

**Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 20, 2023
(Six Months Ended September 20, 2022)**

[Japanese GAAP]

October 20, 2022

Company name: ALINCO INCORPORATED

Listing: Tokyo Stock Exchange

Stock code: 5933

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

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Scheduled date of filing of Quarterly Report:

November 2, 2022

Scheduled date of payment of dividend:

November 22, 2022

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, 2023
(March 21, 2022 – September 20, 2022)**

(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, 2022	29,852	11.7	1,002	8.7	2,026	74.1	1,222	63.4
Six months ended Sep. 20, 2021	26,714	6.0	922	(5.5)	1,164	3.6	747	24.1

Note: Comprehensive income

Six months ended Sep. 20, 2022: 1,655 million yen (up 124.4%)

Six months ended Sep. 20, 2021: 737 million yen (up 41.5%)

	Net income per share	Diluted net income per share	EBITDA	
	Yen	Yen	Million yen	%
Six months ended Sep. 20, 2022	62.71	-	3,730	38.5
Six months ended Sep. 20, 2021	38.66	-	2,693	(6.0)

Note: EBITDA = Ordinary profit + Depreciation + Amortization of goodwill + Equity in earnings of affiliates

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 20, 2022	63,179	28,866	45.7	1,475.70
As of Mar. 20, 2022	58,234	27,518	47.2	1,413.42

Reference: Shareholders' equity

As of Sep. 20, 2022: 28,849 million yen

As of Mar. 20, 2022: 27,497 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, 2022	-	20.00	-	20.00	40.00
Fiscal year ending Mar. 20, 2023	-	20.00	-	-	-
Fiscal year ending Mar. 20, 2023 (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, 2023 (March 21, 2022 – March 20, 2023)

(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	58,020	5.0	1,540	37.6	1,660	47.4	1,010	123.8	51.91

Reference: EBITDA forecast for the fiscal year ending March 20, 2023 5,067 million yen (down 4.7%)

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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: For more information, please refer to “2. Notes to Quarterly Consolidated Financial Statements, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 9.

(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, 2022:	21,039,326 shares	As of Mar. 20, 2022:	21,039,326 shares
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2) Number of treasury shares at the end of the period

As of Sep. 20, 2022:	1,489,663 shares	As of Mar. 20, 2022:	1,584,825 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 20, 2022:	19,491,019 shares	Six months ended Sep. 20, 2021:	19,346,021 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 (327,600 shares as of September 20, 2022) 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 (364,129 shares for the six months ended September 20, 2022).

*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 4 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 half of the fiscal year ending March 20, 2023, there were signs of a return of economic activity in Japan to normal as restrictions due to the pandemic were eased, but the outlook for the economy remains uncertain. The main reasons are supply chain disruptions caused by lockdowns in China, rapidly rising prices of resources and energy because of the Ukraine crisis, and the rapid depreciation of the yen.

In the construction and housing related sectors, which are the primary markets for the ALINCO Group, the outlook for construction demand is positive because of a big increase in the floor area of building construction starts compared with one year earlier starting in the summer of 2022. However, the business climate for the construction and housing related sector is still challenging because of concerns about the impact of the rapid increase in prices of building materials.

The ALINCO Group increased the production of the new ring lock ALBATROSS system (ALBATROSS), which is in the construction materials business, in order to maintain a reliable supply as the number of companies using this scaffolding system increases. Prices of ALBATROSS was raised to reflect the higher cost of steel and other materials and the higher cost of purchasing imported materials because of the yen's rapid depreciation. At Higashi Electronics Industry, which became a subsidiary in the previous fiscal year, orders for semiconductor manufacturing equipment power supplies and printed wiring boards for amusement equipment were strong and made a contribution to the big increase in sales in the electronic equipment business.

As a result, first half sales were 29,852 million yen, 11.7% higher than one year earlier, because of the strong sales in our core business of scaffolding manufacture, sales and rental. Operating profit increased 8.7% to 1,002 million yen. Earnings benefited from higher sales in the construction materials and electronic equipment businesses. However, price increases of ALINCO Group products continue to lag behind increases in the cost of raw materials and the impact on procuring expenses caused by weakness yen. Ordinary profit increased 74.1% to 2,026 million yen because of a foreign exchange gain resulting from valuations of foreign currency-denominated assets and the use of forward contracts to hedge foreign currency risk. Profit attributable to owners of parent also increased 63.4% year on year to 1,222 million yen.

