

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 20, 2022
(Six Months Ended September 20, 2021)

[Japanese GAAP]

October 20, 2021

Company name: ALINCO INCORPORATED

Listing: TSE 1st section

Stock code: 5933

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

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Scheduled date of filing of Quarterly Report:

November 2, 2021

Scheduled date of payment of dividend:

November 24, 2021

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 20, 2022
(March 21, 2021 – September 20, 2021)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 20, 2021	26,714	6.0	922	(5.5)	1,164	3.6	747	24.1
Six months ended Sep. 20, 2020	25,202	(11.3)	975	(51.7)	1,124	(47.8)	602	(53.8)

Note: Comprehensive income Six months ended Sep. 20, 2021: 737 million yen (up 41.5%)
Six months ended Sep. 20, 2020: 521 million yen (down 62.1%)

	Net income per share	Diluted net income per share	EBITDA	
	Yen	Yen	Million yen	%
Six months ended Sep. 20, 2021	38.66	-	2,684	(6.1)
Six months ended Sep. 20, 2020	30.62	-	2,860	(26.2)

Note: EBITDA = Ordinary profit + Depreciation + Amortization of goodwill

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 20, 2021	57,437	28,089	48.9	1,446.92
As of Mar. 20, 2021	55,443	27,679	49.8	1,428.84

Reference: Shareholders' equity As of Sep. 20, 2021: 28,062 million yen As of Mar. 20, 2021: 27,597 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 20, 2021	-	19.00	-	19.00	38.00
Fiscal year ending Mar. 20, 2022	-	20.00	-	-	-
Fiscal year ending Mar. 20, 2022 (forecast)	-	-	-	20.00	40.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending March 20, 2022 (March 21, 2021 – March 20, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	56,030	5.0	2,990	17.0	3,080	7.2	2,010	20.8	104.06

Reference: EBITDA forecast for the fiscal year ending March 20, 2022 6,420 million yen (up 0.2%)

Note: Revision to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 20, 2021:	21,039,326 shares	As of Mar. 20, 2021:	21,039,326 shares
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2) Number of treasury shares at the end of the period

As of Sep. 20, 2021:	1,644,525 shares	As of Mar. 20, 2021:	1,724,357 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 20, 2021:	19,346,021 shares	Six months ended Sep. 20, 2020:	19,681,355 shares
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Note: For the purpose of calculating net assets per share, the number of shares of the Company held by the ALINCO Employee Shareholding Association Exclusive Trust Account (451,500 shares as of September 20, 2021) under the "Trust-type Employee Shareholding Incentive Plan (E-Ship)" is included in the number of treasury shares, which was to be deducted from the calculation of the number of shares outstanding at the end of the period. For the purpose of calculating net income per share, the Company's shares held by the trust are also included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares outstanding during the period (482,257 shares for the six months ended September 20, 2021).

*The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

*Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the ALINCO's management at the time the materials were prepared. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first six months of the fiscal year ending March 20, 2022, the operating environment remained challenging due to the impact of the COVID-19 pandemic. At present, the effects of policies to curb the spread of the infection, such as promoting vaccination, are expected to help the economy recover, but the outlook remains uncertain.

In the construction and housing related sectors, which are the primary industry of ALINCO group, there were indications of a recovery in industry trends in the first six months of the current fiscal year, such as the continuation of year-on-year growth in building construction starts based on floor area. In this kind of situation, sales of the new ring lock ALBATROSS system (“ALBATROSS”), our main product, have recovered to the level recorded between October 2019 and March 2020, just before the impact of the COVID-19 crisis became apparent. Moreover, in our rental business, the utilization rate for rental scaffolding materials rose to the pre-Corona level in the same period of the year before last. On the other hand, the sales growth of home fitness equipment has slowed down after the record high sales during the pandemic in the previous fiscal year.

First six months sales were 26,714 million yen, 6.0% higher than one year earlier, because of the recovery of sales in our core business of scaffolding manufacture, sales and rental. In terms of profit, operating profit decreased 5.5% to 922 million yen due to several factors that resulted in costs being significantly higher than anticipated such as, sustained rising costs of raw materials including steel and aluminum, which are affected by the international commodity market prices, and the rising procurement cost from abroad due to the depreciation of yen along with increased freight rates. Ordinary profit increased 3.6% to 1,164 million yen due to an improvement in non-operating income and expenses. Profit attributable to owners of parent increased 24.1% to 747 million yen mainly because of extraordinary income from a gain on the partial sales of stock held for business relationships and a decrease in income taxes.

The performance for each business segment was as follows. Noted that, segment sales do not include intersegment sales.

