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May 2, 2023

Consolidated Financial Results for the Fiscal Year Ended March 20, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 5933
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 Scheduled date of annual general meeting of shareholders: June 19, 2023
 Scheduled date to commence dividend payments: May 29, 2023
 Scheduled date to file annual securities report: June 20, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for securities analysts, institutional investors and individual investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 20, 2023 (from March 21, 2022 to March 20, 2023)

(1) Consolidated operating results

(Percentages indicate year on year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 20, 2023	60,717	9.9	2,420	116.3	3,568	216.9	1,546	242.8
March 20, 2022	55,255	3.6	1,119	-56.2	1,126	-60.8	451	-72.9

Note: Comprehensive income For the fiscal year ended March 20, 2023: 1,917 million yen [275.8%]
 For the fiscal year ended March 20, 2022: 510 million yen [-78.5%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales	EBITDA	
	Yen	Yen	%	%	%	Million yen	%
Fiscal year ended							
March 20, 2023	79.20	-	5.5	5.9	4.0	7,048	32.5
March 20, 2022	23.28	-	1.6	2.0	2.0	5,318	-17.2

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 20, 2023: -170 million yen
 For the fiscal year ended March 20, 2022: -878 million yen

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

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 20, 2023	63,681	28,443	44.6	1,450.10
March 20, 2022	58,234	27,518	47.2	1,413.42

Reference: Equity
 As of March 20, 2023: 28,431 million yen
 As of March 20, 2022: 27,497 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 20, 2023	2,688	-3,723	2,537	6,628
March 20, 2022	2,711	-3,664	583	5,081

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 20, 2022	-	20.00	-	20.00	40.00	793	171.8	2.8
March 20, 2023	-	20.00	-	20.00	40.00	794	50.5	2.8
March 20, 2024 (Forecast)	-	20.00	-	20.00	40.00		46.1	

3. Forecast of consolidated financial results for the year ending March 20, 2024 (from March 21, 2023 to March 20, 2024)

(Percentages indicate year on year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months	29,900	0.2	1,080	7.8	1,200	-40.8	840	-31.3	42.84
Full year	62,400	2.8	2,500	3.3	2,700	-24.3	1,700	9.9	86.71

Reference: EBITDA forecast for the fiscal year ending March 20, 2024: 6,235 million yen (-11.5%)

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 20, 2023	21,039,326 shares
As of March 20, 2022	21,039,326 shares

- (ii) Number of treasury shares at the end of the period

As of March 20, 2023	1,432,805 shares
As of March 20, 2022	1,584,825 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 20, 2023	19,532,320 shares
Fiscal year ended March 20, 2022	19,383,189 shares

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 (391,800 shares as of March 20, 2022, 270,700 shares as of March 20, 2023) 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 (453,408 shares for the fiscal year ended March 20, 2022, 333,015 shares for the fiscal year ended March 20, 2023).

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 20, 2023 (from March 21, 2022 to March 20, 2023)

(1) Non-consolidated operating results

(Percentages indicate year on year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 20, 2023	47,681	6.8	2,107	99.8	3,464	56.0	1,697	198.6
March 20, 2022	44,655	4.3	1,054	-42.9	2,220	-0.0	568	-58.3

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 20, 2023	86.89	-
March 20, 2022	29.32	-

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 20, 2023	57,230	28,037	49.0	1,430.02
March 20, 2022	53,510	27,167	50.8	1,396.48

Reference: Equity

As of March 20, 2023: 28,037 million yen
As of March 20, 2022: 27,167 million yen

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

*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.

Contents

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	3
(3) Cash Flows	4
(4) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years	4
(5) Outlook	4
2. Basic Approach to the Selection of Accounting Standards	5
3. Consolidated Financial Statements and Major Notes	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows	12
(5) Notes to Consolidated Financial Statements	14
Going Concern Assumption	14
Changes in Accounting Policies	14
Segment Information	14
Per Share Information	17
Subsequent Events	17

1. Overview of Results of Operations

(1) Results of Operations

During the consolidated fiscal year under review, the Japanese economy gradually began to normalize due to the easing of restrictions on activities associated with the COVID-19 infection, but the economy remained in a difficult situation due to soaring resource prices caused by the prolonged situation in Ukraine, rising import prices caused by the weakening yen, and global monetary tightening.

