







ALINCO INCORPORATED Results of Operations

May 2021

ALINCO Now

Stock code: 5933
<https://www.alinco.co.jp/>

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Recent Topics

Medium-term Business Plan 2024

On April 30, 2021, we announced the Medium-term Business Plan 2024, which covers the three-year period from March 2022 till March 2024.

(Millions of yen)

	FY3/21 Results	FY3/22 Forecast		FY3/24 Management numerical targets
Net sales	53,341	56,030		61,000
Ordinary profit	2,874	3,080		4,270
Ordinary profit to net sales	5.4 %	5.5 %		7.0 %
ROE	6.2 %	7.0 %		9.0 %
Equity ratio	49.8 %	51.0 %		50.0 %

Goal and Key Initiatives

Goal

- Achieve further growth by focusing on our management policy of "Become the Leading Company in Niche Markets" and strengthening business diversification.

Key initiatives

- Make the core businesses even more powerful
- Aim for the growth in other business sectors
- Build substantial relationships with stakeholders
- Develop human resource and respond to new work style
- Strengthen corporate governance

Company Overview

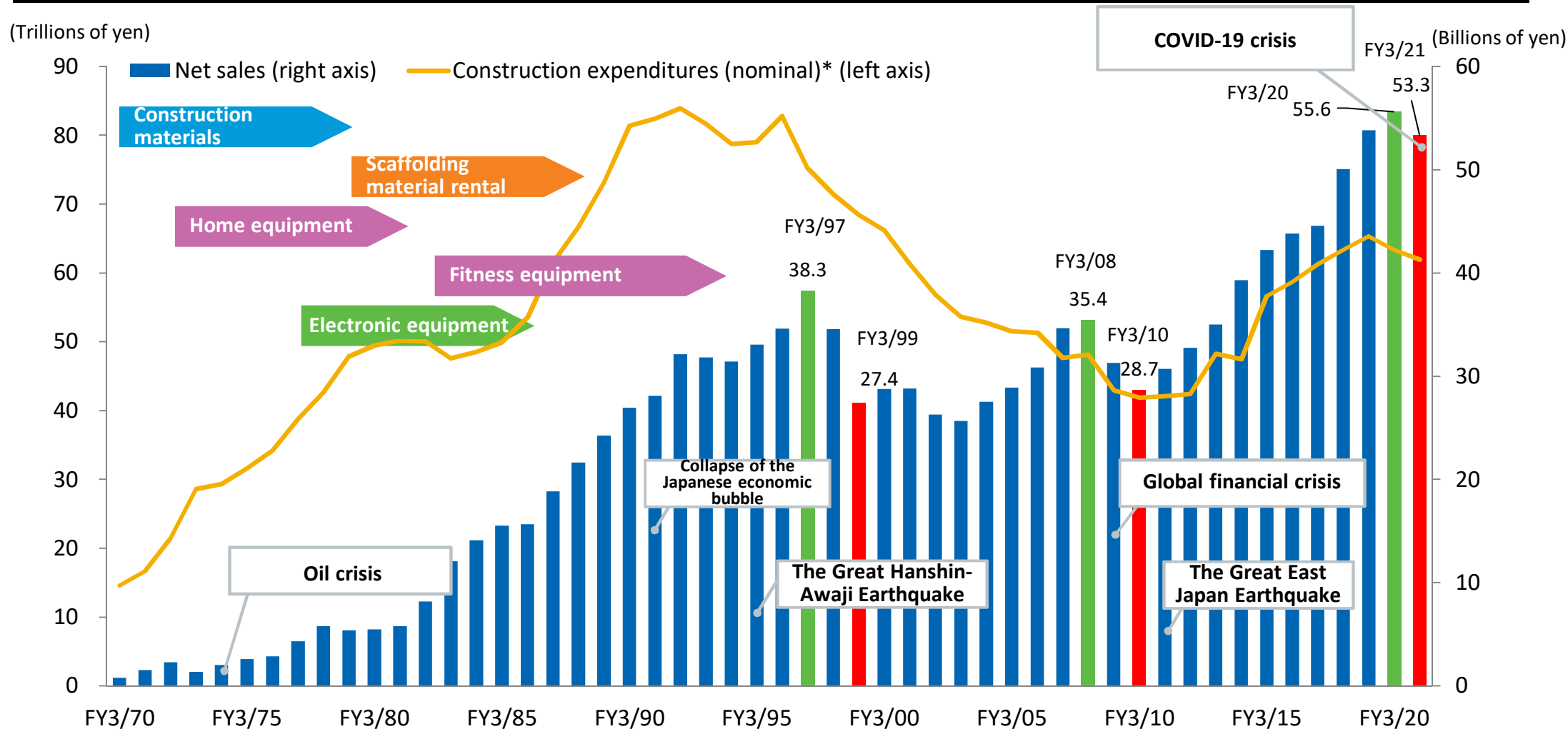
Company name	ALINCO INCORPORATED
Listed exchange	Tokyo Stock Exchange, First Section (Listed on December 1, 2014)
Foundation	1938
Establishment	July 4, 1970
Number of employees	Consolidated: 1,367; Non-consolidated: 768 (as of March 20, 2021)
Capital	¥6,361 million
Number of shares outstanding	21,039,326 shares
Total assets	¥55,443 million (as of March 20, 2021)
Number of subsidiaries	17 (Japan: 8; China: 4; Thailand: 3; Vietnam: 1; Indonesia: 1)
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

A History of Growth and Diversification

Growth by using foresight for targeting new markets

Transition of sales since our inception



*Source: Outlook for FY2020 Construction Investments, Ministry of Land, Infrastructure, Transport and Tourism

Become 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

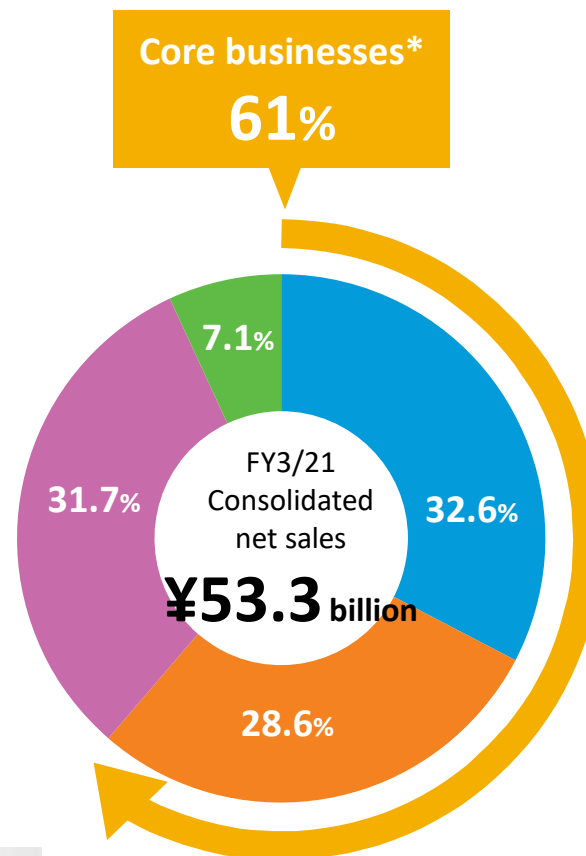
Providing safety and convenience to your home



Home equipment



Fitness equipment



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

Ordinary profit of the core businesses accounts for 51% of total.

Construction materials

Advanced technologies for construction site safety



The new ring lock ALBATROSS system ("ALBATROSS")



SK panel platform



Aluminum fall proofing hopper

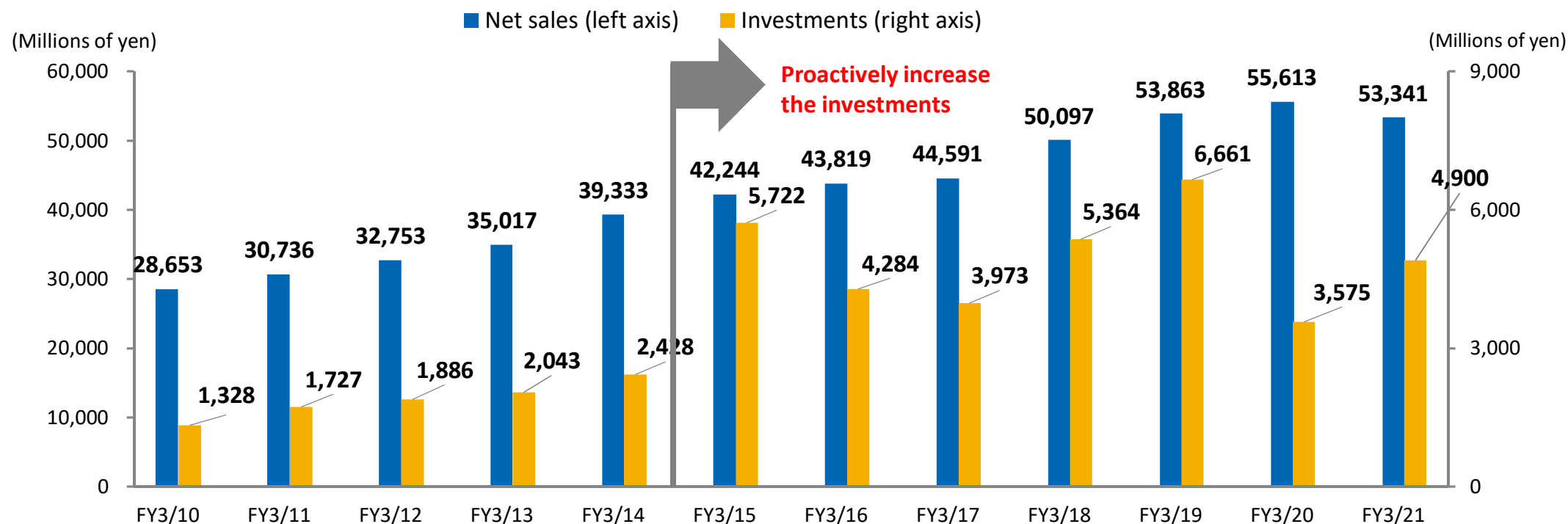


Scaffolding material rental

Cooperate with construction materials segment

Transition of Sales and Investments

Expand business performance by proactive investments



Major Investments

1. Investment in rental assets

- Invested in equipment that is safe and efficient
- Made a shift from traditional frame scaffolding to new ring lock ALBATROSS system ("ALBATROSS") (Expand the share of ALBATROSS by encouraging the reform of scaffolding market)

