

# Consolidated Results 2024 4Q

## 1. Consolidated Performance Overview for January to December 2024

During fiscal 2024, the Japanese economy continued to recover gradually, but the impact of rising prices did not lead to a significant increase in consumer purchasing power. Overseas, the economic outlook remained uncertain due to the prolonged real estate recession in China. In addition, the situation remained uncertain due to the soaring costs of raw materials and energy, and changes in the geopolitical situation due to elections in Europe and the U.S. and the situation in the Middle East, among other factors.

Given these conditions, the Group started its new Medium-Term Management Plan “V-plan 26.” Over the three years of this Medium-Term Management Plan, the Group will tackle the priority strategies of “Transformation of Business Portfolio,” “Expansion of Strategic Investments and Capital Policy,” and “Promotion of Sustainability Management” in order to respond to changes in the business environment and aim for sustainable growth and enhancement of corporate value. In its Domestic Business the Company works toward achieving a carbon-neutral society by allocating management resources to provide new value through environmentally friendly products as well as products that solve social issues, while in its Overseas Business it will aim to expand its business and profits in North America region and develop new businesses in Southeast Asia.

As a result, consolidated operating results for fiscal 2024 were as follows: net sales of ¥202.2 billion (an increase of 0.2% year on year), operating income of ¥2.3 billion (a decrease of 37.6% year on year), ordinary income of ¥3.5 billion (an increase of 187.5% year on year), and net income attributable to shareholders of parent company of ¥4.3 billion (an increase of 404.4% year on year) mainly due to the recording of proceeds from sales of investment securities of ¥3.9 billion.

In fiscal 2024, which is the first year of the new Medium-Term Management Plan “V-plan 26,” we revised the previously announced figures mainly due to the unexpectedly sluggish market conditions overseas, particularly in China. However, conditions are emerging that will translate into better results for next fiscal year. For example, domestically, there has been a recovery in demand for residential water heaters, and in the Commercial section, we have begun full-scale operations of the thermal solutions business, while overseas, there has been a recovery in sales of residential and commercial water heaters in North America and expansion of kitchen appliances in China, among other factors. Therefore, we will work to achieve “V-plan 26” by steadily rebuilding existing businesses, which became an issue in the current fiscal year.

	Billions of yen				
	2021	2022	2023	2024	<b>2025 (plan)</b>
Net Sales	¥178.1	¥210.9	¥201.8	¥202.2	<b>¥205.0</b>
Domestic Business*	115.3	141.4	131.4	133.4	<b>137.0</b>
Overseas Business*	62.7	69.5	70.4	68.7	<b>68.0</b>
Operating Income	2.5	6.8	3.8	2.3	<b>3.0</b>
Domestic Business	(0.1)	3.3	0.3	1.3	<b>1.5</b>
Overseas Business	2.6	3.5	3.4	1.0	<b>1.5</b>
Ordinary Income	3.9	7.9	1.2	3.5	<b>3.9</b>
Net Income attributable to shareholders of parent company	5.4	4.8	0.8	4.3	<b>2.4</b>

\*Does not include figures for internal transactions

## Explanation by Segment

Operating results by segment are described below.

Effective from fiscal 2024, the Company changed the method for calculating profit or loss of reportable segments. Accordingly, when presenting year-on-year comparisons, the segment profit or loss of the current period will be compared against a figure of profit or loss of the corresponding previous period that has been restated using the new calculation method.

### i. Domestic Business

In fiscal 2024, the Domestic Business segment saw sales of ¥133.4 billion (an increase of 1.6% year on year) and segment income of ¥1.3 billion (an increase of 271.2% year on year). Both sales and income increased due to the recovery of demand from the second quarter onwards, despite impact from soaring costs and foreign exchange.