In the construction and housing-related industries, which are the Group's main business industries, construction investment remained strong due to a recovery in the corporate willingness to invest in capital goods, which had been depressed by the COVID-19 disaster, and the government's measures to accelerate national land resilience.

Under these circumstances, the Group increased production in Japan and overseas to respond to the growing number of users adopting the new ring lock ALBATROSS system, and opened a new equipment center in Izumiotsu, Osaka, in September 2022 to ensure a stable supply of products for both sales and rentals. In response to rising prices of steel and other raw materials and higher procurement costs from overseas due to the rapid depreciation of the yen, the Company worked to improve profit margins by revising selling prices. In addition, HIGASHI ELECTRONICS INDUSTRY CO., LTD., which became a subsidiary in the previous fiscal year, has received more orders for printed circuit boards for semiconductor manufacturing equipment, power supplies and amusement equipment even after the M&A, so the Company has been working to establish a system to increase production by starting construction of a new plant.

As a result, net sales for the fiscal year under review increased 9.9% from the previous fiscal year to a record high of 60,717 million yen. In terms of profit, operating profit increased 116.3% from the previous year to 2,420 million yen as a result of the increase in net sales and a gradual improvement in the situation in which the rise in procurement costs preceded the revision of sales prices. Ordinary profit largely increased 216.9% from the previous year to 3,568 million yen because of a foreign exchange gain resulting from valuations of foreign currency-denominated assets, hedging effect of foreign exchange contract and a decrease in equity-method loss.

Profit attributable to owners of parent increased 242.8% year on year to 1,546 million yen. In light of the anticipated increase in the superiority of equity-method affiliate PT. KAPURINDO SENTANA BAJA in the market and its future growth, the Company acquired a portion of its shares and made it a consolidated subsidiary. Accordingly, the Company recorded a 282 million yen loss on step acquisitions of shares in extraordinary losses and deducted 332 million yen in profit attributable to non-controlling interests.

PT. KAPURINDO SENTANA BAJA became a consolidated subsidiary from an equity-method affiliate on the deemed acquisition date of September 30, 2022. (reported in the Scaffolding material rental business segment)

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

Outline of reportable segments	Consolidated net sales		Segment profit (loss)	
	Amount (million yen)	YoY change (%)	Amount (million yen)	YoY change (%)
Construction materials	24,472	23.1	2,767	105.2
Scaffolding material rental	16,973	6.4	437	404.1
Home equipment	13,780	-8.6	-124	—
Electronic equipment	5,491	26.1	225	46.6
Total for reportable segments	60,717	9.9	3,306	138.1
Adjustment	—	—	261	—
Amounts on consolidated statement of income	60,717	9.9	3,568	216.9

Notes: 1. Segment profit (loss) is adjusted to be consistent with ordinary profit in the 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 the reportable segment.

Construction materials

Sales increased 23.1% year on year to 24,472 million yen. As for the scaffolding materials sales, sales of ALBATROSS and SK Panels have been strong since the beginning of the fiscal year. Sales of the Company's main product ALBATROSS increased significantly by 55.0% from the previous fiscal year, surpassing the pre-COVID level and reaching a record high, thanks to a steady increase in additional purchases from existing customers, adoption by new customers, and the development of related products to diversify the sites where ALBATROSS is used, all of which contributed to increased sales.

The segment profit increased 105.2% year on year to 2,767 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 6.4% year on year to 16,973 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, rental equipment for event use, a sector severely impacted by the pandemic, is beginning to recover. The segment profit increased 404.1% year on year to 437 million yen as sales rose despite the intense price-based competition.

Home equipment

Sales decreased 8.6% year on year to 13,780 million yen. The sales to mass merchandisers and hardware stores have been steady for aluminum ladders and stepladders, as well as brown rice storage refrigerators. Sales of elevated work platforms and other products for work in high places, aluminum bridges and other products made by subsidiaries also increased. On the other hand, sales of fitness equipment declined due to the impact of sales price revisions implemented in response to the depreciation of the yen and a decline in consumer sentiment caused by soaring prices, despite the successive launch of new products prepared during the previous fiscal year.

