MAX Co., Ltd.

Financial Results Briefing for First Quarter of FY 2021

July 29, 2020

Participants

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■ Exchange rates

(FY under review) 1 USD = 107.75 JPY / 1 EUR = 118.24 JPY

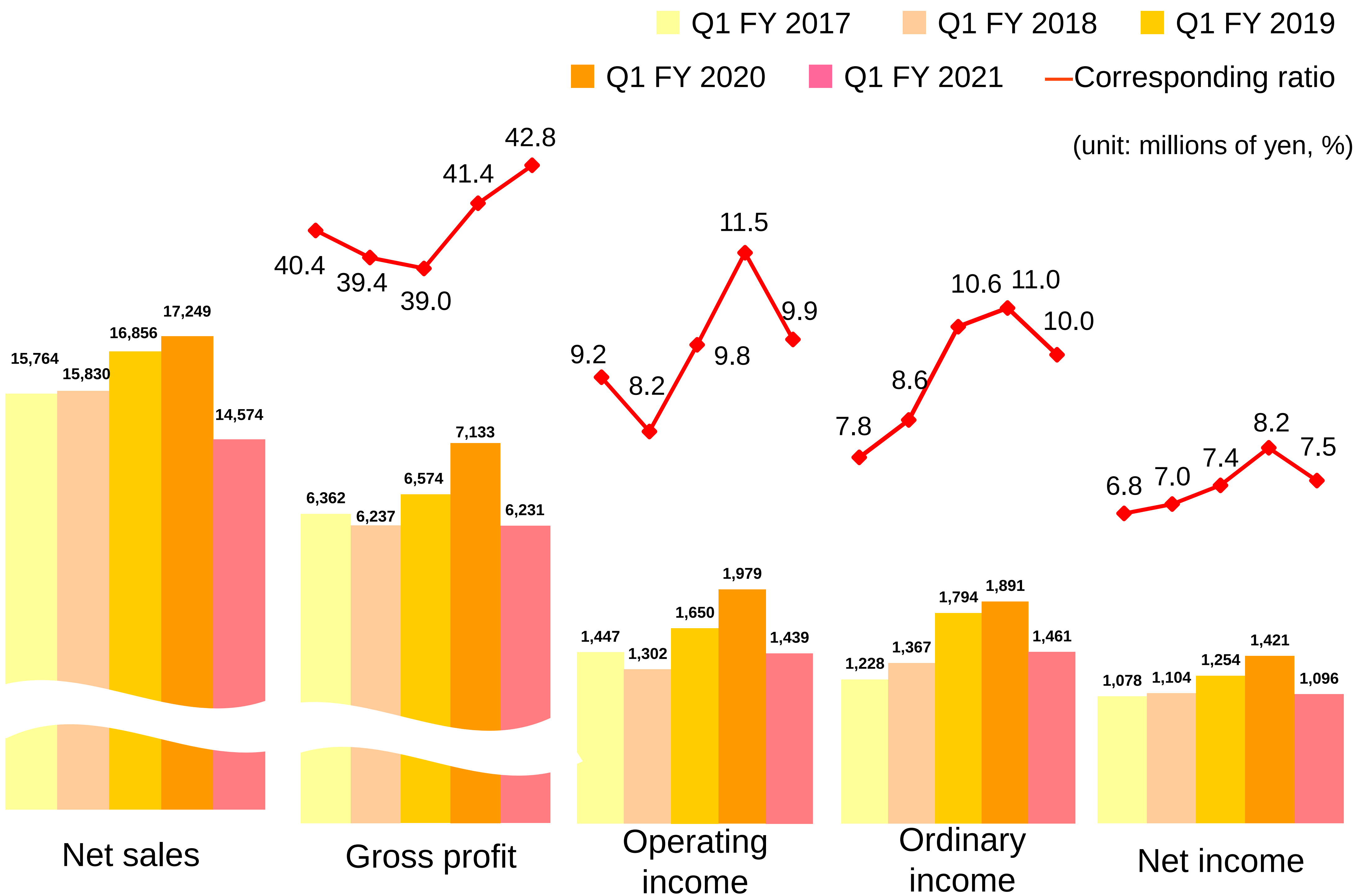
(Previous FY) 1 USD = 110.75 JPY / 1 EUR = 123.56 JPY

(Planned) 1 USD = 110.00 JPY / 1 EUR = 120.00 JPY

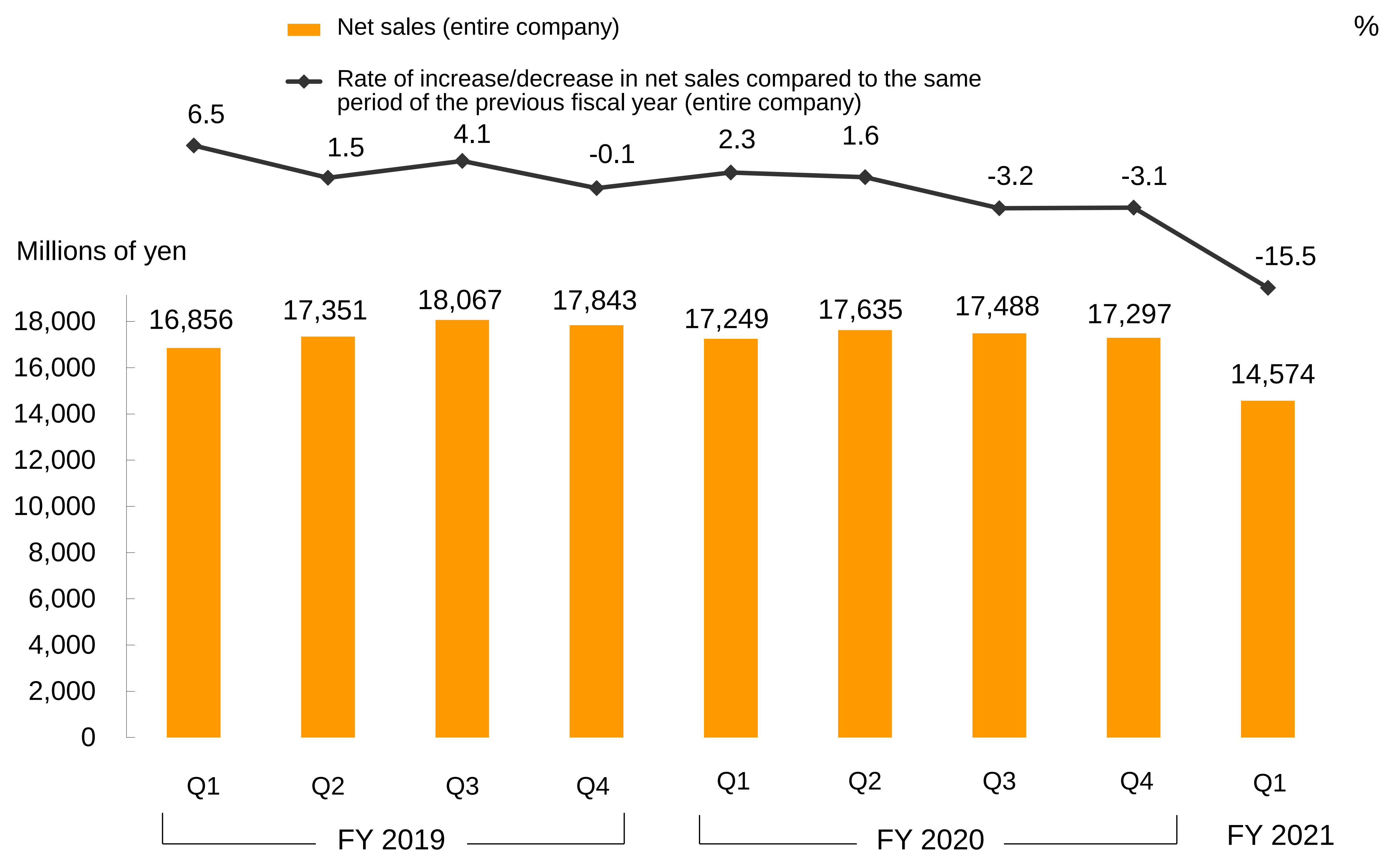
(unit: millions of yen, %)

