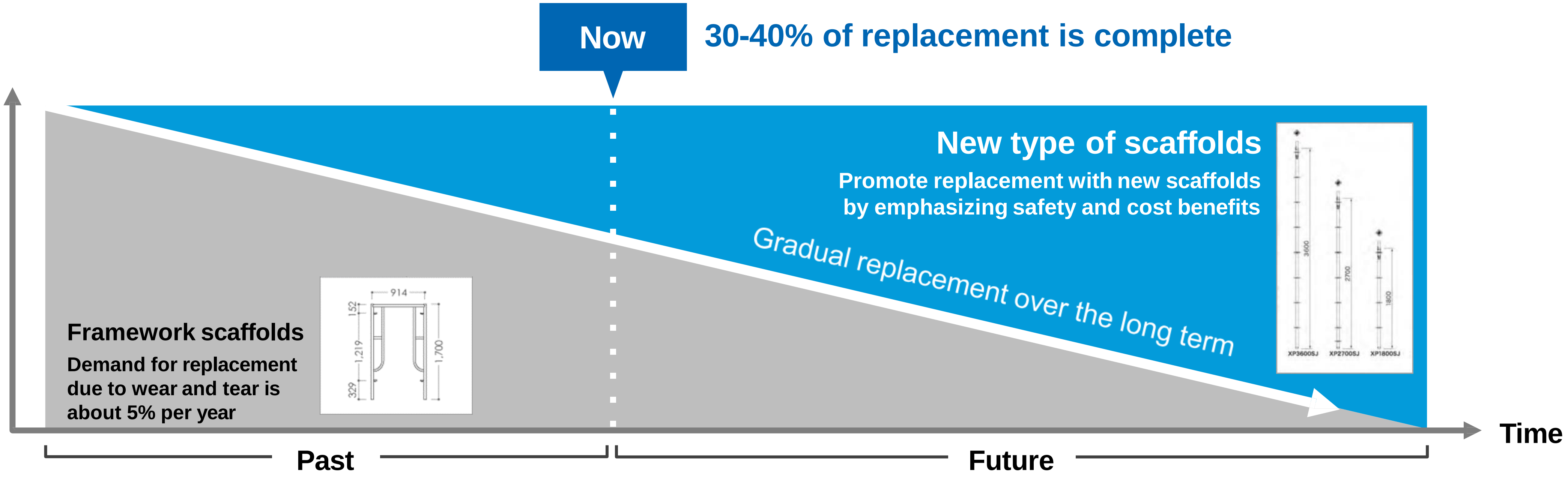


# Promoting Replacement of Framework Scaffolds with New Scaffolds (ALBATROSS)

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

### Image of replacement of framework scaffolds with new scaffolds

Framework scaffolds
Approx. **630** billion yen




**Our View of the Scaffold Market**

Large, well-funded general contractors promoted replacement with new scaffolds

**Replacement by major general contractors is generally on track**

The use of new scaffolds is expected to spread to subcontractors as major general contractors prescribe construction specifications when placing orders with subcontractors

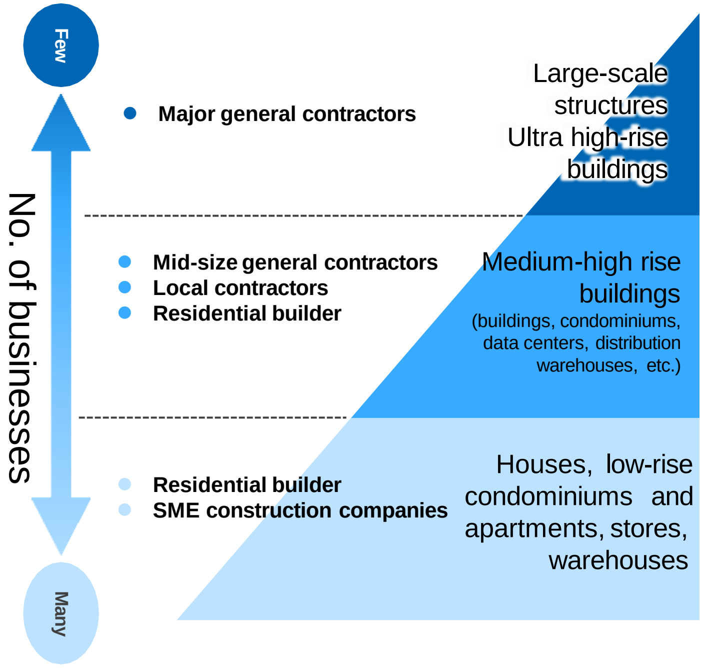
**Capturing replacement demand from medium-sized general contractors and local contractors will be the market's focus**

# Key Strategies for Core Businesses - Evolution of Business Model

ALINCO

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

**Number of businesses and major users of scaffolding materials**




**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** X **[Supply Method] Sales & Rentals**

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

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

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

## Upstream strategy

**[Product] Octosystem** X **[Supply Method] Material transportation & erection work**

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

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

# Change in depreciation period and method for rental assets

ALINCO

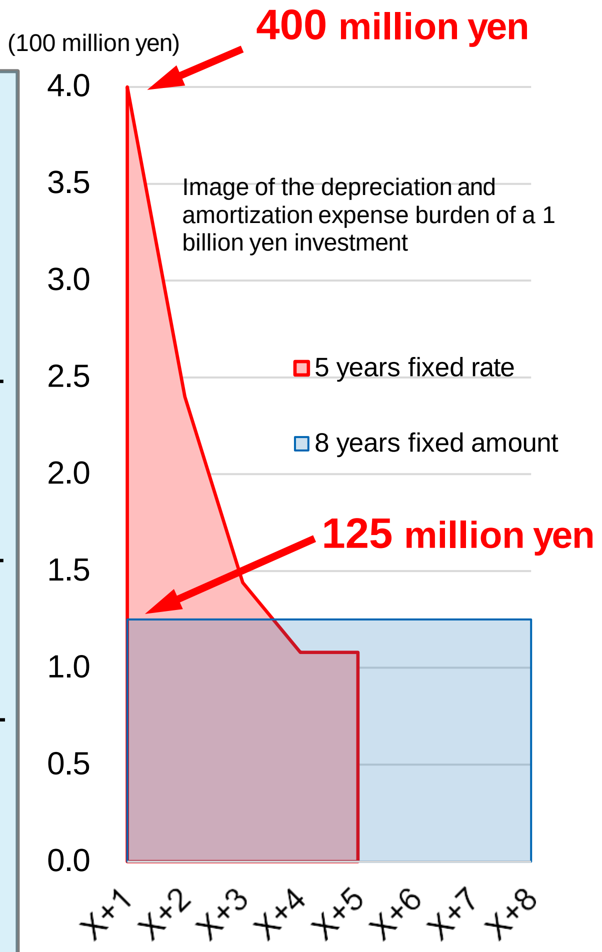
**In line with the change in the positioning of the rental business, the period and method of depreciation of rental assets will be changed from the fiscal year ending March 20, 2025**

