

## Presentation

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**[With Q&A] MAX Achieves Record-High Sales and Profits in Q1 Due to New Product Launch and Expansion of Rebar Tying Tools in Europe and the US, As Well As Favorable Exchange Rates**

[Lead]

The following is a transcription of MAX Co., Ltd.'s financial results presentation for Q1 of the fiscal year ending March 2025, which was given on July 31, 2024.

[Speaker]

Yoshihiro Kaku, Senior Managing Director and Senior Executive Officer of MAX Co., Ltd.

[Text]

**Summary of Financial Results for Q1 FY 2024**

## Summary of Financial Results in the First Quarter of FY 2024

- **Both net sales and income reached a record high for the first quarter.**
- **Results were lead by overseas industrial equipment product operations. This was thanks to factors such as the launch of the new model of rebar tying tools in Europe and U.S. and the impact of foreign exchange rates with a weak yen.**
- **Revised our full-year business forecast for the fiscal year ending March 31, 2025 upwards.**

**Yoshihiro Kaku (Kaku):** I am Kaku, Senior Managing Director and Senior Executive Officer of MAX. I will now explain based on the earnings presentation materials.

First, here is an overview of the Q1 FY 2024 earnings. Both sales and profits reached record highs for Q1. The main reasons for this achievement include the launch and expansion of new rebar tying tools in Europe and the US, and the favorable exchange rate trend of a weaker yen, which drove the performance of the overseas industrial equipment product operations.

Based on the current performance, we have revised our consolidated earnings forecast for first half and full year of FY 2024 upwards.

### **Group-Wide Financial Results for Q1 FY 2024**

# Group-Wide Financial Results in the First Quarter of FY 2024

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## ■ Exchange rates

Q1 FY 2024 1 USD = 155.02 JPY / 1 EUR = 167.03 JPY

Q1 FY 2023 1 USD = 135.81 JPY / 1 EUR = 147.90 JPY

Planned (Q1) 1 USD = 150.00 JPY / 1 EUR = 160.00 JPY

(unit: millions of yen, %)

	Results in Q1 for FY under review	Results in Q1 of previous FY	% increase/ decrease	First-half plan*	Rate of progress
Net sales	22,588	21,200	+6.5	44,430	50.8
Gross profit	11,083	9,978	+11.1	—	—
Corresponding ratio	49.1	47.1		—	
Operating income	3,988	3,510	+13.6	6,650	60.0
Corresponding ratio	17.7	16.6		15.0	
Ordinary income	4,572	4,196	+9.0	6,650	68.8
Corresponding ratio	20.2	19.8		15.0	
Net income attributable to shareholders of parental company	3,340	2,918	+14.4	5,280	63.3
Corresponding ratio	14.8	13.8		11.9	
Net income per share (yen)	71.82	61.71	—	113.49	—

\*Plan announced on April 26, 2024

Here are the Group-wide results for Q1. Net sales were JPY22.588 billion, up 6.5% YoY. Operating income was JPY3.988 billion, up 13.6% YoY. The operating income margin remained high at 17.7%, similar to the previous period.

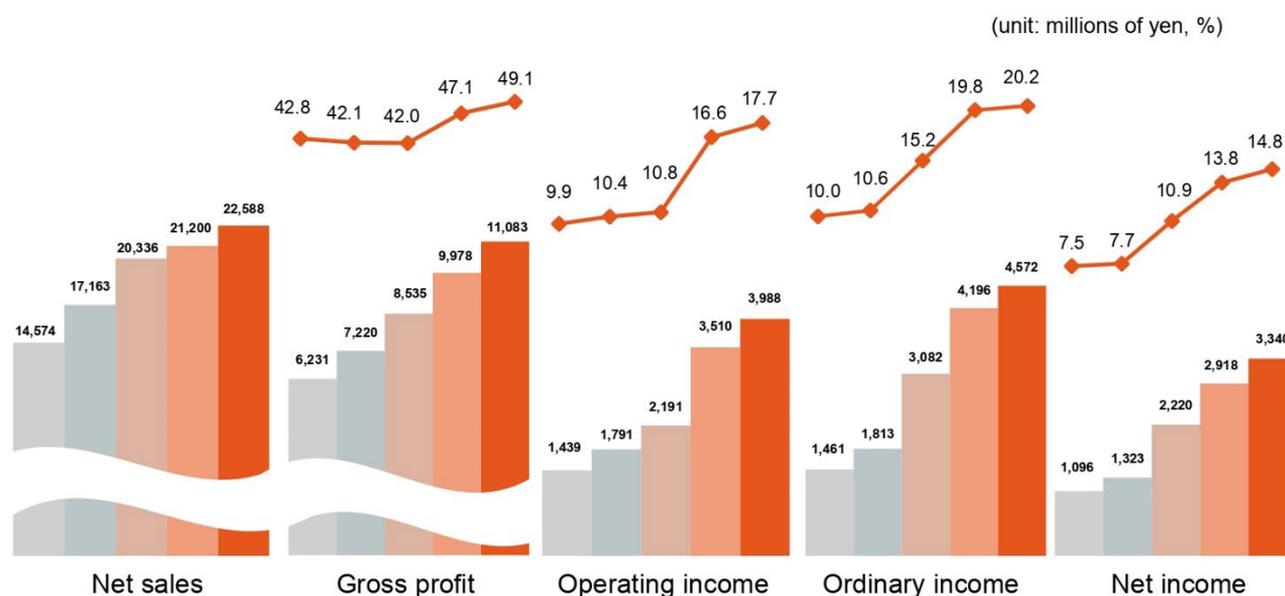
Ordinary income was JPY4.572 billion, up 9% YoY, and net income attributable to parent company shareholders was JPY3.34 billion, up 14.4% YoY.

## Changes in Group-Wide Financial Results from Q1 FY 2020 to FY 2024

# Changes in Group-Wide Financial Results in the First Quarter of FY 2020 to FY 2024

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■ Q1 FY 2020      ■ Q1 FY 2021      ■ Q1 FY 2022  
■ Q1 FY 2023      ■ Q1 FY 2024      — Corresponding ratio



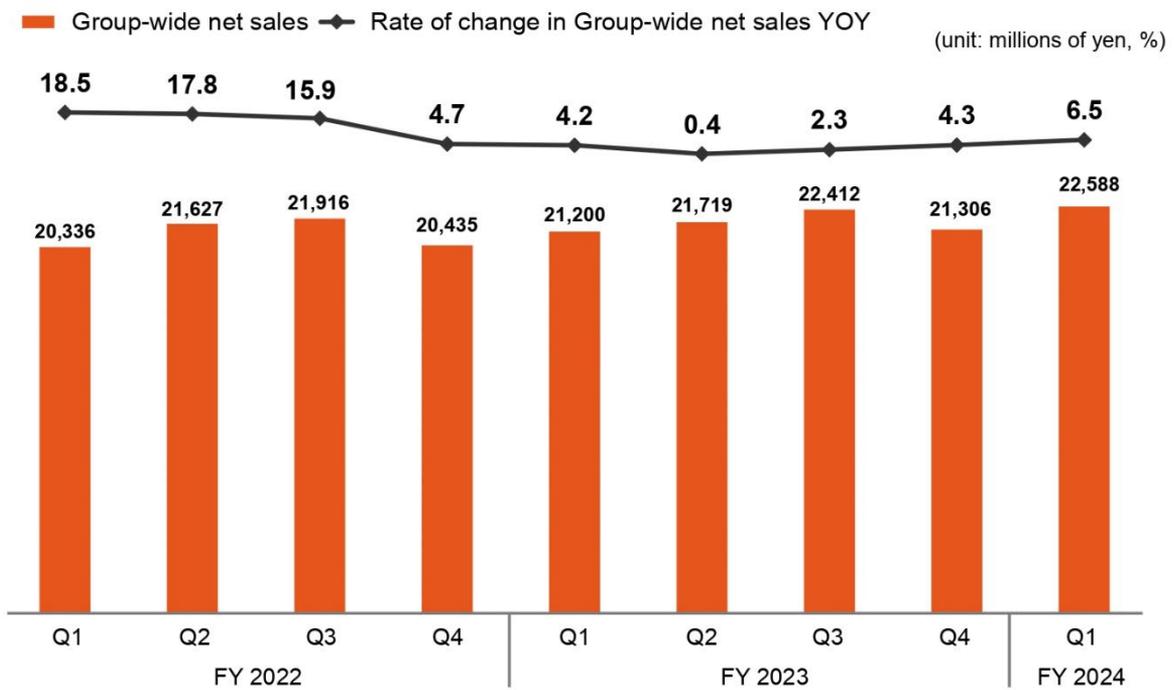
This bar and line graph shows the profit trends for Q1 over the past five years. Notably, the gross profit margin increased by 2 points from the previous period to 49.1%. Several factors contributed to this, including the expansion of our core rebar tying tool business and better-than-expected revenue from the auto-stapler product operations.

Additionally, the rise in cost of goods sold, which had continued for the past two and a half years, has stabilized this time, contributing to the increase in the gross profit margin.

Operating income and ordinary income have also increased in line with the rise in the gross profit margin. Furthermore, we recorded an extraordinary profit of JPY199 million, which also contributed to the rise in net income and net income margin.

