

Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2010 (Consolidated)

October 23, 2009

Company Name: MAX CO., LTD.
 Stock Listing: First Section of the Tokyo Stock Exchange
 Stock Code: 6454
 Head Office: 6-6, Hakozaiki-cho, Nihonbashi, Chuo-ku, Tokyo, JAPAN
 URL: (<http://www.max-ltd.co.jp>)
 Representative Director: Takashi Miida, CEO, President and Representative Director
 Inquiries: Teruhiro Kamon, Managing Director, General Manager
 Tel: +81-3-3669-0311

Scheduled Date to Submit
 Quarterly Securities Report: November 12, 2009
 Date on which Dividend
 Payments to Commence: —

1. Results for the Second Quarter of the Fiscal Year Ending March 31, 2010 (April 1, 2009 to September 30, 2009)

(1) Consolidated Operating Results (Six Months)

(Millions of yen, % denotes year-on-year change)

	Six months ended September 30, 2009		Six months ended September 30, 2008	
	¥	%	¥	%
Net sales	23,458	(24.5)	31,089	—
Operating income	694	(74.9)	2,761	—
Ordinary income	848	(70.6)	2,889	—
Net income	478	(72.5)	1,740	—
Net income per share (yen)	9.49	—	34.49	—
Net income per share after full dilution (yen)	—	—	—	—

(2) Consolidated Financial Position

(Millions of yen)

	At September 30, 2009	At March 31, 2009
Total assets	74,917	75,866
Net assets	60,888	61,812
Shareholders' equity ratio (%)	81.2	81.4
Shareholders' equity per share (yen)	1,205.90	1,224.16

For reference: Shareholders' equity: ¥60,807 million (as of September 30, 2009); ¥61,736 million (as of March 31, 2009)

2. Dividends

Base date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total dividends
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2009	¥—	¥—	¥—	¥36.00	¥36.00
Year ending March 31, 2010	—	—	—	—	—
Year ending March 31, 2010 (Est.)	—	—	—	36.00	36.00

Note: Whether the dividend forecast has been revised during the quarter under review: No

3. Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(Millions of yen, % denotes year-on-year change)

	Year ending March 31, 2010	
Net sales	¥47,800	(19.4)%
Operating income	1,450	(67.4)
Ordinary income	1,810	(58.5)
Net income	1,020	(60.4)
Net income per share (yen)	¥20.23	—

Note: Whether the forecasts for consolidated earnings have been revised during the quarter under review: Yes

The forecasts for consolidated earnings for the fiscal year ending March 31, 2010 have been revised during the quarter under review.

4. Others

- (1) Changes in important subsidiaries during the period (changes in special consolidated subsidiaries attendant with change in scope of consolidation): No
- (2) Application of simplified accounting procedures, or application of special accounting procedures in creating consolidated quarterly financial statements for the quarter under review: Yes
- (3) Changes in principles, procedures, and presentation method of accounting related to the compilation of consolidated quarterly financial statements (Description of changes in important items that comprise the basic foundation in the compilation of consolidated quarterly financial statements)
 1. Changes attendant with revisions in accounting principles: No
 2. Other changes aside from "1." above: Yes
- (4) Number of shares outstanding (common stock)
 1. Period-end number of shares outstanding (including treasury stock): 50,500,626 (as of September 30, 2009); 50,500,626 (as of March 31, 2009)
 2. Period-end number of treasury stock: 75,996 (as of September 30, 2009); 69,105 (as of March 31, 2009)
 3. Average number of outstanding common shares for the second quarter: 50,427,326 (as of September 30, 2009); 50,446,711 (as of September 30, 2008)

*Explanation on the appropriate use of earnings forecasts and other notices

Forecasts shown on this page are based on information available on the date of publication. Actual performance may differ from forecasts due to various subsequent factors. For further information, please refer to "3. Qualitative Information on Consolidated Earnings Forecasts" on page 7.

Qualitative Information / Financial Statements

1. Consolidated Operating Results

(1) Consolidated Operating Results for the Second Quarter (Six Months)

(Millions of yen, %)

