

Consolidated Results 2023 3Q

1. Consolidated Performance Overview for January to September 2023

During the first nine months of the fiscal year ending December 31, 2023, the Japanese economy saw signs of recovery with recovery in inbound demand and improvement in the labor environment with the lifting of restrictions on movement. However, due to the impact of rising prices, this did not translate into a large increase in consumer spending. Overseas, although there was also a move toward improvement in economic activities, including the lifting of border closures in various countries, the pace of recovery remains gradual. In addition, the situation remained uncertain due to the soaring costs of raw materials and energy, tightening in financial markets, and heightened geopolitical risk. Given these conditions, the Group is moving forward with 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 to optimize production processes. As a result, consolidated operating results for the first nine months of the fiscal year ending December 31, 2023 were as follows: net sales of ¥144.8 billion (a decrease of 3.6% year on year), operating income of ¥0.8 billion (a decrease of 71.0% year on year), ordinary income of ¥1.0 billion (a decrease of 74.4% year on year), and net income attributable to shareholders of parent company of ¥0.5 billion (a decrease of 74.4% year on year).

	Billions of yen				
	2020	2021	2022	2023 3Q	2023(plan)
Net Sales	¥183.8	¥178.1	¥210.9	¥144.8	¥234.0
Domestic Business*	133.3	115.3	141.4	92.2	151.0
Overseas Business*	50.4	62.7	69.5	52.5	83.0
Operating Income	4.7	2.5	6.8	0.8	8.0
Domestic Business	4.3	(0.1)	3.3	(1.4)	4.0
Overseas Business	0.3	2.6	3.5	2.2	4.0
Ordinary Income	5.9	3.9	7.9	1.0	8.6
Net Income attributable to shareholders of parent company	(3.0)	5.4	4.8	0.5	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 nine months of the fiscal year ending December 31, 2023, we achieved sales of ¥92.2 billion (a decrease of 6.6% year on year) and segment loss of ¥1.4 billion (segment income of ¥0.9 billion in the same period of the previous fiscal year). Sales and income decreased due to weak demand, soaring costs, and the impact of foreign exchange continuing from the second quarter. 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 160% year on year in the Water Heaters section, and by largely increasing sales by encouraging the replacement of boilers with commercial gas water heaters in the Commercial section. On the other hand, for residential gas and oil water heaters, unit sales decreased significantly due to greater than expected stagnation in consumption. In the Kitchen Appliances section, although sales were strong for the new line of built-in gas cookers launched in August, cumulative unit sales through the third quarter were below the cumulative unit sales in the third quarter of the previous fiscal year. Consequently, we experienced lower sales and lower income for the overall domestic business.

ii. Overseas Business

In the Overseas Business segment, for the first nine months of the fiscal year ending December 31, 2023, we achieved sales of ¥52.5 billion (an increase of 2.3% year on year) and segment income of ¥2.2 billion (an increase of 16.1% year on year). In the Chinese region, we secured revenue through the expansion of sales of high-value-added products, such as water heater for heating, amid continued economic stagnation. 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. 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 sales in industrial fields were strong, increasing by 120% year on year. Consequently, we achieved higher sales and higher income for the overall overseas business.

2. Explanation regarding consolidated financial position

Total assets at the end of the third quarter were ¥212.8 billion (a decrease of ¥4.1 billion from the end of the previous fiscal year). Due to the decrease in bills receivable, accounts receivable, and contract assets, current assets were ¥120.6 billion (a decrease of ¥11.5 billion from the end of the previous fiscal year). In addition, due to the increase in investment securities and other factors, noncurrent assets were ¥92.2 billion (an increase of ¥7.4 billion from the end of the previous fiscal year). Due to the decrease in bills payable and accounts payable, liabilities at the end of the third quarter were ¥86.5 billion (a decrease of ¥10.7 billion from the end of the previous fiscal year). Total net assets at the end of the third quarter were ¥126.3 billion (an increase of ¥6.6 billion from the end of the previous fiscal year). As a result, we achieved a capital adequacy ratio of 57.1%.

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

The Company has revised the consolidated operating results forecast and dividend forecast announced in the consolidated results on February 14, 2023. For details, please refer to “Notice Regarding Revisions to Full-Year Consolidated Operating Results Forecast and Dividend Forecast” announced today (November 9, 2023).

4. Consolidated Financial Highlights

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

	Millions of yen			
	2020	2021	2022	2023 3Q
Fiscal Year:				
Net sales	¥183,859	¥178,142	¥210,966	¥144,803
Operating income	4,763	2,500	6,889	832
Operating margin (%)	2.6	1.4	3.3	0.6
Net income attributable to shareholders of parent company	(3,013)	5,479	4,800	573
Net cash provided by operating activities	9,415	15,477	2,403	–
Net cash used in investing activities	(5,432)	(2,522)	(7,790)	–
Net cash used in financing activities	(4,317)	(3,118)	(4,778)	–
Cash and cash equivalents	30,669	43,159	35,147	26,975
Capital expenditures	5,193	6,019	6,223	6,642
Depreciation and amortization	6,863	6,136	6,590	5,073
At Fiscal Year—End:				
Total assets	¥189,726	¥194,527	¥216,974	¥212,868
Net assets	110,971	116,193	119,656	126,346
Per Share Data (Yen):				
Net income	¥(64.79)	¥119.12	¥104.64	¥12.43
Cash dividend	35.00	83.00	53.00	53.00
Net assets	2,330.19	2,433.96	2,508.08	2637.09
Financial Ratios (%):				
Return on equity (ROE)	(2.8)	5.0	4.2	–
Equity ratio	56.5	57.6	53.1	57.1