First six months of FY3/22

(Millions of yen)

Segment	Net sales		Segment profit (loss)	
	Amount	YoY change (%)	Amount	YoY change (%)
Construction materials	9,809	27.9	863	149.3
Scaffolding material rental	7,781	5.0	150	35.1
Home equipment	7,382	(12.6)	(25)	-
Electronic equipment	1,740	3.6	47	-
Total for reportable segments	26,714	6.0	1,036	3.1
Adjustment	-	-	127	-
Amounts shown on quarterly consolidated statement of income	26,714	6.0	1,164	3.6

Notes: 1. Segment profit (loss) is adjusted to be consistent with ordinary profit in the quarterly consolidated statement of income.

2. The adjustment to segment profit (loss) is primarily non-operating income and expenses, such as equity-method income and losses, foreign exchange gains and losses, and interest expenses that cannot be allocated to a reportable segment.

Construction materials

Sales increased 27.9% from one year earlier to 9,809 million yen. Sales of ALBATROSS significantly increased by 94.5% because of sales to new customers, including a major construction company, and additional purchase from existing customers. In addition, sales of racks for distribution warehouses also remained strong.

The segment profit increased 149.3% from one year earlier to 863 million yen due to higher sales.

Scaffolding material rental

Sales increased 5.0% from one year earlier to 7,781 million yen. The utilization rate of rental scaffolding materials for medium and high-rise buildings increased. There were also strong sales for event-related rental equipment, which has been significantly affected by the pandemic, associated with the Tokyo Olympics.

The segment profit increased 35.1% from one year earlier to 150 million yen due to higher sales.

Home equipment

Sales decreased 12.6% from one year earlier to 7,382 million yen. Sales of aluminum ladders, stepladders and other products remained firm despite the impact of factors such as the unseasonable weather, which reduced footfall at mass retailers, and the continued restraint on the holding of exhibitions. However, sales of fitness equipment decreased in reaction to record high sales from the positive impact of stay-home demand one year earlier.

The segment loss was 25 million yen, a decrease of 586 million yen from the profit one year earlier, because of the decrease in sales and the rising procurement cost from abroad due to higher prices of raw materials resulting from yen depreciation and an increase in shipping cost.

Electronic equipment

Sales increased 3.6% from one year earlier to 1,740 million yen. We managed to minimize the negative impact on the supply chain of the current shortage of electronic components, primarily semiconductor components. In addition, sales increased as this business benefited from the recovery in demand for specified low-power wireless communication devices and wireless communication devices for business applications.

The segment profit made an improvement of 61 million yen from one year earlier to 47 million yen because of the sales growth despite expenses of 47 million yen related to stock acquisition through M&A.

(2) Explanation of Financial Position

Total assets increased 1,993 million yen from the end of the previous fiscal year to 57,437 million yen as of the end of the second quarter. Current assets increased 1,177 million yen to 34,363 million yen and non-current assets increased 815 million yen to 23,074 million yen. The main reason for the increase in total assets was the inclusion of Higashi Electronics Industry Co., Ltd. into the scope of consolidation on August 18, 2021, an 806 million yen increase in inventories for higher demand in the future and a 1,007 million yen increase in property, plant and equipment caused by making investments in Fukuchiyama logistic center and rental assets.

Total liabilities increased 1,583 million yen from the end of the previous fiscal year to 29,348 million yen. Current liabilities increased 749 million yen to 16,909 million yen and non-current liabilities increased 833 million yen to 12,438 million yen. The main reason for the increase in liabilities was a 1,413 million yen increase in borrowings and the inclusion of Higashi Electronics Industry into the scope of consolidation.

