

MAX Co., Ltd.

Financial Results Briefing for  
First Half of FY 2020

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October 30, 2019

Participants

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# Financial Results for the Entire Company in the First Half of FY 2020

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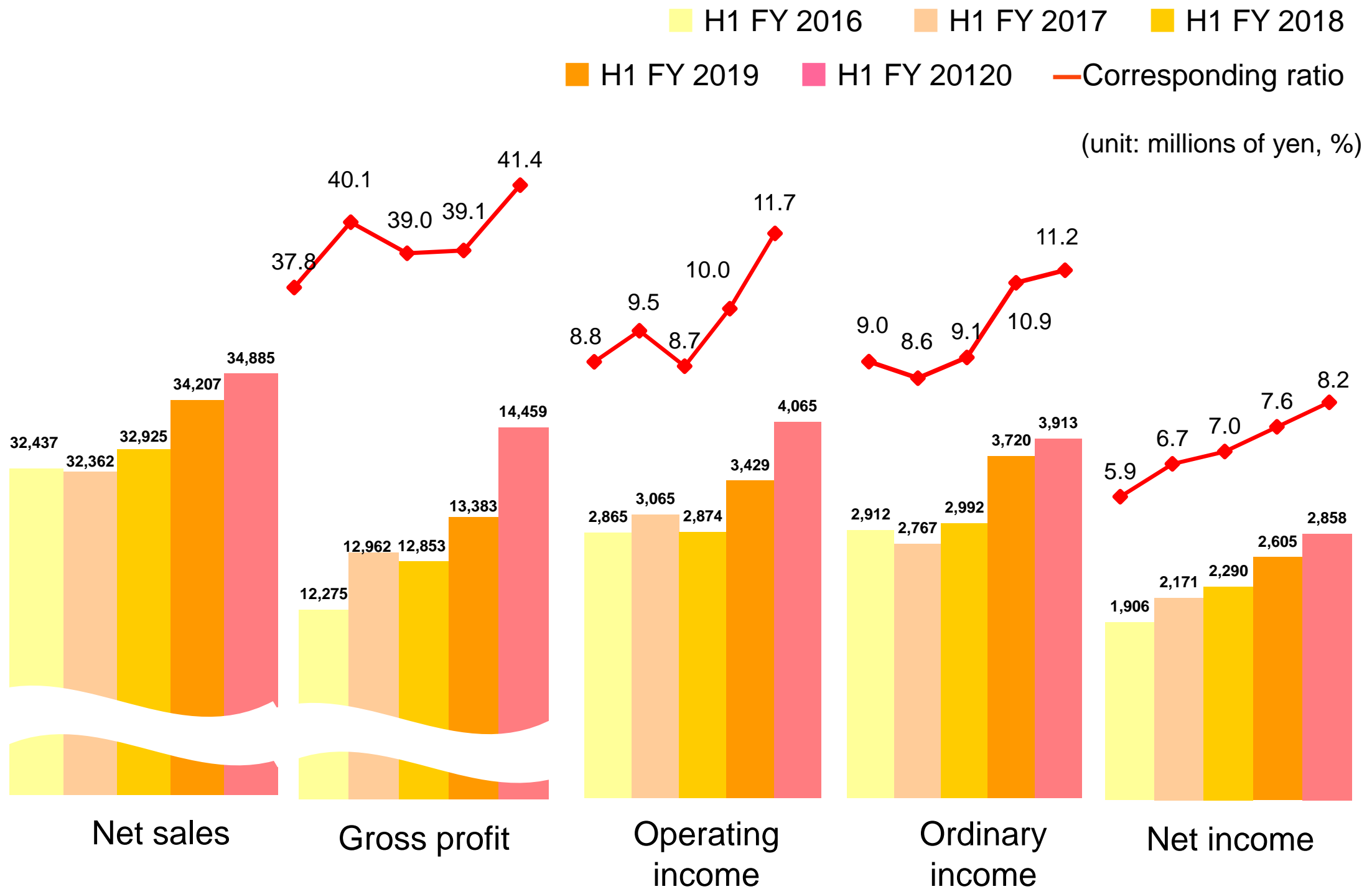
## Exchange rates

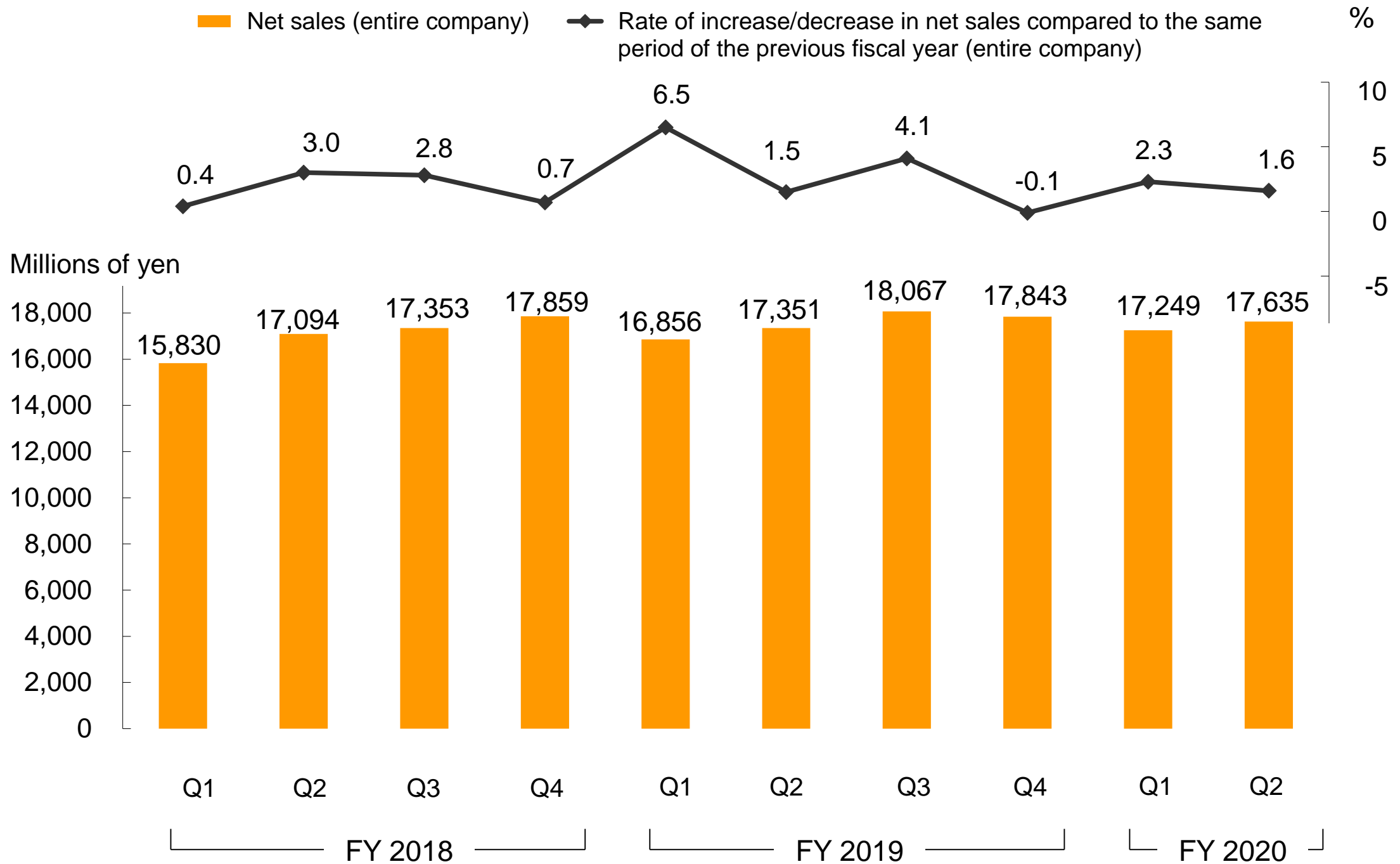
(FY under review)	1 USD	109.19 JPY	/	1 EUR	121.99 JPY
(Previous FY)	1 USD	109.49 JPY	/	1 EUR	129.49 JPY
(Planned)	1 USD	110.00 JPY	/	1 EUR	120.00 JPY