In the Water Heaters section, unit sales of “hybrid water and space heating systems,” which efficiently produce hot water from two types of energy, gas and electricity, expanded to 1.4 times that of such sales in fiscal 2023, due to the utilization of government subsidies. In addition, we increased the unit sales of IoT remote control units by 1.1 times that of such sales in fiscal 2023 and the number of maintenance agreements by 1.2 times that of such number in fiscal 2023, thus strengthening future connections with customers. On the other hand, for products that solve social issues, unit sales were sluggish due to a decline in demand caused by rising prices. Among products for commercial use, we produced results in our initiatives to achieve carbon neutrality by encouraging the replacement of boilers with commercial gas water heaters, and also began full-scale operations of the thermal solutions business. In the Kitchen Appliances section, although unit sales of built-in gas cookers remained flat, the ratio of mid- to high-end grade units increased, and unit sales of range hoods increased significantly by 1.3 times that of such sales in fiscal 2023 due to the expansion of sales channels. Consequently, we achieved higher sales and higher income for the overall domestic business.

### ii. Overseas Business

In fiscal 2024, the Overseas Business segment saw sales of ¥68.7 billion (a decrease of 2.5% year on year) and segment income of ¥1.0 billion (a decrease of 70.3% year on year).

In the Chinese region, amid the continued slump in market conditions, unit sales of water heaters decreased and sales of heating appliances slowed down, and income from kitchen appliances decreased due to rising raw material prices, despite strong sales. In the North American region, unit sales of high-efficiency and other types of tankless water heaters continued to grow, while sluggish sales of heaters continued. In the Australian region, sales of heat pump water heaters and commercial water heaters were strong. Consequently, we experienced lower sales and lower income for the overall overseas business.

## 2. Overview of Financial Position for Fiscal 2024

Total assets at the end of fiscal 2024 were ¥223.7 billion (an increase of ¥15.9 billion from the end of the previous fiscal year). Due to the increase in cash and deposits and other factors, current assets were ¥126.2 billion (an increase of ¥4.7 billion from the end of the previous fiscal year). In addition, due to the increase in investment securities and other factors, noncurrent assets were ¥97.5 billion (an increase of ¥11.2 billion from the end of the previous fiscal year).

Due to the increase in deferred tax liabilities, liabilities were ¥86.8 billion (an increase of ¥5.7 billion from the end of the previous fiscal year). Total net assets were ¥136.9 billion (an increase of ¥10.2 billion from the end of the previous fiscal year).

## 3. Overview of Cash Flow for Fiscal 2024

Cash and cash equivalents (“funds”) on a consolidated basis at the end of fiscal 2024 were ¥27.3 billion, an increase of ¥2.1 billion compared to the end of the previous fiscal year.

The cash flow conditions for fiscal 2024 are as follows.

### Cash Flow from Operating Activities

Funds from operating activities were ¥8.6 billion (¥1.8 billion of funds used in the previous fiscal year). This is mainly due to income before income taxes and minority interests of ¥7.1 billion, depreciation and amortization of ¥7.5 billion, gain on sale of investment securities of ¥3.9 billion, an increase in trade receivables of ¥3.2 billion, a decrease in inventories of ¥2.9 billion, an increase in retirement benefit asset of ¥0.8 billion.

### Cash Flow from Investment Activities

Funds used in investment activities were ¥5.9 billion (an increase of ¥0.3 billion from the end of the previous fiscal year). This is mainly due to payments for purchase of tangible fixed assets of ¥7.0 billion.

### Cash Flow from Financing Activities

Funds used in financing activities were ¥2.4 billion (a decrease of ¥0.7 billion from the end of the previous fiscal year). This is mainly due to dividends paid of ¥2.5 billion.

### Trend of Cash Flow Indicators

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Capital adequacy ratio (%)	53.1	58.7	59.0
Capital adequacy ratio based on market value (%)	30.6	33.5	34.4
Ratio of interest-bearing debt to cash flow (years)	2.8	—	1.0
Interest coverage ratio (times)	23.7	—	60.5

Notes:  $\text{Capital adequacy ratio} = \text{Capital adequacy} / \text{Total assets}$

$\text{Capital adequacy ratio based on market value} = \text{Market capitalization} / \text{Total assets}$

$\text{Ratio of interest-bearing debt to cash flow} = \text{Interest-bearing debt} / \text{Operating cash flow}$

$\text{Interest coverage ratio} = \text{Operating cash flow} / \text{Interest payment}$

1. All indicators are calculated based on consolidated financial figures.
2. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the total number of shares issued at the end of the fiscal year (excluding treasury stock).
3. Operating cash flow is the cash flow from operating activities in the consolidated statement of cash flows. Interest-bearing debt includes all liabilities on the consolidated balance sheet for which interest is paid. In addition, interest payments are based on the amount of interest paid in the consolidated statement of cash flows.
4. Ratio of interest-bearing debt to cash flow and interest coverage ratio are not shown if operating cash flow is negative.

