

# Consolidated Results 2022 3Q

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

During the first three quarters of fiscal 2022 (nine months ended September 30, 2022), the resurgence in novel coronavirus disease (COVID-19) resulted in the Japanese economy seeking a route to recovery by balancing measures to prevent infections with socioeconomic activity. Signs of recovery were also evident in supply chains overseas, as seen in such developments as the gradual resumption of economic activity after the lifting of a lockdown in Shanghai that lasted two months. On the other hand, the situation remained uncertain due to soaring global energy and material prices as well as a significant depreciation of the yen, and heightened geopolitical risks including Russia's military invasion of Ukraine.

Given these conditions, the Group entered the second half of year two of our new Medium-Term Management Plan "V-plan 23," which was launched last year. We position the three years of this Medium-Term Management Plan as the phase of "Strengthen Our Platform for Success" and aim to evolve our Domestic Business to create a strong revenue structure and to achieve sustainable growth in our Overseas Business. Moreover, in response to the global parts procurement difficulties that occurred in the previous fiscal year, the Company added "supply chain restructuring" as a priority issue and has been working to ensure a stable supply of products as a top priority.

As a result, consolidated operating results for the first three quarters of the fiscal year ending December 31, 2022 were as follows: net sales of ¥150.1 billion (an increase of 9.2% year on year), operating income of ¥2.8 billion (a decrease of 30.4% year on year), ordinary income of ¥3.9 billion (a decrease of 22.4% year on year), and net income attributable to shareholders of parent company of ¥2.2 billion (a decrease of 64.1% year on year). While sales increased and income decreased, the scale of the decline in profit in the first half was mitigated by profit that significantly exceeded that of the same period of the previous year since the third quarter of fiscal 2022.

	2019	2020	2021	2022 3Q	Billions of yen 2022(plan)
Net Sales	¥208.3	¥183.8	¥191.0	¥150.1	<b>¥193.0</b>
Domestic Business*	149.8	133.3	132.0	98.7	<b>125.0</b>
Overseas Business*	58.5	50.4	59.0	51.4	<b>68.0</b>
Operating Income	2.6	4.7	6.4	2.8	<b>5.0</b>
Domestic Business	2.3	4.3	4.9	0.9	<b>2.0</b>
Overseas Business	0.2	0.3	1.5	1.9	<b>3.0</b>
Ordinary Income	3.4	5.9	7.2	3.9	<b>5.7</b>
Net Income attributable to shareholders of parent company	1.5	(3.0)	7.6	2.2	<b>4.6</b>

\*Does not include figures for internal transactions

Operating results by segment are described below.

i. Domestic Business

In the Domestic Business segment, for the first nine months of the fiscal year ending December 31, 2022, we achieved sales of ¥98.7 billion (an increase of 8.5% year on year) and segment income of ¥0.9 billion (a decrease of 60.7% year on year).

In response to the parts procurement difficulties that have persisted since the third quarter of fiscal 2021, we continued to take measures such as changing procurement terms and securing alternative parts, and in the third quarter of fiscal 2022 we again focused our efforts on rapidly clearing the backlog of orders, which had significantly exceeded production volume in the previous fiscal year, and on normalizing deliveries.

Furthermore, amid soaring material prices, we secured revenue by working to expand sales of high-value-added products, which is a priority issue in “V-plan 23.”

In the Water Heaters section, 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 continued to enjoy increased sales of high-end “premium models” equipped with “bacteria-killing” functions. We strengthened initiatives to achieve carbon neutrality and accelerated the sales expansion of “hybrid water and space heating systems,” which efficiently produce hot water from two types of energy, gas and electricity. In addition, in the Commercial section we focused on sales expansion of high-efficiency gas water heaters for commercial use that help reduce CO<sub>2</sub>.

In the Kitchen Appliances section, we struggled to secure total sales volumes, but worked on expanding sales of mid-to high-end built-in gas cookers, with a focus on the “PROGRE Series” that was launched in August.

Our response to parts procurement difficulties, the expansion of sales of high-value-added products, and revisions to the manufacturer’s suggested retail price reduced the scale of the decline in profit in the first half, but for the first three quarters of fiscal 2022 the overall domestic business recorded higher sales but lower income.

ii. Overseas Business

In the Overseas Business segment, for the first nine months of the fiscal year ending December 31, 2022, we achieved sales of ¥51.4 billion (an increase of 10.5% year on year) and segment income of ¥1.9 billion (an increase of 11.7% year on year).

In the Chinese region, following the lifting of the Shanghai lockdown we normalized production, cleared the backlog of orders for residential water heaters, and increased output of water heaters for exports, which resulted in an expansion of sales. We also made steady progress in expanding into third- and fourth-tier cities, a key initiative under “V-plan 23.” In the North American region, the recovery from parts procurement difficulties and increases in production capacity achieved by bringing manufacturing inside the Group enabled us to raise output of tankless water heaters, and clear the order backlog. In the Australian region the resumption of tankless water heater imports from China led to significant growth in sales, and contributed to securing higher profits. In addition to the above, the impact of yen depreciation helped the overall overseas business achieve increases in both sales and income.

## 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 3Q
<b>Fiscal Year:</b>				
Net sales	¥208,396	¥183,859	¥178,142	<b>¥150,182</b>
Operating income	2,693	4,763	2,500	<b>2,865</b>
Operating margin (%)	1.3	2.6	1.4	<b>1.9</b>
Net income attributable to shareholders of parent company	1,512	(3,013)	5,479	<b>2,242</b>
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	43,159	<b>33,620</b>
Capital expenditures	7,419	5,193	6,019	<b>4,144</b>
Depreciation and amortization	7,083	6,863	6,136	<b>4,817</b>
<b>At Fiscal Year—End:</b>				
Total assets	¥199,305	¥189,726	¥194,527	<b>¥214,728</b>
Net assets	114,801	110,971	116,193	<b>120,271</b>
<b>Per Share Data (Yen):</b>				
Net income	¥31.75	¥(64.79)	¥119.12	<b>¥48.91</b>
Cash dividend	32.00	35.00	83.00	<b>50.00</b>
Net assets	2,359.80	2,330.19	2,433.96	<b>2,517.97</b>
<b>Financial Ratios (%):</b>				
Return on equity (ROE)	1.4	(2.8)	5.0	–
Equity ratio	55.7	56.5	57.6	<b>53.9</b>