



ALINCO INCORPORATED

# Medium-term Business Plan 2024

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ALINCO 2024

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# 1. Background and Goals of the Medium-term Business Plan

- Reaffirm business diversification under our management policy of "Become the Leading Company in Niche Markets"
- Adapt to various and drastic change in business environment for further growth by focusing on our management policy and strengthening business diversification



**Growth of corporate value centered on “satisfaction and trust”**

The medium-term business plan covers the three-year period  
from March 2022 till March 2024

- Make the core businesses (production, sale and rental of scaffolding materials) even more powerful
- Aim for the growth in other business sectors (logistics, home equipment, electronic equipment)

## 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 is 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

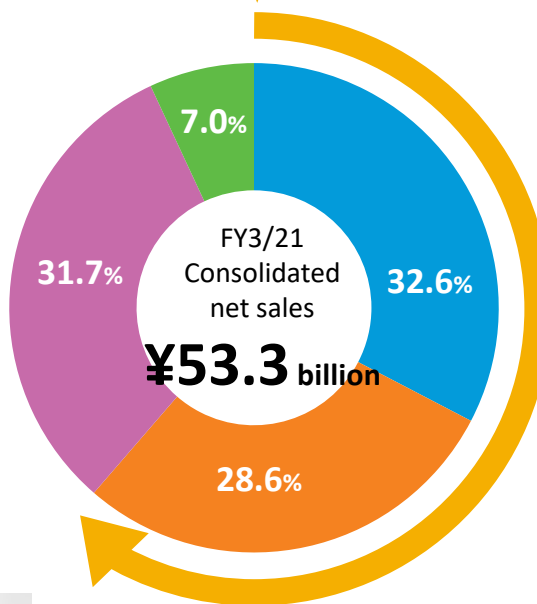


Fitness equipment



Core businesses\*

61%



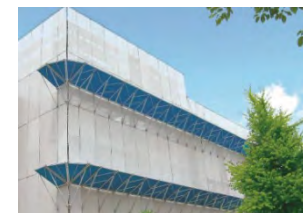
\*The core businesses are the construction materials business and scaffolding material rental business.

## Construction materials

Advanced technologies for construction site safety



The new ring lock ALBATROSS system ("ALBATROSS")



Aluminum fall proofing hopper



SK panel platform



## Scaffolding material rental

Cooperate with construction materials segment

## 2. Medium-term Goals

### Expected changes in the business climate

The business climate is expected to become more volatile, uncertain, complex and ambiguous

- Activities for Japan's national resilience
- Most redevelopment projects in Japan's major cities
- Qualitative shift in housing investments from new construction to renovations
- Qualitative shift in construction expenditures in Asia
- Chronic shortage of construction workers
- Increasingly strict safety measures at construction sites
- More investment opportunities involving safety, disaster prevention, disaster damage mitigation, and staying healthy
- Diversity of sales activities and services using the internet
- More sophisticated product functions due to the use of the IoT
- Increasing use of high-volume data communications, including audio and video

### 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

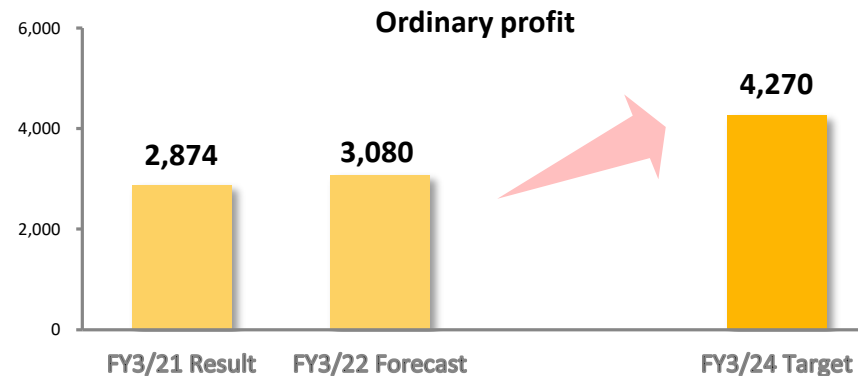
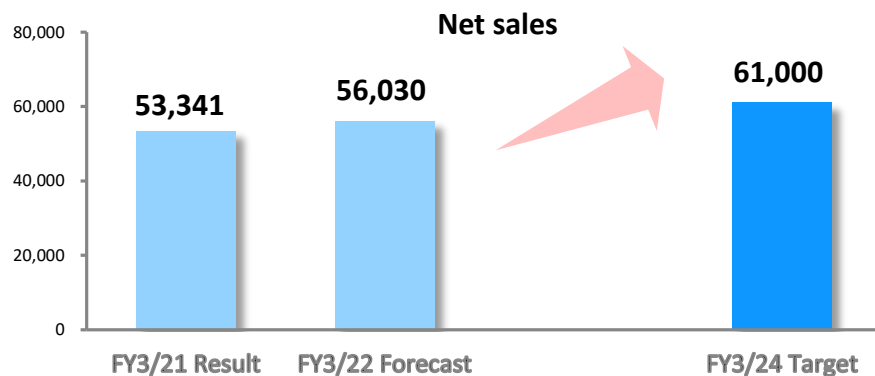
Advance from wireless devices to data communication products



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

**ALINCO**

Net Sales / Ordinary Profit Plan (Millions of yen)



	FY3/21 Results		FY3/22 Forecast		FY3/24 Targets	
	Net sales/ Ordinary profit	Financial KPIs	Net sales/ Ordinary profit	Financial KPIs	Net sales/ Ordinary profit	Financial KPIs
<b>Net sales</b>	<b>53,341</b>	■ Ordinary profit to net sales 5.4%  ■ ROE 6.2%  ■ Equity ratio 49.8%	<b>56,030</b>	■ Ordinary profit to net sales 5.5%  ■ ROE 7.0%  ■ Equity ratio 51.0%	<b>61,000</b>	■ Ordinary profit to net sales 7.0%  ■ ROE 9.0%  ■ Equity ratio 50.0%
Construction materials	17,400		18,800		21,260	
Scaffolding material rental	15,265		16,610		16,710	
Home equipment	16,925		16,450		18,000	
Electronic equipment	3,751		4,170		5,030	
<b>Ordinary profit</b>	<b>2,874</b>		<b>3,080</b>		<b>4,270</b>	
Construction materials	1,410		1,602		2,551	
Scaffolding material rental	56		468		248	
Home equipment	1,029		731		830	
Electronic equipment	53		190		460	
Adjustments	323		90		180	

