

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		200,000	1,600	2,600	3,800	82.30	67.00	-
FY12/2023	YoY	(4.3%)	(44.3%)	(84.2%)	(81.9%)	-	-	-
FY12/2024CoE	YoY	(0.9%)	(58.3%)	108.8%	337.8%	-	-	-
Consolidated Q1 to Q3 (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY12/2023		144,803	832	1,011	573	-	-	-
Q1 to Q3 FY12/2024		141,193	(415)	412	2,348	-	-	-
Q1 to Q3 FY12/2024	YoY	(2.5%)	-	(59.2%)	309.8%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (9 January 2025)

At Major Bottom


NORITZ, mainly running operations to manufacture and sell gas water heaters & oil-fired boilers both in Japan and foreign countries, is in the process of aiming to recover its performance after two consecutive years of declining sales and earnings. For the operations in foreign countries, the Company has been suffering from stagnated market conditions in China for some time, while in Japan there was an improvement in profit and loss from Q2 (April to June) to Q3 (July to September) in terms of year-on-year changes, which is however suggested to have been followed by a sluggishness in sales of premium products carrying high gross profit margin for Q4 (October to December). For FY12/2024, on the other hand, Company forecasts are going for a substantial improvement at the non-operating level, while having already posted extraordinary profit during the period of Q1 to Q3 (January to September), and thus going for planned annual dividend of ¥67.00 per share, implying payout ratio of 81.4% and dividend on equity of 2.5% in line with the capital policy advocated with the midterm management plan V Plan 26 (FY12/2024 to FY12/2026), resulting in an increase of ¥14.00 per share, when compared to ¥53.00 for the actual results of FY12/2023. In the first year of the plan, the Company's underlying earnings are under pressure due to a deterioration in external environment and so on, while it appears that the Company is currently in the process of formulating policies to realize a recovery in performance, hitting a major bottom for FY12/2024. For example, on 11 December 2024, the Company disclosed in a release titled, Overview of the Results of the Evaluation of the Effectiveness of the Company's Board of Directors, that it had set out issues to be addressed for FY12/2025. The specific issues set out appear to include measures to accelerate the promotion of Transformation of Business Portfolio, which is the key strategy of the midterm management plan V Plan 26, to a greater extent than before.

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2.0 Company Profile

Happiness is a Warm Ofuro

Company Name	<p>NORITZ CORPORATION</p> <p>Company HP</p> <p>Financial Highlights</p> <p>Share Price (Japanese)</p>	 <p>NORITZ</p> <p>The Simple Comforts of Life</p>
Established	10 March 1951	
Listing	<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>	
Capital	¥20,167m (as of the end of September 2024)	
No. of Shares	48,554,930 shares, including 2,340,743 treasury shares (as of the end of Sep. 2024)	
Main Features	<ul style="list-style-type: none"> ● Springhead of business: happiness is a warm ofuro, i.e., Japanese bath ● 40% share in the market for gas water heaters & oil-fired boilers in Japan ● Focus on sales associated with non-residential applications and those of kitchen appliances, as well as development of foreign markets 	
Segments	<p>I . Domestic Operations</p> <p>II . Foreign Operations</p>	
Representative	President and CEO: Satoshi Haramaki	
Shareholders	<p>Master Trust Bank of Japan, T. 9.54%, Client Share Ownership Plan 4.70%, Sumitomo Mitsui Banking 3.73%, Dai-ichi Life 3.46%, CHOFU SEISAKUSHO 3.26%, NIPPON ACTIVE VALUE FUND PLC 3.22% (as of the end of September 2024, but for treasury shares)</p>	
Head Office	Kobe-city, Hyogo-prefecture, JAPAN	
No. of Personnel	Consolidated: 6,194, Parent: 2,062 (as of the end of September 2024)	

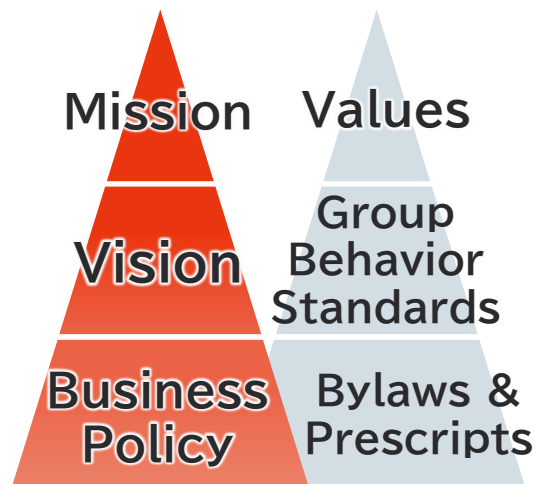
Source: Company Data

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 in its corporate philosophy. The Company holds on to the existing Mission, going “we bring the new happiness to a boil”, while having formulated an ideal picture for FY12/2030, not only V Plan 26, as a new Vision. That is to say, the Company is now going, “we strive to persistently deliver an absolute must and to newly create an absolute must”.

New Corporate Philosophy Construct



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 an absolute must 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 enhance 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)

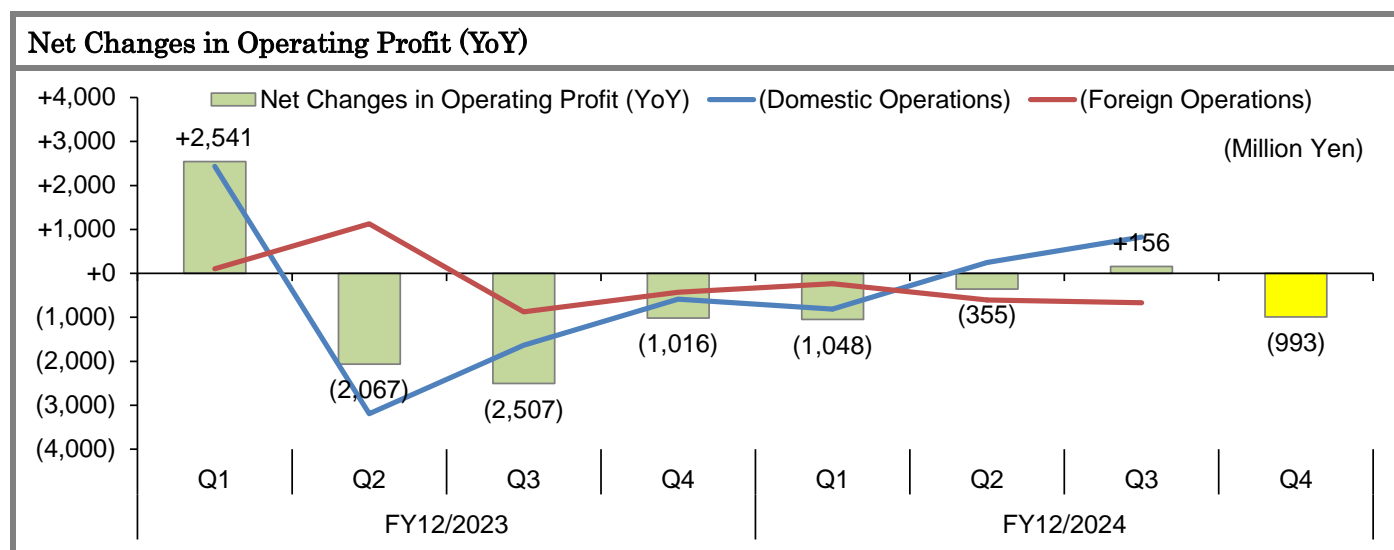
Date	Events
March 1951	Noritsu Bath Industry K.K., set up with capital of ¥530,000; head office, inaugurated in Ikuta-ku, Kobe-city (changed to Chuo-ku, Kobe-city in December 1980 due to change of the address)
May 1955	Tokyo local office, opened in Chiyoda-ku, Tokyo; upgraded to branch office in March 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	能率香港集團有限公司 (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 Q3 FY12/2024 (January to September)

For Q1 to Q3 FY12/2024 (January to September), sales came in at ¥141,193m (down 2.5% YoY), operating profit minus ¥415m (versus ¥832m during the same period of the previous year), recurring profit ¥412m (down 59.2%) and profit attributable to owners of parent ¥2,348m (up 309.8%), while operating profit margin minus 0.3% (down 0.9% points). The Company saw an improvement of ¥648m at the non-operating level, which was due mainly to a significant decrease 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. Further, there was an improvement of ¥3,127m at the extraordinary level, which was due mainly to gain of ¥3,942m posted on sale of investment securities.



