








ALINCO INCORPORATED
Results of Operations

May 2023

ALINCO Now

Stock code: 5933
Tokyo Stock Exchange, Prime
<https://www.alinco.co.jp/>

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Company Overview

Company name	ALINCO INCORPORATED
Listed exchange	Tokyo Stock Exchange, Prime (From April 4, 2022)
Foundation	1938
Establishment	July 4, 1970
Number of employees	Consolidated: 1,481; Non-consolidated: 759 (as of March 20, 2023)
Capital	¥6,361 million
Number of shares outstanding	21,039,326 shares
Total assets	¥663,681 million (as of March 20, 2023)
Number of subsidiaries	20 (Japan: 10; China: 4; Thailand: 3; Vietnam: 1; Indonesia: 2)
Fiscal period	March 21 to March 20 of the following year
Accounting standards	Japanese GAAP

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

Notice of Opening of Izumiotsu Equipment Center

We newly opened the Izumiotsu Equipment Center, Construction Materials Rental Division, in Izumiotsu City, Osaka Prefecture, and started its operation.

The Izumiotsu Equipment Center will operate mainly as a supplier base of new ring lock ALBATROSS system, and other products such as aluminum fall proofing hopper, and portable workbench, in order to increase demand in the Kansai region in line with the 2025 Osaka-Kansai Expo and other events, by leveraging its accessibility to the central area of Osaka and the southern Osaka region.

In the Kansai region, we already operate 2 facility centers: the Takatsuki Equipment Center and the Hyogo Equipment Center. Looking ahead, we will further strengthen our support system and improve services by increasing the efficiency and convenience of supplying equipment to customers through collaboration between the existing equipment center and the Izumiotsu Equipment Center.

< Overview of Izumiotsu Equipment Center >

Name	Izumiotsu Equipment Center, Temporary Leasing Division
Address	〒595-0054 65 Shiomi-cho, Izumiotsu City, Osaka prefecture TEL 050-3317-9956 FAX 050-3317-9957
Site area	Site Area: 11,114m ² (Approx. 3,363 tsubo)

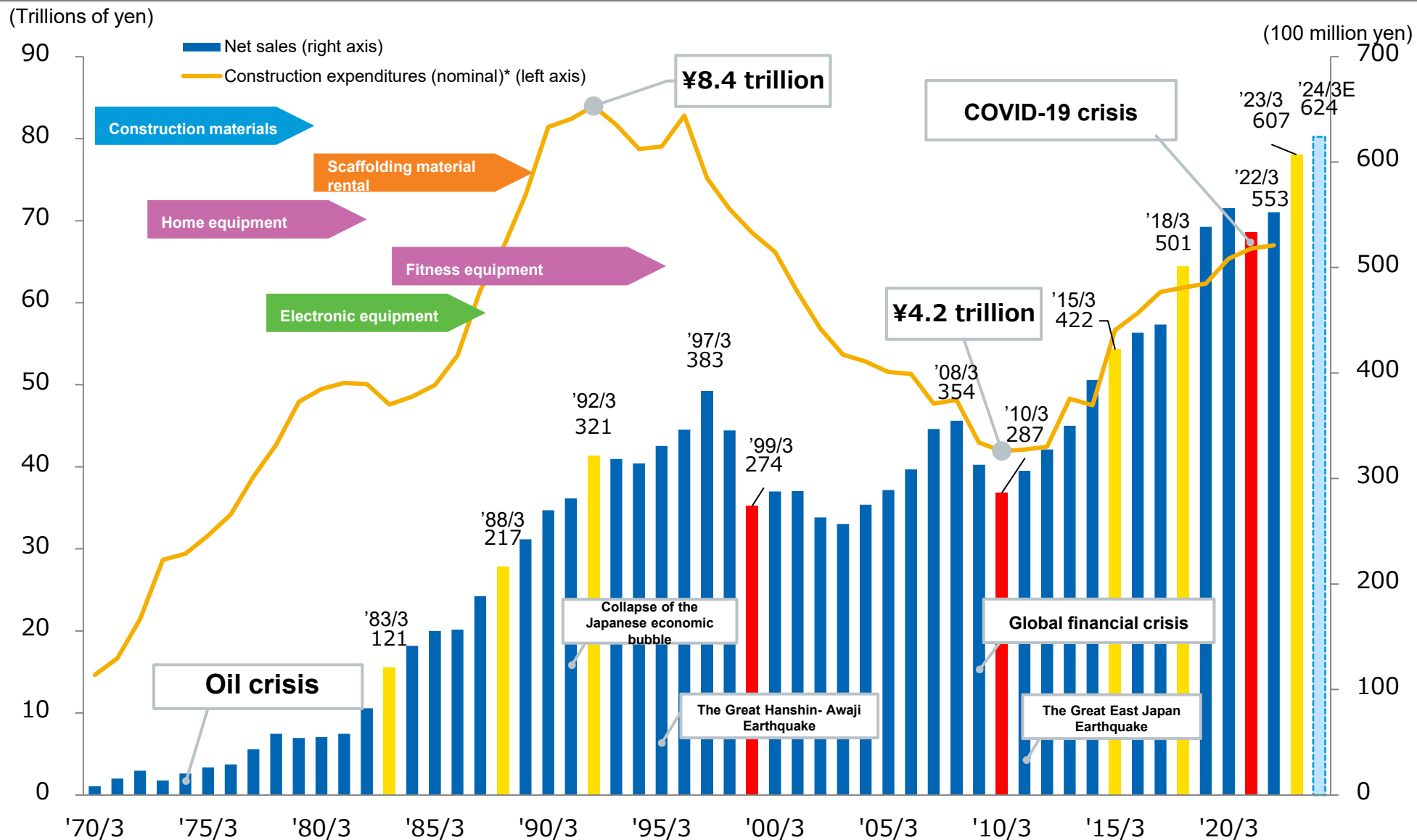


Topics ② Started construction of a new plan of HIGASHI ELECTRONICS INDUSTRY CO., LTD.

Site Area: 2,222 m², Total floor area: 2,941 m², Completion: Scheduled for the end of October 2023



Trends in Sales since Establishment



*Source: Outlook for FY2021 Construction Investments, Ministry of Land, Infrastructure, Transport and Tourism

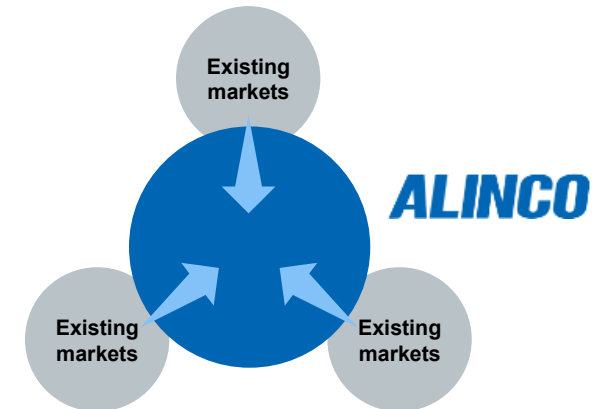
To be the Leading Company in Niche Markets

Expand business to new markets and become the leading company in every business segment

Expand to new markets

Grow in new markets

Establish a position as a company which are able to provide the demand of peripheral markets



Segment Information

Electronic equipment

An infrastructure for reliable communications



Low-power wireless communication devices



Land mobile radio for business-use



Wireless devices for fire trucks/ambulances



Public-sector disaster prevention wireless devices



Data communication wireless devices

Home equipment

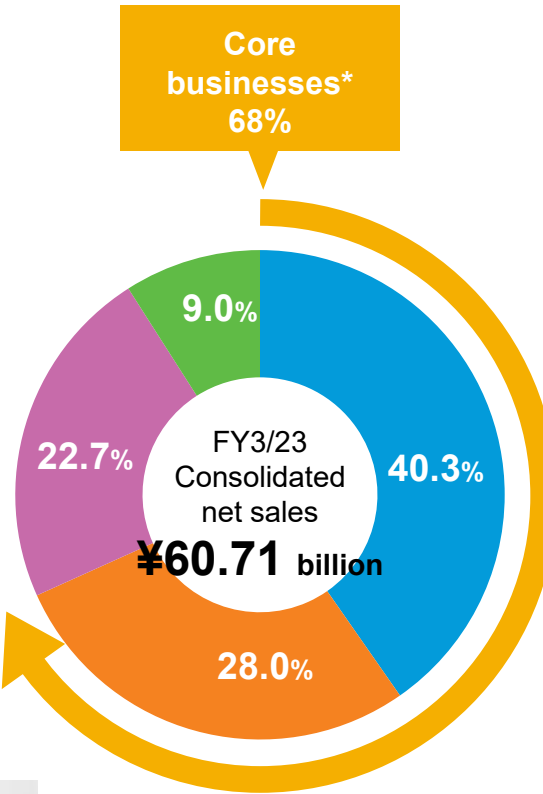
Providing safety and convenience to your home



Home equipment



Fitness equipment



*The core businesses are the construction materials business and scaffolding material rental business.

Construction materials

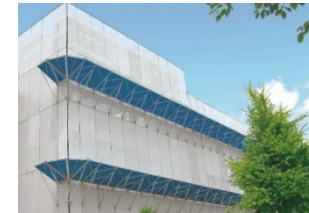
Advanced technologies for construction site safety



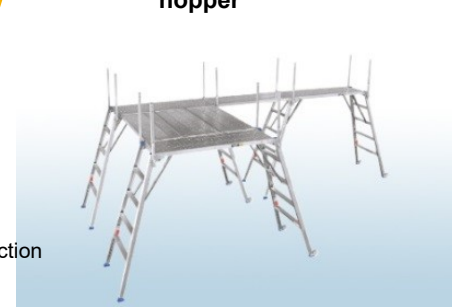
The new ring lock ALBATROSS system ("ALBATROSS")



SK panel platform



Aluminum fall proofing hopper



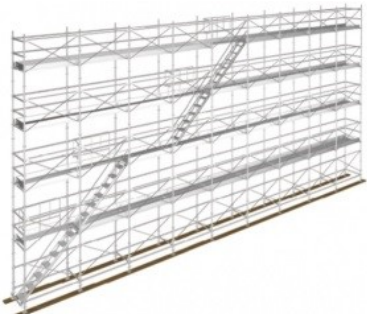
Scaffolding material rental

Cooperate with the construction materials segment

Major Products in Use

Sales and rentals of scaffolding and other temporarily used construction materials

Major products



New ring lock ALBATROSS system

No. 1 share in medium/high-rise market



Aluminum fall proofing hopper

No. 1 market share



SK panel platform

No. 1 market share



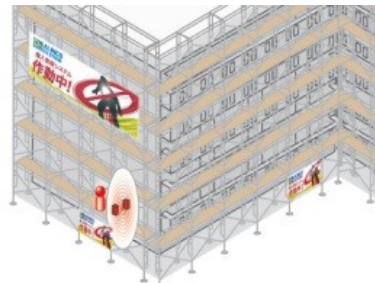
Scaffolding at this 80-meter condominium project begins at the B2 level and has a total height of 90 meters



Aluminum platform



Hoisting platform



Scaffolding intrusion warning system

Market Environment for the Core Businesses

Progress with replacing conventional frame scaffolding with the new ALINCO scaffolding system

Current issues at construction sites

- Due to higher safety standards for scaffolding, construction companies were forced to choose between two choices, add materials to improve the security of traditional frame scaffolding or make a shift to new type of scaffolding
- The mandate to use scaffolding with high safety standard in public-sector project has also gradually spread to private-sector project too
- Construction companies were faced with difficult decision to choose one from many scaffolding companies because scaffolding from different companies is incompatible with each other



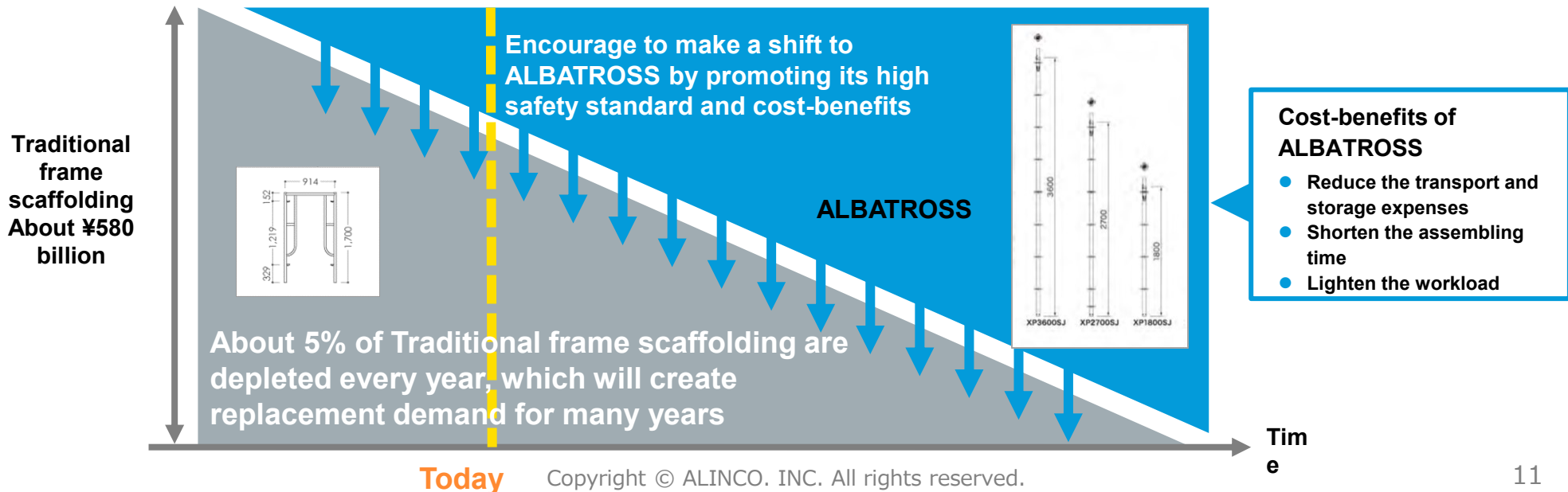
Key points when selecting scaffolding

- High safety standard of scaffolding
- Reliable supply over many years



Favorable trends for ALINCO

The Traditional Frame Scaffolding Market



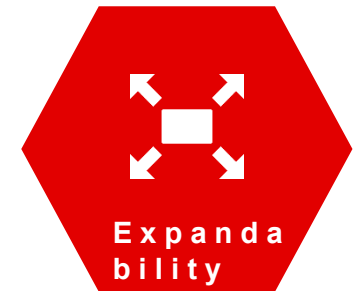
ALBATROSS –A new generation of scaffolding

The innovative ALBATROSS scaffolding was developed to meet construction site needs involving safety, expandability and ease of work, which are all characteristics where conventional frame scaffolding falls short.