# Medium-term Investment Plan

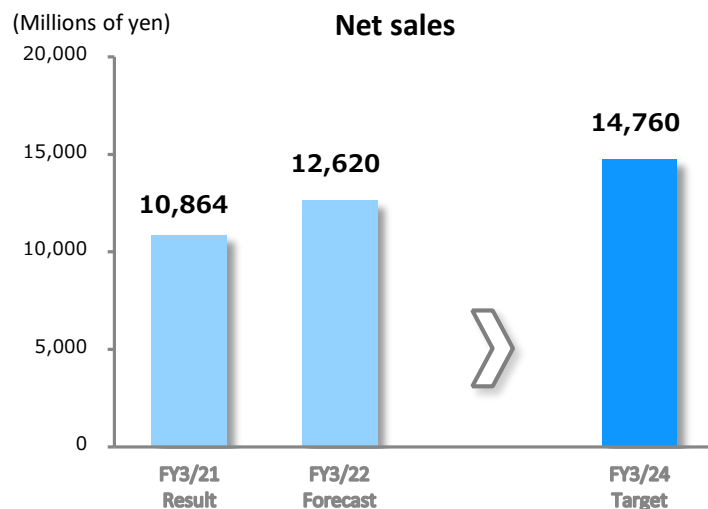
Investments of ¥15.3 billion during the Medium-term Business Plan 2024 for further growth

Category	Amount (FY3/22 – FY3/24)	
Rental assets	¥6.1 billion	<ul style="list-style-type: none"><li>● Expand the market share of ALBATROSS</li><li>● Increase the percentage of high value-added assets</li></ul>
Productivity and capacity	¥3.0 billion	<ul style="list-style-type: none"><li>● Maintain and streamline distribution bases</li><li>● Automate the manufacturing processes</li></ul>
Development of new products	¥1.6 billion	<ul style="list-style-type: none"><li>● Increase the applicability of new ALBATROSS scaffolding</li><li>● Improve the capability of dealing custom order</li><li>● Increase IoT related products</li></ul>
M&A activities	¥4.5 billion	<ul style="list-style-type: none"><li>● Perform M&amp;A with companies which have influence in niche markets to create synergies with our business</li></ul>
Human resource development	¥0.1 billion	<ul style="list-style-type: none"><li>● Recruit individuals with advanced professional skills</li></ul>
Three-year total	¥15.3 billion	<ul style="list-style-type: none"><li>● Huge investments for further growth</li></ul>



### 3. Core Business Initiatives (production, sale and rental of scaffolding materials)

#### Construction materials

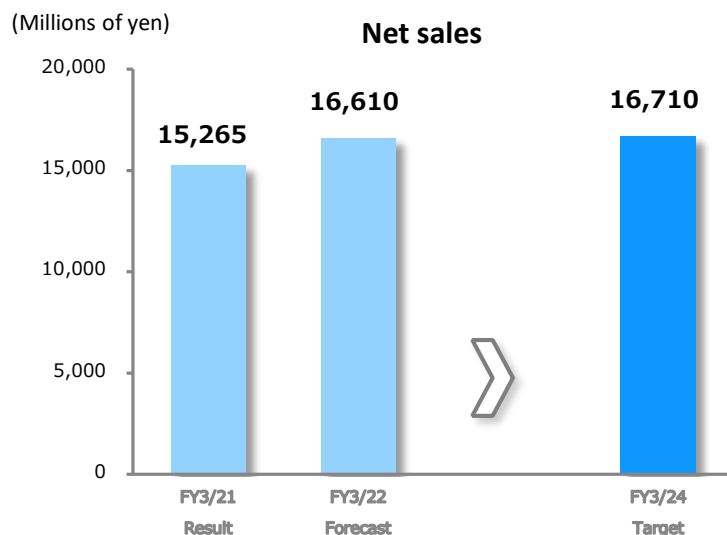


#### Key initiatives

#### 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

#### Scaffolding material rental



#### 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
- Expand use of the oct system (one-stop provision of scaffolding transport, installation and removal), currently mainly for low-rise buildings, to include medium and high-rise buildings, which have high profit margins

# 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



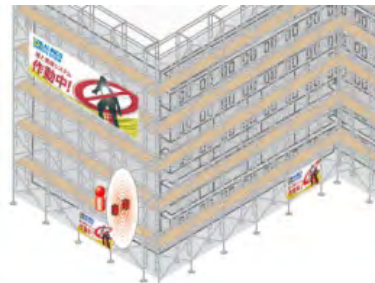
Scaffolding at this 80-meter condominium project begins at the B2 level and has a total height of 90 meters



