

# NORITZ (5943)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY12/2022		210,966	6,889	7,900	4,800	104.64	53.00	2,508.08
FY12/2023		201,891	3,840	1,245	868	18.84	53.00	2,644.38
FY12/2024CoE		205,000	3,200	4,200	4,700	101.84	67.00	-
FY12/2023		YoY (4.3%)	(44.3%)	(84.2%)	(81.9%)	-	-	-
FY12/2024CoE		YoY 1.5%	(16.7%)	237.3%	440.9%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY12/2023		99,752	1,276	1,383	1,061	-	-	-
Q3 to Q4 FY12/2023		102,139	2,564	(138)	(193)	-	-	-
Q1 to Q2 FY12/2024		96,012	(127)	410	(354)	-	-	-
Q3 to Q4 FY12/2024CoE		108,988	3,327	3,790	5,054	-	-	-
Q1 to Q2 FY12/2024		YoY (3.7%)	-	(70.3%)	-	-	-	-
Q3 to Q4 FY12/2024CoE		YoY 6.7%	29.8%	-	-	-	-	-

Source: Company Data, WRJ Calculation

## 1.0 Executive Summary (3 October 2024)

### A Phase of Recovery


NORITZ, mainly running operations to manufacture and sell gas water heaters & oil-fired boilers for private homes, is entering a phase of recovery in its short-term performance. The Company has inevitably posted an operating loss for the actual results of Q1 to Q2 FY12/2024, which is however to be followed by the turnaround for H2 over the period of Q1 to Q2, when the Company suffered from a major negative factor for earnings stemming from stagnation in the number of units sold for its products with respect to the domestic and foreign operations. Meanwhile, the Company is now looking to a changeover to a year-on-year increase in the number of units sold for its products in the domestic operations for H2, which is to drive the Company's earnings. At the same time, the Company is looking to an improved trend in the number of units sold for its products in the foreign operations, but not as much as resulting in an increase in earnings. Meanwhile, Satoshi Haramaki, the Company's president & CEO, has reiterated measures to achieve the managerial goals of its midterm management plan, V-Plan 26 (announced on 14 February 2024), at the Q1 to Q2 results briefing (video streaming available in Japanese), calling for prospective sales of ¥230,000m and operating profit of ¥9,000m for FY12/2026, the final year of the plan, which implies CAGR of 4.4% in sales and 32.8% in operating profit, when setting the actual results of FY12/2023 as the point of origin. The Company is also calling for prospective ROE of 6% or higher (versus 0.7% for the actual results of FY12/2023) for FY12/2026, the final year of the plan.

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## 2.0 Company Profile

Happiness is a Warm Ofuro

<b>Company Name</b>	<p>NORITZ CORPORATION</p> <p><a href="#">Company HP</a></p> <p><a href="#">Financial Highlights</a></p> <p><a href="#">Share Price (Japanese)</a></p>	 <p><b>NORITZ</b></p> <p>The Simple Comforts of Life</p>
<b>Established</b>	10 March 1951	
<b>Listing</b>	<p>4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 5943)</p> <p>1 June 1987: Tokyo/Osaka Stock Exchange 1st section</p> <p>6 August 1985: Tokyo Stock Exchange 2nd section</p> <p>1 August 1984: Osaka Stock Exchange 2nd section</p>	
<b>Capital</b>	¥20,167m (as of the end of June 2024)	
<b>No. of Shares</b>	48,554,930 shares, including 2,375,041 treasury shares (as of the end of June 2024)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Springhead of business: happiness is a warm ofuro, i.e., Japanese bath</li> <li>● 40% share in the market for gas water heaters &amp; oil-fired boilers in Japan</li> <li>● Focus on sales associated with non-residential applications and those of kitchen appliances, as well as development of foreign markets</li> </ul>	
<b>Segments</b>	<p>I . Domestic Operations</p> <p>II . Foreign Operations</p>	
<b>Representative</b>	President and CEO: Satoshi Haramaki	
<b>Shareholders</b>	<p>Master Trust Bank of Japan, T. 10.37%, Client Share Ownership Plan 5.02%, Sumitomo Mitsui Banking 3.73%, Customer Share Ownership Plan 3.54%, Dai-ichi Life 3.46%, CHOFU SEISAKUSHO 3.26%, NIPPON ACTIVE VALUE FUND PLC 3.22% (as of the end of June 2024, but for treasury shares)</p>	
<b>Head Office</b>	Kobe-city, Hyogo-prefecture, JAPAN	
<b>No. of Personnel</b>	Consolidated: 6,328, Parent: 2,079 (as of the end of June 2024)	

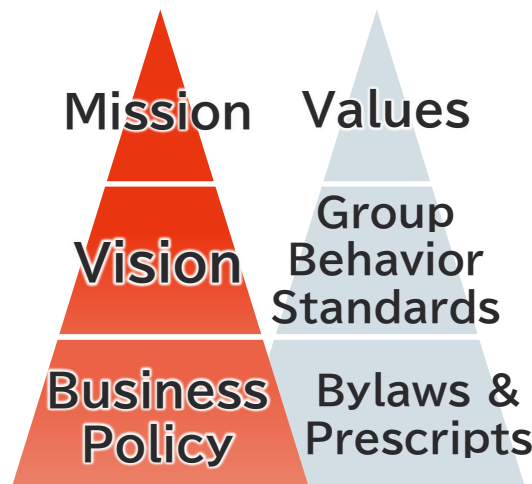
Source: Company Data

## 3.0 Corporate Philosophy

### 2030 Vision Statement

On 14 February 2024, the Company announced that it had formulated its midterm management plan, V Plan 26 (FY12/2024 to FY12/2026). At the same time, the Company has revealed a change made for its corporate philosophy. The Company holds on to the existing Mission, going “we bring the new happiness to a boil like water”, while having formulated an ideal picture for FY12/2030, not only for V Plan 26, as a new Vision. That is to say, the Company is now going, “we strive to persistently deliver *the indispensables* and to create *the indispensables*”.

#### New Corporate Philosophy



Source: Company Data

The background for the Company to have newly formulated Vision is that it firmly believes in a crucial importance for itself to drive the two wheels, i.e., one to drive its efforts to make a further progress in indispensable regular life provided by itself so far and another one to drive its efforts to contribute to society by means of providing end users of its products with new indispensables newly explored. The Company intends to use its Vision as a compass to ensure that it achieves the managerial goals of V Plan 26.

According to the Company, the cycle of business activities and social contribution is designed as a value creation story with an objective of realizing Mission and Vision. In other words, the Company means to improve the quality of its business activities by further refining the sources for creating Values that it has cultivated to date. The goal is to enhance the values of both social and economic activities and thereby enhancing its business valuation as well. The concepts of values in social activities comprise a) sustainability to create an appropriate relationship between people and the earth, b) wellbeing to create positive values of hot water and dining and c) taking diversity into consideration and staying close to people. Meanwhile, in order to increase values in economic activities, the Company is to further refine its a) core technology, b) human capital and 3) connections with customers.

## Company History (extract)

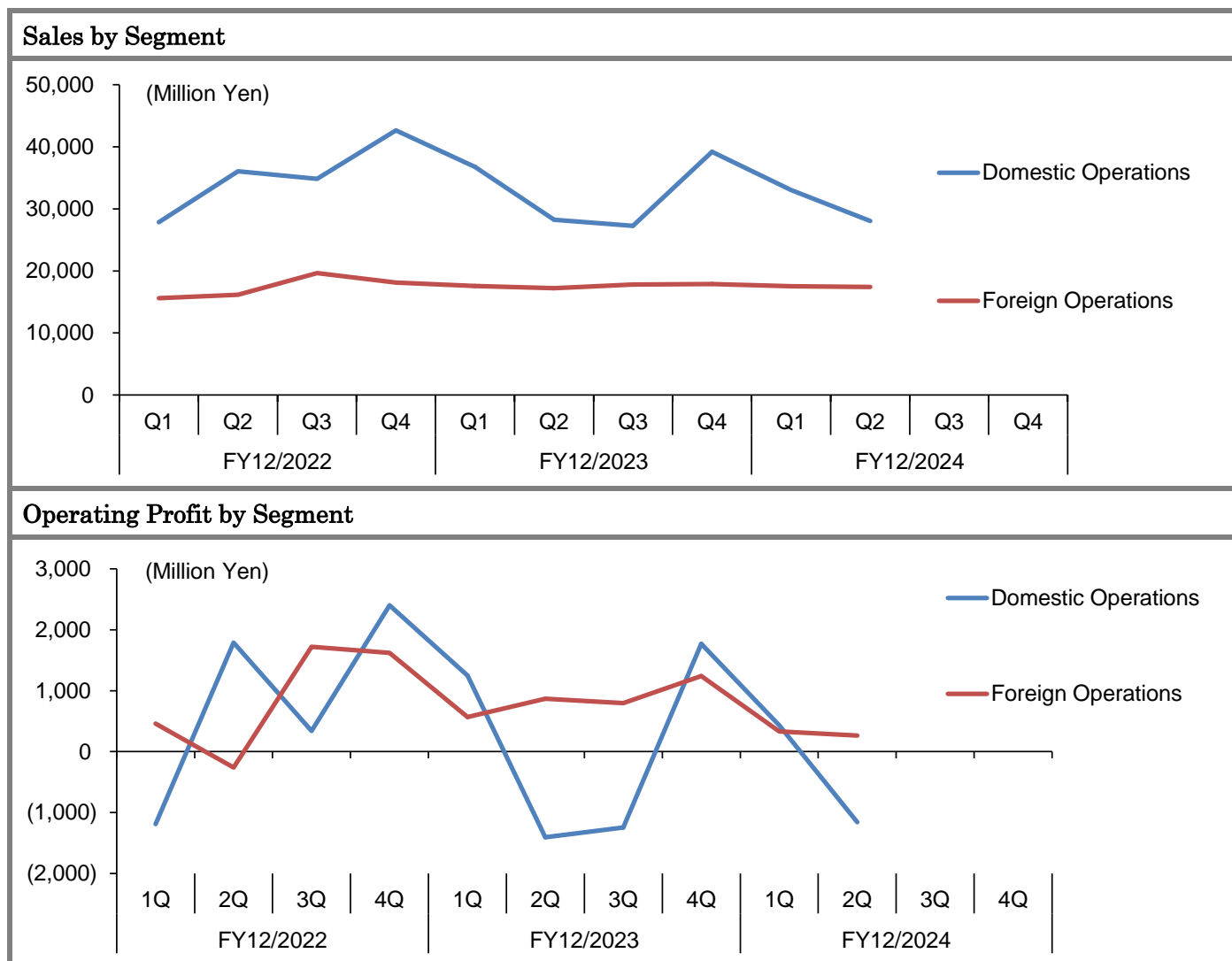
Date	Events
March 1951	Noritsu Bath Industry K.K., set up with capital of ¥530,000; head office, inaugurated in Ikuta-ku, Kobe-city (changed to Chuo-ku, Kobe-city in December 1980 due to change of the address)
May 1955	Tokyo local office, opened in Chiyoda-ku, Tokyo; upgraded to branch office in March 1994; Tokyo showroom NOVANO, opened in November 1987 (closed in March 2020); currently located in Shinjuku-ku, Tokyo
April 1956	Technical Research Center, set up in Suma-ku, Kobe-city (newly set up in Akashi-city, Hyogo-prefecture in February 1986)
December 1962	Akashi Factory, newly set up in Akashi-city, Hyogo-prefecture
March 1968	Company name, changed to NORITSU CORPORATION
January 1976	Subsidiary, Hanshin Noritsu Sales K.K. (Suita-city, Osaka-prefecture), set up (its company name, changed to Noritsu Housing Equipment K.K. in October 1990 and to Noritsu Living Create K.K. in January 2021)
April 1983	Kinki Noritsu Service K.K. , set up in Suita-city, Osaka-prefecture, to strengthen the system of after-purchase servicing, as well as Tokyo Noritsu Service K.K. in Suginami-ku, Tokyo; together with Noritsu Nagoya Service K.K., set up in April of the following year; all those operations, consolidated by Tokyo Noritsu Service K.K., whose company name, changed to Noritsu Service K.K. (NTS K.K.) in June 1989
August 1984	Corporate identity, introduced; the brand, changed to NORITZ
August 1984	Listing on Osaka Stock Exchange 2nd section
August 1985	Listing on Tokyo Stock Exchange 2nd section
April 1986	Subsidiary, Noritz Engineering K.K. (NTS K.K.), set up in Minato-ku, Tokyo, as a company specialized in designing and construction
June 1987	Listing on Osaka/Tokyo Stock Exchange 1st section
July 1987	Fundamental Research Laboratory, newly set up in Hachioji-city, Tokyo
February 1990	Akashi Head Office Factory, newly set up in Akashi-city, Hyogo-prefecture; production as the main factory, began
January 1991	Kanto Sangyo K.K. (Maebashi-city, Gunma-prefecture), consolidated as subsidiary with capital injection (liquidated in June 2020)
October 1993	Shanghai Shuixian Noritz Co., Ltd., set up in Shanghai, China, to begin the local manufacture and sale for gas water heaters (company name, changed to Shanghai Noritz Co., Ltd. in August 2000).
March 1997	Tsukuba Factory, newly set up in Tsuchiura-city, Ibaraki-prefecture, to begin the manufacture of system baths (terminated in June 2020)
October 2001	Harman Pro Co., Ltd., Tada-Smith K.K., and Suo Kinzoku Kogyo K.K., consolidated as subsidiaries via business alliance with Harman Co., Ltd; as well as Harman Co., Ltd., made into affiliate with capital injection (consolidated as subsidiary with additional capital injection in April 2003)
January 2002	NORITZ AMERICA CORPORATION (Lake Forest, California, U.S.A., currently located in Fountain Valley, California), set up