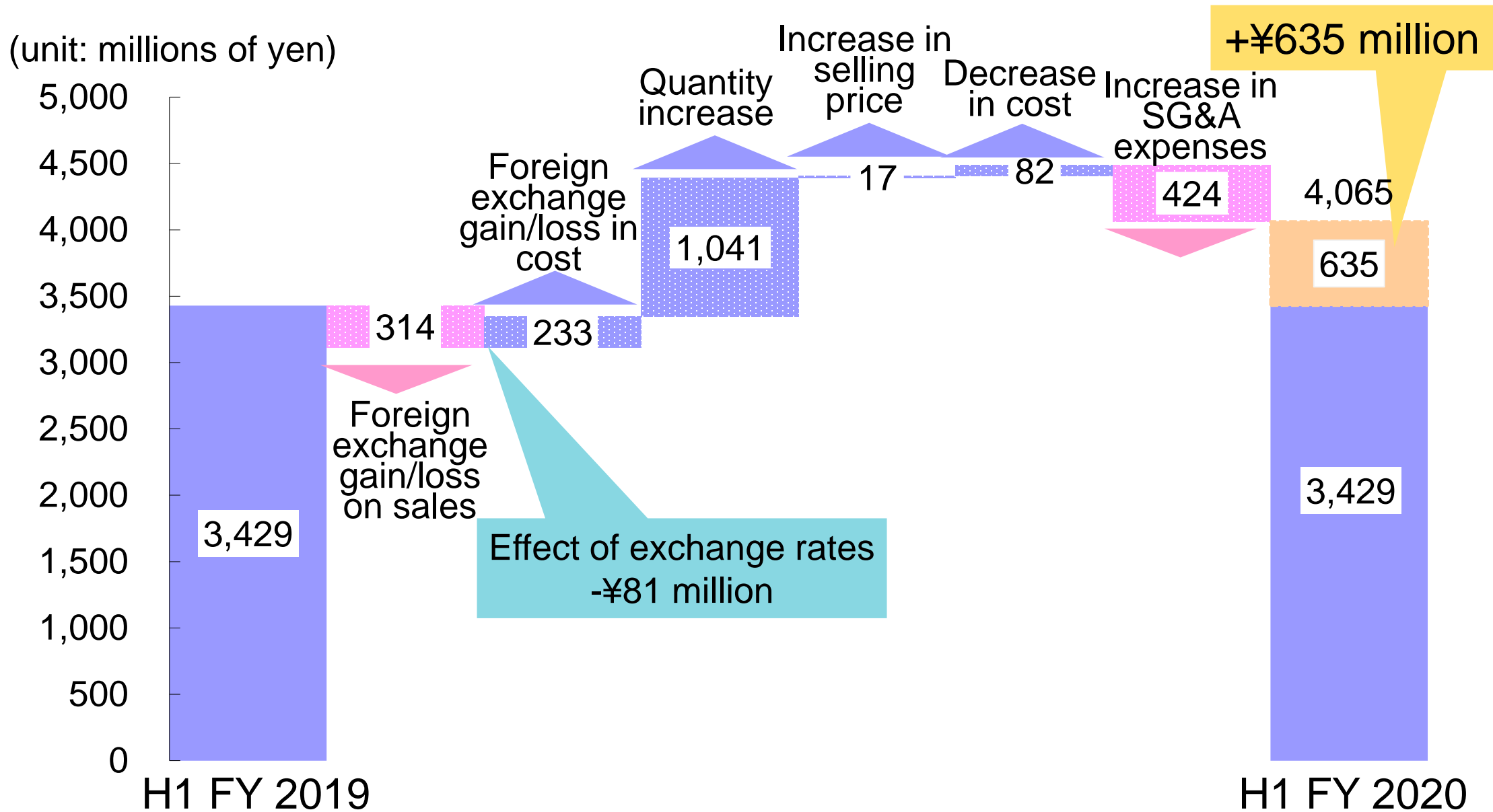
(unit: millions of yen, %)

	Results in H1 for FY under review	Compared to H1 of previous FY		Compared to plan	
		Results in H1 of previous FY	% increase/decrease	First half plan	Achievement rate
Net sales	34,885	34,207	2.0	35,400	98.5
Gross profit Corresponding ratio	14,459 41.4	13,383 39.1	8.0	—	—
Operating income Corresponding ratio	4,065 11.7	3,429 10.0	18.5	3,650 10.3	111.4
Ordinary income Corresponding ratio	3,913 11.2	3,720 10.9	5.2	3,700 10.5	105.8
Net income attributable to shareholders of parental company Corresponding ratio	2,858 8.2	2,605 7.6	9.7	2,650 7.5	107.9
Net income per share (yen)	58.44	52.89	—	54.18	—

# Changes in Financial Results for the Entire Company in the First Half of FY 2016 to FY 2020







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

(unit: millions of yen)

	H1 FY 2020	H1 FY 2019	YOY
Non-operating income/expenses	-152	290	-443
Non-operating income (excluding foreign exchange effect)	160	170	-9
Non-operating expenses (excluding foreign exchange effect)	-51	-42	-8
Foreign exchange gain/loss	-261	163	-424
Extraordinary income/loss	+58	-13	+71
Extraordinary income	*1 119	—	+119
Extraordinary loss	*2 -61	-13	-48

\*1 Gain on sale of investment securities: ¥118 million, etc.

\*2 Idle asset impairment treatment associated with the relocation of sales office: ¥21 million, etc.

## Facilities investment, depreciation, R&D expenses

(unit: millions of yen, %)

	H1 FY 2020	H1 FY 2019	FY 2020 annual plan	Rate of progress
Facilities investment	1,472	1,748	5,177	28.4
Depreciation	1,211	1,079	2,552	47.5
R&D expenses	1,538	1,417	3,106	49.5



# Recognition of the Business Environment Surrounding the Group (First Half of FY 2020)

<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Domestic</b></p>	<ul style="list-style-type: none"> <li>▪ Number of new housing construction starts: Down 0.3% YOY for the period from January to June 2019 (Owner-occupied construction starts: +8.6%, rental construction starts: -11.4%, built-for-sale construction starts: +7.5%)  <b>⇒ Negative effect on the industrial equipment product operations (wooden structure related) and residential environmental equipment operations.</b></li> <li>▪ Construction floor area of non-residential structures: Down 4.2% YOY for the period from October 2018 to March 2019 (Offices: -12.3%, shops: -7.5%, factories: -1.4%, warehouses -7.3%)</li> <li>▪ Improving trend for lack of skilled construction workers in rebar work (construction); however, there was a major lack in August.  <b>⇒ Positive effect on the industrial equipment product operations (concrete related)</b></li> </ul>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Overseas</b></p>	<p>1 USD = 109.19 JPY, 1 EUR = 121.99 JPY          (Previous FY: 1 USD = 109.49 JPY, 1 EUR = 129.49 JPY; Plan: 1 USD = 110.00 JPY, 1 EUR = 120.00 JPY)</p> <p>Regarding foreign exchange sensitivity for the entire Company, we have achieved a balance of foreign currency sales/procurement, so there is little effect on operating income.</p> <p>Global economy: The United States economy continues economic recovery due to maintenance of a low unemployment rate and other reforms of the employment environment.          The European economy continues to show signs of a moderate recovery.          The Asian economy is in a moderate decline due to prolonged trade friction between the United States and China, etc.</p> <p>Recent new housing construction starts is decreasing in the United States.          The annualized rate is 1,339,000 units in August and 1,337,000 units in September (in the previous fiscal year, 1,356,000 units in August and 1,362,000 units in September)  <b>→ Negative effect on the overseas industrial equipment product operations</b></p>

