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October 18, 2024

Consolidated Financial Results for the Six Months Ended September 20, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 5933
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 Scheduled date to file semi-annual securities report: October 31, 2024
 Scheduled date to commence dividend payments: November 21, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

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

1. Consolidated financial results for the six months ended September 20, 2024 (from March 21, 2024 to September 20, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 20, 2024	30,822	5.4	1,313	-3.9	1,474	-29.9	1,029	-29.9
September 20, 2023	29,230	-2.1	1,367	36.4	2,103	3.8	1,468	20.1

Note: Comprehensive income For the six months ended September 20, 2024: ¥1,281 million [-28.4%]
 For the six months ended September 20, 2023: ¥1,788 million [8.0%]

	Basic earnings per share	Diluted earnings per share	EBITDA	
Six months ended	Yen	Yen	Millions of yen	%
September 20, 2024	52.06	-	2,678	-27.8
September 20, 2023	74.76	-	3,708	-0.6

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
As of	Millions of yen	Millions of yen	%	Yen
September 20, 2024	71,259	31,490	44.2	1,587.34
March 20, 2024	68,315	30,544	44.7	1,546.27

Reference: Equity
 As of September 20, 2024: ¥31,472 million
 As of March 20, 2024: ¥30,532 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 20, 2024	-	20.00	-	21.00	41.00
Fiscal year ending March 20, 2025	-	21.00			
Fiscal year ending March 20, 2025 (Forecast)			-	22.00	43.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending March 20, 2025 (from March 21, 2024 to March 20, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	61,000	5.4	3,200	79.6	3,300	14.6	2,100	5.6	106.35

Reference: EBITDA forecast for the fiscal year ending March 20, 2025: 5,966 million yen (-7.3%)

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: Yes
 - (iii) Changes in accounting estimates: Yes
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of September 20, 2024	21,039,326 shares
As of March 20, 2024	21,039,326 shares

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

As of September 20, 2024	1,211,951 shares
As of March 20, 2024	1,293,405 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 20, 2024	19,778,238 shares
Six months ended September 20, 2023	19,639,764 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 (105,300 shares as of September 20, 2024, 160,100 shares as of March 20, 2024) 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 total number of issued shares at the end of the period. For the purpose of calculating earnings 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 (135,371 shares as of September 20, 2025, 245,686 shares as of September 20, 2024).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. Therefore, the Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. Please refer to “Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Semi-annual Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first six months of FY3/25, the Japanese economy maintained its recovery trend, but the outlook remained uncertain and challenging due to the impact of stagnant consumer sentiment caused by high prices and natural disasters, the tension in the Middle East situation, and unstable currency fluctuations.

In the construction and housing-related industries, which are our group's main business industries, construction investment has remained strong, mainly due to capital expenditures backed by solid corporate earnings and the government's measures to accelerate national land resilience. On the other hand, due to labor shortages, delays in construction due to strengthening labor regulations in the construction industry, and soaring material prices, customers who are considering purchasing scaffolding material opt for renting instead. Against this backdrop, we worked to expand our market share of the new ring lock ALBATROSS system (ALBATROSS) and high-value-added products by strengthening linkage between scaffolding materials sales and rentals, our core business. At the same time, we worked to implement “the Medium-Term Management Plan 2027” from the fiscal year ending March 20, 2025 (the 55th fiscal period) to the fiscal year ending March 20, 2027 (the 57th fiscal period), which was announced on April 3, 2024.

As a result, net sales in the first six months of FY3/25 increased by 5.4% year on year to 30,822 million yen. In terms of profits, the formulation of the Medium-Term Management Plan 2027 triggered a change in the method of depreciation for rental assets by examining future rental assets investment plan and the outlook for their operation. As a result, depreciation expenses decreased. On the other hand, upward pressure on costs has continued resulting from the depreciation of the yen and consistently high raw material prices. Consequently, operating profit decreased by 3.9% year on year to 1,313 million yen. Ordinary profit decreased by 29.9% or 629 million yen year on year, to 1,474 million yen, due to a decrease of 473 million yen in foreign exchange gains resulting from the effects of the financial and foreign exchange, and profit attributable to owners of parent decreased by 29.9% year on year to 1,029 million yen.