## Changes in Net Sales by Quarter

# Changes in Net Sales by Quarter

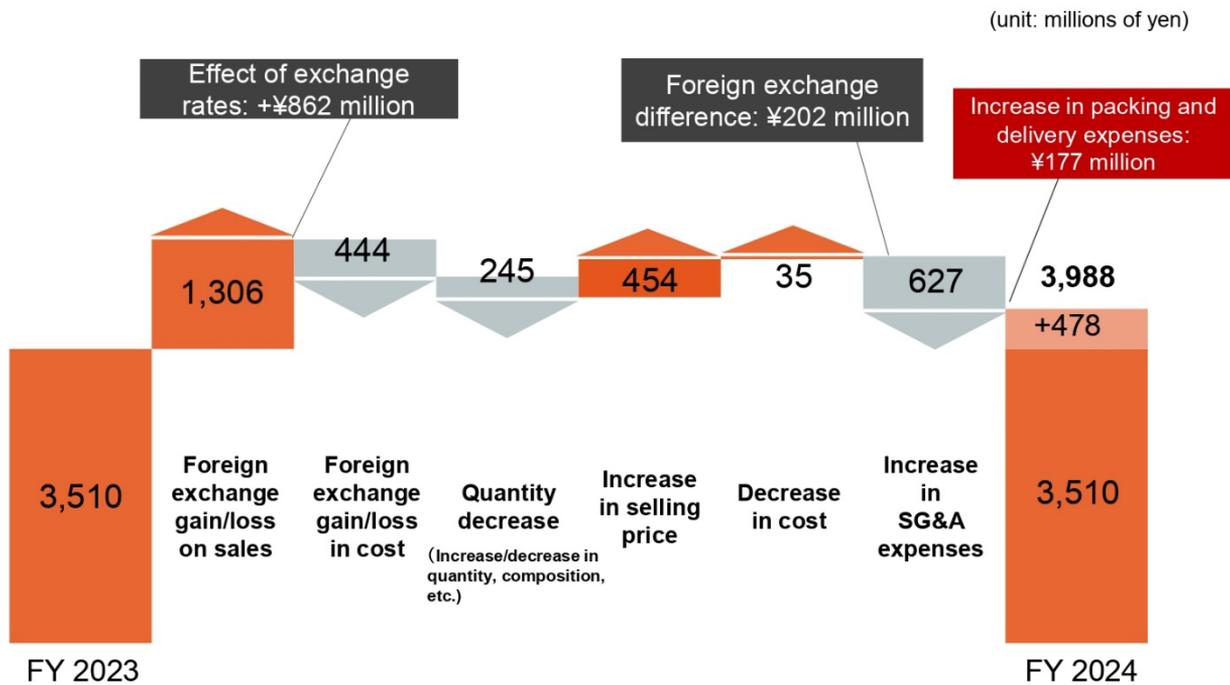


The quarterly sales trends are as shown in the slide.

## Factors Affecting Operating Income

# Factors for Increase/Decrease of Operating Income

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Here are the factors affecting operating income. Please look at the left side of the slide. The impact of foreign exchange is significant, with a positive JPY1.306 billion from sales, and a negative JPY444 million from cost, resulting in a net positive foreign exchange impact of JPY862 million.

Even after deducting the JPY202 million increase in foreign exchange translation differences included in SG&A expenses on the right side, the net positive effect of foreign exchange on operating income was JPY660 million. The volume variance was negative, mainly due to delayed recovery in the ASEAN business.

Regarding sales prices and costs, the increase in sales prices was JPY454 million. This is not a result of increases in Q1 of this fiscal year but rather the effect of price revisions implemented from Q2 of the previous fiscal year onwards.

On a fixed-cost basis, costs had a positive impact of JPY35 million on profits. Since cost increases did not offset the sales price increases, this balance between sales prices and costs contributed positively to profits. SG&A expenses increased by JPY627 million, including JPY202 million from foreign exchange translation differences and a slight rise in packaging and shipping costs due to factors like the Suez Canal detour. Ultimately, operating income increased by JPY478 million YoY to JPY3.988 billion.

## Other Financial Information

## ■ Non-operating income/expenses and extraordinary income/loss

(unit: millions of yen)

	Results in Q1 for FY under review	Results in Q1 of previous FY	YOY
Non-operating income/expenses	583	686	-102
Non-operating income (excluding foreign exchange effect)	184	152	+31
Non-operating expenses (excluding foreign exchange effect)	-17	-22	+4
Foreign exchange gain/loss	416	555	-138
Extraordinary income/loss	198	-7	+206
Extraordinary income	199*	0	+199
Extraordinary loss	-1	-7	+6

\*Sale of shares

## ■ Facilities investment, depreciation, R&D expenses

(unit: millions of yen, %)

	Results in Q1 for FY under review	Results in Q1 of previous FY	FY 2024 annual plan	Rate of progress
Facilities investment	477	444	3,698	12.9
Depreciation	786	750	3,590	21.9
R&D expenses	1,089	1,012	4,666	23.3

Here is other financial information. We recorded an extraordinary profit of JPY199 million from the sale of shares switched from strategic holdings to pure investment. We plan to continue reducing the proportion of shares held for both strategic purposes and pure investment and use the funds obtained for growth investments. Currently, strategic shareholdings account for approximately 6% of net assets.

## Economic Indicators

## Domestic

Continued signs of gradual economic recovery. The number of new housing constructions starts, which is related to the Industrial Equipment segment, was sluggish (as of May, owner-occupied starts have decreased for 30 consecutive months). The construction floor area of non-residential structures continues to stagnate.

## Overseas

In the United States, housing construction starts decreased due to the impact of increased interest rates for loans, but construction investment trended firm. In Europe, the economic outlook remained uncertain due to concern regarding inflation and a high level of interest rates. In particular, housing market conditions remained sluggish in Germany.

## Reference indices

### Number of new housing construction starts

- Down 9.6% YOY for the period from January to March 2024 (Owner-occupied: -9.0%, Rental: -4.3%, Unit sales: -16.9%)
- Negative effect on the industrial equipment product operations (wooden structure related)

### Floor area of construction starts of non-residential structures / Supply and demand for skilled construction workers

- Up 7.2% YOY for the period from October to December 2023 (Offices: +36.7%, Shops: -0.7%, Factories: -12.2%, Warehouses: +51.5%)
- There is a shortage of skilled rebar workers (for construction sites).
- Positive effect on the industrial equipment product operations (concrete structure related)

### Currency exchange rates

- 1 USD = 155.02 JPY, 1 EUR = 167.03 JPY (Q1 FY 2023: 1 USD = 135.81 JPY, 1 EUR = 147.90 JPY)
- Foreign exchange sensitivity in sales (annual conversion) (Planned value for FY 2024)  
USD: 200 million JPY, EUR: 80 million JPY
- Foreign exchange sensitivity in operating income (annual conversion) (Planned value for FY 2024)  
USD: 50 million JPY, EUR: 80 million JPY

### Number of new housing construction starts in the U.S.

- The annualized rate is 1,377,000 units in April 2024, 1,314,000 units in May 2024, and 1,353,000 units in June 2024 (Previous year—April: 1,368,000 units, May: 1,583,000 units, June: 1,415,000 units)

The economic indicators are as shown.

## Financial Results for Individual Segments in Q1 FY 2024

# Financial Results for Individual Segments in the First Quarter of FY 2024

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(unit: millions of yen, %)

	Results in Q1 for FY under review	Results in Q1 of previous FY	% increase/decrease	First-half plan*	Rate of progress
<b>Industrial Equipment segment</b>					
Net sales	16,456	15,211	+8.2	32,290	51.0
Segment profit	3,981	3,458	+15.1	7,110	56.0
Segment profit rate	24.2	22.7		22.0	
<b>Office Equipment segment</b>					
Net sales	5,321	5,174	+2.8	10,450	50.9
Segment profit	1,085	985	+10.1	1,790	60.6
Segment profit rate	20.4	19.0		17.1	
<b>HCR Equipment segment</b>					
Net sales	809	814	-0.5	1,690	47.9
Segment profit	-7	10	-	0	-
Segment profit rate	-0.9	1.3		0.0	
<b>Adjustment amount</b>	<b>-1,070</b>	<b>-944</b>		<b>-2,250</b>	
<b>Group-wide total</b>					
Net sales	22,588	21,200	+6.5	44,430	50.8
Operating income	3,988	3,510	+13.6	6,650	60.0
Operating margin	17.7	16.6		15.0	

\*Plan announced on April 26, 2024

Here are the segment performance results. The net sales for the industrial equipment segment were JPY16.456 billion, up 8.2% YoY, and segment profit was JPY3.981 billion, up 15.1% YoY.

The segment profit margin increased from the already high 22.7% in the previous period to 24.2% this period. This high profit margin was due to the growth of the rebar tying tool business and the impact of the weaker yen, which was more pronounced in the industrial equipment segment compared to the office equipment segment.