	Results in Q1 for FY under review	Results in Q1 of previous FY	% increase/ decrease
Net sales	14,574	17,249	-15.5
Gross profit Corresponding ratio	6,231 42.8	7,133 41.4	-12.6 (+1.4P)
Operating income Corresponding ratio	1,439 9.9	1,979 11.5	-27.3 (-1.6P)
Ordinary income Corresponding ratio	1,461 10.0	1,891 11.0	-22.7 (-1.0P)
Net income attributable to shareholders of parental company Corresponding ratio	1,096 7.5	1,421 8.2	-22.9 (-0.7P)
Net income per share (yen)	22.43	29.07	—

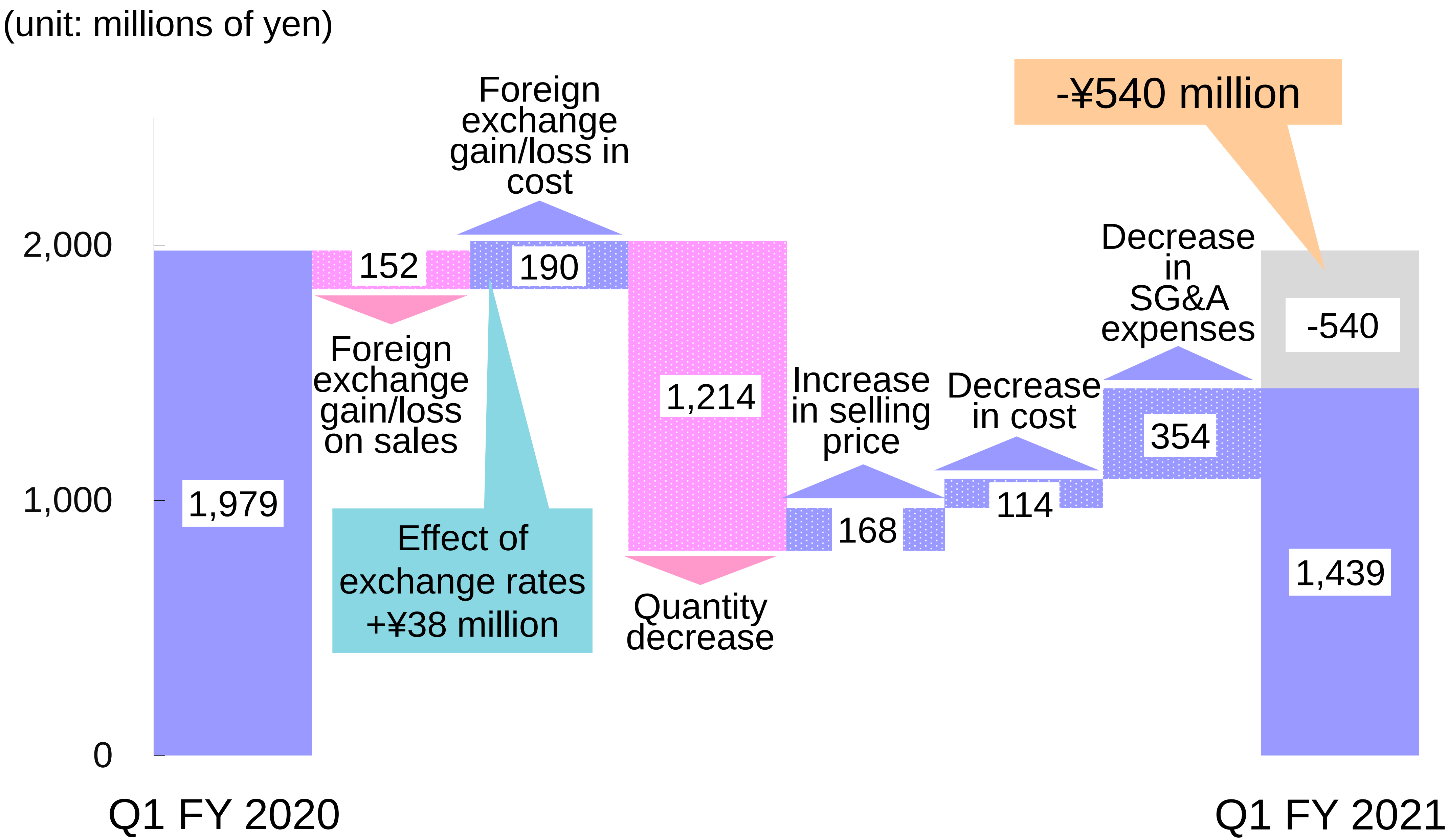
Changes in Financial Results for the Entire Company in the First Quarter of FY 2017 to FY 2021



3 Changes in Net Sales for the Entire Company by Quarter



4 Factors for Increase/Decrease of Operating Income



5 Other Financial Information

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

(unit: millions of yen)

	Q1 FY 2021	Q1 FY 2020	YOY
Non-operating income/expenses	22	-87	+110
Non-operating income (excluding foreign exchange effect)	89	109	-20
Non-operating expenses (excluding foreign exchange effect)	17	21	-4
Foreign exchange gain/loss	-49	-175	+126
Extraordinary income/loss	54	94	-40
Extraordinary income	*1 59	*2 119	-60
Extraordinary loss	4	25	+21

*1 Refund of customs duties from previous year: ¥59 million

*2 Gain on sales of investment securities: ¥118 million, etc.

■ Facilities investment, depreciation, R&D expenses

(unit: millions of yen, %)

	Q1 FY 2021	Q1 FY 2020	FY 2021 annual plan	Rate of progress
Facilities investment	1,256	957	6,193	20.3
Depreciation	621	640	2,713	22.9
R&D expenses	763	781	3,136	24.3

Recognition of the Business Environment Surrounding the Group (Q1 of FY 2021)

Domestic	・Number of new housing construction starts: Down 9.9% YOY for the period from January to March 2020 (Owner-occupied construction starts: a decrease of 8.3%, rental construction starts: a decrease of 9.6%, built-for-sale construction starts: a decrease of 11.8% from the same period of the previous year) ⇒ Negative effect on the industrial equipment product operations (wooden structure related) and residential environmental equipment operations ・Construction floor area of non-residential structures: Down 9.4% YOY for the period from October 2019 to December 2019 (Offices: an increase of 20.1%, shops: a decrease of 20.3%, factories: an increase of 0.6%, warehouses: a decrease of 19.4%) ・There continues to be an excess of skilled rebar workers (for construction sites). ⇒ Negative effect on the industrial equipment product operations (concrete related)
Overseas	1 USD = 107.75 JPY, 1 EUR = 118.24 JPY (Previous FY: 1 USD=110.75 JPY, 1 EUR=123.56 JPY; Plan: 1 USD=110.00 JPY, 1 EUR=120.00 JPY) Regarding foreign exchange sensitivity for the consolidated financial results, we have achieved a balance of foreign currency sales/procurement, so there is little effect on operating income.
	Global economy: The economy worsened due to the decline in economic activities caused by the spread of COVID-19. New housing construction starts in U.S. (annualized, YOY comparison) Number of new housing construction starts June 2020 -4.0% May 2020 -20.3% Number of approvals for new housing construction starts June 2020 -2.5% May 2020 -9.1% → The number of approvals, which is a leading indicator, continued to decrease.

Impact of the COVID-19 Pandemic

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Impact on the Production Department

- The Malaysian Plant, which manufactures stationary-related products for the overseas office operations, had suspended operations from March 18, but restarted from the week of May 11.
- The Group's three plants in China resumed operations in mid-February. Plants in Japan and Thailand operated as normal.
- Operations are being adjusted according to sales levels. For example, the number of days of operation has decreased at plants in Japan.
- Due to stagnation in the commercialization processes, the new product launch plans were delayed, and some plans were postponed to the next fiscal year.