Source: Company Data, WRJ Calculation

On the Domestic Operations side, the Company had consistently seen a deterioration in profit and loss during the period from Q2 (April to June) FY12/2023 to Q1 (January to March) FY12/2024 in terms of net changes over the same period of the previous year, which was followed by changeover to an improvement for Q2 (April to June) FY12/2024. Further, for Q3 (July to September) to have followed then, the Company saw a time-oriented expansion of the improvement, having brought forth an improvement in profit and loss for the Company as a whole. Meanwhile, on the Foreign Operations side, the Company has continued suffering from a decline in earnings due mainly to stagnated market conditions in China, while the operations in North America having suffered from a deterioration in profit and loss at the same time. Nevertheless, this was all more than compensated for by the impact of improvement in Japan.

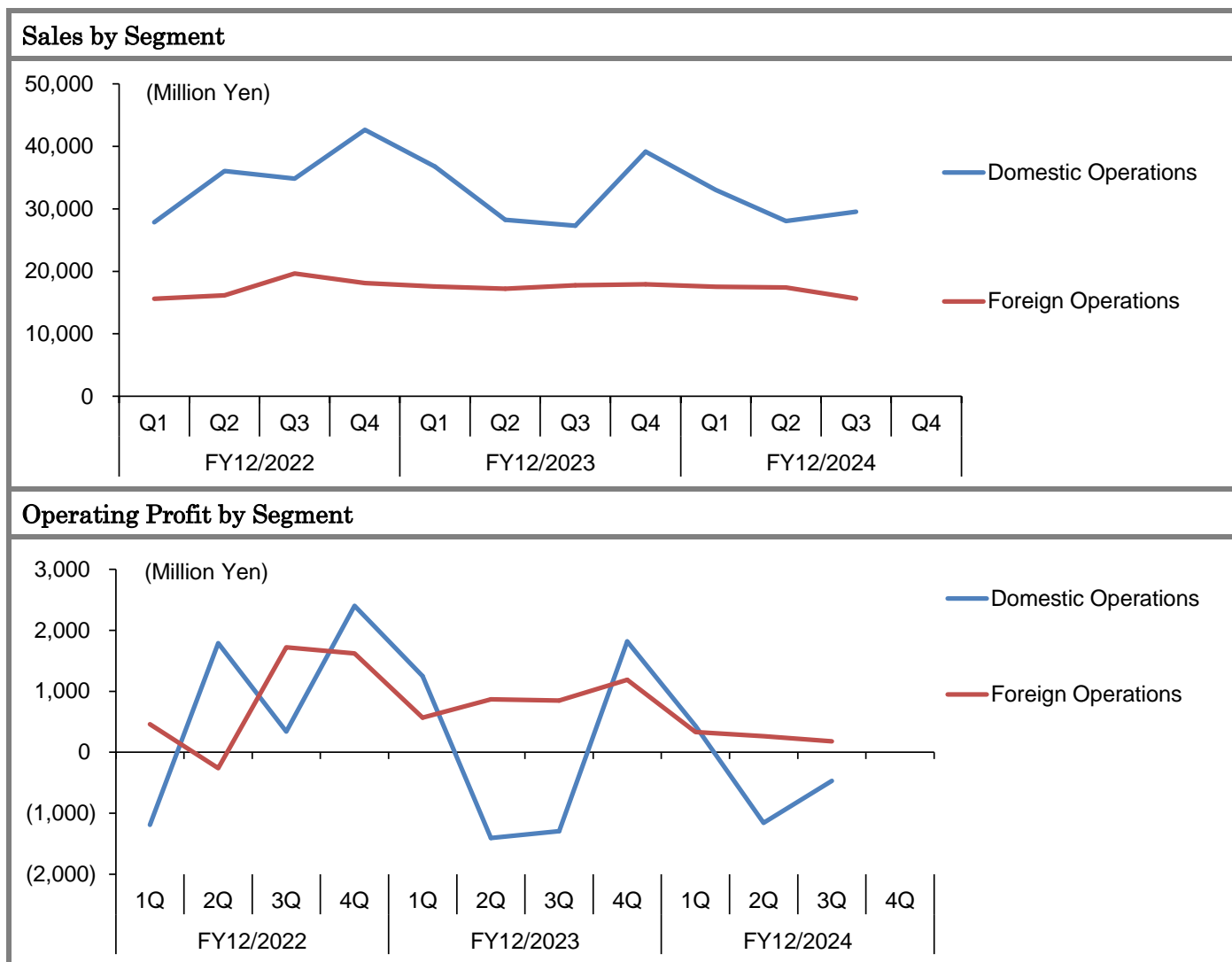
The Company's operating profit for Q1 to Q3 (January to September) came in at minus ¥415m, implying a deterioration of ¥1,247m in profit and loss, when compared to ¥832m during the same period of the previous year. Meanwhile, the Company's Factors of Changes in Operating Profit, disclosed in terms of roughly estimated data, suggests a deterioration of ¥1,400m in profit and loss, when changes of each factor are simply added together. Out of the factors, the Company's profit and loss was most significantly impacted by Volume / Price / Sales Mix, etc., which is estimated to have generated a deterioration of no less than ¥6,400m. However, the said impact has become increasingly smaller on a time-oriented basis or a quarter on quarter basis and thus the Company saw an improvement in profit and loss of ¥156m from minus ¥444m to minus ¥288m, for Q3 (July to September), in terms of year-on-year changes.

Factors of Changes in Operating Profit				
Factors for Changes	(Million Yen)	Q1 to Q3 (Actual Results)	Q4 (CoE^{**})	FY12/2024 (CoE^{**})
(Domestic Operations)	(roughly estimated)	(2,710)	+1,930	(780)
(Foreign Operations)	(roughly estimated)	(3,720)	+750	(2,970)
Volume / Price / Sales Mix, etc	(roughly estimated)	(6,400)	+2,600	(3,800)
Revision on Selling Prices	(roughly estimated)	+3,100	-	+3,100
Changes of Raw Material Costs	(roughly estimated)	(600)	(200)	(800)
Cost Cuts and Raw Material Costs	(roughly estimated)	(900)	(100)	(1,000)
Processing Expenses	(roughly estimated)	+1,600	(400)	+1,200
SG&A Expenses	(roughly estimated)	+1,800	(1,100)	+700
Exchange Rates	(roughly estimated)	+0	+0	+0
Changes in Operating Profit (YoY)	(roughly estimated)	(1,400)	+800	(600)

Source: Company Data, WRJ Calculation (CoE^{**}: as of 12 November 2024)

At the time of the announcement of the Q1 to Q3 (January to September) results as of 12 November 2024, Company forecasts assumed an improvement of ¥2,600m in profit and loss with respect to Volume / Price / Sales Mix, etc. for Q4 (October to December) on a year-on-year basis, while having assumed a deterioration of no more than ¥600m on a full-year basis for the Company as a whole. However, the Company has revised down full-year Company forecasts, on 5 December 2024, currently going for prospective sales of ¥200,000m (down 0.9%), operating profit of ¥1,600m (down 58.3%) and operating profit margin of 0.8% (down 1.1% points) for FY12/2024. Prospective sales have been revised down ¥5,000m (2.4%) and ¥1,600m (50.0%) for operating profit.