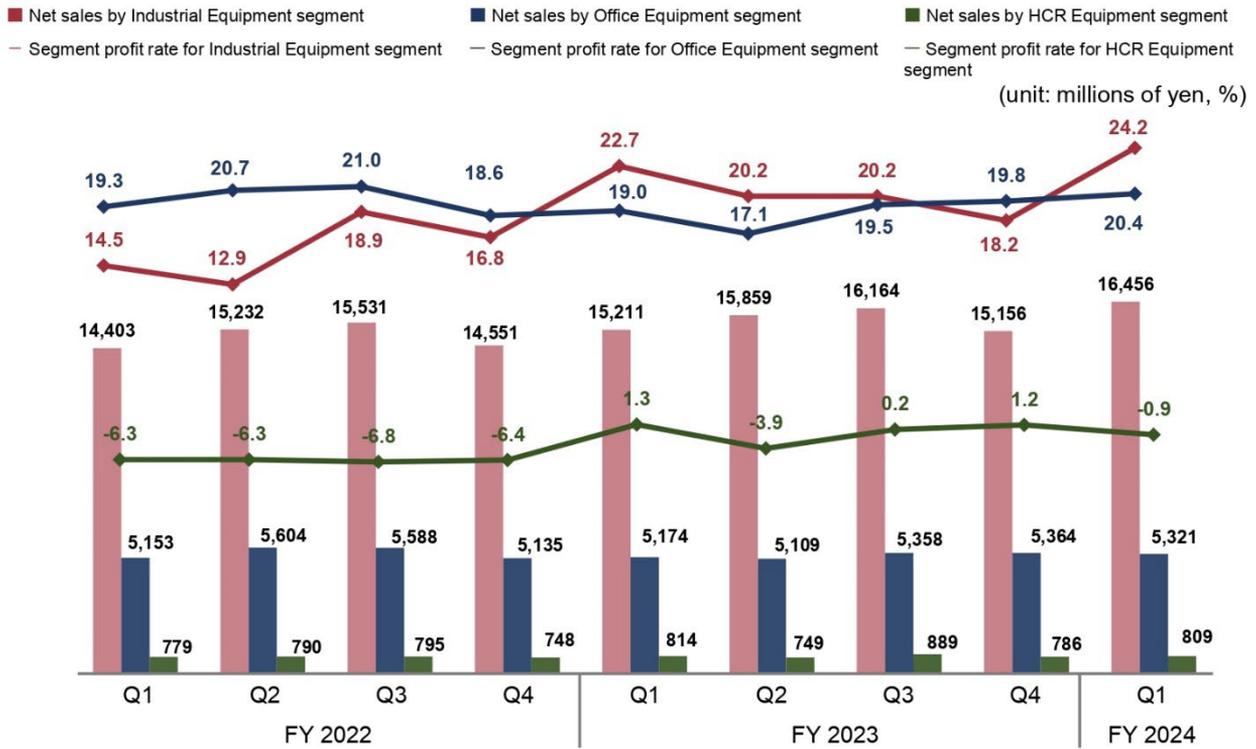
Net sales for the office equipment segment were JPY5.321 billion, up 2.8% YoY, and segment profit was JPY1.085 billion, up 10.1% YoY, with a segment profit margin of 20.4%.

The office equipment segment saw increased profits despite sluggish performance in overseas offices, thanks to expanded sales of character display devices in domestic offices and a stronger-than-expected recovery in the auto-stapler product operations in Q1.

Net sales for the HCR equipment segment were JPY809 million, slightly down YoY. The segment posted a minor loss of JPY7 million.

## Changes in Segment Results by Quarter

# Changes in Segment Results by Quarter



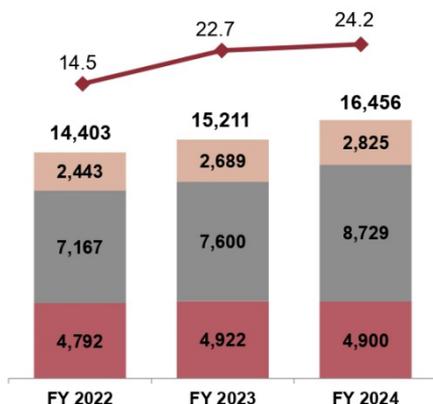
Here are the quarterly segment performance trends.

## Industrial Equipment Segment: Q1 FY 2024 Financial Results

# Industrial Equipment Segment: Financial Results for the First Quarter of FY 2024

- Domestic industrial equipment product operations
- Overseas industrial equipment product operations
- Residential environmental equipment operations
- Segment profit rate

(unit: millions of yen, %)



TWINTIER rebar tying tools



Compressors (limited color)

Domestic industrial equipment product operations



Sales of both tools and consumables trended firm thanks to the effect of the new model of rebar tying tools TWINTIER. On the other hand, sales of tools for wooden structure decreased due to a decrease in new housing construction starts.

Overseas industrial equipment product operations



In North America, sales of rebar tying tools and related consumables increased thanks to firm trends in construction expenditures, growing sales for the new model of rebar tying tools TWINTIER that was launched in May, and the spread of large-diameter tools for the civil engineering market. In Europe, although tough market conditions continued in our main area of Germany and Northern Europe, sales of rebar tying tools and consumables recovered thanks to factors such as increased sales of the new model of rebar tying tools (launched in May, similar to North America) and strengthened activities in areas with favorable market conditions.

Residential environmental equipment operations



Sales of DRYFAN bathroom heaters, ventilators and dehumidifiers, which are the mainstay of the business, stagnated in the housing stock for renovation and replacement, which is a focus of the segment. On the other hand, sales increased for some OEMs.

Here are the Q1 performance results for the industrial equipment segment. The domestic industrial equipment product operations saw a slight decrease compared to the same period last year. Both the tools and consumables for rebar tying tools, which are a key part of our domestic industrial equipment product operations, performed well as planned. However, the main factor for the slight decrease was the decline in sales of tools for wooden structures due to a decrease in new housing starts in Japan.

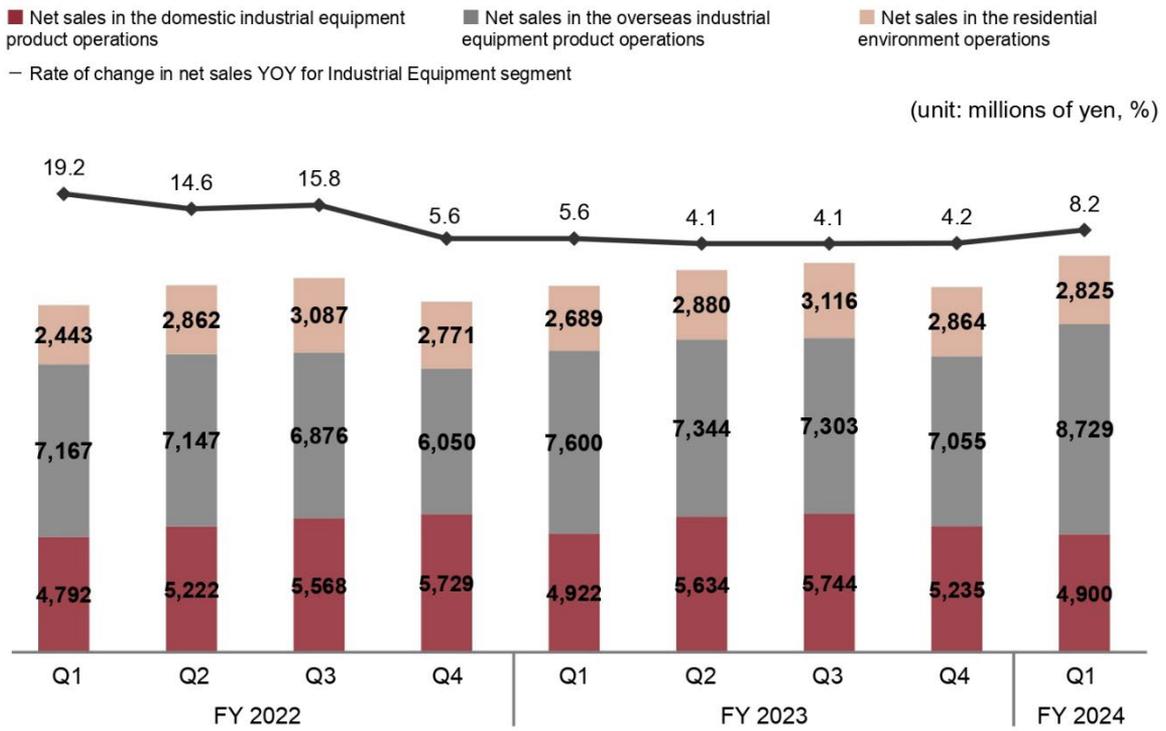
The overseas industrial equipment product operations drove growth, with a 14.9% increase in sales compared to the same period last year. In North America, sales of rebar tying tools and consumables increased due to steady construction spending, the expansion of new products like the TWINTIER launched in May, and the spread of large-diameter tools primarily in the civil engineering market.

Europe faced a challenging environment throughout last year. Although the market conditions in Germany and Northern Europe remained tough in Q1, sales of rebar tying tools and consumables recovered due to the expansion of new products launched, similar to North America in May and strengthened activities in areas with stable market conditions.

For the residential environmental equipment operations, the main product, bathroom heaters, ventilators and dehumidifiers, saw some stagnation in recurring revenue business, but it grew in the OEM market. Strategically, we will continue to focus on the recurring revenue business.

## Industrial Equipment Segment: Changes in Net Sales by Quarter

# Industrial Equipment Segment: Changes in Net Sales by Quarter

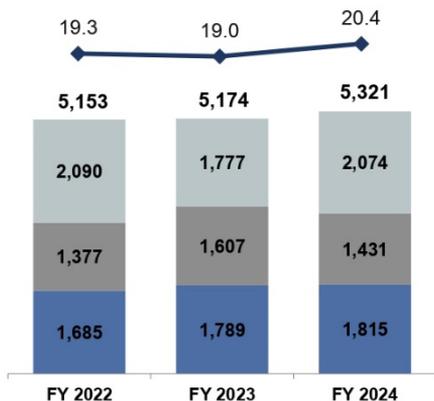


Here are the quarterly sales trends of the industrial equipment segment.