Brackets with outstanding strength and reliability
Rugged design for many years of use with confidence
Assembly by placing handrail first is a standard feature and the standard installation method (complies with the revised Industrial Safety and Health Regulations)

Multi-purpose
Simple moveable stage with a large surface area
Three-dimensional assembly
Easy to secure a large open work space underneath ALBATROSS



Compact and light scaffolding components
Simplicity of frame scaffolding with the flexibility of pipe scaffolding
A large and comfortable space for performing tasks
Easy to make a wide stage with no protrusions or gaps
Big improvement in ease of work lowers the cost of construction processes
Big reduction in the number of steel pipes and clamps

Major Logistics Products

The shortage of manpower at the logistics operations of factories, warehouses and stores is creating demand for automatic incoming/outgoing shipment, sorting and picking tasks. There are also need for more efficient and sophisticated storage methods, earthquake resistance, and other improvements.

Power Rack

An **angular pipe structure** using our original manufacturing method ensures outstanding resistance to earthquakes.



Power Runner

A moveable rack that doubles storage capacity



Major home equipment products

Products that match sales channels and market needs

Major products

Aluminum products



Fitness equipment



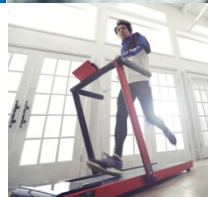
Ladders



Work platforms



Agriculture/
transport products



Treadmill/Exercise bike



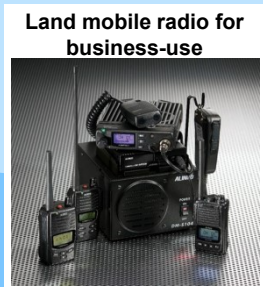
Massager



MIVIOS Brand

Major electronic equipment products

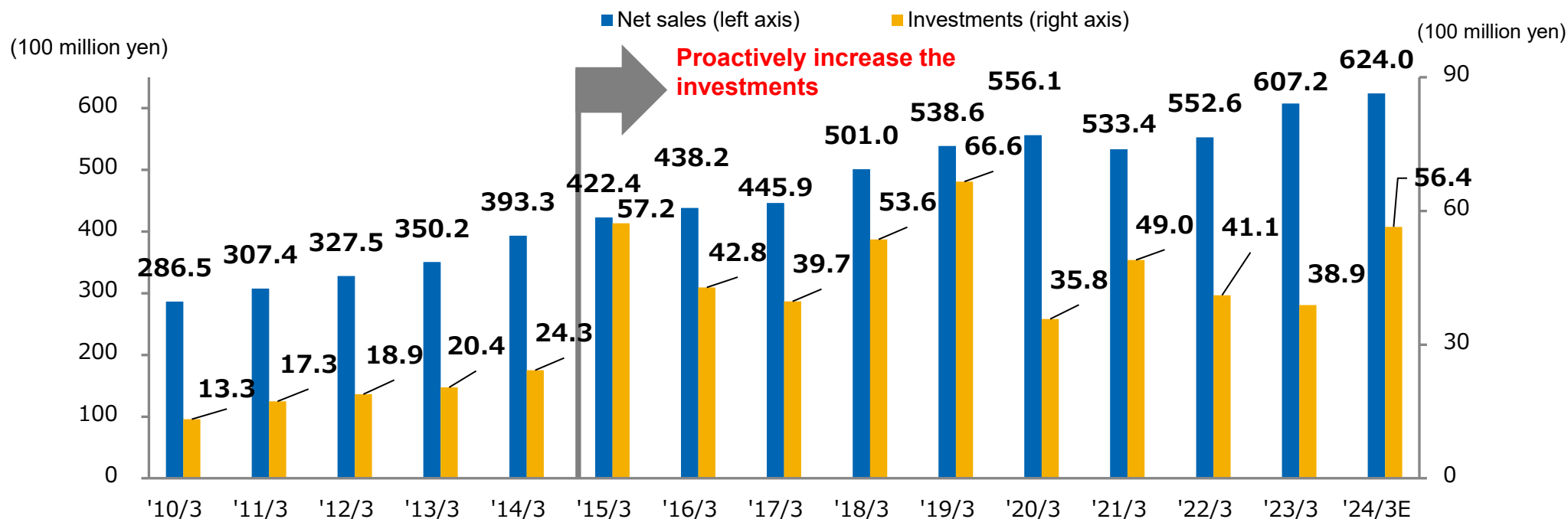
Business activities that leverage the core strength of compact wireless technology expertise



Goals

- Develop intercom for low-power wireless communication devices
- Business-use intercom Disaster prevention sector Business-use wireless communications
- Increase the share of the business-use wireless communication device market
- Develop communication devices that use the mobile phone infrastructure
- Develop wireless modules for IoT devices

Expand business performance by proactive investments

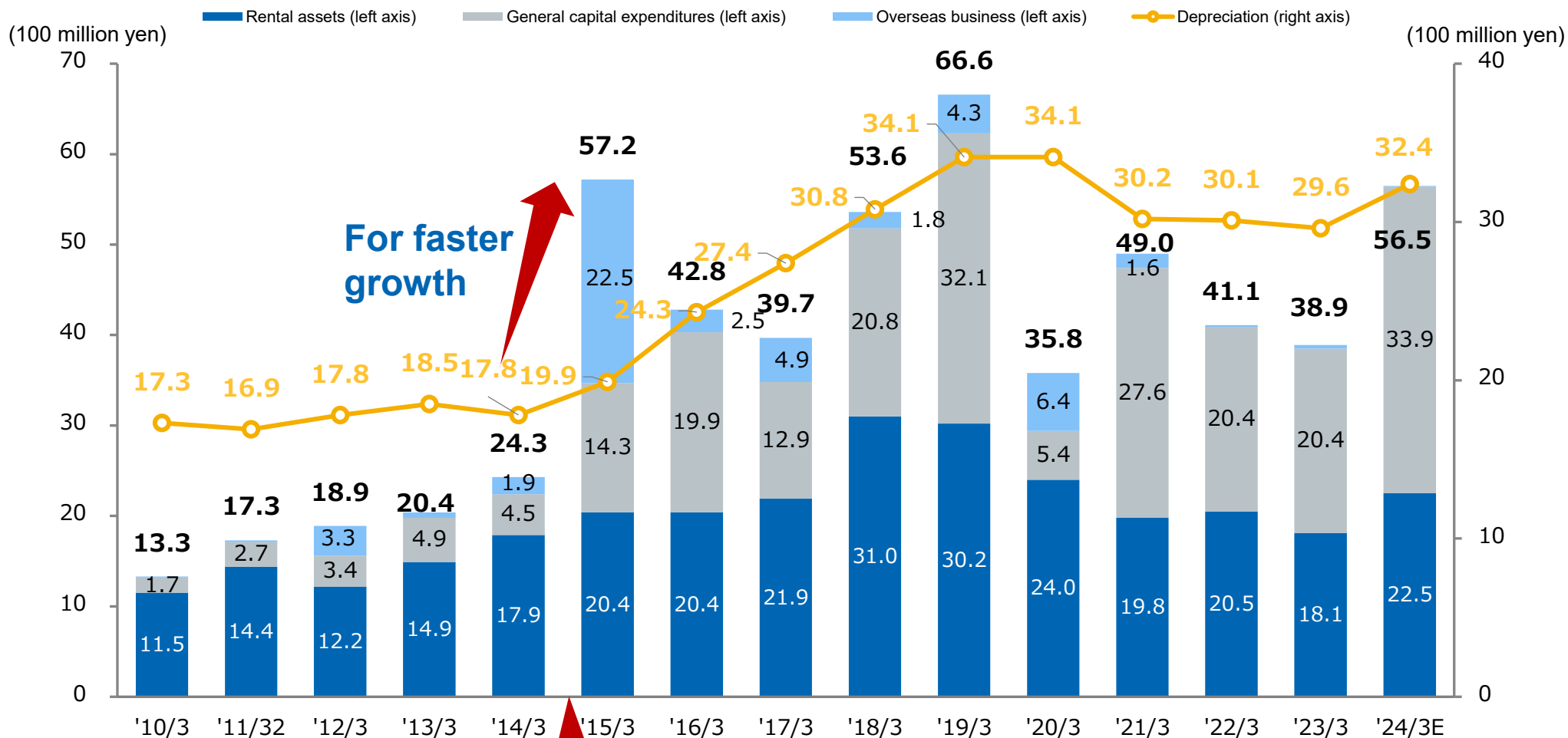


Major Investments

1. Investment in rental assets	2. Expansion to overseas market	3. Investment in M&A	4. Increase in production capacity
<ul style="list-style-type: none"> Invested in equipment that is safe and efficient Made a shift from traditional frame scaffolding to ALBATROSS (Expand the share of ALBATROSS by encouraging the reform of the scaffolding market) 	<ul style="list-style-type: none"> Started scaffolding rental business in China, Thailand and Indonesia Began business by dealing with overseas Japanese general contractors Set company apart from local competitors by providing Japanese quality services 	<ul style="list-style-type: none"> Sofuku Koki: Racks for automated distribution centers Showa Bridge: Aluminum bridges STS Corp.: Laser instruments for surveying SIP: Elevating work platforms Higashi Electronics Industry : Printed circuit boards Uekin: Metal die fabrication 	<ul style="list-style-type: none"> Expanded the Suzhou Factory Constructed a factory in Thailand Updated and improved efficiency of a scaffold panel production line Introduced ALBATROSS manufacturing facilities

Transition of Investments

Capital Expenditures and Other Investments and Depreciation

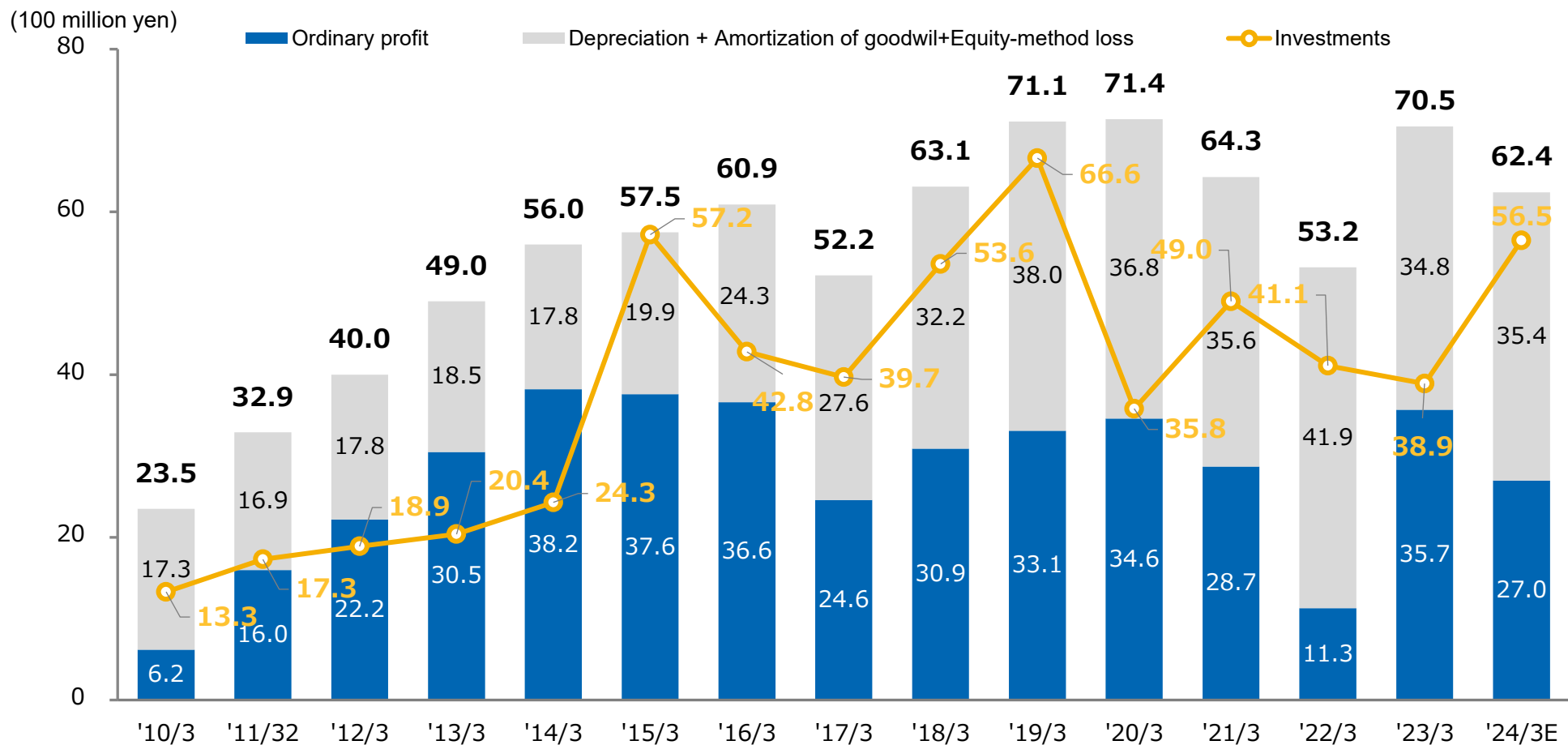


Listed on TSE first section (December 2014)

Transition of EBITDA, Investments, etc.