According to the Company, sales were falling short of assumptions of the existing Company forecasts on the Domestic Operations side as well as on the Foreign Operations side, which inevitably led to earnings falling short of at the same time. On the Domestic Operations side, the Company was seeing an ongoing recovery in sales of the mainstay domain of water heaters & air, mainly comprising home-use gas water heaters & oil-fired boilers, but not as much as assumed in the existing Company forecasts. Meanwhile, on the Foreign Operations side, the Company was continuously suffering from stagnated market conditions in China, even after the beginning of Q4 (October to December).

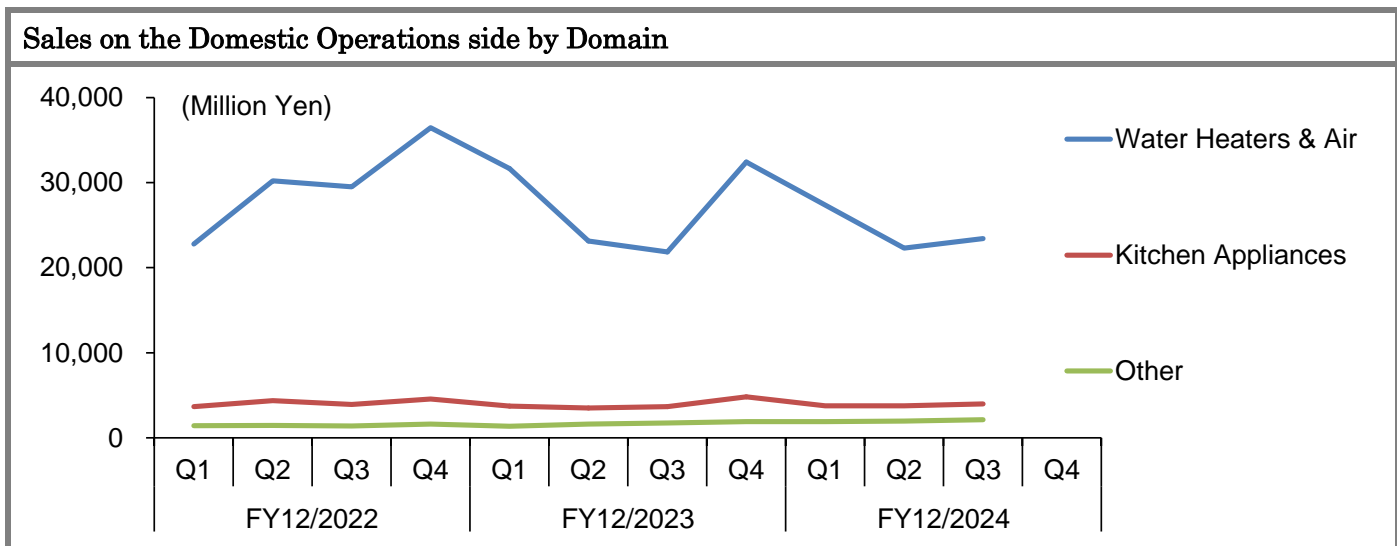


Source: Company Data, WRJ Calculation

Domestic Operations (64.2% of sales)

For Q1 to Q3 (January to March), sales came in at ¥90,610m (down 1.8%), operating profit minus ¥1,193m (versus minus ¥1,451m during the same period of the previous year) and operating profit margin minus 1.3% (up 0.3% points). Meanwhile, by domain, sales of the mainstay domain of water heaters & air, mainly comprising home-use gas water heaters & oil-fired boilers, came in at ¥73,082m (down 4.6%), sales of the domain of kitchen appliances ¥11,522m (up 5.7%) and sales of other ¥6,005m (up 27.4%).

For Q3 (July to September) alone, sales came in at ¥29,540m (up 8.3%), segment profit minus ¥469m (minus ¥1,294m) and segment profit margin minus 1.6% (up 3.2% points), so an increase in sales and an improvement in profit and loss over the same period of the previous year were achieved. During the relevant period, sales of the domain of water heaters & air came in at ¥23,410m (up 7.1%), sales of the domain of kitchen appliances ¥3,997m (up 8.6%) and sales of other ¥2,132m (up 21.7%). As above-mentioned, the Company had continued suffering from a year-on-year deterioration in profit and loss on the Foreign Operations side due to stagnated market conditions in China for Q3 (July to September), but this was more than compensated for by an improvement in profit and loss on the Domestic Operations side, having resulted in an improvement in profit and loss for the Company as a whole. The main reason for the latter is that the Company was able to achieve an increase in sales of the mainstay domain of water heaters & air.



