

# Consolidated Results 2015

## 1. Consolidated Performance Overview

### \* Fiscal 2015 (ended December 31, 2015): Declines in sales and income due to weak domestic performance

- Domestic business: Both sales and operating income down due to longer-than-expected impact of consumption tax hike
- Overseas business: Increase in sales thanks to higher revenue in all regions, but lower income due to weak performance by Sakura Bath & Kitchen Products (China) Co., Ltd.

### \* Fiscal 2016 forecasts: Net sales of ¥220.0 billion; operating income of ¥7.0 billion

	2012	2013	2014	2015	Billions of yen 2016 (Plan)
<b>Net Sales</b>	¥187.0	¥200.3	¥218.9	¥218.9	<b>¥220.0</b>
Domestic Business	172.7	173.1	169.8	156.9	<b>156.0</b>
Overseas Business	14.3	27.2	49.0	61.9	<b>64.0</b>
<b>Operating Income</b>	8.8	9.6	7.4	5.1	<b>7.0</b>
Domestic Business	8.6	7.9	5.6	3.5	<b>4.5</b>
Overseas Business	0.1	1.6	1.7	1.5	<b>2.5</b>
<b>Ordinary Income</b>	9.8	11.0	9.4	6.0	<b>7.7</b>
<b>Net Income</b>	5.9	6.3	3.4	(3.9)	<b>4.6</b>

## 2. Key Initiatives for Fiscal 2016

### \* Domestic Business

Increase sales of value-added products and take decisive income-improvement measures to address flat demand for mainstay water heaters

- Improve product mix: (1) Increase ratio of Eco-Jozu high-efficiency gas water-heaters; (2) Increase sales of mid-range/high-end built-in gas cookers
- Expand sales of new products
- Take decisive income-improvement measures worth around ¥1.5 billion

### \* Domestic Business Topics

Capital and business alliance with Chofu Seisakusho Co., Ltd. (First Section of the Tokyo Stock Exchange listing)

Reciprocal supply of products and parts, joint product development, and complementary provision of after-sales services in shrinking domestic market; targeting cross-shareholdings of around 3%

### \* Overseas Business

Increased sales of tankless gas water heaters buoyed by environmental and energy-saving demand, even after accounting for downside risk in economic growth

### \* Overseas Business Topics

- Increase sales in China and North America
- Rebuild Sakura Bath & Kitchen Products (China) Co., Ltd. by shifting focus from revenue to earnings
- Maximize synergies with Dux Manufacturing Limited (Noritz-made tankless gas water heaters launched in February 2016)

## 3. Message from the President

In fiscal 2015, ended December 31, 2015, Noritz Corporation posted consolidated net sales of ¥218,909 million, down slightly from the previous fiscal year. Revenue was affected significantly by weakness in our domestic business due to the longer-than-expected impact of the consumption tax hike on April 1, 2014. Operating income declined 30.8% year on year, to ¥5,123 million. In our domestic business, sales decreased 7.6%, to ¥156,962 million, and operating income fell 36.0%, to ¥3,595 million. In our overseas business, we enjoyed higher sales across all regions, including China and North America, although Sakura Bath & Kitchen Products (China) Co., Ltd. had weak results. Accordingly, overseas business sales jumped 26.3%, to ¥61,946 million, and operating income rose 14.6%, to ¥1,527 million.

We made a lump-sum write-down of goodwill in Sakura Bath & Kitchen Products (China) Co., Ltd. because that company failed to meet targets formulated at the time of acquisition. This had a major impact on our performance and was one reason for our net loss for the year.

In fiscal 2015, all of our domestic business segments posted year-on-year sales declines. In fiscal 2016, however, we are targeting a 43.0% sales ratio Eco-Jozu high-efficiency gas water-heaters in our mainstay Heating Ventilation and Air Conditioning Segment. We will also strive to expand sales of strategic products earmarked for future growth, including energy-saving products and mid-range/high-end built-in gas cookers. We will also take decisive measures to boost income by around ¥1.5 billion. In addition, we will pursue a capital and business alliance with Chofu Seisakusho Co., Ltd. (announced December 2015), with the aims of increasing operating efficiency and achieving steady growth in the shrinking domestic market.

In our overseas business, we will rebuild Sakura Bath & Kitchen Products (China) Co., Ltd. by reforming its operational systems. We will also focus on increasing sales of Noritz-made tankless gas water heaters, launched in Australia by Dux Manufacturing in February 2016. In these ways, we will achieve steady outcomes in our overseas business.

Guided by “Bath makes us happy,” the maxim of our founder in 1951, we have sought to broaden Japanese bathing culture and increase people’s living standards. Now, more than 60 years later, this maxim remains unchanged. As the “Noritz Group that transcends hot water,” we will transform ourselves into the future based on the themes of environment, safety, comfort, health, and beauty.

## 4. Consolidated Financial Highlights

Noritz Corporation and Consolidated Subsidiaries  
Years ended December 31, 2013, 2014, and 2015

Millions of yen

	2013	2014	2015
<b>Fiscal Year:</b>			
Net sales	¥200,327	¥218,943	<b>¥218,909</b>
Operating income	9,670	7,407	<b>5,123</b>
Operating margin	4.8	3.4	<b>2.3</b>
Net income	6,387	3,479	<b>(3,958)</b>
Net cash provided by operating activities	9,673	13,476	<b>13,116</b>
Net cash used in investing activities	(10,430)	(14,658)	<b>(6,346)</b>
Net cash used in financing activities	(574)	(2,814)	<b>(2,814)</b>
Cash and cash equivalents	26,936	24,274	<b>27,581</b>
Capital expenditures	8,829	8,318	<b>8,359</b>
Depreciation and amortization	5,881	7,068	<b>7,262</b>
<b>At Fiscal Year-End:</b>			
Total assets	¥191,324	¥206,061	<b>¥197,022</b>
Net assets	109,673	118,244	<b>113,731</b>
<b>Per Share Data (Yen):</b>			
Net income	¥ 133.58	¥ 72.76	<b>¥ (82.79)</b>
Cash dividends	30.00	32.00	<b>32.00</b>
Net assets	2,230.97	2,372.13	<b>2,291.06</b>
<b>Financial Ratios (%):</b>			
Return on equity (ROE)	6.4	3.2	<b>(3.6)</b>
Return on assets (ROA)	3.6	1.8	<b>(2.0)</b>
Equity ratio	55.8	55.0	<b>55.6</b>