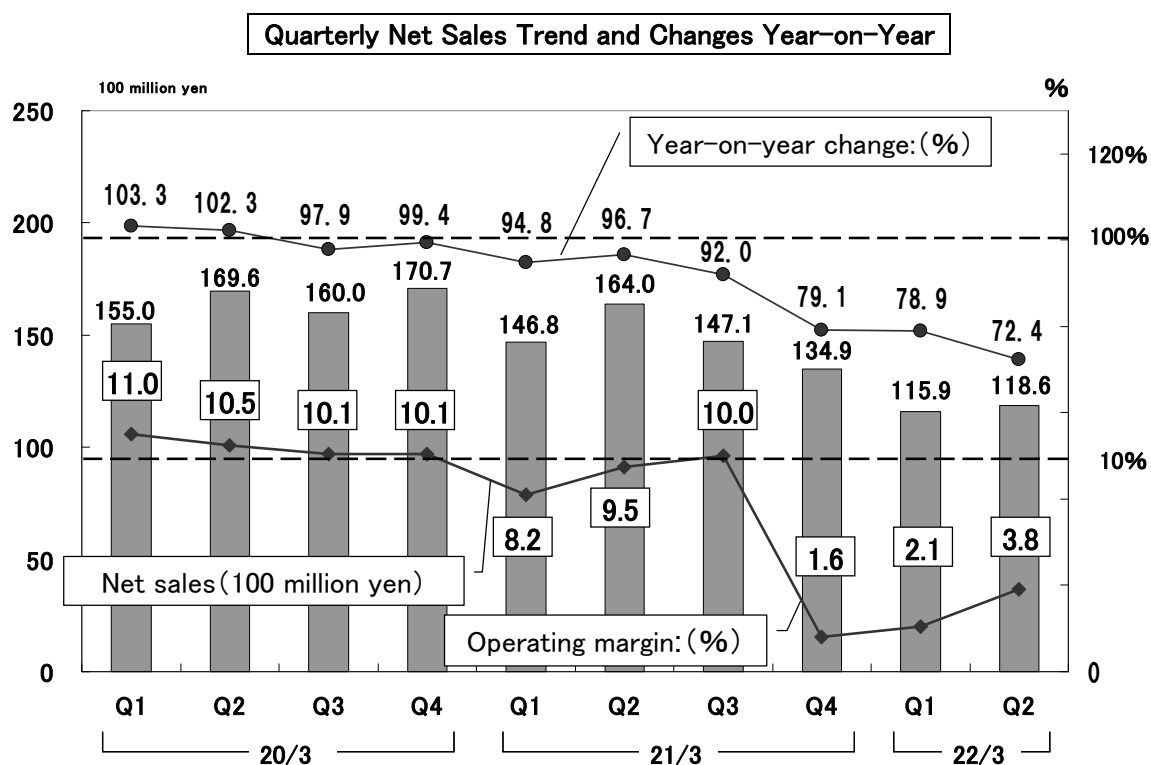
	Six months ended September 30, 2009	Six months ended September 30, 2008	Increase (decrease) year-on-year	
Net sales	¥23,458	¥31,089	¥(7,631)	(24.5)
Operating income	694	2,761	(2,067)	(74.9)
Ordinary income	848	2,889	(2,040)	(70.6)
Net income	478	1,740	(1,261)	(72.5)
Net income per share (yen)	¥9.49	¥34.49	¥(25.00)	—

During the first six months of the fiscal year, in the global economy, government emergency economic stimulus policies began to take effect. These included easing of monetary policy and measures to stimulate consumer spending, which were implemented to restrain uncertainties in the financial system and the economic deterioration that accompanied the bursting of the economic bubble in Europe and the United States. Nevertheless, uncertainties remained regarding the future sustainability of the expansionary trends in Europe and the United States after the emergency economic policies have been fully implemented.

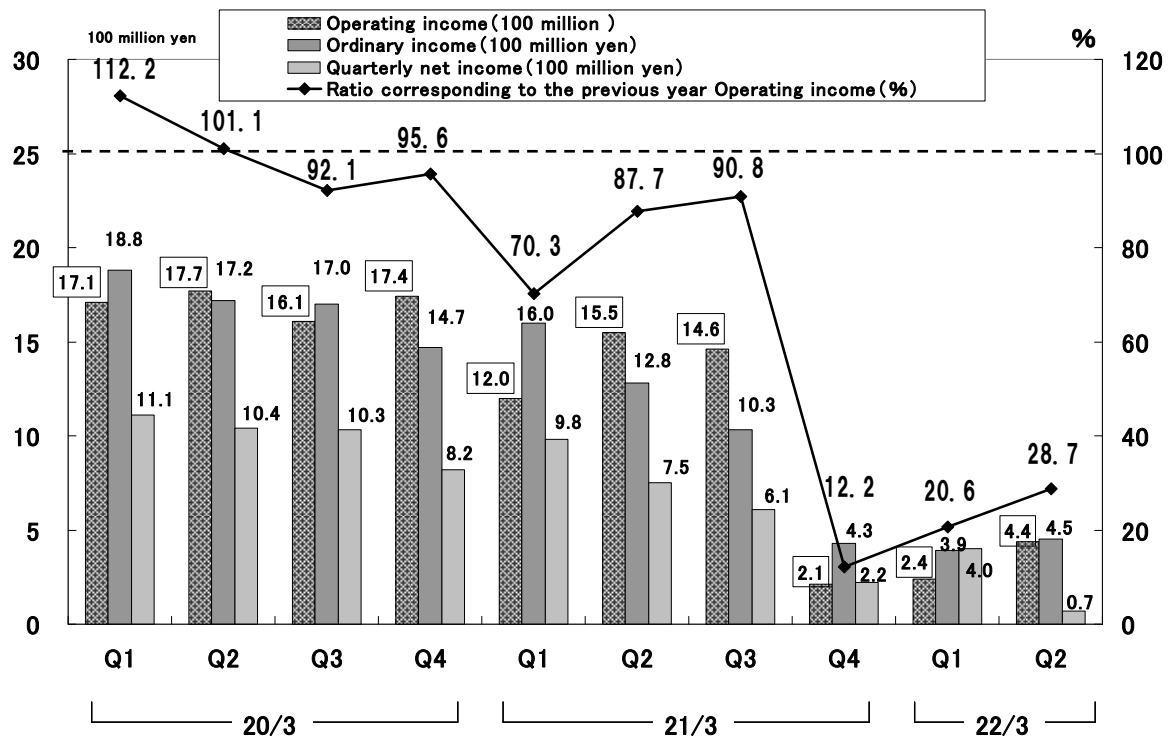
In Japan also, as a result of the progress toward inventory adjustments and the implementation of economic policies, there were signs that exports were increasing and that consumer spending was bottoming out. However, uncertainties continued because of the steep declines in private capital investment and the number of new housing starts as well as the increasing harshness of the employment and income environments.