2. Expansion to overseas market

- 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

3. Investment in M&A

- Sofuku Koki: Racks for automated distribution centers
- Showa Bridge: Aluminum bridges
- STS Corp.: Laser instruments for surveying
- SIP: Elevating work platforms

4. Increase in production capacity

- Expanded the Suzhou Factory
- Constructed a factory in Thailand
- Updated and improved efficiency of a scaffold panel production line
- Introduced ALBATROSS manufacturing facilities

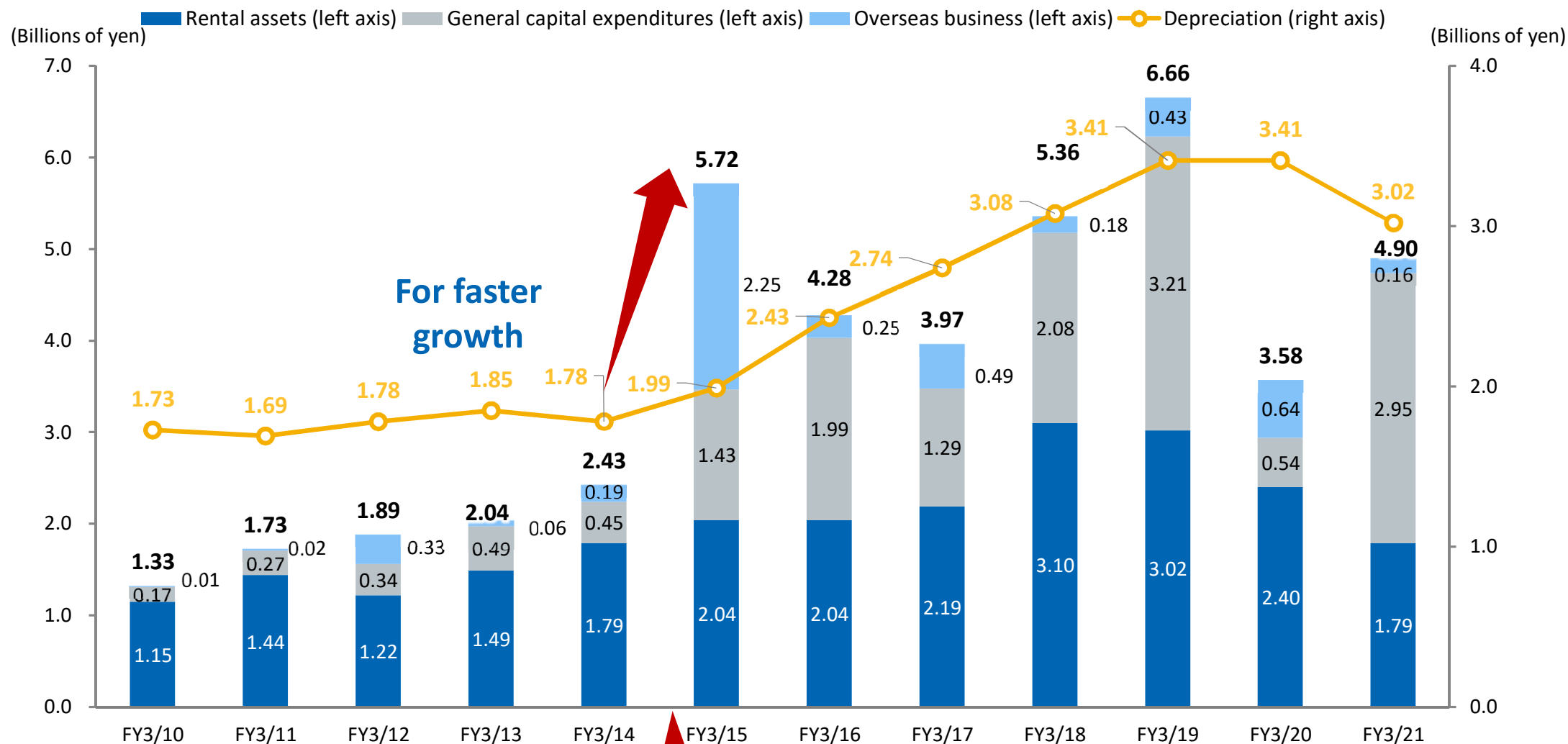
Enormous Growth from 2010 to 2020

	FY3/10	10 years	FY3/20
Net sales	¥28,653 million	Up 1.9 times	¥55,613 million
Ordinary profit (Ordinary profit to net sales)	¥622 million (2.2%)	Up 5.6 times	¥3,461 million (6.2%)
Profit attributable to owners of parent (Profit to net sales)	¥274 million (1.0%)	Up 7.9 times	¥2,155 million (3.9%)
EBITDA*	¥2,350 million	Up 3.1 times	¥7,150 million
Closing share price	¥240	Up 3.3 times	¥780

*EBITDA = Ordinary profit + Depreciation + Amortization of goodwill

Transition of Investments

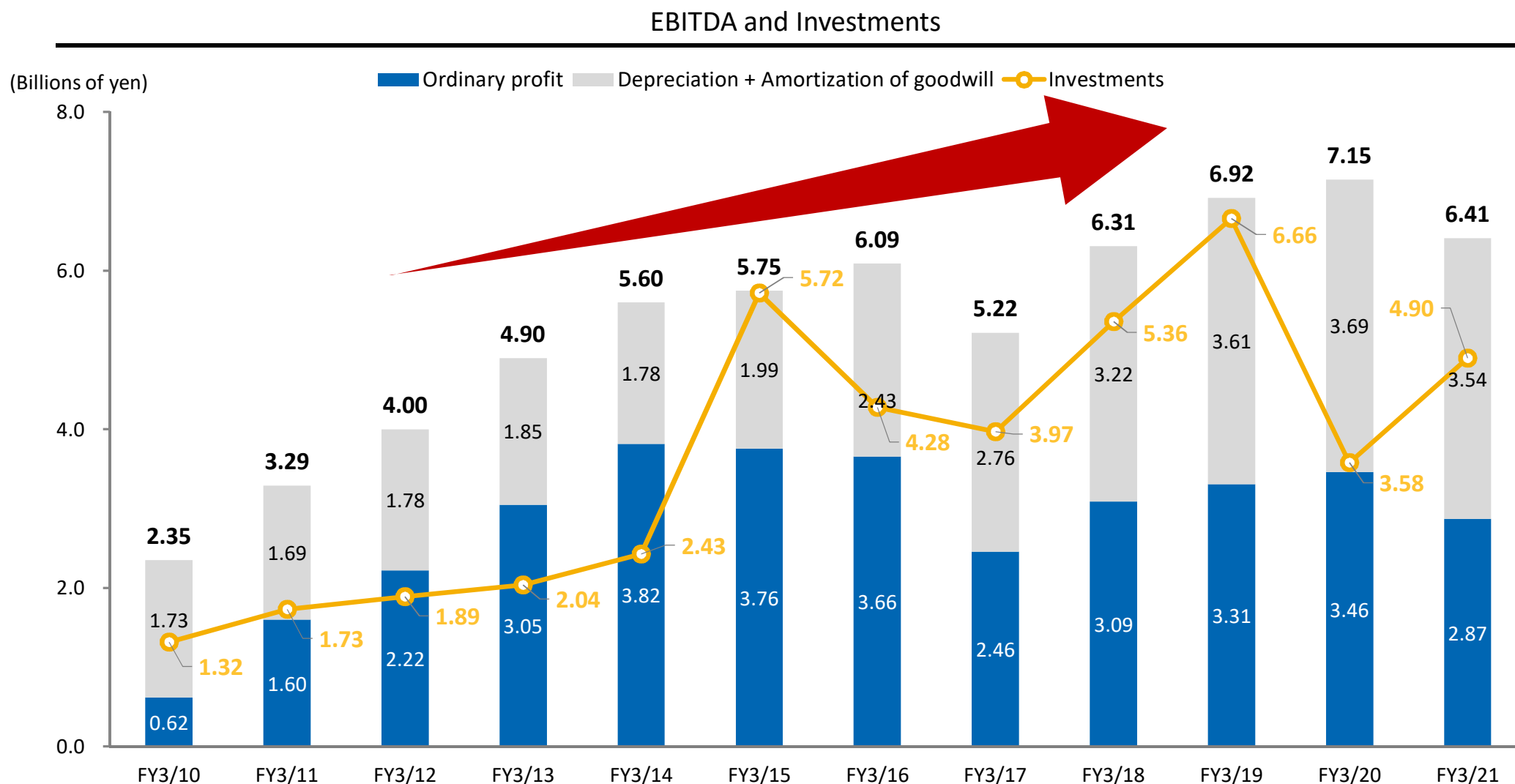
Capital Expenditures and Other Investments and Depreciation



Listed on TSE first section
(December 2014)

Transition of EBITDA, Investments, etc.