Impact on the Sales Segment

■ Domestic business (industrial equipment product operations, residential environmental equipment operations, office operations, HCR Equipment segment)

- Domestic exhibitions were canceled or postponed, and sales activities slowed down.
- After the Japanese government's request for refraining from cross-prefectural travel was lifted from June 19, business activities were gradually restarted.

■ Overseas industrial equipment product operations

- Western regions gradually restarted sales visits to construction sites and business partners from mid-May. Sites related to infrastructure construction in North America are operating even during lockdown.

■ Overseas office operations

- In ASEAN countries, business partners mainly dealing in stationary-related products began to gradually resume operations from May to June; however, inventory adjustment is forecasted to continue in for the time being.

■ Auto-stapler operations

- The copier market remained sluggish due to stagnant economic activities.

Financial Results for Individual Segments in the First Quarter of FY 2021

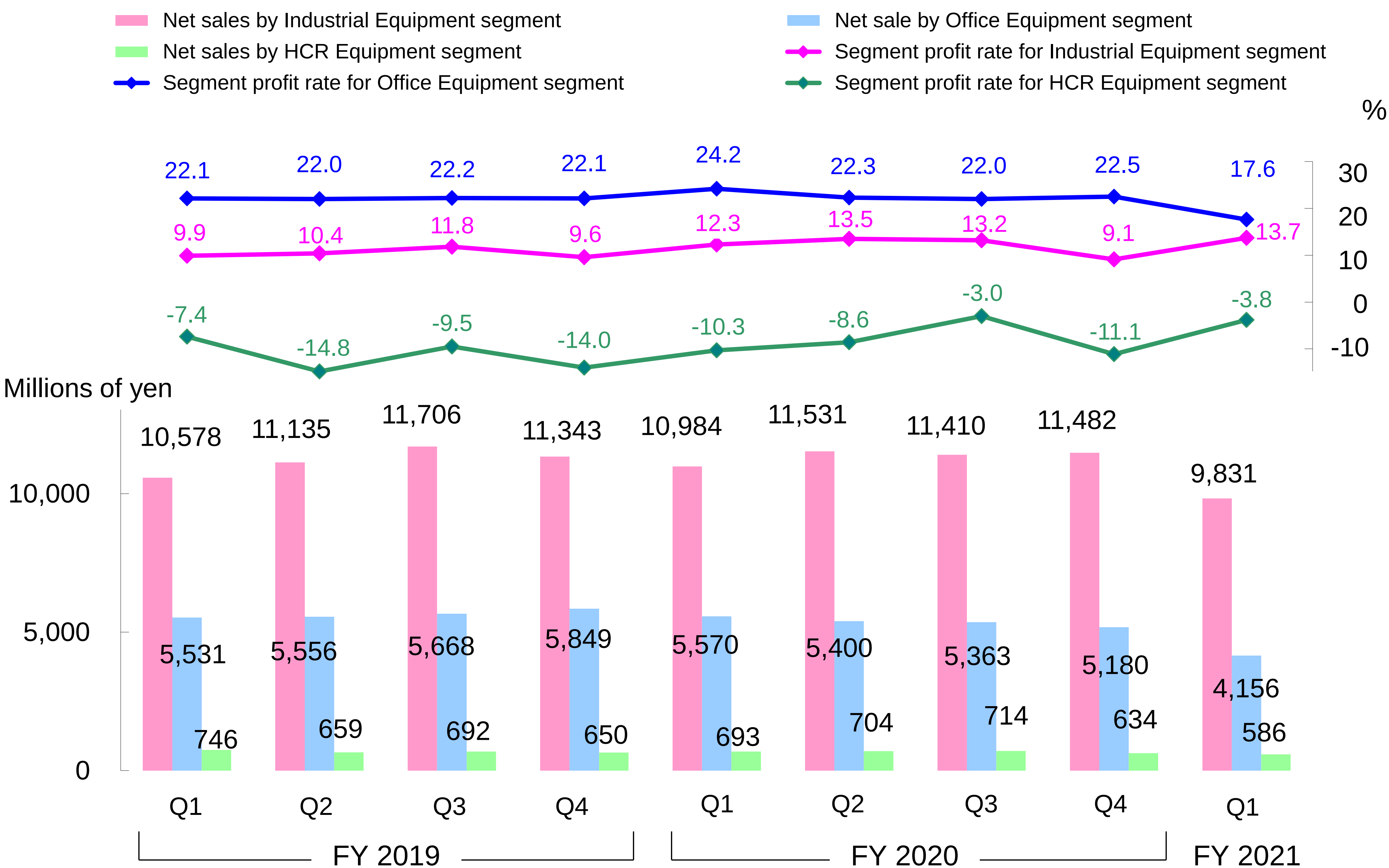
Financial Results for Individual Segments in the First Quarter of FY 2021

(unit: millions of yen, %)

		Results in Q1 for FY under review	Results in Q1 of previous FY	% increase/ decrease
Reported Segments	**Industrial Equipment segment**			
	Net sales	9,831	10,984	-10.5
	Segment profit	1,349	1,354	-0.4
	Segment profit rate	13.7	12.3	(+1.4P)
	Office Equipment segment			
	Net sales	4,156	5,570	-25.4
	Segment profit	732	1,345	-45.6
	Segment profit rate	17.6	24.2	(-6.6P)
	HCR Equipment segment			
	Net sales	586	693	-15.5
	Segment profit	-22	-71	―
	Segment profit rate	-3.8	-10.3	(+6.5P)
	Adjustment amount	-620	-649	―
	Total for entire company			
	Net sales	14,574	17,249	-15.5
	Operating income	1,439	1,979	-27.3
	Operating margin	9.9	11.5	(-1.6P)

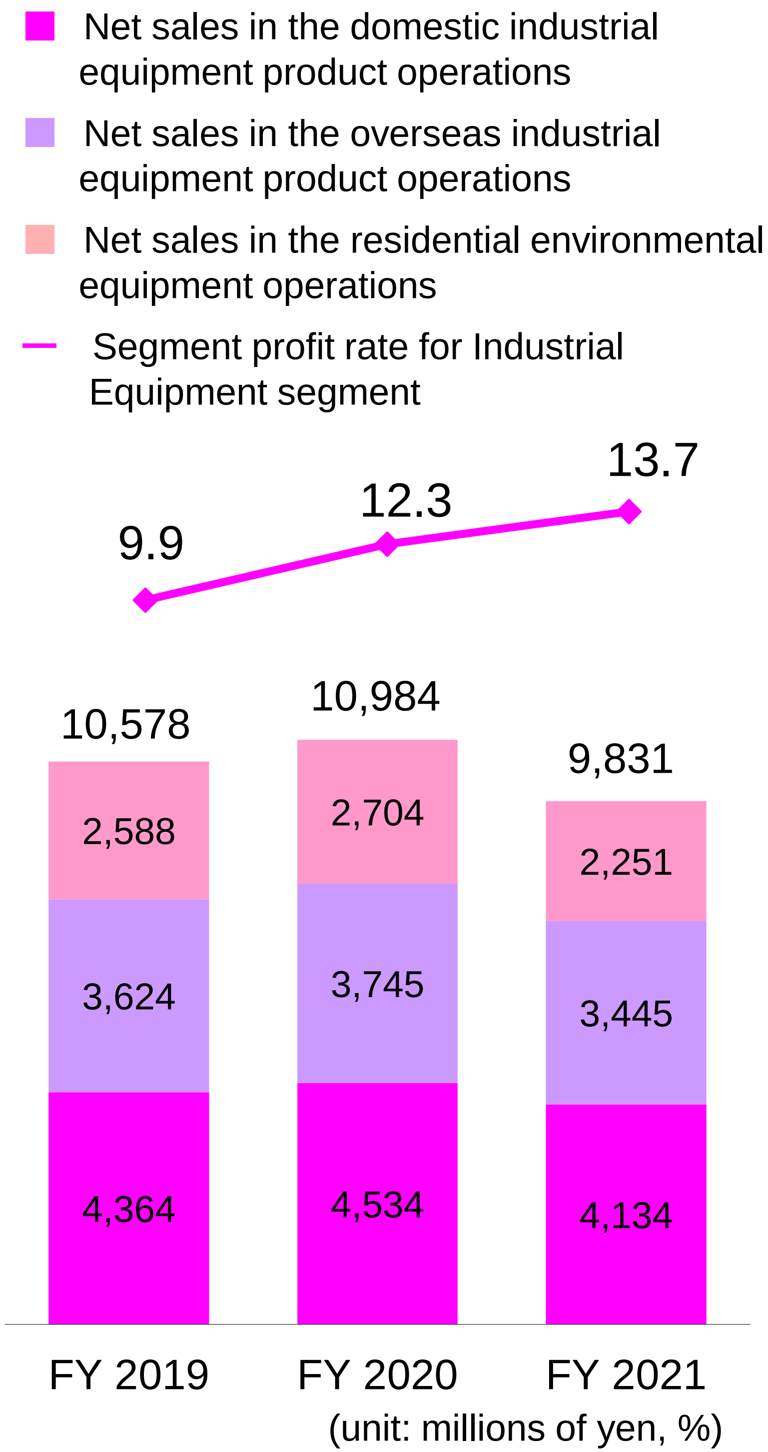
Previously, expenses related to research and development for which commercialization is uncertain were allocated to the Office Equipment segment and the Industrial Equipment segment. From the first quarter under review, as with expenses related to the headquarters management department, these expenses have been changed to the method of recording as an adjustment. We changed to calculations based on the same conditions when calculating the financial results from FY 2020 as reported in this document.