In this economic environment, the Company maintained its management policy of “forming deeper links with customers and, thereby, gaining increased client confidence” and implemented management policies aimed at maintaining and securing its performance by drawing on its full resources. These policies included strengthening the Company’s customer relationship management (CRM) systems, and devoting Companywide efforts to rebuilding its profit structure through the closure and consolidation of production centers and reductions in fixed costs. Despite these initiatives, both sales and income declined, compared with the same period of the previous fiscal year, with net sales decreasing 24.5%, to ¥23,458 million, and operating income declining 74.9%, to ¥694 million.

Viewing results on a quarter-to-quarter basis, net sales for the second quarter showed signs of bottoming out compared with net sales in the first quarter.



Quarterly Earnings Trend



(2) Earnings for the Second Quarter (Six Months) by Division

Office Equipment Division

(Millions of yen, %)

	Six months ended September 30, 2009	Six months ended September 30, 2008	Increase (decrease) year-on-year	
Net sales	¥9,334	¥11,916	¥(2,582)	(21.7)
Operating income	2,082	3,046	(963)	(31.6)
Operating margin	22.3%	25.6%	—	(3.3)pp

In the office equipment division, both sales and operating income declined during the first six months of the fiscal year. Sales fell 21.7%, to ¥9,334 million, and operating income was down 31.6%, to ¥2,082 million.

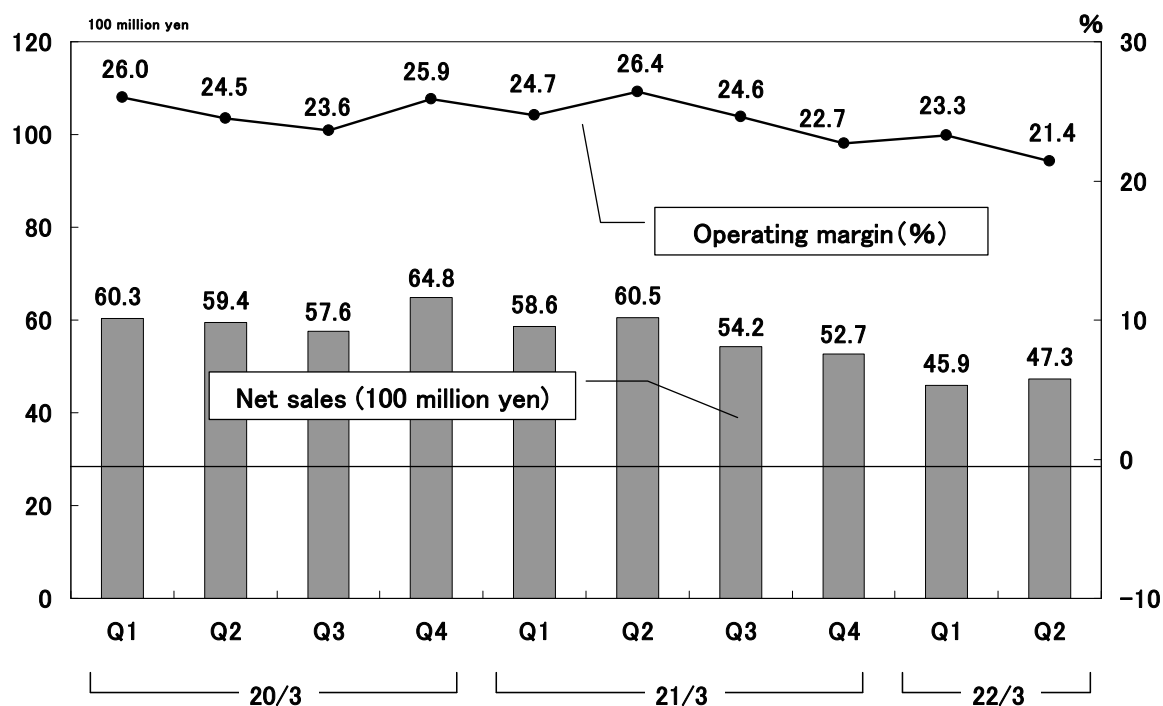
In the domestic office equipment business, the Company's next-generation "Vaimo 11" compact, 40-sheet stapler, which was launched in fall 2008, came into wider use and enjoyed sales expansion based on its reputation for high performance and quality. However, overall sales in this business declined because of lower sales of staplers, time recorders, "LETATWIN" tube markers for electrical equipment, and other items, owing to the drop in demand from the corporate sector accompanying reductions in business expenses and capital investment.