April 2002	RB Corporation (Tsuchiura-city, Ibaraki-prefecture), consolidated as subsidiary with capital injection
November 2002	能率電子科技 (Hong Kong) 有限公司 (Hong Kong / China), set up
January 2003	Electronics Products Unit of Component Division, spun off and newly set up as Noritz Electronics Technology K.K. (Akashi-city, Hyogo-prefecture)
May 2004	能率香港集团有限公司 (Hong Kong / China), set up
June 2004	Noritz (Shanghai) Home Appliances Co., Ltd. (Shanghai, China), set up
June 2004	Noritz Hong Kong Co., Ltd. (Hong Kong / China), set up
October 2005	Noritz (China) Co., Ltd. (Shanghai, China), set up
November 2010	Subsidiary, Dongguan Daxin Noritz Electronics Co., Ltd. (Guangdong, China), set up as subsidiary by 能率電子科技 (Hong Kong) 有限公司 (Hong Kong)
July 2013	Sakura (Cayman) Co., Ltd. (the Cayman Islands, British Overseas Territory), consolidated as subsidiary with capital injection, together with its subsidiaries; collectively five of them consolidated as subsidiaries, including Sakura Bath and Kitchen Products (China) Co., Ltd., (Jiangsu, China)
December 2014	Dux Manufacturing Limited (New South Wales, Commonwealth of Australia), consolidated as subsidiary with the acquisition of the shares
January 2019	PB Heat, LLC (Pennsylvania, U.S.A.), consolidated as subsidiary with the acquisition of equity interest
February 2019	Facilities Resource Group LLC (Michigan, U.S.A.), consolidated as subsidiary with the acquisition of the shares
November 2019	Withdrew from the business of housing equipment systems, made inroads in 1988, with the structural reform of the operations in Japan
January 2021	Noritz Housing Equipment K.K., merged with its subsidiary Noritz Living Techno K.K. and another subsidiary Noritz Kyushu Sales K.K.; company name changed to Noritz Living Create K.K.
June 2021	Kangaroo International Joint Venture Company (Hung Yen Province, Vietnam), consolidated as equity method affiliate with the acquisition of 44% of the shares
April 2022	Listing change to Tokyo Stock Exchange Prime Market from Tokyo Stock Exchange 1st section, due to changes in segmentation by the Exchange

## 4.0 Recent Trading and Prospects

### Q1 to Q2 FY12/2024

For Q1 to Q2 FY12/2024, sales came in at ¥96,012m (down 3.7% YoY), operating profit minus ¥127m (versus ¥1,276m during same period of the previous year), recurring profit ¥410m (down 70.3%) and profit attributable to owners of parent minus ¥357m (¥1,061m), while operating profit margin minus 0.1% (down 1.4% points).



Source: Company Data, WRJ Calculation

It was on 8 August 2024 that the Company released the above-mentioned results for Q1 to Q2, having revised down its full-year Company forecasts at the same time. The actual results for Q1 to Q2 were below assumptions of initial Company forecasts (announced on 14 February 2024), while such a trend is now expected to persist for H2. The actual results for Q1 to Q2 were below assumptions of initial Company forecasts by ¥5,487m (5.4%) in sales, ¥327m in operating profit, ¥189m (31.6%) in recurring profit and ¥524m in profit attributable to owners of parent.

## Factors of Changes in Operating Profit

Factors for Changes	(Million Yen)	Q1 to Q2 (Actual Results)	H2 (CoE)	FY12/2024 (CoE)
(Domestic Operations)	(roughly estimated)	(3,510)	+3,640	+130
(Foreign Operations)	(roughly estimated)	(2,120)	(650)	(2,770)
Volume and so on	(roughly estimated)	(5,600)	+3,000	(2,600)
Revision on Selling Prices	(roughly estimated)	+3,100	-	+3,100
Changes of Raw Material Costs	(roughly estimated)	(200)	(600)	(800)
Cost Cuts and Raw Material Costs	(roughly estimated)	(900)	(200)	(1,100)
Processing Expenses	(roughly estimated)	+1,100	(700)	+400
SG&A Expenses	(roughly estimated)	+1,000	(700)	+300
Exchange Rates	(roughly estimated)	+100	-	+100
<b>Changes in Operating Profit (YoY)</b>	<b>(roughly estimated)</b>	<b>(1,400)</b>	<b>+800</b>	<b>(600)</b>

Source: Company Data, WRJ Calculation

On the Domestic Operations side, sales for Q1 to Q2 have declined over the same period of the previous year, due to a decrease in new housing starts and a slowing consumer sentiment toward durable goods. Meanwhile, on the Foreign Operations side, the Company has suffered from the impact of deteriorating market conditions in China and rising costs. On top of this, sales of heating boilers in North America have plummeted, which generated a key negative factor for the Company's earnings.

The Company has disclosed Factors of Changes in Operating Profit, which shows roughly estimated data that the impact from Volume and so on (the number of units sold, selling prices, product mix, etc.) generated a year-on-year decrease of ¥5,600m in operating profit versus a year-on-year decrease of ¥1,400m for the Company as a whole. In particular, the Company suggests that it has suffered from a decrease in the number of units sold. Further, the Company also suggests that a year-on-year decrease in the number of units sold on the Domestic Operations side had an impact larger than that of the Foreign Operations side. Meanwhile, the impact of Revision on Selling Prices has generated a year-on-year increase in operating profit, but not as much as more than compensating for the issue in question.

At the same time, full-year Company forecasts have been revised down by ¥7,000m (3.3%) in sales, ¥1,800m (36.0%) in operating profit and ¥1,600m (27.6%) in recurring profit, while revised up for profit attributable to owners of parent due to a gain on sale of investment securities, which was not assumed in initial Company forecasts. Based on a policy laid out to cut back on cross-shareholdings, the Company has sold all of its holdings of ASICS Corporation (1,764,000 in the number of common shares) to date, with which the Company is to post an extraordinary gain of ¥3,930m. Consequently, FY12/2024 Company forecasts are now going for profit attributable to owners of parent, equating to a level higher by ¥530m (12.7%) in terms of comparison with initial assumptions.

For H2, Company forecasts have been revised down by ¥1,512m (1.4%) in sales and ¥1,473m (30.7%) in operating profit. As a result, the latest Company forecasts are now going for prospective sales of ¥108,858m (up 6.7% YoY), operating profit of ¥3,327m (up 29.8%) and operating profit margin of 3.1% (up 0.5% points) for H2. That is to say, although Company forecasts are going for prospective performance having been revised down from initial assumptions for H2, the turnaround is to be achieved at the operating level from the period of Q1 to Q2 and an increase on a year-on-year basis.

According to Factors of Changes in Operating Profit, which is disclosed by the Company, the impact from Volume and so on (the number of units sold, selling prices, product mix, etc.) is to generate a year-on-year increase of ¥3,000m in operating profit versus a year-on-year increase of ¥800m for the Company as a whole. In other words, the Company suggests that its performance is heading for the better due mainly to changeover to an increase from a decrease on a year-on-year basis for the number of units sold for its products. The Company assumes such an improvement on the Domestic Operations side will bring in a substantial increase in the Company's operating profit, while an improvement to take place on the Foreign Operations side but not sufficient enough to generate an increase in operating profit.

On the other hand, for H2, the Company does not assume the impact of Revision on Selling Prices, which was a factor to have generated an increase in operating profit for the actual results of Q1 to Q2. Further, the Company also assumes a decrease in operating profit due to an increase in expenses. In other words, the Company is looking to an increase in operating profit due to the impact of an increase in the number of units sold on the Domestic Operations side to become substantial enough to more than compensate for a decrease in operating profit from all those negative factors. During the same period of the previous year, the Company benefited from the impact of revision on selling prices implemented then, while no further revision has been made to date and thus there will be no further impact of Revision on Selling Prices in year-on-year changes in operating profit.

Elsewhere, the accounting treatment has been changed since Q1 to Q2, following a review of the performance management categories, while this report reflects retroactive adjustments as far as the Company has disclosed. The export transactions of Noritz Corporation, which were previously included on the Foreign Operations side, are now included on the Domestic Operations side.



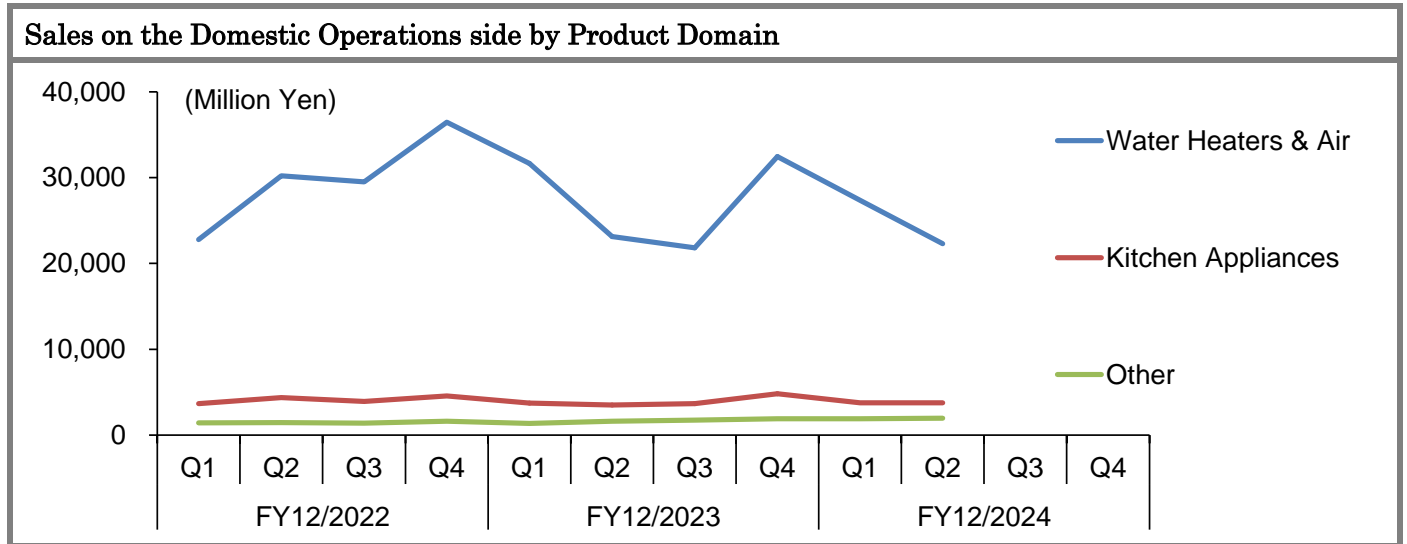
## FY12/2024 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY12/2024CoE	14-Feb-24	Q4 Results	212,000	5,000	5,800	4,170
FY12/2024CoE	14-May-24	Q1 Results	212,000	5,000	5,800	4,170
FY12/2024CoE	08-Aug-24	Q2 Results	205,000	3,200	4,200	4,700
		Amount of Gap	(7,000)	(1,800)	(1,600)	530
		Rate of Gap	(3.3%)	(36.0%)	(27.6%)	12.7%
FY12/2024CoE	14-Feb-24	Q4 Results	212,000	5,000	5,800	4,170
FY12/2024CoE	08-Aug-24	Q2 Results	205,000	3,200	4,200	4,700
		Amount of Gap	(7,000)	(1,800)	(1,600)	530
		Rate of Gap	(3.3%)	(36.0%)	(27.6%)	12.7%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY12/2024CoE	14-Feb-24	Q4 Results	101,500	200	600	170
Q1 to Q2 FY12/2024CoE	14-May-24	Q1 Results	101,500	200	600	170
Q1 to Q2 FY12/2024Act	08-Aug-24	Q2 Results	96,012	(127)	410	(354)
		Amount of Gap	(5,487)	(327)	(189)	(524)
		Rate of Gap	(5.4%)	-	(31.6%)	-
Q1 to Q2 FY12/2024CoE	14-Feb-24	Q4 Results	101,500	200	600	170
Q1 to Q2 FY12/2024Act	08-Aug-24	Q2 Results	96,012	(127)	410	(354)
		Amount of Gap	(5,487)	(327)	(189)	(524)
		Rate of Gap	(5.4%)	-	(31.6%)	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY12/2024CoE	14-Feb-24	Q4 Results	110,500	4,800	5,200	4,000
Q3 to Q4 FY12/2024CoE	14-May-24	Q1 Results	110,500	4,800	5,200	4,000
Q3 to Q4 FY12/2024CoE	08-Aug-24	Q2 Results	108,988	3,327	3,790	5,054
		Amount of Gap	(1,512)	(1,473)	(1,410)	1,054
		Rate of Gap	(1.4%)	(30.7%)	(27.1%)	26.4%
Q3 to Q4 FY12/2024CoE	14-Feb-24	Q4 Results	110,500	4,800	5,200	4,000
Q3 to Q4 FY12/2024CoE	08-Aug-24	Q2 Results	108,988	3,327	3,790	5,054
		Amount of Gap	(1,512)	(1,473)	(1,410)	1,054
		Rate of Gap	(1.4%)	(30.7%)	(27.1%)	26.4%