Aluminum platform

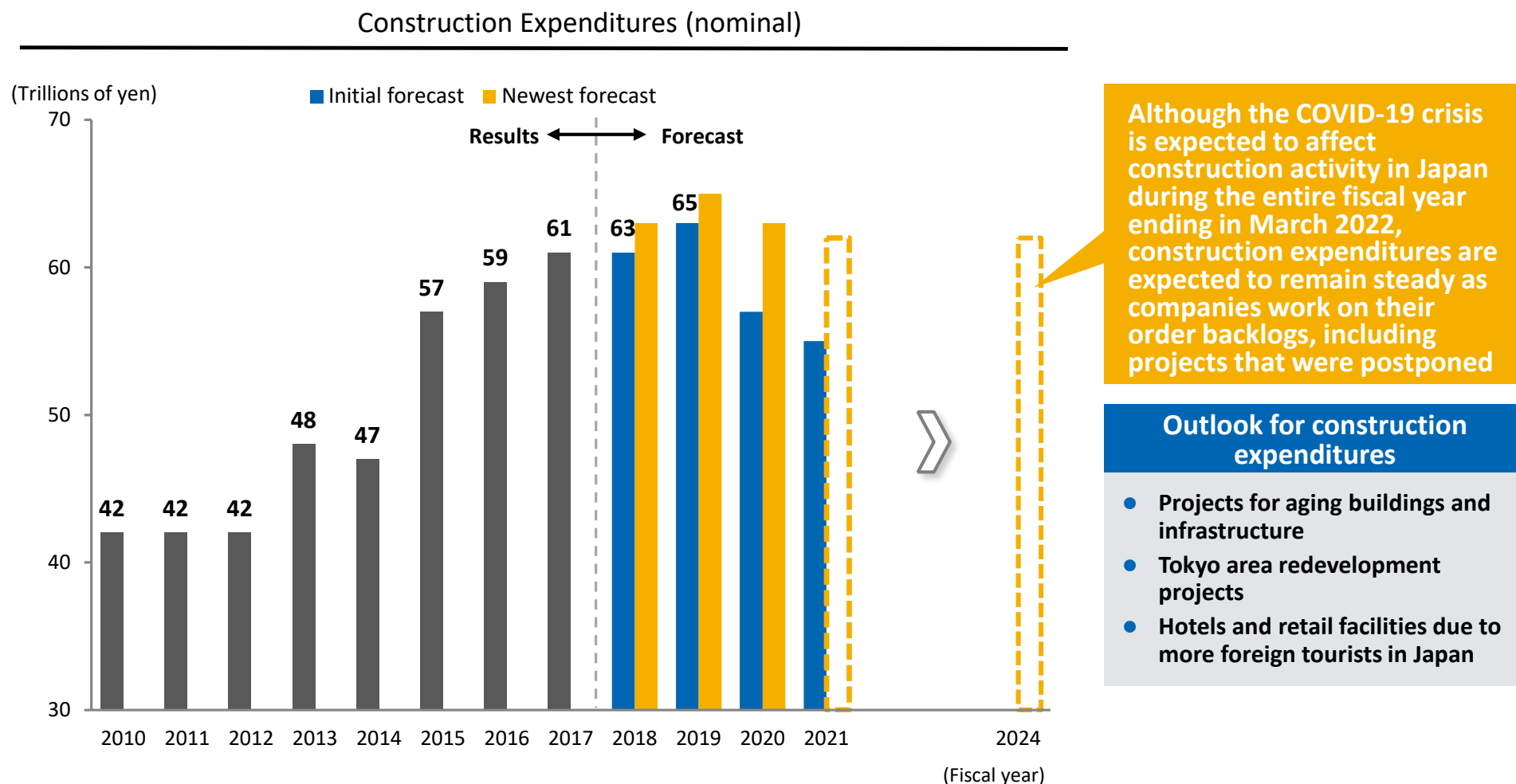


Hoisting platform



Scaffolding intrusion warning system

## Construction expenditures in Japan are expected to remain high after FY2021



Source: Outlook for FY2020 Construction Investments, Ministry of Land, Infrastructure, Transport and Tourism, General Policy Bureau  
(The initial forecasts and newest forecasts beginning in FY2021 are ALINCO forecasts)

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## Goals

### Increase ALBATROSS sales and develop associated products

- Increase awareness of ALBATROSS advantages to encourage companies to replace traditional frame scaffolding with ALBATROSS
- Develop optional products to expand the applications of ALBATROSS
- Meet the increasing demand for SK panel platform for expressway renovation projects

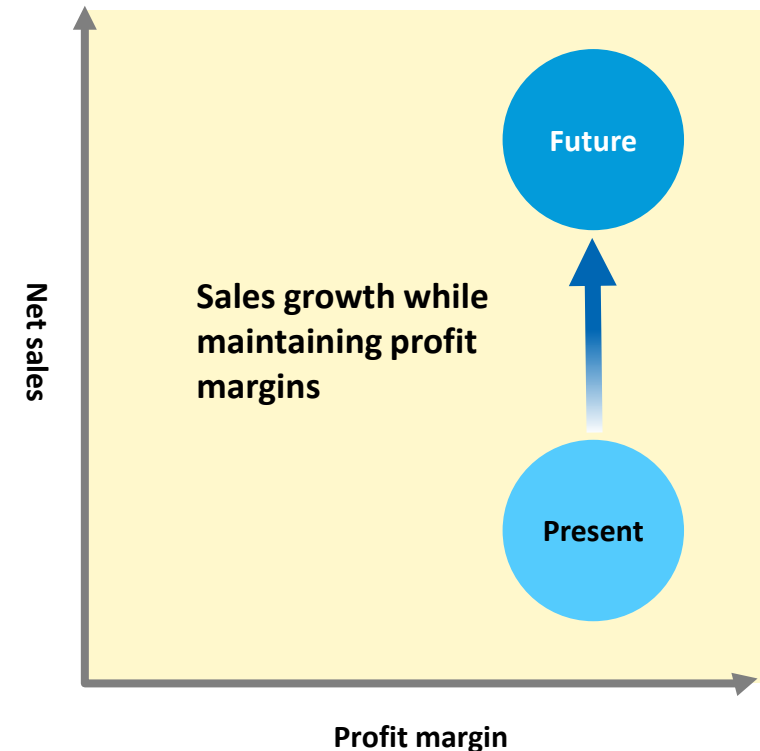
### High utilization rate of rental assets and constant investments

- Medium/high-rise buildings: Maintain high ALBATROSS utilization rate
- Low-rise buildings: Expand the non-residential sector
- Continue investing in rental assets as planned

### Localization of overseas operations to improve profitability

- Make a profit before depreciation by expanding business in local market.

### Goal for core business earnings



# Encourage to Make a Shift from Traditional Frame Scaffolding to ALBATROSS

Encourage to make a shift to ALBATROSS by promoting its high safety standard and cost-benefits