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

First six months of FY3/25

Segment	Net sales		Segment profit (loss)	
	Amount (Millions of yen)	YoY change (%)	Amount (Millions of yen)	YoY change (%)
Construction materials	12,495	15.1	1,328	0.4
Scaffolding material rental	9,025	3.0	759	68.8
Home equipment	6,896	-0.6	-256	-
Electronic equipment	2,404	-10.0	-325	-
Total for reportable segments	30,822	5.4	1,506	-4.5
Adjustment	-	-	-31	-
Amounts shown on semi-annual consolidated statement of income	30,822	5.4	1,474	-29.9

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

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

Construction materials business

Sales increased by 15.1% year on year to 12,495 million yen. There has been no significant change in the investment trends of rental scaffolding materials companies. Although the trend from purchasing to rental continues in the main product groups, sales of equipment and materials increased in some cases due to moves to accelerate the purchase of materials and the individual demand for materials that reduce the workload at construction sites. In addition, sales of racks for logistics warehouses increased year on year due to a steady increase in orders received from the beginning of the fiscal year.

Segment profit increased by 0.4% year on year to 1,328 million yen due to an increase in net sales compared with the same period of the previous fiscal year.

Scaffolding material rental

Sales increased by 3.0% year on year to 9,025 million yen. In the rental business for medium to high-rise buildings, sales were strong as the need for rental equipment from customers who are considering purchasing scaffolding materials boosted the utilization rate of ALBATROSS and other major products. Sales of low-rise building rental business were favorable due to the stabilization of construction personnel and the levelling out of construction volume.

In terms of profit and loss, from the second quarter of the current fiscal year, the method of depreciation of rental assets was changed from the conventional declining-balance method (five years) to the straight-line method (eight years). As a result, the depreciation decreased by 489 million yen year on year, and segment profit increased by 68.8% year on year to 759 million yen.

Home equipment

Sales decreased by 0.6% year on year to 6,896 million yen. Strong sales of aluminum lifting equipment, mainly through construction equipment rentals and other sales channels, contributed to the increase in sales. Sales of fitness equipment declined due to sluggish sales of high-priced household fitness products.

In terms of profit and loss, procurement costs rose due to the yen's depreciation amid the decline in net sales, and segment profit decreased by 60 million yen year on year to a loss of 256 million yen.

Electronic equipment

Sales decreased by 10.0% year on year to 2,404 million yen. Sales of specified low-power wireless communication devices and wireless communication devices for business applications remained strong, but sales declined due to the completion of orders for amusement-related products at printed wiring boards manufacturing subsidiary HIGASHI ELECTRONICS INDUSTRY CO., LTD. As for HIGASHI ELECTRONICS INDUSTRY CO., LTD., we completed capital expenditures, and prototype orders have increased due to the strengthening of sales utilizing this facility, and we are making progress in our efforts to boost future sales.

The segment profit decreased by 326 million yen year on year to a loss of 325 million yen due to a decrease in net sales and an increase in depreciation resulting from investing in a new plant of HIGASHI ELECTRONICS INDUSTRY CO., LTD.

(2) Explanation of Financial Position

Total assets at the end of the fiscal year under review were 71,259 million yen, an increase of 2,944 million yen year on year. Current assets increased by 1,069 million yen to 44,964 million yen and non-current assets increased by 1,874 million yen to 26,295 million yen. Main factors for changes in total assets were an increase in notes and accounts receivable - trade (up 1,801 million yen from the end of the previous fiscal year), an increase in rental assets (up 1,456 million yen from the end of the previous fiscal year), and a decrease in inventories (down 448 million yen from the end of the previous fiscal year).

Total liabilities increased by 1,997 million yen from the end of the previous fiscal year to 39,769 million yen. Current liabilities increased by 2,288 million yen to 22,148 million yen and non-current liabilities decreased by 290 million yen to 17,620 million yen. The main reason for the increase in liabilities was an increase in borrowings (up 864 million yen from the end of the previous fiscal year) and an increase in notes and accounts payable-trade (up 670 million yen from the end of the previous fiscal year).