| | Previous |
|---|---|
| **Positioning of Business** | Control and focus on balance between scale of rental and sales business of scaffolding material |
| **Status of Investment in Rental Assets** | • Investment fluctuates depending on short-term changes in utilization rates<br>• Focus on short-term profit restrains the scale of investment |
| **Depreciation method** | **5 years Declining balance method** |
| **Approach to depreciation** | • **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<br>• Difficult to see the effect of investment from accounting profits |

**Change in environment**

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

| Future |
|---|
| **Accelerate business development by proactively offering rental options** to meet the wide range of replacement needs from framework scaffolds to ALBATROSS |
| • 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** |
| • **Select a depreciation method that more closely approximates the useful life of the asset** with the expectation of a stable utilization rate<br>• Effect of investments are better reflected in accounting profits |



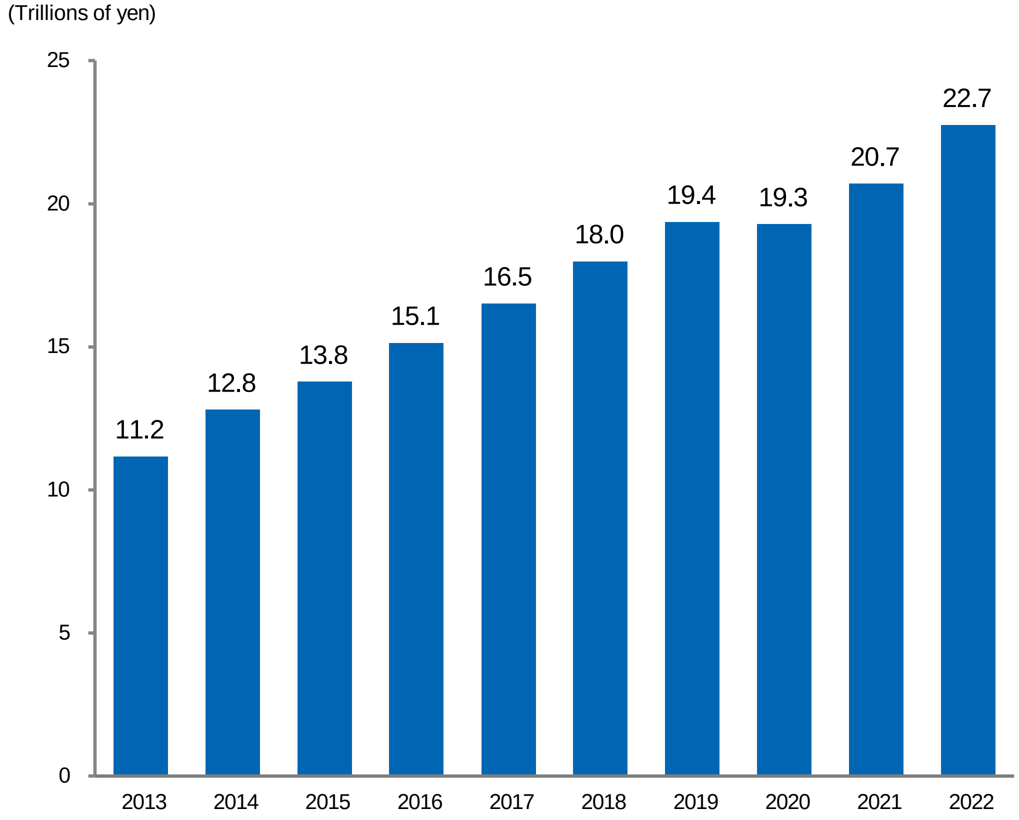

The change in depreciation method is estimated to reduce the depreciation cost of rental assets by approximately 1.4 billion yen in the first year following the change, but due to continuous investment the impact is expected to decrease over the next four years to about 60% of previous annual depreciation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

# Develop Logistics Equipment Business

## 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**

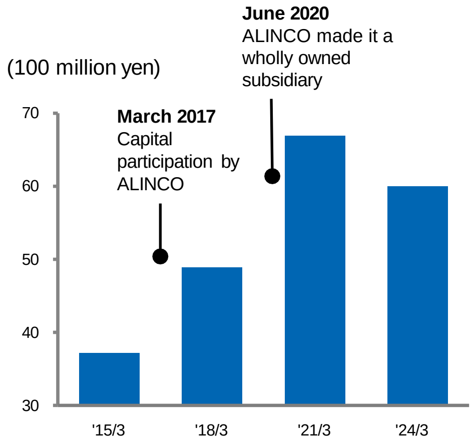



Source: Ministry of Economy, Trade and Industry, Commerce and Information Policy Bureau, Information Economy Division, FY2022 Market Survey Report on Electronic Commerce (August 2023)