Changes in Segment Net Sales by Quarter



Industrial Equipment Segment

Financial Results for the First Quarter of FY 2021



Net sales: ¥9,831 million / Segment profit: ¥1,349 million

(down 10.5% YOY / down 0.4% YOY)

Domestic industrial equipment product operations

▪ Net sales: ¥4,134 million (down 8.8% YOY)

Although there was continued growth in sales of consumables for TWINTIER rebar tying tools, sales decreased for tools for wooden structures due to a decrease in the number of new housing construction starts in Japan and to stagnation in sales activities. As a result, the overall revenue decreased.

Overseas industrial equipment product operations

▪ Net sales: ¥3,445 million (down 8.0% YOY)

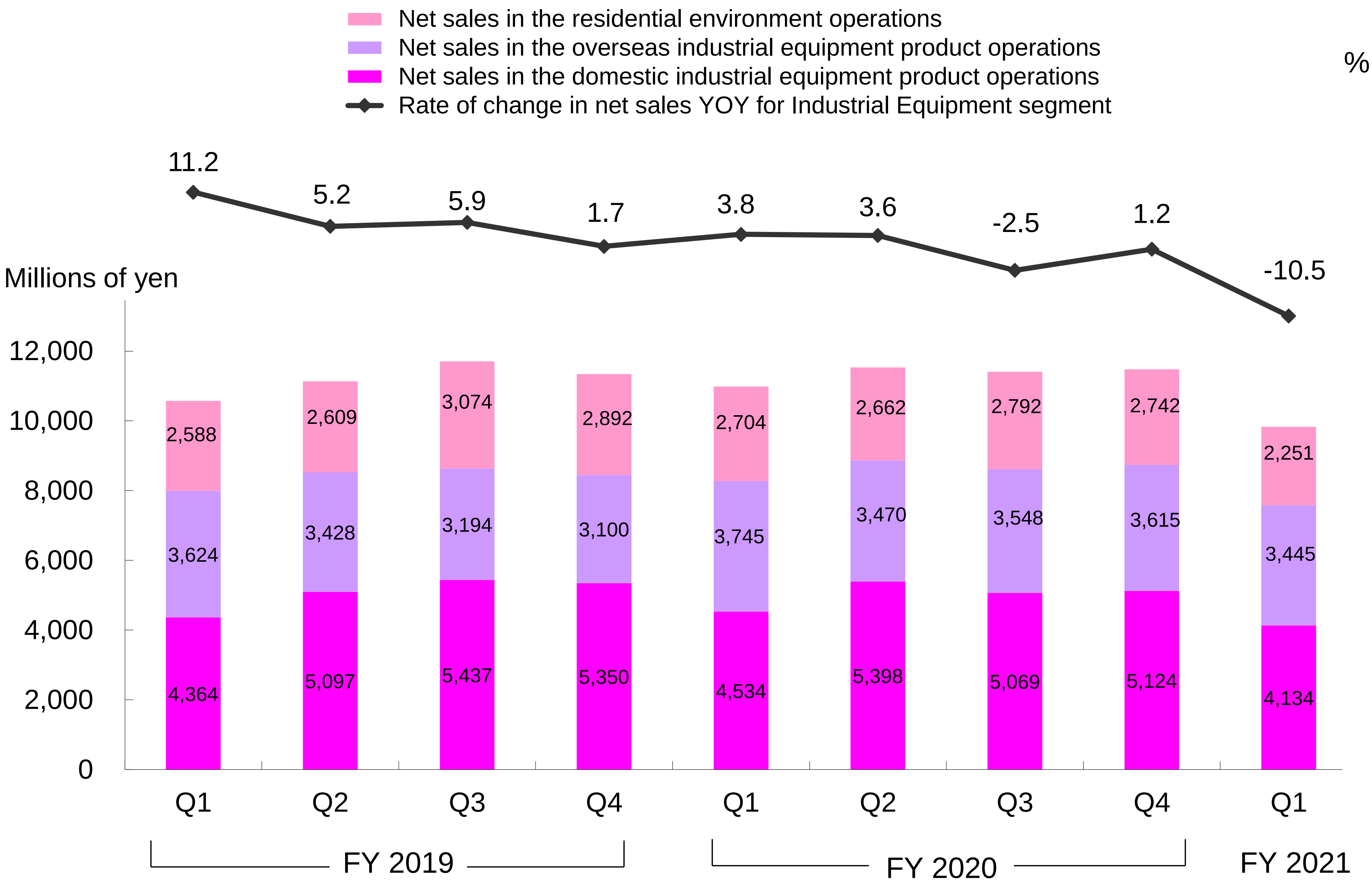
Sales decreased for tools for wooden structures and tools for concrete structures (rebar tying tools, etc.) due to stagnation in sales activities caused by factors including stay-at-home regulations in regions of Western countries. As a result, the overall revenue decreased.

Residential environmental equipment operations

▪ Net sales: ¥2,251 million (down 16.7% YOY)