In terms of profit and loss, the impacts of the price revisions in response to the higher purchase costs were beginning to materialize, and despite the progress made in improving profits for aluminum ladders and stepladders, the effects of the decrease in sales of fitness equipment were significant. As a result, segment profit improved by only 76 million year on year, resulting in a loss of 124 million yen.

Electronic equipment

Sales increased 26.1% year on year to 5,491 million yen. HIGASHI ELECTRONICS INDUSTRY CO., LTD., 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 shortage of electronic components. Furthermore, the sales of wireless communication devices for overseas and specified low-power wireless communication devices and wireless communication devices for business applications for domestic were strong.

The segment profit increased 46.6% year on year to 225 million yen due to higher sales.

(2) Financial Position

Assets

Total assets at the end of the fiscal year under review were 63,681 million yen, an increase of 5,447 million yen year on year. Total assets comprise current assets of 41,942 million yen (up 5,506 million yen year on year) and non-current assets of 21,739 million yen (down 59 million yen year on year). The main factors for the increase in total assets were an increase in inventories (up 3,629 million yen year on year) due to planned production implemented to respond to strong orders, and an increase in tangible fixed assets (up 1,030 million yen year on year) due to the construction of a new plant at HIGASHI ELECTRONICS INDUSTRY CO., LTD.

Liabilities

Total liabilities amounted to 35,238 million yen, up 4,522 million yen year on year. This includes 22,595 million yen in current liabilities (up 2,589 million yen year on year) and 12,642 million yen in long-term liabilities (up 1,932 million yen year on year). The main reasons for the increase in liabilities were an increase in borrowings (up 3,475 million yen year on year) due to the planned increase in inventories, and an increase in income taxes payable (up 868 million yen year on year) due to increased profits.

Net assets

Net assets amounted to 28,443 million yen (up 925 million yen year on year), mainly due to profit attributable to parent company shareholders of 1,546 million yen and dividends from surplus of 794 million yen.

(3) Cash Flows

Cash and cash equivalents at the end of the period increased 1,547 million yen year on year to 6,628 million yen.

Cash flows from operating activities

Net cash provided by operating activities amounted to 2,688 million yen (down 23 million yen year on year), mainly due to a planned increase of inventories to meet strong orders, despite an increase in income before income taxes and minority interests compared to the previous year.

Cash flows from investing activities

Net cash used in investing activities amounted to 3,723 million yen (up 59 million yen year on year). This was mainly due to an increase in property, plant and equipment resulting from the start of construction of a new plant in HIGASHI ELECTRONICS INDUSTRY CO., LTD. and the partial purchase of shares of PT. KAPURINDO SENTANA BAJA, an equity-method affiliate.

Cash flows from financing activities

Net cash provided by financing activities amounted to 2,537 million yen (up 1,954 million yen year on year), mainly due to an increase in long-term debt.

(4) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company regards the return of profits to shareholders as one of its most important management issues.

Its basic policy is to maintain stable dividends, targeting a consolidated dividend payout ratio of 40%.

It will also consider share buy-backs from time to time as a flexible response to changes in share prices and the business environment, as well as a capital policy and a method of returning profits to shareholders.

With regard to retained earnings, we will further increase corporate value by making investments to expand our market share of new scaffolds and in aggressive new product development and M&A in business fields with future growth potential, while also taking into consideration the stability of our financial base, which is necessary to maintain our competitive advantage.

Based on these policies, we have decided to pay a year-end dividend of 20 yen per share for the fiscal year under review. Combined with the interim dividend of 20 yen per share already paid on November 22, 2022, the annual dividend will be 40 yen per share.

For the next fiscal year, we plan to pay an annual dividend of 40 yen per share, taking into consideration the profit situation, capital investment, and other factors.

(5) Outlook

As for the outlook for the future, although economic activities are on a recovery trend after the COVID-19 crisis, we expect that conditions will continue to be difficult due to stagnant consumer confidence resulting from rising prices, various cost increases, and other factors.

