

Consolidated Results 2023 1Q

1. Consolidated Performance Overview for January to March 2023

During the first three months of the fiscal year ending December 31, 2023, although the novel coronavirus disease (COVID-19) pandemic had not yet ended, restrictions on social and economic activities were eased and business confidence improved. Overseas, there was also movement toward the normalization of economic activity, including the lifting of border closures and easing of restrictions on movement 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, for the first three months of the fiscal year ending December 31, 2023, net sales were ¥54.3 billion (an increase of 24.9% year on year), operating income was ¥1.8 billion (operating loss of ¥0.7 billion in the same period of the previous fiscal year), and ordinary income was ¥1.8 billion (ordinary loss of ¥0.2 billion in the same period of the previous fiscal year). Net income attributable to shareholders of parent company was ¥1.2 billion (net loss attributable to shareholders of parent company of ¥0.3 billion in the same period of the previous fiscal year).

	Billions of yen				
	2020	2021	2022	2023 1Q	2023(plan)
Net Sales	¥183.8	¥191.0	¥210.9	¥54.3	¥234.0
Domestic Business*	133.3	132.0	141.4	36.7	151.0
Overseas Business*	50.4	59.0	69.5	17.5	83.0
Operating Income	4.7	6.4	6.8	1.8	8.0
Domestic Business	4.3	4.9	3.3	1.3	4.0
Overseas Business	0.3	1.5	3.5	0.5	4.0
Ordinary Income	5.9	7.2	7.9	1.8	8.6
Net Income attributable to shareholders of parent company	(3.0)	7.6	4.8	1.2	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 three months of the fiscal year ending December 31, 2023 we achieved sales of ¥36.7 billion (an increase of 31.7% year on year) and segment income of ¥1.3 billion (segment loss of ¥1.1 billion in the same period of the previous fiscal year).

We continued working to resolve product supply delays that have persisted since 2021 and sales were strong in both the Water Heaters and Kitchen Appliances sections.

Furthermore, as raw material prices and energy costs continued to soar, we grew revenue by working to expand sales of high-value-added products, which is a priority issue in “V-plan 23,” and by revising manufacturer’s suggested retail pricing in the previous fiscal year.

In the Water Heaters section, we have accelerated the sales expansion of our high-efficiency “Eco-Jozu” gas water heaters, centered on the “GT-C62 Series” which is equipped with “bath monitoring” and “cleaning” functions, as well as our “hybrid water and space heating systems,” which efficiently produce hot water from two types of energy, gas and electricity. Furthermore, in the Commercial section, we also worked on initiatives to achieve carbon neutrality and market expansion, including the nationwide rollout of our “Exhaust System for Commercial Facilities,” which encourages the replacement of boilers with commercial gas water heaters.

In the Kitchen Appliances section, amid a fall in demand, we significantly grew unit sales of built-in gas cookers and range hoods by launching new marketing aimed at enhancing experience value for customers. Consequently, we achieved higher sales and higher income for the overall domestic business.

ii. Overseas Business

In the Overseas Business segment, for the first three months of the fiscal year ending December 31, 2023, we achieved sales of ¥17.5 billion (an increase of 12.7% year on year) and segment income of ¥0.5 billion (an increase of 9.4% year on year).

In the Chinese region, we worked to expand sales of high-value-added products, amid recovering demand for residential water heaters. 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, we recovered our share of the market for tankless water heaters amid continuing sluggish demand and inventory adjustments by major pipe material wholesalers. We also achieved strong sales of commercial water heaters and heating products through cooperation between our three group companies in North America. In the Australian region, we expanded sales of tankless water heaters for the New Zealand market and sales of tank-type water heaters through home improvement centers were steady. Consequently, we achieved higher sales and higher income for the overall overseas business.

2 Consolidated Financial Highlights

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

Millions of yen

	2020	2021	2022	2023 1Q
Fiscal Year:				
Net sales	¥183,859	¥178,142	¥210,966	¥54,304
Operating income	4,763	2,500	6,889	1,817
Operating margin (%)	2.6	1.4	3.3	3.3
Net income attributable to shareholders of parent company	(3,013)	5,479	4,800	1,270
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	43,322	35,147	36,914
Capital expenditures	5,193	6,019	6,223	2,209
Depreciation and amortization	6,863	6,136	6,590	1,778
At Fiscal Year—End:				
Total assets	¥189,726	¥194,527	¥216,974	¥215,140
Net assets	110,971	111,959	119,656	121,540
Per Share Data (Yen):				
Net income	¥(64.79)	¥119.12	¥104.64	¥25.57
Cash dividend	35.00	83.00	53.00	0
Net assets	2,330.19	2433.96	2,508.08	2538.25
Financial Ratios (%):				
Return on equity (ROE)	(2.8)	5.0	4.2	–
Equity ratio	56.5	57.6	53.1	54.4