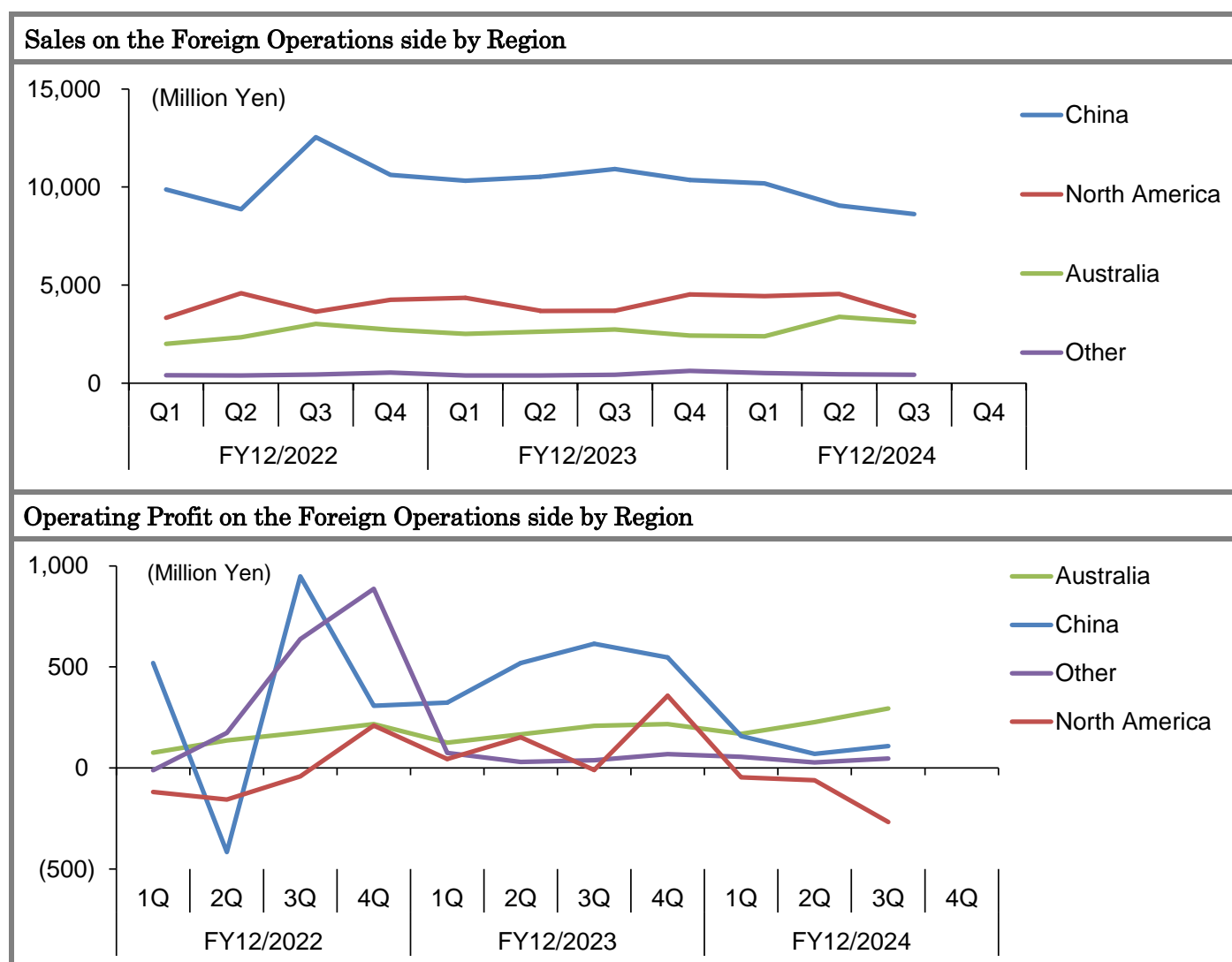
Source: Company Data, WRJ Calculation

With respect to the mainstay domain of water heaters & air, there was a time-oriented changeover from a decline to an increase for sales volume in terms of year-on-year changes for Q3 (July to September). In the said domain, sales associated with non-residential applications (business-grade water heaters & oil-fired boilers) came in at ¥2,169m (up 16.7%), having seen an accelerated rate of increase quarter by quarter. According to the Company, it has begun to benefit from its initiatives to achieve carbon-neutrality, such as promoting replacement of boilers with business-grade water heaters. Meanwhile, the mainstay home-use gas water heaters & oil-fired boilers have seen a time-oriented changeover from a decline to an increase for sales volume in terms of year-on-year changes. At the same time, sales of the domain of kitchen appliances came in at ¥3,997m (up 8.6%) and here too the rate of increase in sales has accelerated quarter by quarter. According to the Company, it 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.

Recent trading for Q4 (October to December) is suggested to have seen a similar trend as a whole, but it is also suggested that sales of premium products carrying high gross profit margin are struggling to grow. In fact, this is one of the key reasons of the latest downward revision made for Company forecasts, announced on 5 December 2024. Premium products are those of being featured by additional functionalities on top of reheating functions with the mainstay products, with which the Company advocates a promotion of branding for so-called social issue solution-type products, i.e., additionally in charge of disinfection, sleep support and so on. According to the Company, it benefits from added value larger than the mainstay products and thus gross profit margin higher to a corresponding extent.

Foreign Operations (35.8% of sales)

For Q1 to Q3 (January to September), sales came in at ¥50,582m (down 3.7%), operating profit ¥777m (down 66.0%) and operating profit margin 1.5% (down 2.8% points). The Company saw a decline of ¥1,969m in sales over the same period of the previous year and a decline of ¥1,506m in operating profit versus ¥3,901m and ¥1,120m, respectively, in China, implying that the Company's performance in China had a significant impact on the Foreign Operations side as a whole.



Source: Company Data, WRJ Calculation

In China, where the Company develops its operations with a focus on the domain of water heaters & air, mainly comprising home-use gas water heaters & oil-fired boilers, as in Japan, sales came in at ¥27,860m (down 12.3% / down 17.8% on a local currency basis), operating profit ¥336m (down 76.9%) and operating profit margin 1.2% (down 3.4% points). On top of a continuation of stagnated market conditions in the local area, the Company has also suffered from an impact of being slow to respond to the shift in online sales toward low-priced products, having inevitably brought in sales on the downgrade. Meanwhile, Company forecasts, at the release of the Q3 (July to September) results as of 12 November 2024, were going for a recovery for the market conditions in China during the period of Q4 (October to December). Nevertheless, it has become the case that the impact of support measures implemented by the local government, which the Company had pinned its hopes on, is ultimately limited. Thus, this is another key factor for the latest downward revision, announced on 5 December 2024, for Company forecasts.

Average Exchange Rates				
		FY12/2023 Q1 to Q3 (Results)	FY12/2024 Q1 to Q3 (Results)	FY12/2024 H2 (CoE [*])
U.S. Dollar	(Yen)	139.55	151.59	150.00
Chinese Yuan	(Yen)	19.73	21.06	20.50
Australian Dollar	(Yen)	92.67	100.46	96.70
U.S. Dollar	(YoY)	-	+8.6%	-
Chinese Yuan	(YoY)	-	+6.7%	-
Australian Dollar	(YoY)	-	+8.4%	-

Source: Company Data, WRJ Calculation (CoE^{*}: as of 12 November 2024)

Meanwhile, the Company saw performance in North America and Australia, where the Company specializes in the domain of water heaters & air, as follows: In North America, sales came in at ¥12,403m (up 5.7% / down 2.7% on a local currency basis), operating profit minus ¥377m (versus ¥185m during the same period of the previous year) and operating profit margin minus 3.0% (down 4.6% points). Sales on a local currency basis have declined as sales volume was declining for heating boilers, which are said to account for some 30% of local sales. The said declining sales volume of heating boilers had a significant impact in profit and loss as all those products carry high marginal profit ratio, being manufactured at own local factory. In recent trading for Q4 (October to December), the Company suggests that the recovery is rather disappointing for sales volume of heating boilers, while spending sales promotion expenses on new products of home-use gas water heaters and oil-fired boilers, which are said to account for some 60% of local sales, at the same time. Both are also mentioned as factors of the downward revision for Company forecasts, announced on 5 December 2024.

In Australia, sales came in at ¥8,870m (up 12.9% / up 4.1% on a local currency basis), operating profit ¥689m (up 38.0%) and operating profit margin 7.8% (up 1.4% points). Sales have risen on a local currency basis and the Company has seen a favorable performance, which is to result in the key factor to drive earnings on the Foreign Operations side as a whole for FY12/2024. Nevertheless, the impact will not be significant due to small exposure in sales on this side.

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	
Sales	54,304	99,752	144,803	201,891	50,555	96,012	141,193	-	-	(3,610)
Cost of Sales	37,164	68,224	98,874	138,066	34,284	65,678	97,028	-	-	(1,846)
Gross Profit	17,140	31,528	45,929	63,824	16,270	30,333	44,164	-	-	(1,765)
SG&A Expenses	15,322	30,251	45,097	59,984	15,501	30,461	44,580	-	-	(517)
Operating Profit	1,817	1,276	832	3,840	769	(127)	(415)	-	-	(1,247)
Non Operating Balance	(17)	107	179	(2,595)	25	537	827	-	-	+648
Recurring Profit	1,800	1,383	1,011	1,245	794	410	412	-	-	(599)
Extraordinary Balance	(229)	187	215	1,791	(182)	(560)	3,342	-	-	+3,127
Profit before Income Taxes	1,571	1,570	1,226	3,036	612	(150)	3,754	-	-	+2,528
Total Income Taxes	227	377	439	1,852	283	126	1,238	-	-	+799
Profit Attributable to Non-Controlling Interests	73	130	214	314	41	77	166	-	-	(48)
Profit Attributable to Owners of Parent	1,270	1,061	573	868	287	(354)	2,348	-	-	+1,775
Sales YoY	+24.9%	+4.2%	(3.6%)	(4.3%)	(6.9%)	(3.7%)	(2.5%)	-	-	-
Operating Profit YoY	-	+59.2%	(71.0%)	(44.3%)	(57.7%)	-	-	-	-	-
Recurring Profit YoY	-	(8.8%)	(74.4%)	(84.2%)	(55.9%)	(70.3%)	(59.2%)	-	-	-
Profit Attributable to Owners of Parent YoY	-	+105.8%	(74.4%)	(81.9%)	(77.4%)	-	+309.8%	-	-	-
Gross Profit Margin	31.6%	31.6%	31.7%	31.6%	32.2%	31.6%	31.3%	-	-	(0.4%)
SG&A Ratio	28.2%	30.3%	31.1%	29.7%	30.7%	31.7%	31.6%	-	-	+0.4%
Operating Profit Margin	3.3%	1.3%	0.6%	1.9%	1.5%	(0.1%)	(0.3%)	-	-	(0.9%)
Recurring Profit Margin	3.3%	1.4%	0.7%	0.6%	1.6%	0.4%	0.3%	-	-	(0.4%)
Profit Attributable to Owners of Parent Margin	2.3%	1.1%	0.4%	0.4%	0.6%	(0.4%)	1.7%	-	-	+1.3%
Total Income Taxes / Profit before Income Taxes	14.4%	24.0%	35.8%	61.0%	46.2%	-	33.0%	-	-	(2.8%)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Net Chg.	
(Million Yen)	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024	12/2024	
Sales	54,304	45,448	45,051	57,088	50,555	45,457	45,181	-	-	+130
Cost of Sales	37,164	31,060	30,650	39,192	34,284	31,394	31,350	-	-	+700
Gross Profit	17,140	14,388	14,401	17,895	16,270	14,063	13,831	-	-	(570)
SG&A Expenses	15,322	14,929	14,846	14,887	15,501	14,960	14,119	-	-	(727)
Operating Profit	1,817	(541)	(444)	3,008	769	(896)	(288)	-	-	+156
Non Operating Balance	(17)	124	72	(2,774)	25	512	290	-	-	+218
Recurring Profit	1,800	(417)	(372)	234	794	(384)	2	-	-	+374
Extraordinary Balance	(229)	416	28	1,576	(182)	(378)	3,902	-	-	+3,874
Profit before Income Taxes	1,571	(1)	(344)	1,810	612	(762)	3,904	-	-	+4,248
Total Income Taxes	227	150	62	1,413	283	(157)	1,112	-	-	+1,050
Profit Attributable to Non-Controlling Interests	73	57	84	100	41	36	89	-	-	+5
Profit Attributable to Owners of Parent	1,270	(209)	(488)	295	287	(641)	2,702	-	-	+3,190
Sales YoY	+24.9%	(13.0%)	(17.3%)	(6.1%)	(6.9%)	+0.0%	+0.3%	-	-	-
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%	30.6%	-	-	(1.4%)
SG&A Ratio	28.2%	32.8%	33.0%	26.1%	30.7%	32.9%	31.2%	-	-	(1.7%)
Operating Profit Margin	3.3%	(1.2%)	(1.0%)	5.3%	1.5%	(2.0%)	(0.6%)	-	-	+0.3%
Recurring Profit Margin	3.3%	(0.9%)	(0.8%)	0.4%	1.6%	(0.8%)	0.0%	-	-	+0.8%
Profit Attributable to Owners of Parent Margin	2.3%	(0.5%)	(1.1%)	0.5%	0.6%	(1.4%)	6.0%	-	-	+7.1%
Total Income Taxes / Profit before Income Taxes	14.4%	-	-	78.1%	46.2%	-	28.5%	-	-	-