## Current issues at construction sites

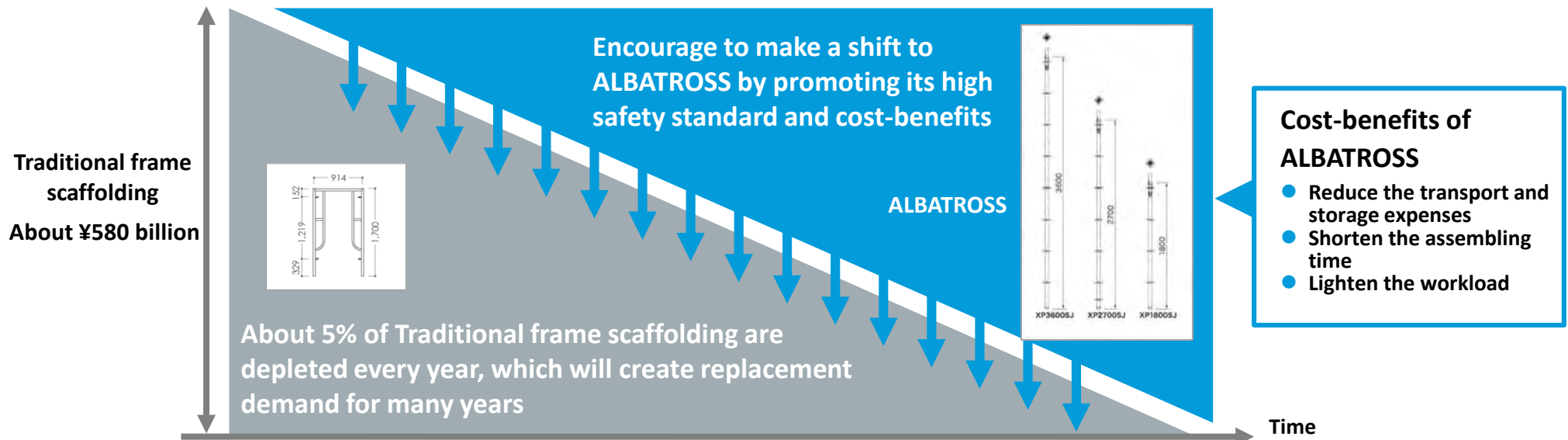
- Due to higher safety standards for scaffolding, construction companies were forced to choose between two choices, add materials to improve the security of traditional frame scaffolding or make a shift to new type of scaffolding
- The mandate to use scaffolding with high safety standard in public-sector 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