Source: Company Data, WRJ Calculation

### Domestic Operations (63.6% of sales)

For Q1 to Q2, sales came in at ¥61,070m (down 6.0%), operating profit minus ¥724m (versus minus ¥157m during the same period of the previous year) and operating profit margin minus 1.2% (down 0.9% points). Meanwhile, by product domain, sales of the domain of water heaters & air came in at ¥49,672m (down 9.3%), sales of the domain of kitchen appliances ¥7,525m (up 4.2%) and sales of other ¥3,873m (up 30.7%).



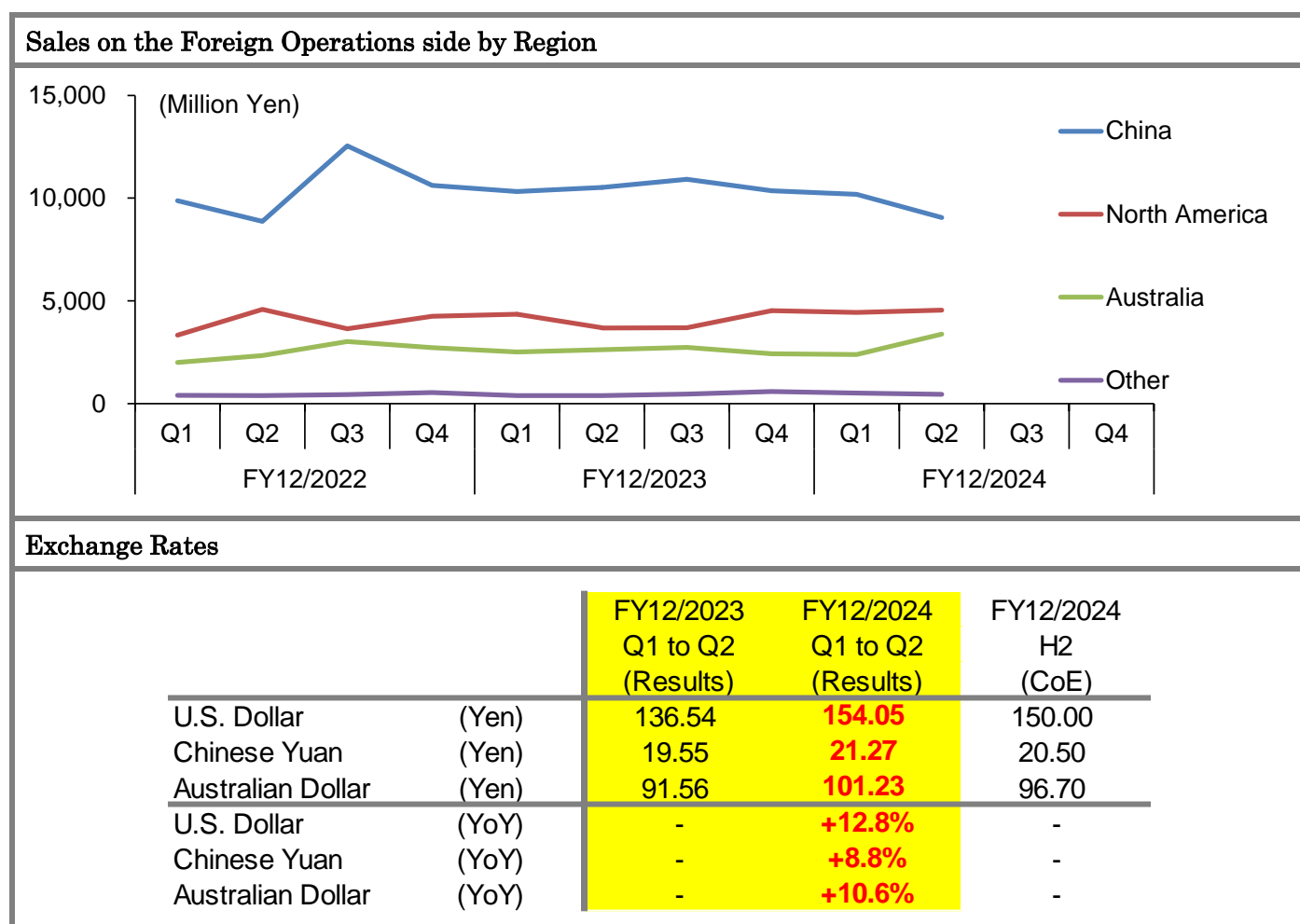
Source: Company Data, WRJ Calculation

Sales on the Domestic Operations side have declined due mainly to a decrease in sales of gas water heaters & oil-fired boilers for private homes, accounting for the bulk of sales in the mainstay domain of water heaters & air, according to the Company. This has a lot to do with a decrease in new housing starts and a slowing consumer sentiment toward durable goods. Furthermore, the warm winter has also had an impact on the market to shrink. With respect to the domain of water heaters & air for Q1 to Q2, the Company saw the number of units sold increased 1.5 times year-on-year for hybrid water heaters as well as sales of ¥4,369m (up 8.7%) for non-residential applications (business-grade gas water heaters and oil-fired boilers). However, the impact from here was not significant enough to bring in an increase in sales for the said mainstay product domain.

As for hybrid water heaters to efficiently use both gas and electricity as heat sources, demand is generated by so-called energy-saving subsidies provided by the government, while the Company well succeeds in capturing such demand. Meanwhile, as for non-residential applications (business-grade gas water heaters and oil-fired boilers), the Company suggests that it has been steadily responding to growing investment in accommodation facilities for inbound visitors to Japan. As well, the Company has been seeing a strength in demand for exhaust hoods as for the domain of kitchen appliances mainly comprising built-in stove burners and exhaust hoods to be adopted in a fitted kitchen.

### Foreign Operations (36.4% of Sales)

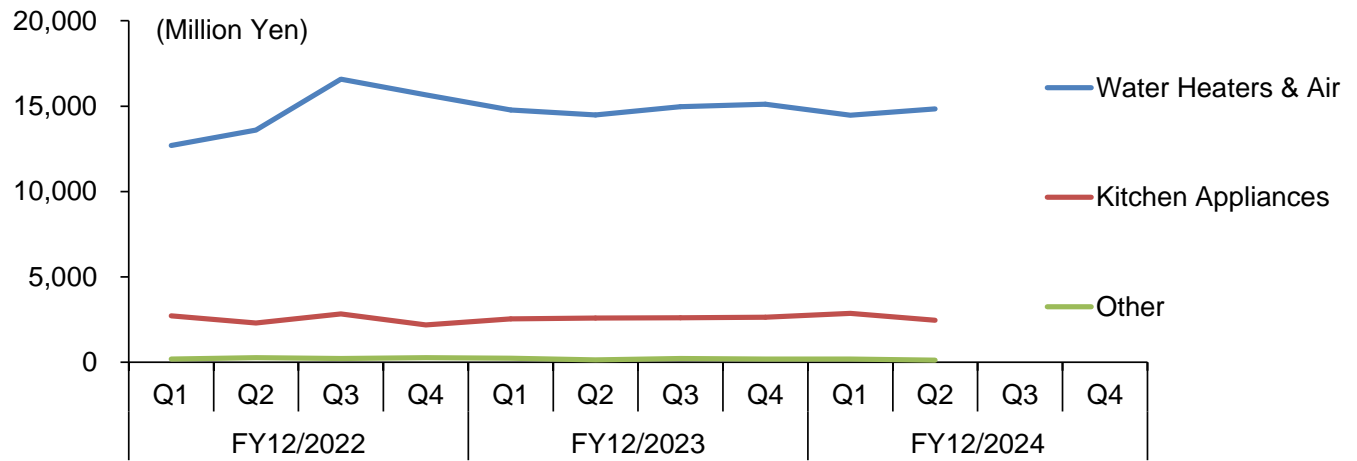
For Q1 to Q2, sales came in at ¥34,941m (up 0.5%), operating profit ¥596m (down 58.4%) and operating profit margin minus 1.7% (down 2.4% points). By region, sales in China came in at ¥19,240m (down 7.7% or down 15.1% on a local currency basis), sales in North America ¥8,980m (up 11.7% or down 1.0% on a local currency basis), sales in Australia ¥5,763m (up 12.5% or up 1.7% on a local currency basis) and sales in other ¥955m (up 23.0%). Thus, there is an aspect that sales were driven by yen's weakness across the board.



Source: Company Data, WRJ Calculation

Meanwhile, by product domain on the Foreign Operations side, sales of the domain of water heaters & air came in at ¥29,303m (up 0.1%), sales of the domain of kitchen appliances ¥5,329m (up 3.9%) and sales of other ¥308m (down 20.2%). Thus, it is suggested that the mainstay product domain is of water heaters & air as in the case of the Domestic Operations side. For information, the Company is involved with the domain of kitchen appliances, exclusively in China, implying that the operations in North America, Australia and so on are highly reliant on the domain of water heaters & air.

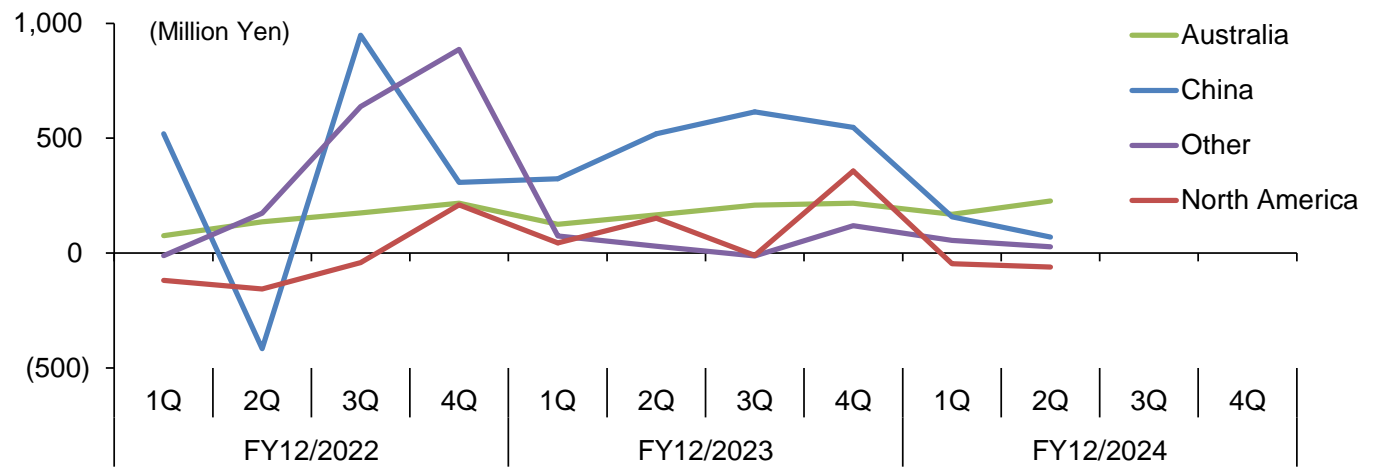
### Sales on the Foreign Operations side by Product Domain



Source: Company Data, WRJ Calculation

On the Foreign Operations side, the Company saw operating profit having declined due mainly to a decline in China. At the same time, the Company saw operating loss in North America. On the other hand, the Company saw operating profit in Australia having increased and accounted for no less than 66.1% of operating profit on the Foreign Operations side as a whole for Q1 to Q2.

