

# Consolidated Results 2021 4Q

## 1. Consolidated Performance Overview for January to December 2021

During fiscal 2021, with the declaration of a state of emergency and priority preventative measures in place over the long term to prevent the spread of the novel coronavirus disease (COVID-19), future conditions 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.” We position the coming three years as the phase to “Strengthen Our Platform for Success” and aim to evolve our Domestic Business to create a strong revenue structure and to create sustainable growth in our Overseas Business.

As a result, in fiscal 2021, net sales were ¥178.1 billion (a decrease of 3.1% year on year), operating income was ¥2.5 billion (a decrease of 47.5% year on year), and ordinary income was ¥3.9 billion (a decrease of 32.9% year on year) Net income attributable to shareholders of parent company was ¥5.4 billion (net loss attributable to shareholders of parent company of ¥3.0 billion in the previous fiscal year) with the recording of gain on sales of investment securities and real estate assets.

In fiscal 2021, the first fiscal year of our new Medium-Term Management Plan “V-Plan 23,” difficulties procuring parts from overseas starting in September due to the COVID-19 pandemic caused us not to achieve plans, which were upwardly revised in May. However, results of the initiatives put forth in “V-Plan 23” appeared in the first three quarters of fiscal 2021, and we plan to achieve “V-Plan 23” by steadily moving forward with rebuilding supply chains, an issue in fiscal 2021.

	Billions of yen				
	2018	2019	2020	2021	2022 (Plan)
Net Sales	¥209.8	¥208.3	¥183.8	¥178.1	<b>¥193.0</b>
Domestic Business*	151.0	149.8	133.3	115.3	<b>125.0</b>
Overseas Business*	58.8	58.5	50.4	62.7	<b>68.0</b>
Operating Income	4.8	2.6	4.7	2.5	<b>5.0</b>
Domestic Business	2.6	2.3	4.3	(0.1)	<b>2.0</b>
Overseas Business	2.2	0.2	0.3	2.6	<b>3.0</b>
Ordinary Income	6.2	3.4	5.9	3.9	<b>5.7</b>
Net Income attributable to shareholders of parent company	5.7	1.5	(3.0)	5.4	<b>4.6</b>

\*Does not include figures for internal transactions

## 2. Explanation by Segment

Operating results by segment are described below.

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

### Domestic Business

In fiscal 2021, the Domestic Business segment saw sales of ¥115.3 billion (a decrease of 13.5% year on year) and segment loss of ¥0.1 billion (segment income of ¥4.3 billion in the previous fiscal year).

In the Water Heaters section, management prioritized expanding sales of high-value-added products. 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.

Similarly, 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.

Centered on the Water Heaters section, we worked to improve revenue through our product mix by increasing our sales composition ratio of high-value-added products, leading to strong results in the second quarter. However, from the third quarter onward, sales and income fell in the overall Domestic Business due to difficulties in procuring parts.

### Overseas Business

In fiscal 2021, the Overseas Business segment saw sales of ¥62.7 billion (an increase of 24.3% year on year) and segment income of ¥2.6 billion (an increase of 609.3% year on year).

In the Chinese region, with the effects of COVID-19 easing, we worked to expand sales of new products that meet local needs. In addition to growth in online sales and sales in inland China, we boosted our brand strength by strengthening advertising activities, leading to increased earnings. In the North American region, we produced results by improving our distribution network and by expanding sales of commercial water heaters and other heating products. In the Australian region, we grew sales of both tankless water heaters for home use and commercial water heaters. Consequently, we achieved higher sales and higher income in every region and across overall Overseas Business.

### Future Outlook

While the impact on the global and Japanese economy from COVID-19 remains uncertain, we expect initiatives aimed at realizing a carbon-free society to accelerate and for energy-saving policies to move forward in every industry including housing. However, we expect prices for materials including petroleum products and for procured parts continue to rise.

Amid this environment, our efforts starting last year to address the impact of difficulty in procuring parts on the Group’s production are leading toward improvement. As our most important new issue, we are working to balance stabilizing procurement and preventing cost increases by rebuilding the supply chain.

Furthermore, we are streamlining manufacturing through DX, reforming our sales model, and strengthening initiatives for product development to resolve social issues as we work to build a revenue-producing structure and to develop technology to realize a carbon-free society.

In the Domestic Business, we will promote the Long-term Use Consumer Product Safety Inspection System being advanced by the industry. In addition to building a sales model that ensures the safety of products for long-term use, we will work to provide new value by expanding sales of products with “bath monitoring” functions to support reducing accidents in the bath, products with “bacteria-killing” functions for hygienic needs, “multi-grills” that supports simple and convenient cooking, and “hybrid water heaters” to contribute to realizing a low-carbon society, while also using digital technology such as IoT and AI.

In the Overseas Business, we will expand into regional cities in China, expand our business fields in the North American and Australian regions, and expand our product lineup including environmental and energy-saving tankless water heaters, heaters, and commercial equipment, as we work to realize growth.

### 3. Consolidated Financial Highlights

Noritz Corporation and Consolidated Subsidiaries Years ended December 31, 2017, 2018, 2019 and 2020

Millions of yen

	2018	2019	2020	2021
Fiscal Year:				
Net sales	¥209,868	¥208,396	¥183,859	<b>¥178,142</b>
Operating income	4,809	2,693	4,763	<b>2,500</b>
Operating margin (%)	2.3	1.3	2.6	<b>1.4</b>
Net income attributable to shareholders of parent company	5,778	1,512	(3,013)	<b>5,479</b>
Net cash provided by operating activities	9,046	6,138	9,415	<b>15,477</b>
Net cash used in investing activities	(1,380)	(11,304)	(5,432)	<b>(2,522)</b>
Net cash used in financing activities	(1,854)	(2,802)	(4,317)	<b>(3,118)</b>
Cash and cash equivalents	38,999	30,826	30,669	<b>43,322</b>
Capital expenditures	6,731	7,419	5,193	<b>6,019</b>
Depreciation and amortization	6,611	7,083	6,863	<b>6,136</b>
At Fiscal Year-End:				
Total assets	¥198,728	¥199,305	¥189,726	<b>¥194,527</b>
Net assets	114,053	114,801	110,971	<b>111,959</b>
Per Share Data (Yen):				
Net income	¥120.86	¥31.75	¥(64.79)	<b>¥119.12</b>
Cash dividend	32.00	32.00	35.00	<b>83.00</b>
Net assets	2,300.99	2,359.80	2,330.19	<b>2433.96</b>
Financial Ratios (%):				
Return on equity (ROE)	5.1	1.4	(2.8)	<b>5.0</b>
Equity ratio	55.4	55.7	56.5	<b>57.6</b>