MAX Co., Ltd.

Financial Results Briefing for the First Three Quarters of FY 2022

Minutes of Q&A Session

These Minutes constitute an overview of the questions received and answers given in a telephone conference on Tuesday, February 1, 2022, to brief analysts and fund managers on the Company's business results in the first three quarters of the fiscal year ending March 31, 2022 (Q1-Q3 FY 2022).

■ Industrial Equipment Segment

Q1. Please tell us the sales results for tools for concrete structures in the third quarter of the fiscal year under review (Q3 FY 2022) and the third quarter of the previous fiscal year (Q3 FY 2021).

A1. The sales results for tools for concrete structures in Q3 FY 2022 were ¥4.3 billion in overseas sales and ¥1.3 billion in domestic sales. The results for the same three-month period of the previous fiscal year (Q3 FY 2021) were ¥3.0 billion and ¥1.1 billion respectively, meaning that overseas sales have grown 45% and domestic sales have grown 13%.
Looking at machinery and consumables separately, overseas sales of machinery expanded 70% and overseas sales of consumables advanced 35%. Domestic sales of machinery shrank 20%, but those of consumables grew 30%.
On a unit-sales basis, North American sales increased 60% for machinery and 20% for consumables, while in Europe sales of machinery and consumables rose 50% and 20% respectively.

Q2. What were the favorable factors in your overseas rebar-tying-tool business?

A2. Construction sites were highly active overseas during the period under review. In the United States, construction expenditures and the number of new housing construction starts were firm. In Europe, demand for infrastructure projects was strong due to large-scale public investment. Also, the Company advanced measures of its own, including strengthening of sales channels. These were the factors underlying favorable sales of rebar tying tools in our view.

Q3. What are some of the reasons why sales of tools for concrete structures faltered in Japan?

A3. Sales of tools for concrete structures struggled for two reasons. First, a certain amount of replacement purchasing in existing markets, in which customers replaced previous rebar tying tools with TWINTIER, has almost run its course. Second, the Company has yet to obtain satisfactory results in the civil engineering market, which it positions as a newly opened market. The Company is continuing to approach general contractors and rental operators to develop the civil engineering market, and has obtained some results from these efforts. However, we believe that more time is required before considerable results can be manifested in this area.

■ Office Equipment Segment

Q4. Please tell us the factors behind the improvement in the segment profit rate for the Office Equipment segment.

A4. The main factors were a recovery in sales in the office equipment business in Japan and overseas and growth in sales of relatively profitable labelling and signage products.

Q5. What is your forecast for the Office Equipment segment?

A5. In the Office Equipment segment, it is anticipated that the auto-stapler product operations will shrink gradually as the trend toward paperless operations accelerates in general and people shift to working at home in increasing numbers. We intend to uphold the overall profitability of the Office Equipment segment by growing sales of labelling and signage products, which are currently the segment's mainstay product, thereby compensating for the gradual decline of the auto-stapler product operations.

■ HCR Equipment Segment

Q6. How do you plan to boost profitability in the HCR Equipment segment?

A6. To improve profitability in the HCR Equipment segment, we are continuing to work on bolstering productivity in our plants in China. Although these efforts have succeeded to a certain degree, we intend to achieve further improvements in productivity by bringing production of some products in-house and introducing automation equipment. We are also revising prices of existing products and seeking growth in overseas operations. Through these efforts, we hope to build an operating structure that can secure profitability. Also, we are exploring ways of applying the resources of the HCR business to other businesses in the MAX Group.

■ Overall Condition of the Company

Q7. How much did transportation expenses increase in Q3?

A7. Transportation expenses rose by ¥500 million from the previous fiscal year. A similar increase is anticipated in Q4 as well. An increase in overseas shipping of rebar tying tools and related products had a significant impact on the Industrial Equipment segment.

Q8. What is the status of your implementation of strategic investments?

A8. As of the end of Q3, we have invested about ¥400 million. Our goal is to invest about ¥800 million by the end of the fiscal year, so progress seems to be somewhat delayed, but we expect to execute the entire investment program by the end of the fiscal year as scheduled. This plan is scaled back from the plan at the start of the fiscal year for investment of ¥1 billion, primarily as a result of stagnated market-research activities due to the COVID-19 pandemic and high employee turnover at overseas locations. In and after the next fiscal year, the Company plans to invest proactively to secure future business growth.

The forecasts of business results and other forward-looking statements in this document are based on information available as of February 1, 2022 and on certain assumptions that the Company judges to be reasonable. Actual business results and other results may differ due to various factors.