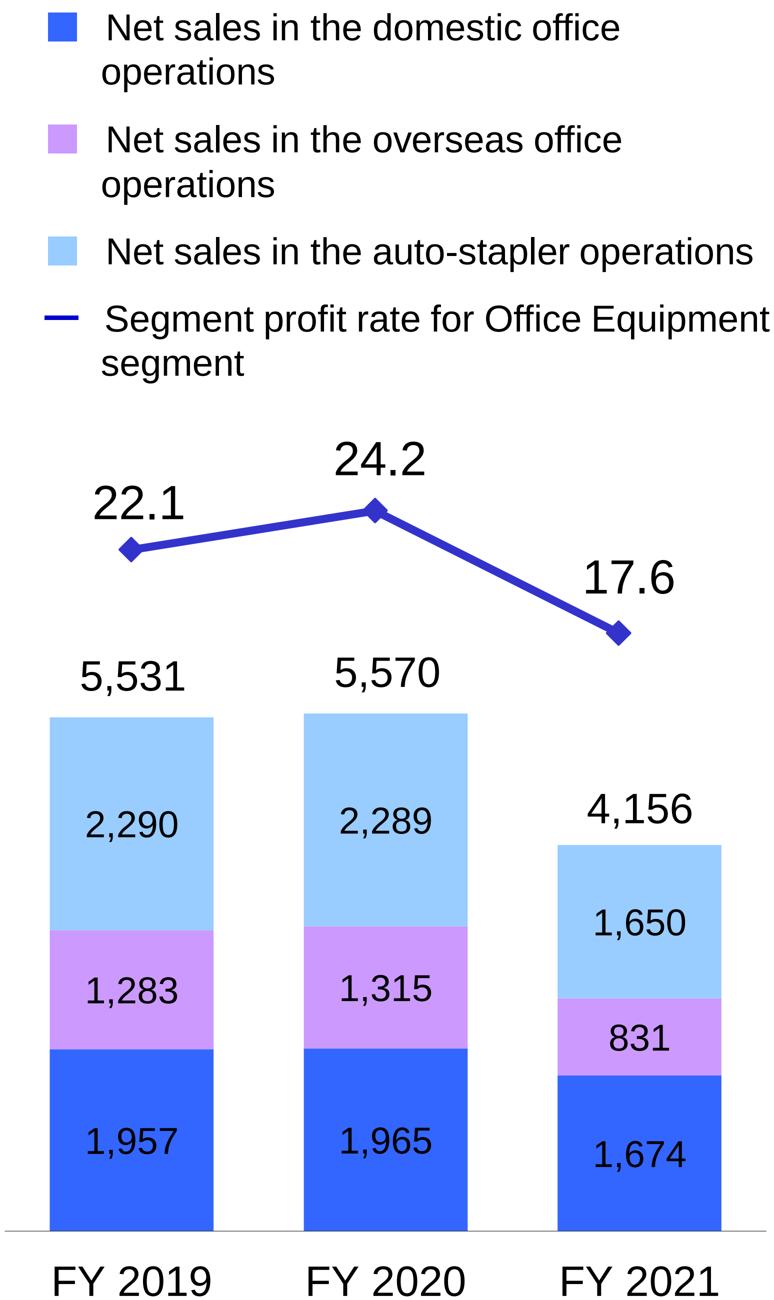
In addition to falling sales of ventilation systems, a decrease in the number of new housing construction starts in Japan led to decreased sales of bathroom heaters, ventilators and dehumidifiers to new residences such as detached houses. As a result, the overall revenue decreased.

Industrial Equipment Segment Changes in Net Sales by Quarter



Office Equipment Segment

Financial Results for the First Quarter of FY 2021



(unit: millions of yen, %)

Net sales: ¥4,156 million / Segment profit: ¥732 million

(down 25.4% YOY / down 45.6% YOY)

Domestic office operations

▪ Net sales: ¥1,674 million (down 14.8% YOY)

Sales of the tube marker LETATWIN and BEPOP label-making machines decreased due to factors including the cancellation of exhibitions and the stagnation of proposal activities. Furthermore, sales decreased for stationary-related products. As a result, the overall revenue decreased.

Overseas office operations

▪ Net sales: ¥831 million (down 36.8% YOY)

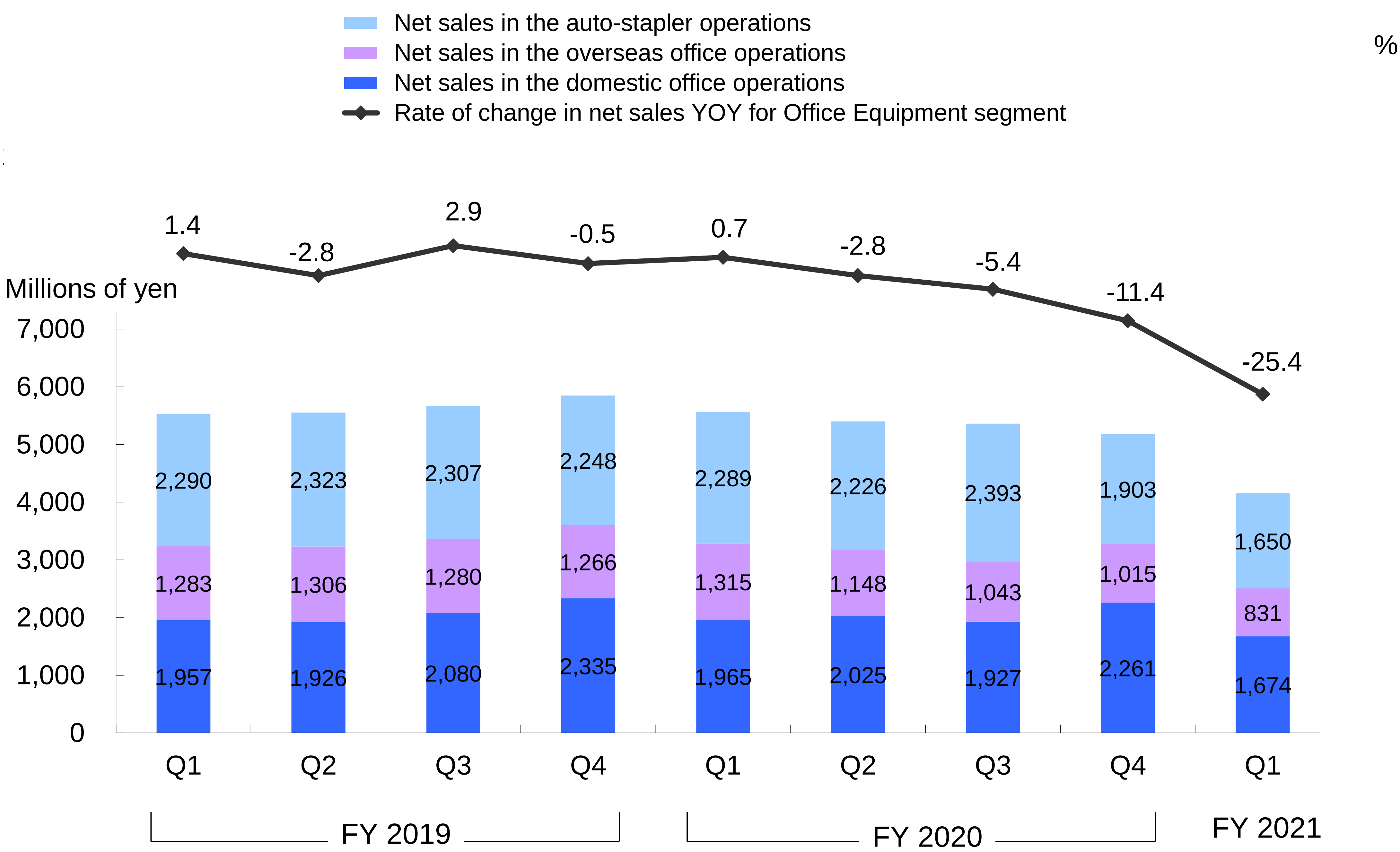
Sales decreased in areas such as stationary-related products, particularly in the Asian market, due to stagnation of economic activities caused by factors including stay-at-home regulations in each country. As a result, the overall revenue decreased.