In the next fiscal year, we will strive to meet demand for ALBATROSS, for which orders are expected to remain strong, and to expand the number of applicable sites by developing related equipment, in order to steadily improve profits from the sales price revisions implemented up to the previous fiscal year. In fitness equipment, which suffered a decline in sales volume in the previous fiscal year due to the impact of price revisions, we will work to expand sales through newly launched brand-name product lines. As a result, net sales are expected to increase in all segments compared to the previous year. Operating profit is expected to increase from the previous year due to the effect of sales price revisions in addition to the increase in sales, but ordinary profit is expected to decrease due to a significant decrease in the hedging effect from forward exchange contracts that occurred in the previous year. Profit attributable to owners of parent is expected to increase due to the elimination of the loss from the consolidation of an equity-method affiliate that was recorded in the previous fiscal year.

The forecast for the next fiscal year is as follows.

(Millions of yen)

	Forecast for H1 of FY3/24	YoY change (%)	Full-year forecast for FY3/24	YoY change (%)
Net sales	29,900	0.2	62,400	2.8
Operating profit	1,080	7.8	2,500	3.3
Ordinary profit	1,200	-40.8	2,700	-24.3
Profit attributable to owners of parent	840	-31.3	1,700	9.9

As the next fiscal year will be the final year of the "Medium-Term Business Plan 2024," the numerical management targets announced in April 2021 have been revised. For details, please refer to the "Notice of Revision of Medium-Term Business Plan" released today, May 2, 2023.

2. Basic Approach to the Selection of Accounting Standards

The Group believes that financial statements prepared in accordance with Japanese GAAP standard are appropriate for presenting the Group's operating results, financial position, and cash flows, and for the time being the Group intends to prepare its consolidated financial statements in accordance with Japanese GAAP.

With regard to the application of the International Financial Reporting Standards (IFRS), the Group will take appropriate actions, taking into account various domestic and overseas conditions.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (March 20, 2022)	Fiscal year under review (March 20, 2023)
Assets		
Current assets		
Cash and deposits	5,230,964	6,771,028
Notes and accounts receivable-trade	15,214,815	15,901,326
Merchandise and finished goods	9,743,820	12,271,852
Work in process	1,718,326	2,152,224
Raw materials	3,335,110	4,002,187
Other	1,215,981	940,903
Allowance for doubtful accounts	-23,064	-97,007
Total current assets	36,435,954	41,942,515
Non-current assets		
Property, plant and equipment		
Rental assets	25,804,842	27,441,006
Accumulated depreciation	-21,852,312	-23,023,699
Accumulated impairment loss	-297,884	-1,156,346
Rental assets, net	3,654,644	3,260,960
Buildings and structures	12,359,000	12,784,023
Accumulated depreciation	-7,891,080	-8,324,449
Accumulated impairment loss	—	-509
Buildings and structures, net	4,467,919	4,459,064
Machinery, equipment and vehicles	6,146,658	6,576,747
Accumulated depreciation	-5,071,292	-5,408,597
Accumulated impairment loss	—	-991
Machinery, equipment and vehicles, net	1,075,365	1,167,158
Land	5,233,361	5,788,105
Other	4,248,203	5,184,589
Accumulated depreciation	-3,619,353	-3,768,633
Accumulated impairment loss	-18,777	-19,856
Other, net	610,072	1,396,099
Total property, plant and equipment	15,041,364	16,071,388
Intangible assets		
Goodwill	945,138	598,231
Other	197,457	191,542
Total intangible assets	1,142,595	789,774
Investments and other assets		
Investment securities	1,520,681	1,462,695
Long-term loans receivable	497,742	7,540
Distressed receivables	216	133,593
Retirement benefit asset	2,448,818	2,252,911
Deferred tax assets	70,152	43,274
Other	1,080,227	1,114,923
Allowance for doubtful accounts	-3,266	-136,643
Total investments and other assets	5,614,573	4,878,294
Total non-current assets	21,798,532	21,739,457
Total assets	58,234,486	63,681,973

(Thousands of yen)