Steady EBITDA growth despite the increase in depreciation due to proactive investments

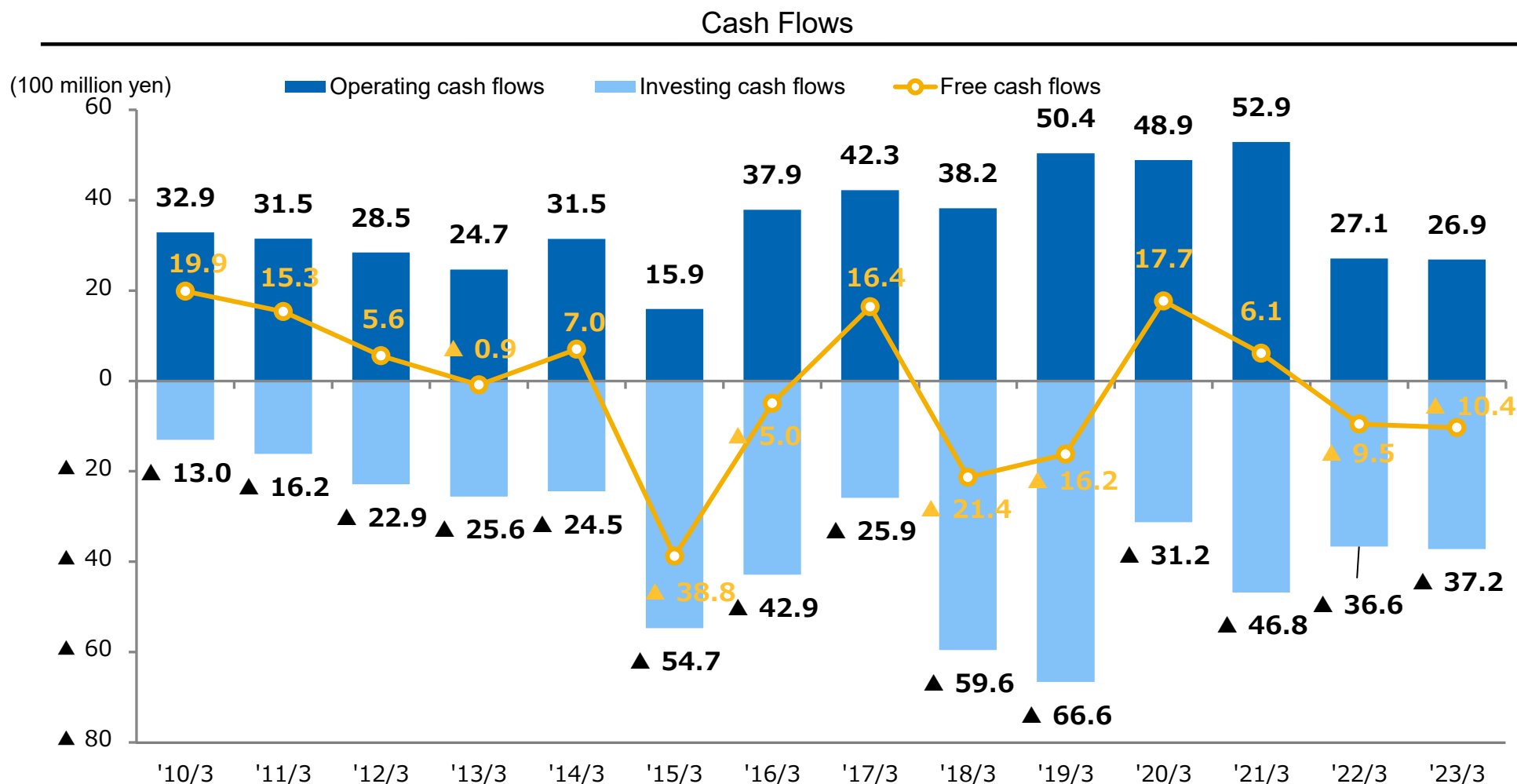
EBITDA and Investments



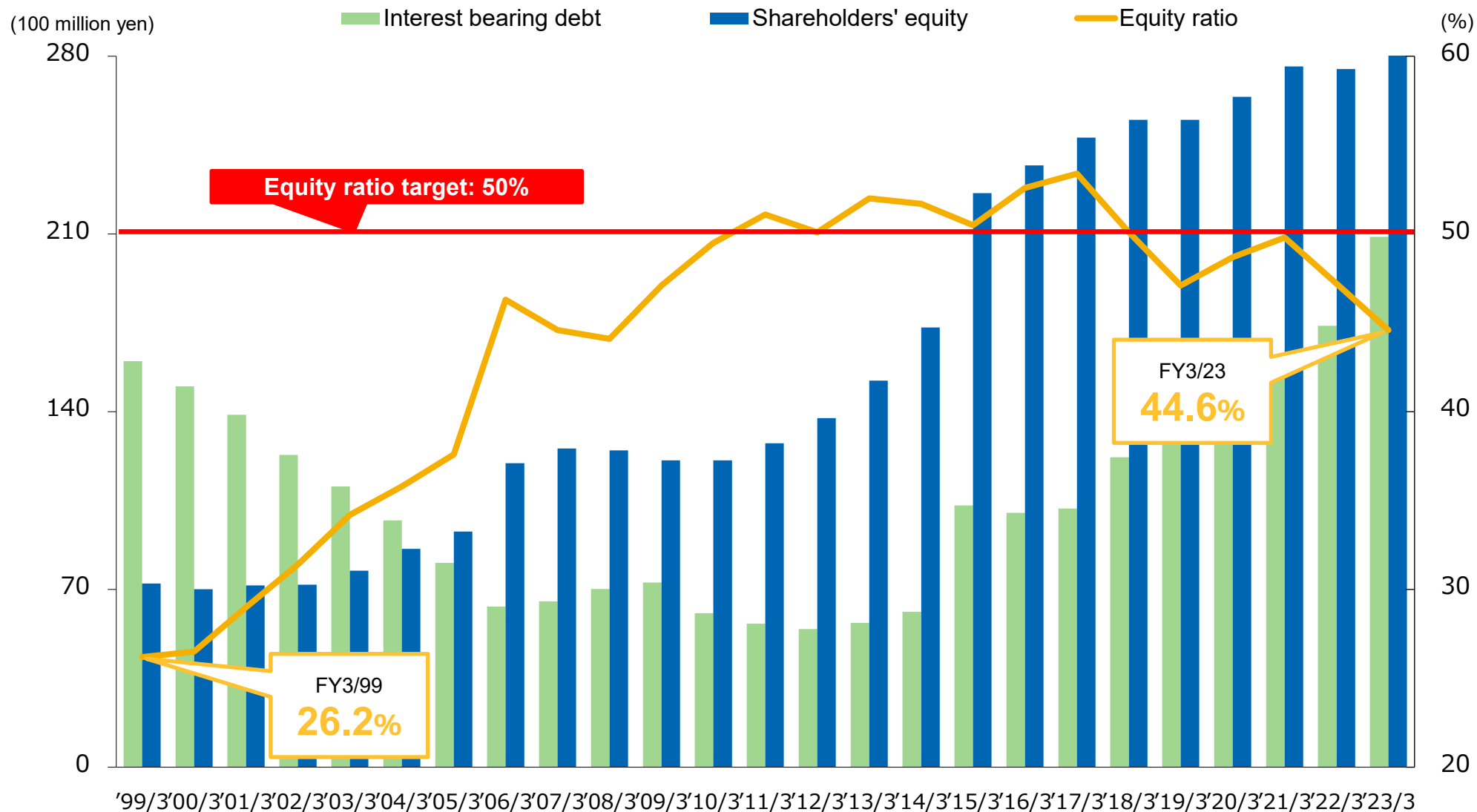
Transition of Cash Flows

Consistent growth in cash generation

Utilize generated cash for future investments



A Consistently Strong Financial Position



FY3/23 Results

Announced revisions to its consolidated business forecasts for FY3/23 on February 2

1. Revisions to Consolidated Financial Results Forecasts for the Fiscal Year Ending March 20, 2023 (March 21, 2022 through March 20, 2023)

	Consolidated net sales	Consolidated operating profit	Consolidated ordinary profit	Profit attributable to owners of parent	Consolidated earnings per share
Previously announced forecasts (A)	¥ million 58,020	¥ million 1,540	¥ million 1,660	¥ million 1,010	¥ 51.91
Revised forecasts (B)	60,300	2,150	3,400	1,450	74.27
Change (B-A)	2,280	610	1,740	440	
Change (%)	3.9	39.6	104.8	43.6	
(Reference) Results of previous fiscal year (Ended March 20, 2022)	55,255	1,119	1,126	451	23.28

* Excerpts from "Notice Concerning Revisions to Full-Year Financial Results Forecasts" released on February 2, 2023.

FY3/23 Consolidated Results

- ✓ Net sales reached a new record high thanks to steady progress in the number of users adopting the new ring lock ALBATROSS system and the opening of a new equipment center in Izumiotsu City, Osaka Prefecture in September 2022 to ensure a stable supply of both sales and rentals.
- ✓ Ordinary profit increased significantly from the previous year due to the hedging effect of forward exchange contracts and foreign exchange gains in the valuation of foreign currency-denominated assets, as well as a decrease in equity in losses of affiliates.

(Millions of yen)

	FY3/21	FY3/22	FY3/23	
	Results (% to sales)	Results (% to sales)	Results (% to sales)	YoY change
Net sales	53,341 (100.0%)	55,255 (100.0%)	60,717 (100.0%)	+5,461 (+9.9%)
Gross profit	15,029 (28.2%)	13,402 (24.3%)	14,919 (24.6%)	+1,516 (+11.3%)
SG&A expenses	12,475 (23.4%)	12,283 (22.2%)	12,498 (20.6%)	+215 (+1.8%)
Operating profit	2,554 (4.8%)	1,119 (2.0%)	2,420 (4.0%)	+1,301 (+116.3%)
Ordinary profit	2,874 (5.4%)	1,126 (2.0%)	3,568 (5.9%)	+2,442 (+216.9%)
Profit attributable to owners of parent	1,664 (3.1%)	451 (0.8%)	1,546 (2.5%)	+1,095 (+242.8%)
Investments in rental assets	1,785	2,048	1,813	-235
General capital expenditures	1,514	1,246	2,078	+832
Depreciation of rental assets	2,036	2,006	1,905	-100
Other depreciation	979	1,000	1,056	+55

FY3/23 Segment Information

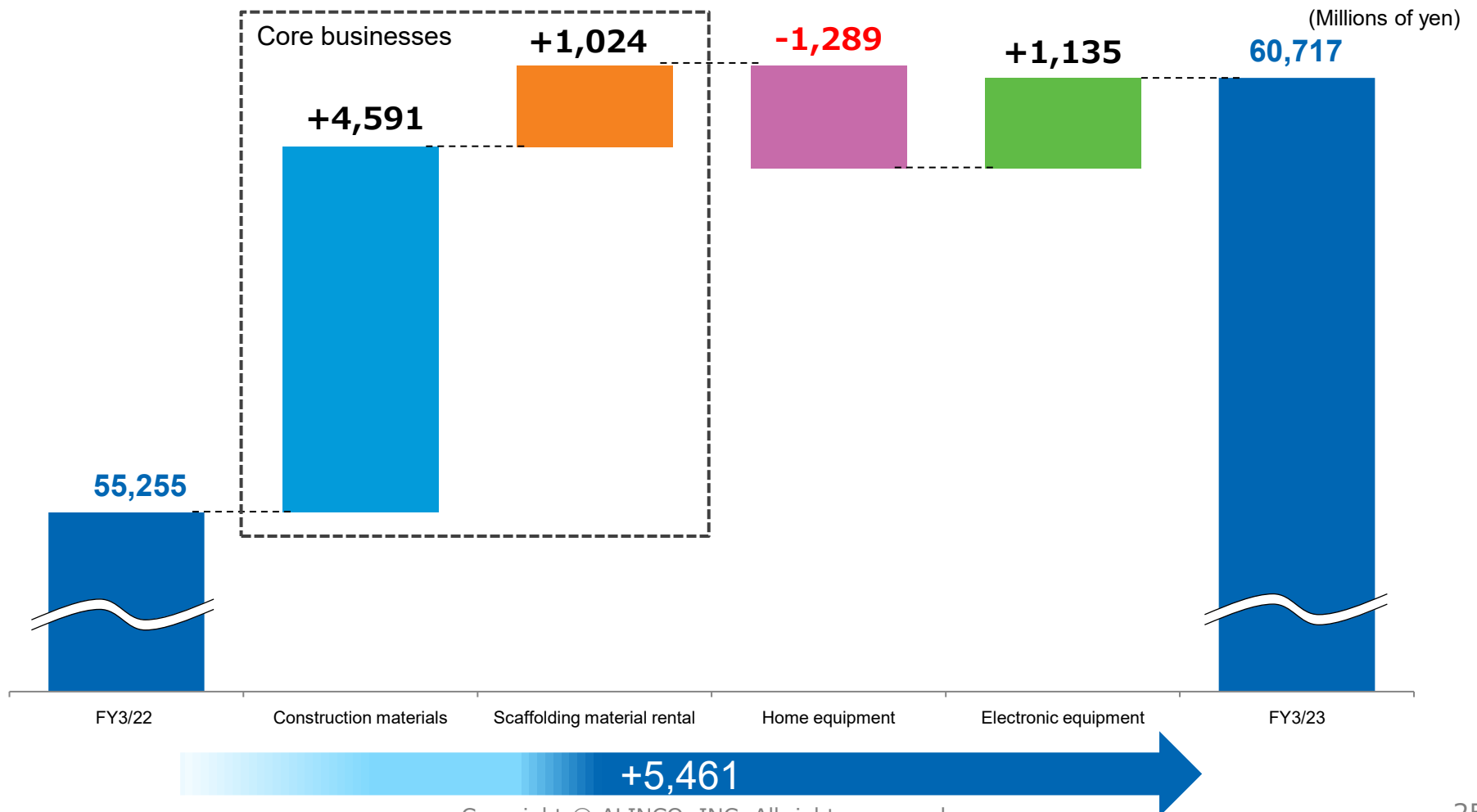
(Millions of yen)