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	76,635	109,054	27,365	49,672	73,082	-	(3,553)	
Kitchen Appliances	3,724	7,221	10,901	15,731	3,758	7,525	11,522	-	+621	
Other	1,356	2,963	4,715	6,618	1,913	3,873	6,005	-	+1,290	
Domestic Operations	36,740	64,970	92,252	131,404	33,037	61,070	90,610	-	(1,642)	
Water Heaters & Air	14,779	29,268	44,207	59,364	14,468	29,303	42,272	-	(1,935)	
Kitchen Appliances	2,538	5,127	7,739	10,380	2,863	5,329	7,904	-	+165	
Other	245	386	604	797	186	308	405	-	(199)	
Foreign Operations	17,563	34,782	52,551	70,486	17,518	34,941	50,582	-	(1,969)	
Sales	54,304	99,752	144,803	201,891	50,555	96,012	141,193	-	(3,610)	
Domestic Operations	1,249	(157)	(1,451)	367	434	(724)	(1,193)	-	+258	
Foreign Operations	567	1,434	2,283	3,473	334	596	777	-	(1,506)	
Segment Profit	1,817	1,276	832	3,840	769	(127)	(415)	-	(1,247)	
Adjustment	-	-	-	-	-	-	-	-	-	
Operating Profit	1,817	1,276	832	3,840	769	(127)	(415)	-	(1,247)	
Domestic Operations	3.4%	(0.2%)	(1.6%)	0.3%	1.3%	(1.2%)	(1.3%)	-	+0.3%	
Foreign Operations	3.2%	4.1%	4.3%	4.9%	1.9%	1.7%	1.5%	-	(2.8%)	
Adjustment	-	-	-	-	-	-	-	-	-	
Operating Profit Margin	3.3%	1.3%	0.6%	1.9%	1.5%	(0.1%)	(0.3%)	-	(0.9%)	

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	21,851	32,419	27,365	22,307	23,410	-	+1,559	
Kitchen Appliances	3,724	3,497	3,680	4,830	3,758	3,767	3,997	-	+317	
Other	1,356	1,607	1,752	1,903	1,913	1,960	2,132	-	+380	
Domestic Operations	36,740	28,230	27,282	39,152	33,037	28,033	29,540	-	+2,258	
Water Heaters & Air	14,779	14,489	14,939	15,157	14,468	14,835	12,969	-	(1,970)	
Kitchen Appliances	2,538	2,589	2,612	2,641	2,863	2,466	2,575	-	(37)	
Other	245	141	218	193	186	122	97	-	(121)	
Foreign Operations	17,563	17,219	17,769	17,935	17,518	17,423	15,641	-	(2,128)	
Sales	54,304	45,448	45,051	57,088	50,555	45,457	45,181	-	+130	
Domestic Operations	1,249	(1,406)	(1,294)	1,818	434	(1,158)	(469)	-	+825	
Foreign Operations	567	867	849	1,190	334	262	181	-	(668)	
Segment Profit	1,817	(541)	(444)	3,008	769	(896)	(288)	-	+156	
Adjustment	-	-	-	-	-	-	-	-	-	
Operating Profit	1,817	(541)	(444)	3,008	769	(896)	(288)	-	+156	
Domestic Operations	3.4%	(5.0%)	(4.7%)	4.6%	1.3%	(4.1%)	(1.6%)	-	+3.2%	
Foreign Operations	3.2%	5.0%	4.8%	6.6%	1.9%	1.5%	1.2%	-	(3.6%)	
Adjustment	-	-	-	-	-	-	-	-	-	
Operating Profit Margin	3.3%	(1.2%)	(1.0%)	5.3%	1.5%	(2.0%)	(0.6%)	-	+0.3%	

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 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		
China	10,318	20,842	31,761	42,124	10,187	19,240	27,860	-	(3,901)	
North America	4,350	8,038	11,734	16,255	4,438	8,980	12,403	-	+669	
Australia	2,507	5,124	7,859	10,287	2,383	5,763	8,870	-	+1,011	
Other	388	777	1,195	1,819	508	955	1,447	-	+252	
Sales	17,563	34,782	52,551	70,486	17,518	34,941	50,582	-	(1,969)	
China	323	842	1,456	2,004	158	228	336	-	(1,120)	
North America	44	196	185	542	(47)	(108)	(377)	-	(562)	
Australia	125	291	499	716	168	394	689	-	+190	
Other	74	103	141	209	55	82	129	-	(12)	
Operating Profit	567	1,434	2,283	3,473	334	596	777	-	(1,506)	
China	3.1%	4.0%	4.6%	4.8%	1.6%	1.2%	1.2%	-	(3.4%)	
North America	1.0%	2.4%	1.6%	3.3%	(1.1%)	(1.2%)	(3.0%)	-	(4.6%)	
Australia	5.0%	5.7%	6.3%	7.0%	7.0%	6.8%	7.8%	-	+1.4%	
Other	19.1%	13.3%	11.8%	11.5%	10.8%	8.6%	8.9%	-	(2.9%)	
Operating Profit Margin	3.2%	4.1%	4.3%	4.9%	1.9%	1.7%	1.5%	-	(2.8%)	