## Office Equipment Segment: Q1 FY 2024 Financial Results

# Office Equipment Segment: Financial Results for the First Quarter of FY 2024

- Domestic office equipment product operations
- Overseas office equipment product operations
- Auto-stapler product operations
- Segment profit rate (unit: millions of yen, %)



BEPOP label-making machines



LETATWIN tube markers

Domestic office equipment product operations



Although sales of stationery-related products decreased, sales of labeling and signage products, mainly BEPOP label-making machines, increased thanks to strengthened proposal activities.

Overseas office equipment product operations



Sales of stationery-related products decreased due to economic stagnation in some regions of Southeast Asia.

Auto-stapler product operations



Sales of both Auto Staplers and dedicated consumables trended firm thanks to signs of recovery in orders from customers.

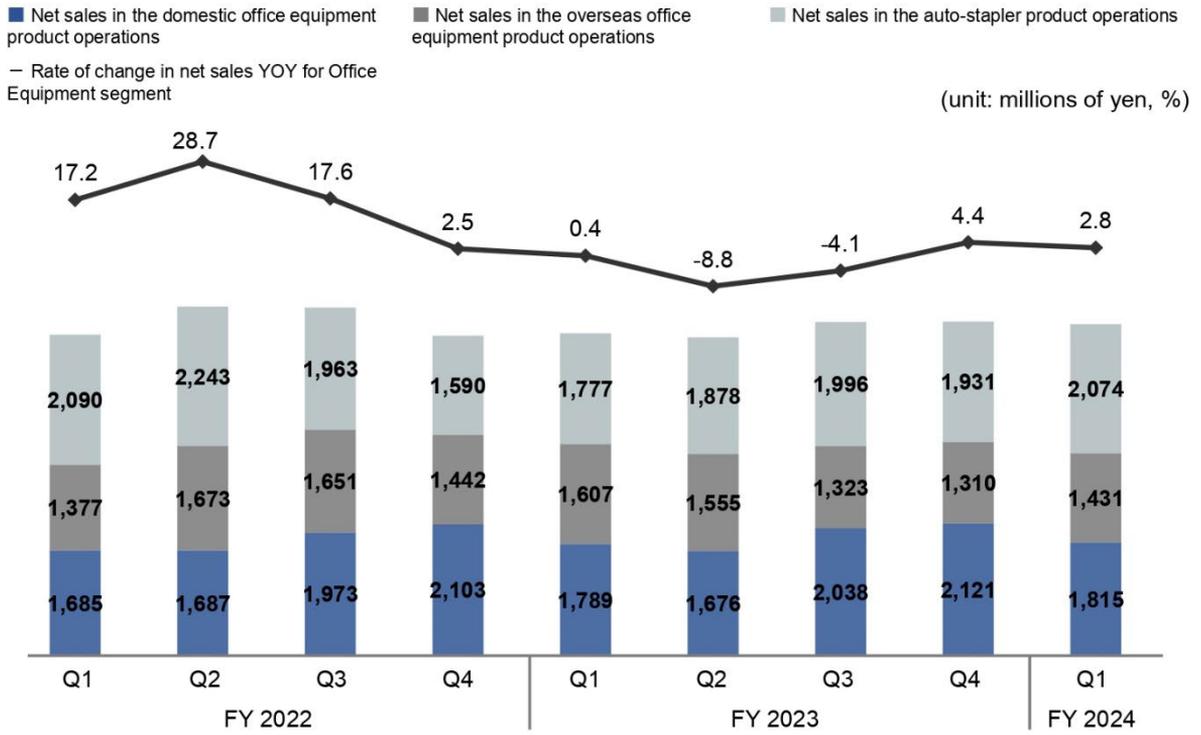
Here are the Q1 performance results for the office equipment segment. The domestic office equipment product operations saw a decline in sales of stationery-related products, which was anticipated. However, sales of labeling and signage products, which we are strengthening our proposal activities for, increased, resulting in a slight increase in overall sales.

The overseas office equipment product operations experienced a decrease in sales due to delayed recovery of stationery-related products in ASEAN, despite continued steady sales of labeling and signage products in Europe.

Sales in the auto-stapler product operations increased by 16.7% YoY to JPY2.074 billion. Orders from clients showed a recovery trend, with both tools and consumables performing steadily. However, it is unlikely that this recovery will continue indefinitely. Considering the impact of the shift to paperless environments, we anticipate a gradual shrinkage in the medium to long term and will manage accordingly.

## Office Equipment Segment: Changes in Net Sales by Quarter

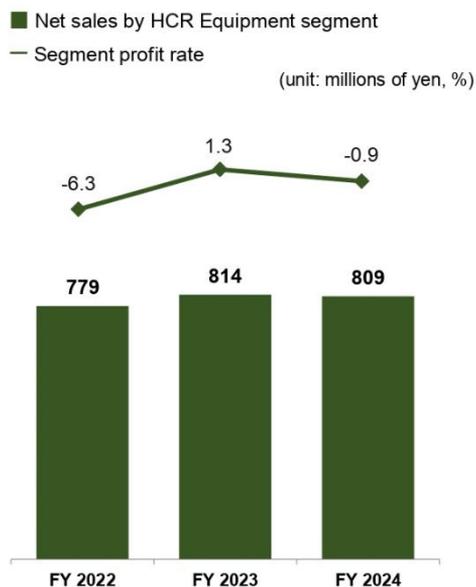
# Office Equipment Segment: Changes in Net Sales by Quarter



Here are the quarterly sales trends of the office equipment segment.

## HCR Equipment Segment: Q1 FY 2024 Financial Results

# HCR Equipment Segment: Financial Results for the First Quarter of FY 2024



Functionally sophisticated wheelchairs: WAVIT Roo+



Wheelchairs for overseas market

## HCR Equipment segment



Although sales to overseas grew with a focus on the rental market in China, sales of wheelchairs decreased to the domestic market.

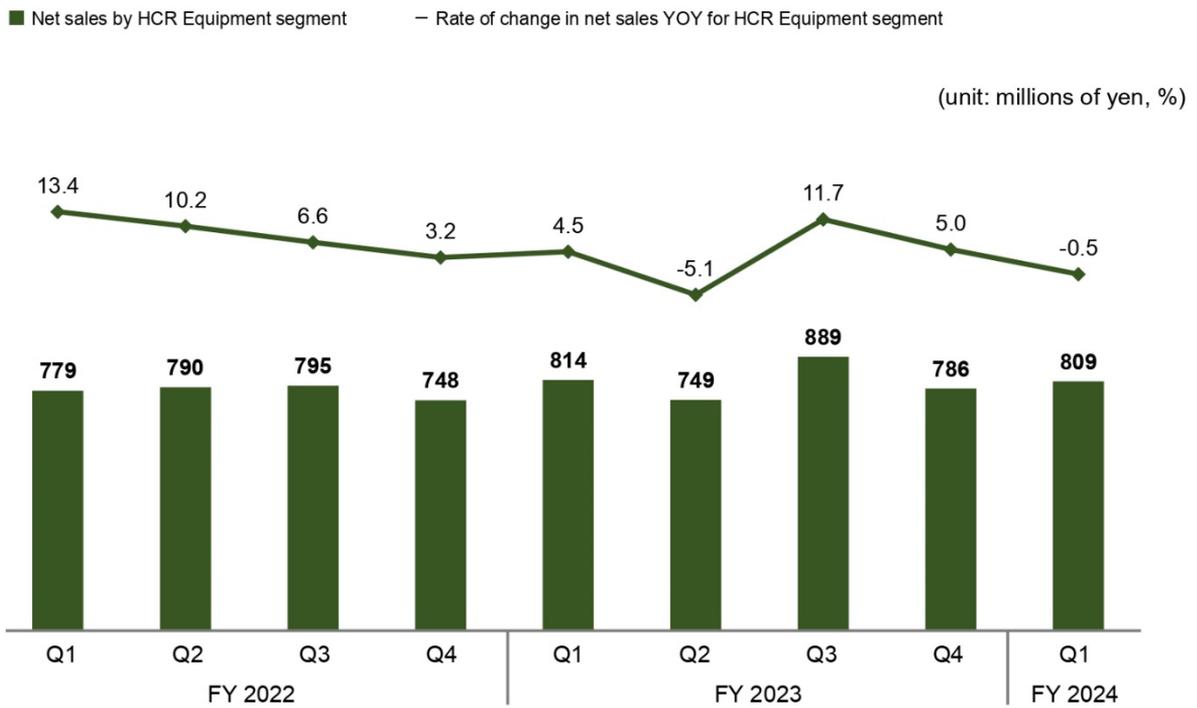
Here are the Q1 performance results for the HCR equipment segment. Net sales were JPY809 million, and the segment profit showed a loss of JPY7 million.

Since last year, exchange rates have negatively impacted profitability, and we are working on revenue improvement. In Q1, there was a backspin effect due to cost increases of about JPY40 million to JPY50 million from the exchange rate impact, leaving a slight deficit.

However, we have additional earnings improvement measures planned, which we intend to implement from Q2 onwards, aiming to achieve a full-year profit.