Upper: Net sales Lower: Segment profit	FY3/21	FY3/22	FY3/23	
	Results	Results	Results	YoY change
Construction materials	17,400 1,410	19,880 1,349	24,472 2,767	+23.1% +105.2%
Scaffolding material rental	15,265 56	15,948 86	16,973 437	+6.4% +404.1%
Home equipment	16,925 1,029	15,070 -200	13,780 -124	-8.6% -
Electronic equipment	3,751 53	4,355 153	5,491 225	+26.1% +46.6%
Adjustment	- 323	- -263	- 261	- -
Consolidated total	53,341 2,874	55,255 1,126	60,717 3,568	+9.9% +216.9%

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

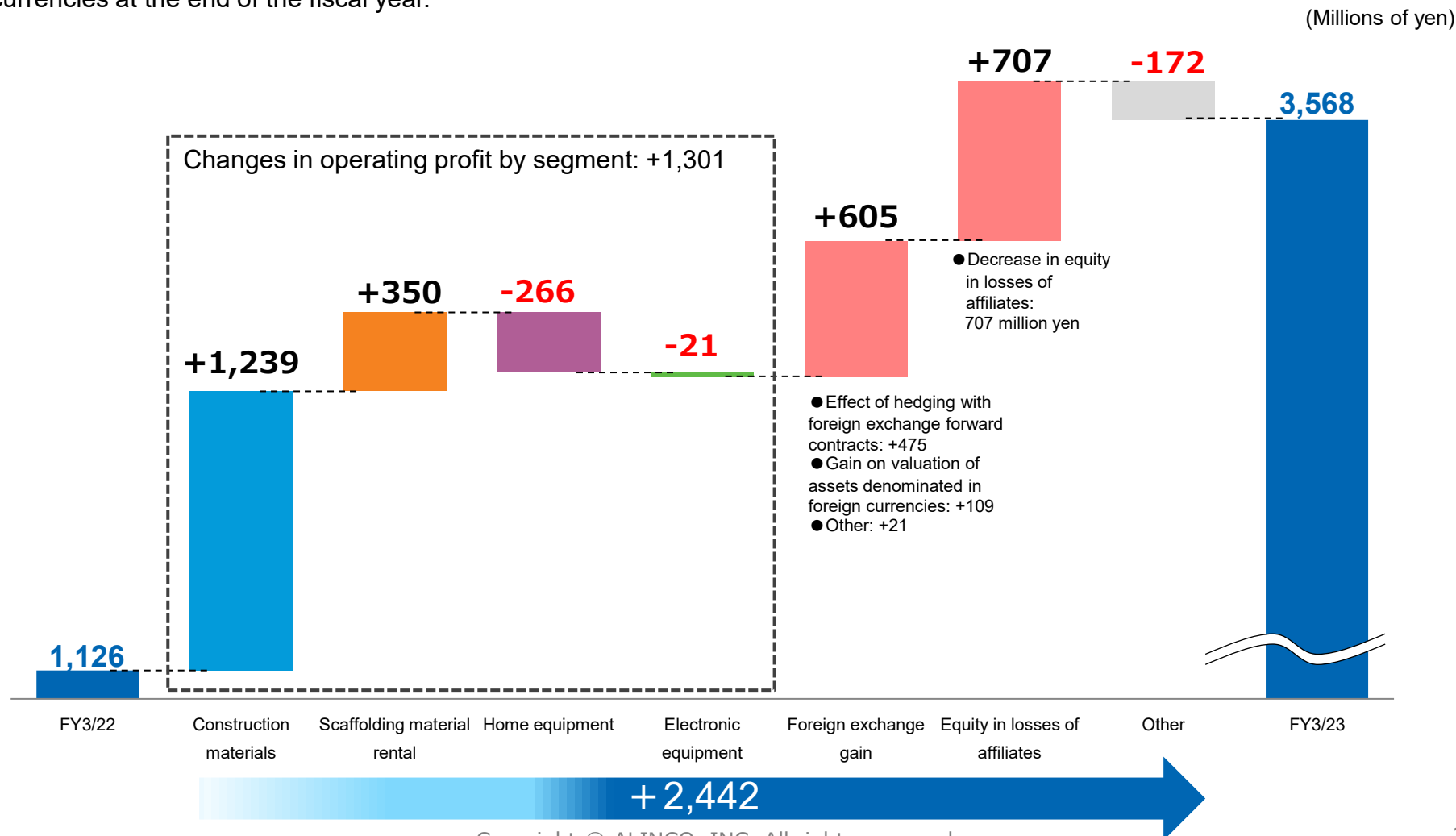
FY3/23 Factors behind Changes in Net Sales by Segment **ALINCO**

- ✓ Sales of the new ring lock ALBATROSS system rose 55% YoY, exceeding the level prior to the COVID-19 disaster and reaching a record high.
- ✓ Strong sales and rental performance in core businesses, centered on ALBATROSS.
- ✓ In the Logistics Related Business (Construction Materials and Products Segment), the number of orders increased, and net sales were strong, up 21.6% YoY.
- ✓ Fitness equipment sales declined 30% YoY. This is the main factor for the decline in sales in the Housing Equipment segment.
- ✓ In the Electronic Devices and Components Segment, HIGASHI ELECTRONICS INDUSTRY CO., LTD. (printed wiring boards manufacturing company) continued to expand orders after the acquisition.



FY3/23 Factors behind Changes in Ordinary Profit

- ✓ Ordinary profit increased significantly due to an increase in foreign exchange gains and a decrease in equity in losses of affiliates.
- ✓ Foreign exchange gains were generated by settlement gains from forward exchange contract positions that were more favorable than the prevailing rates, as well as valuation gains on the yen conversion of assets denominated in foreign currencies at the end of the fiscal year.

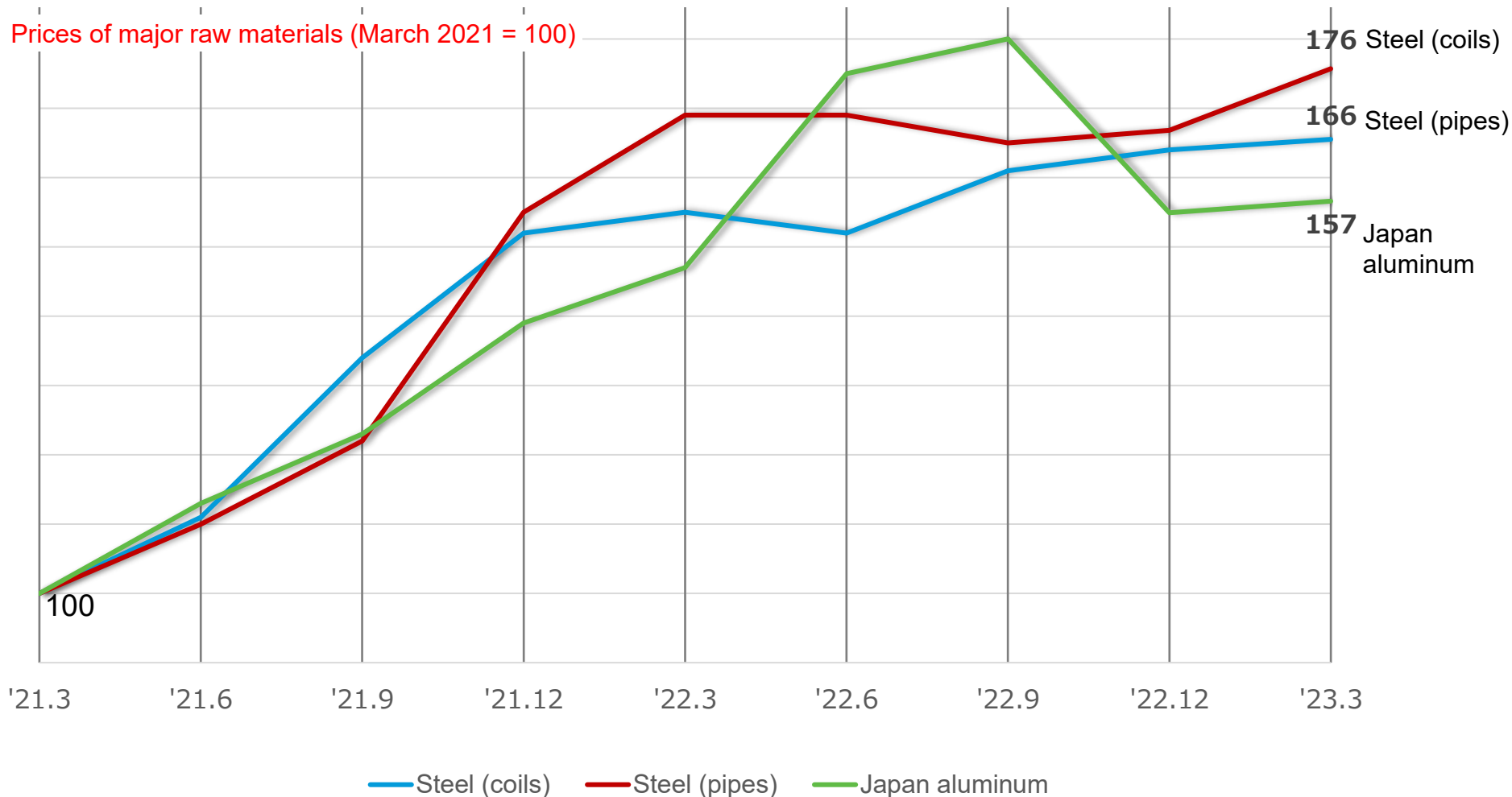


Performance by Segment for FY3/23

Construction materials	<ul style="list-style-type: none"> ✓ Strong sales of the new ring lock ALBATROSS system and SK Panels from the beginning of the year. ✓ Additional purchases of ALBATROSS from existing customers increased steadily. Its adoption by new customers and the development of related products for diversified usage sites also contributed to sales growth. ✓ ALBATROSS sales rose sharply by 55.0% YoY, exceeding the level before the COVID-19 crisis and reaching a record high. ✓ Profit margin improved gradually as we revised selling prices in line with rising prices of steel materials and other raw materials. 	Home equipment	<ul style="list-style-type: none"> ✓ Sales of products such as aluminum ladders and stepladders as well as brown rice storage refrigerators remained firm. Progress in sales of elevated work platforms and other products for work in high places and aluminum bridges. ✓ Meanwhile, we launched a number of new fitness equipment products. However, sales fell sharply due to the impact of the falling consumer sentiment, as a result of selling price revisions and rising prices. ✓ The effects of the price revisions gradually materialized, and the profitability of aluminum ladders and stepladders improved, but it was unable to compensate for the decrease in fitness equipment sales.
Scaffolding material rental	<ul style="list-style-type: none"> ✓ In the material rental for medium to high-rise buildings, the utilization rate of rental scaffolding materials, centered on the ALBATROSS, exceeded that of the previous year from the beginning of the fiscal year. ✓ Opened a new equipment center in Izumiotsu City, Osaka Prefecture, and expanded equipment investment and operational capacity. ✓ Orders remained steady for material rentals for low-rise buildings as a result of successful shifting to non-residential properties. ✓ Sales of rentals for events, which had been severely affected by the COVID-19 disaster, also showed signs of recovery after bottoming out. 	Electronic equipment	<ul style="list-style-type: none"> ✓ Strong sales of specified low-power wireless communication devices and wireless communication devices for business applications. ✓ Overseas sales of our wireless communication devices were robust due to sluggish sales by overseas manufacturers resulting from difficulties in procuring electronic components. ✓ In HIGASHI ELECTRONICS INDUSTRY CO., LTD., orders for printed wiring boards for semiconductor manufacturing equipment power supplies, and amusement increased even after M&A. The construction of a new plant begins to expand the production capacity.

Prices of Major Raw Materials

- ✓ Steel materials prices, which are heavily used, rose sharply in FY2021 and remained high. There are concerns that the price will rise again around the summer of FY2023, and we are working to respond to these concerns.
- ✓ We have worked to change its selling prices due to rising costs. Although a certain degree of effect has been confirmed, since the major raw material prices keep increasing, the effect from revised selling prices couldn't be 100% achieved.