In the overseas office equipment business, sales of office equipment, including staplers, time recorders, "LETATWIN" tube markers, and other items declined, owing to the economic downturn in principal Asian markets (excluding Japan) and inventory adjustments in the distribution channels.

In the autostapler business, the Company provides autostaplers and related consumables, including staples, to virtually all manufacturers of copiers and printers in Japan and overseas. Shipments dropped sharply as a result of the sudden deterioration in the global economy, and sales of both equipment and staples decreased.

On a quarter-to-quarter basis, with the fourth quarter of the previous fiscal year, when inventory adjustments were under way, as the low point, sales for the first and second quarters of the current fiscal year have risen compared with the fourth quarter of the previous fiscal year, indicating that sales have bottomed out and are recovering.

Office Equipment Segment Sales and Operating Margin Trend



Industrial Equipment Division

(Millions of yen, %)

	Six months ended September 30, 2009	Six months ended September 30, 2008	Increase (decrease) year-on-year	
Net sales	¥14,124	¥19,173	¥(5,049)	(26.3)
Operating loss	(1,388)	(284)	(1,103)	—
Operating margin	(9.8)%	(1.5)%	—	(8.3)

The industrial equipment division reported decreases in both sales and operating income. Sales of various businesses of the division declined 26.3% overall, to ¥14,124 million, reflecting the major decline in the housing and construction markets in Japan as well as in Europe and the United States. The division reported an operating loss of ¥1,388 million.

Since the division continued to report an operating loss as in the previous period, owing to the steep decline in sales volume and the appreciation of the yen, the Company implemented measures to rebuild its profit structure through the closure and consolidation of facilities manufacturing supplies for the industrial equipment business, reductions in fixed costs, and other measures.

In the domestic industrial equipment business, sales of battery-powered tools contributed to overall sales. These included such new products as hammer drills and circular saws equipped with rechargeable lithium ion batteries as well as rebar-tying tools and other products. Nevertheless, overall sales in this business declined as the principal housing manufacturers and carpenters restrained their purchases of nailers and compressors along with the decline in the number of domestic housing starts in Japan to an unprecedentedly low level. In addition, shipments of related supplies, including nails and staples, also decreased.