Steady EBITDA growth along with increase in depreciation due to proactive investments

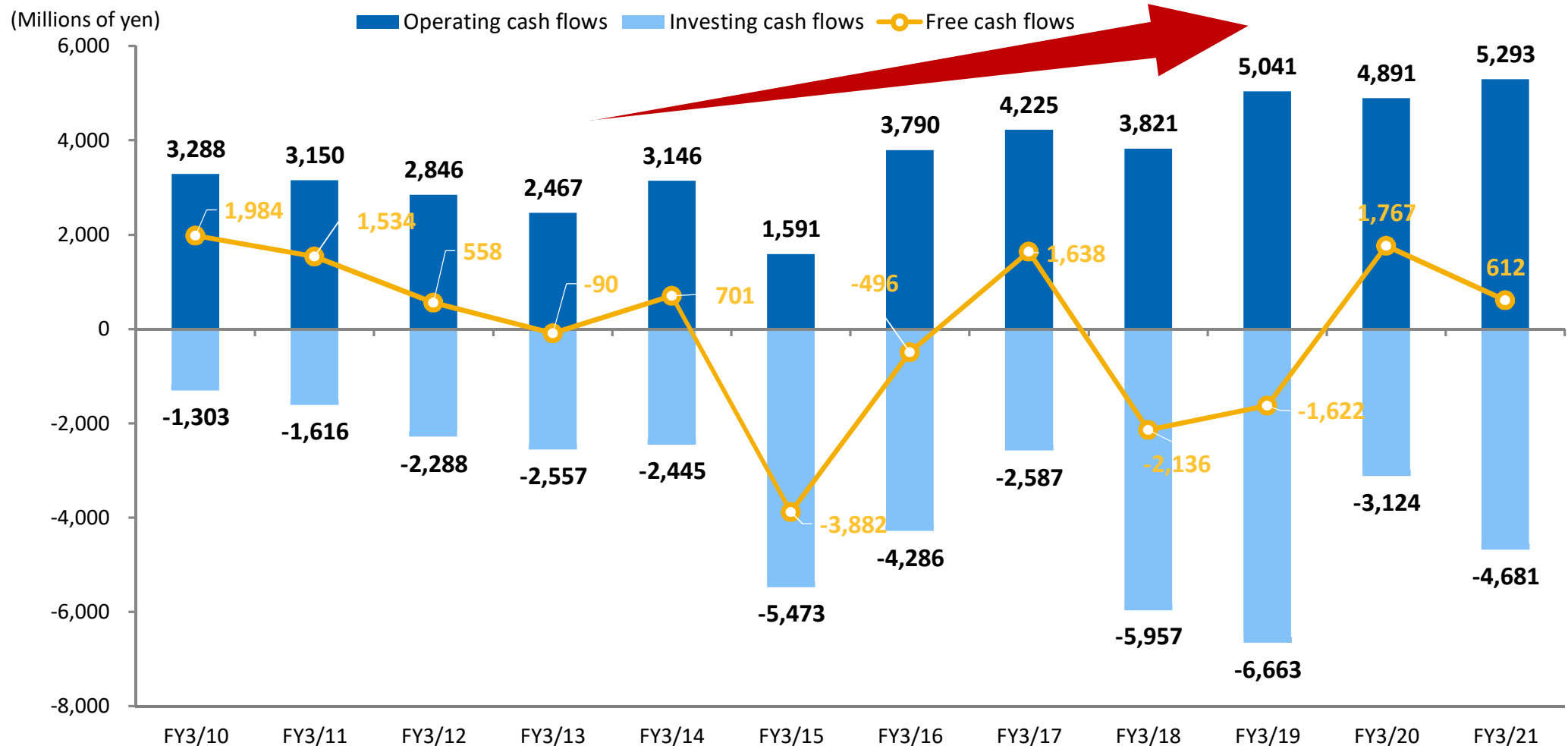


Transition of Cash Flows

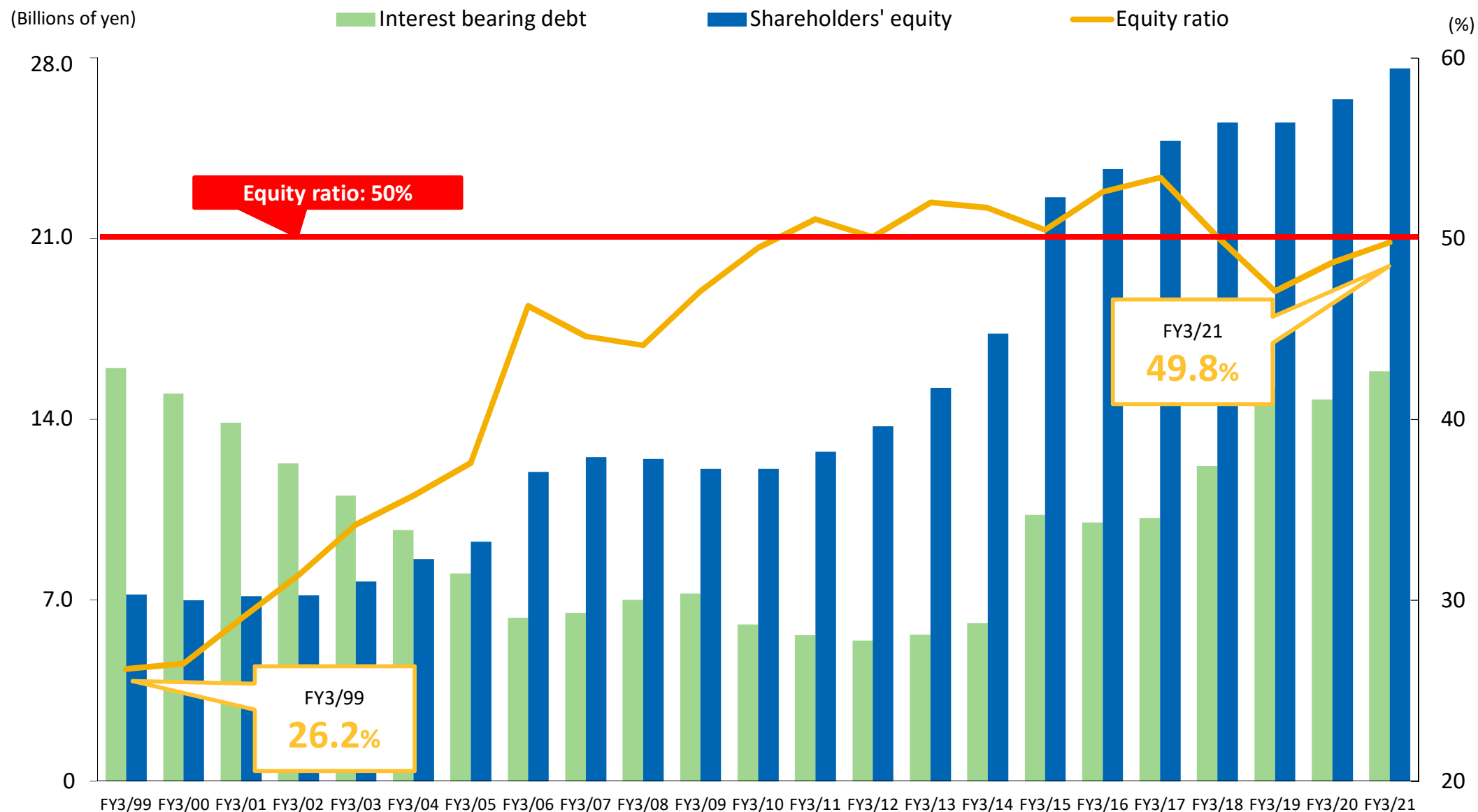
Consistent growth in cash generation

Utilize generated cash for future investments

Cash Flows



A Consistently Strong Financial Position



FY3/21 Results and FY3/22 Forecast

Construction materials

- ✓ FY3/21 construction investments in Japan decreased 3% to ¥63 trillion and are expected to decline slightly to ¥62 trillion in FY3/22
- ✓ Orders received by Japan's 50 largest construction companies continue to decrease a bit compared to previous year but the decreases have become small
- ✓ Significant increase from previous year in logistic facilities and public sector
- ✓ Increase in demand for new logistic facilities due to strong growth of internet shopping during stay-home demand
- ✓ Construction demand is not expected to evaporate due to no cancellations or revisions of big projects scheduled in the near future

Scaffolding material rental

- ✓ Downturn in scaffolding material rentals hit the bottom in 1H of FY3/21, but showing an upward tendency since then
- ✓ Utilization rate of scaffolding materials and purchase inquiries from rental companies are on recovering tendency
- ✓ Demand for scaffolding material slowly recovering since 2H of FY3/21 to the following fiscal year

Home equipment

- ✓ Sales of DIY products at home centers increased because of stay-home demand during the COVID-19 crisis
- ✓ Hardware store and machine tools sales channels, which are affected from cancellation of large-scale events such as exhibitions, are now on recovering tendency
- ✓ Sales of aluminum ladders, stepladders and other DIY products are higher than previous year despite the impact from COVID-19 crisis
- ✓ Higher demand for home fitness equipment due to change in exercise opportunities in order to avoid the “Three Cs”
- ✓ Sales of fitness equipment consistently exceed sales from previous year and achieved an all-time high

Electronic equipment

- ✓ Big increase in sales of disaster prevention wireless devices due to suitability for public service and emergencies
- ✓ High expectation on sales growth as companies resume business activities due to addition of new sales channel of modular products that have been strengthened during the past few years
- ✓ There is recovering tendency toward companies motivation to purchase low-power wireless communication devices and land mobile radio for business-use, which were declined due to the impact of business regulations across a wide range of industries in the early stages of COVID-19 pandemic

FY3/21 Consolidated Results



- ✓ FY3/21 sales and earnings were impacted by COVID-19 in the first half but recovered during the second half.
- ✓ In the midst of COVID-19 pandemic, the fitness equipment and logistic sectors have managed to achieve an all-time high results due to the capability to seize the "Life With COVID-19" business opportunities.