	Previous fiscal year (March 20, 2022)	Fiscal year under review (March 20, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,697,387	9,750,233
Short-term borrowings	2,822,900	2,186,070
Current portion of long-term borrowings	5,168,672	7,172,309
Income taxes payable	246,712	1,115,045
Provision for bonuses	702,100	727,424
Other	1,368,127	1,644,551
Total current liabilities	<u>20,005,899</u>	<u>22,595,633</u>
Non-current liabilities		
Long-term borrowings	9,398,709	11,507,092
Retirement benefit liability	223,071	234,024
Provision for retirement benefits for directors (and other officers)	172,420	172,420
Deferred tax liabilities	495,873	330,619
Other	420,317	398,797
Total non-current liabilities	<u>10,710,392</u>	<u>12,642,953</u>
Total liabilities	<u>30,716,291</u>	<u>35,238,587</u>
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	17,473,415
Treasury shares	-1,317,599	-1,174,731
Total shareholders' equity	<u>26,708,851</u>	<u>27,606,574</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	71,251	32,053
Deferred gains or losses on hedges	106,209	-32,661
Foreign currency translation adjustment	430,551	860,949
Remeasurements of defined benefit plans	180,588	-35,414
Total accumulated other comprehensive income	<u>788,600</u>	<u>824,926</u>
Non-controlling interests	<u>20,742</u>	<u>11,885</u>
Total net assets	<u>27,518,195</u>	<u>28,443,385</u>
Total liabilities and net assets	<u>58,234,486</u>	<u>63,681,973</u>

Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income

(Thousands of yen)

	Previous fiscal year (March 21, 2021 – March 20, 2022)	Fiscal year under review (March 21, 2022 – March 20, 2023)
Net sales		
Net sales of merchandise and finished goods	39,528,554	43,897,865
Rental revenue	15,727,236	16,819,921
Total net sales	55,255,790	60,717,786
Cost of sales		
Cost of merchandise and finished goods sold	29,718,601	33,108,700
Rental cost price	12,134,736	12,689,654
Total cost of sales	41,853,338	45,798,354
Gross profit	13,402,452	14,919,432
Selling, general and administrative expenses	12,283,374	12,498,458
Operating profit	1,119,077	2,420,973
Non-operating income		
Interest income	36,609	37,492
Dividend income	64,358	68,331
Rental income from land and buildings	27,299	23,364
Foreign exchange gains	415,839	1,021,410
Gain on sales of scrap and waste	330,034	223,413
Other	123,316	147,995
Total non-operating income	997,459	1,522,008
Non-operating expenses		
Interest expenses	50,233	68,464
Paying rents	24,460	36,985
Share of loss of entities accounted for using equity method	878,567	170,704
Other	37,242	97,951
Total non-operating expenses	990,504	374,106
Ordinary profit	1,126,032	3,568,875
Extraordinary income		
Gain on sale of property, plant and equipment	2,055	1,199
Gain on sale of investment securities	67,791	30,958
Subsidy income	175,630	—
Total extraordinary income	245,476	32,158
Extraordinary losses		
Loss on retirement of property, plant and equipment	8,128	16,052
Loss on step acquisitions	—	282,087
Total extraordinary losses	8,128	298,140
Profit before income taxes	1,363,380	3,302,893
Income taxes-current	813,872	1,394,412
Income taxes-deferred	112,017	28,956
Total income taxes	925,889	1,423,368
Profit	437,490	1,879,525
Profit (loss) attributable to non-controlling interests	-13,794	332,564
Profit attributable to owners of parent	451,284	1,546,960

(2) Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (March 21, 2021 – March 20, 2022)	Fiscal year under review (March 21, 2022 – March 20, 2023)
Profit	437,490	1,879,525
Other comprehensive income		
Valuation difference on available-for-sale securities	-92,072	-39,198
Deferred gains or losses on hedges	41,561	-138,871
Foreign currency translation adjustment	250,773	655,847
Remeasurements of defined benefit plans, net of tax	-62,810	-216,002
Share of other comprehensive income of entities accounted for using equity method	-64,836	-224,288
Total other comprehensive income	72,616	37,486
Comprehensive income	510,107	1,917,011
(Breakdown)		
Comprehensive income attributable to owners of parent	519,510	1,583,286
Comprehensive income attributable to non-controlling interests	-9,403	333,725

(3) Consolidated Statement of Changes in Equity
 Previous fiscal year (March 21, 2021 – March 21, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,361,596	4,922,140	17,043,168	-1,449,359	26,877,545
Changes during period					
Dividends of surplus			-773,526		-773,526
Profit attributable to owners of parent			451,284		451,284
Disposal of treasury shares		6,545		131,760	138,305
Change in ownership interest of parent due to transactions with non-controlling interests		15,241			15,241
Net changes in items other than shareholders' equity					
Total changes during period	—	21,787	-322,241	131,760	-168,694
Balance at end of period	6,361,596	4,943,927	16,720,926	-1,317,599	26,708,851