### 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

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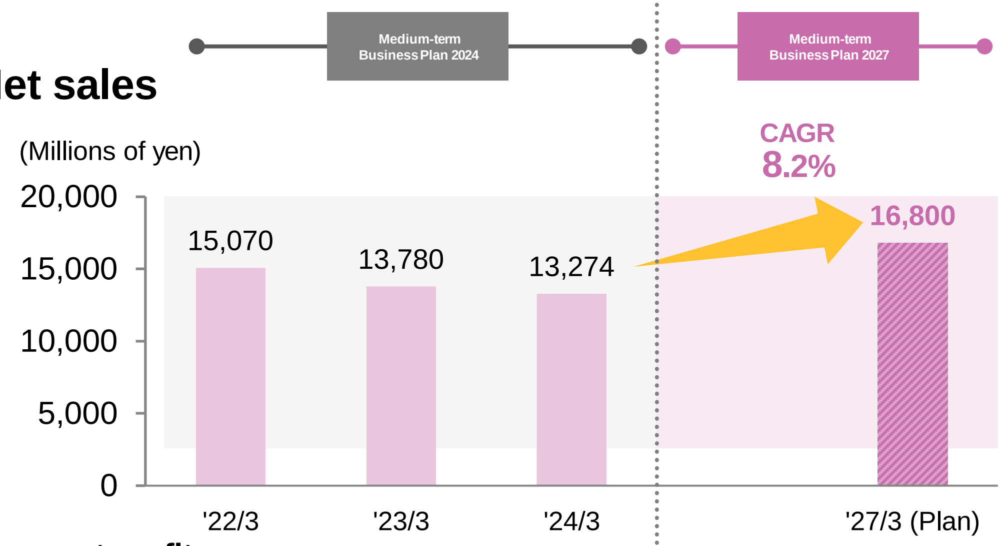
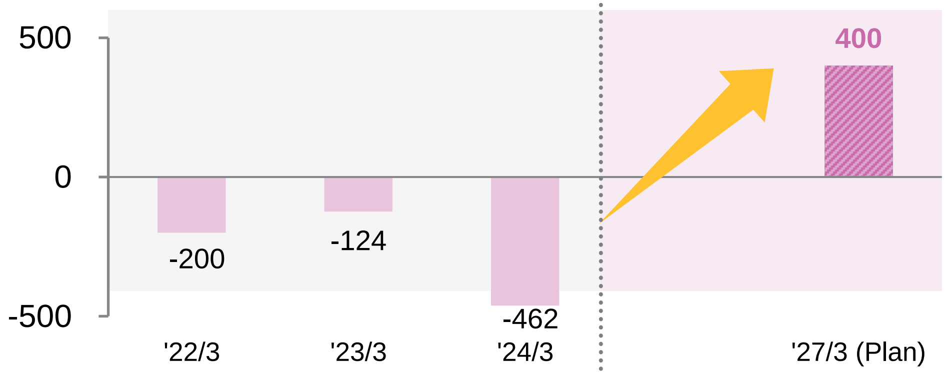
- Review production bases for aluminum elevating products and return some production to the domestic factories
- Strengthen orders for custom-made aluminum elevating products and increase the composition ratio of high-value-added products
- The fitness business responds to changes in consumer needs through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

## Net sales




## Segment profit

**(Ordinary profit)**




**Business Themes**

## Structural reforms

**Priority Measures**

**Aluminum lifting products** — **Improve profitability by reviewing the production system for aluminum elevating products**

- Responding to the persistent trend of yen’s 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

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

**Fitness equipment** — **Cultivate new customers by changing the fitness equipment product mix**

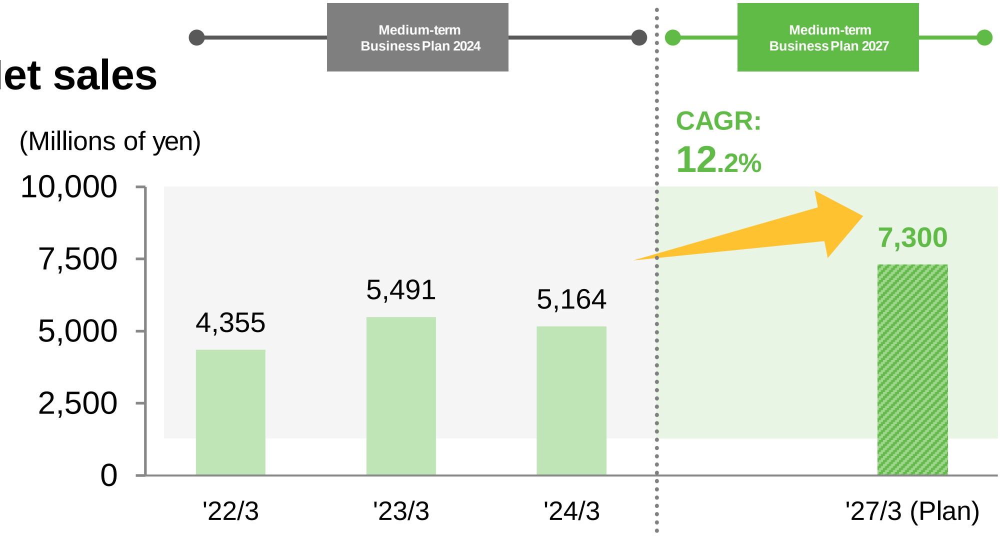
- Develop BtoB sales channels (gyms, etc.)
- Expand massage and beauty-related small product genres Expand sales of lifestyle products that appeal to users' lifestyles
- Regain appeal for large products such as walkers and exercise bike Create a sense of value for users and reduce procurement costs in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

New brands of small products “MIVIOS”

# Targets and Measures of the Electronic Equipment Segment

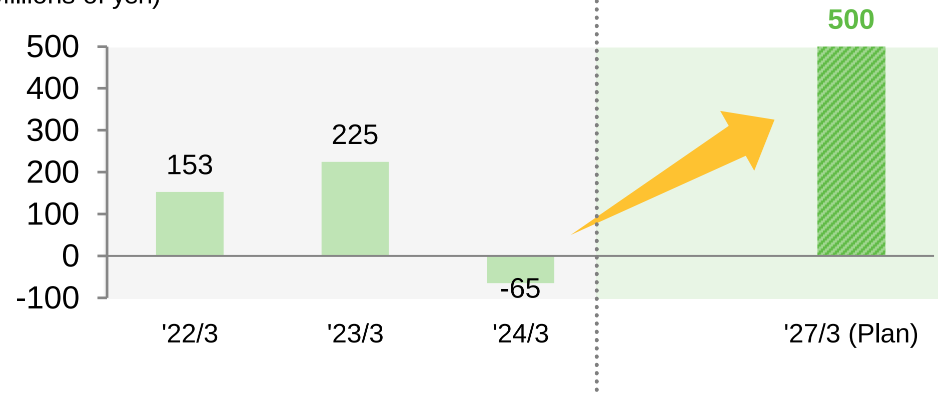
## Strengthen development of new products using wireless technologies and expand printed wiring boards business