### Operating Profit on the Foreign Operations side by Region



Source: Company Data, WRJ Calculation

In China, the impact of sluggishness in the local market has come to a head, resulting in stagnated sales of the mainstay domain of water heaters & air, mainly comprising those of gas water heaters & oil-fired boilers for private homes, while suffering from a deterioration in cost rate due to a sharp rise in material prices at the same time. The Company suggests that sales are firm for the subdomain of heating equipment which is a part of the mainstay domain of water heaters & air as well as for the domain of kitchen appliances, but the collective impact was not substantial enough to more than compensate for the sluggishness of sales in China as a whole. In North America, it appears that the operations are all of the domain of water heaters & air. In terms of recent trading, the Company has seen an increase in sales for the subdomain of home-use and the subdomain of business-use, but a decrease in sales for the subdomain of heating equipment carrying high profitability, having resulted in a major decline at the operating level in North America. Lastly, in Australia, the Company saw operating profit of ¥394m (up 35.3%), suggesting that sales are buoyant for heat pump type water heaters in response to the local electrification policy.

### **Non-Operating and Extraordinary Levels**

For Q1 to Q2 FY12/2024, sales came in at ¥96,012m (down 3.7% YoY) and operating profit minus ¥127m (versus ¥1,276m during same period of the previous year), while recurring profit ¥410m (down 70.3%) and profit attributable to owners of parent minus ¥357m (¥1,061m). Detailed trends of sales and operating profit are as above-mentioned, while the Company saw an improvement at the non-operation level and a deterioration at the extraordinary level.

The improvement at the non-operating level is mainly attributable to a reduction in investment loss on equity method to ¥99m from ¥398m during the same period of the previous year. It appears that the Company is seeing a reduction in loss from Kangaroo International Joint Venture Company (Hung Yen Province, Vietnam, an equity-method affiliate: 44% stake), which is responsible for the Company's business development in Southeast Asia. Meanwhile, the Company posted a loss on revaluation of investments in securities equating ¥236m and a loss on business liquidation equating ¥253m, having resulted in a deterioration to a corresponding extent at the extraordinary level.

## Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Net Chg.	
(Million Yen)	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024	12/2024	
<b>Sales</b>	<b>54,304</b>	<b>99,752</b>	<b>144,803</b>	<b>201,891</b>	<b>50,555</b>	<b>96,012</b>	-	-	-	<b>(3,740)</b>
Cost of Sales	37,164	68,224	98,874	138,066	34,284	65,678	-	-	-	(2,546)
Gross Profit	17,140	31,528	45,929	63,824	16,270	30,333	-	-	-	(1,195)
SG&A Expenses	15,322	30,251	45,097	59,984	15,501	30,461	-	-	-	+210
<b>Operating Profit</b>	<b>1,817</b>	<b>1,276</b>	<b>832</b>	<b>3,840</b>	<b>769</b>	<b>(127)</b>	-	-	-	<b>(1,403)</b>
Non Operating Balance	(17)	107	179	(2,595)	25	537	-	-	-	+430
<b>Recurring Profit</b>	<b>1,800</b>	<b>1,383</b>	<b>1,011</b>	<b>1,245</b>	<b>794</b>	<b>410</b>	-	-	-	<b>(973)</b>
Extraordinary Balance	(229)	187	215	1,791	(182)	(560)	-	-	-	(747)
Profit before Income Taxes	1,571	1,570	1,226	3,036	612	(150)	-	-	-	(1,720)
Total Income Taxes	227	377	439	1,852	283	126	-	-	-	(251)
Profit Attributable to Non-Controlling Interests	73	130	214	314	41	77	-	-	-	(53)
<b>Profit Attributable to Owners of Parent</b>	<b>1,270</b>	<b>1,061</b>	<b>573</b>	<b>868</b>	<b>287</b>	<b>(354)</b>	-	-	-	<b>(1,415)</b>
Sales YoY	+24.9%	+4.2%	(3.6%)	(4.3%)	(6.9%)	(3.7%)	-	-	-	-
Operating Profit YoY	-	+59.2%	(71.0%)	(44.3%)	(57.7%)	-	-	-	-	-
Recurring Profit YoY	-	(8.8%)	(74.4%)	(84.2%)	(55.9%)	(70.3%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	+105.8%	(74.4%)	(81.9%)	(77.4%)	-	-	-	-	-
Gross Profit Margin	31.6%	31.6%	31.7%	31.6%	32.2%	31.6%	-	-	-	(0.0%)
SG&A Ratio	28.2%	30.3%	31.1%	29.7%	30.7%	31.7%	-	-	-	+1.4%
Operating Profit Margin	3.3%	1.3%	0.6%	1.9%	1.5%	(0.1%)	-	-	-	(1.4%)
Recurring Profit Margin	3.3%	1.4%	0.7%	0.6%	1.6%	0.4%	-	-	-	(1.0%)
Profit Attributable to Owners of Parent Margin	2.3%	1.1%	0.4%	0.4%	0.6%	(0.4%)	-	-	-	(1.4%)
Total Income Taxes / Profit before Income Taxes	14.4%	24.0%	35.8%	61.0%	46.2%	-	-	-	-	-
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
12/2023	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024	12/2024	
<b>Sales</b>	<b>54,304</b>	<b>45,448</b>	<b>45,051</b>	<b>57,088</b>	<b>50,555</b>	<b>45,457</b>	-	-	-	<b>+9</b>
Cost of Sales	37,164	31,060	30,650	39,192	34,284	31,394	-	-	-	+334
Gross Profit	17,140	14,388	14,401	17,895	16,270	14,063	-	-	-	(325)
SG&A Expenses	15,322	14,929	14,846	14,887	15,501	14,960	-	-	-	+31
<b>Operating Profit</b>	<b>1,817</b>	<b>(541)</b>	<b>(444)</b>	<b>3,008</b>	<b>769</b>	<b>(896)</b>	-	-	-	<b>(355)</b>
Non Operating Balance	(17)	124	72	(2,774)	25	512	-	-	-	+388
<b>Recurring Profit</b>	<b>1,800</b>	<b>(417)</b>	<b>(372)</b>	<b>234</b>	<b>794</b>	<b>(384)</b>	-	-	-	<b>+33</b>
Extraordinary Balance	(229)	416	28	1,576	(182)	(378)	-	-	-	(794)
Profit before Income Taxes	1,571	(1)	(344)	1,810	612	(762)	-	-	-	(761)
Total Income Taxes	227	150	62	1,413	283	(157)	-	-	-	(307)
Profit Attributable to Non-Controlling Interests	73	57	84	100	41	36	-	-	-	(21)
<b>Profit Attributable to Owners of Parent</b>	<b>1,270</b>	<b>(209)</b>	<b>(488)</b>	<b>295</b>	<b>287</b>	<b>(641)</b>	-	-	-	<b>(432)</b>
Sales YoY	+24.9%	(13.0%)	(17.3%)	(6.1%)	(6.9%)	+0.0%	-	-	-	-
Operating Profit YoY	-	-	-	(25.2%)	(57.7%)	-	-	-	-	-
Recurring Profit YoY	-	-	-	(94.1%)	(55.9%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	-	-	(88.5%)	(77.4%)	-	-	-	-	-
Gross Profit Margin	31.6%	31.7%	32.0%	31.3%	32.2%	30.9%	-	-	-	(0.7%)
SG&A Ratio	28.2%	32.8%	33.0%	26.1%	30.7%	32.9%	-	-	-	+0.1%
Operating Profit Margin	3.3%	(1.2%)	(1.0%)	5.3%	1.5%	(2.0%)	-	-	-	(0.8%)
Recurring Profit Margin	3.3%	(0.9%)	(0.8%)	0.4%	1.6%	(0.8%)	-	-	-	+0.1%
Profit Attributable to Owners of Parent Margin	2.3%	(0.5%)	(1.1%)	0.5%	0.6%	(1.4%)	-	-	-	(1.0%)
Total Income Taxes / Profit before Income Taxes	14.4%	-	-	78.1%	46.2%	-	-	-	-	-

Source: Company Data, WRJ Calculation

## Segmented Information (Cumulative/Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024		
Water Heaters & Air	31,660	54,784	76,598	109,054	27,365	49,672	-	-	-	(5,112)
Kitchen Appliances	3,724	7,221	10,901	15,731	3,758	7,525	-	-	-	+304
Other	1,356	2,963	4,715	6,618	1,913	3,873	-	-	-	+910
<b>Domestic Operations</b>	<b>36,740</b>	<b>64,970</b>	<b>92,215</b>	<b>131,404</b>	<b>33,037</b>	<b>61,070</b>	-	-	-	<b>(3,900)</b>
Water Heaters & Air	14,779	29,268	44,244	59,364	14,468	29,303	-	-	-	+35
Kitchen Appliances	2,538	5,127	7,739	10,380	2,863	5,329	-	-	-	+202
Other	245	386	604	797	186	308	-	-	-	(78)
<b>Foreign Operations</b>	<b>17,563</b>	<b>34,782</b>	<b>52,588</b>	<b>70,486</b>	<b>17,518</b>	<b>34,941</b>	-	-	-	<b>+159</b>
<b>Sales</b>	<b>54,304</b>	<b>99,752</b>	<b>144,803</b>	<b>201,891</b>	<b>50,555</b>	<b>96,012</b>	-	-	-	<b>(3,740)</b>
Domestic Operations	1,249	(157)	(1,400)	367	434	(724)	-	-	-	(567)
Foreign Operations	567	1,434	2,232	3,473	334	596	-	-	-	(838)
<b>Segment Profit</b>	<b>1,817</b>	<b>1,276</b>	<b>832</b>	<b>3,840</b>	<b>769</b>	<b>(127)</b>	-	-	-	<b>(1,403)</b>
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>Operating Profit</b>	<b>1,817</b>	<b>1,276</b>	<b>832</b>	<b>3,840</b>	<b>769</b>	<b>(127)</b>	-	-	-	<b>(1,403)</b>
Domestic Operations	3.4%	(0.2%)	(1.5%)	0.3%	1.3%	(1.2%)	-	-	-	(0.9%)
Foreign Operations	3.2%	4.1%	4.2%	4.9%	1.9%	1.7%	-	-	-	(2.4%)
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>Operating Profit Margin</b>	<b>3.3%</b>	<b>1.3%</b>	<b>0.6%</b>	<b>1.9%</b>	<b>1.5%</b>	<b>(0.1%)</b>	-	-	-	<b>(1.4%)</b>

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024		
Water Heaters & Air	31,660	23,124	21,814	32,456	27,365	22,307	-	-	-	(817)
Kitchen Appliances	3,724	3,497	3,680	4,830	3,758	3,767	-	-	-	+270
Other	1,356	1,607	1,752	1,903	1,913	1,960	-	-	-	+353
<b>Domestic Operations</b>	<b>36,740</b>	<b>28,230</b>	<b>27,245</b>	<b>39,189</b>	<b>33,037</b>	<b>28,033</b>	-	-	-	<b>(197)</b>
Water Heaters & Air	14,779	14,489	14,976	15,120	14,468	14,835	-	-	-	+346
Kitchen Appliances	2,538	2,589	2,612	2,641	2,863	2,466	-	-	-	(123)
Other	245	141	218	193	186	122	-	-	-	(19)
<b>Foreign Operations</b>	<b>17,563</b>	<b>17,219</b>	<b>17,806</b>	<b>17,898</b>	<b>17,518</b>	<b>17,423</b>	-	-	-	<b>+204</b>
<b>Sales</b>	<b>54,304</b>	<b>45,448</b>	<b>45,051</b>	<b>57,088</b>	<b>50,555</b>	<b>45,457</b>	-	-	-	<b>+9</b>
Domestic Operations	1,249	(1,406)	(1,243)	1,767	434	(1,158)	-	-	-	+248
Foreign Operations	567	867	798	1,241	334	262	-	-	-	(605)
<b>Segment Profit</b>	<b>1,817</b>	<b>(541)</b>	<b>(444)</b>	<b>3,008</b>	<b>769</b>	<b>(896)</b>	-	-	-	<b>(355)</b>
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>Operating Profit</b>	<b>1,817</b>	<b>(541)</b>	<b>(444)</b>	<b>3,008</b>	<b>769</b>	<b>(896)</b>	-	-	-	<b>(355)</b>
Domestic Operations	3.4%	(5.0%)	(4.6%)	4.5%	1.3%	(4.1%)	-	-	-	+0.8%
Foreign Operations	3.2%	5.0%	4.5%	6.9%	1.9%	1.5%	-	-	-	(3.5%)
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>Operating Profit Margin</b>	<b>3.3%</b>	<b>(1.2%)</b>	<b>(1.0%)</b>	<b>5.3%</b>	<b>1.5%</b>	<b>(2.0%)</b>	-	-	-	<b>(0.8%)</b>