(Millions of yen)

	FY3/20	FY3/21			
	Results (% to sales)	Plan* (% to sales)	Results (% to sales)	Vs. plan	YoY change
Net sales	55,613 (100.0%)	52,050 (100.0%)	53,341 (100.0%)	+1,291 (+2.5%)	-2,271 (-4.1%)
Gross profit	15,384 (27.7%)	14,731 (28.3%)	15,029 (28.2%)	+298 (+2.0%)	-354 (-2.3%)
SG&A expenses	12,045 (21.7%)	12,681 (24.4%)	12,475 (23.4%)	-206 (-1.6%)	+429 (+3.6%)
Operating profit	3,338 (6.0%)	2,050 (3.9%)	2,554 (4.8%)	+504 (+24.6%)	-784 (-23.5%)
Ordinary profit	3,461 (6.2%)	2,340 (4.5%)	2,874 (5.4%)	+534 (+22.8%)	-587 (-17.0%)
Profit attributable to owners of parent	2,155 (3.9%)	1,380 (2.7%)	1,664 (3.1%)	+284 (+20.6%)	-490 (-22.8%)
Investments in rental assets	2,396	2,371	1,785	-586	-611
General capital expenditures	733	1,238	1,514	+276	+780
Depreciation of rental assets	2,396	1,962	2,036	+74	-360
Other depreciation	1,016	1,010	979	-31	-37

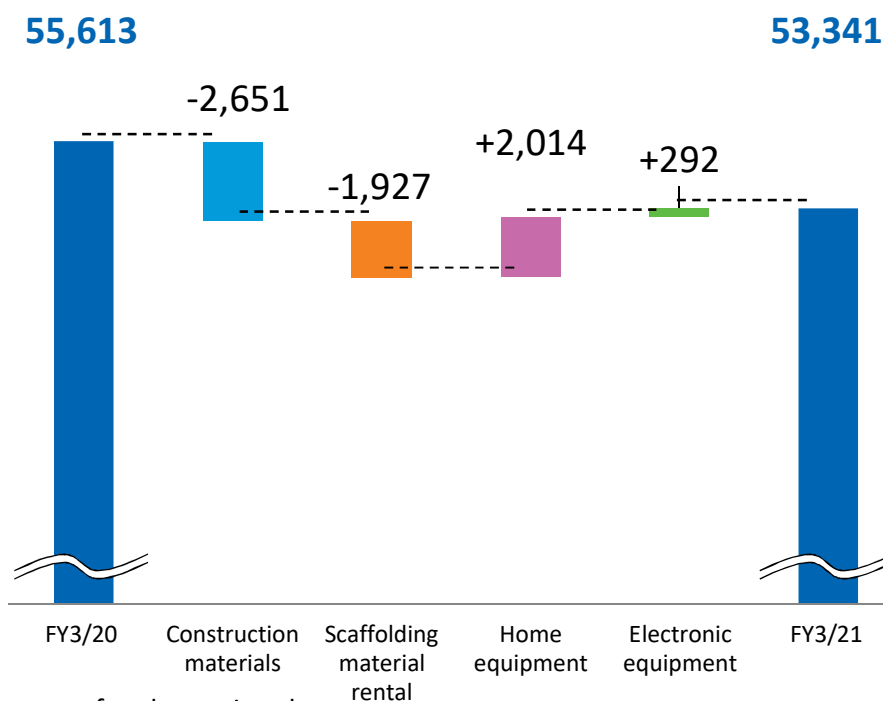
*Announced on October 20, 2020

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

FY3/21 Components of Change in Sales and Ordinary Profit

Net sales

(Millions of yen)

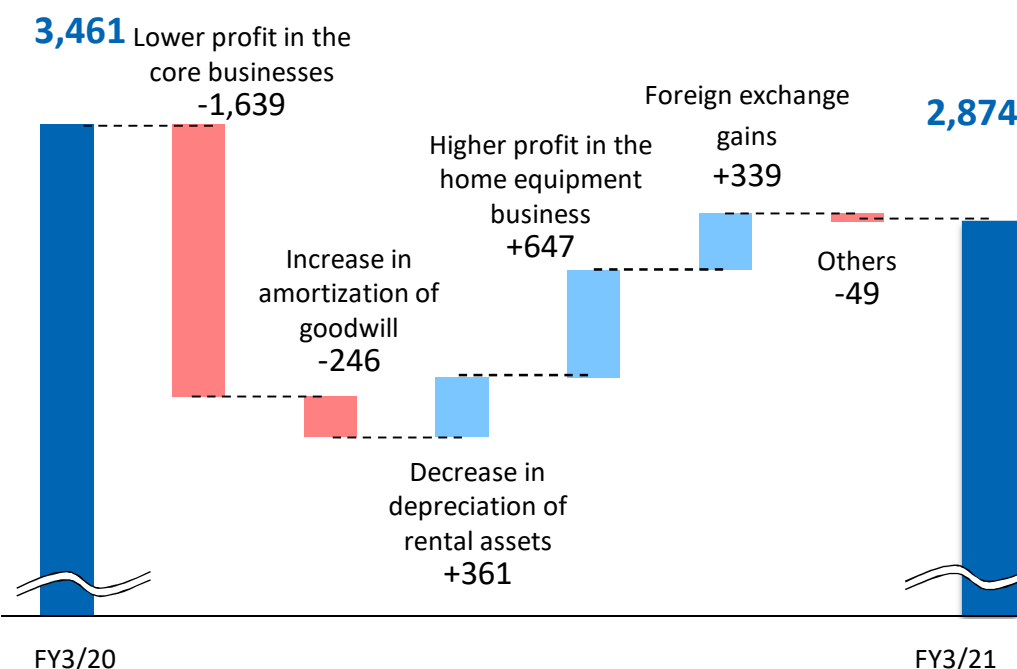


Reasons for change in sales

- Utilization of the construction equipment of rental companies was low in the first half due to COVID-19 but increased in the second half, resulting in a recovery of scaffolding materials sales.
- Logistics sector sales increased to a record high because of contribution from large-scale projects.
- Sales of fitness equipment has benefited from stay-home demand and managed to achieve an all-time high.
- The electronic equipment business has managed to minimize the impact of COVID-19 due to the capability to respond the demand of public-sector disaster prevention wireless devices.

Ordinary profit

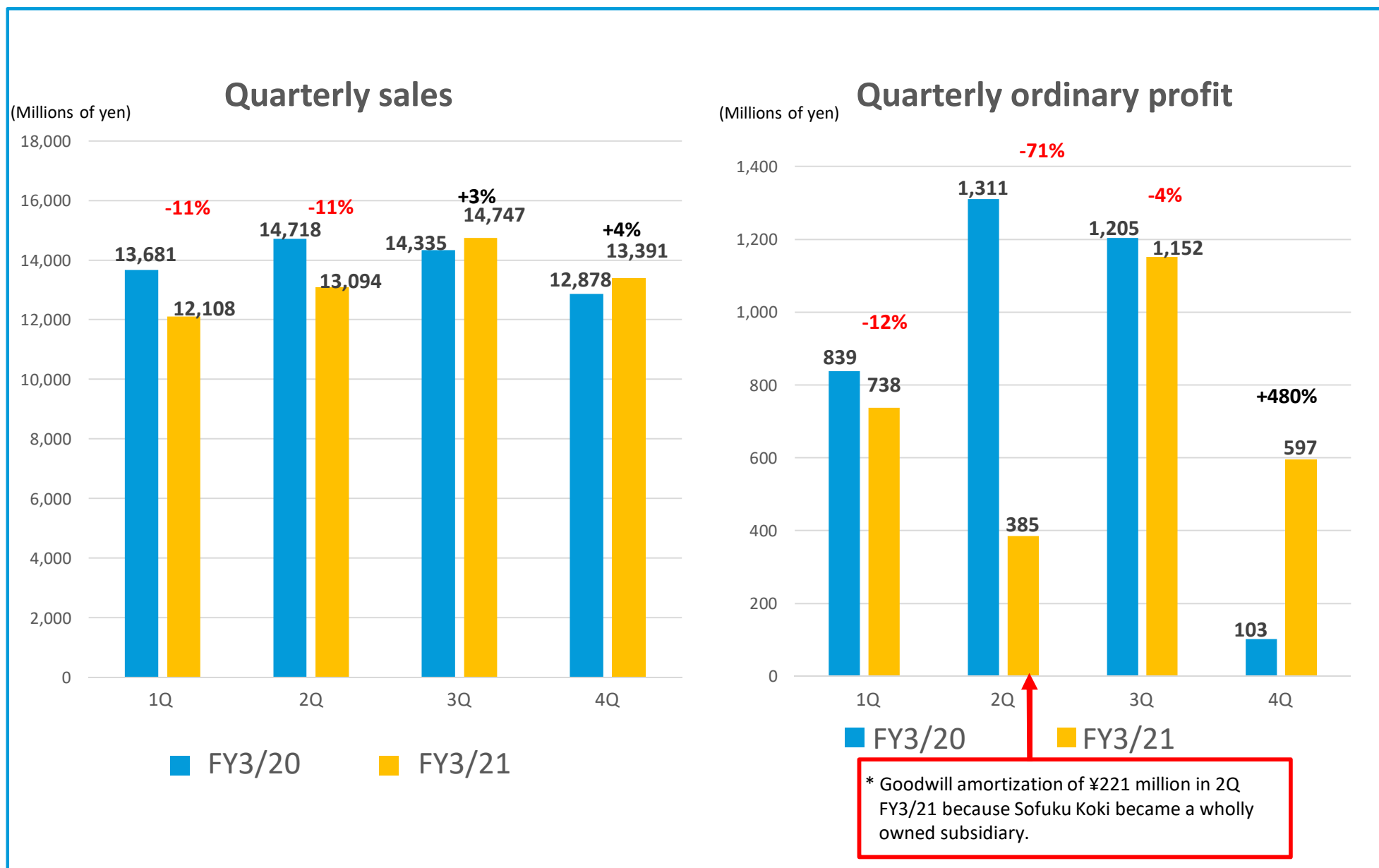
(Millions of yen)