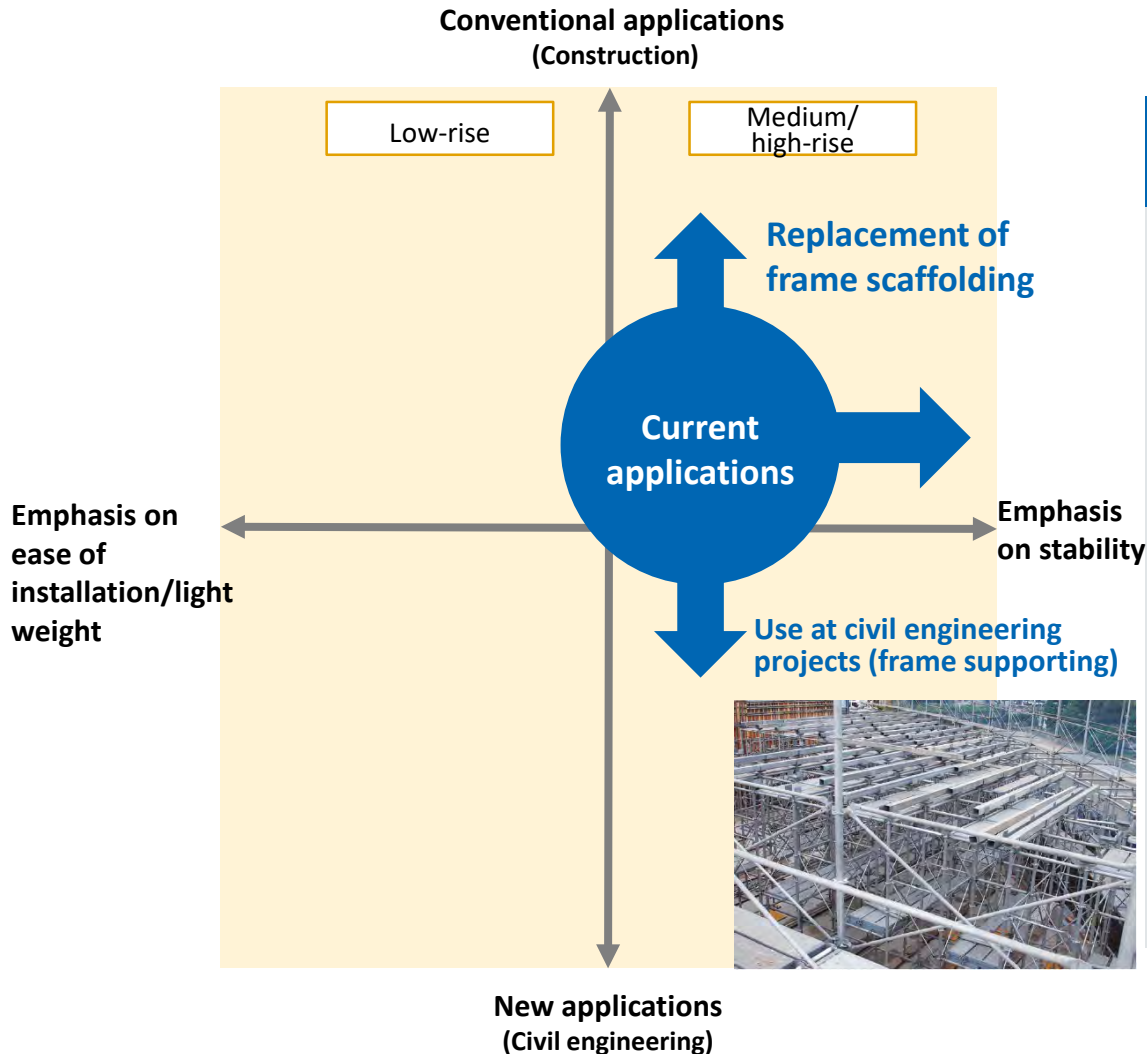
Favorable trends for ALINCO

## The Traditional Frame Scaffolding Market



# Expansion of Applicability for ALBATROSS

## Using the strengths of ALBATROSS for the expansion of applicability



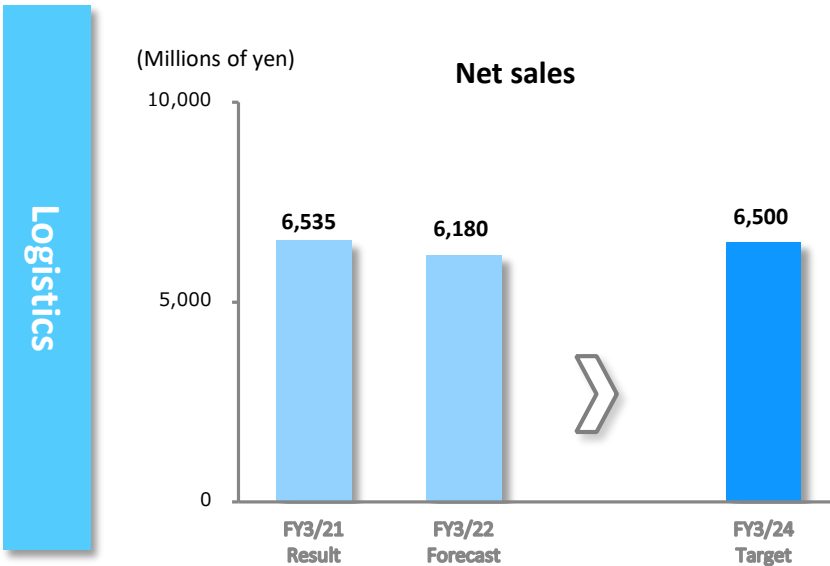
### The strengths of ALBATROSS

– A new generation of scaffolding –

- **A reputation for trust as Japan's leading supplier**
  - A reliable supply and stable high quality
  - A substantial customer base with relationships based on trust
  - A large lineup of products, including accessories
- **Durability to meet the demands of many applications**
  - Can be assembled up to a height of 90 meters
  - Compatible with round shape buildings
  - Can also be used as a frame supporting



## 4. Initiatives in the Logistics Sector



### Key initiatives

#### Next-generation distribution centers

- Meet the increasing demand of large scale distribution facilities construction as e-commerce growing bigger
- Meet the demand of earthquake resistance and precision for the multi-functional and high-performance storage systems at large distribution facilities

## 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 needs 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

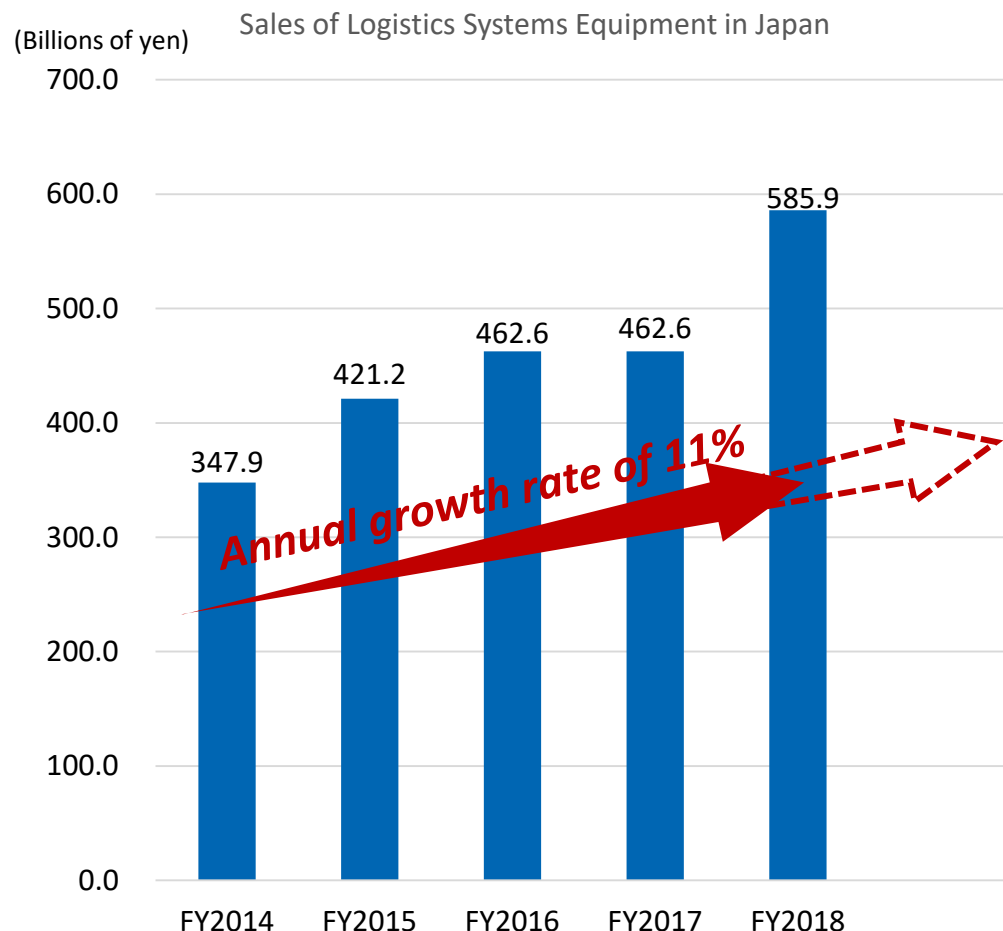
A moveable rack that doubles storage capacity





# The Logistics Business Market Environment

Market for logistic system equipment are growing faster than entire capital expenditures in Japan



Source: FY2018 Logistics Systems Equipment Production and Shipment Statistics (August 2019), Japan Institute of Logistics Systems

## Reasons for growth of the logistics system equipment market

- Growth of the e-commerce sector
- Renewal of old warehouses to large-scale logistics facilities with cutting-edge technologies

## Needs in logistic system equipment

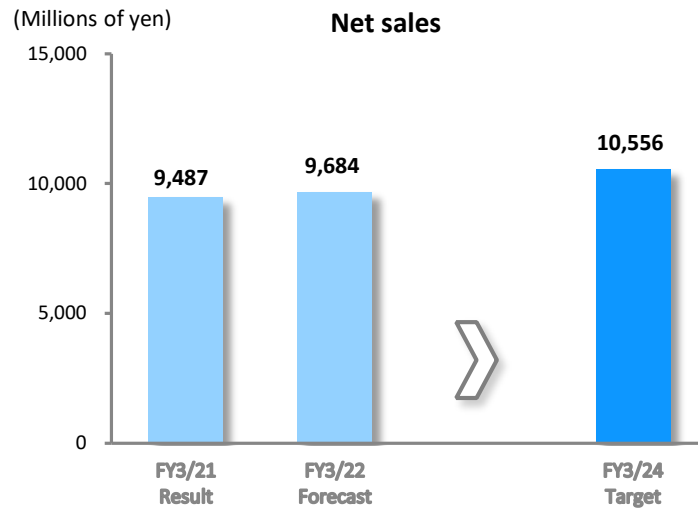
- Capability for quick and frequent small-lot deliveries in short time
- Construction boom for large-scale logistics facilities with cutting-edge technologies
- Rising cost of labor as the working age population falls along with Japan's population
- Automation and labor-saving equipment for performing logistics tasks
- Automation and labor-saving equipment for high-tech sorting, storage and cargo movements