### Net sales




### Segment profit

**(Ordinary profit)**




**Themes** — Accelerating growth

**Priority Measures**

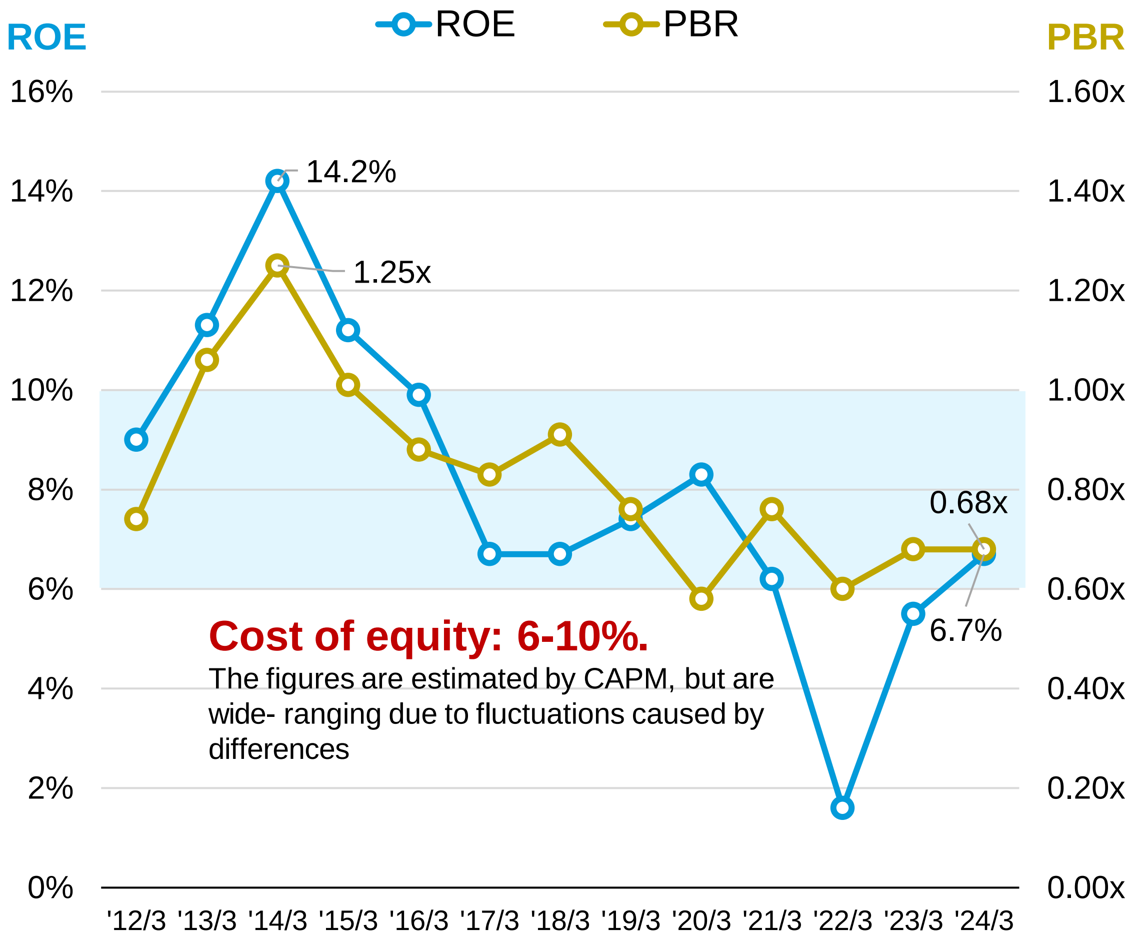
- Wireless communication devices link various devices with cloud servers. Our wireless technology solves problems in the fields of disaster prevention, infrastructure maintenance, and agriculture and forestry.


- Promote growth of printed wiring boards business by increasing production capacity at HIGASHI ELECTRONICS INDUSTRY CO., LTD.

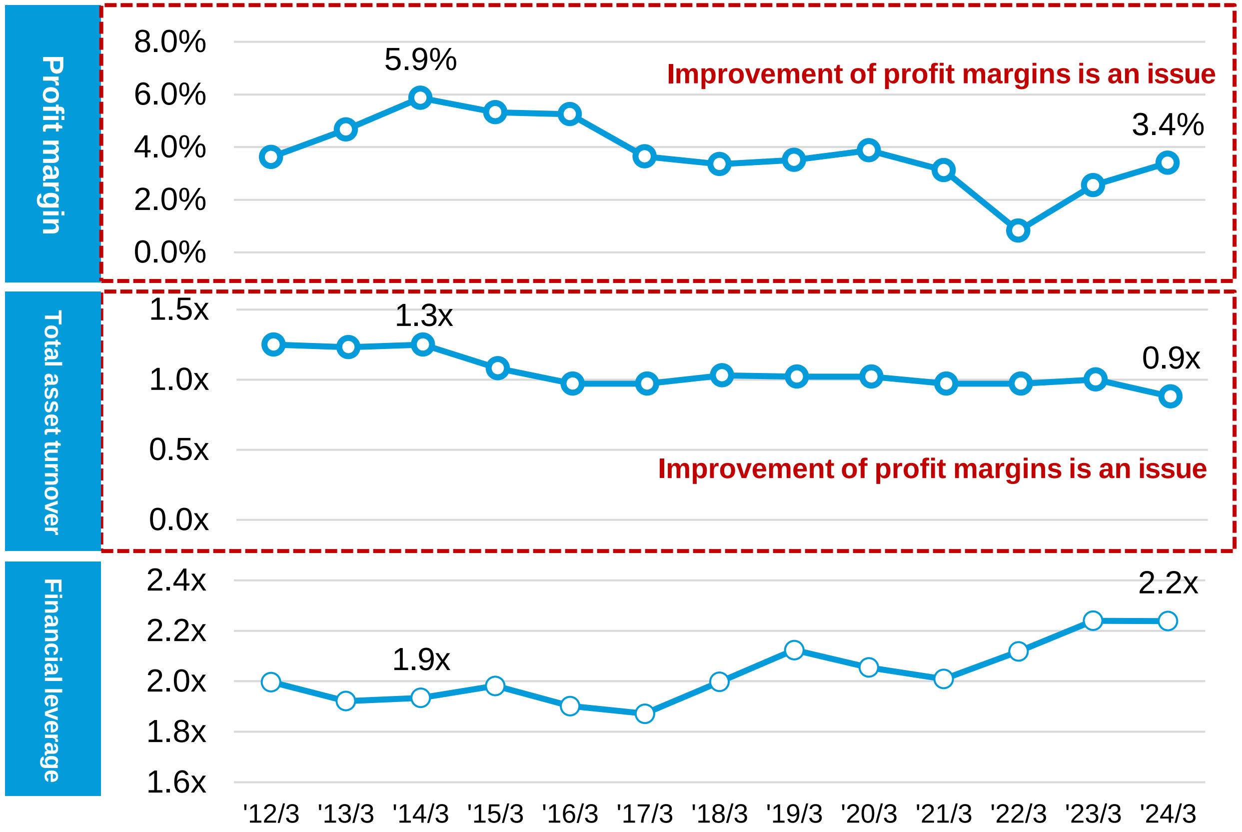
# Toward Realization of Management that is Conscious of Cost of Capital