# Financial Results for Individual Segments in the First Half of FY 2020

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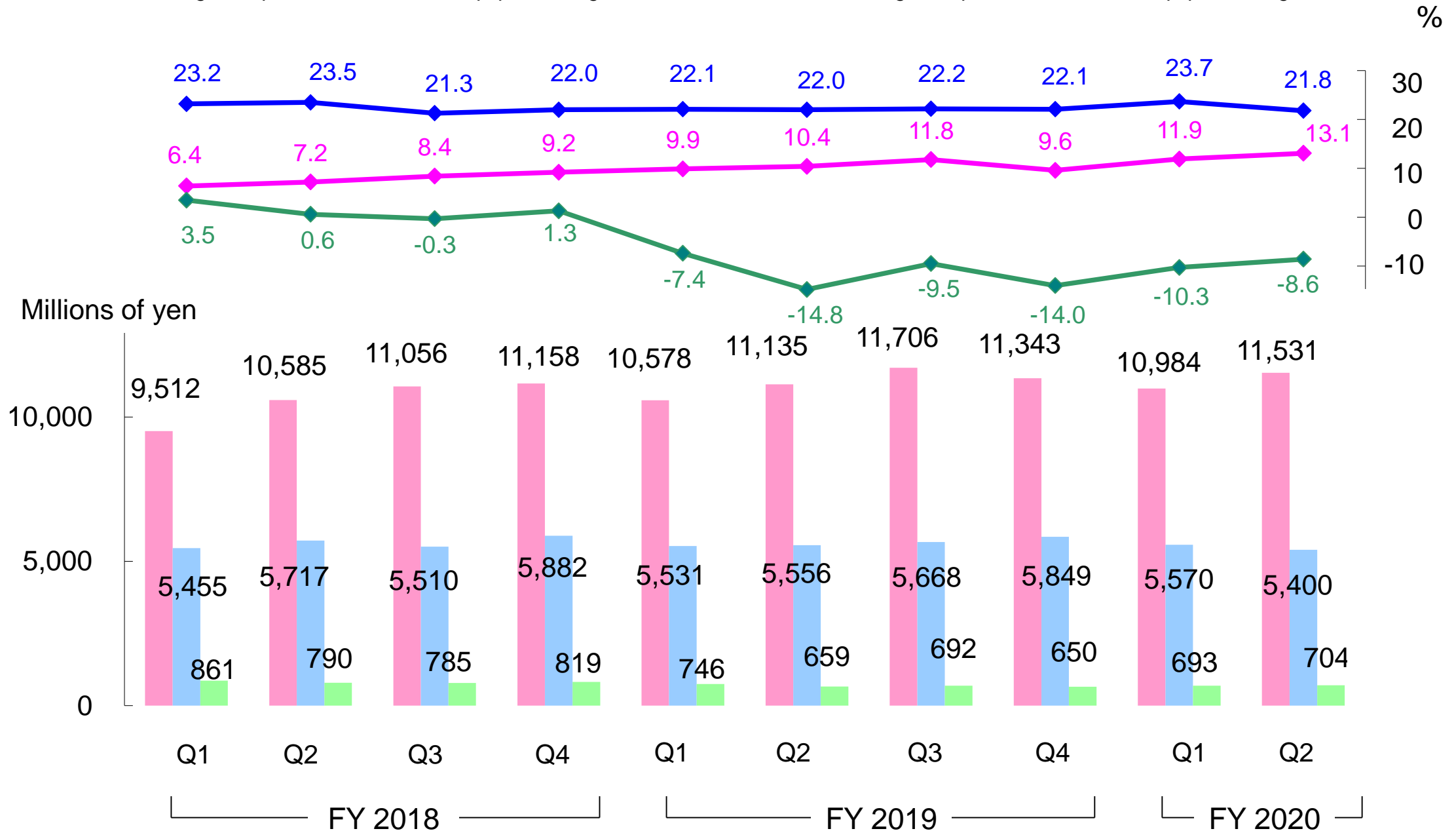


(unit: millions of yen, %)

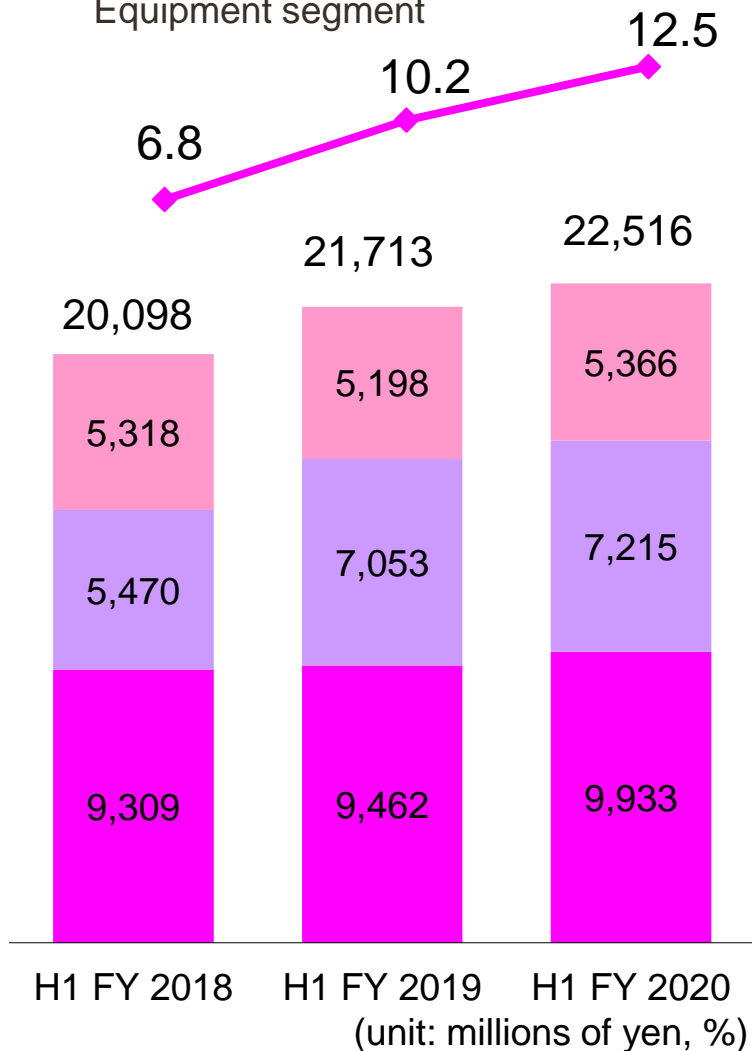
	Results in H1 for FY under review	Compared to H1 of previous FY		Compared to Plan		
		Results in H1 of previous FY	% increase/decrease	First half plan	Achievement rate	
Reported Segments	Industrial Equipment segment					
	Net sales	22,516	21,713	+3.7	22,550	99.9
	Segment profit	2,815	2,206	+27.6	2,460	114.4
	Segment profit rate	12.5	10.2	(+2.3P)	10.9	
	Office Equipment segment					
	Net sales	10,970	11,087	-1.1	11,450	95.8
	Segment profit	2,501	2,445	+2.3	2,550	98.1
	Segment profit rate	22.8	22.1	(+0.7P)	22.3	
	HCR Equipment segment					
	Net sales	1,397	1,405	-0.6	1,400	99.9
	Segment profit	-132	-153	—	-100	—
	Segment profit rate	-9.5	-10.9	(+1.4P)	-7.1	
Adjustment amount	-1,119	-1,069	—	-1,260	—	
Total for entire company						
Net sales	34,885	34,207	+2.0	35,400	98.5	
Operating income	4,065	3,429	+18.5	3,650	111.4	
Operating margin	11.7	10.0	(+1.7P)	10.3		

# Changes in Segment Net Sales by Quarter

- Net sales by Industrial Equipment segment
- Net sales by Office Equipment segment
- Net sales by HCR Equipment segment
- ◆ Segment profit rate for Industrial Equipment segment
- ◆ Segment profit rate for Office Equipment segment
- ◆ Segment profit rate for HCR Equipment segment



- Net sales in the domestic industrial equipment product operations
- Net sales in the overseas industrial equipment product operations
- Net sales in the residential environmental equipment operations
- Segment profit rate for Industrial Equipment segment



Net sales: ¥22,516 million / Segment profit: ¥2,815 million  
(up 3.7% YOY / up 27.6% YOY)

### Domestic industrial equipment product operations

- Net sales: ¥9,933 million (up 5.0% YOY)

The revenue grew as the result of increased sales of tools for concrete structures due to the TWINTIER rebar tying tools expanding into markets such as civil engineering, as well as rising sales of compressors and other tools for wooden structures.