## Next-generation logistics and storage system

- Automated warehouse with a shuttle-type storage system
- Demand for high earthquake resistance in storage rack and precision in high-speed picking shuttle

## 5. Home Equipment Business Initiatives

### Home equipment

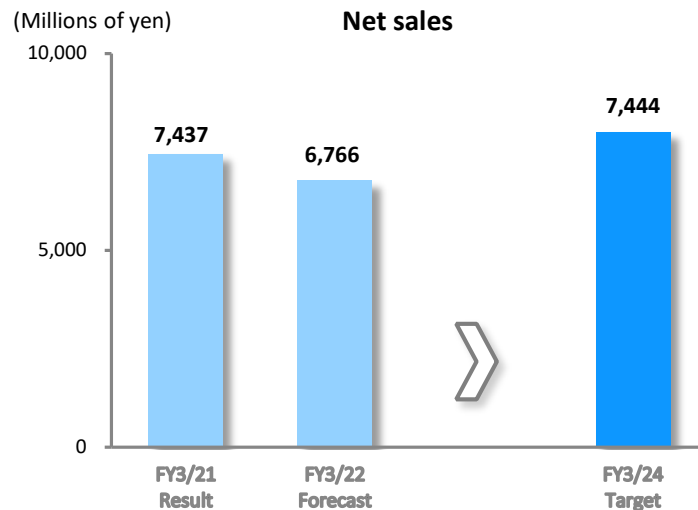


### Key initiatives

#### B-to-B

- 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

### Fitness



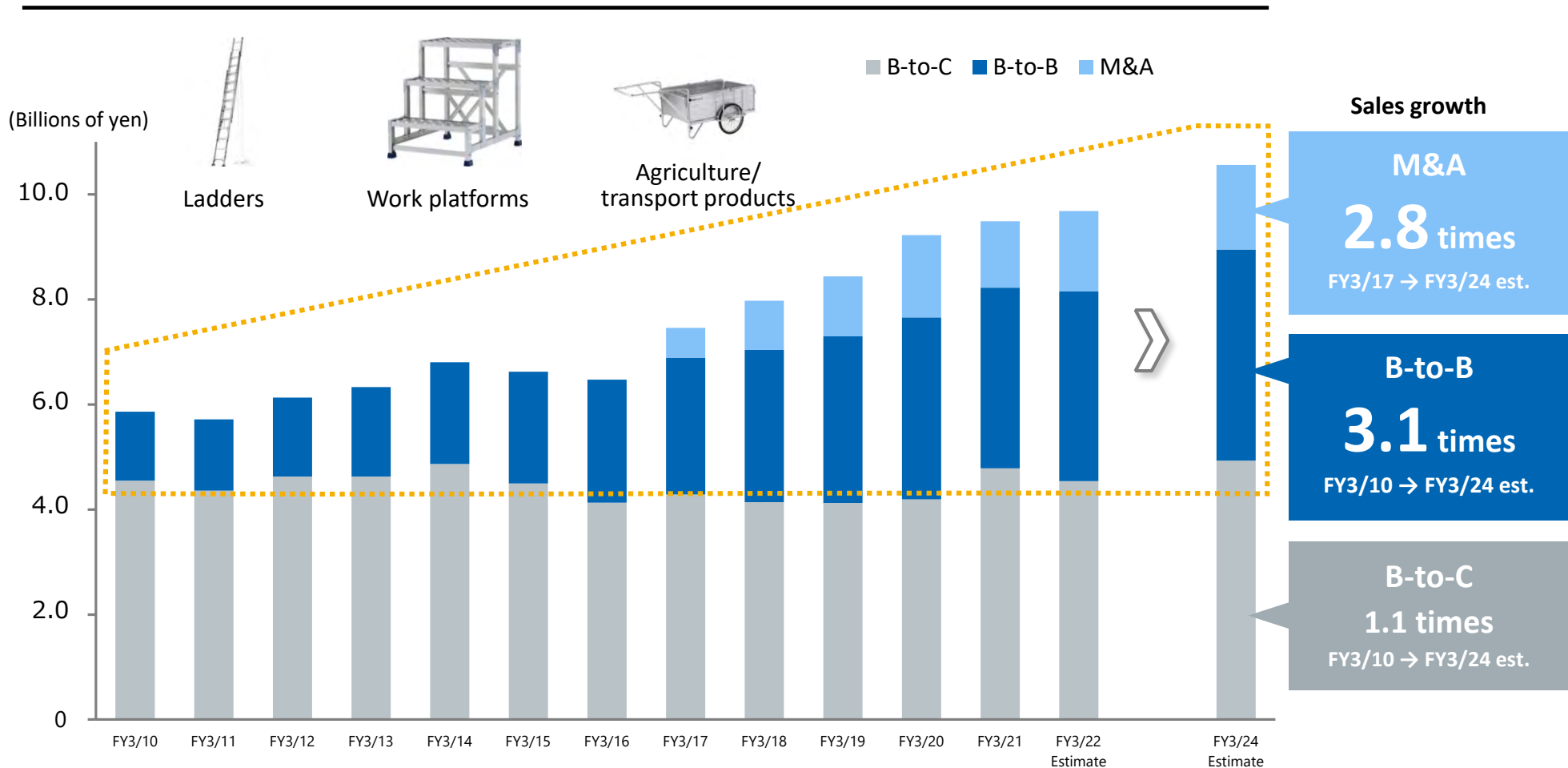
### Key initiatives

#### 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 machine for fitness center

# Goals for Ladders, Stepladders and other Aluminum Products **ALINCO**

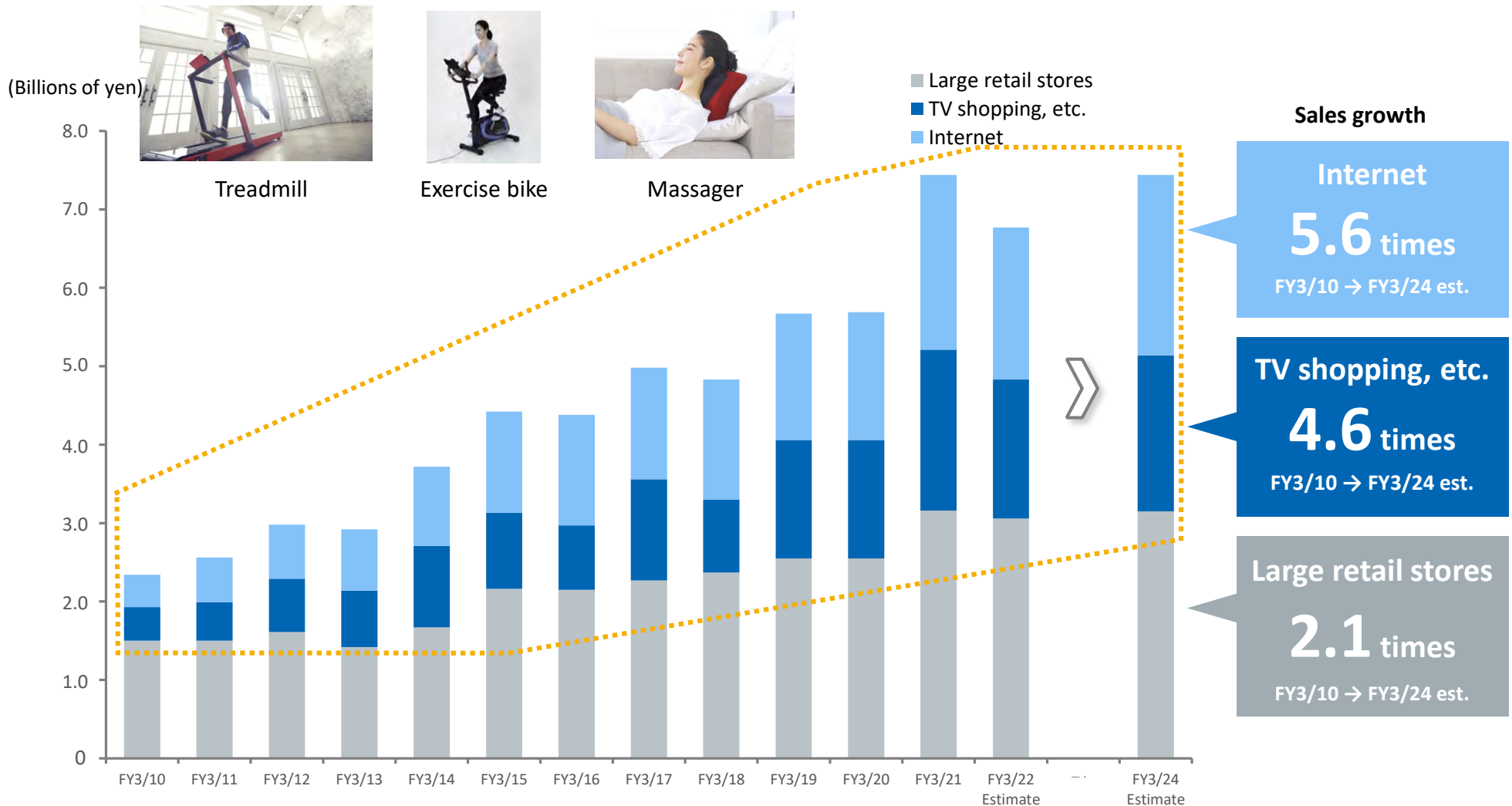
A broad range of needs for these products exist at factories and stores. The goals are the growth of B-to-B sales and the use of M&A to add diversity of product genre.



# Goals for Fitness Equipment

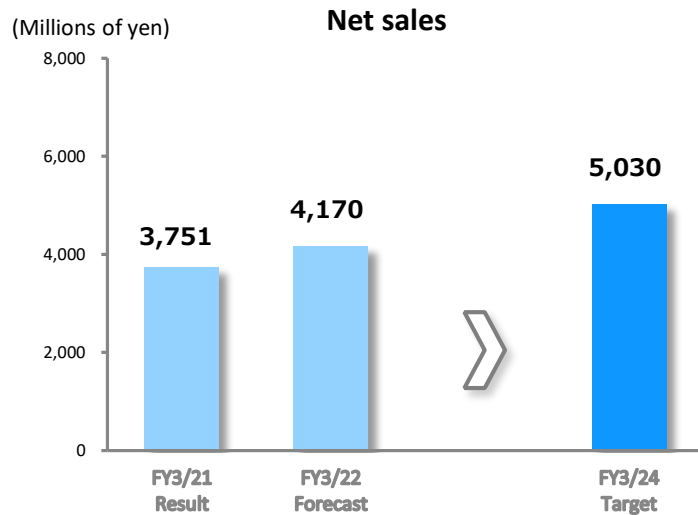
Aim for growth of sales in internet, TV shopping, etc.

Sales of Fitness Equipment



## 6. Electronic Equipment Business Initiatives

### Electronic equipment



### Key initiatives

#### IoT

- For growth in the IoT market, start providing IP wireless devices, app wireless devices and sensor modules, which are new categories of products that combine existing wireless technologies with a communication infrastructure (internet, cell phone, etc.)
- Use subscriptions for growth in new product categories

## Major electronic equipment products

### Low-power wireless communication devices



### Land mobile radio for business-use



Public sector (disaster prevention, fire trucks, ambulances)

### GNSS system bulldozer



Wireless inner modules



Core technology  
Compact wireless  
technology