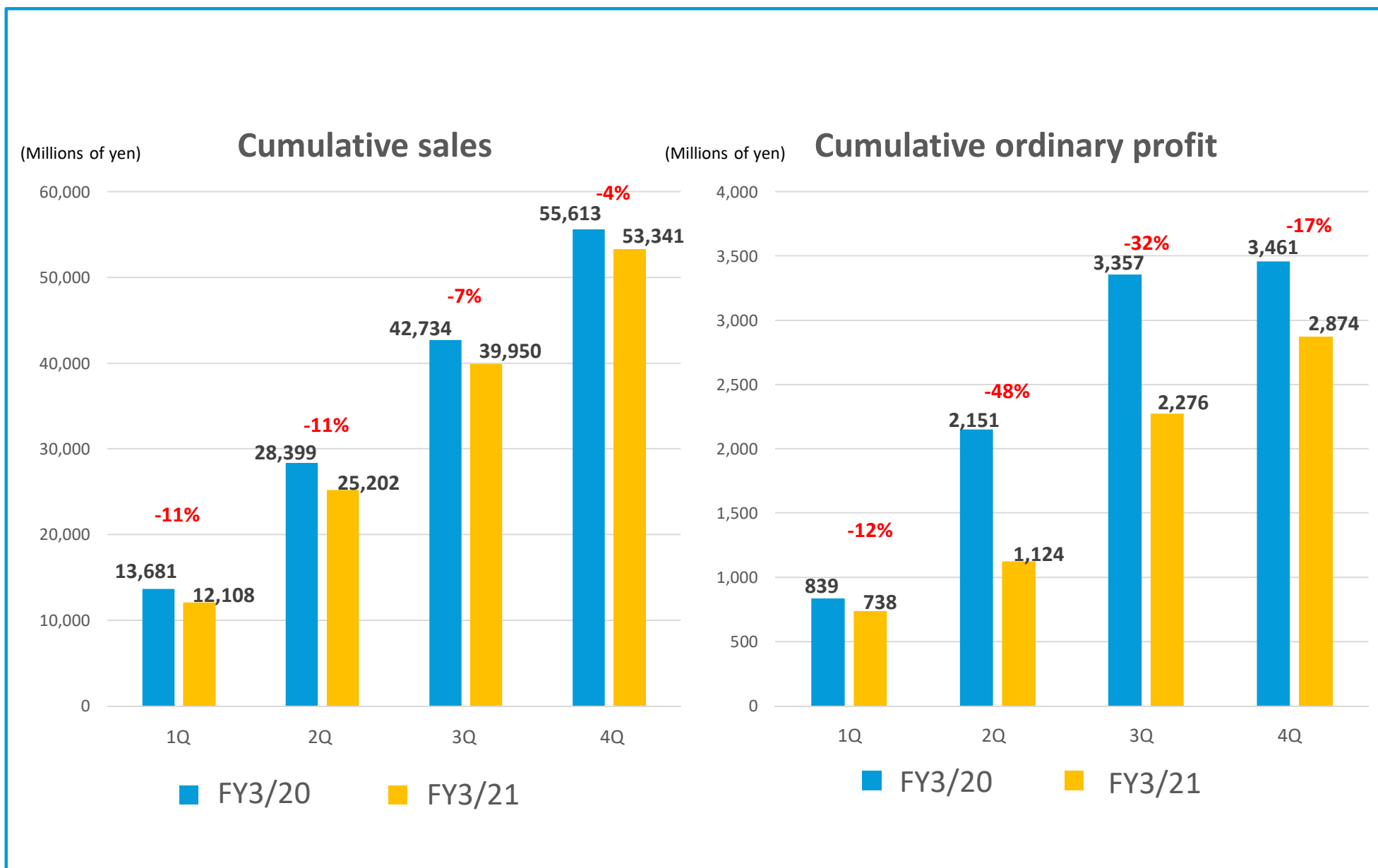
Reasons for change in ordinary profit

- The gross profit margin improved because of a decline in depreciation as rental assets investment has been restrained and improvement in profit margin in the logistics and fitness equipment sectors.
- Goodwill amortization increased because Sofuku Koki became a wholly owned subsidiary.
- Foreign exchange gains resulting from the fiscal year-end valuations of foreign currency-denominated assets contributed to earnings.

FY3/21 Quarterly Sales and Ordinary Profit



FY3/21 Cumulative Quarterly Sales and Ordinary Profit



FY3/21 Segment Information

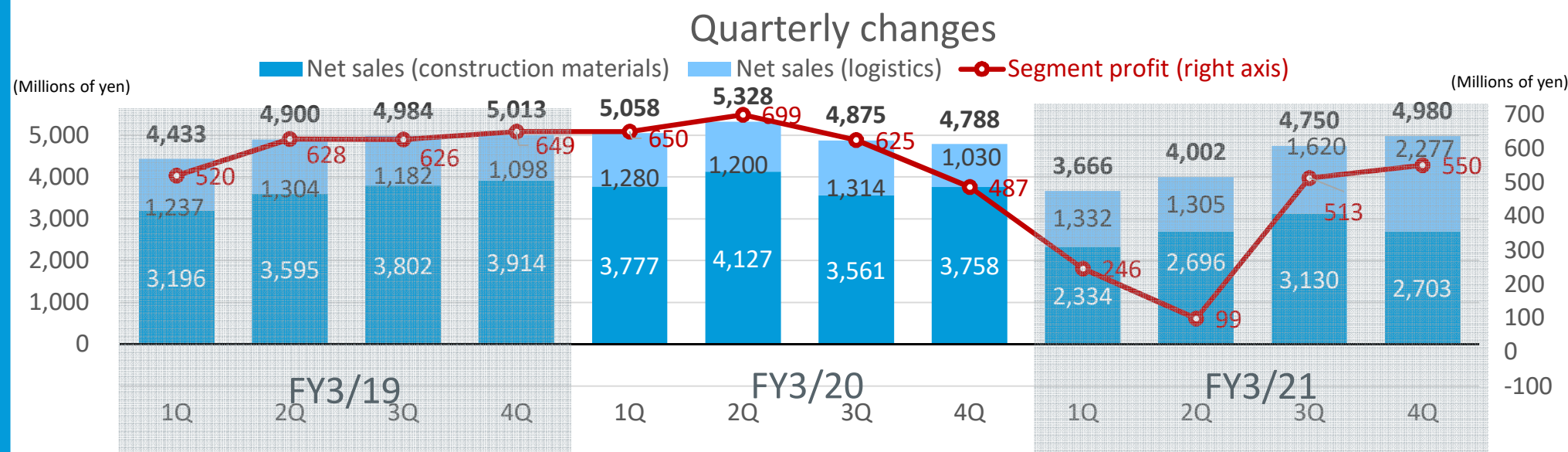


(Millions of yen)

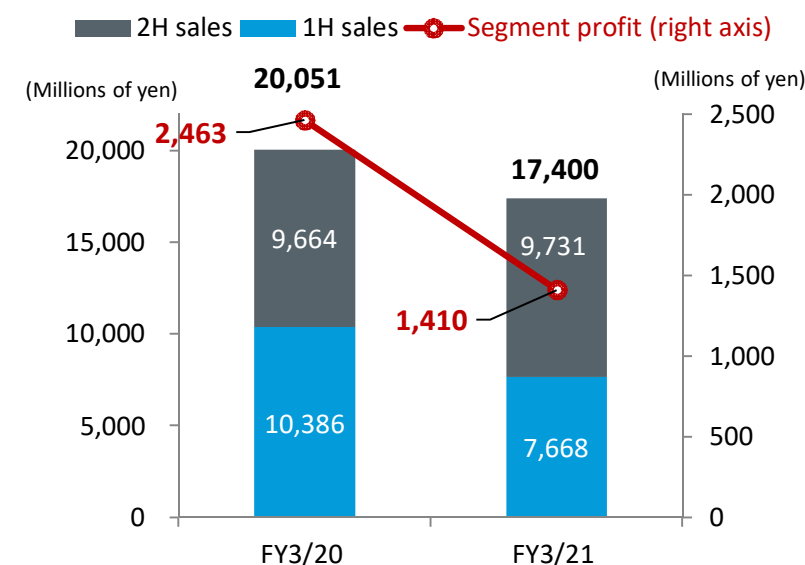
Upper: Net sales Lower: Segment profit	FY3/20	FY3/21			
	Results	Plan (Announced on October 20, 2020)	Results	Vs. plan	YoY change
Construction materials	20,051	16,930	17,400	+2.8%	-13.2%
	2,463	1,094	1,410	+28.9%	-42.7%
Scaffolding material rental	17,192	15,170	15,265	+0.6%	-11.2%
	555	116	56	-51.7%	-89.9%
Home equipment	14,910	16,440	16,925	+3.0%	+13.5%
	354	951	1,029	+8.2%	+190.7%
Electronic equipment	3,458	3,510	3,751	+6.9%	+8.5%
	0	-80	54	-	-
Adjustment	-	-	-	-	-
	87	260	323	-	-
Consolidated total	55,613	52,050	53,341	+2.5%	-4.1%
	3,461	2,340	2,874	+22.8%	-17.0%