Total net assets increased 410 million yen from the end of the previous fiscal year to 28,089 million yen because of profit attributable to owners of parent of 747 million yen and dividend payments of 376 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Regarding the outlook for the future, sales in our core business are expected to remain firm compared with plan projections, as sales of ALBATROSS, our main product, to a major construction company are now underway. In addition, profit margins are expected to improve because of price increases in response to the rising raw material prices and other costs. In conclusion, there are no revisions to the consolidated forecast for the fiscal year ending March 20, 2022 that was announced on April 30, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/21 (As of Mar. 20, 2021)	Second quarter of FY3/22 (As of Sep. 20, 2021)
Assets		
Current assets		
Cash and deposits	5,535,238	5,266,338
Notes and accounts receivable-trade	14,597,524	15,242,030
Merchandise and finished goods	8,427,257	8,775,884
Work in process	1,192,425	1,290,196
Raw materials	2,430,463	2,790,138
Other	1,024,220	1,022,491
Allowance for doubtful accounts	(21,901)	(23,987)
Total current assets	33,185,229	34,363,093
Non-current assets		
Property, plant and equipment		
Rental assets	25,621,129	26,175,433
Accumulated depreciation	(21,707,320)	(21,686,545)
Accumulated impairment loss	(298,857)	(299,829)
Rental assets, net	3,614,952	4,189,057
Buildings and structures	11,160,814	12,226,567
Accumulated depreciation	(7,398,587)	(7,666,889)
Buildings and structures, net	3,762,227	4,559,678
Machinery, equipment and vehicles	5,181,525	5,655,162
Accumulated depreciation	(3,996,403)	(4,535,960)
Machinery, equipment and vehicles, net	1,185,121	1,119,201
Land	5,095,600	5,205,536
Other	4,287,878	3,997,670
Accumulated depreciation	(3,392,528)	(3,510,375)
Accumulated impairment loss	(19,388)	(19,388)
Other, net	875,961	467,906
Total property, plant and equipment	14,533,863	15,541,381
Intangible assets		
Goodwill	980,156	959,114
Other	223,860	241,078
Total intangible assets	1,204,016	1,200,193
Investments and other assets		
Investment securities	1,671,110	1,495,156
Long-term loans receivable	1,298,068	1,270,820
Distressed receivables	3,134	216
Retirement benefit asset	2,410,670	2,439,390
Deferred tax assets	107,930	87,279
Other	1,036,034	1,043,147
Allowance for doubtful accounts	(6,184)	(3,266)
Total investments and other assets	6,520,764	6,332,744
Total non-current assets	22,258,644	23,074,319
Total assets	55,443,873	57,437,412

	(Thousands of yen)	
	FY3/21 (As of Mar. 20, 2021)	Second quarter of FY3/22 (As of Sep. 20, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,267,563	8,362,336
Short-term borrowings	463,200	618,750
Current portion of long-term borrowings	5,068,624	5,487,004
Income taxes payable	662,320	434,342
Provision for bonuses	714,390	691,511
Other	1,983,181	1,315,320
Total current liabilities	16,159,280	16,909,264
Non-current liabilities		
Long-term borrowings	10,347,955	11,187,116
Retirement benefit liability	192,189	199,301
Provision for retirement benefits for directors (and other officers)	186,336	197,420
Deferred tax liabilities	440,073	391,102
Other	439,034	463,995
Total non-current liabilities	11,605,588	12,438,935
Total liabilities	27,764,869	29,348,199
Net assets		
Shareholders' equity		
Share capital	6,361,596	6,361,596
Capital surplus	4,922,140	4,943,927
Retained earnings	17,043,168	17,414,523
Treasury shares	(1,449,359)	(1,376,105)
Total shareholders' equity	26,877,545	27,343,942
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	163,324	57,824
Deferred gains or losses on hedges	64,647	19,955
Foreign currency translation adjustment	249,004	422,201
Remeasurements of defined benefit plans	243,398	218,733
Total accumulated other comprehensive income	720,375	718,714
Non-controlling interests	81,083	26,555
Total net assets	27,679,004	28,089,212
Total liabilities and net assets	55,443,873	57,437,412

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****For the Six-month Period**

(Thousands of yen)

	First six months of FY3/21 (Mar. 21, 2020 – Sep. 20, 2020)	First six months of FY3/22 (Mar. 21, 2021 – Sep. 20, 2021)
Net sales	25,202,736	26,714,299
Cost of sales	17,907,864	19,630,613
Gross profit	7,294,871	7,083,686
Selling, general and administrative expenses	6,319,366	6,161,557
Operating profit	975,505	922,128
Non-operating income		
Interest income	11,528	16,269
Dividend income	72,988	53,745
Rental income from land and buildings	28,524	13,604
Foreign exchange gains	15,920	28,379
Gain on sales of scrap and waste	45,426	126,781
Other	75,354	76,838
Total non-operating income	249,744	315,618
Non-operating expenses		
Interest expenses	27,409	23,103
Paying rents	12,230	12,230
Product recall expense	22,755	-
Share of loss of entities accounted for using equity method	4,661	8,281
Other	34,032	30,037
Total non-operating expenses	101,089	73,653
Ordinary profit	1,124,160	1,164,094
Extraordinary income		
Gain on sales of property, plant and equipment	229	79
Gain on sales of investment securities	116,196	67,791
Total extraordinary income	116,426	67,871
Extraordinary losses		
Loss on sales and retirement of property, plant and equipment	5,146	7,102
Total extraordinary losses	5,146	7,102
Profit before income taxes	1,235,439	1,224,862
Income taxes-current	575,783	447,626
Income taxes-deferred	92	35,349
Total income taxes	575,876	482,975
Profit	659,563	741,887
Profit (loss) attributable to non-controlling interests	56,944	(6,068)
Profit attributable to owners of parent	602,619	747,955