The performance for each business segment was as follows. Segment sales do not include intersegment sales.

First six months of FY3/23

(Millions of yen)

Segment	Net sales		Segment profit (loss)	
	Amount	YoY change (%)	Amount	YoY change (%)
Construction materials	12,068	23.0	1,334	54.5
Scaffolding material rental	8,228	5.7	212	40.8
Home equipment	6,829	(7.5)	(156)	-
Electronic equipment	2,725	56.6	156	230.6
Total for reportable segments	29,852	11.7	1,546	49.3
Adjustment	-	-	479	-
Amounts on quarterly consolidated statement of income	29,852	11.7	2,026	74.1

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 23.0% from one year earlier to 12,068 million yen. Sales of scaffolding materials increased from one year earlier, because sales of our ALBATROSS and SK Panels have been strong since the beginning of the fiscal year. Sales of ALBATROSS, the primary product in this business, were up 78.7% because of additional

purchase by current customers and the development of new versions that are suitable for a wide range of construction sites and other locations.

The segment profit increased 54.5% to 1,334 million yen because of higher sales, gains on inventory valuation due to higher prices of raw materials such as steel, and price revision.

Scaffolding material rental

Sales increased 5.7% from one year earlier to 8,228 million yen, as the utilization rate of rental scaffolding materials, primarily ALBATROSS, for medium to high-rise buildings has been higher than one year earlier since the beginning of the fiscal year. There was also a large volume of orders for renting scaffolding materials for low-rise buildings. In addition, the rental of scaffolding materials for special events, a sector severely impacted by the pandemic, is beginning to recover.

The segment profit increased 40.8% to 212 million yen from one year earlier as sales rose despite the intense price-based competition.

Home equipment

Sales decreased 7.5% from one year earlier to 6,829 million yen. There were brisk sales of aluminum ladders, stepladders and other products to mass merchandisers and hardware stores. Sales of elevated work platforms and other products for work in high places, aluminum bridges and other products made by subsidiaries also increased. New fitness equipment products that were prepared during the previous fiscal year have been launched, but the sales were held down by raising prices to reflect higher expenses caused by the yen's depreciation.

There was a segment loss of 156 million yen, an increase of 130 million yen from one year earlier, because the negative impact of lower sales and the higher cost of overseas procurement due to the yen's depreciation outweighed the benefits of price increases.

Electronic equipment

Sales increased 56.6% from one year earlier to 2,725 million yen. Higashi Electronics Industry, which became a subsidiary in the previous fiscal year, contributed to sales from the beginning of the fiscal year. We also managed to minimize the negative impact on the supply chain of the current shortage of electronic components, primarily semiconductor components. Sales of specified low-power wireless communication devices and wireless communication devices for business applications were strong.

The segment profit increased 230.6% to 156 million yen from one year earlier due to higher sales.

(2) Explanation of Financial Position

Total assets increased 4,945 million yen from the end of the previous fiscal year to 63,179 million yen as of the end of the second quarter. Current assets increased 4,290 million yen to 40,726 million yen and non-current assets increased 654 million yen to 22,453 million yen. The main reasons for the increase in total assets were a 2,567 million yen increase in inventories due to planned production of scaffolding materials, and a 1,509 million yen increase in notes and accounts receivable-trade.

Total liabilities increased 3,597 million yen from the end of the previous fiscal year to 34,313 million yen. Current liabilities increased 2,388 million yen to 22,394 million yen and non-current liabilities increased 1,208 million yen to 11,918 million yen. The main reason for the increase in liabilities was a 2,639 million yen increase in borrowings.

Total net assets increased 1,348 million yen from the end of the previous fiscal year to 28,866 million yen because of profit attributable to owners of parent of 1,222 million yen and dividend payments of 396 million yen.

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

The outlook includes numerous risk factors that may cause an economic downturn. Significant risk factors include the possibility of a rapid U.S. economic slowdown caused by rising interest rates, an economic decline in China because of the zero-COVID policy, a further worsening of the Ukraine crisis, restrictions on economic activity in some regions caused by electricity shortages during the winter, and the possibility of another wave of COVID-19 infections triggering new restrictions.