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

FY3/21 Construction Materials

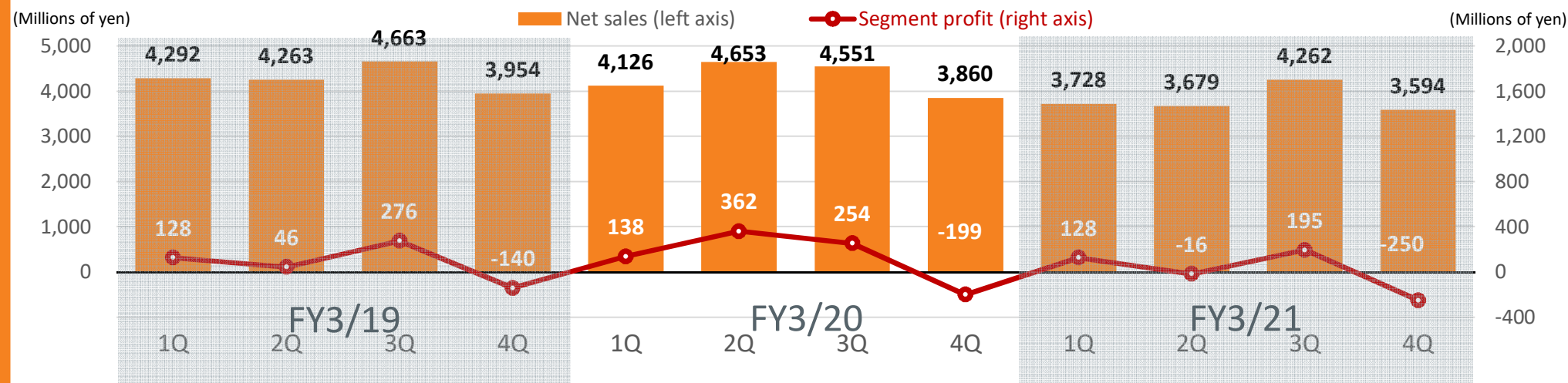


- Managed to suppress the downturn in sales of ALBATROSS to 39% (¥3.3 billion) due to the contribution from sales promotion to new customers.
- SK Panel sales increased 31% (¥1.4 billion) because of demand for use at expressway maintenance and repair projects.
- Logistics sector sales increased 35% to a record high of ¥6.5 billion because of several large orders and smooth deliveries toward the end of the fiscal year.
- Due to the favorable environment for capturing orders for next-generation logistics and storage systems, the logistics sector made a big contribution to consolidated earnings despite a one-time goodwill amortization of ¥220 million in the second quarter.

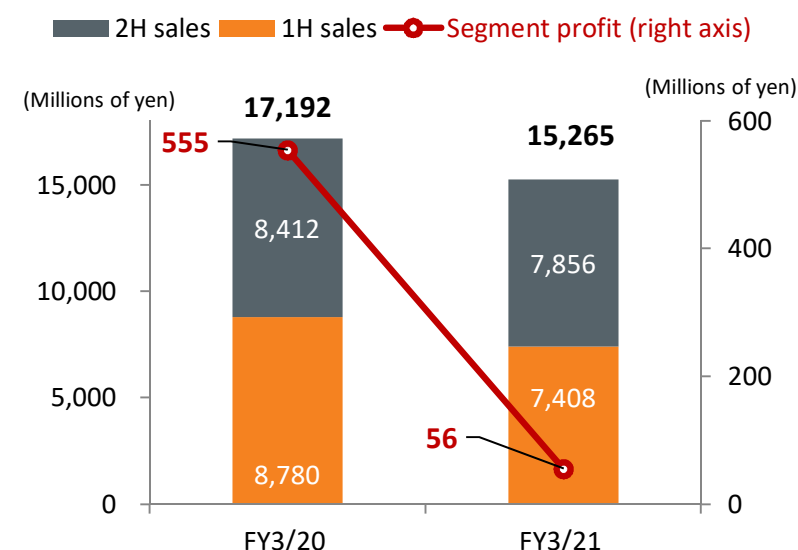


FY3/21 Scaffolding Material Rental

Quarterly changes

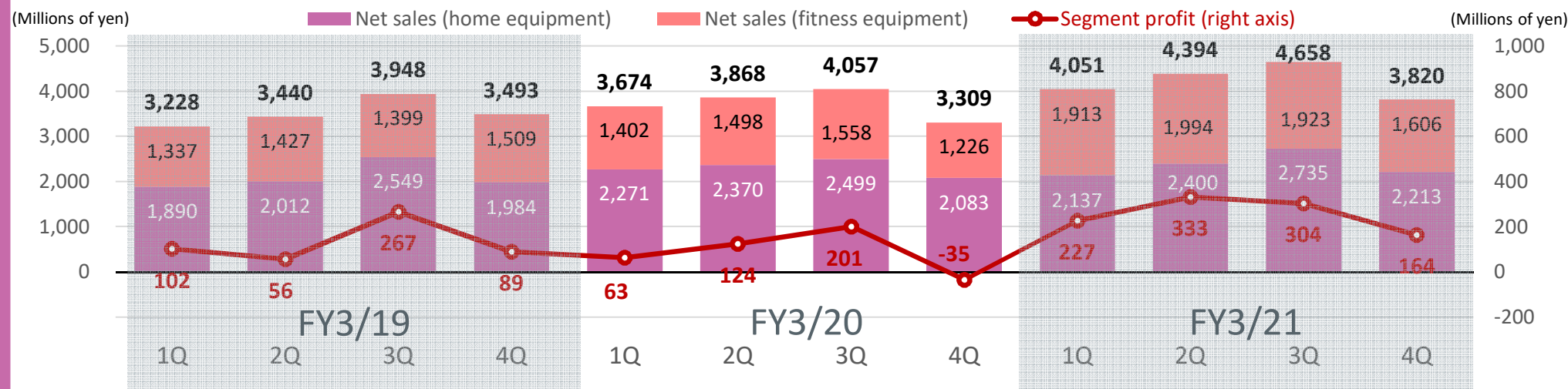


- Some construction projects were suspended during Japan's first state of emergency.
- The utilization rate of rental scaffolding for low-rise and medium to high-rise building has started to recover after summer 2020.
- Profitability decreased because of price-based competition caused by a smaller number of large construction sites and uncertainty about the outlook for rental scaffolding utilization rates.
- Japan's second state of emergency stopped the recovery in scaffolding rentals for low-rise buildings.
- Depreciation decreased ¥360 million because of a 26% decline in investment of rental assets.
- Still no outlook for a recovery in the event-related demand because of COVID-19