Auto-stapler operations

▪ Net sales: ¥1,650 million (down 27.9 YOY)

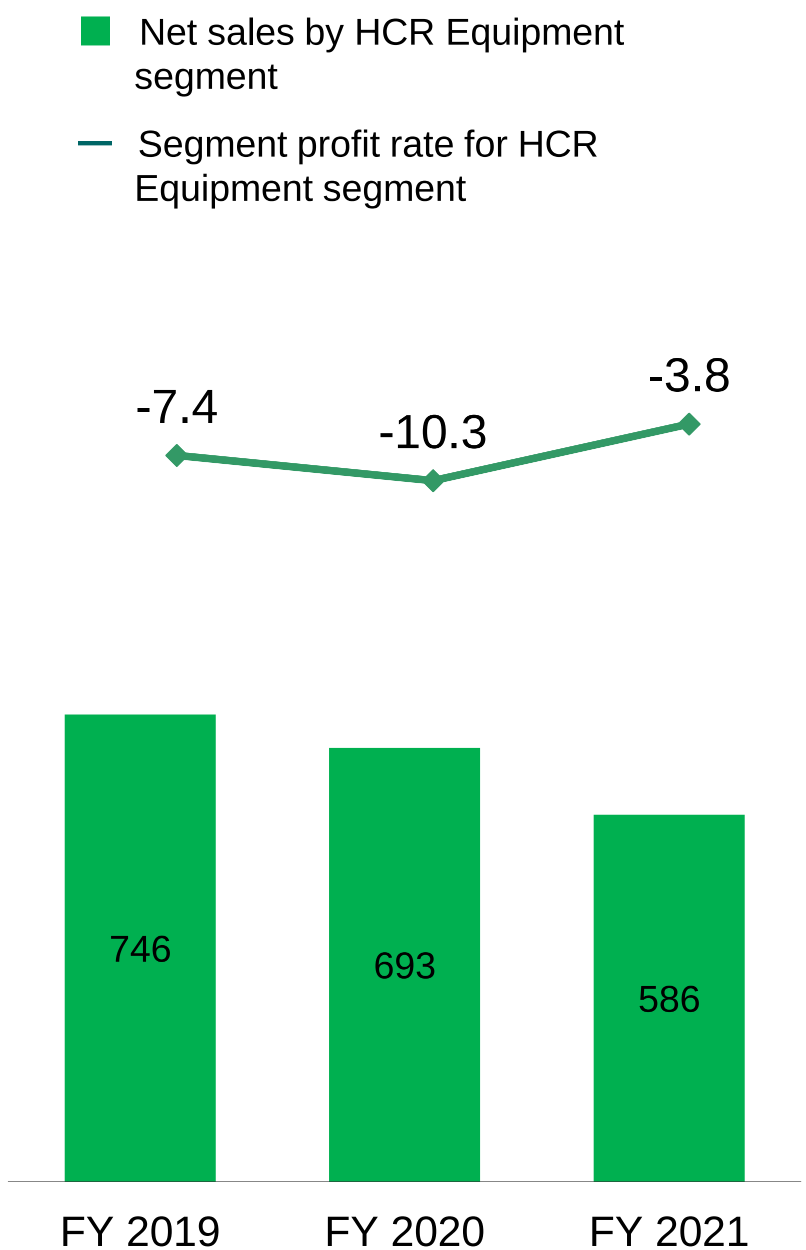
Sales decreased for machinery and consumables due to sluggish business in the copier market. As a result, the overall revenue decreased.

Office Equipment Segment Changes in Net Sales by Quarter



HCR Equipment Segment

Financial Results for the First Quarter of FY 2021



(unit: millions of yen, %)

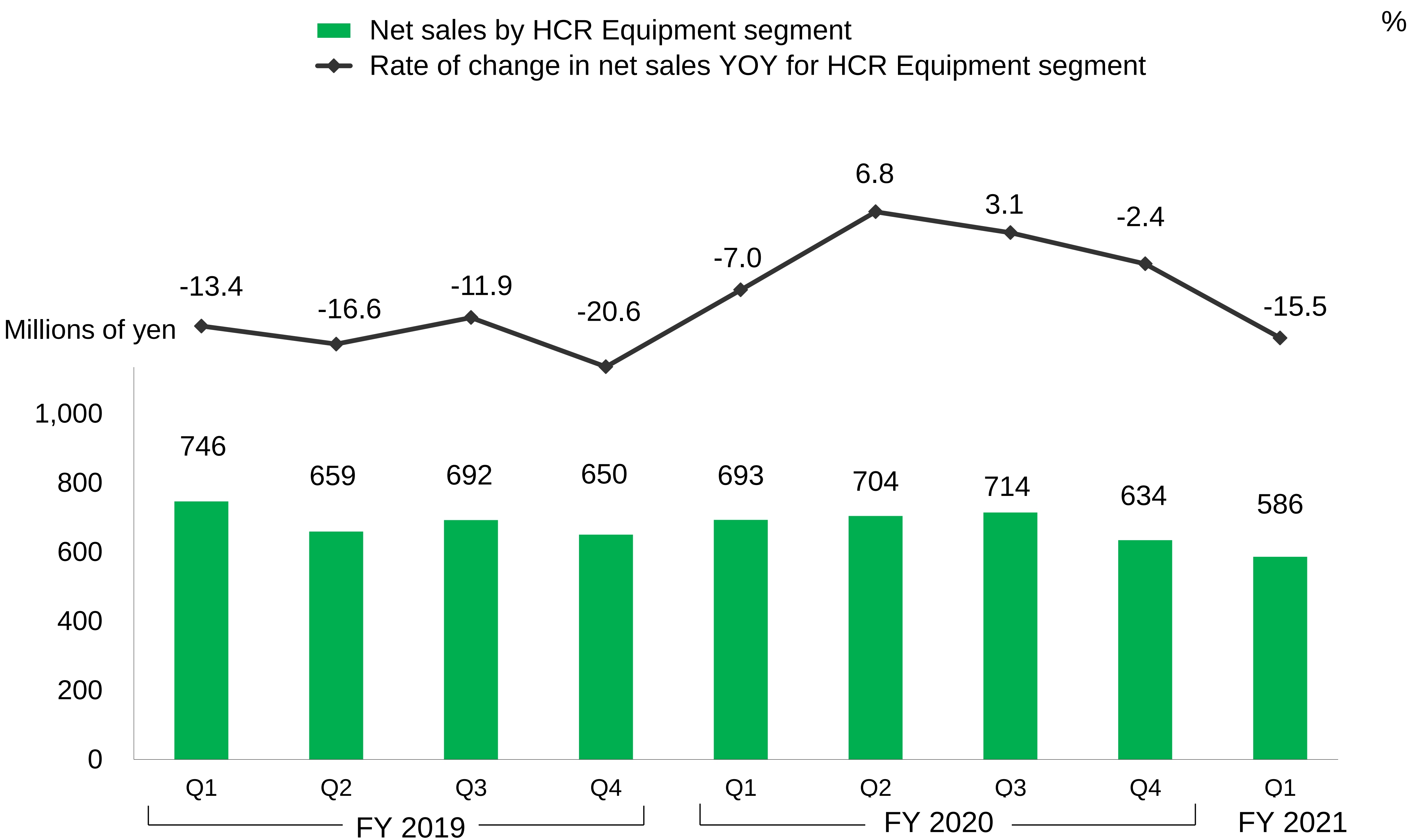
Net sales: ¥586 million / Segment profit: -¥22 million

(down 15.5% YOY / ー% YOY)