# 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

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- 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

| | P/B ratio (Price to Book Ratio) | = | ROE (Return on Equity) | × | PER (Price Earnings Ratio) |
|---|---|---|---|---|---|
| | $\frac{\text{Stock price}}{\text{Net assets per share}}$ | | $\frac{\text{Profit}}{\text{Shareholders' equity}}$ = **Profitability of the company** | | $\frac{\text{Stock price}}{\text{Earnings per share}}$ = **Investor's expectation** |
| Current status | 0.68 (times) | | 6.5% (FY3/24 Forecast) | | 10.53 times (As of March 20, 2024) |
| Target | 1.00 times or more | | 9.0% or more | | 17 times or more |

### ① Work to improve ROE

- ✓ Improve profitability and expand business scope by implementing "Medium-term Business Plan 2027"
- ✓ Sustained growth of core businesses and improved profitability of diversified businesses
- ✓ Increase profit by capturing external growth potential through M&A
- ✓ Investing in business growth, human resources, and DX
- ✓ Balance growth and stability with a target equity ratio of 45%, and implement a shareholder return policy

### ② Initiatives to improve growth expectations

- ✓ Timely disclosure of information on the status of implementation of each business strategy
- ✓ Strengthen information dissemination on growth/focus areas

### ③ Efforts to eliminate discount factors

- ✓ Stabilize profit structure of diversified businesses, which are less susceptible to the external environment
- ✓ Consideration of shareholder composition through equal opportunities for information disclosure

# Investments and Shareholder Returns

# Cash Allocation

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**Cash flows from operating activities**