### Overseas industrial equipment product operations

- Net sales: ¥7,215 million (up 2.3% YOY)

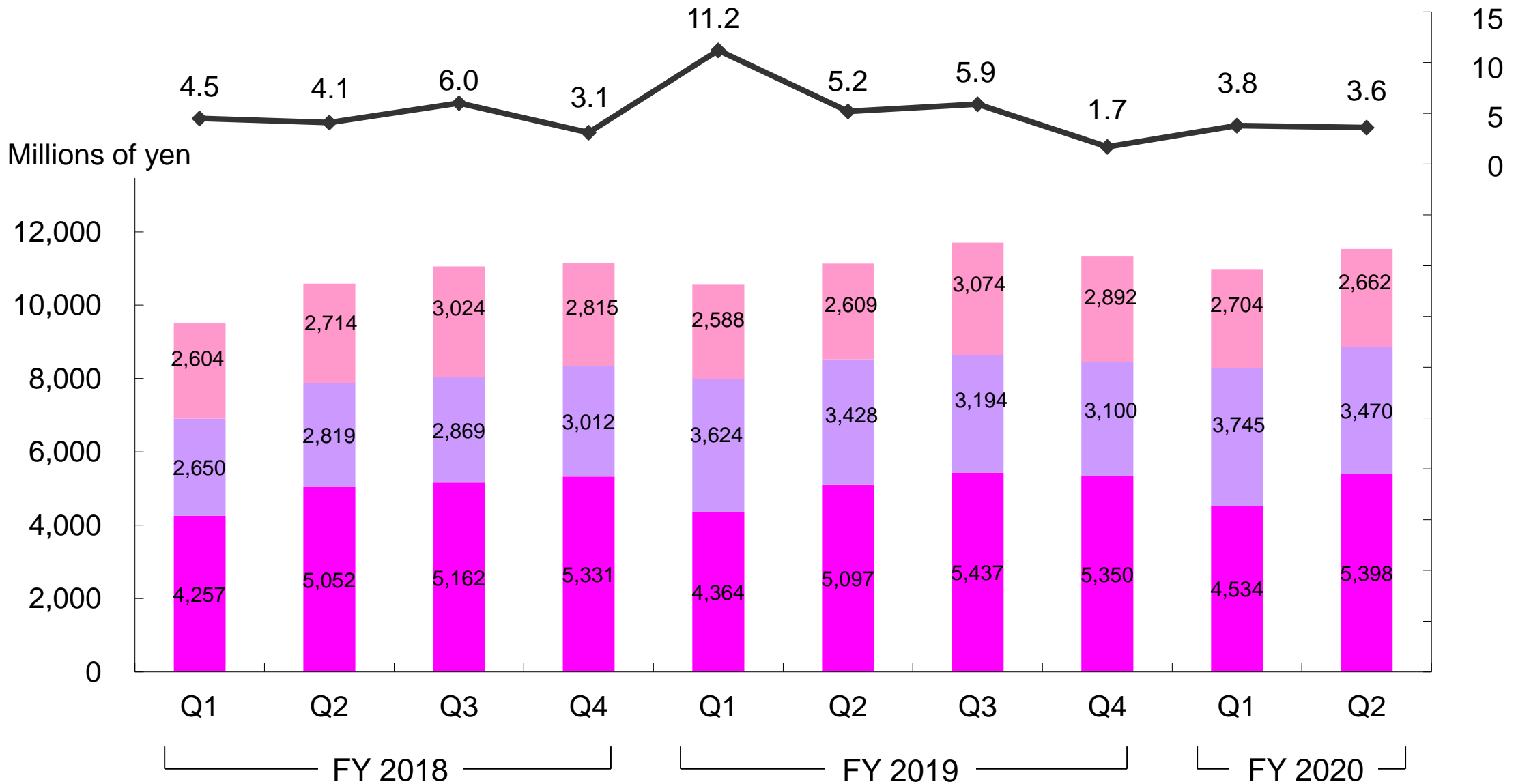
The revenue increased due to heightened sales of tools for concrete structures caused by high evaluation for the functionality of the TWINTIER rebar tying tools, advancing adoption of our equipment in the civil engineering market, and replacement of existing equipment.

### Residential environmental equipment operations

- Net sales: ¥5,366 million (up 3.2% YOY)

The revenue increased due to expanded sales targeting detached houses and condominiums for DRYFAN bathroom heaters, ventilators and dehumidifiers, which are the mainstay of the business, as well as expanded sales in the housing stock market for replacement and inspection.

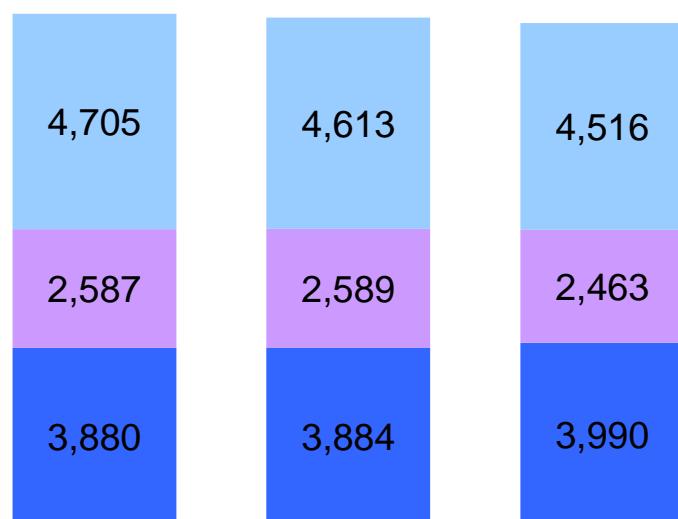
■ Net sales in the residential environmental equipment operations    
 ■ Net sales in the overseas industrial equipment product operations  
■ Net sales in the domestic industrial equipment product operations    
 ◆ Rate of change in net sales YOY for Industrial Equipment segment %



- Net sales in the domestic office operations
- Net sales in the overseas office operations
- Net sales in the auto-stapler operations
- Segment profit rate for Office Equipment segment

23.3      22.1      22.8

11,173      11,087      10,970



H1 FY 2018      H1 FY 2019      H1 FY 2020

(unit: millions of yen, %)

**Net sales: ¥10,970 million / Segment profit: ¥2,501 million**  
(down 1.1% YOY / up 2.3% YOY)

### Domestic office operations

▪ Net sales: ¥3,990 million (up 2.7% YOY)

Sales of the BEPOP label-making machines rose driven by increased applications of safety-related signs at manufacturing plants. Also, sales increased for label printers which support the Food Labeling Act which will be put into full effect in April 2020, and as a result, the revenue increased.

### Overseas office operations

▪ Net sales: ¥2,463 million (down 4.9% YOY)

Despite increased sales of the BEPOP label-making machines driven by sales promotion activities conducted in the European market by Lighthouse (UK) Ltd., a subsidiary of the Group in the UK, overall revenue fell due to decreased sales in stationary related products and the tube marker LETATWIN in the Asian market.

