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February 3, 2025

Consolidated Financial Results for the Nine Months Ended December 20, 2024 (Under Japanese GAAP)

Company name: ALINCO INCORPORATED
 Listing: Tokyo Stock Exchange
 Securities code: 5933
 URL: <https://www.alinco.co.jp/>
 Representative: Nobuo Kobayashi, Representative Director and President, Chief Operating Officer
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 20, 2024 (from March 21, 2024 to December 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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 20, 2024	47,197	5.6	2,043	6.7	2,641	-5.5	1,775	-7.4
December 20, 2023	44,692	-4.3	1,916	1.0	2,793	-11.9	1,916	44.9

Note: Comprehensive income For the nine months ended December 20, 2024: ¥1,728 million [-21.8%]
 For the nine months ended December 20, 2023: ¥2,210 million [6.3%]

	Basic earnings per share	Diluted earnings per share	EBITDA	
Nine months ended	Yen	Yen	Millions of yen	%
December 20, 2024	89.70	-	4,469	-16.5
December 20, 2023	97.52	-	5,352	-7.2

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
December 20, 2024	72,551	31,532	43.5	1,588.88
March 20, 2024	68,315	30,544	44.7	1,546.27

Reference: Equity
 As of December 20, 2024: ¥31,524 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 quarterly 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 December 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 December 20, 2024	1,198,951 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)

Nine months ended December 20, 2024	19,796,219 shares
Nine months ended December 20, 2023	19,657,841 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 (92,300 shares as of December 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 (123,110 shares as of December 20, 2024, 233,780 shares as of December 20, 2023).

- * Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

- * 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. Overview of Results of Operations

(1) Overview of Quarterly Results of Operations

During the first nine months of FY3/25, the Japanese economy maintained a recovery trend due to strong capital investment driven by improved corporate business sentiment and a pick-up in consumer spending reflecting improvements in the employment and income environment. However, the future remains uncertain and challenging due to continued high prices, as well as concerns about the risk of a downturn in overseas economies and future policy trends in the United States.

In the construction and housing-related industries, which are our group's main business industries, construction investment remained strong due to capital spending by the private sector and government measures to accelerate national land resilience. On the other hand, due to labor shortages, delays in construction reflecting 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 nine months of FY3/25 increased by 5.6% year on year to 47,197 million yen. In terms of profit, operating profit increased by 6.7% year on year to 2,043 million yen. This was driven by strong sales in core businesses and logistics-related products, as well as a decrease in depreciation expenses following a review of the depreciation method for rental assets, which was implemented in conjunction with the formulation of the Medium-term Management Plan 2027. However, ordinary profit decreased by 152 million yen (-5.5%) year on year to 2,641 million yen due to a 164 million yen decrease in foreign exchange gains, affected by the financial and foreign exchange environment. Profit attributable to owners of parent decreased by 7.4% year on year to 1,775 million yen.

The performance for each business segment is as follows. Sales by segment do not include inter-segment sales.

Performance by Segment for the first nine months of FY3/25

Segment	Net sales		Segment profit (loss)	
	Amount (Millions of yen)	YoY change (%)	Amount (Millions of yen)	YoY change (%)
Construction materials	19,077	16.0	1,869	-5.9
Scaffolding material rental	13,797	1.9	1,240	110.3
Home equipment	10,663	-0.9	-339	-
Electronic equipment	3,659	-7.2	-443	-
Total for reportable segments	47,197	5.6	2,325	-1.5
Adjustment	-	-	315	-
Amounts shown on quarterly consolidated statement of income	47,197	5.6	2,641	-5.5

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

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

Construction materials business

Sales increased by 16.0% year on year to 19,077 million yen. There has been no major change in the investment trends of rental scaffolding materials companies, our main customers, and while they continue to shift from purchasing to renting, some are moving forward with equipment purchases to meet specific on-site needs. Amid this trend, we have seized the opportunity to win orders, resulting in sales growth. In logistics-related products, sales of racks for logistics warehouses have remained strong since the beginning of the period,

and sales channels were expanded to semiconductor manufacturing plants, resulting in a significant increase in sales by 27.5% year on year.

Segment profit decreased by 5.9% year on year to 1,869 million yen due to an increase in manufacturing costs despite a year on year increase in sales.

Scaffolding material rental

Sales increased by 1.9% year on year to 13,797 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 also favorable due to the stabilization of construction personnel and the levelling out of construction volume.