For the ALINCO Group, there are still concerns about the effects of rising prices of raw materials and the increasing cost of overseas procurement because of the yen's depreciation. Furthermore, although first half ordinary profit benefited from a valuation gain on foreign currency-denominated assets and other foreign exchange-related items, these contributions to earnings may be affected by upcoming changes in foreign currency exchange rates.

Based on this outlook, there are no revisions to the consolidated forecast for the fiscal year ending March 20, 2023 that was announced on May 2, 2022.

We are constantly monitoring changes in the business climate and other information that affects results of operations. An announcement will be made promptly if there is a need to revise this forecast because of changes in market conditions or other reasons.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/22 (As of Mar. 20, 2022)	Second quarter of FY3/23 (As of Sep. 20, 2022)
Assets		
Current assets		
Cash and deposits	5,230,964	5,365,124
Notes and accounts receivable-trade	15,214,815	16,724,305
Merchandise and finished goods	9,743,820	11,439,447
Work in process	1,718,326	2,105,394
Raw materials	3,335,110	3,820,216
Other	1,215,981	1,292,282
Allowance for doubtful accounts	(23,064)	(20,270)
Total current assets	36,435,954	40,726,501
Non-current assets		
Property, plant and equipment		
Rental assets	25,804,842	26,360,702
Accumulated depreciation	(21,852,312)	(22,466,881)
Accumulated impairment loss	(297,884)	(340,674)
Rental assets, net	3,654,644	3,553,146
Buildings and structures	12,359,000	12,810,364
Accumulated depreciation	(7,891,080)	(8,203,644)
Buildings and structures, net	4,467,919	4,606,720
Machinery, equipment and vehicles	6,146,658	6,482,781
Accumulated depreciation	(5,071,292)	(5,256,236)
Machinery, equipment and vehicles, net	1,075,365	1,226,544
Land	5,233,361	5,834,248
Other	4,248,203	4,292,377
Accumulated depreciation	(3,619,353)	(3,735,270)
Accumulated impairment	(18,777)	(18,777)
Other, net	610,072	538,330
Total property, plant and equipment	15,041,364	15,758,990
Intangible assets		
Goodwill	945,138	771,685
Other	197,457	196,194
Total intangible assets	1,142,595	967,879
Investments and other assets		
Investment securities	1,520,681	1,533,115
Long-term loans receivable	497,742	479,443
Distressed receivables	216	0
Retirement benefit asset	2,448,818	2,480,828
Deferred tax assets	70,152	54,552
Other	1,080,227	1,181,552
Allowance for doubtful accounts	(3,266)	(2,950)
Total investments and other assets	5,614,573	5,726,542
Total non-current assets	21,798,532	22,453,412
Total assets	58,234,486	63,179,913

	(Thousands of yen)	
	FY3/22 (As of Mar. 20, 2022)	Second quarter of FY3/23 (As of Sep. 20, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,697,387	9,780,532
Short-term borrowings	2,822,900	2,605,450
Current portion of long-term borrowings	5,168,672	6,928,784
Income taxes payable	246,712	863,930
Provision for bonuses	702,100	703,840
Other	1,368,127	1,512,287
Total current liabilities	20,005,899	22,394,825
Non-current liabilities		
Long-term borrowings	9,398,709	10,495,442
Retirement benefit liability	223,071	227,398
Provision for retirement benefits for directors (and other officers)	172,420	172,420
Deferred tax liabilities	495,873	577,653
Other	420,317	445,613
Total non-current liabilities	10,710,392	11,918,527
Total liabilities	30,716,291	34,313,352
Net assets		
Shareholders' equity		
Share capital	6,361,596	6,361,596
Capital surplus	4,943,927	4,946,293
Retained earnings	16,720,926	17,546,253
Treasury shares	(1,317,599)	(1,230,453)
Total shareholders' equity	26,708,851	27,623,690
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	71,251	76,058
Deferred gains or losses on hedges	106,209	296,285
Foreign currency translation adjustment	430,551	690,671
Remeasurements of defined benefit plans	180,588	162,796
Total accumulated other comprehensive income	788,600	1,225,812
Non-controlling interests	20,742	17,056
Total net assets	27,518,195	28,866,560
Total liabilities and net assets	58,234,486	63,179,913