# Goals for Electronic Equipment

## Strengths of the ALINCO electronic equipment business

Miniaturization technology

High-volume data transmission

Low power consumption

Unified hardware/software proposals

Solution skills for specific issues

## Business climate

### Diversification of wireless business applications

#### Past

##### Wireless device market

- Low-power wireless communication devices
- Simple wireless devices
- Others

##### Communication infrastructure market

- Internet
- Cell phones
- Others



#### Today

### Fusion of the wireless device and communication infrastructure markets

##### Wireless device market

##### New markets

- Network communication devices
- Wireless modules

##### Communication infrastructure market

Increasing need for disaster prevention

Installation of ICT automation (automated construction machinery)

## Goals of the electronic equipment business

### Existing businesses

Fire dept./disaster prevention

Digital simple wireless devices

Low-power wireless communication devices

### New markets

IP wireless devices

Expansion of applicability of modular products

Network communication devices using communication infrastructure and cloud server

Wireless modular devices using communication infrastructure and cloud server

# New Directions in the Electronic Equipment Business

## IP wireless devices



Simple IP wireless device

No restrictions of communication distance because this device uses a network just as cell phones do. Long-distance links are also possible, which goes beyond the range of low-power wireless communication devices and business-use devices.

## Expansion of applicability of modular products

GNSS system bulldozer



Wireless inner module

Compatible with almost all construction machine operating in Japan in order to incorporate ICT.