Total net assets increased by 946 million yen from the end of the previous fiscal year to 31,490 million yen because of profit attributable to owners of parent of 1,029 million yen and dividend payments of 418 million yen.

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

Forecast of consolidated financial results for the year ending March 20, 2025 is unchanged from the announcement on May 2, 2024.

2. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (March 20, 2024)	Second quarter of FY3/25 (September 20, 2024)
Assets		
Current assets		
Cash and deposits	6,922,386	6,712,542
Notes and accounts receivable-trade	15,350,923	17,151,937
Merchandise and finished goods	13,246,441	12,132,778
Work in process	2,809,164	2,636,742
Raw materials	4,478,058	5,315,988
Other	1,111,297	1,038,275
Allowance for doubtful accounts	-23,490	-23,937
Total current assets	43,894,781	44,964,327
Non-current assets		
Property, plant, and equipment		
Rental assets	28,348,694	29,810,449
Accumulated depreciation	-23,251,360	-23,095,655
Accumulated impairment	-1,341,718	-1,502,646
Rental assets, net	3,755,614	5,212,147
Buildings and structures	14,496,856	14,820,205
Accumulated depreciation	-8,810,613	-9,166,203
Accumulated impairment	-551	-587
Buildings and structures, net	5,685,691	5,653,414
Machinery, equipment and vehicles	7,452,702	7,805,242
Accumulated depreciation	-5,794,786	-6,088,954
Accumulated impairment	-1,073	-1,143
Machinery, equipment and vehicles, net	1,656,842	1,715,145
Land	6,032,877	6,094,154
Construction in progress	627,984	828,568
Other	4,458,578	4,608,917
Accumulated depreciation	-3,991,688	-4,123,714
Accumulated impairment	-20,097	-20,436
Other, net	446,791	464,767
Total property, plant, and equipment	18,205,803	19,968,195
Intangible assets		
Goodwill	302,416	190,274
Other	180,275	180,870
Total intangible assets	482,692	371,144
Investments and other assets		
Investment securities	1,550,061	1,561,634
Long-term loans receivable	10,875	6,710
Distressed receivables	147,756	157,610
Retirement benefit asset	3,033,318	3,072,674
Deferred tax assets	36,717	61,778
Other	1,104,626	1,257,070
Allowance for doubtful accounts	-150,926	-161,407
Total investments and other assets	5,732,429	5,956,070
Total non-current assets	24,420,925	26,295,411
Total assets	68,315,706	71,259,739

(Thousands of yen)

	Previous fiscal year (March 20, 2024)	Second quarter of FY3/25 (September 20, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,989,756	8,660,745
Short-term borrowings	1,413,250	2,470,000
Current portion of long-term borrowings	7,392,127	7,518,330
Income taxes payable	288,148	708,610
Provision for bonuses	750,243	798,063
Other	2,027,197	1,993,075
Total current liabilities	19,860,722	22,148,824
Non-current liabilities		
Long-term borrowings	16,446,295	16,127,450
Retirement benefit liability	264,982	293,855
Provision for retirement benefits for directors (and other officers)	172,420	182,564
Deferred tax liabilities	647,875	565,029
Other	378,839	451,282
Total non-current liabilities	17,910,413	17,620,181
Total liabilities	37,771,135	39,769,005
Net assets		
Shareholders' equity		
Share capital	6,361,596	6,361,596
Capital surplus	4,952,555	4,960,949
Retained earnings	18,666,335	19,277,982
Treasury shares	-1,043,805	-969,259
Total shareholders' equity	28,936,682	29,631,269
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	167,522	175,594
Deferred gains or losses on hedges	56,907	-70,815
Foreign currency translation adjustment	889,723	1,302,078
Remeasurements of defined benefit plans	481,654	434,665
Total accumulated other comprehensive income	1,595,808	1,841,523
Non-controlling interests	12,080	17,940
Total net assets	30,544,570	31,490,733
Total liabilities and net assets	68,315,706	71,259,739

(2) Semi-annual Consolidated Statements of Income and Semi-annual Comprehensive Income

Semi-annual Consolidated Statement of Income

For the Six-month Period

(Thousands of yen)