**Total EBITDA for**

**3 years (FY3/25-FY3/27)**

**21 billion yen as a basis**

**+**

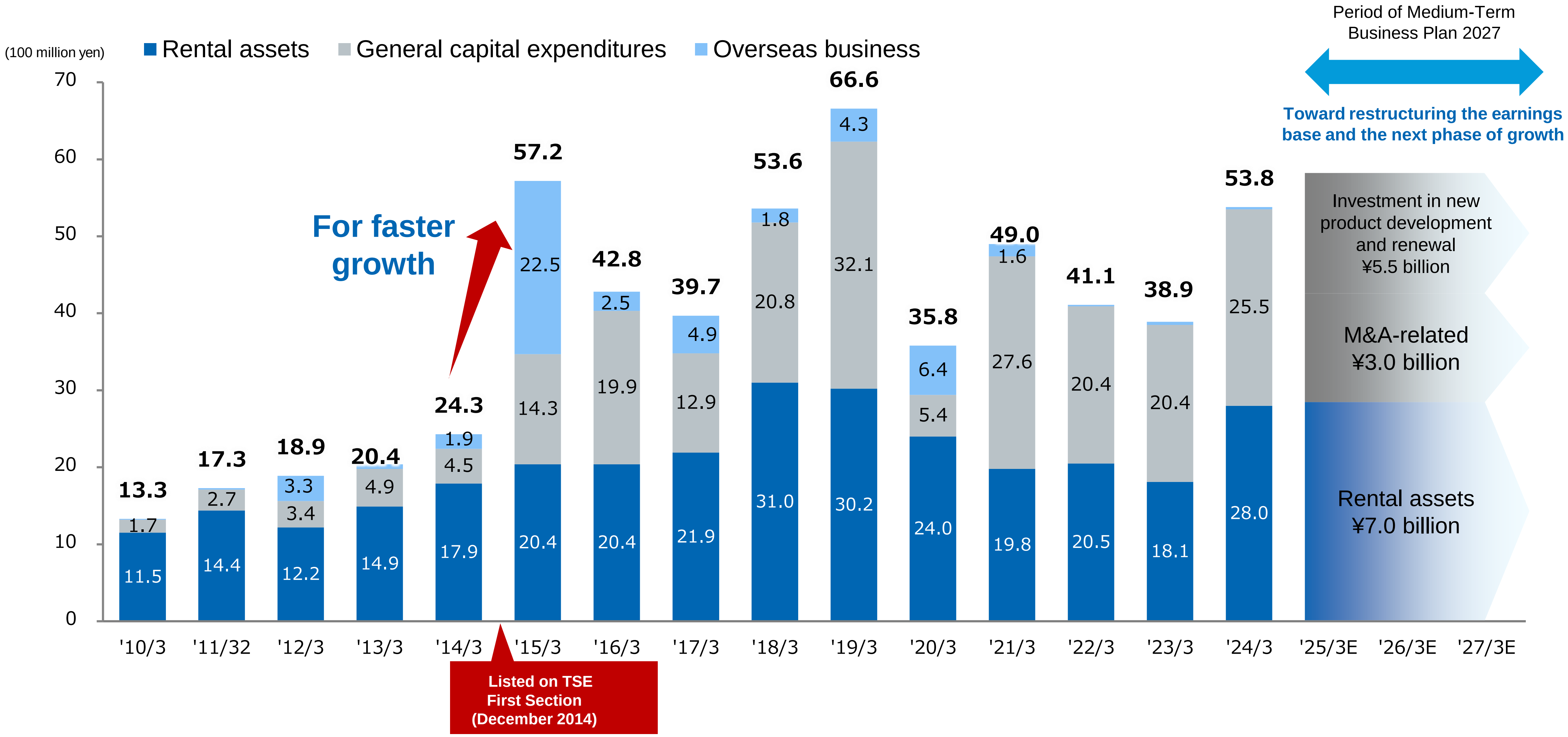
**Debt financing**

| | Item | Invested amount (FY3/25-FY3/27) | |
|---|---|---|---|
| **Investments ¥16.5 billion** | Rental assets | ¥7.0 billion | ● Active investment to expand ALBATROSS shares |
| | Investment in new product development/ Investment to improve productivity and increase production capacity | ¥5.5 billion | ● Investment in development to increase the added value of products<br>● Investment to improve maintenance capacity of material centers<br>● Investment in manufacturing process automation |
| | M&A-related investments | ¥3.0 billion | ● 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 | ● Hire highly professional human resources<br>● Streamline in-house systems, establish data platforms, and automate business operations and save manpower |
| **Shareholder Returns** | ● Targeting a consolidated dividend payout ratio of 40% with a basic policy of stable dividends<br>● **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** | ● Targeting the equity ratio of 45% | | |

# Continue Strategic Investment to Rebuild Earnings Base

ALINCO

- 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



# Investment in Human Resources and DX to Strengthen Growth Base

ALINCO

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

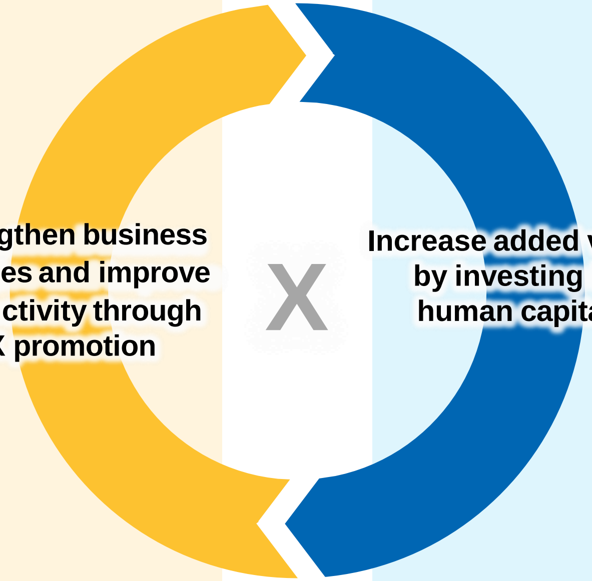
### Investment in DX

**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

**Increase in corporate value**




### Investment in Human Capital

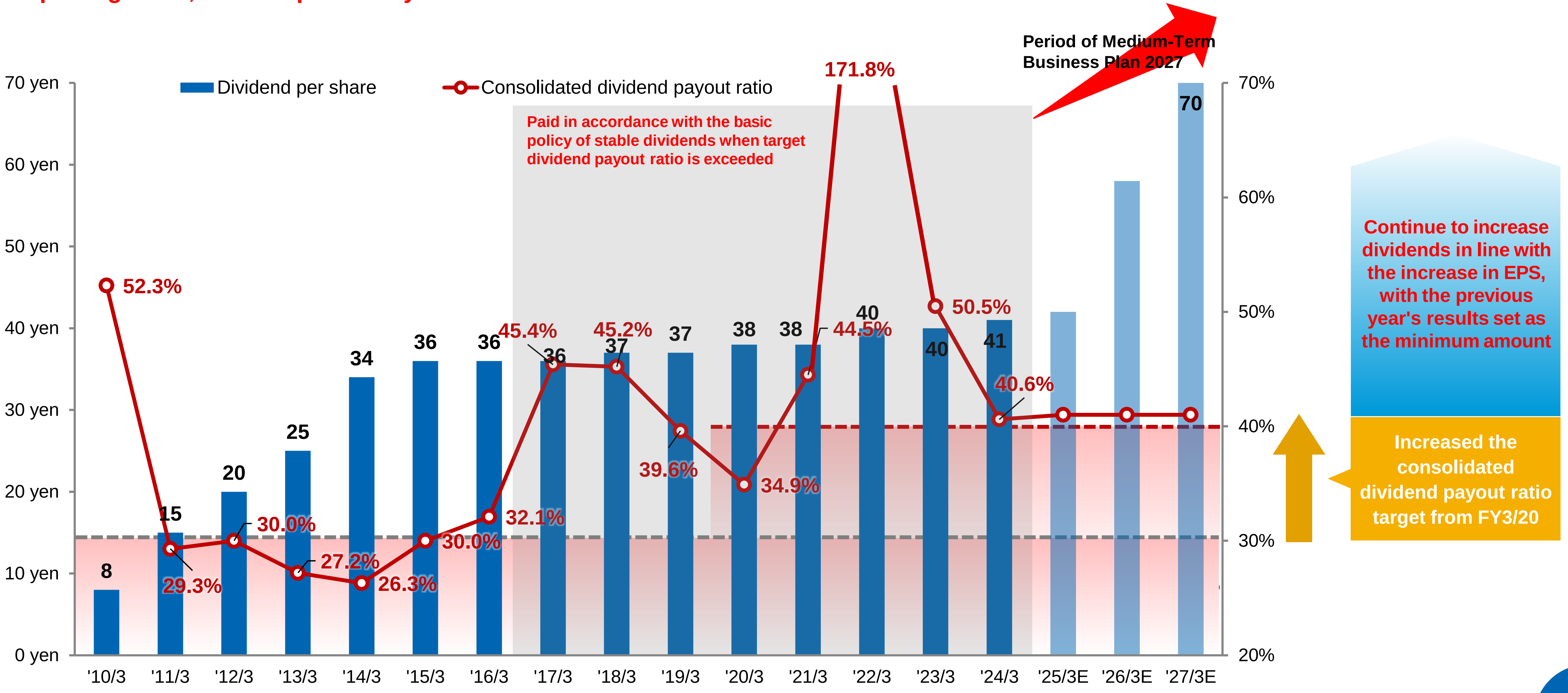
**Initiatives to Improve Employee Skill and Competency**
- Enhance training programs based on purpose and level
- Acquire highly specialized human resources with a view to business growth
- Enhance systems for acquiring and improving specialist skills
- Expand evaluation system for specialties

**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

ALINCO

- We are committed to the basic policy of paying a stable dividend with a consolidated payout ratio of 40% as the target.
- 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.