Source: Company Data, WRJ Calculation

## Foreign Operations (Cumulative/Quarterly)

Foreign Operations (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024		
China	10,318	20,842	31,761	42,124	10,187	19,240	-	-	-	(1,602)
North America	4,350	8,038	11,734	16,255	4,438	8,980	-	-	-	+942
Australia	2,507	5,124	7,859	10,287	2,383	5,763	-	-	-	+639
Other	388	777	1,232	1,819	508	955	-	-	-	+178
<b>Sales</b>	<b>17,563</b>	<b>34,782</b>	<b>52,588</b>	<b>70,486</b>	<b>17,518</b>	<b>34,941</b>	-	-	-	<b>+159</b>
China	323	842	1,456	2,004	158	228	-	-	-	(614)
North America	44	196	185	542	(47)	(108)	-	-	-	(304)
Australia	125	291	499	716	168	394	-	-	-	+103
Other	74	103	90	209	55	82	-	-	-	(21)
<b>Segment Profit</b>	<b>567</b>	<b>1,434</b>	<b>2,232</b>	<b>3,473</b>	<b>334</b>	<b>596</b>	-	-	-	<b>(838)</b>
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>Operating Profit</b>	<b>567</b>	<b>1,434</b>	<b>2,232</b>	<b>3,473</b>	<b>334</b>	<b>596</b>	-	-	-	<b>(838)</b>
China	3.1%	4.0%	4.6%	4.8%	1.6%	1.2%	-	-	-	(2.9%)
North America	1.0%	2.4%	1.6%	3.3%	(1.1%)	(1.2%)	-	-	-	(3.6%)
Australia	5.0%	5.7%	6.3%	7.0%	7.0%	6.8%	-	-	-	+1.2%
Other	19.1%	13.3%	7.3%	11.5%	10.8%	8.6%	-	-	-	(4.7%)
<b>Operating Profit Margin</b>	<b>3.2%</b>	<b>4.1%</b>	<b>4.2%</b>	<b>4.9%</b>	<b>1.9%</b>	<b>1.7%</b>	-	-	-	<b>(2.4%)</b>

Foreign Operations (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024		
China	10,318	10,524	10,919	10,362	10,187	9,053	-	-	-	(1,471)
North America	4,350	3,688	3,695	4,521	4,438	4,542	-	-	-	+854
Australia	2,507	2,617	2,735	2,427	2,383	3,380	-	-	-	+763
Other	388	389	455	587	508	447	-	-	-	+58
<b>Sales</b>	<b>17,563</b>	<b>17,219</b>	<b>17,806</b>	<b>17,898</b>	<b>17,518</b>	<b>17,423</b>	-	-	-	<b>+204</b>
China	323	519	614	547	158	70	-	-	-	(449)
North America	44	152	(10)	357	(47)	(61)	-	-	-	(213)
Australia	125	166	208	217	168	226	-	-	-	+60
Other	74	29	(13)	119	55	27	-	-	-	(2)
<b>Segment Profit</b>	<b>567</b>	<b>867</b>	<b>848</b>	<b>1,287</b>	<b>334</b>	<b>262</b>	-	-	-	<b>(605)</b>
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>Operating Profit</b>	<b>567</b>	<b>867</b>	<b>798</b>	<b>1,241</b>	<b>334</b>	<b>262</b>	-	-	-	<b>(605)</b>
China	3.1%	4.9%	5.6%	5.3%	1.6%	0.8%	-	-	-	(4.2%)
North America	1.0%	4.1%	(0.3%)	7.9%	(1.1%)	(1.3%)	-	-	-	(5.5%)
Australia	5.0%	6.3%	7.6%	8.9%	7.0%	6.7%	-	-	-	+0.3%
Other	19.1%	7.5%	(2.9%)	20.3%	10.8%	6.0%	-	-	-	(1.4%)
<b>Operating Profit Margin</b>	<b>3.2%</b>	<b>5.0%</b>	<b>4.5%</b>	<b>6.9%</b>	<b>1.9%</b>	<b>1.5%</b>	-	-	-	<b>(3.5%)</b>

Source: Company Data, WRJ Calculation



## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2023	Q2 12/2023	Q3 12/2023	Q4 12/2023	Q1 12/2024	Q2 12/2024	Q3 12/2024	Q4 12/2024		
Cash and Deposit	37,835	35,571	27,963	26,137	29,172	28,689	-	-	-	(6,882)
Accounts Receivables and Contract Assets	39,116	35,021	38,036	44,009	38,145	35,787	-	-	-	+766
Electronically Recorded Monetary Claim	14,408	11,385	9,522	12,006	13,905	12,184	-	-	-	+799
Inventory	33,380	36,813	39,321	33,821	33,982	35,921	-	-	-	(892)
Other	4,441	4,949	5,783	5,545	5,794	6,671	-	-	-	+1,722
<b>Current Assets</b>	<b>129,180</b>	<b>123,739</b>	<b>120,625</b>	<b>121,518</b>	<b>120,998</b>	<b>119,252</b>	-	-	-	<b>(4,487)</b>
Tangible Assets	34,425	35,921	36,231	36,523	36,350	38,229	-	-	-	+2,308
Intangible Assets	9,637	9,972	10,106	9,759	10,240	10,875	-	-	-	+903
Investments and Other Assets	41,897	45,522	45,905	39,968	46,943	47,592	-	-	-	+2,070
<b>Fixed Assets</b>	<b>85,960</b>	<b>91,416</b>	<b>92,242</b>	<b>86,252</b>	<b>93,534</b>	<b>96,697</b>	-	-	-	<b>+5,281</b>
<b>Total Assets</b>	<b>215,140</b>	<b>215,155</b>	<b>212,868</b>	<b>207,771</b>	<b>214,533</b>	<b>215,949</b>	-	-	-	<b>+794</b>
Accounts Payables	45,562	40,030	37,975	39,281	37,361	35,782	-	-	-	(4,248)
Short-Term Debt	4,445	4,174	3,532	2,527	1,961	2,007	-	-	-	(2,167)
Other	27,374	27,781	28,226	25,016	26,126	25,854	-	-	-	(1,927)
<b>Current Liabilities</b>	<b>77,381</b>	<b>71,985</b>	<b>69,733</b>	<b>66,824</b>	<b>65,448</b>	<b>63,643</b>	-	-	-	<b>(8,342)</b>
Long-Term Debt	-	-	-	-	748	694	-	-	-	+694
Other	16,218	16,622	16,788	14,279	15,455	15,560	-	-	-	(1,062)
<b>Fixed Liabilities</b>	<b>16,218</b>	<b>16,622</b>	<b>16,788</b>	<b>14,279</b>	<b>16,203</b>	<b>16,254</b>	-	-	-	<b>(368)</b>
<b>Total Liabilities</b>	<b>93,600</b>	<b>88,607</b>	<b>86,521</b>	<b>81,104</b>	<b>81,652</b>	<b>79,898</b>	-	-	-	<b>(8,709)</b>
<b>Shareholders' Equity</b>	<b>100,162</b>	<b>99,989</b>	<b>98,024</b>	<b>98,320</b>	<b>97,648</b>	<b>97,098</b>	-	-	-	<b>(2,891)</b>
Other	21,378	26,559	28,322	28,347	35,232	38,953	-	-	-	+12,394
<b>Net Assets</b>	<b>121,540</b>	<b>126,548</b>	<b>126,346</b>	<b>126,667</b>	<b>132,880</b>	<b>136,051</b>	-	-	-	<b>+9,503</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>215,140</b>	<b>215,155</b>	<b>212,868</b>	<b>207,771</b>	<b>214,533</b>	<b>215,949</b>	-	-	-	<b>+794</b>
Equity Capital	117,043	122,042	121,646	121,978	127,953	130,839	-	-	-	+8,797
Interest-Bearing Debt	4,445	4,174	3,532	2,527	2,709	2,701	-	-	-	(1,473)
<b>Net Debt</b>	<b>(33,390)</b>	<b>(31,397)</b>	<b>(24,431)</b>	<b>(23,610)</b>	<b>(26,463)</b>	<b>(25,988)</b>	-	-	-	<b>+5,409</b>
Equity Ratio	54.4%	56.7%	57.1%	58.7%	59.6%	60.6%	-	-	-	-
Net Debt-to-Equity Ratio	(28.5%)	(25.7%)	(20.1%)	(19.4%)	(20.7%)	(19.9%)	-	-	-	-
ROE (12 months)	5.7%	4.5%	2.6%	0.7%	(0.1%)	(0.4%)	-	-	-	-
ROA (12 months)	4.9%	3.7%	2.3%	0.6%	0.1%	0.1%	-	-	-	-
Days for Inventory Turnover	81	108	117	78	90	104	-	-	-	-
Quick Ratio	118%	114%	108%	123%	124%	120%	-	-	-	-
Current Ratio	167%	172%	173%	182%	185%	187%	-	-	-	-

Source: Company Data, WRJ Calculation

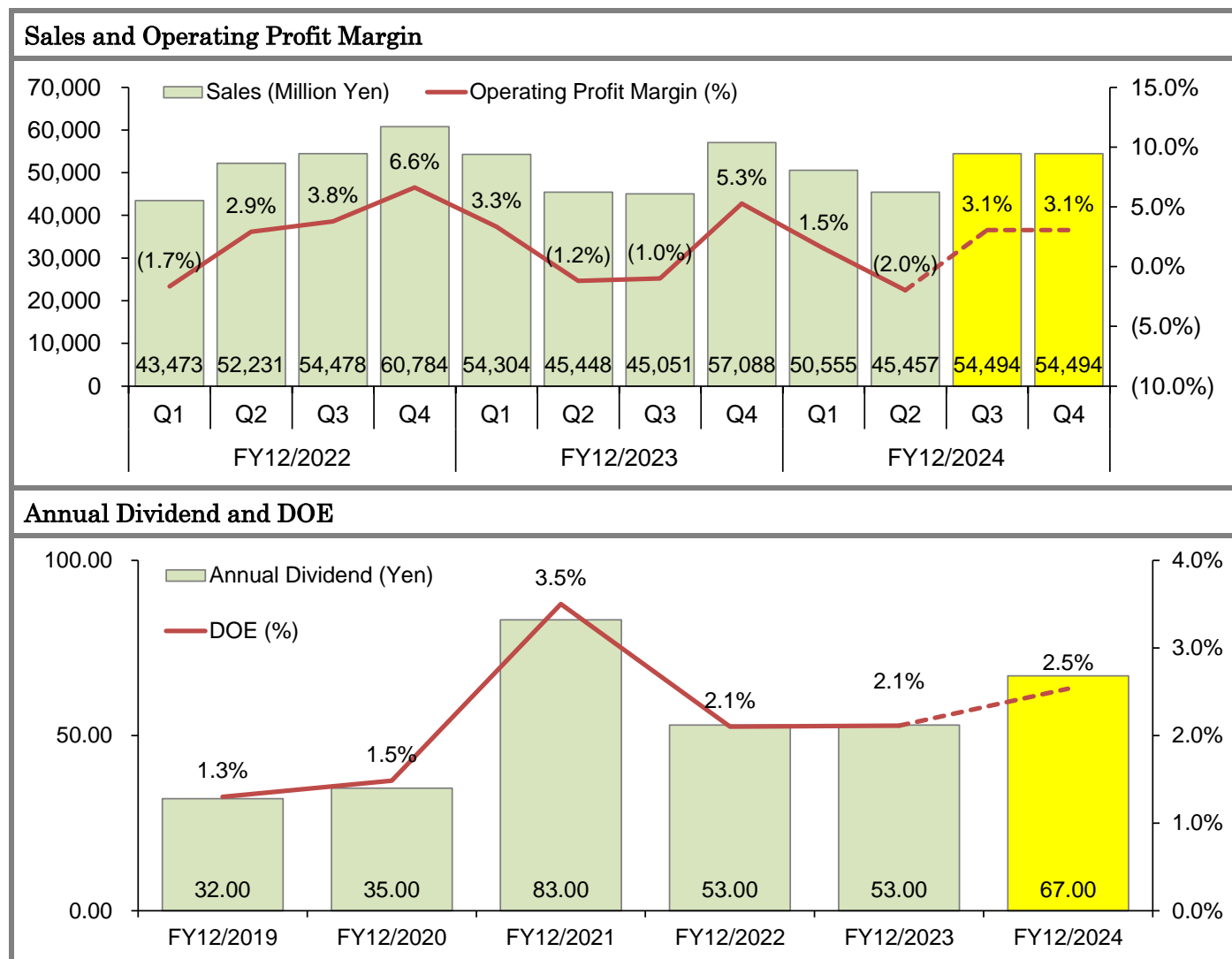
## Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2023	Q1 to Q2 12/2023	Q1 to Q3 12/2023	Q1 to Q4 12/2023	Q1 12/2024	Q1 to Q2 12/2024	Q1 to Q3 12/2024	Q1 to Q4 12/2024		
Operating Cash Flow	-	1,348	-	(1,868)	-	6,455	-	-	-	+5,107
Investing Cash Flow	-	(3,148)	-	(5,664)	-	(5,253)	-	-	-	(2,105)
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>-</b>	<b>(1,800)</b>	<b>-</b>	<b>(7,532)</b>	<b>-</b>	<b>1,202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>+3,002</b>
Financing Cash Flow	-	235	-	(3,235)	-	(1,340)	-	-	-	(1,575)

Source: Company Data, WRJ Calculation

### FY12/2024 Company Forecasts

FY12/2024 Company forecasts, announced on 8 August 2024, are going for prospective sales of ¥205,000m (up 1.5% YoY), operating profit of ¥3,200m (down 16.7%), recurring profit of ¥4,200m (up 237.3%) and profit attributable to owners of parent of ¥4,700m (up 440.9%), while operating profit margin of 1.6% (down 0.3% points).