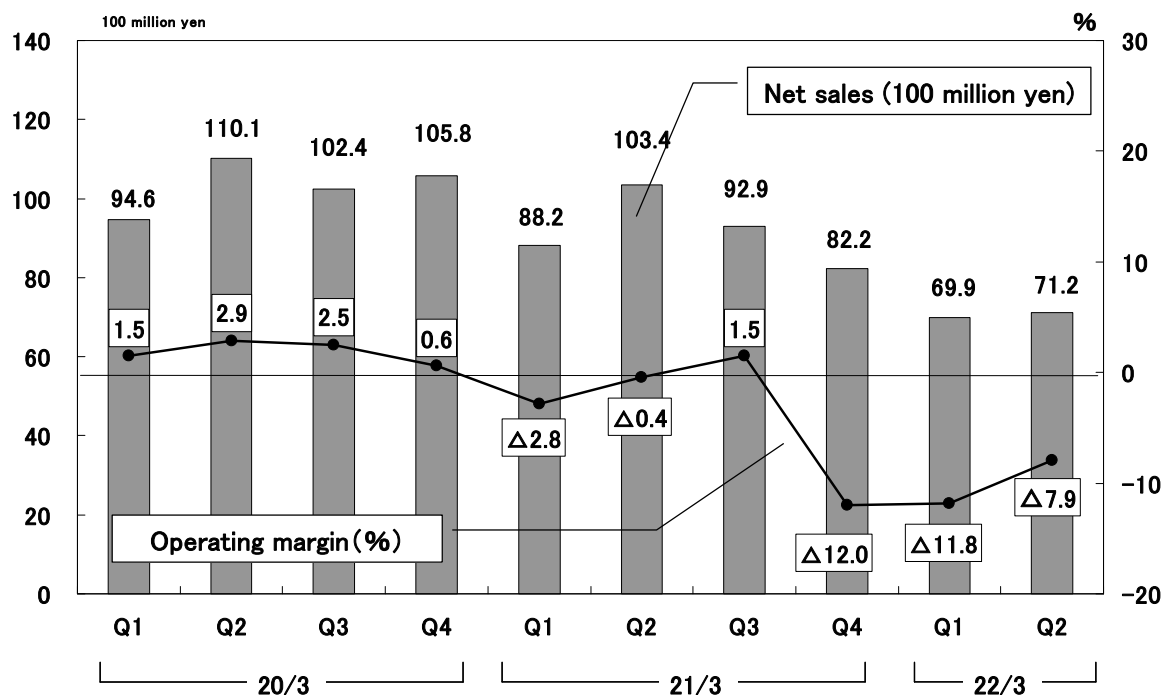
In the housing environmental equipment business, sales in such new businesses as floor heating systems and disposal systems, which the Company is working to expand, held firm. However, as a result of the decline in the number of new housing starts, sales of such core products as bathroom heater-ventilator-dryer systems and dryer systems declined.

In August, the Company acquired all the shares of Sunsunny Industry Co., Ltd., a manufacturing company specializing in floor heating systems. This acquisition is expected to lead at an early date to acceleration in the expansion and enhancement of the profitability of the Company's housing environmental equipment business. Sunsunny Industry's strengths include a wide lineup of products, ranging from electric to hot water floor heating systems and a well-developed installation infrastructure. These strengths are expected to have important synergies with the Company's sales channels for selling into the general housing market.

Also, along with the trend toward the demographic aging of the population in Japan, requirements for in-home nursing care and the conversion of homes to barrier-free layouts are expanding. In view of these trends, the Company acquired 9.35% of the shares of Kawamura Cycle Co., Ltd., which is the leading manufacturer of wheelchairs in Japan. The goal of this acquisition is to strengthen relationships between the two companies to facilitate the launching of nursing care products that the Company currently has under development applying its own technologies.

In the overseas industrial equipment business, the Company sought to secure its performance in this business by implementing measures to promote sales of rebar-tying tools, nailers, and other products. However, as a result of the bursting of the housing bubble in Europe and the United States and stagnant economic conditions overseas, sales of this business declined because of the sharp drop in housing and construction demand and movements to reduce inventories in local markets.

Industrial Equipment Segment Sales and Operating Margin Trend



2. Qualitative Information Pertaining to the Consolidated Financial Position

(Millions of yen, %)

	At September 30, 2009	Change from March 31, 2009	
Total assets	¥74,917	(1.3)%	¥(948)
Net assets	60,888	(1.5)	(924)
Shareholders' equity ratio (%)	81.2%	(0.2) pp	—

Regarding assets, current assets decreased ¥1,641 million principally because although marketable securities increased ¥2,199 million, this increase was offset by a decline in notes and accounts receivable—trade of ¥1,169 million and a decline in finished merchandise and products of ¥1,418 million. Fixed assets increased ¥692 million, despite a decline in tangible fixed assets of ¥347 million, because of a rise in investment securities of ¥1,080 million.

Regarding liabilities, current liabilities decreased ¥356 million due to a ¥653 million decline in notes and accounts payable—trade and an increase in income taxes payable of ¥153 million. Although fixed liabilities increased ¥332 million due to an increase in the reserve for retirement benefits to employees of ¥372 million and other factors, total liabilities were down ¥24 million.

Among net assets, revaluations and adjustments increased ¥414 million due to a rise in the revaluation difference. On the other hand, the shareholders' equity declined ¥1,344 million, despite an increase in net income for the quarter, due to dividend payments (of ¥1,815 million) and other factors. As a result, net assets decreased ¥924 million.