Quarterly Consolidated Statement of Comprehensive Income
For the Six-month Period

	(Thousands of yen)	
	First six months of FY3/21 (Mar. 21, 2020 – Sep. 20, 2020)	First six months of FY3/22 (Mar. 21, 2021 – Sep. 20, 2021)
Profit	659,563	741,887
Other comprehensive income		
Valuation difference on available-for-sale securities	76,100	(105,499)
Deferred gains or losses on hedges	(112,860)	(44,692)
Foreign currency translation adjustment	(158,931)	206,674
Remeasurements of defined benefit plans, net of tax	42,585	(24,664)
Share of other comprehensive income of entities accounted for using equity method	14,774	(35,955)
Total other comprehensive income	(138,332)	(4,137)
Comprehensive income	521,231	737,749
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	465,379	746,295
Comprehensive income attributable to non-controlling interests	55,852	(8,546)

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information**Segment Information**

I. First six months of FY3/21 (Mar. 21, 2020 – Sep. 20, 2020)

1. Information related to net sales, profit or loss for reportable segments (Thousands of yen)

	Reportable segment					Adjustment	Amounts shown on quarterly consolidated statement of income
	Construction materials	Scaffolding material rental	Home equipment	Electronic equipment	Total		
Net sales							
External sales	7,668,485	7,408,314	8,446,144	1,679,792	25,202,736	-	25,202,736
Inter-segment sales and transfers	1,081,765	1,924	130,180	8,183	1,222,053	(1,222,053)	-
Total	8,750,251	7,410,238	8,576,324	1,687,975	26,424,790	(1222,053)	25,202,736
Segment profit (loss)	346,358	111,681	560,954	(13,860)	1,005,133	119,026	1,124,160

Notes: 1. Segment profit (loss) is adjusted to be consistent with ordinary profit in the quarterly consolidated statement of income.

2. The 119,026 thousand yen segment profit (loss) adjustment is primarily corporate items, which are non-operating income and expenses, such as equity-method income and losses, foreign exchange gains and losses, and interest expenses, that cannot be allocated to a reportable segment.

2. Information related to revisions for reportable segments

Change in depreciation method of property, plant and equipment

Beginning with the first quarter of FY3/21, the depreciation method used for buildings and structures was changed from the declining-balance method to the straight-line method.

ALINCO reexamined the depreciation method based on a review of how the company's assets are used and by taking into account planned capital expenditures for buildings and other assets in FY3/21 and subsequent years. This reexamination resulted in the outlook for the continued stable utilization of assets for many more years under the current market conditions. ALINCO believes that the use of the straight-line method for the allocation of the acquisition price in equal installments over the useful life of assets will more accurately reflect how these assets are used.

The effect of this change on segment profit (loss) for the first six months of FY3/21 is insignificant.

3. Information related to impairment losses on non-current assets or goodwill, etc. for reportable segments

Significant change in goodwill

In the construction materials segment, ALINCO acquired additional shares of consolidated subsidiary Sofuku Koki Co., Ltd., and made this company a wholly owned subsidiary during the second quarter of FY3/21. The matter caused an increase of goodwill by 321,137 thousand yen for the first six months of FY3/21.

II. First six months of FY3/22 (Mar. 21, 2021 – Sep. 20, 2021)

1. Information related to net sales, profit or loss for reportable segments

(Thousands of yen)

	Reportable segment					Adjustment	Amounts shown on quarterly consolidated statement of income
	Construction materials	Scaffolding material rental	Home equipment	Electronic equipment	Total		
Net sales							
External sales	9,809,488	7,781,874	7,382,110	1,740,827	26,714,299	-	26,714,299
Inter-segment sales and transfers	1,480,308	5,697	91,509	9,173	1,586,688	(1,586,688)	-
Total	11,289,796	7,787,571	7,473,619	1,750,000	28,300,988	(1,586,688)	26,714,299
Segment profit (loss)	863,323	150,842	(25,373)	47,331	1,036,124	127,970	1,164,094

Notes: 1. Segment profit (loss) is adjusted to be consistent with ordinary profit in the quarterly consolidated statement of income.

2. The 127,970 thousand yen segment profit (loss) adjustment is primarily corporate items, which are non-operating income and expenses, such as equity-method income and losses, foreign exchange gains and losses, and interest expenses, that cannot be allocated to a reportable segment.

2. Information related to impairment losses on non-current assets or goodwill, etc. for reportable segments

Significant change in goodwill

In the electronic equipment segment, ALINCO acquired all shares of Higashi Electronics Industry Co., Ltd. on August 18, 2021, and made this company a consolidated subsidiary during the second quarter of FY3/22. The matter caused an increase of goodwill by 121,499 thousand yen for the first six months of FY3/22.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.