### Auto-stapler operations

▪ Net sales: ¥4,516 million (down 2.1% YOY)

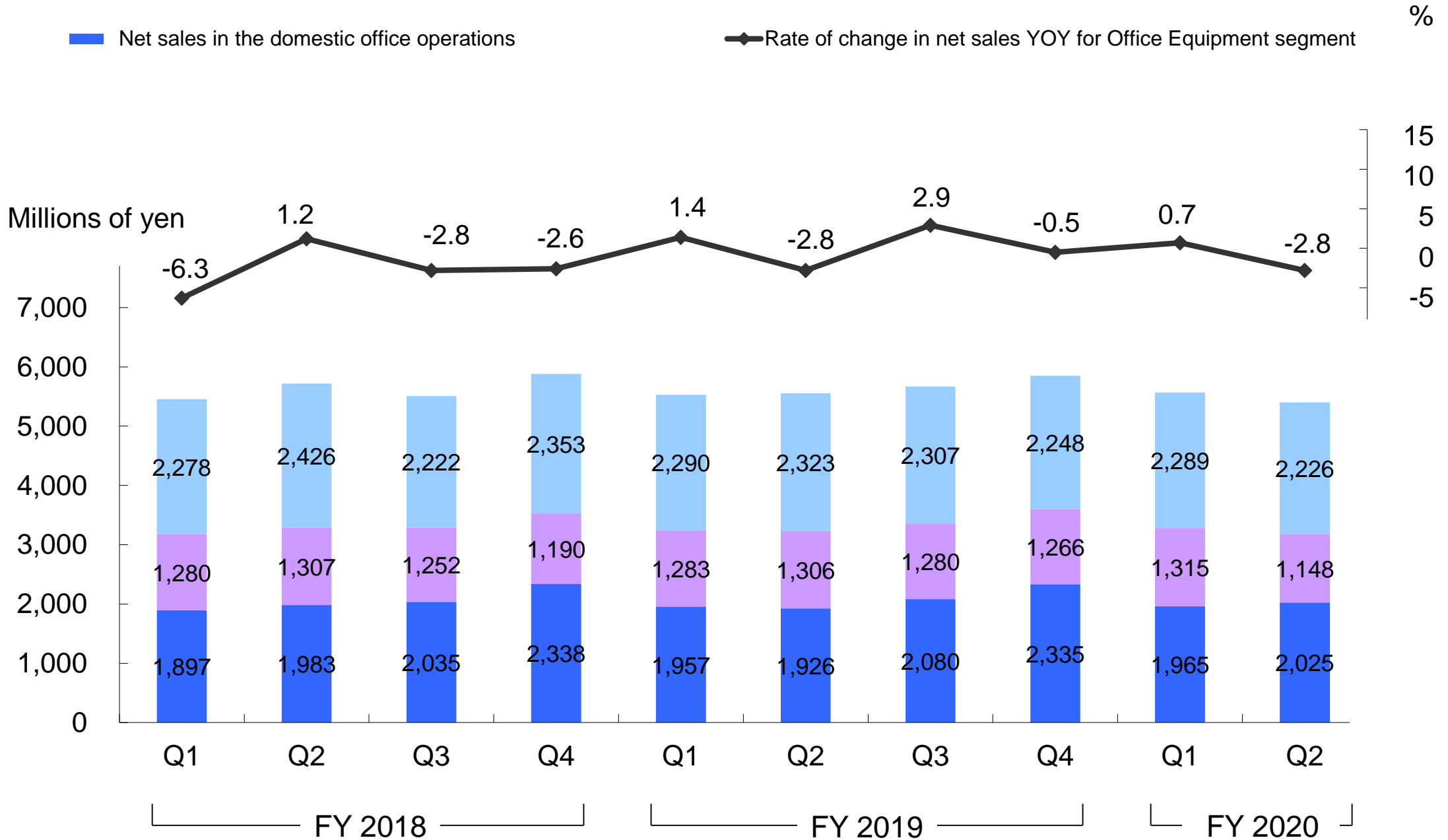
Despite sales of consumables on a similar level to the previous year, the revenue dropped due to decreased sales of machinery.

# 12 Office Equipment Segment

Changes in Net Sales by Quarter



- Net sales in the auto-stapler operations
- Net sales in the domestic office operations
- Net sales in the overseas office operations
- ◆ Rate of change in net sales YOY for Office Equipment segment



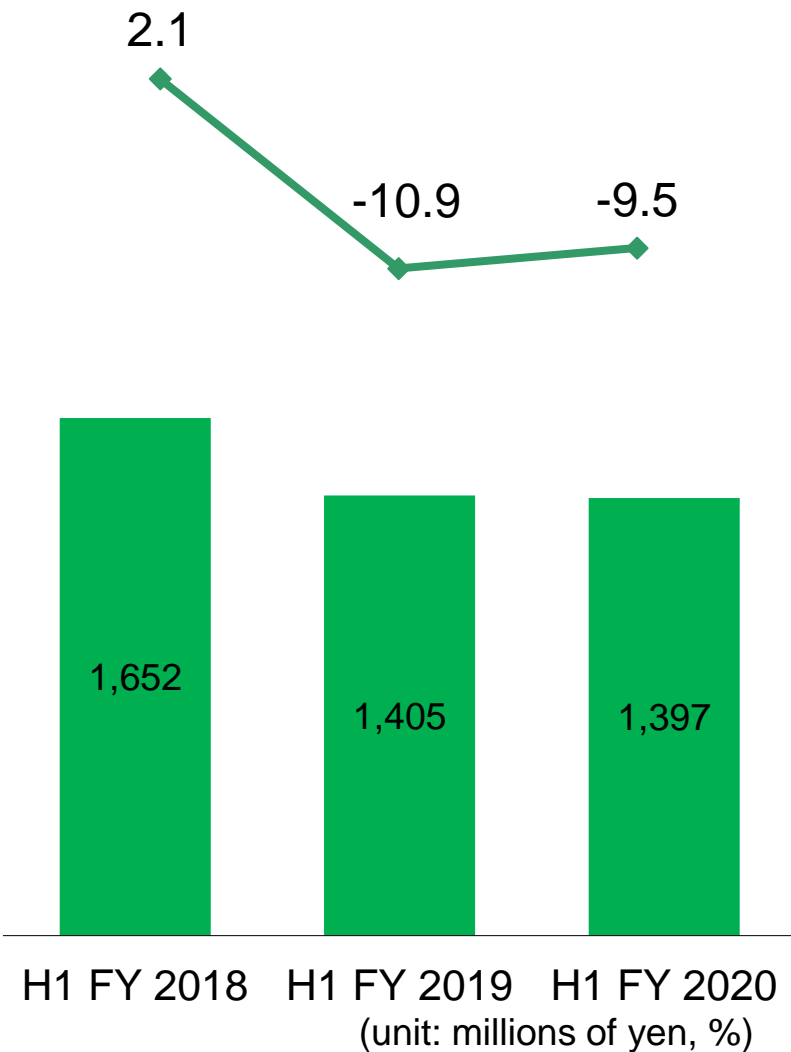


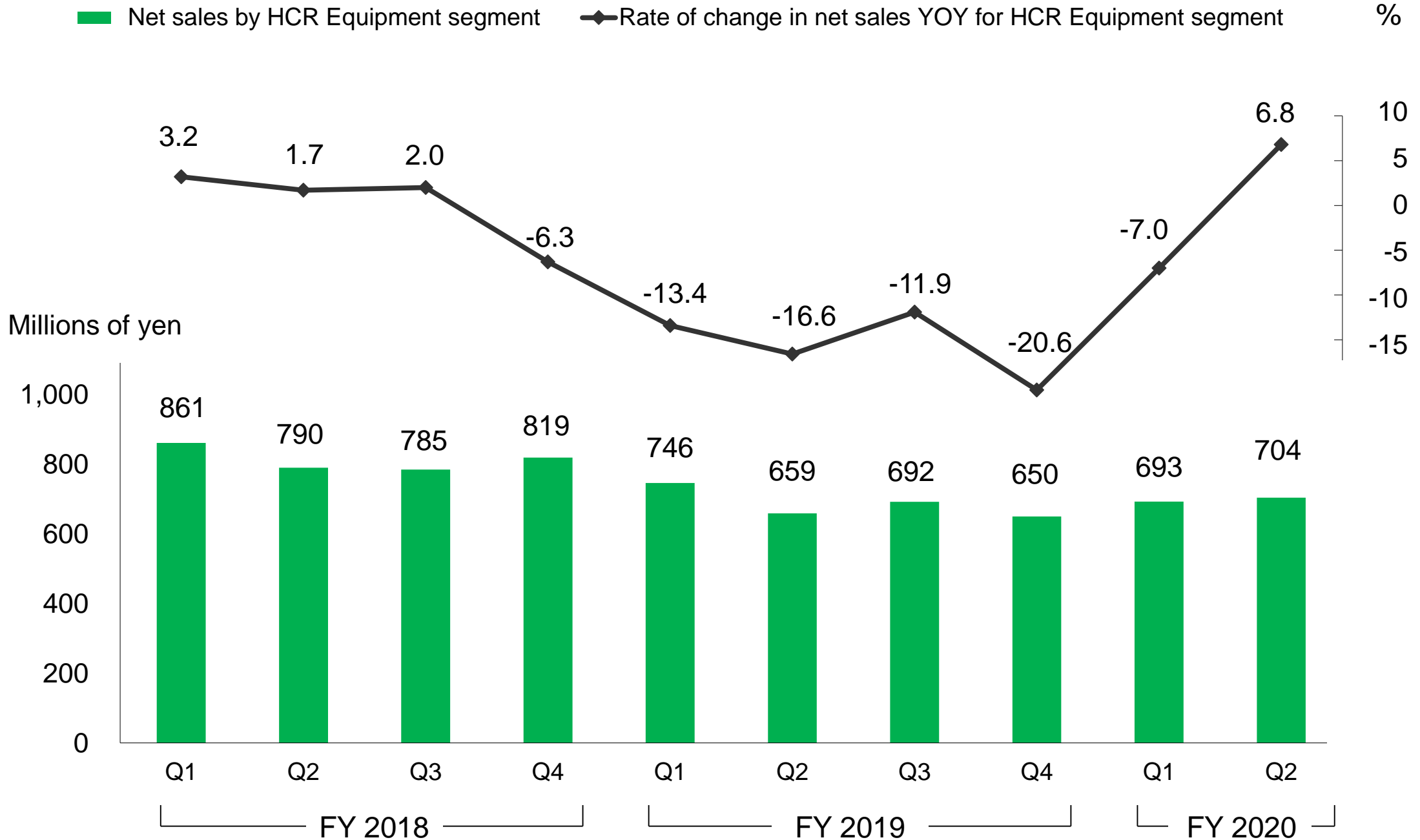
- Net sales by HCR Equipment segment
- Segment profit rate for HCR Equipment segment