## HCR Equipment Segment: Changes in Net Sales by Quarter

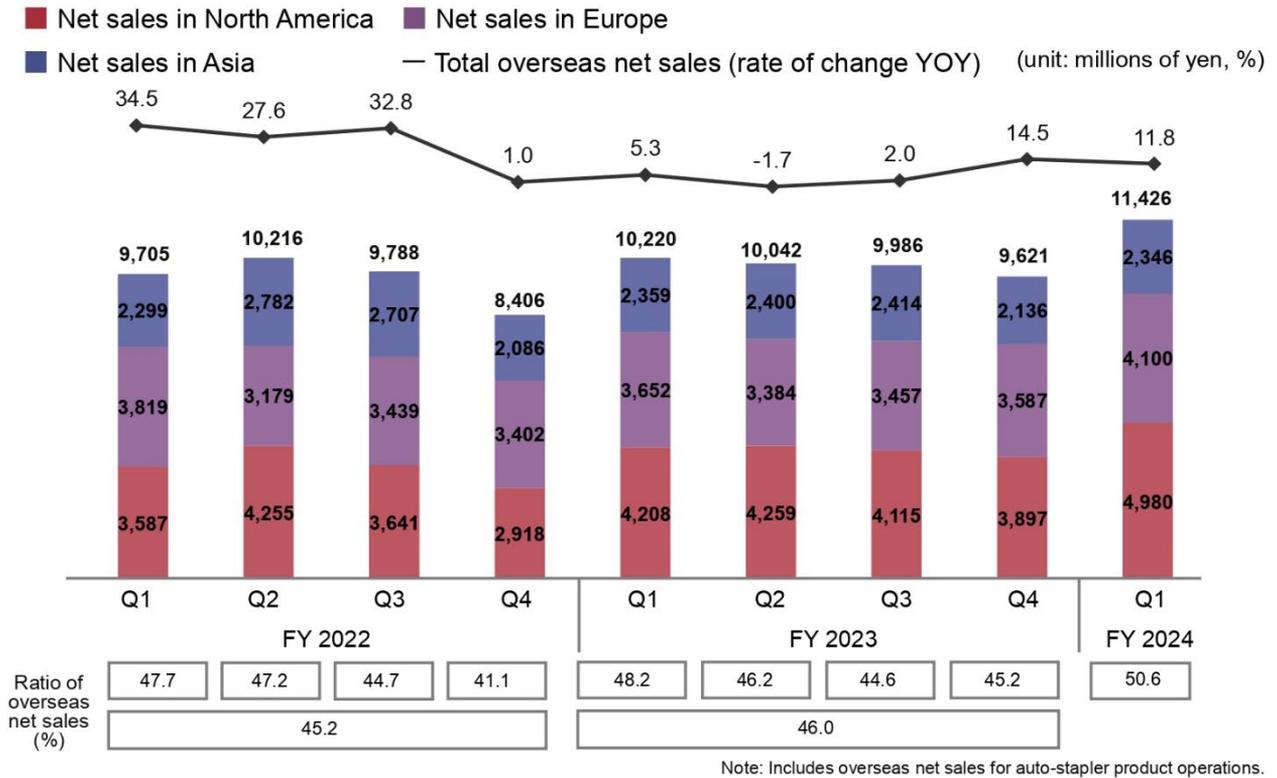
# HCR Equipment Segment: Changes in Net Sales by Quarter



Here are the quarterly sales trends of the HCR equipment segment.

## Changes in Quarterly Net Sales by Overseas Region

# Changes in Quarterly Net Sales by Overseas Region



Here are the quarterly sales trends by overseas region. The key point is the sales for Q1 on the right end of the slide. Although there is a slight uplift from exchange rates, sales reached JPY11.426 billion, accounting for 50.6% of total sales. This is likely the first time that overseas sales have exceeded 50%.

As you know, a key focus of our business strategy in the medium-term management plan announced in April is “further growth of overseas business.” We recognize that this is progressing steadily.

## Priority Business: Overview of Rebar Tying Tools Business

## Steady sales of tools for concrete structures with a focus on the rebar tying tools business

- Domestic and overseas sales of tools for concrete structures: **¥8.9 billion (+17% year-on-year)**  
(Rate of progress compared to annual plan: **28%**)

In Europe and North America, sales of both tools and consumables trended firm thanks to launch of new model of rebar tying tools and increase in total number of tools in operation.

### Overseas



#### North America

- In particular, sales of consumables increased thanks to continued firm construction investment in the non-residential housing market and to an increase in the total number of tools in operation. The new model of rebar tying tools TWINTIER was launched in May, and sales of both tools and consumables increased year-on-year on a quantity basis.

#### Europe

- Although tough conditions continued in the housing market in our main area of Germany, in addition to increased sales for the new model of rebar tying tools TWINTIER that was launched in May, we also held activities to increase sales in Southern Europe and Eastern Europe. In Q1, sales of both tools and consumables increased year-on-year on a quantity basis. However, uncertain economic outlook for the construction market continues.

### Japan



- Sales of tools grew thanks to increased sales of the new model RB-442T of rebar tying tools TWINTIER that was launched last December. Sales of consumables also trended firm thanks to an increase in the total number of tools in operation.

The overview of the priority business, the rebar tying tool business, is as follows. Q1 sales for tools targeting domestic and overseas concrete structures increased by 17% YoY to JPY8.9 billion. This represents 28% progress towards the full-year plan.

As previously mentioned, the launch and expansion of new model of rebar tying tools TWINTIER in Europe and the US, along with the increase in the cumulative number of operational tools, have led to steady sales of both tools and consumables. Let's break this down by region.

In North America, while the housing market remains challenging, construction investment in the non-residential market continues to be robust. The increase in sales of consumables due to the rise in the cumulative number of operational tools, as well as the launch and expansion of the new TWINTIER model, led to higher sales volumes for both tools and consumables compared to the previous year.

In Europe, although the main markets in Germany and Northern Europe are still struggling, we are expanding sales of new products and also promoting expansion activities in the Southern and Eastern European markets, which we have been promoting since the last fiscal year that are relatively stable markets with significant development potential.

These efforts are paying off, resulting in YoY increases in sales volumes for both tools and consumables in Q1. However, the core markets of Germany and Northern Europe have not yet recovered, so we remain cautious.

Last week, I traveled to Europe. During my visit, I communicated with our local employees and sales teams.

They shared similar sentiments, indicating that while Germany and Northern Europe have not significantly improved, there is a sense of stabilization. The activities we have been pursuing are steadily yielding results, presenting a good opportunity for area expansion, and we will continue our efforts.

In Japan, the expansion of the new rebar tying tool model launched in December last year has progressed, leading to increased tool sales, and consequently, steady sales of consumables.

This concludes the overview of the priority business, the rebar tying tool business.

## Group-Wide Plan in the First Half of FY 2024

# Group-Wide Plan in the First Half of FY 2024

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### ■ Forecasted exchange rates (Q2)

1 USD = 150.00 JPY

1 EUR = 165.00 JPY

(unit: millions of yen, %)

	Current plan (July 31, 2024)	Previous plan (Apr. 26, 2024)	Difference	Results in H1 of previous FY	% increase/ decrease
Net sales	45,000	44,430	570	42,920	+4.8
Operating income	7,200	6,650	550	6,649	+8.3
Corresponding ratio	16.0	15.0		15.5	
Ordinary income	7,340	6,650	690	7,436	-1.3
Corresponding ratio	16.3	15.0		17.3	
Net income attributable to shareholders of parental company	5,600	5,280	320	5,587	+0.2
Corresponding ratio	12.4	11.9		13.0	
Net income per share (yen)	120.37	113.49	6.88	118.51	

• Thanks to factors such as recent performance and changes in the forecasted exchange rates, we expect to surpass the forecast of operating results announced on April 26, 2024. Therefore, we have revised our plans for the first half and full year of the fiscal year ending March 31, 2025.

Based on the Q1 performance and the current foreign exchange situation, we have promptly revised our earnings forecast for FY 2024.

Here is the revised group-wide plan for first half. Net sales are revised upward by JPY570 million to JPY45 billion, operating income is revised upward by JPY550 million to JPY7.2 billion, ordinary income is revised upward by JPY690 million to JPY7.34 billion, and net income attributable to parent company shareholders is revised upward by JPY320 million to JPY5.6 billion.

## Segment Plans in the First Half of FY 2024

## Segment Plans in the First Half of FY 2024

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(unit: millions of yen, %)	Current plan (July 31, 2024)	Previous plan (Apr. 26, 2024)	Difference	Results in H1 of previous FY	% increase/ decrease
<b>Industrial Equipment segment</b>					
Net sales	32,970	32,290	680	31,071	+6.1
Segment profit	7,480	7,110	370	6,656	+12.4
Segment profit rate	22.7	22.0		21.4	
<b>Office Equipment segment</b>					
Net sales	10,400	10,450	-50	10,284	+1.1
Segment profit	2,000	1,790	210	1,859	+7.6
Segment profit rate	19.2	17.1		18.1	
<b>HCR Equipment segment</b>					
Net sales	1,630	1,690	-60	1,564	+4.2
Segment profit	-20	0	-20	-19	—
Segment profit rate	-1.2	0		-1.2	
<b>Adjustment amount</b>	<b>-2,260</b>	<b>-2,250</b>	<b>-10</b>	<b>-1,846</b>	<b>—</b>
<b>Group-wide total</b>					
Net sales	45,000	44,430	570	42,920	+4.8
Operating income	7,200	6,650	550	6,649	+8.3
Operating margin	16.0	15.0		15.5	

Here is the segment plan for first half. Minor adjustments have been made based on the current situation. Please refer to the details.