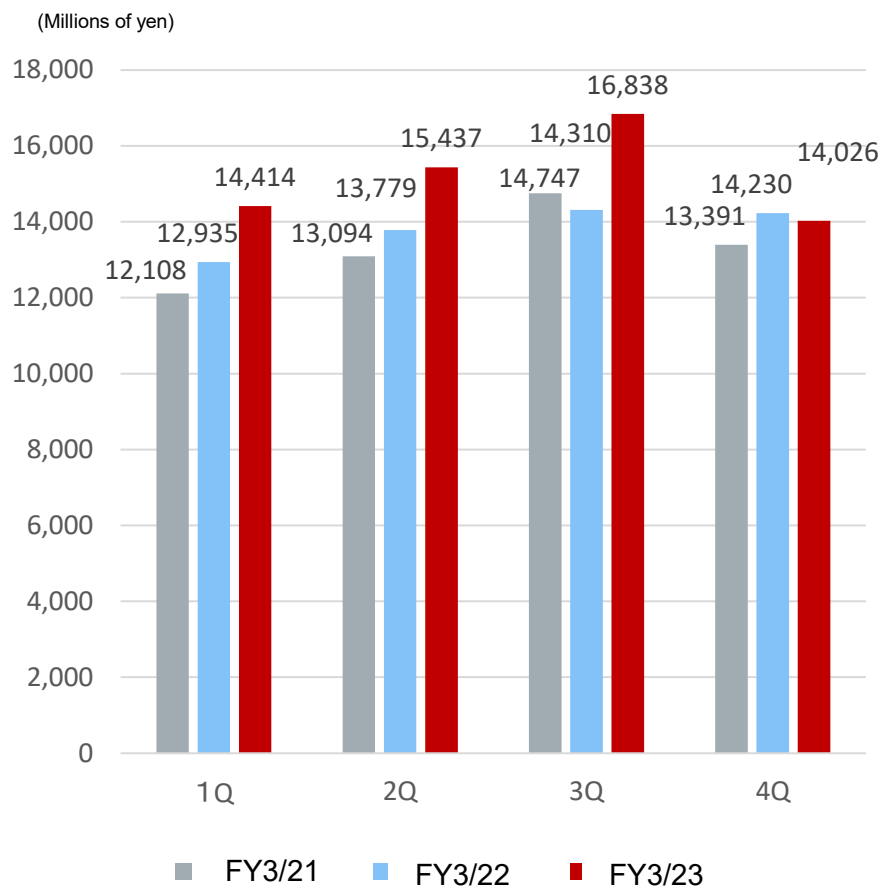


Yen-Dollar Exchange Rate

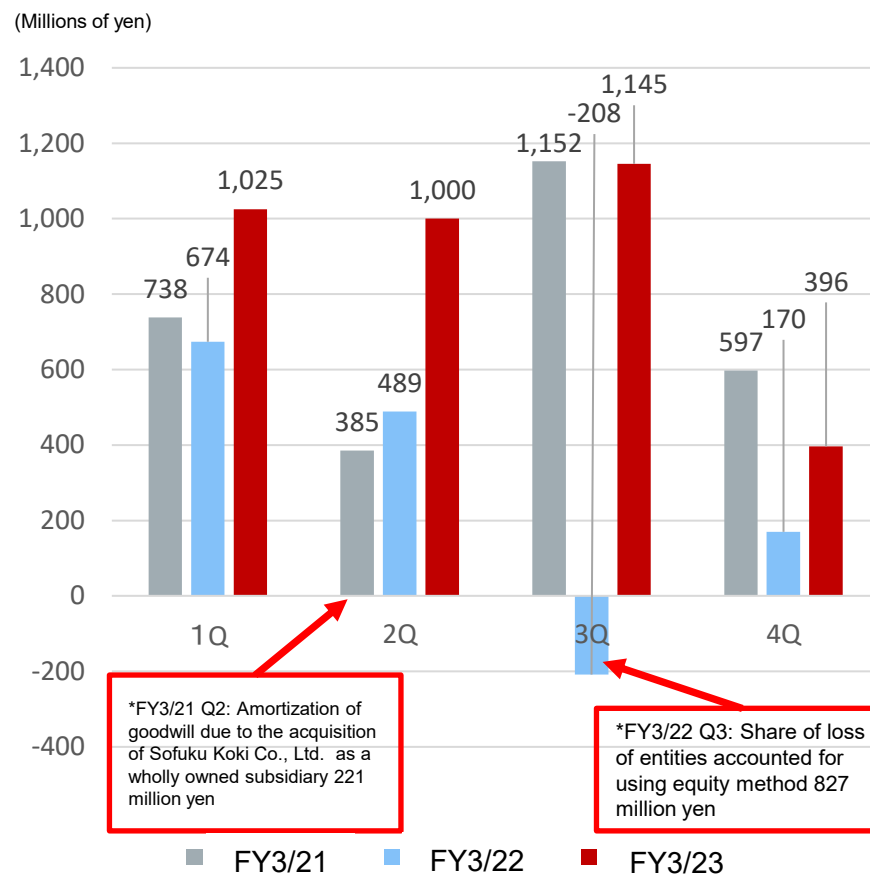


FY3/23 Quarterly Trends

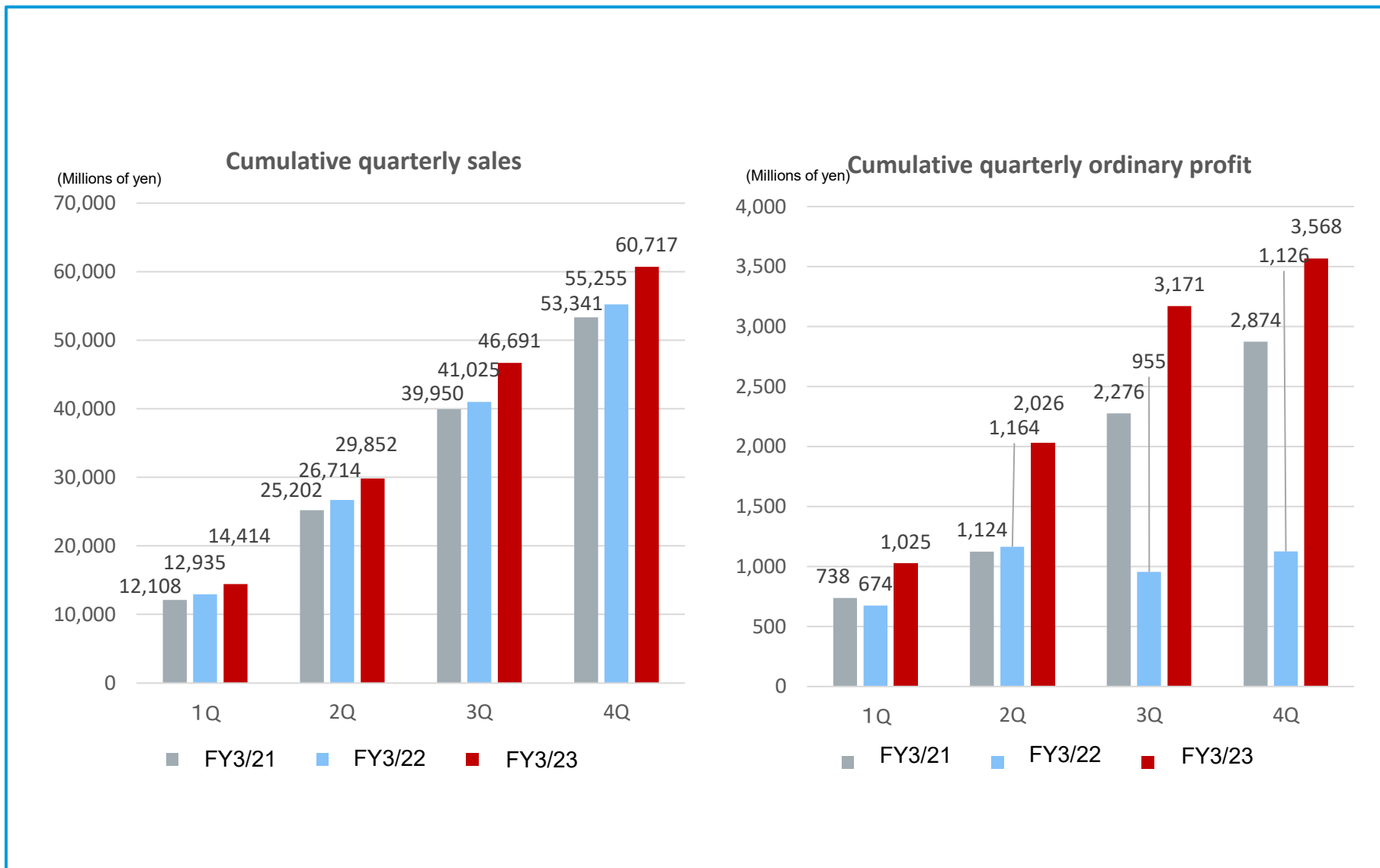
Quarterly net sales



Quarterly operating profit



FY3/23 Cumulative Quarterly Total



FY3/23 Consolidated Balance Sheet

(Millions of yen)

	FY3/22	FY3/23	
	Results (Comp.)	Results (Comp.)	YoY change
Current assets	36,435 (62.6%)	41,942 (65.9%)	+5,506 (+15.1%)
Non-current assets	21,798 (37.4%)	21,739 (34.1%)	-59 (-0.3%)
Total assets	58,234 (100.0%)	63,681 (100.0%)	+5,447 (+9.4%)
Current liabilities	20,005 (34.4%)	22,595 (35.5%)	+2,589 (+12.9%)
Non-current liabilities	10,710 (18.4%)	12,642 (19.9%)	+ 1,932 (+18.0%)
Total liabilities	30,716 (52.7%)	35,238 (55.3%)	+ 4,522 (+14.7%)
Net assets	27,518 (47.3%)	28,443 (44.7%)	+ 925 (+3.4%)
Total liabilities and net assets	58,234 (100.0%)	63,681 (100.0%)	+5,447 (+9.4%)
Equity ratio	47.2%	44.6%	-2.6ppt.
Debt equity ratio	0.63x	0.73x	+ 0.1ppt.

Major factors (Millions of yen)
Current assets Increase in inventories resulting from planned production due to the outlook for higher demand: +3,629
Non-current assets Increase in property, plant and equipment due to construction of a new plant of HIGASHI ELECTRONICS INDUSTRY CO., LTD.: +752 Increase due to acquisition of equity-method affiliates as subsidiaries: +280 Amortization of goodwill: -346 Decrease in net retirement benefit: -195
Liabilities Increase in long-term and short-term borrowings: +3,475 Increase in accrued taxes on income: +868
Net assets Profit attributable to owners of parent: +1,546 Dividend payments: -794

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

FY3/23 Consolidated Cash Flows

(Millions of yen)

	FY3/22	FY3/23		Major factors (Millions of yen)
	Results	Results	YoY change	
Cash flows from operating activities	2,711	2,688	-23	Operating cash flows (Decrease in income) Decrease in profit before income taxes: +1,939 Increase in inventory: -946 Operating cash flows (Increase in outflows) Decrease in purchase of shares of subsidiaries: +429 Decrease in purchase of property, plant and equipment: -223 Operating cash flows (Increase in income) Proceeds from an increase in borrowings: +1,930
Cash flows from investing activities	-3,664	-3,723	-59	
Cash flows from financing activities	583	2,537	+1,954	
Effect of exchange rate change on cash and cash equivalents	5,081	6,628	+1,547	
Free cash flows	-953	-1,035	-82	

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

- ✓ Cash flows from operating activities decreased from the previous fiscal year due to a planned increase in inventories in response to strong orders, despite an increase in income before income taxes and minority interests.
- ✓ Cash flows from investing activities increased from the previous fiscal year due to continued investment in rental assets, mainly the new ring lock ALBATROSS system, and the start of construction of a new plant by HIGASHI ELECTRONICS INDUSTRY CO., LTD., which is receiving an increasing number of orders.
- ✓ Loans were used to offset part of the negative free cash flows.

FY3/24 Forecast

FY3/24 Consolidated Statement of Income Plan



- ✓ We forecast sales of 62.4 billion yen, up 1.68 billion yen YoY (2.8% increase). Sales in all segments are expected to increase YoY, with the House Equipment and Electronic Equipment segment expected to contribute to sales growth.
- ✓ While the full-year effect of selling price increases will be a factor behind the increase in operating profit, fixed costs will increase, including higher personnel costs due to salary increases, and higher selling expenses due to normalization from the COVID-19 disaster and higher sales. Ordinary profit is expected to decline due to a drop in foreign exchange gains recorded in the previous fiscal year.

(Millions of yen)

	FY3/22 Results	FY3/23 Results			FY3/24 Plan		
		1H (YoY change: %)	2H (YoY change: %)	Full-year (YoY change: %)	1H (YoY change: %)	2H (YoY change: %)	Full year (YoY change: %)
Net sales	55,255	29,852 (+11.7%)	30,865 (+8.1%)	60,717 (+9.9%)	29,900 (+0.2%)	32,500 (+5.3%)	62,400 (+2.8%)
Gross profit	13,402	7,313 (+3.2%)	7,606 (+20.4%)	14,919 (+11.3%)	7,680 (+5.0%)	8,120 (+6.8%)	15,800 (+5.9%)
SG&A expenses	12,283	6,311 (+2.4%)	6,187 (+1.1%)	12,498 (+1.8%)	6,600 (+4.6%)	6,700 (+8.3%)	13,300 (+6.4%)
Operating profit	1,119	1,002 (+8.7%)	1,418 (+620.4%)	2,420 (+116.3%)	1,080 (+7.8%)	1,420 (+0.1%)	2,500 (+3.3%)
Ordinary profit	1,126	2,026 (+74.1%)	1,542 (-)	3,568 (+216.9%)	1,200 (-40.8%)	1,500 (-2.7%)	2,700 (-24.3%)
Profit attributable to owners of parent	451	1,222 (+63.4%)	324 (-)	1,546 (+242.8%)	840 (-31.3%)	860 (+165.4%)	1,700 (+9.9%)
Investments in rental assets	2,048	---	---	1,813	---	---	2,248
General capital expenditures	1,246	---	---	2,078	---	---	3,396
Depreciation of rental assets	2,006	---	---	1,905	---	---	1,907
Other depreciation	1,000	---	---	1,056	---	---	1,331

FY3/24 Business Segment Plans

(Millions of yen)

Upper: Net sales Lower: Segment profit	FY3/22 Results	FY3/23 Results			FY3/24 Plan			
		1H	2H	Full year	1H	2H	Full year	YoY change
Construction materials	19,880 1,349	12,068 1,334	12,404 1,433	24,472 2,767	11,800 1,180	13,000 1,220	24,800 2,400	+1.3% -13.3%
Scaffolding material rental	15,948 86	8,228 212	8,744 225	16,973 437	8,300 90	8,900 120	17,200 210	+1.3% -52.0%
Home equipment	15,070 -200	6,829 -156	6,950 32	13,780 -124	6,990 -210	7,510 88	14,500 -120	+5.2% -
Electronic equipment	4,355 153	2,725 156	2,765 68	5,491 225	2,810 80	3,090 55	5,900 130	+7.4% -42.3%
Adjustment	- -263	- 479	- -217	- 261	- 60	- 17	- 80	- -
Consolidated total	55,255 1,126	29,852 2,026	30,865 1,542	60,717 3,568	29,900 1,200	32,500 1,500	62,400 2,700	+2.8% -24.3%

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

Assumptions and Outlook Used for the FY3/24 Forecast **ALINCO**

Market conditions

- ✓ Although economic activity is on a recovery trend, the environment is expected to remain challenging due to stagnant consumer sentiment stemming from rising prices and various cost increases.
- ✓ Construction demand, including potential ones, is expected to remain at a high level, and demand for the new ring lock ALBATROSS system is expected to continue in terms of both sales and rental.
- ✓ Uncertainty in the financial markets remains, but the assumption of a yen-dollar exchange rate of 125 yen.
- ✓ The effects of sales price revisions already implemented lead to steady improvement in profits.