	First six months of FY3/24 (March 21, 2023 - September 20, 2023)	First six months of FY3/25 (March 21, 2024 - September 20, 2024)
Net sales	29,230,511	30,822,230
Cost of sales	21,461,552	22,531,167
Gross profit	7,768,958	8,291,063
Selling, general and administrative expenses	6,401,814	6,977,538
Operating profit	1,367,144	1,313,524
Non-operating income		
Interest income	7,007	5,924
Dividend income	56,415	32,266
Rental income from land and buildings	11,695	13,202
Foreign exchange gains	491,220	18,162
Gain on sales of scrap and waste	154,282	119,768
Other	97,790	84,854
Total non-operating income	818,413	274,179
Non-operating expenses		
Interest expenses	43,534	74,333
Paying rents	18,973	18,973
Other	19,326	19,883
Total non-operating expenses	81,834	113,189
Ordinary profit	2,103,723	1,474,514
Extraordinary income		
Gain on sale of property, plant, and equipment	3,521	2,716
Gain on sale of investment securities	84,112	64,600
Dividend income	-	145,454
Total extraordinary income	87,633	212,770
Extraordinary losses		
Loss on retirement of property, plant, and equipment	1,612	993
Extra retirement payments	-	68,404
Total extraordinary losses	1,612	69,398
Profit before income taxes	2,189,744	1,617,886
Income taxes-current	732,454	661,153
Income taxes for prior periods	-	-59,243
Income taxes-deferred	-10,529	-17,700
Total income taxes	721,925	584,209
Profit	1,467,819	1,033,677
Profit (loss) attributable to non-controlling interests	-481	4,003
Profit attributable to owners of parent	1,468,300	1,029,673

Semi-annual Consolidated Statement of Comprehensive Income
For the Six-month Period

(Thousands of yen)

	First six months of FY3/24 (March 21, 2023 - September 20, 2023)	First six months of FY3/25 (March 21, 2024 - September 20, 2024)
Profit	1,467,819	1,033,677
Other comprehensive income		
Valuation difference on available-for-sale securities	106,139	8,071
Deferred gains or losses on hedges	161,297	-127,723
Foreign currency translation adjustment	45,483	414,210
Remeasurements of defined benefit plans, net of tax	7,652	-46,988
Total other comprehensive income	320,572	247,571
Comprehensive income	1,788,391	1,281,248
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,788,102	1,275,388
Comprehensive income attributable to non-controlling interests	289	5,859

(3) Notes to Semi-annual Consolidated Financial Statements Going Concern Assumption

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies that Are Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates)

(Change in depreciation method and useful life of rental assets)

The depreciation method for rental assets, which are the tangible fixed assets of our group, used to be the declining-balance method for ALINCO INCORPORATED and our domestic consolidated subsidiaries, and the straight-line method for our overseas consolidated subsidiaries. From the beginning of the first six months under review, we and our domestic consolidated subsidiaries have also changed to the straight-line method.

About scaffolding materials, which are our rental property, ALBATROSS is being adopted by major construction companies and is penetrating the domestic market. As a result, the number of customers is expanding and diversifying. In addition, we are enhancing our equipment maintenance system by expanding our equipment centers in order to supply high-quality equipment to our customers' rental needs in a timely manner. In light of this situation, our group reviewed the depreciation method for rental assets in the wake of the formulation of its Medium-Term Management Plan beginning in the fiscal year ending March 20, 2025. Since the stable operation of equipment was anticipated based on rental assets investment plan, our group determined that an equal allocation of expenses by the straight-line method could more appropriately reflect the actual use of rental assets.

In addition, triggered by a change in the depreciation method of rental assets, we surveyed the actual usage of rental assets. As a result, we have revised the useful life of rental assets from the beginning of the first six months under review based on the economically usable predictable periods more closely suited to actual conditions. This review was determined based on a comprehensive consideration of the physical useful lives and actual usage of the rental assets.

As a result, compared with the previous method, operating profit, ordinary profit, and profit before income taxes during the first six months of FY3/25 increased by 599 million yen respectively.

Notes on Segment information, etc.