Net sales: ¥1,397 million / Segment profit: -¥132 million  
(down 0.6% YOY / -% YOY)

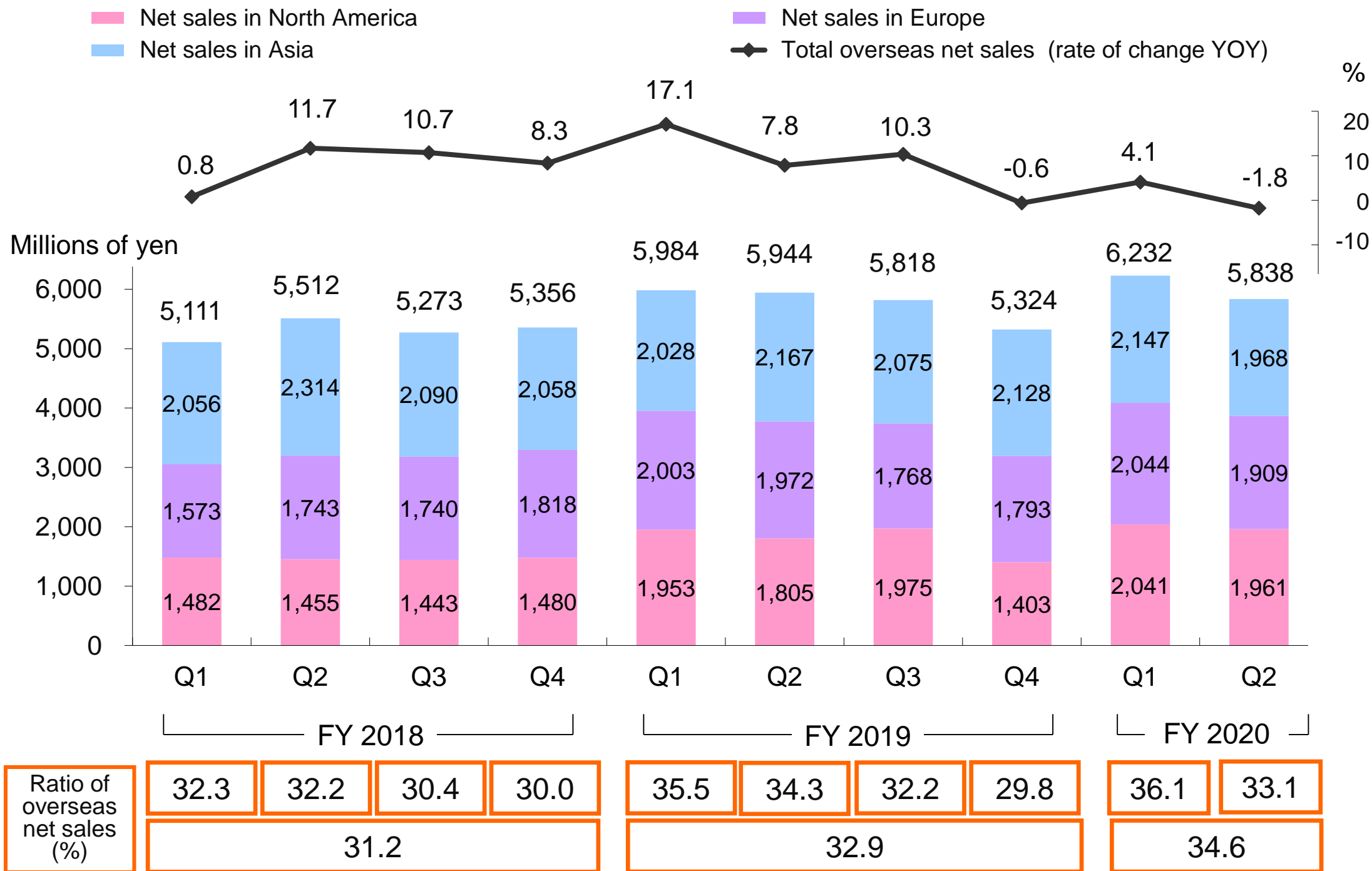
### HCR Equipment segment

The segment stopped selling old products and experienced decreased sales of high-unit-price wheelchairs. However, in the second quarter of the period under review, net sales showed a recovering trend due to continued proposal activities for the Modern Series, new wheelchairs which we began selling from the second half of the previous period.





# Changes in Overseas Net Sales by Quarter



\*Includes overseas net sales for auto-stapler operations.

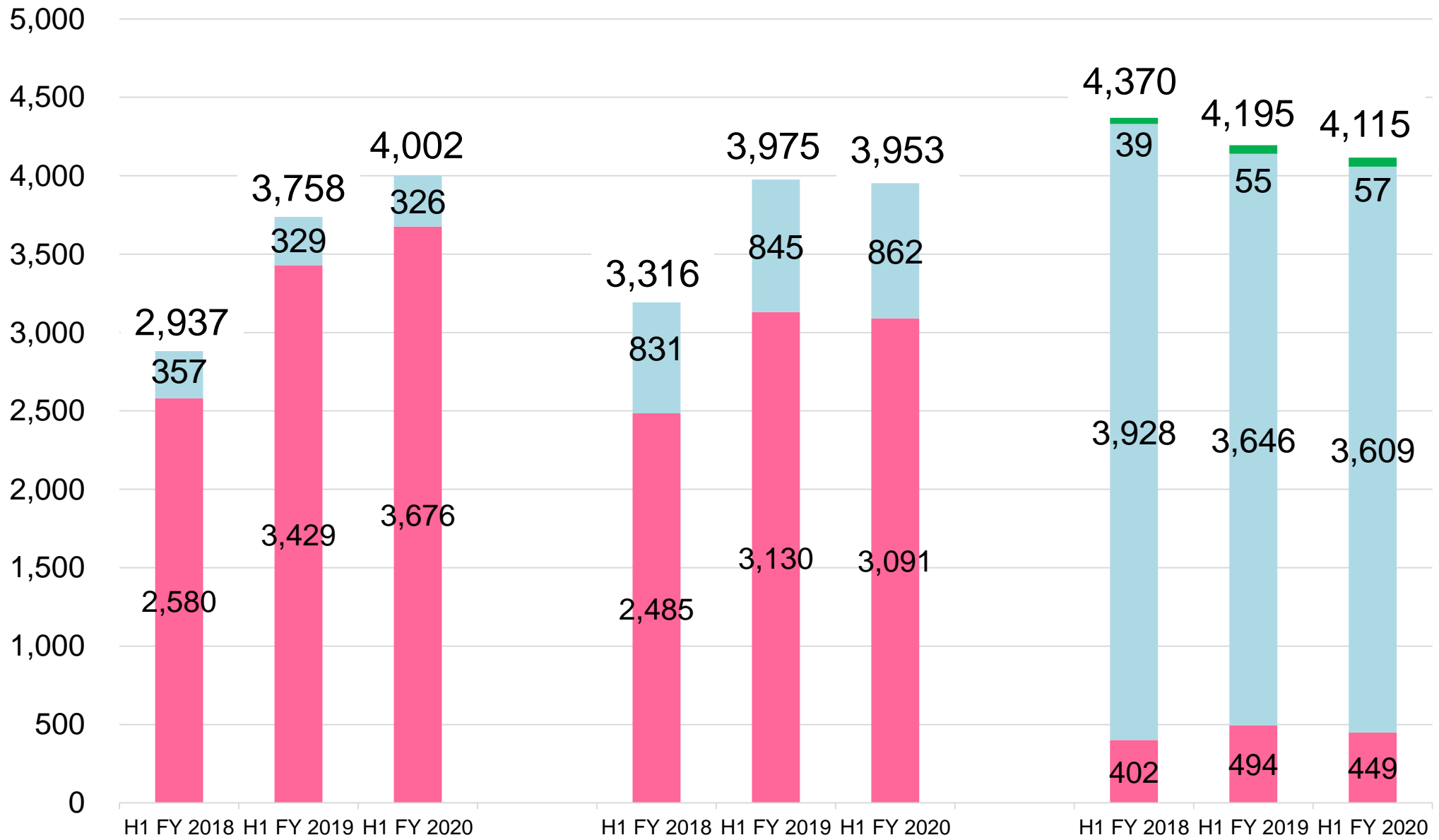
# Changes in Segment Net Sales by Overseas Region