### Group-Wide Plan in FY 2024

■ Forecasted exchange rates (from Q3)

1 USD = 145.00 JPY

1 EUR = 160.00 JPY

(unit: millions of yen, %)

	Current plan (July 31, 2024)	Previous plan (Apr. 26, 2024)	Difference	Results in previous FY	% increase/ decrease
Net sales	90,300	89,800	500	86,638	+4.2
Operating income	13,600	13,000	600	12,601	+7.9
Corresponding ratio	15.1	14.5		14.5	
Ordinary income	13,740	13,000	740	13,717	+0.2
Corresponding ratio	15.2	14.5		15.8	
Net income attributable to shareholders of parental company	10,360	10,000	360	10,435	-0.7
Corresponding ratio	11.5	11.1		12.0	
Net income per share (yen)	222.91	216.10	6.81	222.57	
ROE	10.1	10.0	0.1P	11.1	

This is the revised group-wide plan for the full year. Net sales have been revised upward by JPY500 million to JPY90.3 billion, operating income has been revised upward by JPY600 million to JPY13.6 billion, ordinary income has been revised upward by JPY740 million to JPY13.74 billion, and net income attributable to parent company shareholders has been revised upward by JPY360 million to JPY10.36 billion.

With the slight increase in net income attributable to parent company shareholders, ROE is expected to rise from the previous plan of 10% to 10.1%.

Currently, the slight decrease in net income compared to the previous year is an issue, and we aim to achieve an increase in net income on an actual basis.

## Segment Plans in FY 2024

# Segment Plans in FY 2024

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(unit: millions of yen, %)	Current plan (July 31, 2024)	Previous plan (Apr. 26, 2024)	Difference	Results in previous FY	% increase/ decrease
<b>Industrial Equipment segment</b>					
Net sales	65,640	64,600	1,040	62,392	+5.2
Segment profit	14,060	13,420	640	12,691	+10.8
Segment profit rate	21.4	20.8		20.3	
<b>Office Equipment segment</b>					
Net sales	21,320	21,750	-430	21,006	+1.5
Segment profit	4,000	4,010	-10	3,965	+0.9
Segment profit rate	18.8	18.4		18.9	
<b>HCR Equipment segment</b>					
Net sales	3,340	3,450	-110	3,239	+3.1
Segment profit	0	20	-20	-7	-
Segment profit rate	0.0	0.6		-0.2	
<b>Adjustment amount</b>	-4,460	-4,450	-10	-4,048	-
<b>Group-wide total</b>					
Net sales	90,300	89,800	500	86,638	+4.2
Operating income	13,600	13,000	600	12,601	+7.9
Operating margin	15.1	14.5		14.5	

This is the revised segment plan for the full year.

## Plans for Each Sub-Segment (Business) in FY 2024

## Plans for Each Subsegment (Business) in FY 2024

21

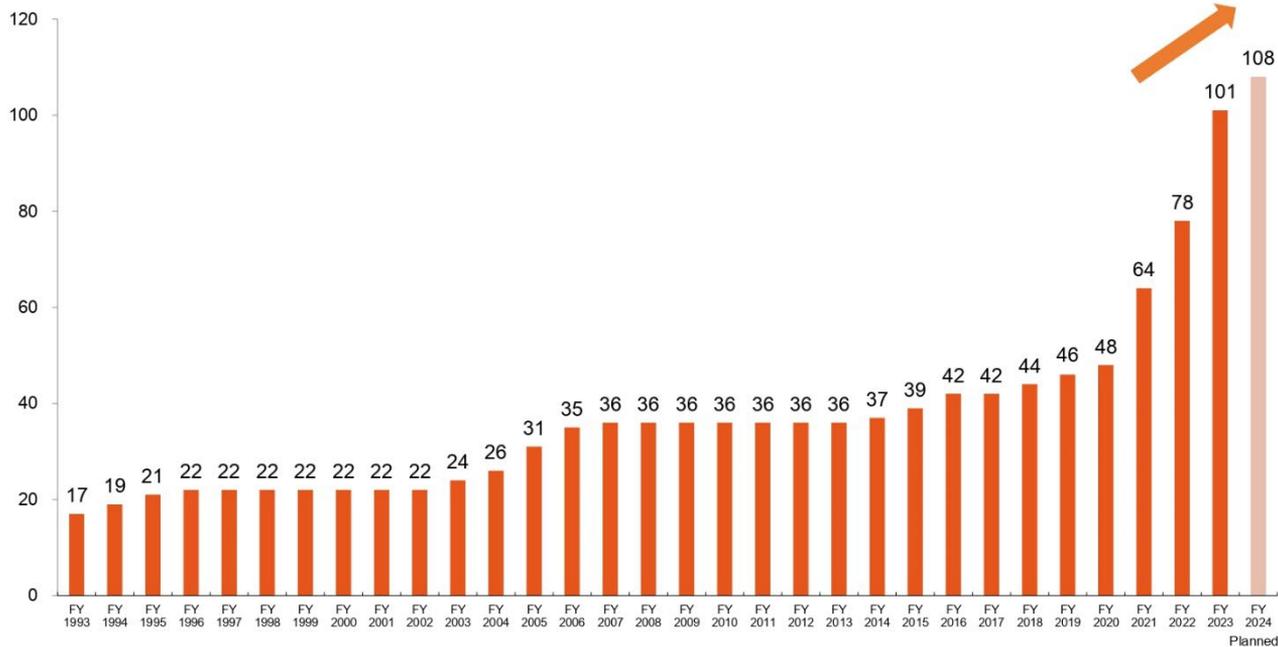
(unit: millions of yen, %)	Current plan (July 31, 2024)	Previous plan (Apr. 26, 2024)	Difference	Results in previous FY	% increase/ decrease
<b>Industrial Equipment segment</b>					
Segment net sales	65,640	64,600	1,040	62,392	+5.2
Domestic industrial equipment product operations	21,960	22,220	-260	21,536	+2.0
Overseas industrial equipment product operations	31,930	30,750	1,180	29,304	+9.0
Residential environmental equipment operations	11,750	11,630	120	11,551	+1.7
Segment profit	14,060	13,420	640	12,691	+10.8
Segment profit rate	21.4	20.8		20.3	
<b>Office Equipment segment</b>					
Segment net sales	21,320	21,750	-430	21,006	+1.5
Domestic office equipment product operations	7,750	7,720	30	7,626	+1.6
Overseas office equipment product operations	5,800	6,600	-800	5,796	+0.1
Auto-stapler product operations	7,770	7,430	340	7,583	+2.5
Segment profit	4,000	4,010	-10	3,965	+0.9
Segment profit rate	18.8	18.4		18.9	

This is the revised sub-segment plan for the full year. Let me explain the differences. As a negative factor, the overseas office equipment product operations, which is recovering more slowly, is expected to be JPY800 million below the previous plan, accounting for the risk.

On the other hand, positive revisions have been made in the overseas industrial equipment product operations, etc., due to exchange rates and business progress, resulting in the overall adjustments as shown.

### Dividend Policy: Dividends per Share

(unit: yen)



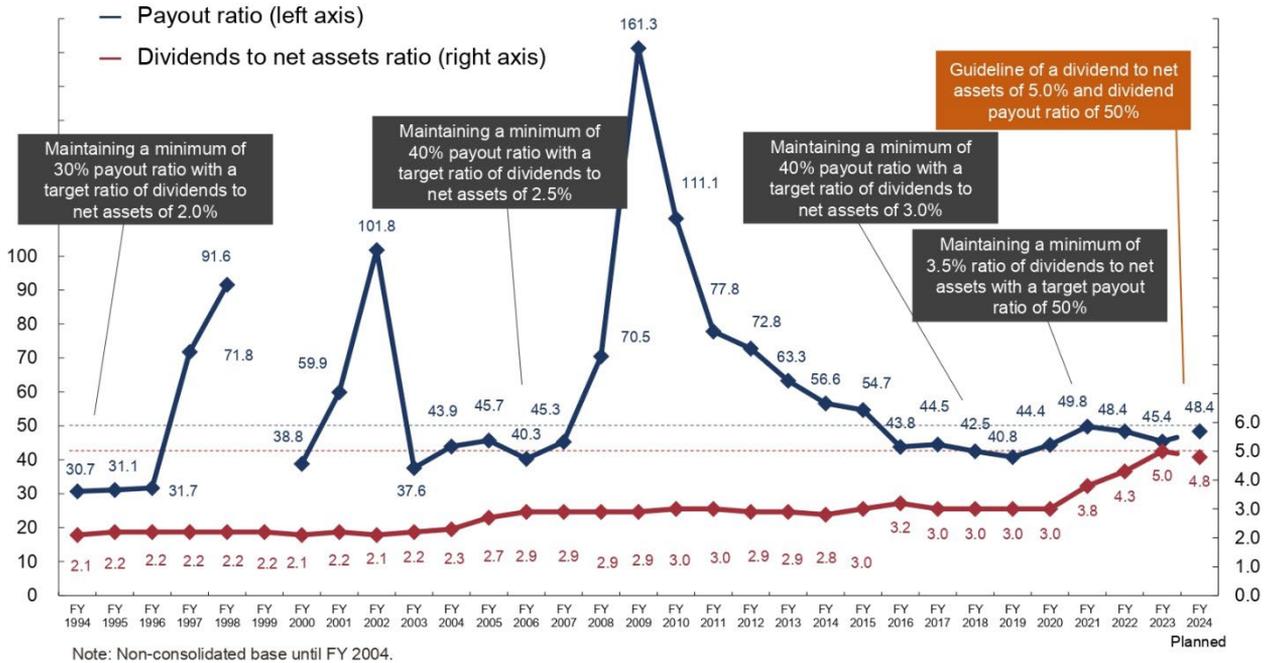
Regarding our dividend policy, the dividend per share is planned to remain unchanged at JPY108 at this stage.