In terms of profit and loss, from the first 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). With this, since the depreciation of rental assets decreased by 856 million yen year on year, segment profit increased by 110.3% year on year to 1,240 million yen.

Home equipment

Sales decreased by 0.9% year on year to 10,663 million yen. Sales of elevated work platforms and other products for work in high places from subsidiary SIP Co., Ltd., which expanded its sales channels to semiconductor factories, remained strong, and sales of aluminum lifting equipment and other products were firm, mainly for construction equipment rental customers. However, sales of fitness-related products were sluggish due to the extreme heat and high prices, resulting in a decline in sales.

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 146 million yen year on year to a loss of 339 million yen.

Electronic equipment

Sales decreased by 7.2% year on year to 3,659 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. At HIGASHI ELECTRONICS INDUSTRY CO., LTD., orders for prototypes are increasing as a result of strengthened sales through the facility expansion completed in the previous fiscal year, and efforts are underway to increase sales in the future.

The segment profit decreased by 423 million yen year on year to a loss of 443 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) Overview of Quarterly Financial Position

Total assets increased by 4,236 million yen from the end of the previous fiscal year to 72,551 million yen as of the end of the third quarter of FY3/25. Total assets consisted of current assets of 45,711 million yen (up 1,816 from the end of the previous fiscal year) and non-current assets of 26,840 million yen (up 2,419 million yen). The main factors for the increase in total assets were an increase in notes and accounts receivable-trade (up 2,637 million yen year on year) and rental assets (up 1,571 million yen).

Total liabilities increased by 3,248 million from the end of the previous fiscal year to 41,019 million yen. This includes current liabilities of 21,869 million yen (up 2,009 million yen) and long-term liabilities of 19,150 million yen (up 1,239 million yen). The main factors for the increase in liabilities were an increase in loans payable (up 2,148 million yen) and an increase in notes and accounts payable-trade (up 769 million yen).

Net assets amounted to 31,532 million yen (up 987 million yen), mainly due to profit attributable to owners of parent of 1,775 million yen and dividends from surplus of 836 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. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (March 20, 2024)	Third quarter of FY3/25 (December 20, 2024)
Assets		
Current assets		
Cash and deposits	6,922,386	6,800,791
Notes and accounts receivable-trade	15,350,923	17,988,552
Merchandise and finished goods	13,246,441	12,061,257
Work in process	2,809,164	2,409,588
Raw materials	4,478,058	5,443,844
Other	1,111,297	1,031,736
Allowance for doubtful accounts	-23,490	-24,581
Total current assets	43,894,781	45,711,189
Non-current assets		
Property, plant, and equipment		
Rental assets	28,348,694	29,313,660
Accumulated depreciation	-23,251,360	-22,517,009
Accumulated impairment	-1,341,718	-1,469,782
Rental assets, net	3,755,614	5,326,868
Buildings and structures	14,496,856	15,388,143
Accumulated depreciation	-8,810,613	-9,246,644
Accumulated impairment	-551	-563
Buildings and structures, net	5,685,691	6,140,935
Machinery, equipment and vehicles	7,452,702	7,801,605
Accumulated depreciation	-5,794,786	-6,173,545
Accumulated impairment	-1,073	-1,096
Machinery, equipment and vehicles, net	1,656,842	1,626,963
Land	6,032,877	6,074,843
Construction in progress	627,984	917,662
Other	4,458,578	4,661,385
Accumulated depreciation	-3,991,688	-4,171,845
Accumulated impairment	-20,097	-20,210
Other, net	446,791	469,329
Total property, plant, and equipment	18,205,803	20,556,602
Intangible assets		
Goodwill	302,416	134,202
Other	180,275	172,489
Total intangible assets	482,692	306,692
Investments and other assets		
Investment securities	1,550,061	1,541,967
Long-term loans receivable	10,875	7,495
Distressed receivables	147,756	151,949
Retirement benefit asset	3,033,318	3,092,402
Deferred tax assets	36,717	55,094
Other	1,104,626	1,283,465
Allowance for doubtful accounts	-150,926	-154,899
Total investments and other assets	5,732,429	5,977,475
Total non-current assets	24,420,925	26,840,770
Total assets	68,315,706	72,551,960

(Thousands of yen)