3. Qualitative Information on Consolidated Earnings Forecasts

(1) Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(Millions of yen, %)

	Fiscal year ending March 31, 2010	Fiscal year ending March 31, 2010 (Previous forecast)	Increase (decrease)	
			¥	%
Net sales	¥47,800	¥56,400	¥(8,600)	(15.2)%
Operating income	1,450	3,100	(1,650)	(53.2)%
Ordinary income	1,810	3,600	(1,790)	(49.7)%
Net income	1,020	2,050	(1,030)	(50.3)%
Net income per share (yen)	¥20.23	¥40.65	¥(20.42)	—

Although conditions in the global economy are recovering gradually because of improvements resulting from emergency economic policies in various countries and progress toward inventory adjustments, economic activity remains at a relatively low level. In addition, unemployed rates are increasing, and there are concerns that consumer spending may decrease after the current economic stimulus policies have been fully implemented. Therefore, it will be necessary to monitor closely the outlook for economic conditions.

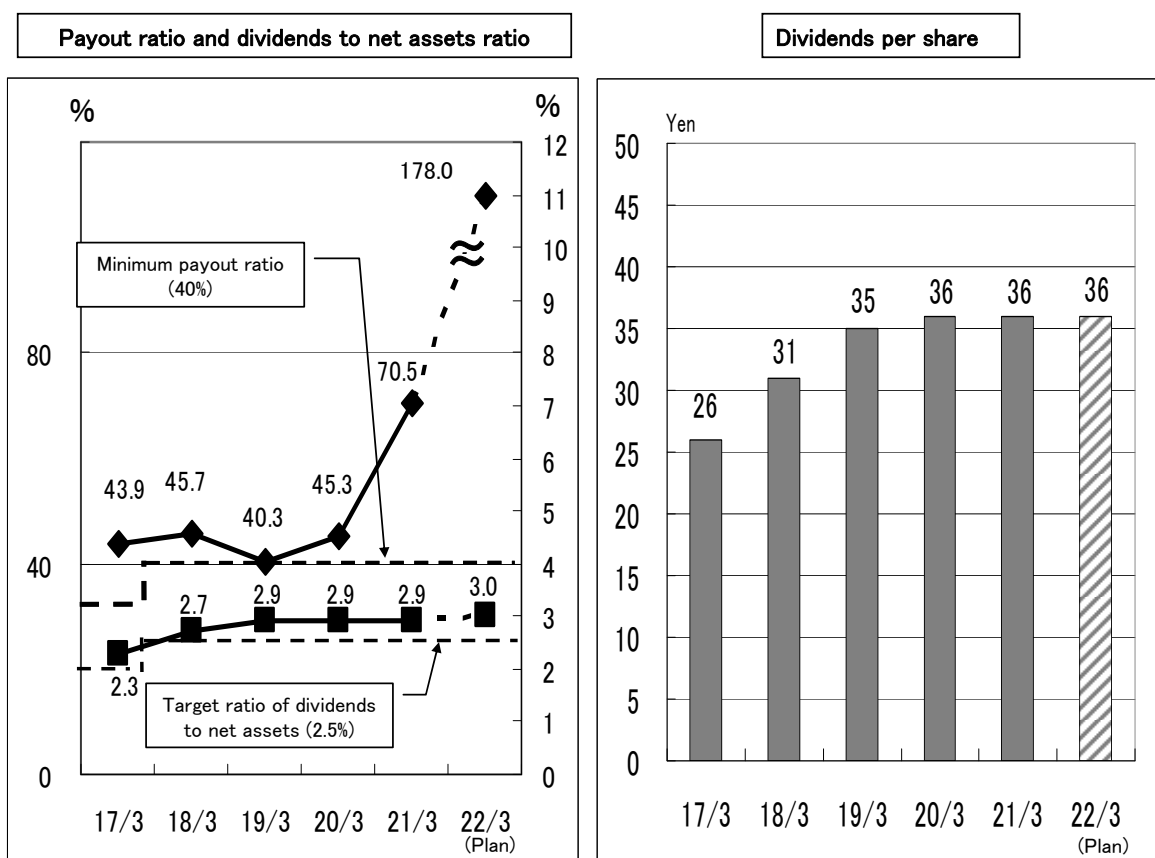
In Japan, although there are signs of improvement, including increases in exports and a bottoming out of consumer spending, capital investment and new housing starts remain at relatively low levels.

The environment for the Company's operations is expected to remain challenging. Accordingly, the outlook for performance issued at the time of the announcement of the Company's results for the previous fiscal year on April 24, 2009, has been revised, as shown in the table above.

(2) Dividends

The Company's basic dividend policy is to maintain a minimum dividend payout ratio of 40% and a target dividend to net assets ratio of 2.5%, based on consolidated accounts.

The outlook for the current fiscal year as a whole calls for declines in net sales and income; however, after taking account of the medium- to long-term trends in performance and the Company's financial position, the Company is scheduled to pay an annual dividend of ¥36 per share, the same as for the previous fiscal year.



