



MAX Co., Ltd.

Financial Results Briefing for the First Half of FY 2022

Minutes of Q&A Session

These Minutes constitute an overview of the questions received and answers given in a briefing for analysts and fund managers held on Friday, October 28, 2022, regarding the Company's business results in the first half of the fiscal year ending March 31, 2023 (H1 FY 2022).

■ Industrial Equipment Segment

Q1. Please clarify the sales results for tools for concrete structures in the second quarter of this fiscal year (Q2 FY 2022).

A1. The sales results for tools for concrete structures in Q2 FY 2022 were ¥1.4 billion in domestic sales and ¥5.9 billion in overseas sales. The total of domestic and overseas sales was ¥7.4 billion, an increase of 19%.

The results for the same three-month period of the previous fiscal year (Q2 FY 2021) were ¥1.2 billion in domestic sales and ¥5.0 billion in overseas sales, meaning that domestic sales have grown 18% and overseas sales have grown 19%.

Looking at machinery and consumables separately, domestic sales of machinery expanded 22% and sales of consumables advanced 18%. Overseas sales of machinery advanced 10% and sales of consumables grew 22%.

On a unit-sales basis, North American sales fell 9% for machinery and grew 11% for consumables, while in Europe sales of machinery and consumables declined 6% and 9% respectively. In Japan, unit-sales increased 16% for machinery and 6% for consumables.

Q2. The announcement stated that the full-year target for the Industrial Equipment segment was revised downward. Please tell us the reasons for that.

A2. The quarterly segment profit rate for the Industrial Equipment segment declined from 14.5% in Q1 to 12.9% in Q2. A number of factors contributed to this decrease, including high cost of wire rods and other materials, increased packing and delivery rates and cost rises associated with the depreciation of the yen, all of which mainly had a significant impact on the Industrial Equipment segment.

Although the full-year target was revised downward due to the Q2 results, we forecast an increase in segment profit rate in the second half, powered by expansion in sales of tools for rebar tying tools and other tools for concrete structures, and steady practice of price pass-through.

Q3. Please tell us your expectations for the Industrial Equipment segment in the United States.

A3. In the United States, housing starts are slowing, impacted by rising mortgage interest rates and construction costs. We expect that demand for tools for wooden structures, which is tied closely to housing starts, will be affected. At the same time, rebar tying tools and other tools for concrete structures are expected to trend briskly, benefiting from firmness in construction expenditures, which are considered to correlate closely with sales of these products, and activity in civil-engineering and non-residential construction worksites, which use rebar tying tools.

Q4. The rate of increase in unit sales has faltered somewhat in comparison with the same period of the previous fiscal year. What trend do you foresee in increase in unit sales?

A4. The growth rate has declined in comparison with the same period of the previous fiscal year, but the business itself is on solid ground.

In rebar tying tools and other tools for concrete structures, the Company was clearing up back orders in the same period of the previous fiscal year (H1: Q1 and Q2), so it was a time of exceptional increase in sales of machinery. Unit sales have eased slightly this fiscal year in comparison with the same period of the previous fiscal year, where unit sales increased due to special factors, but we do not expect a significant retreat in demand going forward.

■ Office Equipment Segment

Q5. Please tell us about the background to the recovery in auto-stapler product operations and their outlook going forward.

A5. Auto-stapler product operations have recovered to about 96% of their level in H1 FY 2019, before the COVID-19 pandemic. As consumables are recovering ahead of Auto Staplers, it is deemed that demand for the products themselves is increasing as office occupancy rates rise. At this point the recovery is proceeding faster than expected, but we anticipate a gradual decrease over the longer term as paperless operations advance and working at home becomes more commonplace.

Q6. What is the background to the tepid recovery in domestic office equipment product operations?

A6. One factor is the trend toward paperless operation, which is weighing down sales of stationery-related products. Another is a standstill in production of LETATWIN tube markers due to a shortage of electronic components, which is negatively affecting sales of labelling and signage products. The electronic-component shortage began to resolve gradually in Q2. From the second fiscal half-year (H2) onward, procurement issues should be resolved, so we are expecting a firmer trend for labelling and signage products.

■ Overall Condition of the Company

Q7. The media are reporting that prices of steel materials and shipping containers are on a declining keynote. What's the status of these items?

A7. Shipping expenses and prices for steel materials are not currently declining. Moreover, we forecast that shipping costs in H2 will remain on a level similar to Q2, while other costs will rise. Looking further ahead, if the current elevated price levels are resolved, that development should work in our favor, we believe the actual impact will arrive a bit later.

Q8. Can you tell us why the progression rate on capital investment is slow?

A8. The reason for the somewhat low progression rate of 27.5% in H1 is that we plan to start operations at Thai Factory No. 3 in March 2023, so we expect to appropriate about 1 billion yen for investment then. The capital investment in Thai Factory No. 3 itself is proceeding according to plan.

The forecasts of business results and other forward-looking statements in this document are based on information available as of October 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.