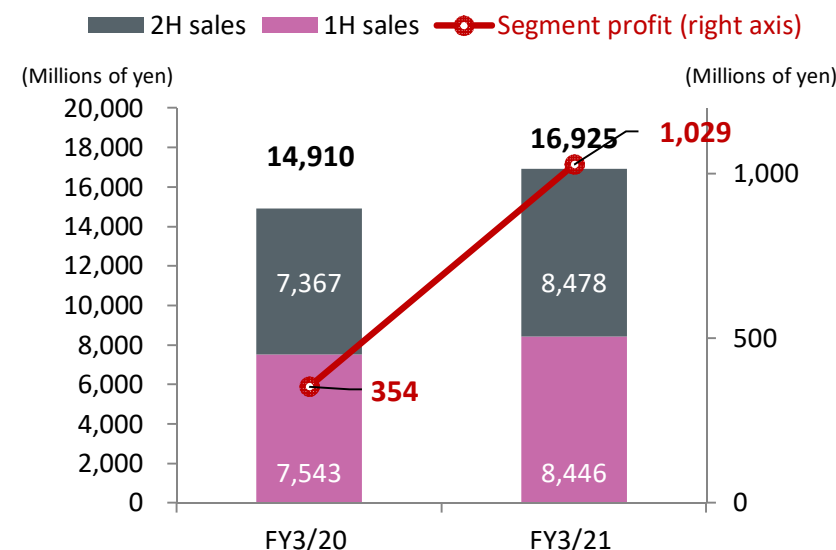


FY3/21 Home Equipment

Quarterly changes

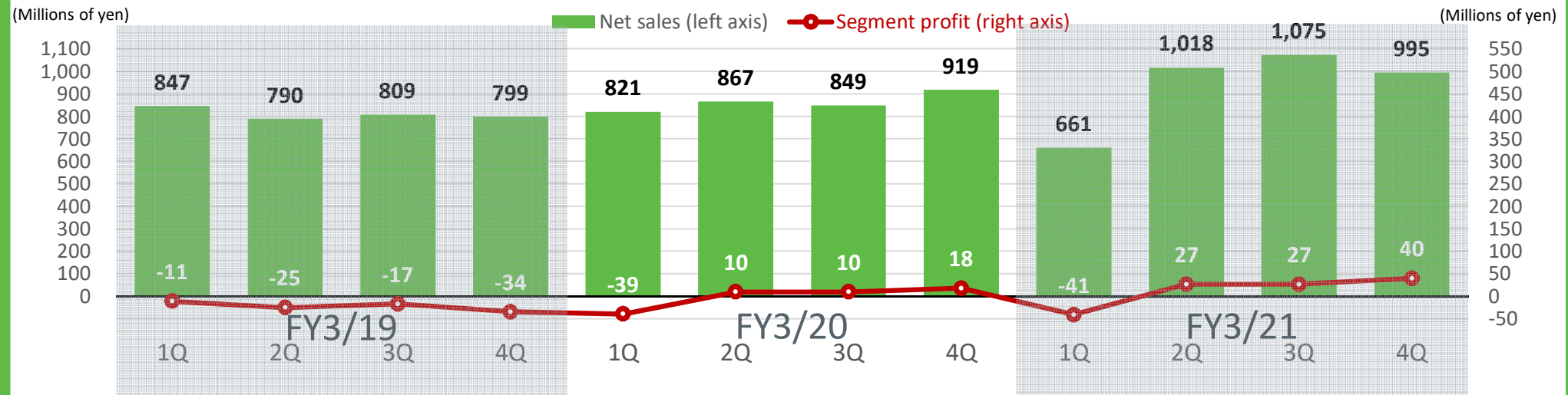


- Demand linked to staying at home due to the state of emergency resulted in strong sales of fitness equipment throughout the fiscal year. Sales increased 31% to a record-high ¥7.4 billion and the profit margin also made an improvement.
- Sales of treadmills, exercise bicycles and other major exercise products were strong in all sales channels.
- Sales of aluminum ladders, stepladders, etc. at mass retailers, such as home centers increased because of strong DIY needs linked to stay-home demand.
- Hardware store and machine tools sales channels, which were affected by cancellation of exhibitions in 2Q, have started to recover in 2H of FY3/21.

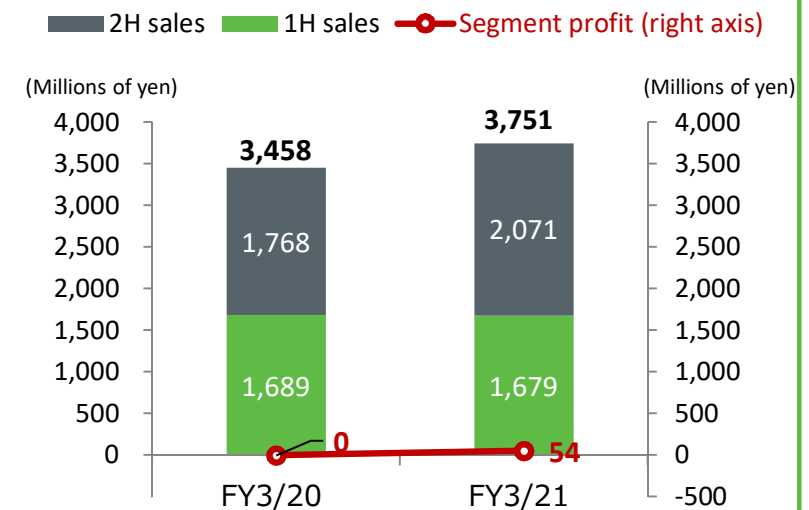


FY3/21 Electronic Equipment

Quarterly changes



- Significant increase in sales of disaster prevention wireless devices due to the small impact from COVID-19 crisis and the delivery of disaster prevention wireless devices that has begun in earnest since 2Q of FY3/21.
- Slight increase in sales because of COVID-19 despite the number of customers using wireless modules installed in construction machinery, etc. has increased.
- Significant increase in sales of disaster prevention wireless devices because the delivery has begun in earnest since 2Q of FY3/21. This category contributed to FY3/21 performance due to small impact from COVID-19 crisis.



FY3/21 Consolidated Balance Sheet



(Millions of yen)

	FY3/20	FY3/21	
	Results (Comp.)	Results (Comp.)	YoY change
Current assets	33,356 (61.4%)	33,185 (59.9%)	-171 (-0.5%)
Non-current assets	20,994 (38.6%)	22,258 (40.1%)	+1,263 (+6.0%)
Total assets	54,351 (100.0%)	55,443 (100.0%)	+1,092 (+2.0%)
Current liabilities	16,757 (30.8%)	16,159 (29.1%)	-598 (-3.6%)
Non-current liabilities	10,169 (18.7%)	11,605 (20.9%)	+1,436 (+14.1%)
Total liabilities	26,927 (49.5%)	27,764 (50.1%)	+837 (+3.1%)
Net assets	27,424 (50.5%)	27,679 (49.9%)	+254 (+0.9%)
Total liabilities and net assets	54,351 (100.0%)	55,443 (100.0%)	+1,092 (+2.0%)
Equity ratio	48.7%	49.8%	+1.1pt
Debt equity ratio	55.9%	57.5%	+1.6pt

Major factors (Millions of yen)

Non-current assets

Increase in valuation of investment securities as market prices recovered +351

Recovery in the fair value of retirement benefit assets +770

Liabilities

Increase in long-term and short-term borrowings +1,086

Net assets

Profit +1,664

Dividend payments -743

Purchase of treasury shares -472

Decrease in non-controlling interests due to the consolidation of Sofuku Koki -890

Increase in comprehensive income due to the financial market recovery +656

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

FY3/21 Consolidated Cash Flows

	(Millions of yen)		
	FY3/20	FY3/21	
	Results	Results	YoY change
Cash flows from operating activities	4,891	5,293	+402
Cash flows from investing activities	(3,123)	(4,681)	-1,557
Cash flows from financing activities	(1,233)	(157)	+1,076
Effect of exchange rate change on cash and cash equivalents	113	(92)	-206
Net increase (decrease) in cash and cash equivalents	647	362	-285
Cash and cash equivalents at end of period	4,991	5,414	+422
Free cash flows	1,767	612	-1,155

Major factors (Millions of yen)

Operating cash flows

Decrease in profit before income taxes	-754
Increase in inventories	+1,351

Investing cash flows

Purchase of shares of subsidiaries	-1,500
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Financing cash flows

Net increase in borrowings	+1,524
Purchase of treasury shares	-472

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

Assumptions and Outlook Used for the FY3/22 Forecast

Market conditions

- ✓ Although it is difficult to be optimism on when this crisis will end in FY3/22, We assume that social and economic activities would steadily recover and return to normal while implementing infection preventive measures as the knowledge of "Life With COVID-19" has expanded.
- ✓ In our core business, we assume that construction demand will increase as work begins at redevelopment, infrastructure and other projects planned before the COVID-19 crisis. We also expect an upturn in other business sectors along with improvements in private-sector investments and consumer sentiment.
- ✓ We assume that the cost of logistic, steel, and aluminum as the global price of raw materials, etc. is increasing.

Construction materials

- ✓ Target opportunities created by the recovery in construction demand by expanding sales of ALBATROSS, new aluminum products launched in FY3/21, etc.
- ✓ Respond to the demand of expressway renovation projects by steadily supplying SK Panel.
- ✓ Predict a decrease in logistics sector based on careful assumption.

Scaffolding material rental

- ✓ Expect an increase in utilization rate and an improvement in profit margin as we predict the competition environment to improve due to recovery from COVID-19 crisis.
- ✓ Rental asset depreciation expenses are expected to temporarily decrease because the investment of rental assets were held down during FY3/21.
- ✓ Continue to invest in ALBATROSS for the cooperation with construction materials segment.

Home equipment

- ✓ Expect a settle down to the strong growth of stay-home demand for aluminum ladders and stepladders sold at home centers and other stores and for fitness equipment.
- ✓ Strengthen hardware store and machine tool sales channels as business demand for aluminum ladders, stepladders and other products recovers.

Electronic equipment

- ✓ Strengthen the sales of low-power wireless communication devices, land mobile radio for business-use due to the recovery in companies demand of these products.
- ✓ Launch new products of IP wireless devices, app wireless devices, sensor modules ,etc. in order to build a foundation for new products genre.

