



MAX Co., Ltd.

Financial Results Briefing for the First Quarter 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 Friday, July 29, 2022, to brief analysts and fund managers on the Company's business results in the first quarter of the fiscal year ending March 31, 2023 (Q1 FY 2022).

■ Industrial Equipment Segment

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

A1. The sales results for tools for concrete structures in Q1 FY 2022 were ¥5.8 billion in overseas sales and ¥1.2 billion in domestic sales. The results for the same three-month period of the previous fiscal year (Q1 FY 2021) were ¥4.1 billion and ¥1.0 billion respectively, meaning that overseas sales have grown 40% and domestic sales have grown 18%.

Looking at machinery and consumables separately, overseas sales of machinery expanded 44% and overseas sales of consumables advanced 42%. Domestic sales of machinery advanced 16% and those of consumables grew 25%. The total of domestic and overseas sales was ¥7.0 billion, an increase of 36%.

On a unit-sales basis, North American sales increased 16% for machinery and 11% for consumables, while in Europe sales of machinery and consumables rose 22% and 36% respectively. In Japan, unit-sales increased 14% for machinery and 12% for consumables.

Q2. Please clarify the demand conditions of machinery for tools for concrete structures in Japan.

A2. Machinery for tools for concrete structures in Japan have been increasing since the fourth quarter of the previous fiscal year (Q4 FY 2021). Demand also remained strong in Q1 FY.

In addition to 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, we are shifting our systems to enable concentration of sales man-hours with rebar tying tools as the main sales expansion product. We believe that the result gradually obtained from these initiatives is the main growth factor, and we forecast that a certain level of demand will continue in Japan.

Q3. Please tell us about the forecast for the overseas rebar-tying-tool business.

A3. We believe that the business will continue to be strong. Due to the impact of conditions in Russia and Ukraine, there have been cases in Europe where public investment projects have been temporarily suspended due to destabilized supply of construction materials. However, at the current point in time, we do not recognize this as a major risk factor.

Q4. Please tell us about factors behind strong sales of tools for concrete structures in Europe.

A4. We believe that the factors behind strong sales are the active market as well as the results obtained from measures for strengthening sales capabilities; for example, the German Office which we opened in the previous fiscal year (FY 2021).

Q5. Are there any revisions to the full-year plan for the rebar-tying-tool business?

A5. Currently, we have not made any revisions. However, as the results for the rebar-tying-tool business in Q1 FY 2022 exceeded the plan, we plan to revise the full-year plan as necessary at the end of the first half of this fiscal year.

Q6. Please brief us on the status of products competing with TWINTIER rebar tying tools.

A6. We recognize that TWINTIER rebar tying tools have secured a competitive advantage over some of the competing products available on the market. We believe that we have been able to increase our results based on our competitive products.

■ Office Equipment Segment

Q7. What is your forecast for auto-stapler product operations?

A7. We anticipate that the recovery trend will continue in the second quarter of this fiscal year (Q2 FY 2022). On the other hand, the outlook for the second half of this fiscal year is somewhat uncertain, so we have not made any revisions to the plan announced on April 28, 2022.

Q8. Please tell us about the background of recovery in auto-stapler product operations.

A8. We believe that the main factors are the recovery of economic activity in Europe and the United States, which are the main markets, and the rise in office occupancy rate.

■ Overall Condition of the Company

Q9. Please clarify the situation of increased costs and cost pass-through.

A9. Although we are implementing cost pass-through as necessary in response to increased costs, the impact of increased costs in Q1 FY 2022 exceeded our expectations. We anticipate that distribution costs and raw materials costs will continue to rise from Q2 FY 2022 onward. We will cover these increased costs by implementing appropriate cost pass-through in the Office Equipment, Industrial Equipment, and HCR Equipment segments.

Q10. Please tell us about your view of foreign exchange impact on the plan for Q2 FY 2022.

A10. We have revised the plan after reviewing the anticipated foreign exchange rate.

Our sales foreign exchange sensitivity for annualized conversion is ¥190 million for US dollars and ¥80 million for euros.

The forecasts of business results and other forward-looking statements in this document are based on information available as of July 29, 2022 and on certain assumptions that the Company judges to be reasonable. Actual business results and other results may differ due to various factors.