

Consolidated Results 2022 2Q

1. Consolidated Performance Overview for January to June 2022

During the first two quarters of fiscal 2022 (six months ended June 30, 2022), the Japanese economy showed signs of recovery in economic activities, following the full lifting in March of priority preventive measures to prevent the spread of the novel coronavirus disease (COVID-19). On the other hand, overseas, economic activities remained stagnant in some regions, such as the prolonged lockdown in Shanghai. Furthermore, the situation remained uncertain due to soaring global energy and raw material prices as well as heightened geopolitical risks, such as Russia's military invasion of Ukraine.

Given these conditions, the Group started 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 six months of the fiscal year ending December 31, 2022 were as follows: net sales of ¥95.7 billion (an increase of 1.8% year on year), operating income of ¥0.8 billion (a decrease of 80.4% year on year), ordinary income of ¥1.5 billion (a decrease of 68.2% year on year), and net income attributable to shareholders of parent company of ¥0.5 billion (a decrease of 89.7% year on year). While sales increased and income decreased, sales and income both achieved results that exceeded previously announced figures.

	Billions of yen				
	2019	2020	2021	2022 2Q	2022(plan)
Net Sales	¥208.3	¥183.8	¥191.0	¥95.7	¥193.0
Domestic Business*	149.8	133.3	132.0	63.9	125.0
Overseas Business*	58.5	50.4	59.0	31.7	68.0
Operating Income	2.6	4.7	6.4	0.8	5.0
Domestic Business	2.3	4.3	4.9	0.6	2.0
Overseas Business	0.2	0.3	1.5	0.2	3.0
Ordinary Income	3.4	5.9	7.2	1.5	5.7
Net Income attributable to shareholders of parent company	1.5	(3.0)	7.6	0.5	4.6

*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, 2022, we achieved sales of ¥63.9 billion (an increase of 1.1% year on year) and segment income of ¥0.6 billion (a decrease of 80.0% year on year).

In response to the parts procurement difficulties that have persisted since the third quarter of fiscal 2021, we took measures such as changing procurement terms and securing alternative parts, and from March of this year we focused on recovering production volume of our mainstay products. In the second quarter, production recovered 125% year on year, and increased to the highest level of production ever in June.

Furthermore, amid soaring raw material prices, we worked to expand sales of high-value-added products, which is a priority issue in “V-plan 23,” which led to the securing of revenue.

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 enjoyed increased sales of high-end “premium models” equipped with “bacteria-killing” functions. We also revised our CO₂ reduction target toward achieving carbon neutrality and accelerated sales expansion of “hybrid water and space heating systems,” which efficiently produce hot water from two types of energy, gas and electricity. In the Kitchen Appliances section, we provided value with new cooking experiences, and sales of mid- to high-end grade built-in gas cookers grew.

Sales grew as a result of our response to parts procurement difficulties and the expansion of sales of high-value-added products. However, we achieved higher sales but lower income as the impact of soaring raw material prices was significant.

ii. Overseas Business

In the Overseas Business segment, for the first six months of the fiscal year ending December 31, 2022, we achieved sales of ¥31.7 billion (an increase of 3.1% year on year) and segment income of ¥0.2 billion (a decrease of 81.5% year on year).

In the Chinese region, in addition to expanding sales of residential water heaters that meet local needs, we significantly increased sales of commercial water heaters and water heaters with heating in the first quarter. We also made steady progress in expanding into third- and fourth-tier cities, a key initiative under “V-plan 23”. However, the second quarter saw a difficult situation as the economy stagnated due to lockdown in Shanghai. Although production normalized due to the lifting of the lockdown in June, sales and income decreased. In the North American region, sales of tankless water heaters for residential use struggled due to the impact of parts procurement difficulties, but recovered from May and achieved record high unit sales in May and June. Similarly, in the Australian region, although sales of tankless water heaters stagnated due to the impact of parts procurement difficulties, we secured revenue by demonstrating the strength of business expansion with an abundant product line. Consequently, we achieved higher sales but lower income in overall Overseas Business.

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 2Q
Fiscal Year:				
Net sales	¥208,396	¥183,859	¥178,142	¥95,704
Operating income	2,693	4,763	2,500	802
Operating margin (%)	1.3	2.6	1.4	0.8
Net income attributable to shareholders of parent company	1,512	(3,013)	5,479	515
Net cash provided by operating activities	6,138	9,415	15,477	(5,127)
Net cash used in investing activities	(11,304)	(5,432)	(2,522)	(3,572)
Net cash used in financing activities	(2,802)	(4,317)	(3,118)	(4,300)
Cash and cash equivalents	30,826	30,669	43,322	33,621
Capital expenditures	7,419	5,193	6,019	2,364
Depreciation and amortization	7,083	6,863	6,136	2,838
At Fiscal Year—End:				
Total assets	¥199,305	¥189,726	¥194,527	¥206,950
Net assets	114,801	110,971	111,959	118,649
Per Share Data (Yen):				
Net income	¥31.75	¥(64.79)	¥119.12	¥20.0
Cash dividend	32.00	35.00	83.00	25.00
Net assets	2,359.80	2,330.19	2,433.96	2,477.69
Financial Ratios (%):				
Return on equity (ROE)	1.4	(2.8)	5.0	0.5
Equity ratio	55.7	56.5	57.6	55.0