



MAX Co., Ltd.
Financial Results Briefing for the First Quarter of FY 2023
Minutes of Q&A Session

These Minutes constitute an overview of the questions received and answers given in a telephone conference on Monday, July 31, 2023, to brief analysts and fund managers on the Company's business results in the first quarter of the fiscal year ending March 31, 2024 (Q1 FY 2023).

■ Industrial Equipment Segment

Q1. What were sales results of tools for concrete structures in the first quarter of this fiscal year (Q1 FY 2023)?

A1. The sales results for tools for concrete structures in Q1 FY 2023 were ¥1.3 billion in domestic sales and ¥6.3 billion in overseas sales. The total of domestic and overseas sales was ¥7.6 billion, an increase of 8%.

The results for the same three-month period of the previous fiscal year were ¥1.2 billion in domestic sales and ¥5.8 billion in overseas sales, meaning that domestic sales have grown 6% and overseas sales have grown 9%.

Looking at machinery and consumables separately, domestic sales of machinery decreased by 11%, while sales of consumables increased by 10%. Overseas sales of machinery declined by 2%, while sales of consumables grew by 11%.

On a unit-sales basis, North American sales grew by 11% for machinery and increased by 11% for consumables. In Europe sales decreased by 32% for machinery and fell by 12% for consumables. In Japan, unit-sales declined by 12% for machinery and decreased by 3% for consumables.

Q2. Please brief us on market conditions in Europe.

A2. In Europe, the housing market worsened noticeably due to the uncertain economic outlook. Sellouts from dealers also continue to be difficult. In particular, sales are stagnating in key markets such as Germany and Sweden. We expect the market environment to continue to be slightly tough. On the other hand, depending on the country, the non-housing market is relatively firm, and we plan to conduct marketing activities while paying close attention to activity areas, etc.

■ Overall Condition of the Company

Q3. Please tell us about factors which caused gross profit margin to increase and the forecasted level of gross profit margin from the second quarter onward.

A3. Factors which caused gross profit margin to increase were the promotion of cost pass-through, the impact of exchange rate fluctuations due to a weakening yen, and the improvement of profitability in domestic business. Therefore, the increase in gross profit margin in the first quarter was not due to completely temporary factors, so we expect to maintain a similar level from the second quarter onward.

Q4. In regard to the revision to the forecast of operating results, please tell us about the factors which caused an upward revision of operating income by ¥1.3 billion yen in the Group-wide plan for the fiscal year ending March 31, 2024.

A4. The main factors were the improvement of profitability in domestic businesses, the impact of exchange rate fluctuations due to a weakening yen, and the reduction of packing and delivery expenses. In regard to the impact of exchange rates, we revised the forecasted exchange rates for the second quarter onwards. The estimated foreign exchange sensitivity to operating income is 50 million yen/yen for the US dollar and 90 million yen/yen for the euro on an annualized basis. We anticipate that about three-fourths of the annualized amount will contribute to profits, and plan to make an upward revision to the profit forecast. On the other hand, in Europe, we expect a delay in recovery due to the uncertain economic outlook, so we have left net sales forecasts unchanged. We plan to make appropriate revisions in accordance with the progress of operating results in the future.

Q5. Please explain why the growth in profit is greater than the growth in net sales in the Industrial Equipment segment.

Also, please tell us about future prospects; for example, the difference in the circumstances between the first half and the second half.

A5. In addition to cost pass-through and the impact of exchange rate fluctuations, factors that mainly affect profits (improved profitability in domestic businesses, reduced packing and delivery expenses, etc.) contributed significantly to the Industrial Equipment segment, thereby raising the segment profit rate for the Industrial Equipment segment. From the second quarter onward, the plan excludes the execution of strategic investments aimed at future business growth, an area which has been slightly delayed, and the reduction in packing and delivery expenses due to temporary production adjustments.

Q6. Strategic investments are behind schedule. Does this mean that they are down compared to the previous year?

A6. Yes, they are down slightly compared to the previous year.

The forecasts of business results and other forward-looking statements in this document are based on information available as of July 31, 2023 and on certain assumptions that the Company judges to be reasonable. Actual business results and other results may differ due to various factors.