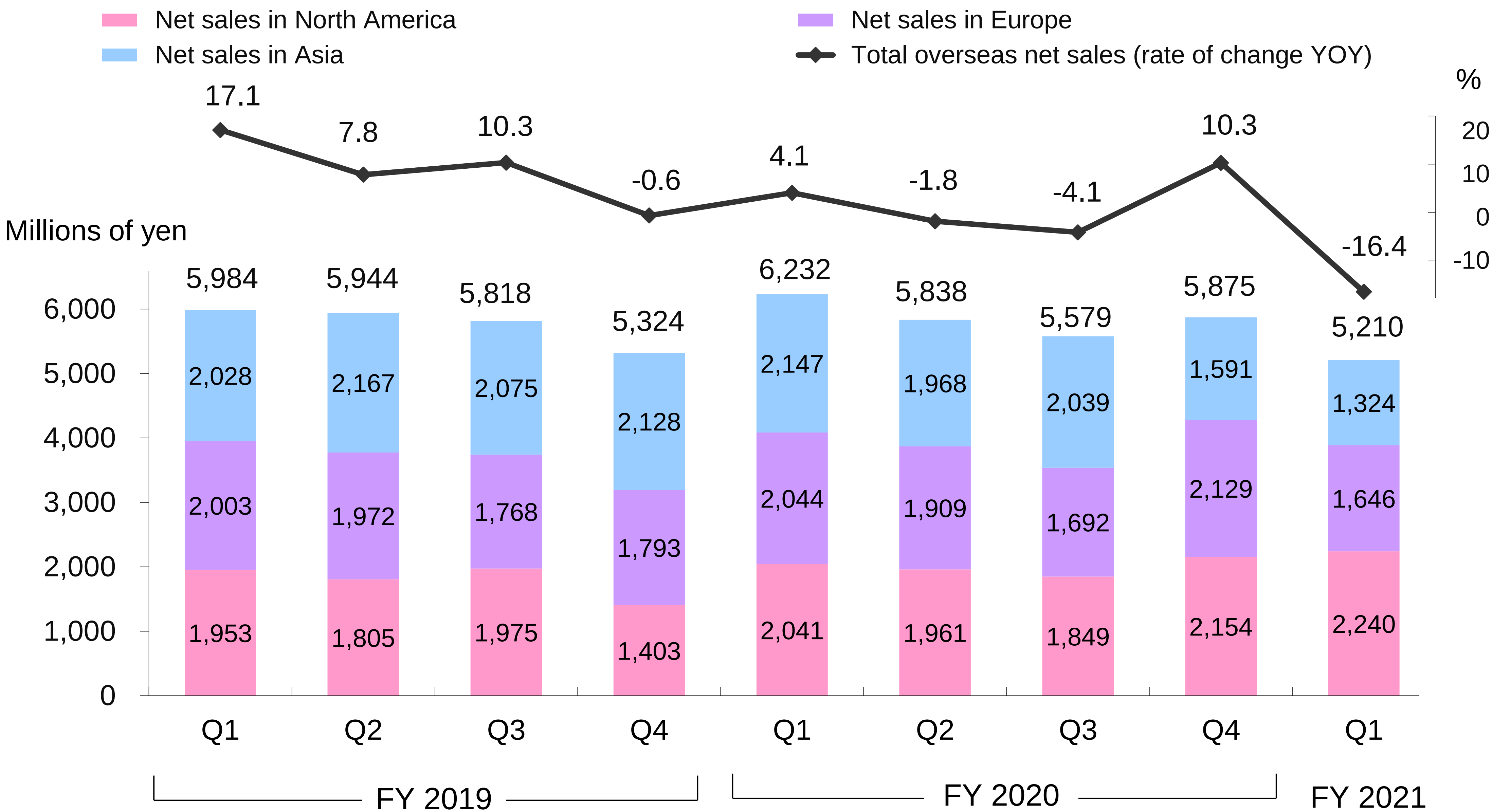
HCR Equipment segment

Sales of wheelchairs, the mainstay product of the segment, were sluggish due to a decreased number of visits to medical and welfare institutions. However, the extent of losses decreased as the result of cutting fixed expenses, etc.

HCR Equipment Segment Changes in Net Sales by Quarter



Changes in Overseas Net Sales by Quarter

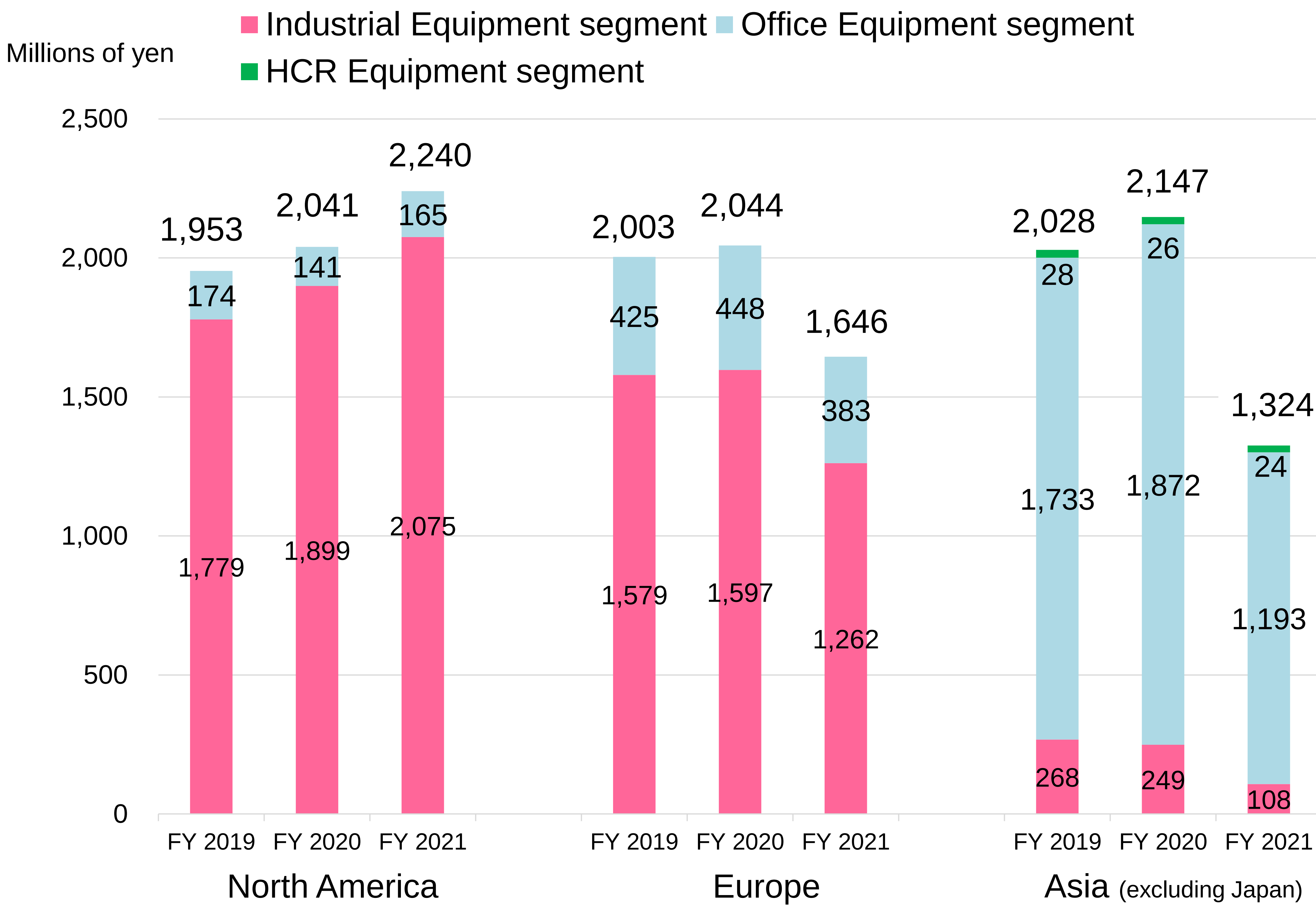


Ratio of overseas net sales (%)	FY 2019 Q1	FY 2019 Q2	FY 2019 Q3	FY 2019 Q4	FY 2020 Q1	FY 2020 Q2	FY 2020 Q3	FY 2020 Q4	FY 2021 Q1
Quarter	35.5	34.3	32.2	29.8	36.1	33.1	32.0	34.0	35.7
Full year	32.9				33.8				

*Includes overseas net sales for auto-stapler operations.

Changes in Segment Net Sales by Overseas Region

Financial Results for the First Quarter of FY 2021



Topics: Status of Activities for Domestic and Overseas Operations

TWINTIER rebar tying tools

- In Japan, consumables for TWINTIER rebar tying tools increased.
- In Western countries, we are hosting webinar study sessions on product features and sales know-how for local dealers. Machinery sales increased at some business partners in North America.

Domestic industrial equipment product: AF (Agriculture Food) operations

- Due to changes in lifestyle after the emergency declaration, sales volume of fruits and vegetables in supermarkets increased. As the result, sales of the CONI-CLIPPER bag closing machine increased in AF operations.