## Dividend Policy: Payout Ratio and Dividends to Net Assets Ratio

# Dividend Policy: Payout Ratio and Dividends to Net Assets Ratio

Guideline of a ratio of dividends to net assets of 5.0% and a dividend payout ratio of 50%, as based on consolidated financial results

(unit: %)

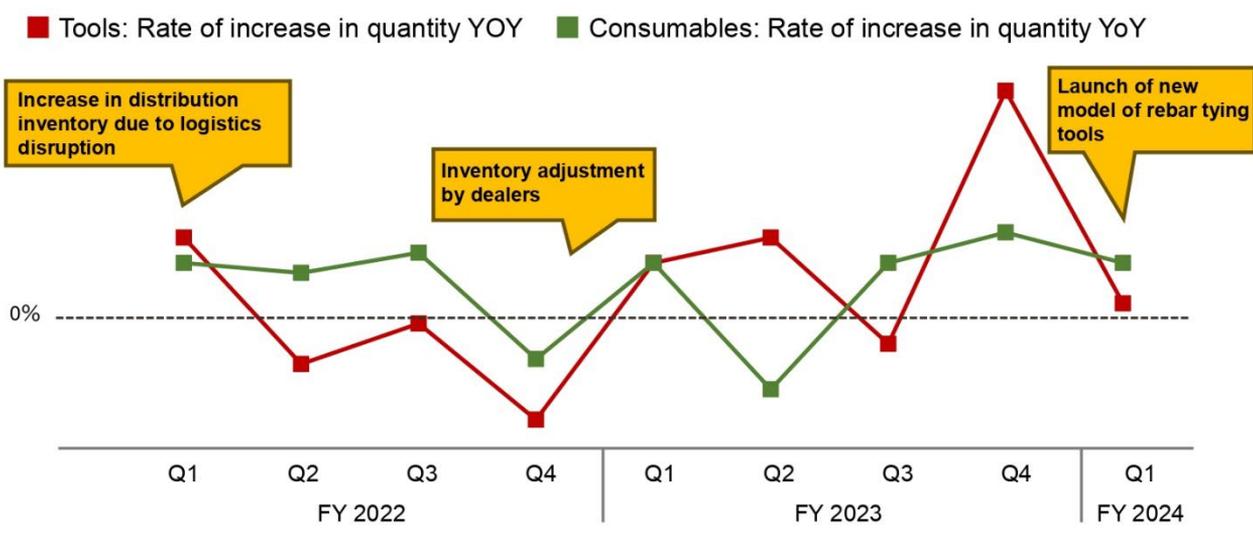


Since this fiscal year, we have introduced a new dividend policy, aiming for a Dividend on Equity (DOE) of 5% and a payout ratio of 50% as guideline. We will execute dividends based on this guideline.

This next part is reference material, but there is one new document I would like to briefly explain.

## Rebar Tying Tools (Tools/Consumables): Change in Quantity by Quarter (North America)

# Rebar Tying Tools (Tools/Consumables): Change in Quantity by Quarter (North America)



North America	FY 2022				FY 2023				FY 2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Tools	16%	-9%	-1%	-20%	11%	16%	-5%	45%	3%
Consumables	11%	9%	13%	-8%	11%	-14%	11%	17%	11%

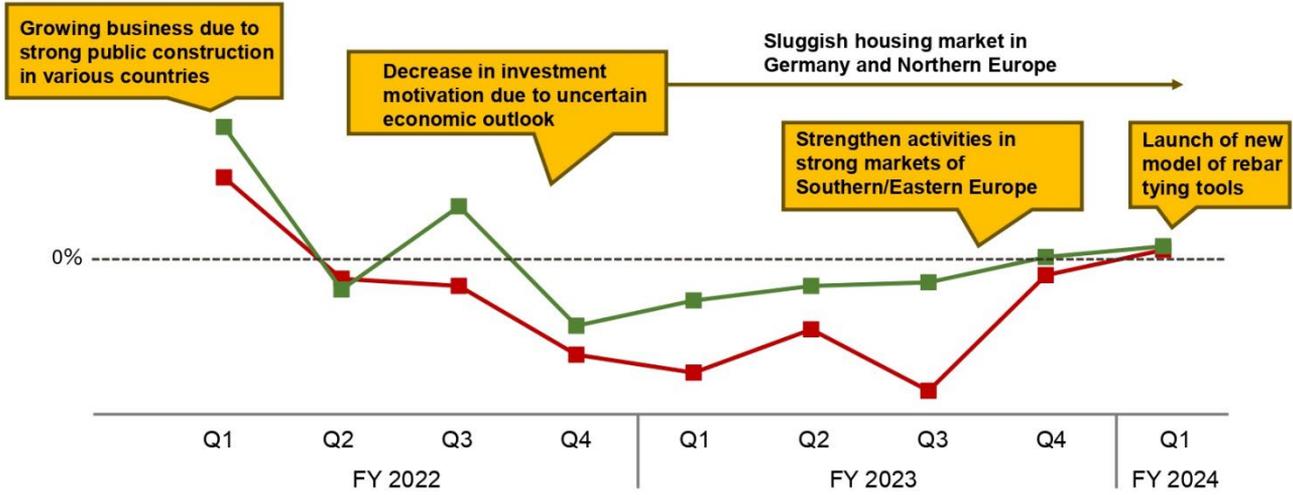
This chart shows the quarterly trends in quantity for the rebar tying tool business by region, represented in numbers and line graphs.

There are some fluctuations compared to the same period last year, but in Q1, North America saw a 3% increase in tools and an 11% increase in consumables.

## Rebar Tying Tools (Tools/Consumables): Change in Quantity by Quarter (Europe)

# Rebar Tying Tools (Tools/Consumables): Change in Quantity by Quarter (Europe)

■ Tools: Rate of increase in quantity YOY    ■ Consumables: Rate of increase in quantity YoY

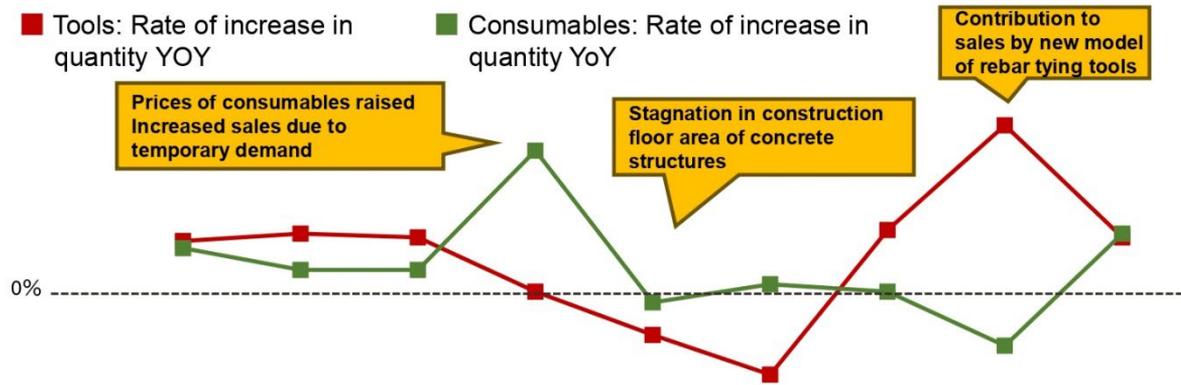


Europe	FY 2022				FY 2023				FY 2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Tools	22%	-6%	-8%	-27%	-32%	-20%	-37%	-5%	2%
Consumables	36%	-9%	14%	-19%	-12%	-8%	-7%	0%	3%

In Europe, the previous year’s performance was poor, but in Q1, tools increased by 2% and consumables by 3%, indicating a bottoming out.

## Rebar Tying Tools (Tools/Consumables): Change in Quantity by Quarter (Domestic)

# Rebar Tying Tools (Tools/Consumables): Change in Quantity by Quarter (Domestic)



	FY 2022				FY 2023				FY 2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Domestic</b>	FY 2022				FY 2023				FY 2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Tools	14%	16%	15%	0%	-12%	-23%	17%	46%	15%
Consumables	12%	6%	6%	39%	-3%	2%	0%	-15%	16%

In Japan, both tools and consumables increased by 15% and 16% respectively in Q1.

As I mentioned, there were some fluctuations by business segment in Q1, but overall, the Company is progressing according to plan. Additionally, the exchange rate moved more favorably than expected, leading to good performance.

We will continue to promote business activities for sustainable growth by expanding key products such as rebar tying tools and responding to business opportunities in ASEAN.

## Question & Answer

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### **Q&A: Sales Situation of New model of Rebar Tying Tools TWINTIER in Europe and the US**

**Participant:** Regarding the rebar tying tools, the new model have been launched in Europe and the US. Do they have a significant impact in these regions, or are sales strong due to campaigns without much change from the previous model? Please tell us about the sales situation of the new model in Europe and the US.

**Kaku:** Since the launch in May, we have not yet reached a final evaluation. However, while the new product is not drastically different from the previous one, it has a tying speed about 1.4 times faster, which has been positively received and is considered a definite advantage.

In the Q1, there was some inventory of the previous model of tools remaining, but the new model of tools has almost replaced the previous model in both Europe and the United States, including distribution inventory.

Going forward, we plan to further expand sales and evaluate market reception.

### **Q&A: Sales Situation of New Rebar Tying Tools in Japan**

**Participant:** Regarding the new model of rebar tying tools TWINTIER that have been sold domestically since December last year, while the growth rate in units has leveled off, how do you see the future sales situation? Do you think sales will slow down? Are users replacing tools due to labor shortages?

**Kaku:** As you mentioned, we launched the product in Japan ahead of overseas markets, and it has been well received, which is reflected in the numbers.