(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 FY3/22 (Mar. 21, 2021 – Sep. 20, 2021)	First six months of FY3/23 (Mar. 21, 2022 – Sep. 20, 2022)
Net sales	26,714,299	29,852,561
Cost of sales	19,630,613	22,539,189
Gross profit	7,083,686	7,313,371
Selling, general and administrative expenses	6,161,557	6,311,140
Operating profit	922,128	1,002,231
Non-operating income		
Interest income	16,269	20,525
Dividend income	53,745	58,171
Rental income from land and buildings	13,604	13,176
Foreign exchange gains	28,379	990,712
Gain on sales of scrap and waste	126,781	94,766
Other	76,838	80,711
Total non-operating income	315,618	1,258,064
Non-operating expenses		
Interest expenses	23,103	29,581
Paying rents	12,230	17,849
Share of loss of entities accounted for using equity method	8,281	150,365
Other	30,037	36,184
Total non-operating expenses	73,653	233,980
Ordinary profit	1,164,094	2,026,315
Extraordinary income		
Gain on sale of property, plant and equipment	79	0
Gain on sale of investment securities	67,791	-
Total extraordinary income	67,871	0
Extraordinary losses		
Loss on retirement of property, plant and equipment	7,102	10,338
Total extraordinary losses	7,102	10,338
Profit before income taxes	1,224,862	2,015,976
Income taxes-current	447,626	782,636
Income taxes-deferred	35,349	17,606
Total income taxes	482,975	800,243
Profit	741,887	1,215,733
Loss attributable to non-controlling interests	(6,068)	(6,519)
Profit attributable to owners of parent	747,955	1,222,253

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

(Thousands of yen)

	First six months of FY3/22 (Mar. 21, 2021 – Sep. 20, 2021)	First six months of FY3/23 (Mar. 21, 2022 – Sep. 20, 2022)
Profit	741,887	1,215,733
Other comprehensive income		
Valuation difference on available-for-sale securities	(105,499)	4,807
Deferred gains or losses on hedges	(44,692)	190,075
Foreign currency translation adjustment	206,674	439,184
Remeasurements of defined benefit plans, net of tax	(24,664)	(17,791)
Share of other comprehensive income of entities accounted for using equity method	(35,955)	(176,230)
Total other comprehensive income	(4,137)	440,045
Comprehensive income	737,749	1,655,779
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	746,295	1,659,465
Comprehensive income attributable to non- controlling interests	(8,546)	(3,685)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies**Application of Accounting Standards for Revenue Recognition**

ALINCO has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

In addition, due to the application of the alternative treatment prescribed in Paragraph 98 of the Guidance on Accounting Standard for Revenue Recognition, ALINCO recognizes revenue at the time of shipment when the period between the shipment and when control of the goods is transferred to the customer is a normal period for sales of goods.

The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment set forth in the proviso of Paragraph 84 of this standard. There is no effect on retained earnings.

The effect of the application of these standards on the quarterly consolidated financial statements is insignificant.

In addition, in accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), ALINCO has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

ALINCO has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Segment and Other Information**Segment Information**

I. 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.

II. First six months of FY3/23 (Mar. 21, 2022 – Sep. 20, 2022)

1. Information related to net sales, profit or loss for reportable segments and breakdown of revenue (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							
Revenue from contracts with customers	12,068,583	8,228,438	6,829,978	2,725,561	29,852,561	-	29,852,561
External sales	12,068,583	8,228,438	6,829,978	2,725,561	29,852,561	-	29,852,561
Inter-segment sales and transfers	899,488	7,576	88,972	10,512	1,006,549	(1,006,549)	-
Total	12,968,072	8,236,014	6,918,950	2,736,074	30,859,111	(1,006,549)	29,852,561
Segment profit (loss)	1,334,163	212,379	(156,073)	156,481	1,546,950	479,364	2,026,315

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

2. The 479,364 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

Application of Accounting Standard for Revenue Recognition

As stated in the “Changes in Accounting Policies,” ALINCO has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition, and therefore, the measurement method for profit or loss in the reportable segments has been changed as well.

There is no effect of this change on the segment information for the first six months of FY3/23.

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

Not applicable.

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.