Quarterly Consolidated Financial Statements

1. Abbreviated Consolidated Balance Sheet

(Millions of yen)

	At September 30, 2009	At March 31, 2009
ASSETS		
Current assets		
Cash and cash deposits	¥ 6,193	¥ 6,533
Notes and accounts receivable—trade	10,263	11,433
Marketable securities	3,200	1,000
Finished merchandise and finished products	4,320	5,739
Work in progress	736	616
Raw materials	1,564	1,553
Other	966	2,011
Allowance for doubtful accounts	(3)	(4)
Total current assets	<u>27,242</u>	<u>28,883</u>
Fixed assets		
Tangible fixed assets	16,801	17,149
Intangible fixed assets	305	180
Goodwill	141	—
Other	163	180
Investments and other assets		
Investment securities	24,281	23,201
Other	6,298	6,458
Allowance for doubtful accounts	(11)	(7)
Total investments and other assets	<u>30,568</u>	<u>29,652</u>
Total fixed assets	<u>47,675</u>	<u>46,982</u>
Total assets	<u>74,917</u>	<u>75,866</u>
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	2,734	3,388
Short-term loans	2,061	1,972
Income taxes payable	235	81
Accrued bonuses to employees	528	492
Accrued bonuses to directors and corporate auditors	11	44
Other	2,573	2,522
Total current liabilities	<u>8,144</u>	<u>8,501</u>
Long-term liabilities		
Long-term loans	150	150
Reserve for retirement benefits to employees	4,199	3,827
Reserve for retirement benefits to directors and corporate auditors	169	279
Negative goodwill	72	75
Other	1,293	1,219
Total long-term liabilities	<u>5,884</u>	<u>5,552</u>
Total liabilities	<u>¥14,029</u>	<u>¥14,053</u>

(Millions of yen)

	At September 30, 2009	At March 31, 2009
NET ASSETS		
Shareholders' equity		
Common stock	¥12,367	¥12,367
Capital surplus	10,518	10,518
Retained earnings	41,574	42,911
Treasury stock	(77)	(70)
Total shareholders' equity	<u>64,383</u>	<u>65,727</u>
Revaluations and adjustments		
Revaluation difference on other securities	(204)	(519)
Land revaluation difference	(2,804)	(2,804)
Foreign currency translation adjustment	(567)	(666)
Total revaluations and adjustments	<u>(3,576)</u>	<u>(3,991)</u>
Minority interests	<u>81</u>	<u>76</u>
Total net assets	<u>60,888</u>	<u>61,812</u>
Total liabilities and net assets	<u>¥74,917</u>	<u>¥75,866</u>

2. Abbreviated Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2008
Net sales	¥23,458	¥31,089
Cost of sales	15,273	19,592
Gross profit	8,185	11,497
Selling, general and administrative expenses		
Employee compensation	2,469	2,574
Provision for accrued bonuses to employees	297	751
Provision for accrued bonuses to directors and corporate auditors	11	31
Retirement benefits to employees	749	452
Provision to reserve for retirement benefits to directors and corporate auditors	23	25
Packing and shipping costs	597	785
Sales promotion expenses	567	834
Depreciation and amortization	266	298
Provision of allowance for doubtful accounts	4	—
Other	2,502	2,980
Total selling, general and administrative expenses	7,491	8,735
Operating income	694	2,761
Non-operating income		
Interest income	145	127
Dividend income	68	98
Amortization of negative goodwill	3	3
Other	114	68
Total non-operating income	332	299
Non-operating expenses		
Interest expenses	23	28
Taxes and duties	14	13
Effect of exchange rate change	108	105
Other	31	23
Total non-operating expenses	177	171
Ordinary income	848	2,889
Special losses		
Losses on the disposal of fixed assets	13	12
Losses on the revaluation of inventories	—	144
Losses on the revaluation of investment securities	—	125
Retirement benefit expenses applicable to previous period	—	54
Losses on business restructuring	259	—
Total special losses	272	337
Income before income taxes and minority interests	576	2,552
Income taxes	282	804
Income taxes applicable to previous years	(190)	—
Minority interests	5	7
Net income	¥ 478	¥1,740

(Millions of yen)