	Previous fiscal year (March 20, 2024)	Third quarter of FY3/25 (December 20, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,989,756	8,759,480
Short-term borrowings	1,413,250	1,930,000
Current portion of long-term borrowings	7,392,127	7,926,882
Income taxes payable	288,148	586,733
Provision for bonuses	750,243	482,408
Other	2,027,197	2,184,357
Total current liabilities	19,860,722	21,869,862
Non-current liabilities		
Long-term borrowings	16,446,295	17,543,687
Retirement benefit liability	264,982	292,166
Provision for retirement benefits for directors (and other officers)	172,420	182,564
Deferred tax liabilities	647,875	761,122
Other	378,839	370,528
Total non-current liabilities	17,910,413	19,150,069
Total liabilities	37,771,135	41,019,931
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	19,605,526
Treasury shares	-1,043,805	-956,519
Total shareholders' equity	28,936,682	29,971,552
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	167,522	159,550
Deferred gains or losses on hedges	56,907	85,192
Foreign currency translation adjustment	889,723	896,545
Remeasurements of defined benefit plans	481,654	411,171
Total accumulated other comprehensive income	1,595,808	1,552,459
Non-controlling interests	12,080	8,016
Total net assets	30,544,570	31,532,028
Total liabilities and net assets	68,315,706	72,551,960

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

For the Nine-month Period

(Thousands of yen)

	First nine months of FY3/24 (March 21, 2023 - December 20, 2023)	First nine months of FY3/25 (March 21, 2024 - December 20, 2024)
Net sales	44,692,301	47,197,895
Cost of sales	33,143,490	34,690,765
Gross profit	11,548,811	12,507,129
Selling, general and administrative expenses	9,632,381	10,463,241
Operating profit	1,916,429	2,043,888
Non-operating income		
Interest income	8,827	11,023
Dividend income	77,921	56,214
Rental income from land and buildings	17,572	17,136
Foreign exchange gains	580,561	415,860
Gain on sales of scrap and waste	202,355	167,430
Other	115,279	97,790
Total non-operating income	1,002,518	765,455
Non-operating expenses		
Interest expenses	64,568	112,811
Paying rents	28,459	28,459
Other	32,092	26,716
Total non-operating expenses	125,120	167,987
Ordinary profit	2,793,826	2,641,356
Extraordinary income		
Gain on sale of property, plant, and equipment	3,638	2,783
Gain on sale of investment securities	84,112	64,600
Dividend income	-	145,454
Total extraordinary income	87,751	212,838
Extraordinary losses		
Loss on retirement of property, plant, and equipment	1,758	3,502
Extra retirement payments	-	63,505
Total extraordinary losses	1,758	67,007
Profit before income taxes	2,879,818	2,787,186
Income taxes-current	832,510	944,483
Income taxes for prior periods	-	-59,250
Income taxes-deferred	130,270	130,680
Total income taxes	962,781	1,015,913
Profit	1,917,037	1,771,272
Profit (loss) attributable to non-controlling interests	86	-4,530
Profit attributable to owners of parent	1,916,951	1,775,802

Quarterly Consolidated Statement of Comprehensive Income
For the Nine-month Period

(Thousands of yen)

	First nine months of FY3/24 (March 21, 2023 - December 20, 2023)	First nine months of FY3/25 (March 21, 2024 - December 20, 2024)
Profit	1,917,037	1,771,272
Other comprehensive income		
Valuation difference on available-for-sale securities	94,013	-7,972
Deferred gains or losses on hedges	18,902	28,284
Foreign currency translation adjustment	169,346	7,288
Remeasurements of defined benefit plans, net of tax	11,478	-70,483
Total other comprehensive income	293,741	-42,882
Comprehensive income	2,210,779	1,728,389
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,209,500	1,732,453
Comprehensive income attributable to non-controlling interests	1,279	-4,064

(3) Notes to Quarterly Consolidated Financial Statements

(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 first quarter of the current fiscal year, 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 plans for the introduction of rental assets in the future, 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 first quarter 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 nine months of FY3/25 increased by 961 million yen respectively.

(Notes on Segment information, etc.)