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 12/2023	Q2 12/2023	Q3 12/2023	Q4 12/2023	Q1 12/2024	Q2 12/2024	Q3 12/2024	Q4 12/2024		
China	10,318	10,524	10,919	10,362	10,187	9,053	8,620	-	(2,299)	
North America	4,350	3,688	3,695	4,521	4,438	4,542	3,422	-	(273)	
Australia	2,507	2,617	2,735	2,427	2,383	3,380	3,107	-	+372	
Other	388	389	418	624	508	447	419	-	+1	
Sales	17,563	17,219	17,768	17,935	17,518	17,423	15,641	-	(2,127)	
China	323	519	614	547	158	70	108	-	(506)	
North America	44	152	(10)	357	(47)	(61)	(268)	-	(258)	
Australia	125	166	208	217	168	226	294	-	+86	
Other	74	29	38	68	55	27	46	-	+8	
Operating Profit	567	867	849	1,190	334	262	180	-	(669)	
China	3.1%	4.9%	5.6%	5.3%	1.6%	0.8%	1.3%	-	(4.4%)	
North America	1.0%	4.1%	(0.3%)	7.9%	(1.1%)	(1.3%)	(7.8%)	-	(7.6%)	
Australia	5.0%	6.3%	7.6%	8.9%	7.0%	6.7%	9.5%	-	+1.9%	
Other	19.1%	7.5%	9.1%	10.9%	10.8%	6.0%	11.0%	-	+1.9%	
Operating Profit Margin	3.2%	5.0%	4.8%	6.6%	1.9%	1.5%	1.2%	-	(3.6%)	

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	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		Net Chg.
(Million Yen)	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024		
Cash and Deposit	37,835	35,571	27,963	26,137	29,172	28,689	29,216	-	-	+1,253
Accounts Receivables and Contract Assets	39,116	35,021	38,036	44,009	38,145	35,787	34,891	-	-	(3,145)
Electronically Recorded Monetary Claim	14,408	11,385	9,522	12,006	13,905	12,184	10,058	-	-	+536
Inventory	33,380	36,813	39,321	33,821	33,982	35,921	34,410	-	-	(4,911)
Other	4,441	4,949	5,783	5,545	5,794	6,671	6,359	-	-	+576
Current Assets	129,180	123,739	120,625	121,518	120,998	119,252	114,934	-	-	(5,691)
Tangible Assets	34,425	35,921	36,231	36,523	36,350	38,229	38,225	-	-	+1,994
Intangible Assets	9,637	9,972	10,106	9,759	10,240	10,875	10,330	-	-	+224
Investments and Other Assets	41,897	45,522	45,905	39,968	46,943	47,592	45,112	-	-	(793)
Fixed Assets	85,960	91,416	92,242	86,252	93,534	96,697	93,668	-	-	+1,426
Total Assets	215,140	215,155	212,868	207,771	214,533	215,949	208,603	-	-	(4,265)
Accounts Payables	45,562	40,030	37,975	39,281	37,361	35,782	32,829	-	-	(5,146)
Short-Term Debt	4,445	4,174	3,532	2,527	1,961	2,007	3,056	-	-	(476)
Other	27,374	27,781	28,226	25,016	26,126	25,854	25,815	-	-	(2,411)
Current Liabilities	77,381	71,985	69,733	66,824	65,448	63,643	61,700	-	-	(8,033)
Long-Term Debt	-	-	-	-	748	694	627	-	-	+627
Other	16,218	16,622	16,788	14,279	15,455	15,560	15,323	-	-	(1,465)
Fixed Liabilities	16,218	16,622	16,788	14,279	16,203	16,254	15,950	-	-	(838)
Total Liabilities	93,600	88,607	86,521	81,104	81,652	79,898	77,650	-	-	(8,871)
Shareholders' Equity	100,162	99,989	98,024	98,320	97,648	97,098	98,323	-	-	+299
Other	21,378	26,559	28,322	28,347	35,232	38,953	32,629	-	-	+4,307
Net Assets	121,540	126,548	126,346	126,667	132,880	136,051	130,952	-	-	+4,606
Total Liabilities & Net Assets	215,140	215,155	212,868	207,771	214,533	215,949	208,603	-	-	(4,265)
Equity Capital	117,043	122,042	121,646	121,978	127,953	130,839	126,311	-	-	+4,665
Interest-Bearing Debt	4,445	4,174	3,532	2,527	2,709	2,701	3,683	-	-	+151
Net Debt	(33,390)	(31,397)	(24,431)	(23,610)	(26,463)	(25,988)	(25,533)	-	-	(1,102)
Equity Ratio	54.4%	56.7%	57.1%	58.7%	59.6%	60.6%	60.6%	-	-	-
Net Debt-to-Equity Ratio	(28.5%)	(25.7%)	(20.1%)	(19.4%)	(20.7%)	(19.9%)	(20.2%)	-	-	-
ROE (12 months)	5.7%	4.5%	2.6%	0.7%	(0.1%)	(0.4%)	2.1%	-	-	-
ROA (12 months)	4.9%	3.7%	2.3%	0.6%	0.1%	0.1%	0.3%	-	-	-
Days for Inventory Turnover	81	108	117	78	90	104	100	-	-	-
Quick Ratio	118%	114%	108%	123%	124%	120%	120%	-	-	-
Current Ratio	167%	172%	173%	182%	185%	187%	186%	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	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		
Operating Cash Flow	-	1,348	-	(1,868)	-	6,455	-	-	-	-
Investing Cash Flow	-	(3,148)	-	(5,664)	-	(5,253)	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(1,800)	-	(7,532)	-	1,202	-	-	-	-
Financing Cash Flow	-	235	-	(3,235)	-	(1,340)	-	-	-	-

Source: Company Data, WRJ Calculation

FY12/2024 Company Forecasts

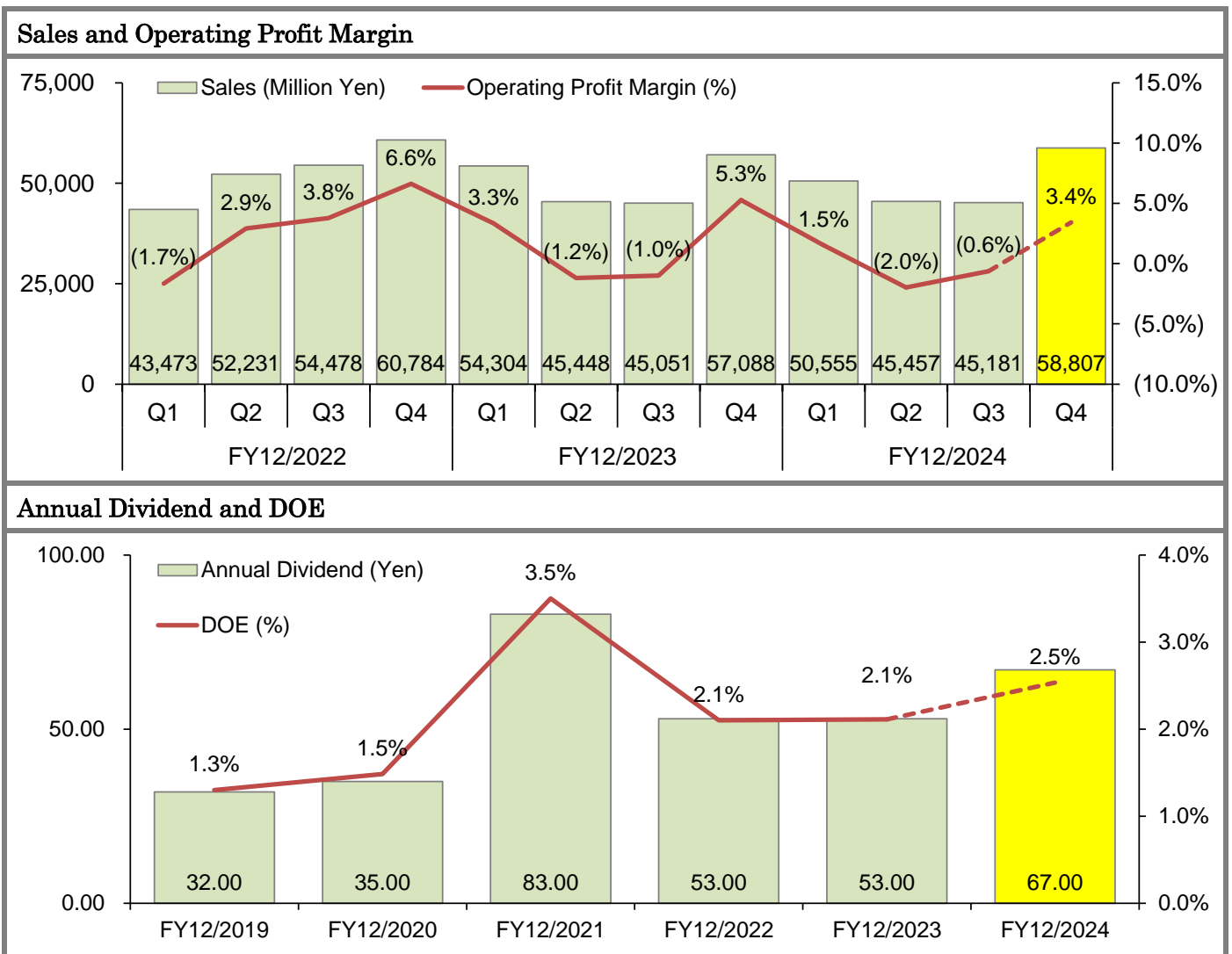
FY12/2024 Company forecasts, announced on 5 December 2024, are going for prospective sales of ¥200,000m (down 0.9% YoY), operating profit of ¥1,600m (down 58.3%), recurring profit of ¥2,600m (up 108.8%) and profit attributable to owners of parent of ¥3,800m (up 337.8%), while operating profit margin of 0.8% (down 1.1% points). At the same time, Company forecasts assume planned annual dividend of ¥67.00 per share for FY12/2024, implying payout ratio of 81.4% and dividend on equity of 2.5% in line with the capital policy advocated with the midterm management plan V Plan 26 (FY12/2024 to FY12/2026).