Financial Results for the First Half of FY 2020



Industrial Equipment segment   Office Equipment segment   HCR Equipment segment

Unit: millions of yen



North America

Europe

Asia (excluding Japan)

# 17 Expansion of the TWINTIER Rebar Tying Tools Business



	<b>Building market</b>	<b>Construction market</b>	<b>Precast factories</b>	<b>Civil engineering market</b>
	House foundation	Large facilities Condominiums	Building materials	Roads, bridges
				
Domestic business	Existing markets	Existing markets	<b>New markets</b>	<b>New markets</b>
Precast factories: Analyze manufacturing processes and propose improved productivity through process reform Civil engineering market: Increase recognition through upstream activities such as NETIS Technical Information Session and Japan Concrete Institute				
Overseas business	North America: Existing markets	Northern Europe: Existing markets <b>Western countries: New markets</b>	Europe: Existing markets North America: Existing markets	<b>Western countries: New markets</b>

Europe: For major construction companies, implement long-term trials via product rentals  
 North America: For development of civil engineering markets, continued expansion of a concrete materials dealer network

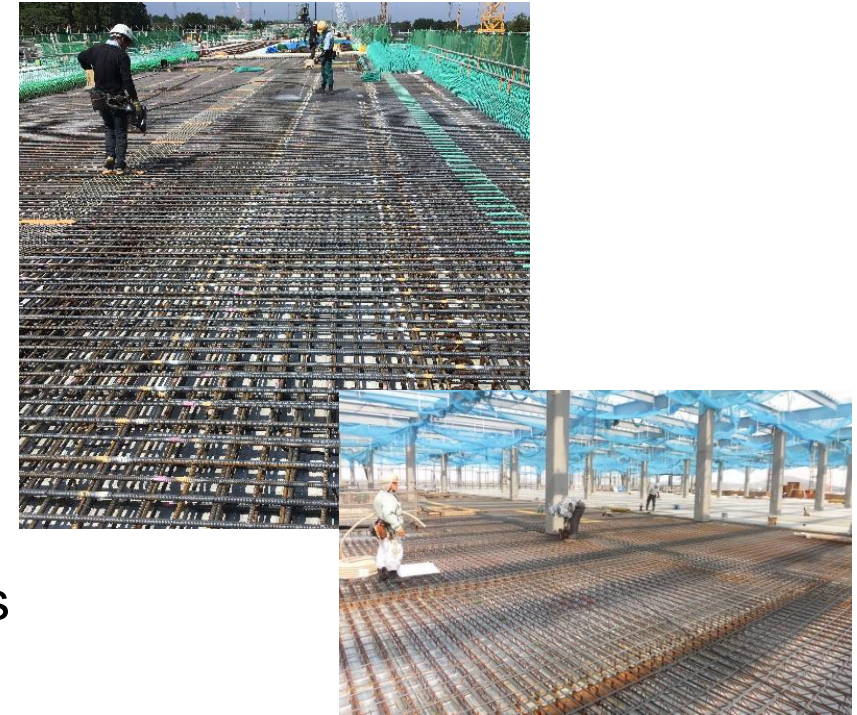
## &lt;Domestic Business&gt;

Civil engineering market: Construction for upper structure of expressway

Construction market: Deck with reinforced truss in large warehouse

## ■ Advantages of adoption

- Meets standards for concrete covering depth by reducing the protruding wire height by approx. 1/2
- Expansion of applicable tying location in the jobsites by improving machine specifications



## &lt;Overseas Business&gt;

Civil engineering market: Bridge deck

Construction market: Construction of a petrochemistry plant

## ■ Advantages of adoption

- Shortened worktime: For example, shortened work time to 58 minutes by implementing machines for work which took half a day by manual tying
- Enables efficient work even in environments such as working under the hot sun



# Full Year Forecast for FY 2020

## Positive Factors

## Negative Factors

### Domestic Business Environment

- Recent lack of skilled construction workers in rebar work (construction).
- Affects the **domestic industrial equipment product operations**

- For the number of new housing construction starts, there is a decrease in starts for rental housing due to the effect of stricter financing by financial institutions, and there are decreasing trends.
- Also decrease in the floor area of non-housing construction starts compared to the previous period.
- Affects the **domestic industrial equipment product operations and residential environmental equipment operations**

### Overseas Business Environment

- For the United States economy, we forecast continued economic recovery mainly attributable to domestic demand due to an increase in personal consumption and hiring.
- For the European economy, we forecast continued moderate recovery.

- Uncertain trends in trade friction between the United States and China
- Economic stagnation in China
- Effect on net sales due to a strong yen



■ Exchange rate forecast for the second half

(After revision) 1 USD = 105 JPY / 1 EUR = 115 JPY

(Prior forecast) 1 USD = 110 JPY / 1 EUR = 125 JPY

(unit: millions of yen, %)

Compared to previous FY

	Plan after revision (annual)	Prior plan (annual)	Results in previous FY (annual)	YOY
Net sales	70,500	72,350	70,118	0.5
Operating income Corresponding ratio	7,900 11.2	7,450 10.3	7,150 10.2	10.5 (+1.0P)
Ordinary income Corresponding ratio	7,800 11.1	7,600 10.5	7,253 10.3	7.5 (+0.8P)
Net income attributable to shareholders of parental company Corresponding ratio	5,400 7.7	5,250 7.3	5,064 7.2	6.6 (+0.5P)
Net income per share (yen)	110.41	107.35	102.92	—

We revised our forecast for the full fiscal year based on business trends in the first half and the changes to the forecasted exchange rates in the second half of the year.