We recognize that there is demand for both new purchases and replacements. We are focusing our sales efforts more on rebar tying tools than on tools for wooden structures in the domestic industrial equipment product operations, making proposals to customers. As a result, we expect the positive sales impact to continue for some time.

### **Q&A: Reasons for the Revision of Earnings Forecast**

**Participant:** Regarding the revision of the earnings forecast, I understand there might be a conservative element, but can you explain the seasonality for Q2?

The expected net sales for Q2 are approximately JPY22.4 billion, similar to Q1, but operating income is expected to decrease by about JPY800 million to JPY3.2 billion. While Q1 had a good gross profit margin, are there other factors, such as seasonality, contributing to the decrease in operating income for Q2?

**Kaku:** The earnings forecast might be conservative, but there are several factors contributing to the planned decrease. One factor is the exchange rate. We have set the exchange rate at JPY150/USD and JPY165/EUR

for Q2, compared to JPY155/USD and JPY167/EUR for Q1. This change in exchange rates is expected to reduce net sales and operating income.

However, it depends on the exchange rate. Although the current rates are approaching our set rates, they are slightly more favorable. If the current rates continue, we expect a positive impact on sales and profits on an actual basis.

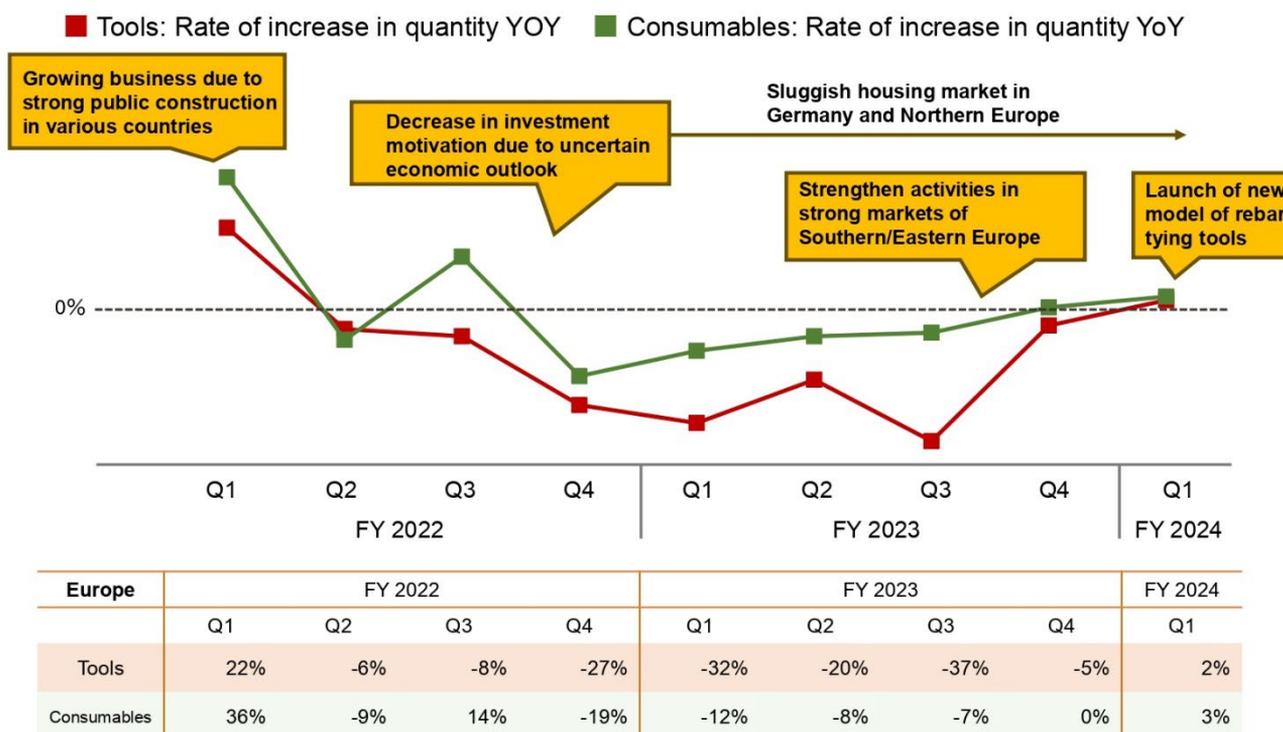
Regarding seasonality, there is not a significant difference from Q1. Especially for overseas rebar tying tools, the demand season is from spring to summer, so we are in a favorable environment to continue expanding sales.

Additionally, while the industrial equipment segment had a good profit margin in Q1, there were some unexecuted SG&A expenses that were initially planned. We intend to use these funds effectively for future growth. These factors are reflected in our plan.

### Q&A: Factors for the Recovery of Rebar Tying Tools in Europe

## Rebar Tying Tools (Tools/Consumables): Change in Quantity by Quarter (Europe)

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**Participant:** Regarding slide 28 on the quarterly quantity trends of rebar tying tools (tools and consumables) in Europe. What are the factors for the recovery in quantities in Q1? Are they due to market conditions or the impact of new products?

**Kaku:** The market conditions in Germany and Northern Europe, which have been our main markets, remained stagnant in Q1.

The recovery is more attributable to the expansion of new products and the activities we have been undertaking in Southern and Eastern Europe since the previous fiscal year.

**Participant:** Comparing the activities in Southern Europe and the impact of new model of tools, which had a greater influence?

**Kaku:** The expansion of new products is not limited to Southern and Eastern Europe but extends across all of Europe. Both factors have significant influence. While the areas and the expansion of new products are not the same, the combined efforts in these two areas have resulted in slight growth despite the ongoing stagnation in Germany and Northern Europe.

**Participant:** Is it correct to assume that the market conditions in Germany and Northern Europe have bottomed out?

**Kaku:** While we do not have complete visibility, based on market analysis and information from local sources, we feel that the market is hitting bottom.

#### Q&A: Exchange Rate Sensitivity

## Economic Indicators

6

### Domestic

Continued signs of gradual economic recovery. The number of new housing constructions starts, which is related to the Industrial Equipment segment, was sluggish (as of May, owner-occupied starts have decreased for 30 consecutive months). The construction floor area of non-residential structures continues to stagnate.

### Overseas

In the United States, housing construction starts decreased due to the impact of increased interest rates for loans, but construction investment trended firm. In Europe, the economic outlook remained uncertain due to concern regarding inflation and a high level of interest rates. In particular, housing market conditions remained sluggish in Germany.

### Reference indices

#### Number of new housing construction starts

- Down 9.6% YOY for the period from January to March 2024 (Owner-occupied: -9.0%, Rental: -4.3%, Unit sales: -16.9%)
- Negative effect on the industrial equipment product operations (wooden structure related)

#### Floor area of construction starts of non-residential structures / Supply and demand for skilled construction workers

- Up 7.2% YOY for the period from October to December 2023 (Offices: +36.7%, Shops: -0.7%, Factories: -12.2%, Warehouses: +51.5%)
- There is a shortage of skilled rebar workers (for construction sites).
- Positive effect on the industrial equipment product operations (concrete structure related)

#### Currency exchange rates

- 1 USD = 155.02 JPY, 1 EUR = 167.03 JPY (Q1 FY 2023: 1 USD = 135.81 JPY, 1 EUR = 147.90 JPY)
- Foreign exchange sensitivity in sales (annual conversion) (Planned value for FY 2024)  
USD: 200 million JPY, EUR: 80 million JPY
- Foreign exchange sensitivity in operating income (annual conversion) (Planned value for FY 2024)  
USD: 50 million JPY, EUR: 80 million JPY

#### Number of new housing construction starts in the U.S.

- The annualized rate is 1,377,000 units in April 2024, 1,314,000 units in May 2024, and 1,353,000 units in June 2024 (Previous year—April: 1,368,000 units, May: 1,583,000 units, June: 1,415,000 units)

**Participant:** Can you explain the exchange rate sensitivity for the USD and EUR?

**Kaku:** As noted on the right side of slide six, we have outlined the annual exchange rate sensitivity. Assuming Asian currencies are linked to the USD, the impact of the USD on annual net sales is JPY200 million per JPY1, and the euro has an impact of JPY80 million per JPY1. For operating income, the sensitivity is JPY50 million per JPY1 for the USD, and since there are almost no purchases by the EURO, it is the same JPY80 million per JPY1 impact on net sales.

#### **Q&A: Profitability of New Rebar Tying Tools in the Industrial Equipment Segment**

**Participant:** Regarding the profitability of the new rebar tying tools in the industrial equipment segment, how does their profitability compare to the previous products after operating them in the factory? Is it better due to price increases, or worse due to new molds?

**Kaku:** Essentially, the profitability has not changed significantly from the previous products.

**Participant:** Have you also raised prices overseas?

**Kaku:** Depending on the exchange rate and the price differences between domestic and international markets, we have made slight increases, but not substantial ones.

#### **Q&A: Divestment of Stock Holdings**

**Participant:** Regarding the divestment of stock holdings in Q1, you transitioned from strategic holdings to pure investment holdings and subsequently divested the shares. Will this approach continue? Was the timing influenced by changes in cross-shareholding agreements?

**Kaku:** The recent divestment involved shares that were reclassified from strategic holdings to pure investment holdings some time ago, which were then divested in Q1.

Going forward, our policy is to gradually reduce strategic shareholdings.

**Participant:** Historically, your major shareholders have included life insurance companies, but not non-life insurance companies. How will this change in the future?

**Kaku:** As this involves third parties, there are uncertainties. However, some of our major shareholders have indicated in their public medium-term management plans that they intend to reduce shareholdings, which we believe will also impact us.

[END]