

Consolidated Results 2023 2Q

1. Consolidated Performance Overview for January to June 2023

During the first six months of the fiscal year ending December 31, 2023, the Japanese economy saw an acceleration of progress toward the normalization of economic activity due to the easing of significant restrictions on movement. Overseas, there was also movement toward the improvement of economic activity, including the lifting of border closures in various countries. On the other hand, the situation remained uncertain due to rising prices and tightening in financial markets on a global scale caused by the soaring cost of raw materials and energy, as well as heightened geopolitical risks, such as the prolonging of the situation in Ukraine.

Given these conditions, the Group started the final year of our new Medium-Term Management Plan “V-plan 23,” which was launched in 2021. 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, the Company added “construction of a solid supply chain” and “transformation of business activities through DX promotion” as priority issues and has been working to ensure a stable supply of products and optimize production processes.

As a result, consolidated operating results for the first six months of the fiscal year ending December 31, 2023 were as follows: net sales of ¥99.7 billion (an increase of 4.2% year on year), operating income of ¥1.2 billion (an increase of 59.2% year on year), ordinary income of ¥1.3 billion (a decrease of 8.8% year on year), and net income attributable to shareholders of parent company of ¥1.0 billion (an increase of 105.8% year on year).

	Billions of yen				
	2020	2021	2022	2023 2Q	2023 (plan)
Net Sales	¥183.8	¥178.1	¥210.9	¥99.7	¥234.0
Domestic Business*	133.3	115.3	141.4	64.9	151.0
Overseas Business*	50.4	62.7	69.5	34.8	83.0
Operating Income	4.7	2.5	6.8	1.2	8.0
Domestic Business	4.3	(0.1)	3.3	(0.1)	4.0
Overseas Business	0.3	2.6	3.5	1.3	4.0
Ordinary Income	5.9	3.9	7.9	1.3	8.6
Net Income attributable to shareholders of parent company	(3.0)	5.4	4.8	1.0	5.9

*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 six months of the fiscal year ending December 31, 2023, we achieved sales of ¥64.9 billion (an increase of 1.6% year on year) and segment loss of ¥0.1 billion (segment income of ¥0.6 billion in the same period of the previous fiscal year).

Although sales increased as a result of the resolution of product supply delays that were prolonged from 2021, income decreased due to the impact of soaring costs.

We produced results through initiatives to realize carbon neutrality, such as by increasing unit sales of “hybrid water and space heating systems,” which efficiently produce hot water from two types of energy, gas and electricity, by 150% year on year in the Water Heaters section, and increasing sales by 110% by encouraging the replacement of boilers with commercial gas water heaters and other initiatives in the Commercial section. On the other hand, for residential gas and oil water heaters, a cycle of restrained purchasing arose and unit sales decreased significantly due to the stagnation of consumption in addition to holding off on the new product launch of gas bathwater heaters, which are our core products, until July.

Similarly, the Kitchen Appliances section was also affected by the stagnation of consumption as a result of holding off on the new product launch of intermediate grade built-in gas cookers and range hoods until August, which resulted in decreased unit sales. Consequently, we achieved higher sales but lower income for the overall domestic business.

ii. Overseas Business

In the Overseas Business segment, for the first six months of the fiscal year ending December 31, 2023, we achieved sales of ¥34.8 billion (an increase of 9.5% year on year) and segment income of ¥1.3 billion (an increase of 586.7% year on year).

In the Chinese region, we grew revenue through the utilization of promotional sales and the expansion of sales of high-value-added products, such as water heaters for heating, amid delays in the recovery of demand. In the North American region, we secured profits by expanding sales of commercial equipment and heating equipment, which are highly profitable, despite struggling due to sluggish demand caused by a housing recession. In the Australian region, sales of tankless water heaters for the New Zealand market and tank-type water heaters for home improvement centers were steady, and industrial fields also grew significantly. Consequently, we achieved higher sales and higher income for the overall overseas business.

2. Explanation regarding consolidated operating results forecast and other forward-looking statements

There have been no changes to the consolidated operating results forecast announced in the consolidated results on February 14, 2023.

With regard to the impact of the spread of COVID-19 on operating results, we will monitor the management environment, performance trends, and so forth in the future going forward, and if any revision to the operating results forecast is deemed necessary, we will promptly make an announcement.

3. Consolidated Financial Highlights

Noritz Corporation and Consolidated Subsidiaries Years ended December 31, 2020, 2021, 2022 and 2023

Millions of yen

	2020	2021	2022	2023 2Q
Fiscal Year:				
Net sales	¥183,859	¥178,142	¥210,966	¥99,752
Operating income	4,763	2,500	6,889	1,276
Operating margin (%)	2.6	1.4	3.3	1.3
Net income attributable to shareholders of parent company	(3,013)	5,479	4,800	1,061
Net cash provided by operating activities	9,415	15,477	2,403	1,348
Net cash used in investing activities	(5,432)	(2,522)	(7,790)	(3,148)
Net cash used in financing activities	(4,317)	(3,118)	(4,778)	235
Cash and cash equivalents	30,669	43,322	35,147	34,788
Capital expenditures	5,193	6,019	6,223	4,974
Depreciation and amortization	6,863	6,136	6,590	3,302
At Fiscal Year—End:				
Total assets	¥189,726	¥194,527	¥216,974	¥215,155
Net assets	110,971	111,959	119,656	122,042
Per Share Data (Yen):				
Net income	¥(64.79)	¥119.12	¥104.64	¥23.03
Cash dividend	35.00	83.00	53.00	32.00
Net assets	2,330.19	2433.96	2,508.08	2645.55
Financial Ratios (%):				
Return on equity (ROE)	(2.8)	5.0	4.2	0.9
Equity ratio	56.5	57.6	53.1	56.7