(unit: millions of yen, %)

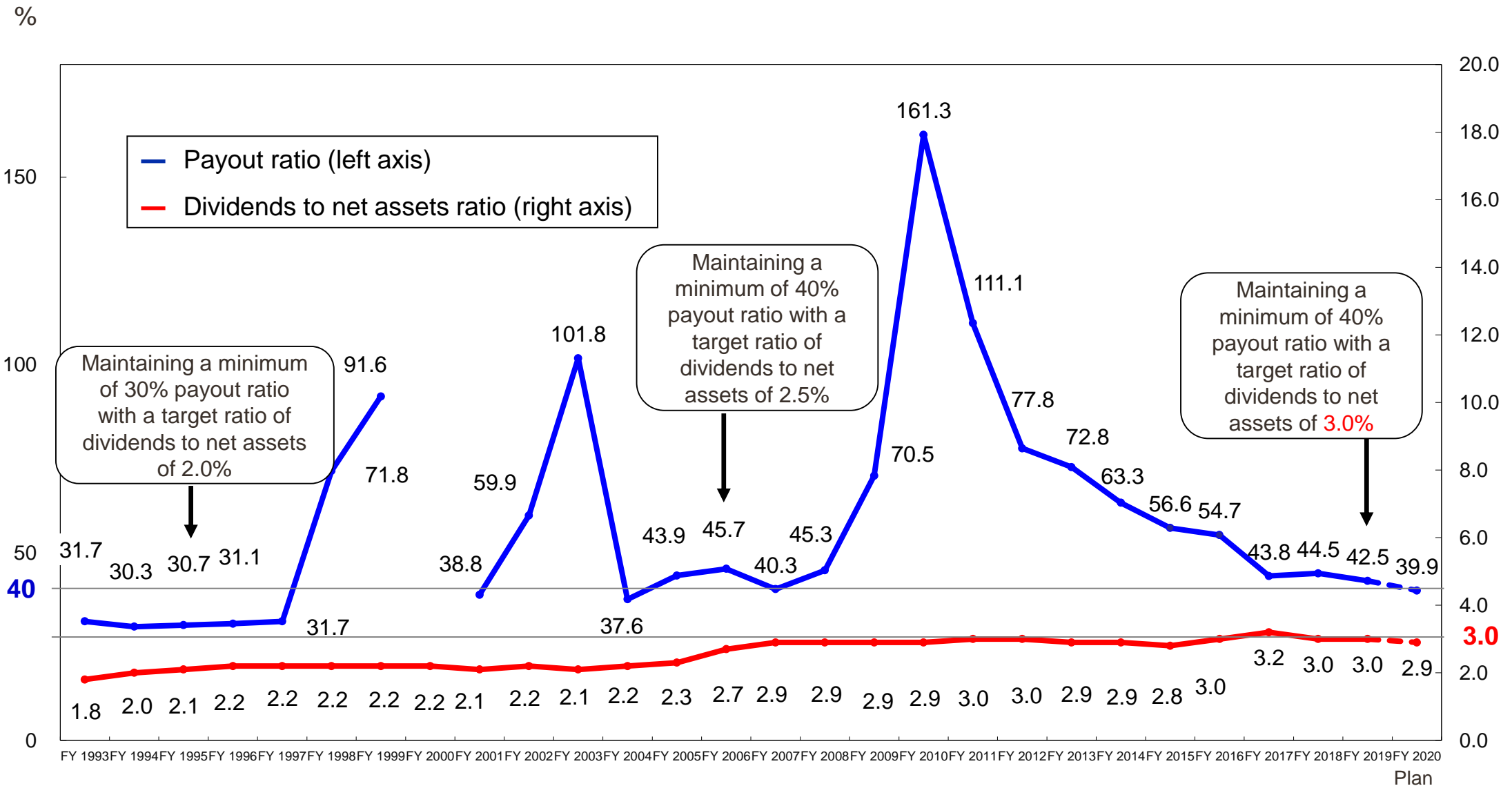
## Compared to previous FY

Reported Segments		Current plan (annual)	Prior plan (annual)	Compared to previous FY	
				Results in previous FY (annual)	YOY
Reported Segments	Industrial Equipment segment				
	Net sales	45,300	46,200	44,763	1.2
	Segment profit	5,400	5,280	4,684	15.3
	Segment profit rate	11.9	11.4	10.5	(+1.4P)
	Office Equipment segment				
	Net sales	22,300	23,250	22,606	-1.4
	Segment profit	5,000	5,150	4,999	0.0
	Segment profit rate	22.4	22.2	22.1	(+0.3P)
	HCR Equipment segment				
Net sales	2,900	2,900	2,748	5.5	
Segment profit	-180	-150	-310	—	
Segment profit rate	-6.2	-5.2	-11.3	(+5.1P)	
	Adjustment amount	-2,320	-2,830	-2,223	—
	Total for entire company				
	Net sales	70,500	72,350	70,118	0.5
	Operating income	7,900	7,450	7,150	10.5
	Operating margin	11.2	10.3	10.2	(+1.0P)

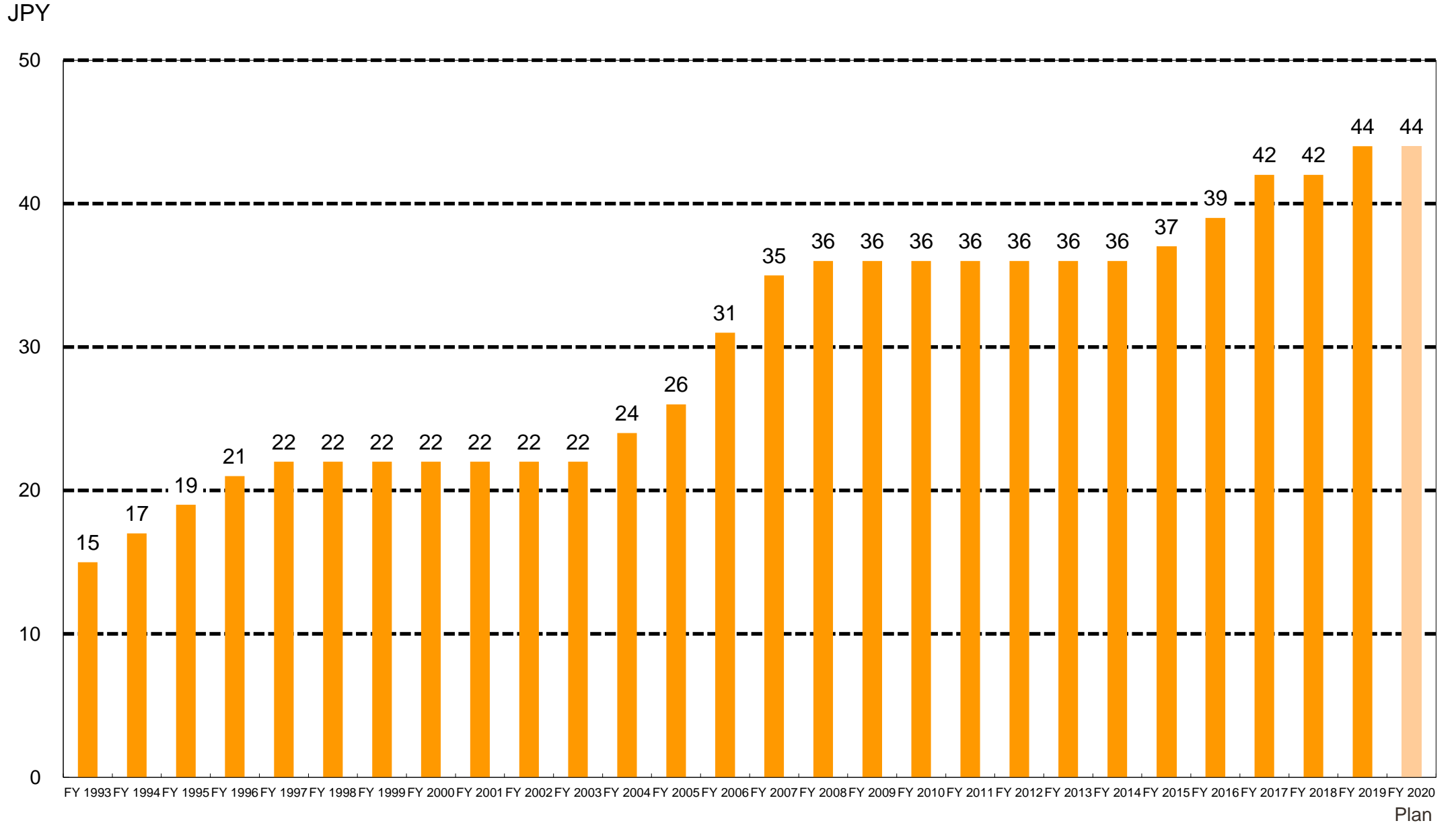


## Dividends policy

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.





The contents listed in this document are based on information currently available to the Company and certain assumptions that are deemed as reasonable. Please be aware that actual business results, etc., may differ greatly depending on various factors.