

# Consolidated Results 2022 1Q

## 1. Consolidated Performance Overview for January to March 2022

During the first three months of the fiscal year ending December 31, 2022, with the continuation of priority preventative measures in place to prevent the spread of the novel coronavirus disease (COVID-19) throughout Japan, future conditions remained unpredictable for the Japanese economy due to the resulting stagnation in business activities and worsening employment conditions. Overseas circumstances also remained uncertain due to the resurgence in COVID-19 infections and lockdowns in China, etc.

Given these conditions, while dealing with constraints on economic activities due to the spread of COVID-19, the Group started year two of our new Medium-Term Management Plan “V-plan 23,” which was launched last year. We have positioned the three years of this Medium-Term Management Plan as the phase of “Laying the Groundwork toward the Next Level,” aiming to evolve our Domestic Business to create a strong revenue structure and to achieve sustainable growth in our Overseas Business. However, during the previous fiscal year, the impact of global parts procurement difficulties resulted in challenging results. In response, during the first quarter of fiscal 2022, in addition to the initiatives set forth in the “V-plan 23,” we have been working on restructuring the supply chain as our top priority.

As a result, for the first three months of the fiscal year ending December 31, 2022, net sales were ¥43.4 billion (a decrease of 11.6% year on year), operating loss was ¥0.7 billion (operating income of ¥3.1 billion in the same period of the previous fiscal year), and ordinary loss was ¥0.2 billion (ordinary income of ¥3.4 billion in the same period of the previous fiscal year). Net loss attributable to shareholders of parent company was ¥0.3 billion (net income attributable to shareholders of parent company of ¥4.0 billion in the same period of the previous fiscal year).

	Billions of yen				
	2019	2020	2021	2022 1Q	2022(plan)
Net Sales	¥208.3	¥183.8	¥191.0	¥43.4	¥193.0
Domestic Business*	149.8	133.3	132.0	27.8	125.0
Overseas Business*	58.5	50.4	59.0	15.6	68.0
Operating Income	2.6	4.7	6.4	(0.7)	5.0
Domestic Business	2.3	4.3	4.9	(1.1)	2.0
Overseas Business	0.2	0.3	1.5	0.4	3.0
Ordinary Income	3.4	5.9	7.2	(0.2)	5.7
Net Income attributable to shareholders of parent company	1.5	(3.0)	7.6	(0.3)	4.6

\*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 of the previous fiscal year.

i. Domestic Business

In the Domestic Business segment, for the first three months of the fiscal year ending December 31, 2022, we saw sales of ¥27.8 billion (a decrease of 21.4% year on year) and segment loss of ¥1.1 billion (segment income of ¥2.8 billion in the same period of the previous fiscal year).

In response to the parts procurement difficulties that have persisted since the third quarter of fiscal 2021, we took measures such as changing procurement terms and securing alternative parts, and production volume of our mainstay products recovered to the level of the previous fiscal year from March of this year.

In the Water Heaters section, “V-Plan 23” prioritized expanding sales of high-value-added products. We have promoted the sales of our high-efficiency “Eco-Jozu” gas water heaters, centered on the “GT-C62 Series,” which is equipped with “bath monitoring” and “cleaning” functions. In particular, due to heightened hygienic needs, we have enjoyed increased sales of high-end “premium models” equipped with “bacteria-killing” functions. We also revised our CO<sub>2</sub> reduction target toward achieving carbon neutrality and accelerated sales expansion of “hybrid water and space heating systems,” which efficiently produce hot water from two types of energy, gas and electricity.

In the Kitchen Appliances section, we launched new products on March 1, adding a new white color to the intermediate grade “piatto multi-grill” and range hood to expand the total coordination of kitchens. By proposing a gas cooker and range hood as a set, we significantly increased sales of mid- to high-end grade built-in gas cooker in March.

Although our performance is on a recovery trend thanks to our response to parts procurement difficulties and sales expansion of high-value-added products, it was not enough to offset the impact of production cuts until February, resulting in lower net sales and profits for the Domestic Business segment overall.

ii. Overseas Business

In the Overseas Business segment, for the first three months of the fiscal year ending December 31, 2022, we achieved sales of ¥15.6 billion (an increase of 14.0% year on year) and segment income of ¥0.4 billion (an increase of 92.5% year on year).

In the Chinese region, in addition to expanding sales of residential water heaters that meet local needs, we significantly increased sales of commercial water heaters and water heaters with heating. We also made steady progress in expanding into third- and fourth-tier cities, a key initiative under V-plan 23, which led to increased revenues. In the North American region, sales of commercial water heaters and heating products increased significantly, but sales of tankless water heaters for residential use struggled due to the impact of parts procurement difficulties, resulting in lower net sales and profits. In the Australian region, we significantly expanded sales of both residential and commercial-use products through collaboration with a major pipe material wholesaler, but soaring raw material prices and higher transportation costs resulted in lower operating income. Consequently, we achieved higher sales and higher income in overall Overseas Business.

## 2 Consolidated Financial Highlights

Noritz Corporation and Consolidated Subsidiaries Years ended December 31, 2019, 2020, 2021 and 2022

Millions of yen

	2019	2020	2021	2022 1Q
Fiscal Year:				
Net sales	¥208,396	¥183,859	¥178,142	¥43,473
Operating income	2,693	4,763	2,500	(724)
Operating margin (%)	1.3	2.6	1.4	(1.6)
Net income attributable to shareholders of parent company	1,512	(3,013)	5,479	(396)
Net cash provided by operating activities	6,138	9,415	15,477	–
Net cash used in investing activities	(11,304)	(5,432)	(2,522)	–
Net cash used in financing activities	(2,802)	(4,317)	(3,118)	–
Cash and cash equivalents	30,826	30,669	43,322	–
Capital expenditures	7,419	5,193	6,019	1,174
Depreciation and amortization	7,083	6,863	6,136	1,371
At Fiscal Year—End:				
Total assets	¥199,305	¥189,726	¥194,527	¥196,433
Net assets	114,801	110,971	111,959	115,869
Per Share Data (Yen):				
Net income	¥31.75	¥(64.79)	¥119.12	¥(8.62)
Cash dividend	32.00	35.00	83.00	0
Net assets	2,359.80	2,330.19	2,433.96	2,419.25
Financial Ratios (%):				
Return on equity (ROE)	1.4	(2.8)	5.0	(0.4)
Equity ratio	55.7	56.5	57.6	56.6