# Changes in Share Price and Trading Volume

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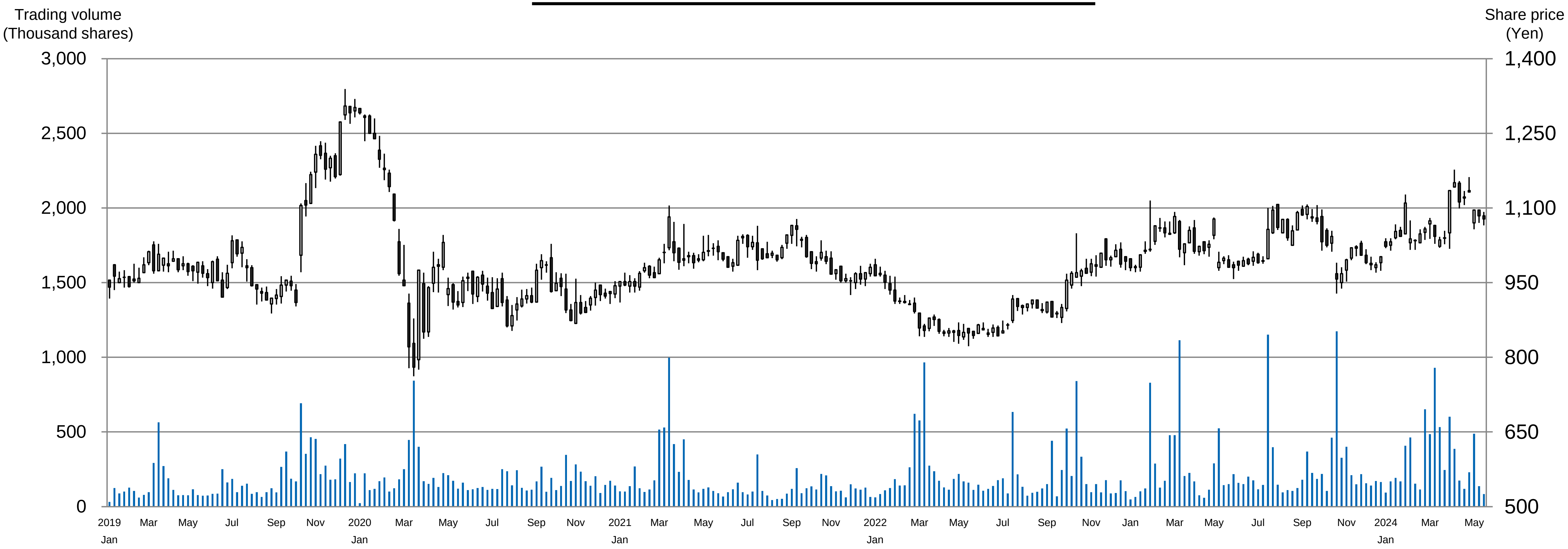
## Closing share price: ¥1,079

(as of May 24, 2024)




| Dividend yield (actual) | Price book-value ratio (PBR) | Price earnings ratio (PER) |
|---|---|---|
| 4.0% | 0.70 times | 10.2 times |

# Shareholder Benefit Program

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## Shareholders of record on March 20 receive VJA gift cards as follows.

| | Holding period of less than three years | Holding period of at least three years |
|---|---|---|
| Shareholders who own **500 shares or more** | Value of ¥1,000 | Value of ¥2,000 |
| Shareholders who own **1,000 shares or more** | Value of ¥2,000 | Value of ¥3,000 |
| Shareholders who own **5,000 shares or more** | Value of ¥4,000 | Value of ¥5,000 |
| Shareholders who own **10,000 shares or more** | Value of ¥6,000 | Value of ¥8,000 |

・A holding period of at least three years is defined as a continuous shareholder registration spanning at least seven consecutive interim and fiscal year-end record dates.
・The above merchandise certificate will be a "VJA Gift Card."

# Company Overview

# Company Information

ALINCO

| | |
|---|---|
| **Company name** | ALINCO INCORPORATED |
| **Listed exchange** | Tokyo Stock Exchange, Prime (From April 4, 2022) |
| **Foundation** | 1938 |
| **Establishment** | July 4, 1970 |
| **Number of employees** | Consolidated: 1,437; Non-consolidated: 764 (as of March 20, 2024) |
| **Capital** | ¥6,361 million |
| **Number of shares outstanding** | 21,039,326 shares |
| **Total assets** | ¥68,315 million (as of March 20, 2024) |
| **Number of subsidiaries** | 20 (Japan: 10; China: 4; Thailand: 3; Vietnam: 1; Indonesia: 2) |
| **Fiscal period** | March 21 to March 20 of the following year |
| **Accounting standards** | Japanese GAAP |

# History

| | |
|---|---|
| **1938** | Inoue Tekkousho started operating in Osaka as a manufacturer of bicycle parts and other products |
| **1970** | Established Inoue Tekkou Co., Ltd. |
| **1983** | Changed company name to ALINCO INCORPORATED |
| **1993** | Listed on the Osaka Securities Exchange, Second Section |
| **2003** | Established a subsidiary in China for the production of aluminum products |
| **2006** | Listed on the Tokyo Stock Exchange, Second Section |
| **2012** | Established a subsidiary in Thailand for the production and rental of scaffolding |
| **2014** | Established a subsidiary in Indonesia<br>Listed on the Tokyo Stock Exchange, First Section |
| **2015** | Opened the Tokyo Head Office, creating a dual head office structure Expanded the Hyogo No. 2 Factory to increase production capacity |
| **2017** | Acquired Sofuku Koki Co., Ltd. (51% of equity), a manufacturer of logistics products |
| **2018** | Acquired Showa Bridge Sales Incorporated, a manufacturer of aluminum bridges |
| **2020** | Made Sofuku Koki a wholly owned subsidiary |
| **2021** | Acquired Higashi Electronics Industry Co., Ltd., a manufacturer of printed circuit boards |
| **2021** | Acquired Uekin Co., Ltd., an integrated manufacturer covering processes from metal die fabrication to stamping processes |
| **2022** | Stock listing was moved to the Prime Market due to the reorganization of the markets of the Tokyo Stock Exchange |