Construction materials

- ✓ Sales from rental scaffolding materials are expected to increase by 830 million yen YoY to 17.89 billion yen.
- ✓ Logistics-related sales are expected to decrease by 500 million yen to 6.9 billion yen.
- ✓ Full-year contribution from sales price increases, but anticipated rises in raw material prices.
- ✓ Additional sales price revisions are not assumed.

Home equipment

- ✓ Sales of fitness equipment increased 600 million yen year on year to 4.27 billion yen due to a review of pricing strategies under high prices and the development of new customers through the development of new brands.
- ✓ Additional sales price revisions will be undertaken for aluminum lifting products and other products to counter rising import costs due to the rapid depreciation of the yen in the previous year.

Scaffolding material rental

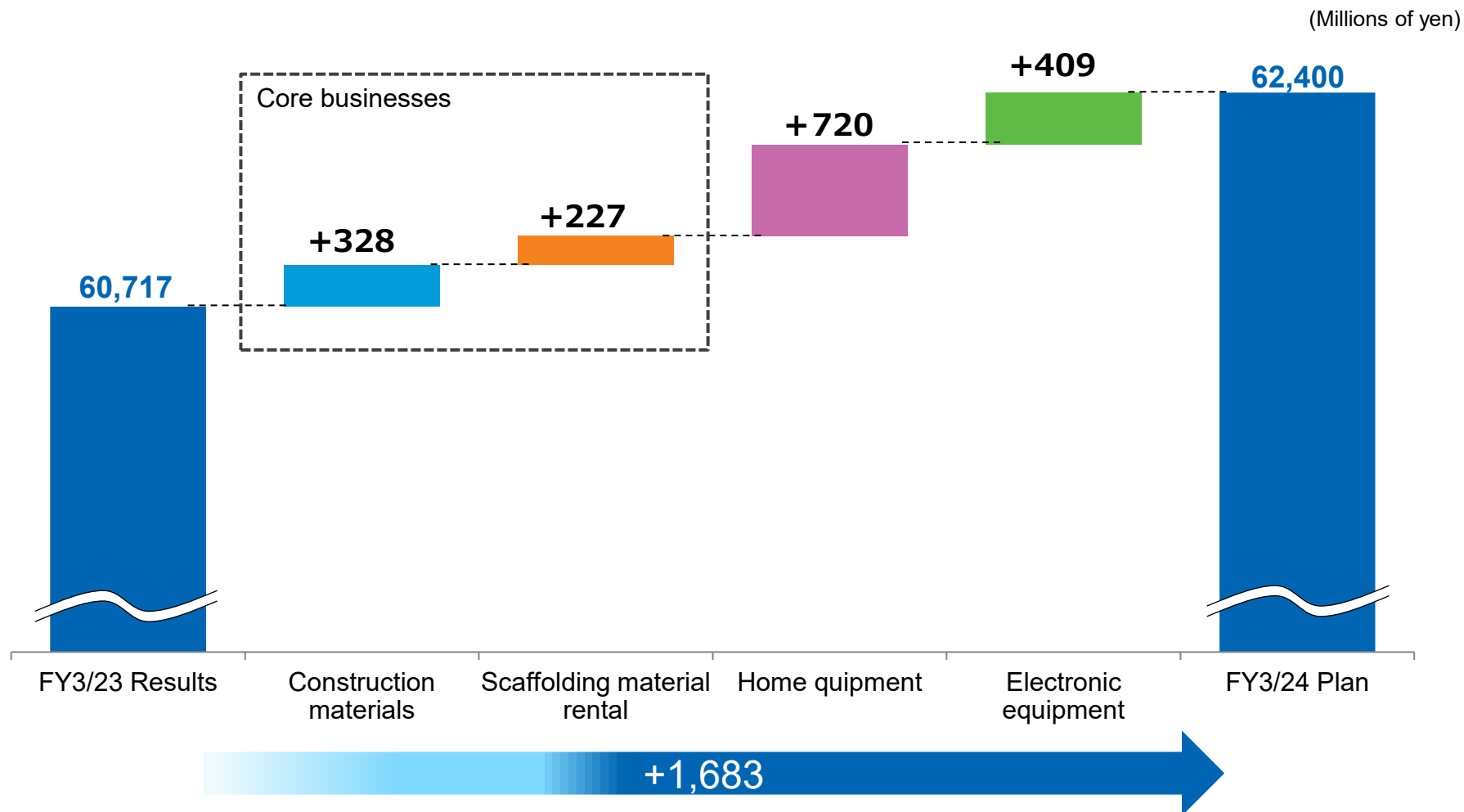
- ✓ Equipment utilization rates are expected to remain at a high level, but increased fixed costs due to the construction of additional equipment yards will put pressure on profits.
- ✓ Working to revise the rental unit price, but the effect is uncertain due to the severe competitive environment.
- ✓ Investment in rental assets for the new scaffolding will continue in collaboration with sales. However, depreciation and amortization of rental assets remained unchanged from the previous fiscal year.

Electronic equipment

- ✓ Expand sales with new product groups (IP radio and application radio) with portability and call reachability that is not covered by existing specified low-power and simple business radio systems.
- ✓ In terms of technology, we aim to expand market share with the launch of wireless modules equipped with new digital systems.
- ✓ The new plant of HIGASHI ELECTRONICS INDUSTRY CO., LTD. is scheduled to start operation in the 2H of the fiscal year, and the rate of in-house production will improve, but depreciation will be incurred in advance.

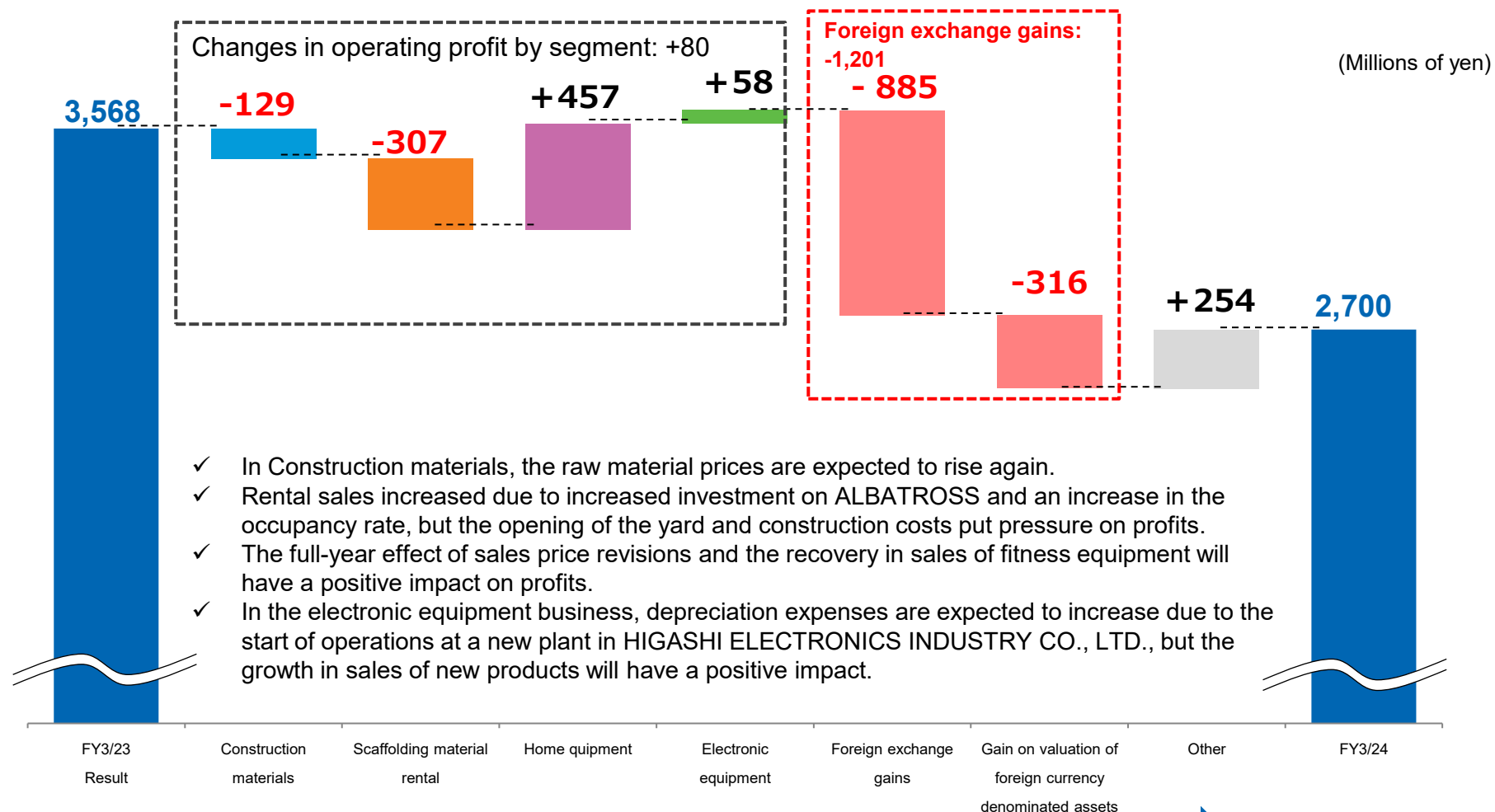
FY3/24 Forecast for Changes in Sales by Segment

- ✓ Sales in all segments are expected to be higher than in FY3/23.
- ✓ Plans to expand sales in non-core fields while maintaining steady sales in core businesses.
- ✓ In particular, fitness equipment, which saw a sharp decline in sales in the previous fiscal year, is aiming to recover sales by revising its pricing strategy under high prices and cultivating customers through new branding.



FY3/24 Forecast for Changes in Ordinary Profit by Segment

- ✓ Ordinary profit is expected to decrease due to a significant decrease in forward exchange contracts.
- ✓ In FY3/24, the difference between the assumed rate and the foreign exchange forward contract position narrowed, resulting in a decrease in settlement gains, and a decrease in valuation gains on assets denominated in foreign currencies, leading to a decrease in foreign exchange gains.



- ✓ In Construction materials, the raw material prices are expected to rise again.
- ✓ Rental sales increased due to increased investment on ALBATROSS and an increase in the occupancy rate, but the opening of the yard and construction costs put pressure on profits.
- ✓ The full-year effect of sales price revisions and the recovery in sales of fitness equipment will have a positive impact on profits.
- ✓ In the electronic equipment business, depreciation expenses are expected to increase due to the start of operations at a new plant in HIGASHI ELECTRONICS INDUSTRY CO., LTD., but the growth in sales of new products will have a positive impact.

Progress in the Medium-term Business Plan

Revised Targets in Medium-Term Business Plan 2024 announced on May 2

- ✓ In order to align with the full-year earnings forecasts for FY3/24, we reviewed numerical targets in the Medium-Term Management Plan 2024 announced on April 30, 2021, and disclosed the revised figures on May 2, 2023 as "Notice of Revision of Medium-Term Business Plan."
- ✓ In the following pages, the original numerical targets in the medium-term business plan remain unchanged and are compared with the forecasts for FY3/24.

1. Reasons for Revision of Numerical Targets

Over the 3-year period from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024, we worked to deepen our business in the areas of manufacturing, sales, and rental of scaffolding materials, which we have positioned as our core business, and to build a business foundation to expand the scope of our other businesses. As a result, despite the impact of COVID-19, an increase in the number of users adopting the new ring lock ALBATROSS system and strong orders for printed wiring boards of HIGASHI ELECTRONICS INDUSTRY CO., LTD. acquired during the planned period, contributed to the steady growth in net sales. With this, sales are expected to exceed the targets of the medium-term Business plan and reach record highs.

