

Consolidated Results 2021 3Q

1. Qualitative Information on Quarterly Performance

(1) Explanation Regarding Consolidated Operating Results

During the first three quarters of fiscal 2021 (nine months ended September 30, 2021), with the declaration of a state of emergency and priority preventative measures to prevent the spread of the novel coronavirus disease (COVID-19) in place over the long term, the future remained unpredictable for the Japanese economy due to the resulting stagnation in business activities and worsening employment conditions. Overseas circumstances also remain uncertain. There has been a resurgence in COVID-19 infections and lockdowns in Southeast Asia, despite a recovery in economic activities particularly in China, the United States and Europe.

Given these conditions, while dealing with constraints on economic activities due to the spread of COVID-19, the Group started our new Medium-Term Management Plan “V-plan 23” and made steady progress in the first year of the plan.

Consolidated net sales for the first nine months were ¥137.5 billion (an increase of 8.3% year on year). Operating income was ¥4.1 billion (an increase of 1017.4% year on year) and ordinary income was ¥5.0 billion (an increase of 303.1% year on year). Net income attributable to shareholders of parent company was ¥6.2 billion (net loss attributable to shareholders of parent company of ¥6.0 billion in the same period of the previous fiscal year).

	Billions of yen				
	2018	2019	2020	2021 3Q	2021 (Revised plan)
Net Sales	¥209.8	¥208.3	¥183.8	¥137.5	¥178.0
Domestic Business*	151.0	149.8	133.3	91.0	115.0
Overseas Business*	58.8	58.5	50.4	46.5	63.0
Operating Income	4.8	2.6	4.7	4.1	3.0
Domestic Business	2.6	2.3	4.3	2.3	0.5
Overseas Business	2.2	0.2	0.3	1.7	2.5
Ordinary Income	6.2	3.4	5.9	5.0	3.9
Net Income attributable to shareholders of parent company	5.7	1.5	(3.0)	6.2	5.5

*Does not include figures for internal transactions

Operating results by segment are described below.

We have been describing segment sales in sales to external customers since the first quarter.

i. Domestic business

In the domestic business segment, for the first three quarters we achieved sales of ¥91.0 billion (a decrease of 1.5% year on year) and segment income of ¥2.3 billion (an increase of 163.3% year on year).

In the Water Heaters section, new construction demand fell year on year, but there was an increase in replacement demand. Amid such circumstances, we have promoted the sales of our mainstay product “GT-C62 Series,” which is equipped with “bath monitoring” functions and “cleaning” functions. Also, with regard to gas bathwater heaters with hot water heating functions, we have promoted the sales of our high-efficiency “Eco-Jozu” gas water heaters, centered on the “GTH-C61 Series,” whose “bath monitoring” functions have been further enhanced by linking it to the bathroom heater and dryer. In particular, due to heightened hygienic needs, we have enjoyed increased sales of high-end “premium models” equipped with “bacteria-killing” functions.

In the Kitchen Appliances section, we focused on selling the intermediate grade “piatto” and the high-grade “PROGRE Series.” The PROGRE is a new product capable of connecting to a dedicated smartphone app, in which smoking and low-temperature cooking functions are added to a multi-grill that can grill automatically. We also worked on increasing sales of built-in gas cookers through proposals that included range-hoods as a set.

Although we withdrew from the Housing Equipment section business in the previous fiscal year, sales decreased but we achieved increased income in the overall domestic business due to strengthening sales of high-value-added products, particularly in the Water Heaters section.

ii. Overseas business

In the overseas business segment, for the first three quarters we were able to achieve sales of ¥46.5 billion (an increase of 34.4% year on year) and segment income of ¥1.7 billion (segment loss of ¥0.5 billion in the same period of the previous fiscal year).

In the Chinese region, the lower impact of the spread of COVID-19 and growth in online sales and sales in inland areas led to increased earnings. In the North American region, three group companies (Noritz America, boiler maker PB Heat and Facilities Resource Group) strived to increase sales of commercial water heaters, boilers and heating products, while mutually supplementing products, regions and distribution. In the Australian region, sales expansion of new commercial water heater product was firm. Consequently, we achieved higher sales and higher income in overall overseas business.

(2) Explanation regarding consolidated financial position

Total assets at the end of the third quarter were ¥195.3 billion (an increase of ¥5.6 billion from the end of the previous fiscal year). Due to the increase in cash and deposits and other factors, current assets reached ¥111.5 billion (an increase of ¥3.5 billion from the end of the previous fiscal year). In addition, due to the increase in investment securities and other factors, noncurrent assets were ¥83.8 billion (an increase of ¥2.1 billion from the end of the previous fiscal year).

Due to the increase in income taxes payable and other factors, total liabilities at the end of the third quarter were ¥78.7 billion (an increase of ¥9 million from the end of the previous fiscal year).

Total net assets at the end of the third quarter were ¥116.6 billion (an increase of ¥5.6 billion from the end of the previous fiscal year). As a result, we achieved a capital adequacy ratio of 57.6%.

(3) Explanation regarding consolidated operating results forecast and other forward-looking statements

Downward revision of full-year consolidated operating results forecast for fiscal 2021

Production delays at parts suppliers due to the spread of COVID-19 in Southeast Asia and the global shortage of electronic parts and resins have affected the procurement of parts, resulting in delays in the delivery of some products. Under such circumstances, the Company has revised downward its full-year consolidated operating results forecast, which had previously been revised on May 17, to net sales of ¥178.0 billion (previously ¥191.0 billion), operating income of ¥3.0 billion (previously ¥6.4 billion), and ordinary income of ¥3.9 billion (previously ¥7.2 billion). In addition, net income attributable to shareholders of parent company has been revised downward to ¥5.5 billion (previously ¥7.6 billion).

2. Consolidated Financial Highlights

Noritz Corporation and Consolidated Subsidiaries Years ended December 31, 2018, 2019, 2020 and 2021

Millions of yen

	2018	2019	2020	2021 3Q
Fiscal Year:				
Net sales	¥209,868	¥208,396	¥183,859	¥137,577
Operating income	4,809	2,693	4,763	4,118
Operating margin (%)	2.3	1.3	2.6	3.0
Net income attributable to shareholders of parent company	5,778	1,512	(3,013)	6,247
Net cash provided by operating activities	9,046	6,138	9,415	—
Net cash used in investing activities	(1,380)	(11,304)	(5,432)	—
Net cash used in financing activities	(1,854)	(2,802)	(4,317)	—
Cash and cash equivalents	38,999	30,826	30,669	43,265
Capital expenditures	6,731	7,419	5,193	4,292
Depreciation and amortization	6,611	7,083	6,863	4,078
At Fiscal Year—End:				
Total assets	¥198,728	¥199,305	¥189,726	¥195,365
Net assets	114,053	114,801	110,971	116,600
Per Share Data (Yen):				
Net income	¥120.86	¥31.75	¥(64.79)	¥135.84
Cash dividend	32.00	32.00	35.00	—
Net assets	2,300.99	2,359.80	2,330.19	2,446.69
Financial Ratios (%):				
Return on equity (ROE)	5.1	1.4	(2.8)	—
Equity ratio	55.4	55.7	56.5	57.6