# Trends in Sales Since Establishment

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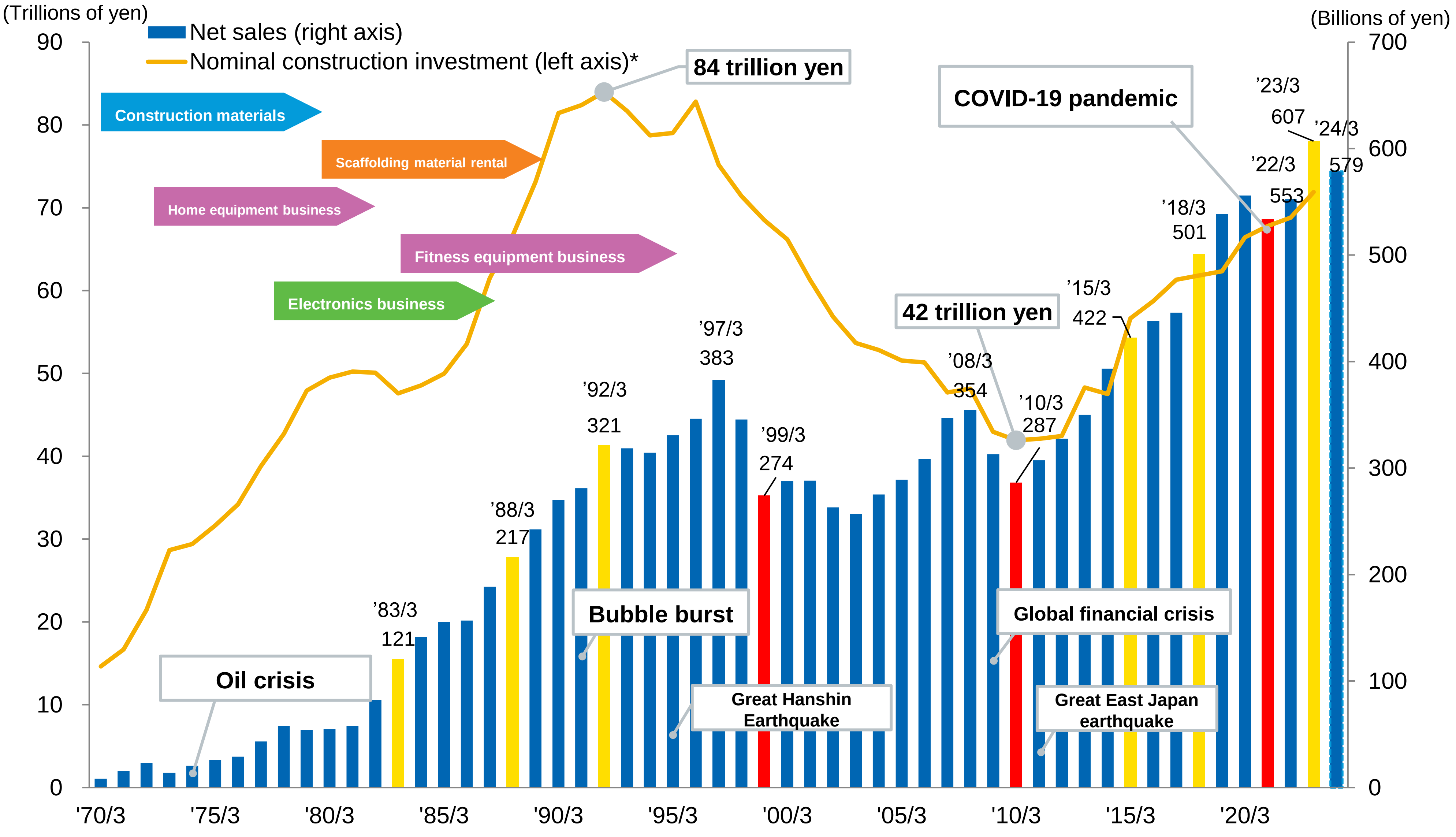


*Source: “Fiscal 2023 Construction Investment Outlook”, Ministry of Land, Infrastructure, Transport and Tourism

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## 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 alarmd receiver
In-vehicle digital simplified wireless communication devices

Market share **No.1**

### Home equipment

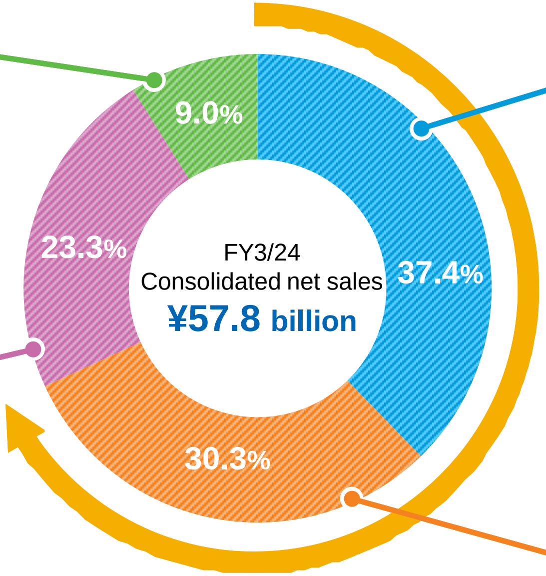
**Aluminum elevating equipment, etc.**

Share in the mass merchandiser market **No.1**

**Home fitness**

Market share **No.1**

### Sales by Business Segment




**Core businesses* 68%**

*The core businesses are the construction materials business and 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**

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