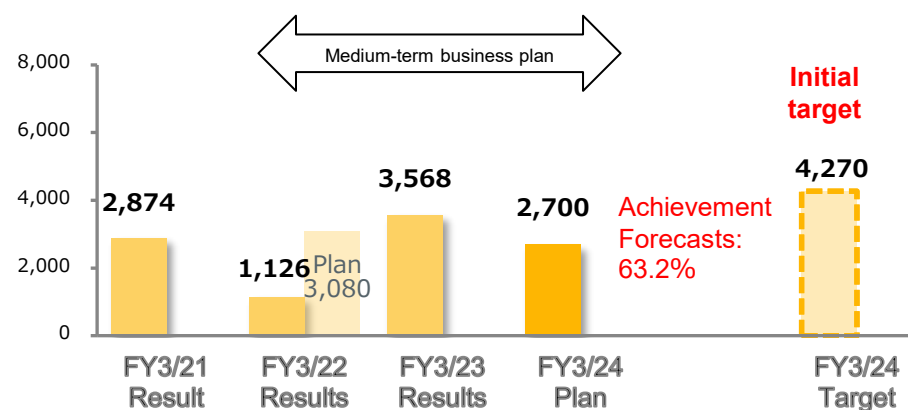
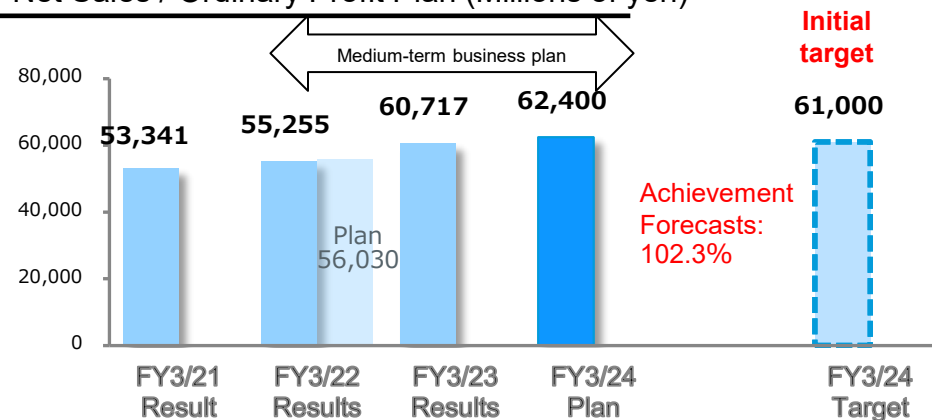
However, the economic stagnation caused by COVID-19 and Russia's invasion of Ukraine led to a surge in commodity and energy prices, and the depreciation of the yen amid global monetary tightening was faster than anticipated when the plan was formulated, and was a major constraint on profits. In response to rising raw material prices and rising import prices due to the depreciation of the yen, we have implemented measures such as revising sales prices. However, due to the continuing trend of these factors in advance of the effectiveness of price revisions, we have decided to review the numerical targets for the final year of the plan (for the fiscal year ending March 2024) as follows.

* Extracts from the "Notice of Revision of Medium-Term Business Plan" published on May 2, 2023.

	FY3/24 targets			FY3/24 forecasts	
	Net sales/ Operating profit (Millions of yen)	Financial KPI		Net sales/ Operating profit (Millions of yen)	Financial KPI
Net sales	61,000	<ul style="list-style-type: none"> ■ Ordinary profit margin: 7.0% ■ ROE: 9.0% ■ Shareholders' equity ratio: 50.0% 	62,400	<ul style="list-style-type: none"> ■ Ordinary profit margin: 4.3% ■ ROE: 6.0% ■ Shareholders' equity ratio: 45.0% 	
Ordinary profit	4,270		2,700		

Management Numerical Targets in the Medium-term Business Plan 2024 (Consolidated Basis)

Net Sales / Ordinary Profit Plan (Millions of yen)



	FY3/23 Results		FY3/24 Plan		FY3/24 Initial targets	
	Net sales/ Ordinary profit	Financial KPIs	Net sales/ Ordinary profit	Financial KPIs	Net sales/ Ordinary profit	Financial KPIs
Net sales	60,717		62,400		61,000	
Construction materials	24,472	■ Ordinary profit to net sales: 5.9%	24,800	■ Ordinary profit to net sales: 4.3%	21,260	■ Ordinary profit to net sales: 7.0%
Scaffolding material rental	16,973		17,200		16,710	
Home equipment	13,780	■ ROE: 5.5%	14,500	■ ROE: 6.0%	18,000	■ ROE: 9.0%
Electronic equipment	5,491		5,900		5,030	
Ordinary profit	3,568		2,700		4,270	
Construction materials	2,767	■ Equity ratio: 44.6%	2,400	■ Equity ratio: 45.0%	2,551	■ Equity ratio: 50.0%
Scaffolding material rental	437		210		248	
Home equipment	-124		-120		830	
Electronic equipment	225		130		460	
Adjustments	261		80		180	

Medium-term Investment Plan

Investment under the Medium-Term Business Plan 2024 is planned to be 15.3 billion yen over 3 years for further growth.

Category	Amount (FY3/23-FY3/24)				
	Plan	Results	Forecast	Already implemented + Planned (vs. plan)	
Rental assets	¥6.1 billion	¥3.86 billion	¥2.25 billion	¥6.11 billion (100%)	<ul style="list-style-type: none"> Expand the market share of ALBATROSS Increase the percentage of high value-added assets
Productivity and capacity	¥3.0 billion	¥2.37 billion	¥2.15 billion	¥4.52 billion (98%)	<ul style="list-style-type: none"> Maintain and streamline distribution bases Automate the manufacturing processes
Development of new products	¥1.6 billion				
M&A activities	¥4.5 billion	¥1.77 billion ※	¥1.25 billion ※	¥3.02 billion (67%)	<ul style="list-style-type: none"> Perform M&A with companies which have influence in niche markets to create synergies with our business
Human resource development	¥0.1 billion	¥0.07 billion	¥0.04 billion	¥0.11 billion (110%)	<ul style="list-style-type: none"> Recruit individuals with advanced professional skills
Three-year total	¥15.3 billion	¥8.07 billion	¥5.69 billion	¥13.7 billion (90%)	

* The "already implemented" and "planned" columns for M&A-related investments include the investment in the construction of a new factory executed in the PMI of HIGASHI ELECTRONICS INDUSTRY CO., LTD. Copyright © ALINCO. INC. All rights reserved.

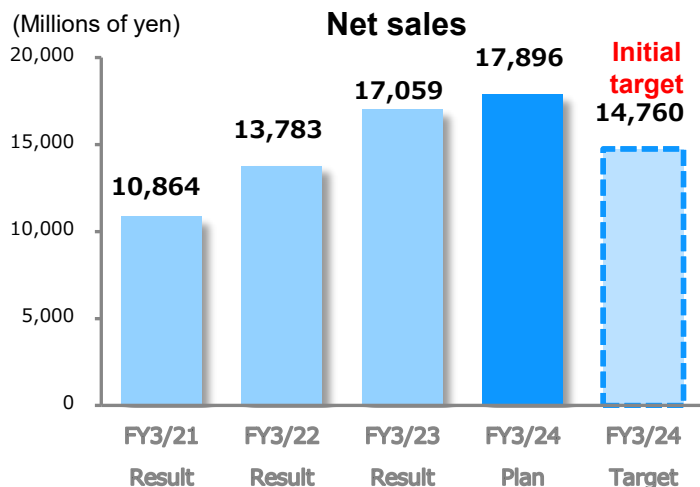
Medium and long-term management issues

- Continue the diversification of business operations
- Use the consistency of business performance to create new opportunities

Construction materials/ Scaffolding material rental	Capture the leading share of the market for ALBATROSS
	Develop products for more applicability of ALBATROSS
	Make production and distribution activities more efficient
	Grow the Asian market for scaffolding and other construction materials
	Expand logistics related business
Home equipment	Expand fitness equipment business
	Perform M&A to pursue synergy advantages
Electronic equipment	Advance from wireless devices to data communication products

* Low Power Wide Area Low-power long-distance communication method

Construction materials



Key initiatives

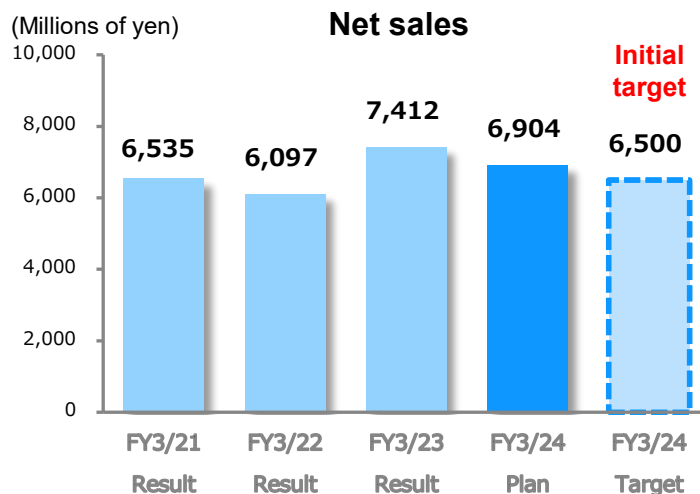
New scaffolding

- Encourage customers to make a shift from traditional frame scaffolding to ALBATROSS in order to expand the market share further
- Develop more optional products for ALBATROSS and expand business to the civil engineering sector
- Meet the demand of SK panel platform for expressway renovation projects
- Expand the composition of aluminum platforms and other new products

Progress with initiatives

- ALBATROSS steadily increased its market shares. Contributed to expanding market share by increasing the applicable sites through the development of optional products.
- Increase in market share of new-model scaffolds spread to increase sales of other products
- Raw material price increase offset by price increase and sales volume increase

Logistics



Key initiatives

Next-generation distribution centers

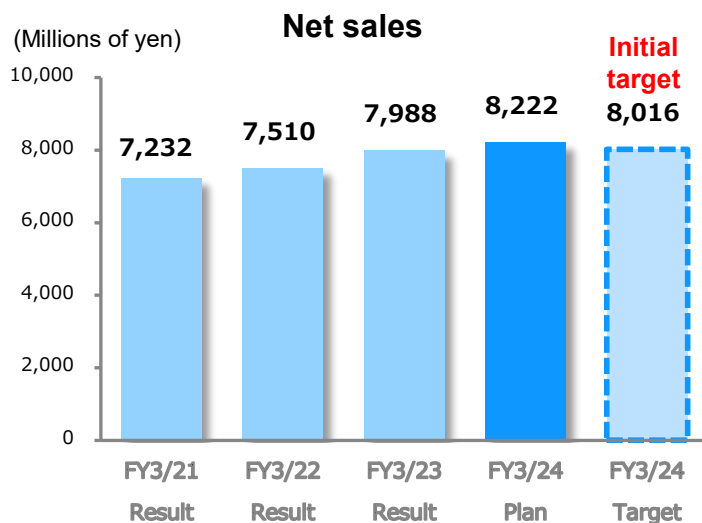
- Meet the increasing demand for construction large distribution facilities as the e-commerce industry continues to grow
- Meet the demand for the earthquake resistance and precision required by multi-function, high-performance storage systems used at large distribution facilities

Progress with initiatives

- Logistics-related sales fluctuated depending on the scale of orders received, but demand is firm and the service is expanding.
- The acquisition of Uekin contributed to the growth of this segment.
- Although we increased selling prices, the impact of raw material price hikes preceded the impact of the price increases, putting pressure on profits.

Scaffolding Material Rental Segment

Medium and high-rise buildings



Key initiatives

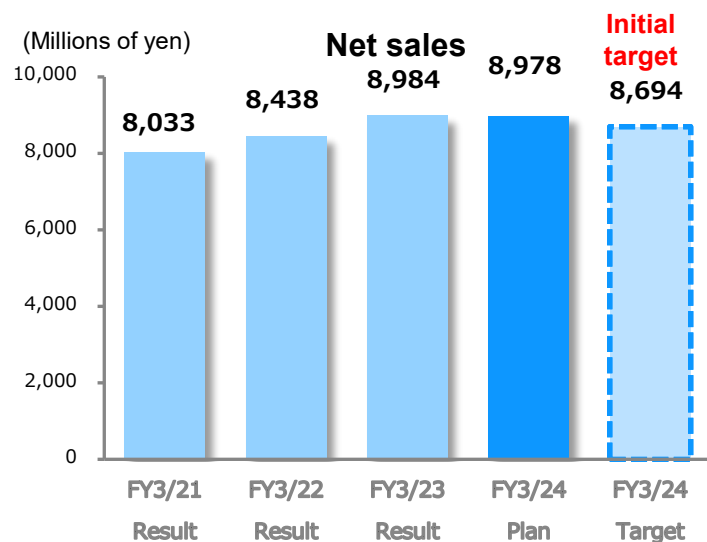
New scaffolding

- Expand the market share of ALBATROSS further by cooperating with sales department
- Deploy to new fields such as, civil engineering, frame supporting, and consignment lease
- Make a shift in assets to ALBATROSS and product with high gross profit

Progress with initiatives

- Benefiting from synergies created as ALBATROSS expands market share and increases as a pct. of total assets
- Sales and rental activities are working together to identify new customer needs, resulting in more sales growth
- Profits were under pressure as fixed costs increased due to the opening of yards amidst a slow recovery in rental unit costs.

Low-rise and other building



Key initiatives

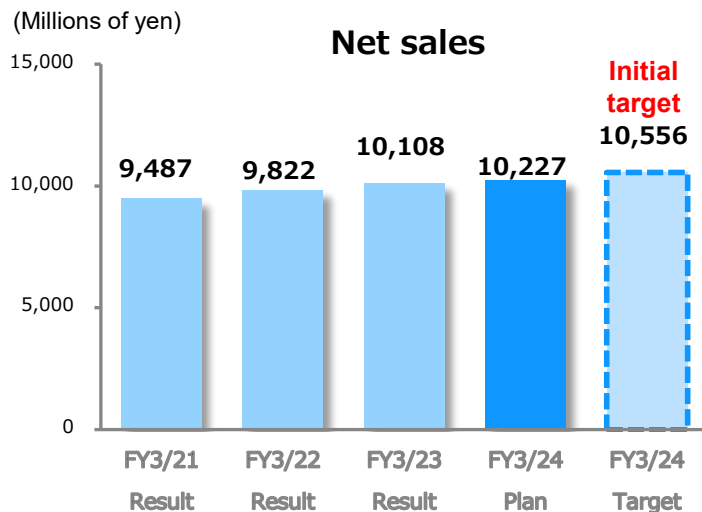
Events are resuming

- Expand use of the oct system (one-stop provision of scaffolding transport, installation and removal), currently mainly for low-rise buildings, to medium and high-rise buildings, which have high profit margins
- Invest new product of event-related rental equipment as orders are increasing because of resumption of various events that has stopped due to pandemic

Progress with initiatives

- Products for events were greatly affected by COVID-19, but demand is steadily recovering and performances are on a recovery trend due to the investment of new products.
- Lower-tier rental business improved due to progress in expansion into mid-tier properties.