Segment Information

I First six months of FY3/24 (March 21, 2023 - September 20, 2023)

1. Information related to net sales, profit or loss for reportable segments and breakdown of revenue

(Thousands of yen)

	Reportable segment					Adjustment	Amounts shown on semi-annual consolidated statement of income
	Construction materials	Scaffolding material rental	Home equipment	Electronic equipment	Total		
Net sales							
Revenue from contracts with customers	10,853,710	6,829,229	6,939,377	2,670,936	27,293,253	-	27,293,253
Other revenue	-	1,937,257	-	-	1,937,257	-	1,937,257
External sales	10,853,710	8,766,487	6,939,377	2,670,936	29,230,511	-	29,230,511
Inter-segment sales and transfers	1,262,555	3,170	212,678	9,095	1,487,499	-1,487,499	-
Total	12,116,265	8,769,657	7,152,055	2,680,032	30,718,011	-1,487,499	29,230,511
Segment profit (loss)	1,323,279	449,979	-196,231	940	1,577,967	525,755	2,103,723

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

2. Adjustment of segment income (loss) of 525,755 thousand yen is corporate-wide profit (loss). Corporate-wide profit (loss) is mainly non-operating income and non-operating expenses, such as foreign exchange gains (losses) and interest expense not attributable to reportable segments.

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

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

Not applicable.

II First six months of FY3/25 (March 21, 2024 - September 20, 2024)

1. Information related to net sales, profit or loss for reportable segments and breakdown of revenue

(Thousands of yen)

	Reportable segment					Adjustment	Amounts shown on semi-annual consolidated statement of income
	Construction materials	Scaffolding material rental	Home equipment	Electronic equipment	Total		
Net sales							
Revenue from contracts with customers	12,495,325	6,967,109	6,896,626	2,404,378	28,763,440	-	28,763,440
Other revenue	-	2,058,790	-	-	2,058,790	-	2,058,790
External sales	12,495,325	9,025,900	6,896,626	2,404,378	30,822,230	-	30,822,230
Inter-segment sales and transfers	1,589,300	23,767	314,268	7,032	1,934,369	-1,934,369	-
Total	14,084,626	9,049,667	7,210,895	2,411,410	32,756,599	-1,934,369	30,822,230
Segment profit (loss)	1,328,750	759,632	-256,261	-325,765	1,506,356	-31,841	1,474,514

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

2. Adjustment of segment income (loss) of -31,841 thousand yen is corporate-wide profit (loss). Corporate-wide profit (loss) is mainly non-operating income and non-operating expenses, such as foreign exchange gains (losses) and interest expense not attributable to reportable segments.

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

2. Information related to revisions for reportable segments

(Change in depreciation method and useful life of rental assets)

The depreciation method for rental assets, which are the tangible fixed assets of our group, used to be the declining-balance method for ALINCO INCORPORATED and our domestic consolidated subsidiaries, and the straight-line method for our overseas consolidated subsidiaries. From the beginning of the first six months under review, we and our domestic consolidated subsidiaries have also changed to the straight-line method.

About scaffolding materials, which are our rental property, ALBATROSS is being adopted by major construction companies and is penetrating the domestic market. As a result, the number of customers is expanding and diversifying. In addition, we are enhancing our equipment maintenance system by expanding our equipment centers in order to supply high-quality equipment to our customers' rental needs in a timely manner. In light of this situation, our group reviewed the depreciation method for rental assets in the wake of the formulation of its Medium-Term Management Plan beginning in the fiscal year ending March 20, 2025. Since the stable operation of equipment was anticipated based on rental assets investment plan, our group determined that an equal allocation of expenses by the straight-line method could more appropriately reflect the actual use of rental assets.

In addition, triggered by a change in the depreciation method of rental assets, we surveyed the actual usage of rental assets. As a result, we have revised the useful life of rental assets from the beginning of the first six months under review based on the economically usable predictable periods more closely suited to actual conditions. This review was determined based on a comprehensive consideration of the physical useful lives and actual usage of the rental assets.

As a result, compared with the previous method, operating profit, ordinary profit, and profit before income taxes during the first six months of FY3/25 increased by 599 million yen respectively.

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

Not applicable.