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	163,324	64,647	249,004	243,398	720,375	81,083	27,679,004
Changes during period							
Dividends of surplus							-773,526
Profit attributable to owners of parent							451,284
Disposal of treasury shares							138,305
Change in ownership interest of parent due to transactions with non-controlling interests							15,241
Net changes in items other than shareholders' equity	-92,072	41,561	181,546	-62,810	68,225	-60,341	7,884
Total changes during period	-92,072	41,561	181,546	-62,810	68,225	-60,341	-160,809
Balance at end of period	71,251	106,209	430,551	180,588	788,600	20,742	27,518,195

Fiscal year under review (March 21, 2022 – March 20, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,361,596	4,943,927	16,720,926	-1,317,599	26,708,851
Changes during period					
Dividends of surplus			-794,471		-794,471
Profit attributable to owners of parent			1,546,960		1,546,960
Purchase of treasury shares				-40	-40
Disposal of treasury shares		2,366		142,908	145,274
Net changes in items other than shareholders' equity					
Total changes during period	—	2,366	752,488	142,867	897,722
Balance at end of period	6,361,596	4,946,293	17,473,415	-1,174,731	27,606,574

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	71,251	106,209	430,551	180,588	788,600	20,742	27,518,195
Changes during period							
Dividends of surplus							-794,471
Profit attributable to owners of parent							1,546,960
Purchase of treasury shares							-40
Disposal of treasury shares							145,274
Net changes in items other than shareholders' equity	-39,198	-138,871	430,398	-216,002	36,325	-8,857	27,468
Total changes during period	-39,198	-138,871	430,398	-216,002	36,325	-8,857	925,190
Balance at end of period	32,053	-32,661	860,949	-35,414	824,926	11,885	28,443,385

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous fiscal year (March 21, 2021 – March 20, 2022)	Fiscal year under review (March 21, 2022 – March 20, 2023)
Cash flows from operating activities		
Profit before income taxes	1,363,380	3,302,893
Depreciation	3,006,895	2,962,069
Amortization of goodwill	306,613	346,906
Subsidy income	-175,630	—
Increase (decrease) in allowance for doubtful accounts	-5,959	-221,440
Increase (decrease) in provision for bonuses	-12,290	25,324
Increase (decrease) in retirement benefit liability	-114,642	-103,935
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-38,916	—
Interest and dividend income	-100,968	-105,824
Interest expenses	50,233	68,464
Foreign exchange losses (gains)	-189,239	-252,365
Share of loss (profit) of entities accounted for using equity method	878,567	170,704
Loss (gain) on step acquisitions	-	282,087
Loss (gain) on sale and retirement of property, plant and equipment	6,073	14,852
Loss (gain) on sale of investment securities	-67,791	-30,958
Decrease (increase) in trade receivables	-277,560	-330,284
Decrease (increase) in inventories	-2,609,599	-3,555,681
Increase (decrease) in trade payables	2,077,728	-170,513
Increase (decrease) in accrued consumption taxes	-556,006	284,080
Other	148,756	492,781
Subtotal	3,689,643	3,179,163
Interest and dividends received	101,044	105,800
Interest paid	-48,284	-65,251
Subsidies received	175,630	—
Income taxes paid	-1,206,684	-531,602
Cash flows from operating activities	2,711,349	2,688,109
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	136,460	10,001
Purchase of property, plant and equipment	-3,289,480	-3,513,069
Proceeds from sale of property, plant and equipment	5,700	1,199
Purchase of intangible assets	-66,399	-51,575
Purchase of investment securities	-6,261	-6,788
Proceeds from sale of investment securities	102,479	39,438
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-596,076	-166,417
Loan advances	-63,735	-43,300
Proceeds from collection of loans receivable	40,873	7,555
Payments of leasehold and guarantee deposits	-32,133	-33,809
Proceeds from refund of leasehold and guarantee deposits	4,382	10,418
Payments of construction assistance fund receivables	-7,700	—
Other	107,405	22,391
Net cash provided by (used in) investing activities	-3,664,484	-3,723,956

