



MAX Co., Ltd.

Briefing on Financial Results for FY 2022 and Revised Medium-term Management Plan

Minutes of Q&A Session

These Minutes constitute an overview of the questions received and answers given in regards to the Company's financial results and the revised Medium-term Management Plan to analysts and fund managers who attended the briefing on Thursday, April 28, 2022.

■ Industrial Equipment Segment

Q1. Please tell us the sales results for tools for concrete structures in the fourth quarter of the fiscal year under review (Q4 FY 2022) and the fourth quarter of the previous fiscal year (Q4 FY 2021).

A1. The sales results for tools for concrete structures in Q4 FY 2022 were ¥4.8 billion in overseas sales and ¥1.1 billion in domestic sales. The results for the same three-month period of the previous fiscal year (Q4 FY 2021) were ¥3.4 billion and ¥1.0 billion respectively, meaning that overseas sales have grown 43% and domestic sales have grown 13%.

Looking at machinery and consumables separately, overseas sales of machinery expanded 37% and overseas sales of consumables advanced 52%. Domestic sales of machinery grew 7% and sales of consumables advanced 20%.

The total of domestic and overseas sales was ¥6.0 billion, an increase of 37%.

On a unit-sales basis, North American sales increased 20% for machinery and 25% for consumables, while in Europe sales of machinery and consumables rose 40% and 60% respectively.

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

A2. In addition to market conditions such as a high level of activity at construction sites and heightened needs for mechanization due to a constant labor shortage, another factor is strengthened sales capabilities through the expansion of the dealer network. There were also some spikes in demand such as an increase in replacement demand in the Northern European rental market.

Q3. What are the reasons why domestic sales of machinery for tools for concrete structures grew in Q4?

A3. For TWINTIER rebar tying tools, the Company is working to propose to the civil engineering market and the existing construction market a large-diameter model that can tie thicker rebars compared to the standard model. The gradual effect of sales activities for this model is supposed to be one of the factors behind the increased sales.

Q4. What is your forecast of domestic machinery for tools for concrete structures?

A4. Although the Company expects a certain level of growth, we forecast that it will be difficult to achieve significant growth as in Western countries.

Q5. Please brief us on the status of products competing with TWINTIER rebar tying tools.

A5. Currently, some of the competing products available on the market have a lower level of performance compared to TWINTIER rebar tying tools, so the Company recognizes that we have secured a competitive advantage. We believe this advantage is the result of the Company's construction of a network of related patents. Moving forward, we will continue to maintain our competitiveness by strengthening our patent network.

■ Office Equipment Segment

Q6. What is your forecast for auto-stapler product operations?

A6. The Company expects a continued gradual recovery in market conditions; for example, an increase in the office occupancy rate. On the other hand, with the acceleration of paperless offices and an increasing number of people working from home, the Company believes that it will be difficult to recover to the level of FY 2020 prior to the COVID-19 pandemic.

■ HCR Equipment Segment

Q7. What is the profitability position and forecast for the HCR Equipment segment?

A7. Partly due to the impact of the weakening yen, the Company believes that it will be difficult to increase profitability simply by improving productivity at our plant in China. Moving forward, we want to improve profitability and achieve the plan by working to raise the selling price of products while further improving productivity at our plant in China through measures such as in-house production of some products and introduction of automation equipment.

■ Overall Condition of the Company

Q8. What are the effects of rising transportation expenses?

A8. In the current fiscal year (FY 2022), the transportation expenses included in selling, general and administrative expenses increased by ¥1.7 billion compared to the previous term. This had a significant impact on income. The Company believes that transportation expenses will continue to rise in FY 2023, and we forecast an increase of approximately ¥500 million compared to the current fiscal year.

Q9. What is the situation and forecast for cost pass-through in response to increased costs?

A9. In the current fiscal year (FY 2022), the Company implemented cost pass-through of approximately ¥900 million; however, that was insufficient to cover increased costs. We forecast a further increase of over ¥1.0 billion in selling prices in FY 2023. Moving forward, we will absorb the amount that could not be covered in the current fiscal year and the cost increase in FY 2023 by increasing the selling prices.

Q10. Please brief us on the shortage of materials (particularly the impact on production in the rebar-tying-tool business).

A10. The shortage of materials is impacting some areas; for example, labelling and signage products in the Office Equipment segment. However, at the current point in time, the shortage of materials has not impacted production in the rebar-tying-tool business.

Q11. What are the reasons why the capital investment execution rate was 77%, which was below the plan?

A11. The main reason was that the investment on new molds, jigs and tools failed to achieve the plan due to a delay in new projects.

The Company plans to continue investing in FY 2023 and beyond. We plan to make capital investment of ¥4.4 billion in FY 2023.

Q12. Please brief us on the company-wide production capacity, including the Thai Factory No. 3, which is scheduled to start operations in March 2023.

A12. The Company believes that we have sufficient production capacity to reach the target of ¥81.0 billion in net sales for FY 2024 in the revised Medium-term Management Plan. For the No. 3 Factory in Thailand, which is scheduled to start operations, we plan to make phased investment according to the demand conditions from Step 1 to Step 3. The Company believes that investment made up until Step 2 will cover the production capability required to achieve the revised Medium-term Management Plan. As soon as demand is forecasted to exceed the revised Medium-term Management Plan, we will update the plan to make necessary capital investment as appropriate; for example, executing the investment in Step 3 ahead of schedule.

Q13. What is the forecast for execution of the strategic investment of ¥1.3 billion planned for FY 2023?

A13. The Company plans to make strategic investment of ¥1.3 billion centered on investment in sales infrastructure; for example, increasing the number of sales staff at overseas sales offices and building new sales offices, and investment in research in development; for example, IoT technology, robot-related motor technology, and development of new businesses.

Q14. Please brief us on the background behind revising your dividend policy.

Also, what is the reason why there is no change in the per share dividend for the current fiscal year (FY 2022) and FY 2023.

A14. The Company revised our dividend policy in order to continually pay dividends to our shareholders in a stable manner over the long term, taking into consideration comprehensive factors such as our strengthened profitability and the dividend situation of other companies.

The Company will apply our new dividend policy from the current fiscal year, and we plan to pay a per share dividend of ¥64 for the current fiscal year and FY 2023. We devised this plan for the current fiscal year by basing dividends on ordinary income and net income due to a significant increase in foreign exchange gains in non-operating income and expenses. For FY 2023, we devised this plan based on calculations which do not assume foreign exchange gains or losses in non-operating income and expenses.

Q15. The revised Medium-term Management Plan targets an ROE of 8.1% for FY 2024. However, when considering the earnings ability of MAX, I believe that it is possible to aim for a higher level of ROE, with an ROE of 10% as a guideline. What do you think?

A15. After achieving the revised Medium-term Management Plan, the Company will strive to aim for ROE at a 10% level during the period of the next Medium-term Management Plan (from FY 2025 to FY 2027).

Q16. What is the impact of Russia's invasion of Ukraine?

A16. At this time, the Company believes that the direct impact of Russia's invasion of Ukraine on our business will be insignificant.

Sales of tools for concrete structures in the European market were mainly in Northern Europe countries and Western Europe countries such as Germany and France. However, we are currently expanding our sales in Eastern European countries such as Poland. In the future, our business may be affected if a situation such as a temporary suspension of on-site operations occurs in Eastern European countries.

The forecasts of business results and other forward-looking statements in this document are based on information available as of April 28, 2022 and on certain assumptions that the Company judges to be reasonable. Actual business results and other results may differ due to various factors.