Segment Information

I. First nine months of FY3/24 (Mar. 21, 2023 - Dec. 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 quarterly consolidated statement of income
	Construction materials	Scaffolding material rental	Home equipment	Electronic equipment	Total		
Net sales							
Revenue from contracts with customers	16,442,448	10,543,865	10,761,655	3,944,658	41,692,628	-	41,692,628
Other revenue	-	2,999,673	-	-	2,999,673	-	2,999,673
External sales	16,442,448	13,543,539	10,761,655	3,944,658	44,692,301	-	44,692,301
Inter-segment sales and transfers	2,055,763	9,528	336,146	16,975	2,418,414	-2,418,414	-
Total	18,498,212	13,553,067	11,097,801	3,961,634	47,110,716	-2,418,414	44,692,301
Segment profit (loss)	1,985,376	589,707	-193,463	-20,821	2,360,798	433,027	2,793,826

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

2. Adjustment of segment income (loss) of 433,027 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 nine months of FY3/25 (March 21, 2024 - December 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 quarterly consolidated statement of income
	Construction materials	Scaffolding material rental	Home equipment	Electronic equipment	Total		
Net sales							
Revenue from contracts with customers	19,077,695	10,636,591	10,663,898	3,659,210	44,037,395	-	44,037,395
Other revenue	-	3,160,499	-	-	3,160,499	-	3,160,499
External sales	19,077,695	13,797,091	10,663,898	3,659,210	47,197,895	-	47,197,895
Inter-segment sales and transfers	1,948,387	56,392	376,979	10,829	2,392,589	-2,392,589	-
Total	21,026,082	13,853,483	11,040,878	3,670,039	49,590,484	-2,392,589	47,197,895
Segment profit (loss)	1,869,025	1,240,350	-339,785	-443,951	2,325,638	315,717	2,641,356

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

2. Adjustment of segment income (loss) of 315,717 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 first quarter of the current fiscal year, 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 plans for the introduction of rental assets in the future, 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 first quarter 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 nine months of FY3/25 increased by 961 million yen respectively.

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

Not applicable.

(Notes to quarterly consolidated statement of cash flows)

Quarterly consolidated statements of cash flows have not been prepared for the first nine months of FY3/25. The depreciation expenses for the nine months period (including amortization expenses related to intangible fixed assets excluding goodwill) and the amortization expenses for goodwill are as follows.

	First nine months of FY3/24 (March 21, 2023 - December 20, 2023)	First nine months of FY3/25 (March 21, 2024 - December 20, 2024)
Depreciation (thousand yen)	2,318,644	1,647,463
Amortization of goodwill (thousand yen)	239,743	180,508

January 31, 2025

To the Board of Directors of
ALINCO INCORPORATED

KPMG AZSA LLC
Osaka Office

Designated Limited Liability Partner
Managing Partner

Certified Public Accountant

Yutaka Asano

Designated Limited Liability Partner
Managing Partner

Certified Public Accountant

Masatsugu Ohashi

Auditor's conclusion

Our audit firm has conducted an interim review of the consolidated financial statements of ALINCO INCORPORATED, as presented in the "Attached Materials" of the quarterly financial results report. This includes the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, and related notes for the third quarter of the fiscal year from March 21, 2024, to March 20, 2025 (from September 21, 2024, to December 20, 2024), as well as for the first nine months period of same fiscal years (from March 21, 2024, to December 20, 2024).

In the interim review conducted by us, we did not recognize in all material respects any matters that would cause us to believe that the quarterly consolidated financial statements referred to above have not been prepared in accordance with Article 4, Item 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of the Tokyo Stock Exchange, Inc. and the Accounting Standards for Quarterly Financial Statements generally accepted in Japan (provided, however, that the omission of the statement stipulated in Article 4, Item 2 of the Standards for Preparation of Quarterly Financial Statements, etc. has been applied).

Grounds for the auditor's conclusion

We conducted our interim review in accordance with the standards of the interim review generally accepted in Japan. Our responsibility under the standards for the interim review is set forth under the caption "Auditor's Responsibility in the Interim Review of the Quarterly Consolidated Financial Statements." Our audit firm is independent of the company and its consolidated subsidiaries in accordance with the professional ethical standards in Japan and has fulfilled other ethical responsibilities as auditors. Our audit firm believes that we have obtained sufficient and appropriate evidence as a basis for expressing our conclusion.

Highlights

As described in the Notes (Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates), the Company and its domestic consolidated subsidiaries previously used the declining-balance method for the depreciation of rental assets. However, from the first quarter of the current fiscal year, the Company changed the depreciation method to the straight-line method, and also changed the useful life of this asset from the first quarter of the current fiscal year following the change in the depreciation method.

This matter does not affect our conclusion.