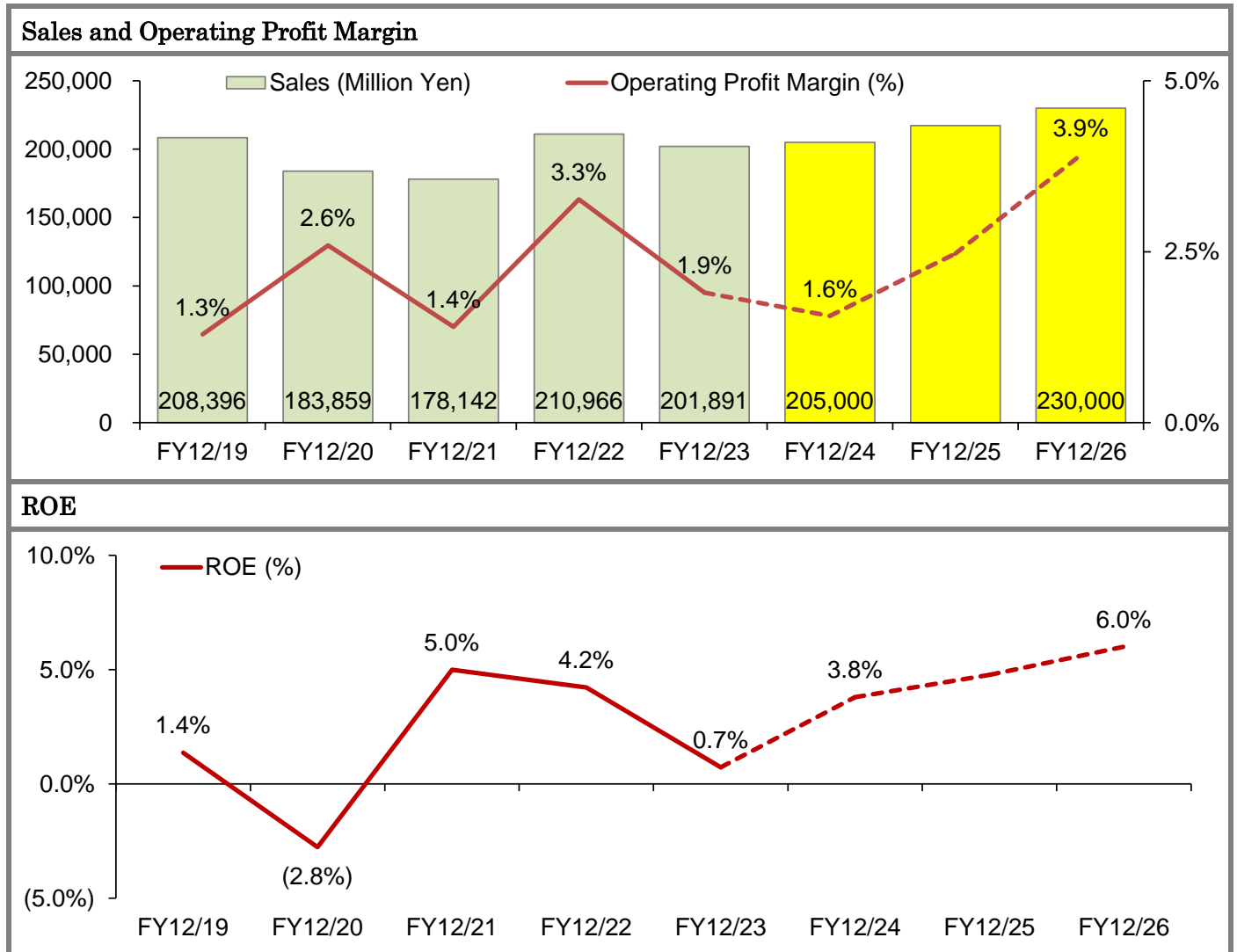


Source: Company Data, WRJ Calculation (Q3 and Q4 FY12/2024: H2 Company forecasts, pro rata)

The Company used to advocate dividend policy of paying dividend, equating to 2.0% in terms of DOE as a target, while currently advocating that of paying, equating to 2.5% in terms of DOE or 50% in terms of payout ratio, whichever being higher, as found in the midterm management plan, V-Plan 26 (announced on 14 February 2024). Thus, FY12/2024 Company forecasts are going for planned annual dividend of ¥67.00 per share, implying payout ratio of 65.8% and/or DOE of 2.5% versus ¥53.00 per share, implying payout ratio of 281.3% and/or DOE of 2.1%, for the actual results of FY12/2023. Roughly speaking, the Company is to increase annual dividend per share to an extent of corresponding to an increase in the target of DOE from FY12/2023 to FY12/2024.

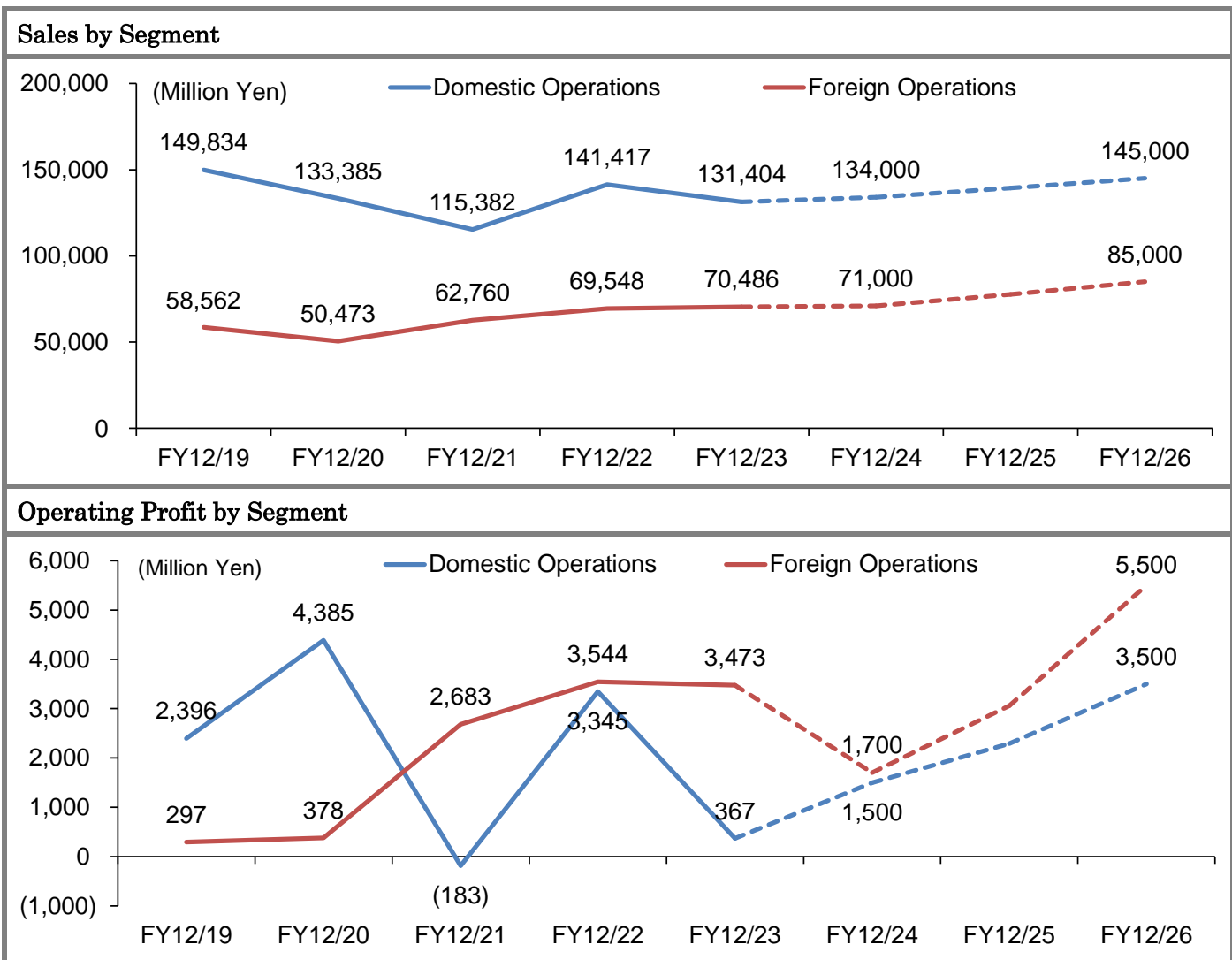
### Long-Term Prospects

On 14 February 2024, the Company announced its midterm management plan, V Plan 26 (FY12/2024 to FY12/2026). The midterm management plan is formulated to aim at achieving sustainable growth and enhancing its business valuation, calling for prospective sales of ¥230,000m and operating profit of ¥9,000m as the managerial goals for FY12/2026, the final year of the plan, which implies CAGR of 4.4% in sales and 32.8% in operating profit, when setting the actual results of FY12/2023 as the point of origin. The Company is also calling for prospective ROE of 6% or higher (versus 0.7% for the actual results of FY12/2023) for FY12/2026, the final year of the plan. Furthermore, the Company's "aspiration" for FY12/2030 is to achieve ROE of at least 8%.



Source: Company Data, WRJ Calculation

During the relevant period (FY12/2024 to FY12/2026), the Company plans to achieve a steady increase in sales and earnings on the Domestic Operations side and the Foreign Operations side, i.e. on both of them, assuming that each side is to equally contribute to an increase in the Company's sales, while the Domestic Operations side is to contribute more than half to an increase in the Company's earnings. Meanwhile, the Company is implying that it is to see operating profit far highest ever on the Foreign Operations side for FY12/2026, the final year of the plan.