Factors of Changes in Operating Profit				
Factors for Changes	(Million Yen)	FY12/2024 (Initial CoE)	FY12/2024 (CoE as of Q2)	Gaps
(Domestic Operations)	(roughly estimated)	+1,950	+130	(1,820)
(Foreign Operations)	(roughly estimated)	+690	(2,770)	(3,460)
Volume / Price / Sales Mix, etc	(roughly estimated)	+2,600	(2,600)	(5,200)
Revision on Selling Prices	(roughly estimated)	+3,100	+3,100	-
Changes of Raw Material Costs	(roughly estimated)	(100)	(800)	(700)
Cost Cuts and Raw Material Costs	(roughly estimated)	(400)	(1,100)	(700)
Processing Expenses	(roughly estimated)	(1,400)	+400	+1,800
SG&A Expenses	(roughly estimated)	(2,400)	+300	+2,700
Exchange Rates	(roughly estimated)	(100)	+100	+200
Changes in Operating Profit (YoY)	(roughly estimated)	+1,300	(600)	(1,900)

Source: Company Data, WRJ Calculation (Initial CoE: as of 14 February 2024 / CoE as of Q2: as of 8 August 2024)

FY12/2024 Company forecasts had gone through downward revision for prospective operating profit as found in the above chart, which was followed by another one, mentioned earlier, made on 5 December 2024. With respect to the downward revision as of the Q2 results as of 8 August 2024, the Company cites a reason that sales for Q1 to Q2 (January to June) had fallen short of assumptions of initial Company forecasts, while such a trend was to persist for H2 (July to December). On the Domestic Operations side, sales were sluggish due to a decrease in housing starts and a downturn in consumer sentiment, according to the Company. Meanwhile, on the Foreign Operations side, the Company suggested it was suffering from stagnated market conditions in China as well as rise in cost rate, sluggish sales of heating boilers in North America and so on.

Meanwhile, the above-mentioned latest full-year Company forecasts assume an improvement of ¥3,595m at the non-operating level. According to the Company, it posted impairment loss of ¥3,375m on goodwill for Q4 (October to December) FY12/2023, which will run its course. Due to devaluation of goodwill related to 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, the Company posted the said impairment loss. Furthermore, at the extraordinary level, the impact will remain significant, stemming from ¥3,942m gain on sale of investment securities posted for Q1 to Q3 (January to September), according to the Company.



Source: Company Data, WRJ Calculation

Meanwhile, initial Company forecasts, announced on 14 February 2024, have remained unchanged for planned annual dividend. The Company used to advocate capital policy of paying dividend, equating to 2.0% in dividend on equity (DOE) as a target, while the midterm management plan V Plan 26, announced on 14 February 2024, advocates paying dividend, equating to 2.5% in DOE or 50% in payout ratio, whichever being higher. Consequently, the Company is now going for planned annual dividend of ¥67.00 per share for FY12/2024, implying payout ratio of 81.4% and DOE of 2.5% versus annual dividend of ¥53.00 per share for the FY12/2023 results, implying payout ratio of 281.3% and/ DOE of 2.1%. Roughly speaking, the Company is to increase annual dividend per share to an extent corresponding to the increase in the target of DOE from FY12/2023 to FY12/2024.

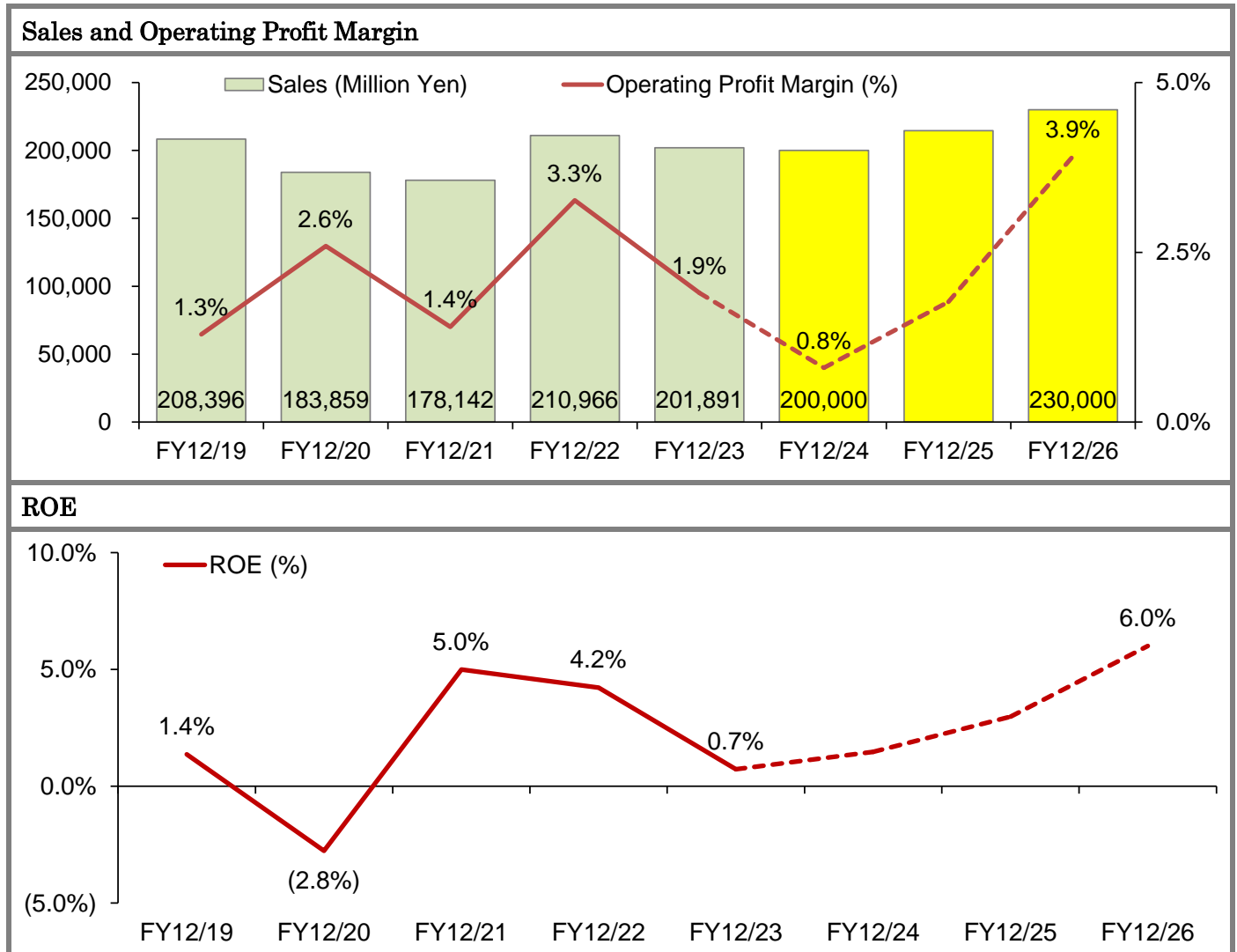
FY12/2024 Company Forecasts and Actual Results