## Network communication devices using communication infrastructure and cloud server



Smartphone



Bluetooth earbud with mic

- A smartphone can be used instead of a wireless device by installing a wireless app specifically for smartphones
- No restriction on the distance of communications, just as with an IP wireless device

## Wireless modular devices using communication infrastructure and cloud server



Sensor FOX



GPS tracker

- Simple data transmissions with no distance restrictions and a low cost by using Sigfox (a low power wide area (LPWA) network)
- Information detected by sensors is automatically sent to a smartphone by using e-mail or LINE
- Suitable for many applications by simply replacing the sensor with one for temperature, vibrations, angle, water immersion, pressure or some other parameter

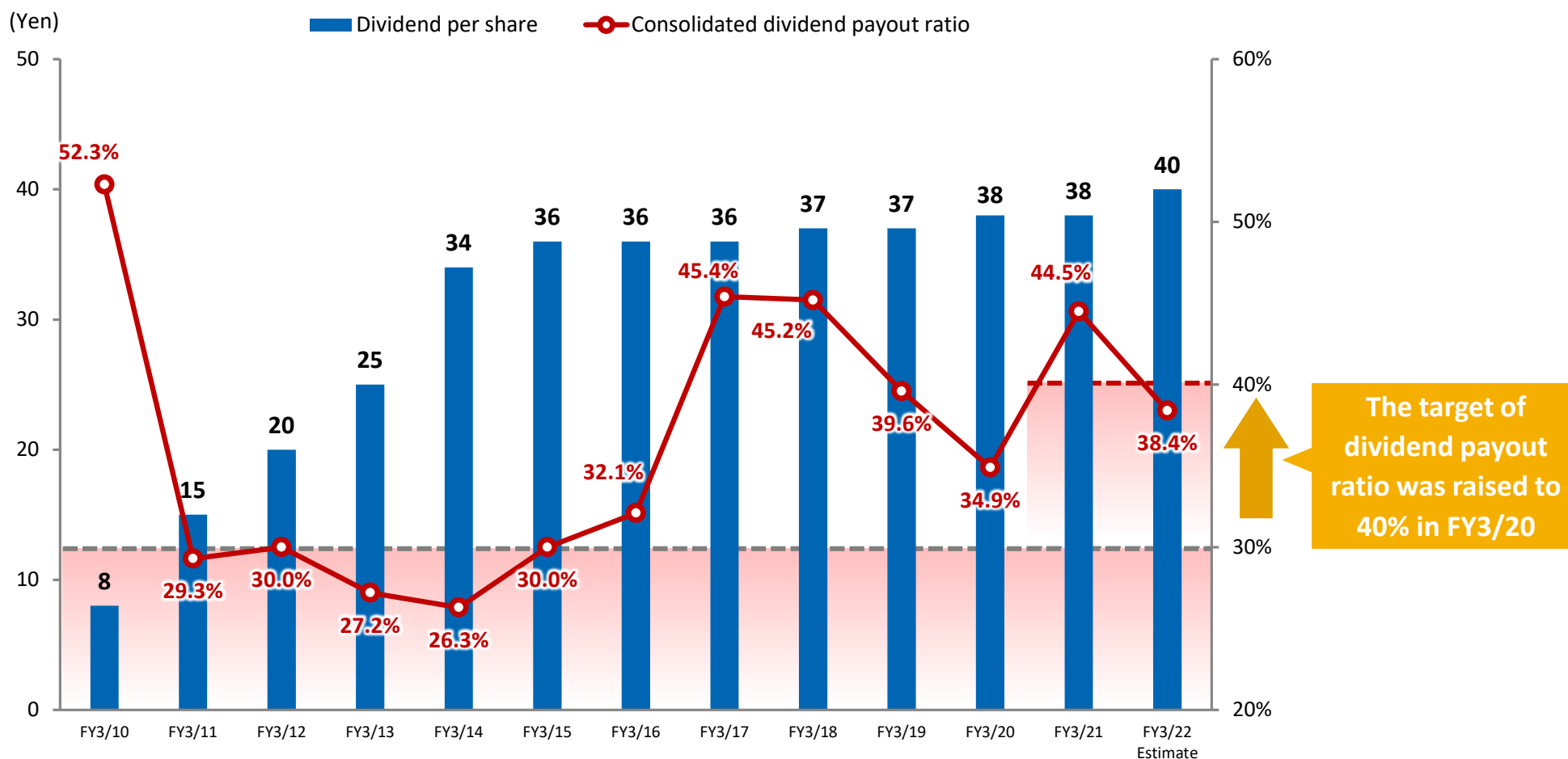
Uses subscriptions for faster growth and a stable source of income



## 7. Shareholder Returns

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

Changes in Dividends and Consolidated Dividend Payment Ratio



## 8. ESG Initiatives

**Aiming to become a corporate group that can contribute for the better society based on management philosophy of "Contribution for Society", "Development of Company", "Growth of Employee"**

### Environment

- Energy conservation at factories by using natural air ventilation, natural light and the use of LED lights

### Society

#### Construction site safety

- Manufacturing that prioritizes improvements to job site safety, convenience and efficiency
- Development and distribution of safety equipment for quick compliance with revisions to laws and regulations
- Use of customer feedback to improve performance and quality

#### Support for sports

- ALINCO supports a variety of sports for young people:  
Young Baseball League, GAMBAssist, Japan Karate Federation, Osaka Mayor's Cup Mini Basketball Tournament, Takatsuki City Half Marathon

### Governance

- Became a Company with Audit and Supervisory Committee in 2016
- Evaluation of the Board of Directors Effectiveness started in 2017
- Restricted stock compensation plan started in 2019
- Nomination & Remuneration Committee established in 2021
- Started disclosing English-language financial reports in FY3/21
- Started using the annual contract executive officer system in June 2021



ALINCO is a special supporter of the Young Baseball League



ALINCO is a special supporter of the Osaka Mayor's Cup Mini Basketball Tournament



ALINCO is a supporter of GAMBAssist, a social contribution program of the GAMBA Osaka professional soccer



ALINCO is a supporter of the Japan Karatedo Federation



ALINCO is a supporter of the Takatsuki City Half Marathon

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.

Contact: Accounting Division

Yodoyabashi Dai Building, 4-4-9 Koraibashi, Chuo-ku, Osaka City

TEL: +81-6-7636-2220    Fax: +81-6-6208-3701