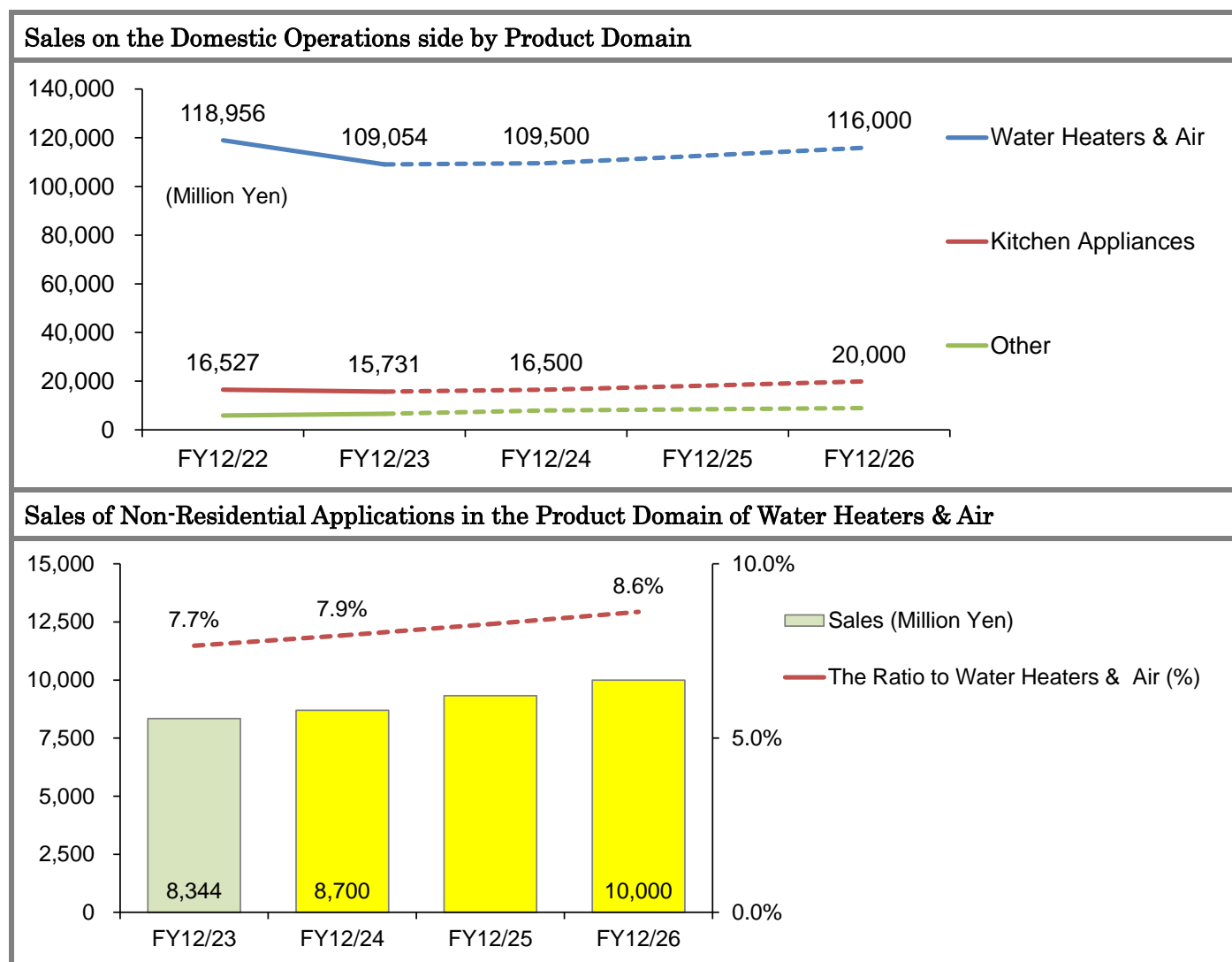


Source: Company Data, WRJ Calculation

In order to achieve the above-mentioned managerial goals, the Company has announced that it plans to aggressively pursue the following priority strategies: Transformation of Business Portfolio, Expansion of Strategic Investments & Capital Policy and Promotion of Sustainability Management. Transformation of Business Portfolio, which is a particular focus of the Company, is planned to be promoted mutually on the Domestic Operations side and the Foreign Operations side. The Company advocates a promotion by product domain on the Domestic Operations side and by region on the Foreign Operations side. For information, forecasts for FY12/2024 in this report are based on data available in the Company's Q2 FY12/2024 results briefing material, while forecasts for FY12/2025 are of our estimates, mainly based on the concept of compound annual growth rates.

### Domestic Operations: Transformation of Business Portfolio

With respect to the Domestic Operations side, the Company is calling for prospective sales of ¥145,000m and operating profit of ¥3,500m for FY12/2026, the final year of the plan. When setting the actual results of FY12/2023 as the point of origin, the Company is calling for CAGR of 3.3% in sales and 112.1% in operating profit. As the driver for prospective sales, the Company is looking to an increase in sales for those of being associated with non-residential applications (business-grade gas water heaters & oil-fired boilers) in the product domain of water heaters & air as well as those of the domain of kitchen appliances.

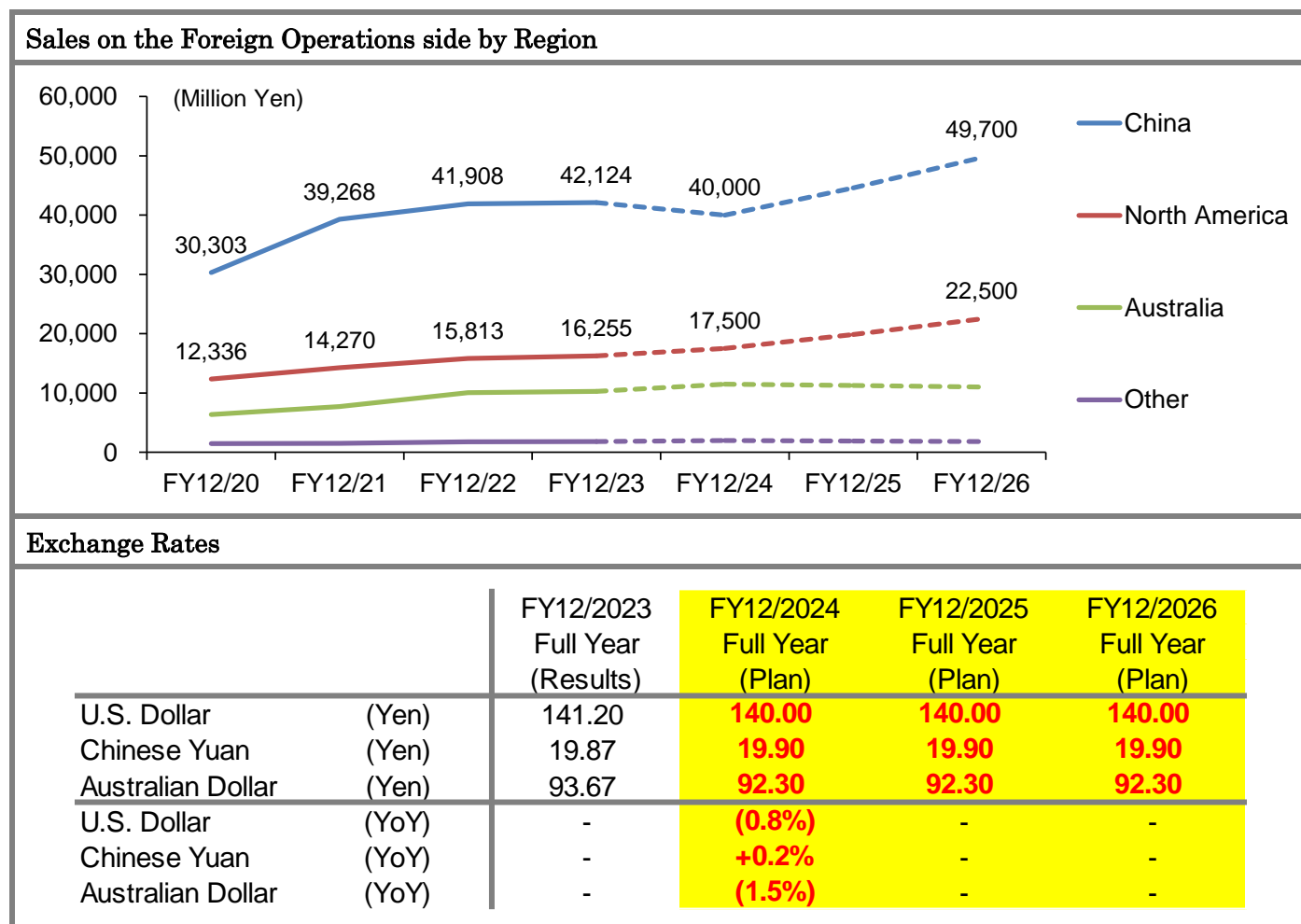


Source: Company Data, WRJ Calculation

In other words, the Company plans to change its business structure, which is heavily weighted toward gas water heaters & oil-fired boilers for private homes, accounting for the bulk of sales of the mainstay product domain of hot water heaters & air. The Company also plans to build a sustainable business foundation for achieving carbon-neutrality through focusing on sales expansion of environmentally friendly products at the same time. Meanwhile, the reason why the Company is calling for a remarkably elevated level for CAGR in operating profit is that the level was exceptionally low due to one-time factors at the point of origin, i.e., the actual results of FY12/2023. Incidentally, when setting the actual results of the year before, i.e., FY12/2022, as the point of origin, the Company is calling for CAGR of 0.6% in sales and 1.1% in operating profit. For information, the actual results of FY12/2022 were rather boosted by one-time factors.

## Foreign Operations: Transformation of Business Portfolio

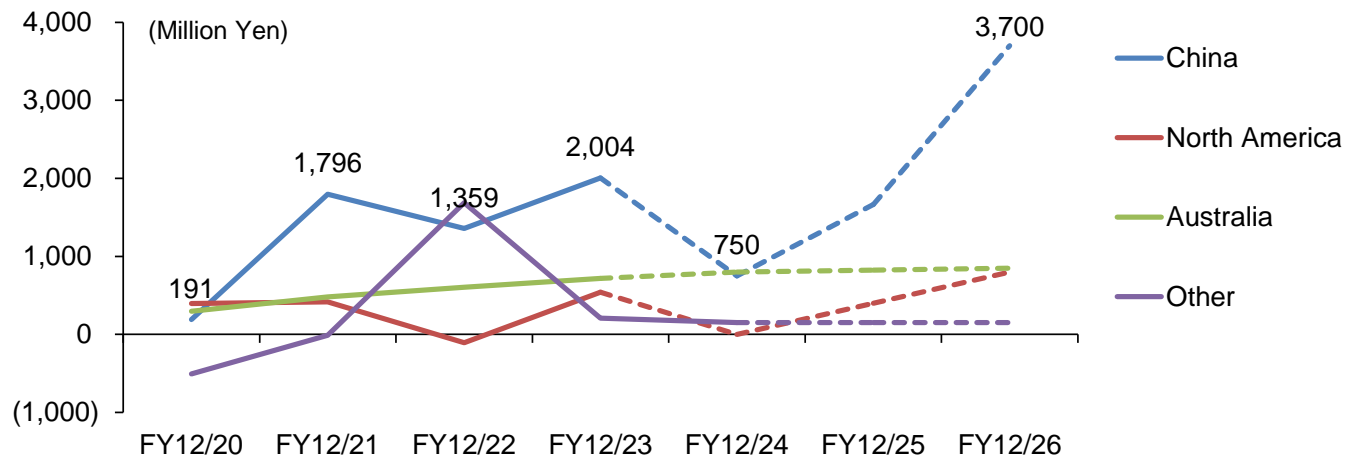
With respect to the Foreign Operations side, the Company is calling for prospective sales of ¥85,000m and operating profit of ¥5,500m for FY12/2026, the final year of the plan. When setting the actual results of FY12/2023 as the point of origin, the Company is calling for CAGR of 6.4% in sales and 16.6% in operating profit. By region, the Company is calling for sales of ¥49,700m in China (CAGR of 5.7%), sales of ¥22,500m in North America (11.4%), sales of ¥11,000m in Australia (2.3%) and sales of ¥1,800m in other (minus 0.3%).



Source: Company Data, WRJ Calculation

According to the Company, the key attempt is to break away from its dependence on China and reduce risk on the Foreign Operations side as a whole, by means of accelerating its focus on operations in North America as well as accelerating development of operations in Southeast Asia. In fact, the Company is calling for CAGR of 5.7% for sales in China versus 11.4% in North America. The Company implements this policy for the sake of further expansion in sales and stabilization of earnings on the Foreign Operations side. Meanwhile, the midterm management plan (FY12/2024 to FY12/2026) assumes exchange rates to remain roughly unchanged from the actual results of FY12/2023, implying an aspect that each of the above-mentioned CAGR in sales by region are virtually equivalents of those of a local currencies basis, as far as we could gather.

### Operating Profit on the Foreign Operations side by Region



Source: Company Data, WRJ Calculation

In China, the Company is heavily involved with both of the operations to locally manufacture and sell products, resulting in an earning structure characterized by high marginal profit ratio. Meanwhile, the Company is calling for prospective sales to continue rising and thus a significant increase in operating profit. At the moment, the market conditions in China are sluggish, while the Company's idea is to make progress in a horizontal expansion region-wise in order to pursue sales expansion from a long-term perspective. So far, the Company has achieved a significant success in developing the market for gas water heaters & oil-fired boilers in Shanghai, where it now holds local market share of more than 30%. The Company plans to horizontally apply the local sales know-how it has accumulated here to expand its operations into neighboring cities and/or regional cities.

Kangaroo Company or Kangaroo International Joint Venture Company (Hung Yen Province, Vietnam, an equity-method affiliate: 44% stake) is responsible for development of operations in Southeast Asia, implying that the Company's sales and operating profit in the income statement are immune to its performance. On the other hand, the Company posted investment loss on equity method of ¥3,756m at the non-operating level for the actual results of FY12/2023 versus ¥360m for FY12/2022, having cut back on recurring profit to a corresponding extent, which was due mainly to expanded loss associated with Kangaroo Company.