BEPOP label-making machines

- In domestic operations and at our subsidiary Lighthouse (UK) Ltd., we created signs aimed at preventing COVID-19 infections and distributed information to our business partners and users. Lighthouse continues to hold online demonstrations.

Operating Results Forecast for FY 2021

Plan for Entire Company in FY 2021

■ Exchange rate forecast

(FY under review) 1 USD = 110.00 JPY / 1EUR = 120.00 JPY

(Previous FY) 1 USD = 109.13 JPY / 1EUR = 121.26 JPY

(unit: millions of yen, %)

	First half			Full year		
	Plan	Previous FY	YOY	Plan	Previous FY	YOY
Net sales	29,800	34,885	-14.6	63,500	69,671	-8.9
Operating income Corresponding ratio	2,550 8.6	4,065 11.7	-37.3 (-3.1P)	5,700 9.0	7,586 10.9	-24.9 (-1.9P)
Ordinary income Corresponding ratio	2,570 8.6	3,913 11.2	-34.3 (-2.6P)	5,800 9.1	7,405 10.6	-21.7 (-1.5P)
Net income attributable to shareholders of parental company Corresponding ratio	1,880 6.3	2,858 8.2	-34.2 (-1.9P)	4,200 6.6	5,510 7.9	-23.8 (-1.3P)
Net income per share (yen)	38.44	58.44	―	85.88	112.67	―

*Preconditions for Plan : Although trends for restarting economic activity are observed in Japan and around the world, we cannot predict when the COVID-19 turmoil will calm down. However, we do not foresee measures such as the reissuance of an emergency declaration.

Segment Plans in FY 2021

(unit: millions of yen, %)

	First half			Full year		
	Plan	Previous FY	YOY	Plan	Previous FY	YOY
Industrial Equipment segment						
Net sales	20,580	22,516	-8.6	42,850	45,409	-5.6
Segment profit	2,690	2,910	-7.6	5,550	5,454	+1.8
Segment profit rate	13.1	12.9	(+0.2P)	13.0	12.0	(+1.0P)
Office Equipment segment						
Net sales	8,000	10,970	-27.1	18,000	21,515	-16.3
Segment profit	1,190	2,551	-53.4	3,200	4,895	-34.6
Segment profit rate	14.9	23.3	(-8.4P)	17.8	22.8	(-5.0P)
HCR Equipment segment						
Net sales	1,220	1,397	-12.7	2,650	2,746	-3.5
Segment profit	-50	-132	—	-50	-224	—
Segment profit rate	-4.1	-9.5	(+5.4P)	-1.9	-8.2	(+6.3P)
Adjustment amount	-1,280	-1,264	—	-3,000	-2,538	—
Total for entire company						
Net sales	29,800	34,885	-14.6	63,500	69,671	-8.9
Operating income	2,550	4,065	-37.3	5,700	7,586	-24.9
Operating margin	8.6	11.7	(-3.1P)	9.0	10.9	(-1.9P)

Facilities Investment Plan

	FY 2020	Plan for FY 2021
Facilities Investment	Actual results: ¥2,850 million ■ Main investments ・Enhancement of production capability at domestic plants: ¥1,070 million ・Investment related to headquarters sales for domestic sales offices: ¥430 million ・Enhancement of production facilities at Thai Plant: ¥420 million	Plan: ¥6,190 million ■ Main investment plan ・Establishment of new logistics center: ¥1,400 million (total: ¥2,500 million) ・Renewal of west Japan sales offices: ¥1,060 million (total: ¥1,630 million) ・Enhancement of production capacity of rebar tying tools: ¥270 million ・Renewable energy (solar) power generation facilities: ¥190 million ・Improvement of the workplace environment: ¥140 million

Dividends Policy

Payout Ratio and Dividends to Net Assets Ratio

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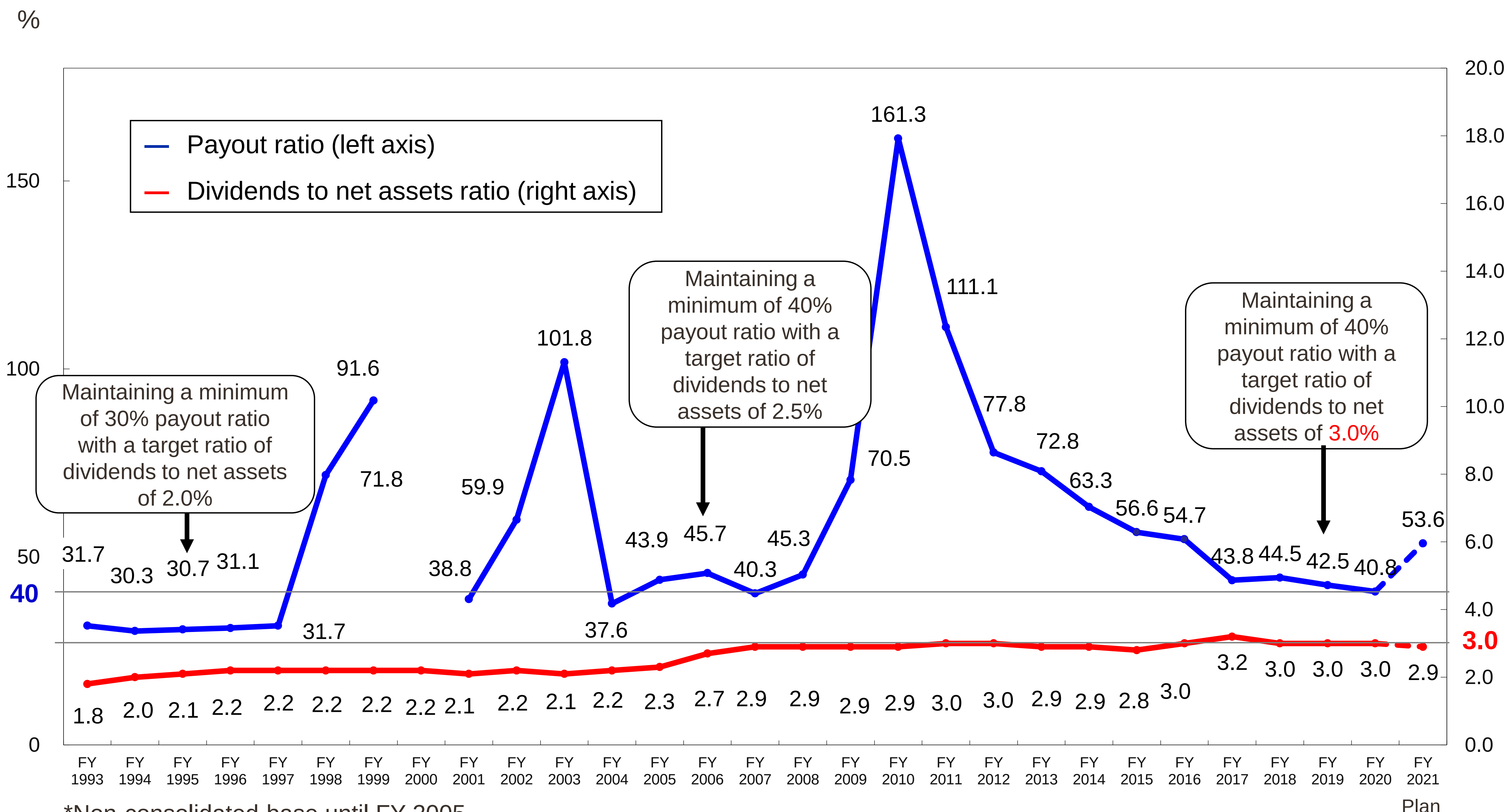
Dividends policy

Based on consolidated financial results, seek to “maintain a minimum of 40% payout ratio with a target ratio of dividends to net assets of 3.0%.”



*Non-consolidated base until FY 2005.

Dividends Policy Dividends per Share