FY3/22 Forecast



(Millions of yen)

	FY3/21 Results			FY3/22 Forecast		
	1H (YoY change: %)	2H (YoY change: %)	Full-year (YoY change: %)	1H (YoY change: %)	2H (YoY change: %)	Full year (YoY change: %)
Net sales	25,202 (-11.3%)	28,138 (+3.4%)	53,341 (-4.1%)	27,290 (+8.3%)	28,740 (+2.1%)	56,030 (+5.0%)
Gross profit	7,294 (-8.9%)	7,734 (+4.8%)	15,029 (-2.3%)	7,700 (+5.6%)	7,909 (+2.3%)	15,609 (+3.9%)
SG&A expenses	6,319 (+5.6%)	6,155 (+1.6%)	12,475 (+3.6%)	6,300 (-0.3%)	6,319 (+2.6%)	12,619 (+1.2%)
Operating profit	975 (-51.7%)	1,579 (+19.7%)	2,554 (-23.5%)	1,400 (+43.4%)	1,590 (+0.8%)	2,990 (+17.1%)
Ordinary profit	1,124 (-47.8%)	1,750 (+33.7%)	2,874 (-17.0%)	1,490 (+32.6%)	1,590 (-6.3%)	3,080 (+7.2%)
Profit attributable to owners of parent	602 (-53.8%)	1,062 (+24.8%)	1,664 (-22.8%)	1,010 (+67.5%)	1,000 (-5.8%)	2,010 (+20.7%)
Investments in rental assets	1,043	742	1,785	-	-	2,163
General capital expenditures	786	728	1,514	-	-	2,060
Depreciation of rental assets	916	1,120	2,036	-	-	1,933
Other depreciation	445	534	979	-	-	1,119

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

FY3/22 Segment Information Forecast



(Millions of yen)

Upper: Net sales Lower: Segment profit	FY3/21 Results			FY3/22 Forecast			
	1H	2H	Full year	1H	2H	Full year	YoY change
Construction materials	7,668 346	9,731 1,064	17,400 1,410	9,140 771	9,660 831	18,800 1,602	+8% +14%
Scaffolding material rental	7,408 111	7,856 (55)	15,265 56	8,060 248	8,550 220	16,610 468	+9% +736%
Home equipment	8,446 560	8,478 468	16,925 1,029	8,140 300	8,310 431	16,450 731	-3% -29%
Electronic equipment	1,679 (13)	2,071 67	3,751 54	1,950 80	2,220 110	4,170 190	+11% +252%
Adjustment	- 119	- 204	- 323	- 90	- -	- 90	- -
Consolidated total	25,202 1,124	28,138 1,750	53,341 2,874	27,290 1,490	28,740 1,590	56,030 3,080	+5% +7%

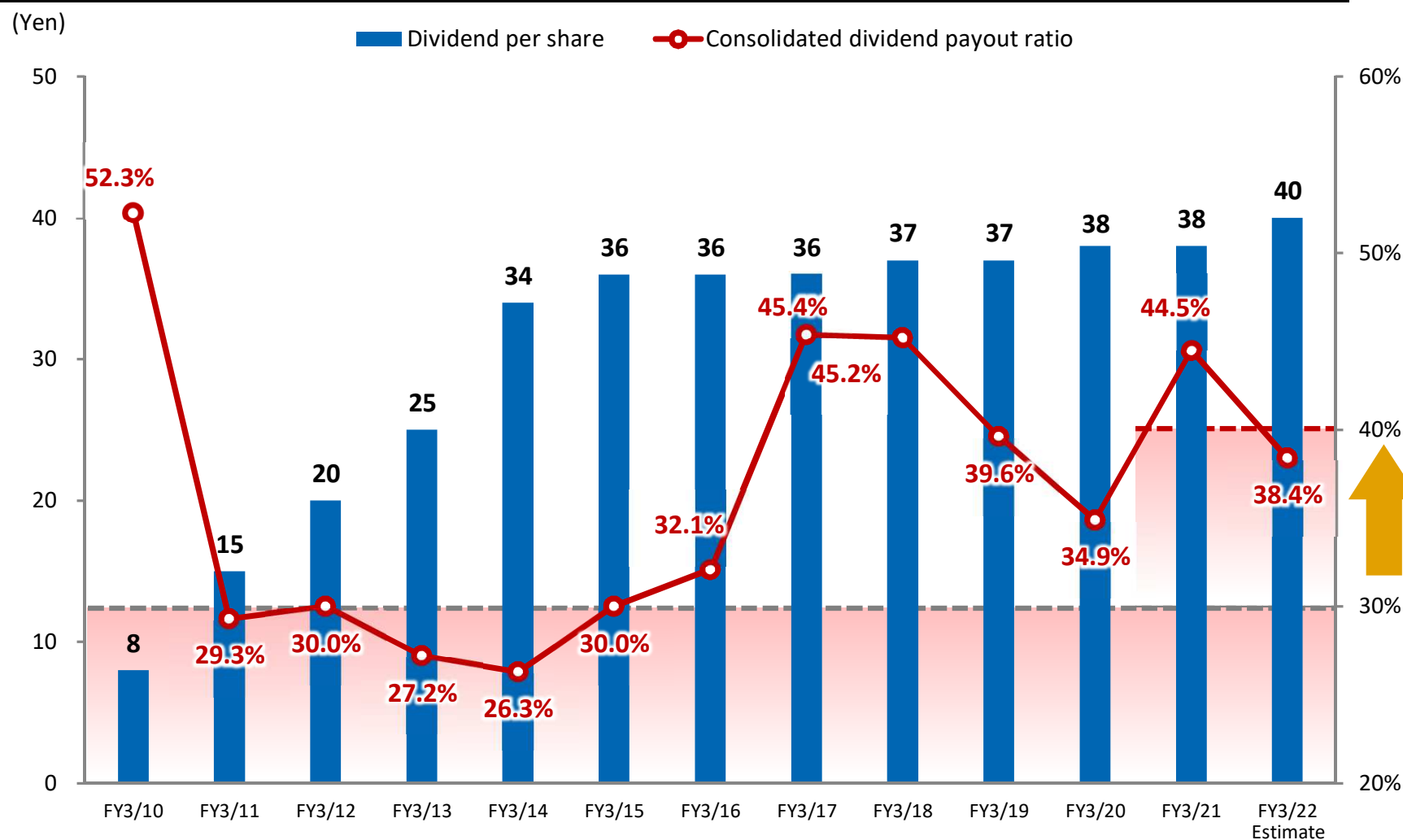
Note: Amounts are rounded down to the nearest million yen.

Shareholder Returns

Shareholder Returns

Make stability of dividend as our basic policy, aim for dividend payout ratio of 40%, and pay dividends according to profit growth

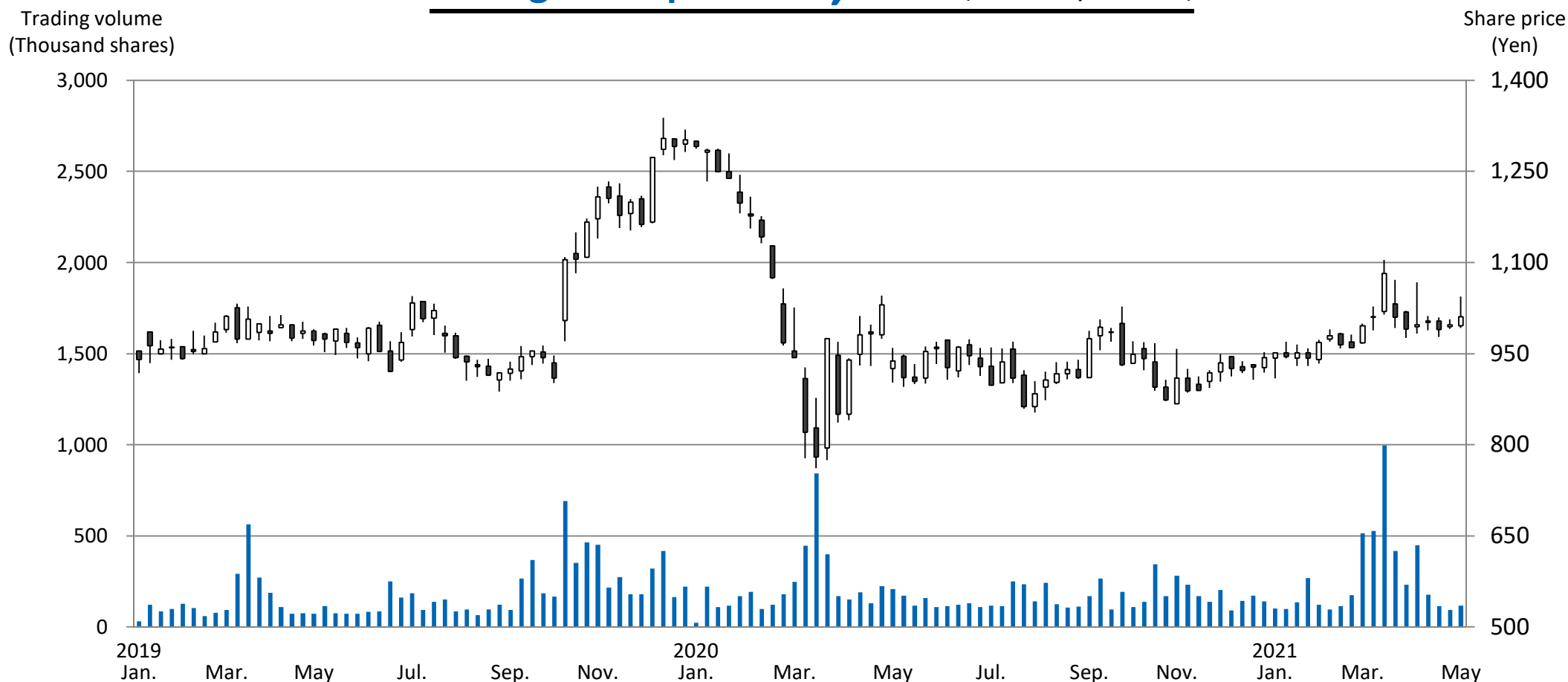
Changes in Dividends and Consolidated Dividend Payment Ratio



Changes in Share Price and Trading Volume

ALINCO

Closing share price ¥1,034 (as of May 6, 2021)



Dividend yield (actual)

3.9%

Price book-value ratio (PBR)

0.72 times

Price earnings ratio (PER)

9.9 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.

Forecasts of future performance including plans and targets in these materials are based on assumptions judged to be valid and information available to ALINCO's management at the time the materials were prepared. As such, actual results may differ significantly from these projections resulting from changes in the economic environment and other risks and uncertainties.

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