	Three months ended September 30, 2009	Three months ended September 30, 2008
Net sales	¥11,866	¥16,400
Cost of sales	7,730	10,422
Gross profit	4,136	5,977
Selling, general and administrative expenses		
Employee compensation	1,190	1,279
Provision for accrued bonuses to employees	154	334
Provision for accrued bonuses to directors and corporate auditors	5	16
Retirement benefits to employees	369	217
Provision to reserve for retirement benefits to directors and corporate auditors	10	12
Packing and shipping costs	300	427
Sales promotion expenses	337	500
Depreciation and amortization	133	146
Other	1,186	1,482
Total selling, general and administrative expenses	3,689	4,418
Operating income	447	1,559
Non-operating income		
Interest income	75	65
Dividend income	4	6
Amortization of negative goodwill	1	1
Other	72	38
Total non-operating income	153	112
Non-operating expenses		
Interest expenses	11	11
Taxes and duties	7	—
Effect of exchange rate change	109	352
Other	19	20
Total non-operating expenses	148	385
Ordinary income	452	1,287
Special losses		
Losses on the disposal of fixed assets	10	6
Losses on the revaluation of investment securities	—	125
Retirement benefit expenses applicable to previous period	—	54
Losses on business restructuring	259	—
Total special losses	270	186
Income before income taxes and minority interests	181	1,100
Income taxes	101	336
Minority interests	1	4
Net income	¥ 78	¥ 758

3. Abbreviated Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2008
I. Cash flows from operating activities		
Income before income taxes and minority interests	¥ 576	¥ 2,552
Depreciation expenses	1,025	1,229
Amortization of negative goodwill	(3)	(3)
Increase in allowance for doubtful accounts	3	0
Increase (decrease) in accrued bonuses to employees	13	(361)
Decrease in accrued bonuses to directors and corporate auditors	(33)	(36)
Increase in reserve for retirement benefits for employees, directors and corporate auditors	251	97
Interest and dividend income	(213)	(226)
Interest expenses	23	28
Effect of exchange rate changes	14	21
Losses on the disposal of fixed assets	13	12
Losses on business restructuring	259	—
Losses on the revaluation of investment securities	—	125
Decrease in notes and accounts receivable—trade	1,499	1,419
Decrease in inventory assets	1,460	63
(Decrease) in notes and accounts payable—trade	(852)	(191)
Increase (decrease) in consumption tax payable	62	(31)
Decrease (increase) in other assets	49	(226)
(Decrease) increase in other liabilities	(279)	73
Subtotal	<u>3,870</u>	<u>4,545</u>
Interest and dividends received	211	228
Interest expenses paid	(22)	(28)
Corporate income taxes refund (paid)	1,120	(930)
Net cash provided by operating activities	<u>5,179</u>	<u>3,815</u>
II. Cash flows from investing activities		
Expenditures for the acquisition of marketable and investment securities	(3,256)	(2,650)
Proceeds from the sales or redemption of marketable and investment securities	500	2,306
Expenditures for the acquisition of stocks of subsidiaries accompanying changes in the scope of consolidation	(361)	—
Acquisition of tangible fixed assets	(441)	(684)
Proceeds from the sales of tangible fixed assets	1	5
Expenditures for the acquisition of intangible fixed assets	(14)	—
Disbursement of loans	(185)	(61)
Recovery of loans	90	63
Net cash used in investing activities	<u>(3,667)</u>	<u>(1,021)</u>
III. Cash flows from financing activities		
Proceeds from loans	100	50
Expenditure for the repayment of loans	—	(64)
Expenditure for the repayment of long-term loans	(11)	—
Expenditure for the acquisition of treasury stock	(7)	(19)
Proceeds from the sale of treasury stock	0	4
Amount paid for dividend payments	(1,814)	(1,812)
Expenditure for repayment of lease obligations	(133)	(126)
Net cash used in financing activities	<u>(1,866)</u>	<u>(1,968)</u>
IV. Effect of exchange rate changes on cash and cash equivalents	<u>14</u>	<u>(63)</u>
V. (Decrease) increase in cash and cash equivalents	<u>(339)</u>	<u>761</u>
VI. Cash and cash equivalents at beginning of period	<u>6,533</u>	<u>6,236</u>
VII. Balance of cash and cash equivalents at end of period	<u>¥ 6,193</u>	<u>¥ 6,997</u>

4. Notes on Assumptions Underlying the Definition of Ongoing Businesses

No related items

5. Segment Data

Consolidated Business Operations by Segment

Six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

(Millions of yen)

	Office Equipment	Industrial Equipment	Total	Elimination/ Corporate	Consolidated
Net sales	¥9,334	14,124	23,458	—	23,458
Operating expenses	7,251	15,512	22,764	—	22,764
Operating income (loss)	2,082	(1,388)	694	—	694
Operating margin (%)	22.3%	(9.8)%	3.0%	—	3.0%

Six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

(Millions of yen)

	Office Equipment	Industrial Equipment	Total	Elimination/ Corporate	Consolidated
Net sales	¥11,916	¥19,173	¥31,089	—	¥31,089
Operating expenses	8,869	19,458	28,328	—	28,328
Operating income (loss)	3,046	(284)	2,761	—	2,761
Operating margin (%)	25.6%	(1.5)%	8.9%	—	8.9%

6. Notes on Significant Changes to Shareholders' Capital

No related items