(Thousands of yen)

	Previous fiscal year (March 21, 2021 – March 20, 2022)	Fiscal year under review (March 21, 2022 – March 20, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,359,700	-648,530
Proceeds from long-term borrowings	4,820,000	10,400,000
Repayments of long-term borrowings	-5,882,726	-6,524,063
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-36,716	—
Proceeds from disposal of treasury shares	112,014	118,676
Dividends paid	-773,065	-794,388
Other	-16,138	-14,313
Cash flows from financing activities	583,068	2,537,380
Effect of exchange rate change on cash and cash equivalents	37,650	45,630
Net increase (decrease) in cash and cash equivalents	-332,416	1,547,164
Cash and cash equivalents at beginning of period	5,414,007	5,081,591
Cash and cash equivalents at end of period	5,081,591	6,628,756

(5) Notes to Consolidated Financial Statements Going Concern Assumption

(Going Concern Assumption)

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 fiscal year under review. 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 consolidated financial statements is insignificant.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, information disaggregating revenue from contracts with customers for the previous fiscal year is not presented.

(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 fiscal year under review, 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 consolidated financial statements.

(Segment Information)

1. Overview of reportable segments

Segments used for financial reporting are the ALINCO Group's constituent units for which separate financial information is available and for which Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance. The ALINCO Group consists of business segments that are based on categories of products and services.

There are four reportable segments: construction materials, scaffolding material rental, home equipment and electronic equipment.

Products and services in these reportable segments are as follows:

Construction materials: Scaffolding materials, logistics storage equipment

Scaffolding material rental: Rental of scaffolding materials for low-rise and medium to high-rise buildings, and temporary bleachers

Home equipment: Ladders, stepladders; aluminum and plastic moldings; stationary elevating workbenches;

surveying and laser equipment; aluminum bridge, various type of carts and folding handcarts; fitness equipment

Electronic equipment: Wireless communication devices

2. Calculation method for net sales, profit or loss, assets, and other items for reportable segments

The accounting treatment methods for reportable segments comply with accounting policies used for the preparation of the consolidated financial statements.

Segment profit is affected by changes in foreign exchange rates. Foreign exchange gains and losses resulting from forward exchange contracts and other foreign exchange rate instruments used for business purposes for import transactions are reflected in operating profit, and this adjusted operating profit is used for segment profit.

(Application of Accounting Standards 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 fiscal year under review. There is no effect of this change on the segment information for the fiscal year under review.

3. Information on net sales, income or loss, assets and other items by reportable segment, and breakdown of revenue
Previous fiscal year (March 21, 2021 – March 20, 2022)

(Thousands of yen)

	Reportable segment					Adjustment	Amounts shown on consolidated financial statements
	Construction materials	Scaffolding material rental	Home equipment	Electronic equipment	Total		
Net sales							
External sales	19,880,910	15,948,551	15,070,539	4,355,790	55,255,790	—	55,255,790
Inter-segment sales and transfers	2,513,672	25,184	297,384	18,382	2,854,624	-2,854,624	—
Total	22,394,582	15,973,736	15,367,923	4,374,172	58,110,414	-2,854,624	55,255,790
Segment profit (loss)	1,349,140	86,792	-200,646	153,768	1,389,053	-263,021	1,126,032
Segment assets	22,995,822	11,568,858	12,422,182	4,831,684	51,818,548	6,415,938	58,234,486
Other items							
Depreciation	577,527	2,073,576	189,686	78,408	2,919,199	87,696	3,006,895
Increase in property, plant and equipment and intangible assets	725,547	2,081,165	377,166	58,195	3,242,076	87,633	3,329,709

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

2 Adjustment of segment income (loss) of -263,021 thousand yen is corporate-wide profit (loss). Corporate-wide profit (loss) is mainly non-operating income and non-operating expenses, such as equity in earnings (losses) of affiliates not attributable to reportable segments, foreign exchange gains (losses) and interest expense.

In accordance with Implementation Guidance for Equity Method Accounting, there is an equity-method loss of 878,567 thousand yen for long-term loans extended by ALINCO to equity-method affiliate PT. KAPURINDO SENTANA BAJA.