Responsibility of Management and the Audit and Supervisory Committee for the Quarterly Consolidated Financial Statements

Management is responsible for preparing the quarterly consolidated financial statements in accordance with Article 4, Item 1 of the Standards for Preparing Quarterly Financial Statements, etc. of the Tokyo Stock Exchange, Inc. and the accounting standards for quarterly financial statements generally accepted in Japan (provided, however, that the omission of the statement stipulated in Article 4, Item 2 of the Standards for Preparing Quarterly Financial Statements, etc. is applied). This includes establishing and operating such internal control as management deems necessary for the preparation of quarterly consolidated financial statements that are important from material misstatement, whether due to fraud or error.

In preparing the quarterly consolidated financial statements, management is responsible for evaluating whether it is appropriate to prepare the quarterly consolidated financial statements based on the going concern assumption, and disclosing matters related to a going concern in accordance with Article 4, Item 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of the Tokyo Stock Exchange, Inc. and the accounting standards for quarterly financial statements generally accepted in Japan (provided, however, that the omission of the statement stipulated in Article 4, Item 2 of the Standards for Preparation of Quarterly Financial Statements, etc. is applied).

The responsibility of the Audit and Supervisory Committee is to monitor the execution of directors' duties in the development and operation of the financial reporting process.

Auditor's Responsibility for Review of Quarterly Consolidated Financial Statements

The auditor's responsibility is to express a conclusion on the quarterly consolidated financial statements from an independent standpoint in the interim review report based on the interim review conducted by the auditor.

In accordance with the standards of the interim review generally accepted in Japan, the auditor shall, through the course of the interim review, make judgments as a professional expert and conduct the following with professional skepticism:

- Conduct questions, analytical procedures, and other interim review procedures primarily for management, financial, and accounting personnel. The interim review procedures are limited compared with the audits of financial statements for the fiscal year conducted in accordance with auditing standards generally accepted in Japan.
- In the event that the Company determines that there is a significant uncertainty with respect to events or circumstances that raise substantial doubt about the Company's ability to continue as a going concern, the Company will conclude in its quarterly consolidated financial statements whether there are any matters that it believes are not prepared in accordance with Article 4, Item 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of the Tokyo Stock Exchange, Inc. and the accounting standards for quarterly financial statements generally accepted in Japan (provided, however, that the omission of the statement stipulated in Article 4, Item 2 of the Standards for Preparation of Quarterly Financial Statements, etc. is applied). In addition, if there is important uncertainty regarding the Company's ability to continue as a going concern, the Company is required to draw attention to the notes to the quarterly consolidated financial statements in the interim review report, or if the notes to the quarterly consolidated financial statements regarding material uncertainty are not appropriate, to express a limited conclusion or a negative conclusion on the quarterly consolidated financial statements. The auditor's conclusion is based on evidence obtained through the date of the interim review report; however, future events and status may prevent the entity from continuing as a going concern.
- Evaluate whether or not the presentation of quarterly consolidated financial statements and the notes thereto are deemed not to be prepared in accordance with Article 4, Item 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of the Tokyo Stock Exchange, Inc. and the Accounting Standards for Quarterly Financial Statements generally accepted in Japan (provided, however, that the omission of the statement stipulated in Article 4, Item 2 of the Standards for Preparation of Quarterly Financial Statements, etc. is applied).
- Obtain evidence regarding the financial information of the Company and its consolidated subsidiaries that forms the basis for expressing a conclusion on the quarterly consolidated financial statements. The auditor is responsible for directing, supervising and inspecting the medium-term review of the quarterly consolidated financial statements. The auditor is solely responsible for the auditor's conclusions.

The auditor reports to the Audit and Supervisory Committee on the extent of the planned interim review and the timing of its implementation, as well as important findings for the interim review.

The auditor reports to the Audit and Supervisory Committee on compliance with professional ethics regulations regarding independence in Japan. Additionally, if there are matters reasonably considered to affect the auditor's independence, the auditor provides details on measures taken to eliminate such impediments or safeguards applied to reduce them to an acceptable level.

Interest

There is no interest between the Company and its consolidated subsidiaries and the auditing corporation or its operating partners that should be stated pursuant to the provisions of the Certified Public Accountants Act.

Notes: 1. The original of the above periodic review report is kept separately by the Company (the company disclosing the quarterly financial statements).
2. XBRL data and HTML data are not included in the scope of the interim review.