Home equipment



Key initiatives

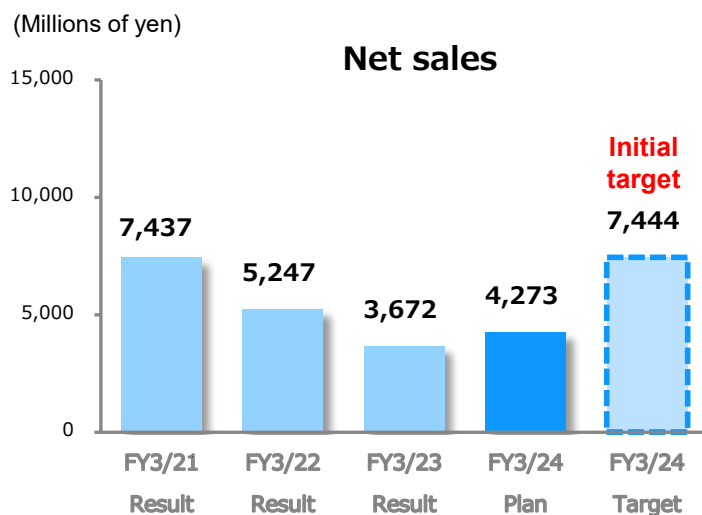
BtoB

- Increase market share by launching a diverse array of new products by using the strong existing sales channels in the B-to-C sector (home improvement centers, large retail stores, etc.) and the B-to-B sector (hardware stores, trading companies for machine tools, etc.)
- Strengthen sales operations by using sales engineers to capture more custom and bespoke orders
- Aim for synergies extending from production to sales with companies that were acquired during the past few years

Progress with initiatives

- B-to-B channels are expanding due to the decline in the impact of the pandemic and synergies from the acquisition of a company.
- Impact from soaring materials price and rapid of depreciation of yen are larger than anticipated. Price revisions to incorporate higher expenses are holding down sales.

Fitness



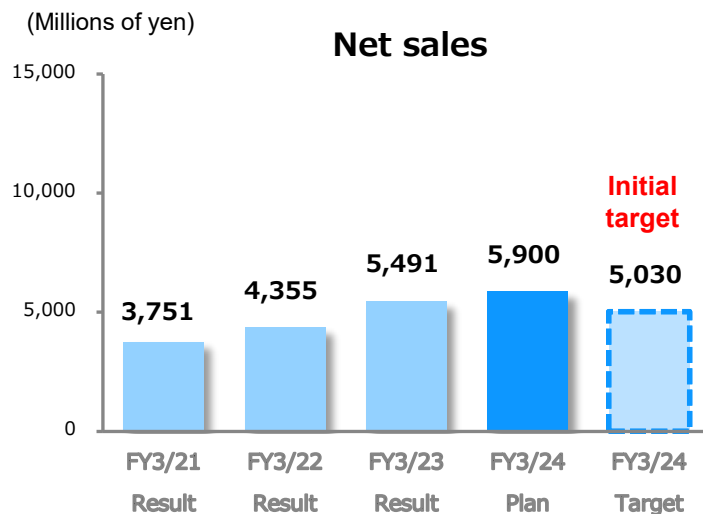
Key initiatives

New sales channels

- Launch new products for sale using e-commerce, which continues to grow, and other media for further growth in sales
- Establish channels for selling products to assisted living homes for seniors and nursing care facilities
- Start a fitness equipment rental business
- Add products in new categories, such as beauty products and training machines for fitness center

Progress with initiatives

- A reactionary decline in stay-at-home demand under the COVID-19 disaster, delays in the development of new products due to restrictions on overseas travel, and stagnant consumer sentiment due to rising prices led to a sharp decline in sales.
- In terms of costs, continuous and rapid changes in the yen's depreciation environment have not kept the supply chain in control.



Key initiatives

IoT

- For growth in the IoT sector, add new categories of products, such as IP wireless, app wireless and sensor modules, that combine ALINCO's existing wireless communication technologies with internet, mobile phone and other telecommunications infrastructures.
- Start using a subscription business model for growth in new product categories.

Progress with initiatives

- M&A in HIGASHI ELECTRONICS INDUSTRY accelerated business expansion in this segment. However, profitability declined due to a decline in the in-house production ratio as demand increased in advance to invest in increasing production. The construction new plant is scheduled for completion in the 2H of FY3/24.
- Product development delayed in IoT strategy; full-scale sales start in FY3/24.

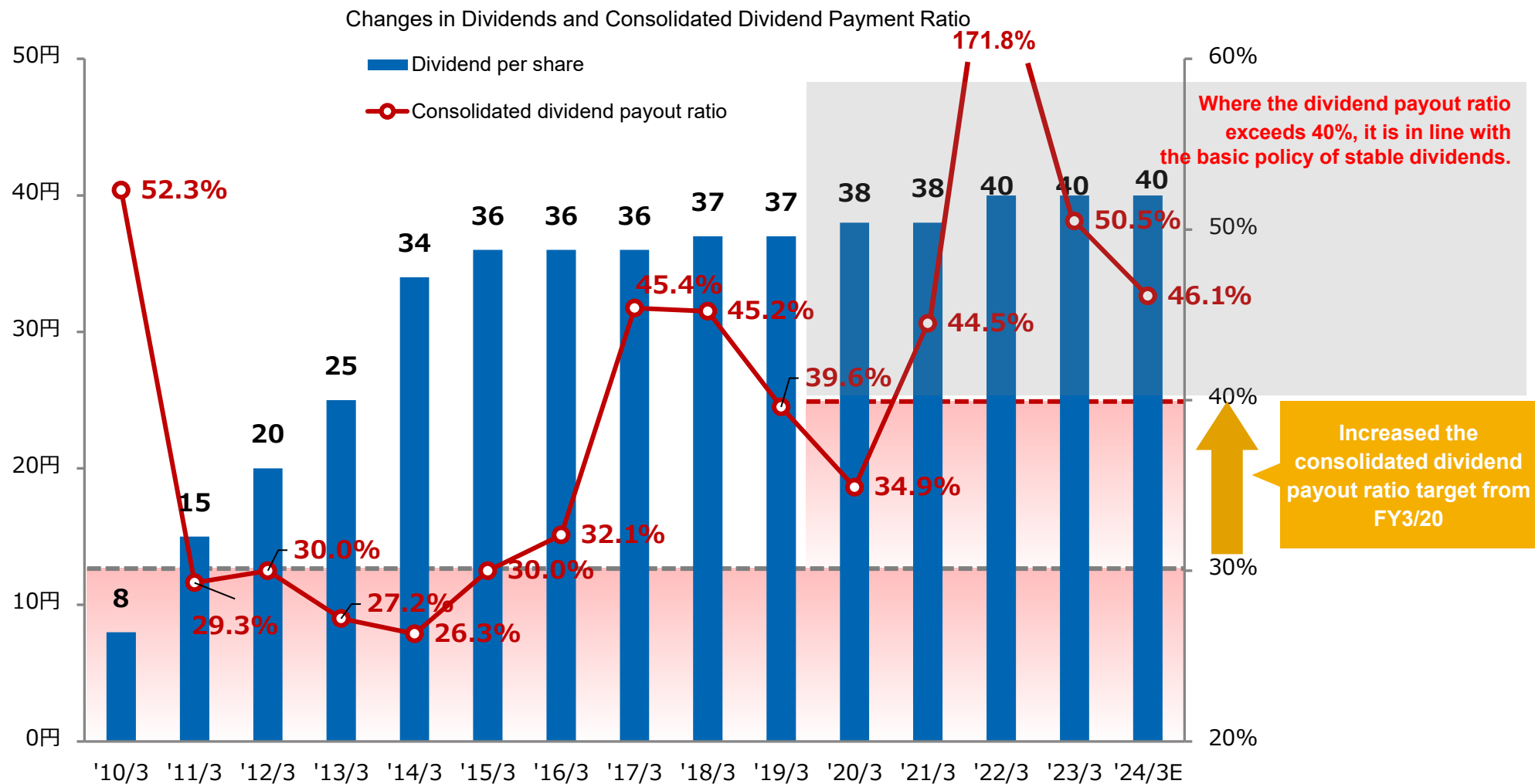
One more key initiative – Promote M&A

As our M&A strategy which has been promoted and realized until now, we will continue actively to seek synergies that beneficial for our company's diversified and niche management resources.

Shareholder Returns

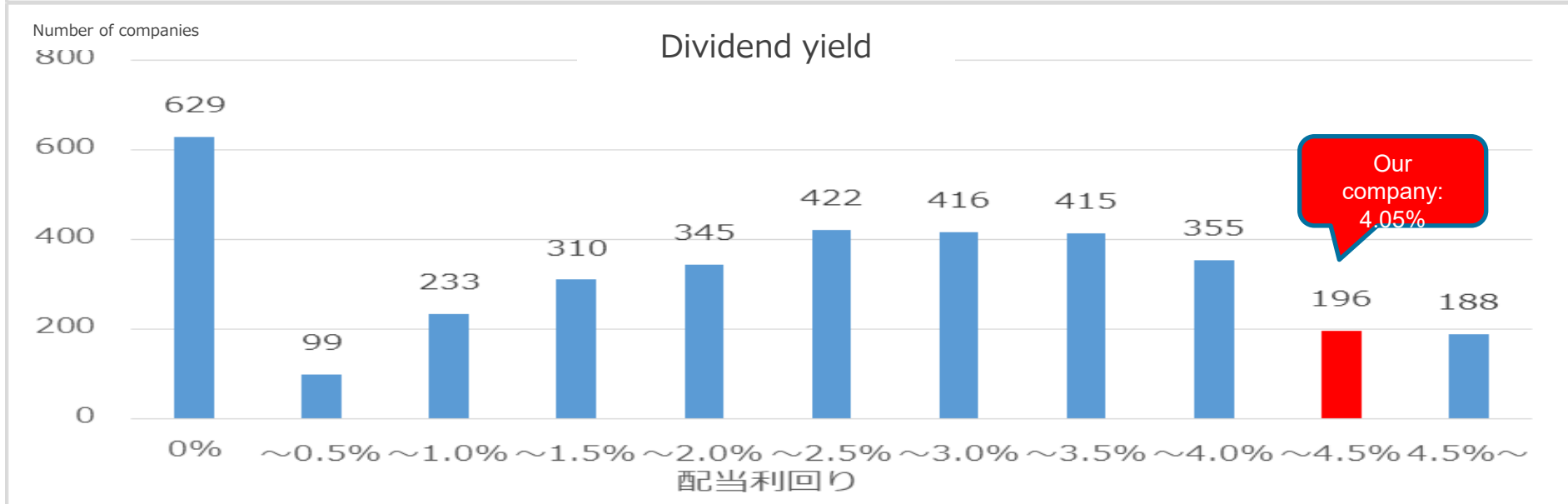
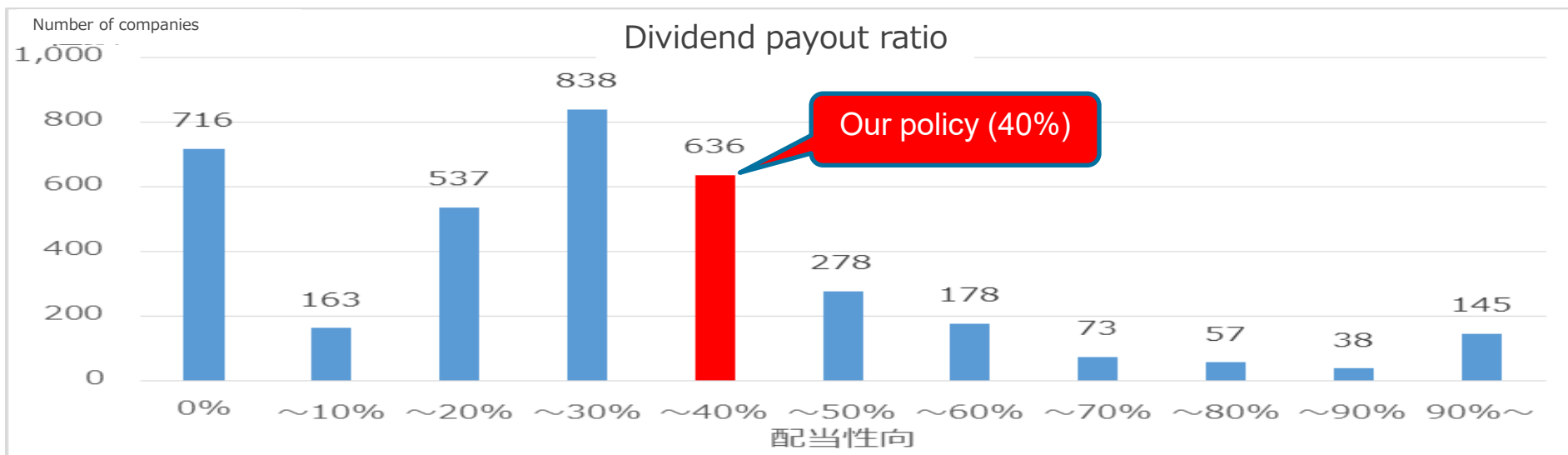
Basic Policy for Dividends

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



*Dividend for FY3/15 includes a commemorative dividend of ¥2 for listing on the First Section of the Tokyo Stock Exchange

Our Dividend Level



Changes in Share Price and Trading Volume

Closing share price: ¥1,007

(as of May 8, 2023)



Dividend yield (actual)

4.0%

Price book-value ratio (PBR)

0.69 times

Price earnings ratio (PER)

12.7 times

Shareholder Benefit Program

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

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

* A holding period of at least three years is defined as a continuous shareholder registration spanning at least seven consecutive interim and fiscal year-end record dates.

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