Fiscal year under review (March 21, 2022 – March 20, 2023)

(Thousands of yen)

	Reportable segment					Adjustment	Amounts shown on consolidated financial statements
	Construction materials	Scaffolding material rental	Home equipment	Electronic equipment	Total		
Net sales							
Revenue from contracts with customers	24,472,788	13,739,650	13,780,907	5,491,083	57,484,430	—	57,484,430
Other revenue	—	3,233,356	—	—	3,233,356	—	3,233,356
External sales	24,472,788	16,973,007	13,780,907	5,491,083	60,717,786	—	60,717,786
Inter-segment sales and transfers	1,670,565	13,377	237,041	19,704	1,940,688	-1,940,688	—
Total	26,143,354	16,986,385	14,017,948	5,510,787	62,658,475	-1,940,688	60,717,786
Segment profit (loss)	2,767,980	437,548	-124,015	225,385	3,306,898	261,976	3,568,875
Segment assets	26,990,571	11,131,747	12,396,742	6,294,686	56,813,748	6,868,224	63,681,973
Other items							
Depreciation	577,489	1,980,641	205,090	133,723	2,896,944	65,125	2,962,069
Increase in property, plant and equipment and intangible assets	509,773	1,873,304	323,936	1,106,059	3,813,073	134,591	3,947,665

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

2. Adjustment of segment income (loss) of 261,976 thousand yen is corporate-wide profit (loss). Corporate-wide profit (loss) is mainly non-operating income and non-operating expenses, such as equity in earnings (losses) of affiliates not attributable to reportable segments, foreign exchange gains (losses) and interest expense.

3. Other revenue includes lease revenue, etc. in accordance with Accounting Standards for Lease Transactions (ASBJ Statement No. 13).

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

(Significant changes in the amount of goodwill)

Previous fiscal year (March 21, 2021 – March 20, 2022)

In the Electronic equipment business segment, on August 18, 2021, the Company acquired all shares of HIGASHI ELECTRONICS INDUSTRY CO., LTD. The increase in goodwill due to this matter was 109,349 thousand yen in the fiscal year under review.

In the construction materials business segment, the Company acquired all shares of UEKIN Co., Ltd. on November 24, 2021, making it a consolidated subsidiary during the fiscal year under review. The increase in goodwill due to this matter was 140,715 thousand yen in the fiscal year under review.

Fiscal year under review (March 21, 2022 – March 20, 2023)

Not applicable.

(Per Share Information)

Items	Previous fiscal year (March 21, 2021 – March 20, 2022)	Fiscal year under review (March 21, 2022 – March 20, 2023)
Net assets per share	1,413.42 yen	1,450.10 yen
Profit per share	23.28 yen	79.20 yen

(Note) Basis of calculation

1. Profit per share

Items	Previous fiscal year (March 21, 2021 – March 20, 2022)	Fiscal year under review (March 21, 2022 – March 20, 2023)
Profit per share		
Profit attributable to owners of parent (thousand yen)	451,284	1,546,960
Profit attributable to owners of parent related to common stock (thousand yen)	451,284	1,546,960
Average number of shares of common stock during the period (shares)	19,383,189	19,532,320

(Note) Diluted net income per share is not shown since there are no latent shares. 2. Net assets per share

Items	Previous fiscal year (March 20, 2022)	Fiscal year under review (March 20, 2023)
Total net assets (thousand yen)	27,518,195	28,443,385
Deduction on total net assets (thousand yen)	20,742	11,885
[of which non-controlling interests (thousand yen)]	(20,742)	(11,885)
Net assets related to common stock at the end of the period (thousand yen)	27,497,452	28,431,500
Number of shares of common stock used in the calculation of net assets per share (shares)	19,454,501	19,606,521

(Note) Our shares held by the Trust-type Employee Stock Ownership Plan (E-Ship®) exclusive trust account of the ALINCO Employee Stock Ownership Plan are included in the number of treasury shares deducted from the total number of shares outstanding at the end of the period for the calculation of net assets per share (391,800 shares at the end of the previous fiscal year and 270,700 shares at the end of the current fiscal year). In the calculation of earnings per share, the number of treasury stock is included in the number of shares deducted from the average number of shares outstanding during the period (453,408 shares in the previous fiscal year and 333,015 shares in the current fiscal year).

(Subsequent Events)

Not applicable.