In June 2021, the Company acquired 44% of shares outstanding in Kangaroo Company, having consolidated it as equity method affiliate. In those days, the Company saw buoyant economy in Vietnam, where Kangaroo Company is based, as well as in emerging countries laying side-by-side where it was running its operations, but a stagnation of economy in Southeast Asia had been obliged for a while as a result of the Corona pandemic triggered by the first case of infection reported in Wuhan, China, in early December 2019. Thus, sales had plummeted for water purifiers and other appliances manufactured and sold by Kangaroo Company. The Company had been trying to improve Kangaroo Company's performance by implementing various management improvement measures, including personnel reductions, but had been unable to control the deterioration in earnings, which had led to impairment on goodwill that arose at the time of acquisition. For FY12/2023, the Company posted impairment loss of ¥3,375m from here versus equity method investment loss of ¥3,756m as a whole.

In response to the above-mentioned results, the Company has set forth measures to improve Kangaroo Company's performance. In addition to promoting and supporting the strengthening of Kangaroo Company's management base, the Company supports manufacturing at its new factory, which has begun operations in November 2023. Furthermore, as a new initiative, the Company has just begun promoting sales of gas water heaters & oil-fired boilers manufactured by Kangaroo Company in Southeast Asian countries under the NORITZ brand. Thus, it appears that the Company is currently in the initial phase of development in the market for Southeast Asia. By the way, the impact of Kangaroo Company's performance has not been assumed in FY12/2024 Company forecasts and the same is true of assumptions made in the midterm management plan.

### **Expansion of Strategic Investments and Capital Policy**

The Company intends to make business investments of collective ¥32,500m during the period of the midterm management plan (FY12/2024 to FY12/2026). The Company intends to ensure sustainable growth through the said investments. Further, the Company intends to strengthen shareholder returns as mentioned earlier and reduce cross-shareholdings as well as taking other actions to conduct management with an awareness of capital cost and share prices. For information, the main targets for business investments are those of being associated with the Foreign Operations side, which is positioned as a growth business domain and those of being associated with research & development and production reforms. When investments in other strategic issues are included, the Company is to see amount up to collective ¥23,500m (72.3% of total) with all those new strategic investments.

### **Promotions of Sustainability Management**

For the promotions of sustainability management, the Company goes, "we provide long-term safety and security through direct connections (with end users of our products) as the priority issue, while expanding member registrations and developing contracted maintenance services at the same time." Further, the Company also goes, "we are keen on carbon-neutral initiatives and are to achieve our reduction targets for CO2 emission", as well as going, "we develop intangible assets to solve social issues, while promoting utilization of intangible assets such as human capital and intellectual capital" and "we actively work on strengthening of corporate governance as well as evaluation and improvement of board of directors to enhance its effectiveness at the same time".



## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	Net Chg.
<b>Sales</b>	<b>208,396</b>	<b>183,859</b>	<b>178,142</b>	<b>210,966</b>	<b>201,891</b>	<b>205,000</b>	<b>+3,109</b>
Cost of Sales	143,935	125,854	120,949	143,642	138,066	-	-
Gross Profit	64,460	58,005	57,193	67,323	63,824	-	-
SG&A Expenses	61,766	53,241	54,693	60,433	59,984	-	-
<b>Operating Profit</b>	<b>2,693</b>	<b>4,763</b>	<b>2,500</b>	<b>6,889</b>	<b>3,840</b>	<b>3,200</b>	<b>(640)</b>
Non Operating Balance	744	1,162	1,476	1,011	(2,595)	1,000	+3,595
<b>Recurring Profit</b>	<b>3,437</b>	<b>5,925</b>	<b>3,976</b>	<b>7,900</b>	<b>1,245</b>	<b>4,200</b>	<b>+2,955</b>
Extraordinary Balance	(504)	(9,986)	4,941	(213)	1,791	-	-
Profit before Income Taxes	2,933	(4,061)	8,917	7,687	3,036	-	-
Total Income Taxes	1,370	(966)	3,216	2,639	1,852	-	-
Profit Attributable to Non-Controlling Interests	50	(81)	220	247	314	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>1,512</b>	<b>(3,013)</b>	<b>5,479</b>	<b>4,800</b>	<b>868</b>	<b>4,700</b>	<b>+3,832</b>
Sales YoY	(0.7%)	(11.8%)	(3.1%)	+18.4%	(4.3%)	+1.5%	-
Operating Profit YoY	(44.0%)	+76.8%	(47.5%)	+175.5%	(44.3%)	(16.7%)	-
Recurring Profit YoY	(45.1%)	+72.4%	(32.9%)	+98.7%	(84.2%)	+237.3%	-
Profit Attributable to Owners of Parent YoY	(73.8%)	-	-	(12.4%)	(81.9%)	+440.9%	-
Gross Profit Margin	30.9%	31.5%	32.1%	31.9%	31.6%	-	-
SG&A Ratio	29.6%	29.0%	30.7%	28.6%	29.7%	-	-
Operating Profit Margin	1.3%	2.6%	1.4%	3.3%	1.9%	1.6%	(0.3%)
Recurring Profit Margin	1.6%	3.2%	2.2%	3.7%	0.6%	2.0%	+1.4%
Profit Attributable to Owners of Parent Margin	0.7%	(1.6%)	3.1%	2.3%	0.4%	2.3%	+1.9%
Total Income Taxes / Profit before Income Taxes	46.7%	-	36.1%	34.3%	61.0%	-	-

Source: Company Data, WRJ Calculation

### Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	Net Chg.
Water Heaters & Air	-	-	-	118,956	109,054	109,500	+446
Kitchen Appliances	-	-	-	16,527	15,731	16,500	+769
Other	-	-	-	5,932	6,618	8,000	+1,382
<b>Domestic Operations</b>	<b>149,834</b>	<b>133,385</b>	<b>115,382</b>	<b>141,417</b>	<b>131,404</b>	<b>134,000</b>	<b>+2,596</b>
Water Heaters & Air	-	-	-	58,542	59,364	-	-
Kitchen Appliances	-	-	-	10,041	10,380	-	-
Other	-	-	-	964	797	-	-
<b>Foreign Operations</b>	<b>58,562</b>	<b>50,473</b>	<b>62,760</b>	<b>69,548</b>	<b>70,486</b>	<b>71,000</b>	<b>+514</b>
<b>Sales</b>	<b>208,396</b>	<b>183,859</b>	<b>178,142</b>	<b>210,966</b>	<b>201,891</b>	<b>205,000</b>	<b>+3,109</b>
Domestic Operations	2,396	4,385	(183)	3,345	367	1,500	+1,133
Foreign Operations	297	378	2,683	3,544	3,473	1,700	(1,773)
<b>Segment Profit</b>	<b>2,693</b>	<b>4,763</b>	<b>2,500</b>	<b>6,889</b>	<b>3,840</b>	<b>3,200</b>	<b>(640)</b>
Adjustment	-	-	-	-	-	-	-
<b>Operating Profit</b>	<b>2,693</b>	<b>4,763</b>	<b>2,500</b>	<b>6,889</b>	<b>3,840</b>	<b>3,200</b>	<b>(640)</b>
Domestic Operations	1.6%	3.3%	(0.2%)	2.4%	0.3%	1.1%	+0.8%
Foreign Operations	0.5%	0.7%	4.3%	5.1%	4.9%	2.4%	(2.5%)
Adjustment	-	-	-	-	-	-	-
<b>Operating Profit Margin</b>	<b>1.3%</b>	<b>2.6%</b>	<b>1.4%</b>	<b>3.3%</b>	<b>1.9%</b>	<b>1.6%</b>	<b>(0.3%)</b>

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	Net Chg.
Cash and Deposit	31,591	30,821	43,432	36,253	26,137	-	-
Accounts Receivables and Contract Assets	46,345	43,320	31,302	43,403	44,009	-	-
Electronically Recorded Monetary Claim	14,501	12,278	9,333	15,161	12,006	-	-
Inventory	20,037	17,470	22,033	32,223	33,821	-	-
Other	5,448	4,163	5,910	5,143	5,545	-	-
<b>Current Assets</b>	<b>117,922</b>	<b>108,052</b>	<b>112,010</b>	<b>132,183</b>	<b>121,518</b>	-	-
Tangible Assets	35,969	33,327	33,865	33,990	36,523	-	-
Intangible Assets	10,460	9,228	9,360	9,693	9,759	-	-
Investments and Other Assets	34,951	39,117	39,290	41,108	39,968	-	-
<b>Fixed Assets</b>	<b>81,382</b>	<b>81,673</b>	<b>82,516</b>	<b>84,791</b>	<b>86,252</b>	-	-
<b>Total Assets</b>	<b>199,305</b>	<b>189,726</b>	<b>194,527</b>	<b>216,974</b>	<b>207,771</b>	-	-
Accounts Payables	40,941	37,004	34,909	48,360	39,281	-	-
Short-Term Debt	1,252	825	809	2,112	2,527	-	-
Other	20,974	21,084	22,890	29,773	25,016	-	-
<b>Current Liabilities</b>	<b>63,167</b>	<b>58,913</b>	<b>58,608</b>	<b>80,245</b>	<b>66,824</b>	-	-
Long-Term Debt	-	40	40	-	-	-	-
Other	21,336	19,801	19,685	17,072	14,279	-	-
<b>Fixed Liabilities</b>	<b>21,336</b>	<b>19,841</b>	<b>19,725</b>	<b>17,072</b>	<b>14,279</b>	-	-
<b>Total Liabilities</b>	<b>84,503</b>	<b>78,755</b>	<b>78,333</b>	<b>97,318</b>	<b>81,104</b>	-	-
<b>Shareholders' Equity</b>	<b>103,365</b>	<b>97,349</b>	<b>100,618</b>	<b>99,948</b>	<b>98,320</b>	-	-
Other	11,436	13,622	15,575	19,708	28,347	-	-
<b>Net Assets</b>	<b>114,801</b>	<b>110,971</b>	<b>116,193</b>	<b>119,656</b>	<b>126,667</b>	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>199,305</b>	<b>189,726</b>	<b>194,527</b>	<b>216,974</b>	<b>207,771</b>	-	-
Equity Capital	110,965	107,148	111,959	115,274	121,978	-	-
Interest-Bearing Debt	1,252	865	849	2,112	2,527	-	-
Net Debt	(30,339)	(29,956)	(42,583)	(34,141)	(23,610)	-	-
Equity Ratio	55.7%	56.5%	57.6%	53.1%	58.7%	-	-
Net Debt-to-Equity Ratio	(27.3%)	(28.0%)	(38.0%)	(29.6%)	(19.4%)	-	-
ROE (12 months)	1.4%	(2.8%)	5.0%	4.2%	0.7%	3.8%	-
ROA (12 months)	1.7%	3.0%	2.1%	3.8%	0.6%	-	-
Days for Inventory Turnover	50	50	66	81	89	-	-
Quick Ratio	146%	147%	143%	118%	123%	-	-
Current Ratio	187%	183%	191%	165%	182%	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	Net Chg.
Operating Cash Flow	6,138	9,415	15,447	2,403	(1,868)	-	-
Investing Cash Flow	(11,304)	(5,432)	(2,522)	(7,790)	(5,664)	-	-
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>(5,166)</b>	<b>3,983</b>	<b>12,925</b>	<b>(5,387)</b>	<b>(7,532)</b>	-	-
Financing Cash Flow	(2,802)	(4,317)	(3,118)	(4,778)	(3,235)	-	-

Source: Company Data, WRJ Calculation

## Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	Net Chg.
No. of Shares FY End (thousand shares)	50,798	50,798	50,798	50,798	50,798	-	-
Net Profit / EPS (thousand shares)	47,622	46,504	45,996	45,872	46,072	-	-
Treasury Shares FY End (thousand shares)	3,774	4,815	4,799	4,837	4,670	-	-
Earnings Per Share	31.75	(64.79)	119.12	104.64	18.84	101.84	-
Earnings Per Share (Fully Diluted)	31.71	-	118.83	104.49	18.82	-	-
Book Value Per Share	2,359.80	2,330.19	2,433.96	2,508.08	2,644.38	-	-
Dividend Per Share	32.00	35.00	83.00	53.00	53.00	67.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	31.75	(64.79)	119.12	104.64	18.84	101.84	-
Book Value Per Share	2,359.80	2,330.19	2,433.96	2,508.08	2,644.38	-	-
Dividend Per Share	32.00	35.00	83.00	53.00	53.00	67.00	-
Payout Ratio	100.8%	-	69.7%	50.6%	281.3%	65.8%	-

Source: Company Data, WRJ Calculation

### Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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