## 4. Future Outlook

The future outlook of the global economy remains uncertain due to the impact of new policies by the Trump administration in the U.S. and the prolonged market slump in China, among other factors.

In particular, with the possibility of the change in the environmental and energy policies in the U.S., the status of global initiatives aimed at realizing a carbon-free society may also change. Meanwhile, soaring energy and material prices are expected to continue in the future.

Amid this environment, we have revised our 2026 performance plan under the Medium-Term Management Plan “V-plan 26” to net sales of ¥210.0 billion and operating income of ¥4.5 billion. Under “V-plan 26,” we will continue to promote the Domestic and Overseas businesses based on three priority strategies of “Transformation of Business Portfolio,” “Expansion of Strategic Investments and Capital Policy,” and “Promotion of Sustainability Management.” In the Domestic Business, we have set forth a policy of reforms to the structure that is biased towards the residential use water heater business, we contribute to the realization of a carbon-free society by strengthening initiatives to expand sales of our “hybrid water and space heating systems” and high-efficiency “Eco-Jozu” gas water heaters and in the Kitchen Appliances section, we aim to expand sales of store-brand built-in gas cookers and range hoods in growing channels. In addition, in the Commercial section, we will cultivate markets in the field of providing hot water for use by service providers or users with application specific products, while working to promote the thermal solutions business in the field for industrial and agricultural use.

In the Overseas Business, we have set forth policies for mitigating the risk in overly relying on the Chinese market, and for cultivating new markets, and we will rebuild the China business by creating synergies between our Chinese subsidiaries. In North America, we aim to contribute towards carbon neutrality, expand the commercial water heater section, and increase sales by promoting greater efficiency in the heaters section through ties between three subsidiaries. In Australia, we will secure stable revenue by improving costs through investment in equipment and facilities and by developing and selling new heat pump water heaters.

We will also work with our equity-method affiliate Kangaroo on product development and deployment and also open a representative office in Hanoi, Vietnam to further expand to Southeast Asian countries.

## 5. Consolidated Financial Highlights

Noritz Corporation and Consolidated Subsidiaries Years ended December 31, 21, 2022, 2023 and 2024

Millions of yen

	2021	2022	2023	2024
<b>Fiscal Year:</b>				
Net sales	¥178,142	¥210,966	¥201,891	<b>¥202,204</b>
Operating income	2,500	6,889	3,840	<b>2,395</b>
Operating margin (%)	1.4	3.3	1.9	<b>1.2</b>
Net income attributable to shareholders of parent company	5,479	4,800	868	<b>4,383</b>
Net cash provided by operating activities	15,477	2,403	(1,868)	<b>8,618</b>
Net cash used in investing activities	(2,522)	(7,790)	(5,664)	<b>(5,996)</b>
Net cash used in financing activities	(3,118)	(4,778)	(3,235)	<b>(2,477)</b>
Cash and cash equivalents	43,159	35,147	25,159	<b>27,346</b>
Capital expenditures	6,019	6,223	9,201	<b>10,425</b>
Depreciation and amortization	6,136	6,590	7,438	<b>7,599</b>
<b>At Fiscal Year-End:</b>				
Total assets	¥194,527	¥216,974	¥207,983	<b>¥223,767</b>
Net assets	116,193	119,656	126,667	<b>136,939</b>
<b>Per Share Data (Yen):</b>				
Net income	¥119.12	¥104.64	¥18.84	<b>¥94.89</b>
Cash dividend	83.00	53.00	53.00	<b>69.00</b>
Net assets	2,433.96	2,508.08	2,644.38	<b>2,852.62</b>
<b>Financial Ratios (%):</b>				
Return on equity (ROE)	5.0	4.2	0.7	<b>3.5</b>
Equity ratio	57.6	53.1	58.7	<b>59.0</b>