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	12-Nov-24	Q3 Results	205,000	3,200	4,200	4,700
FY12/2024CoE	05-Dec-24	Revision	200,000	1,600	2,600	3,800
		Amount of Gap	(5,000)	(1,600)	(1,600)	(900)
		Rate of Gap	(2.4%)	(50.0%)	(38.1%)	(19.1%)
FY12/2024CoE	14-Feb-24	Q4 Results	212,000	5,000	5,800	4,170
FY12/2024CoE	05-Dec-24	Revision	200,000	1,600	2,600	3,800
		Amount of Gap	(12,000)	(3,400)	(3,200)	(370)
		Rate of Gap	(5.7%)	(68.0%)	(55.2%)	(8.9%)
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	12-Nov-24	Q3 Results	108,988	3,327	3,790	5,054
Q3 to Q4 FY12/2024CoE	05-Dec-24	Revision	103,988	1,727	2,190	4,154
		Amount of Gap	(5,000)	(1,600)	(1,600)	(900)
		Rate of Gap	(4.6%)	(48.1%)	(42.2%)	(17.8%)
Q3 to Q4 FY12/2024CoE	14-Feb-24	Q4 Results	110,500	4,800	5,200	4,000
Q3 to Q4 FY12/2024CoE	05-Dec-24	Revision	103,988	1,727	2,190	4,154
		Amount of Gap	(6,512)	(3,073)	(3,010)	154
		Rate of Gap	(5.9%)	(64.0%)	(57.9%)	3.9%

Source: Company Data, WRJ Calculation

Long-Term Prospects

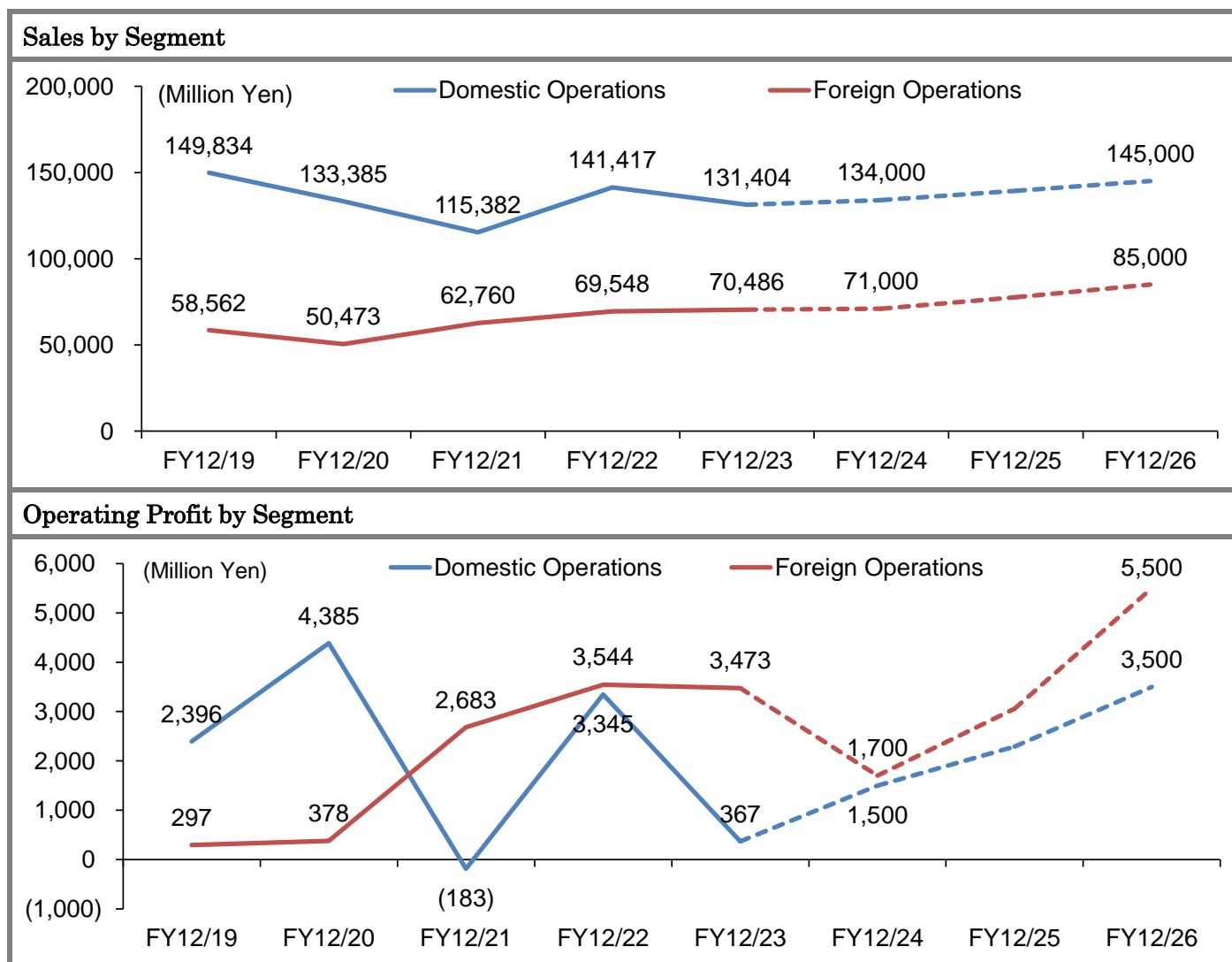
On 14 February 2024, the Company announced its midterm management plan V Plan 26 (FY12/2024 to FY12/2026). This midterm management plan is formulated to aim at achieving sustainable growth and enhancing its business valuation, calling for prospective sales of ¥230,000m and operating profit of ¥9,000m as the managerial goals for FY12/2026, the final year of the plan, implying 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" is to achieve ROE of at least 8% for FY12/2030.



Source: Company Data, WRJ Calculation

However, the Company has been suffering from stagnation in its performance for FY12/2024, the first year of the plan, as mentioned earlier. The latest FY12/2024 Company forecasts, announced on 5 December 2024, are going for prospective sales of ¥200,000m (down 0.9% YoY), operating profit of ¥1,600m (down 58.3%) and operating profit margin of 0.8% (down 1.1% points). On the other hand, this report refers to data based on assumptions of Company forecasts as of the Q2 results, announced on 8 August 2024, with respect to FY12/2024, in what follows, as the Company has hesitated to disclose assumptions of the latest Company forecasts, including prospective performance by segment.

During the period of the midterm management plan V Plan 26 (FY12/2024 to FY12/2026), the Company plans to achieve a steady increase in sales and earnings on the Domestic Operations side as well as on the Foreign Operations side. Each side is expected to equally contribute to the Company’s sales, roughly speaking, while earnings on the Domestic Operations side are expected to account for more than half of the increase for the Company as a whole. On the Foreign Operations side, the Company expects record-high operating profit to be renewed for FY12/2026, the final year of the plan.

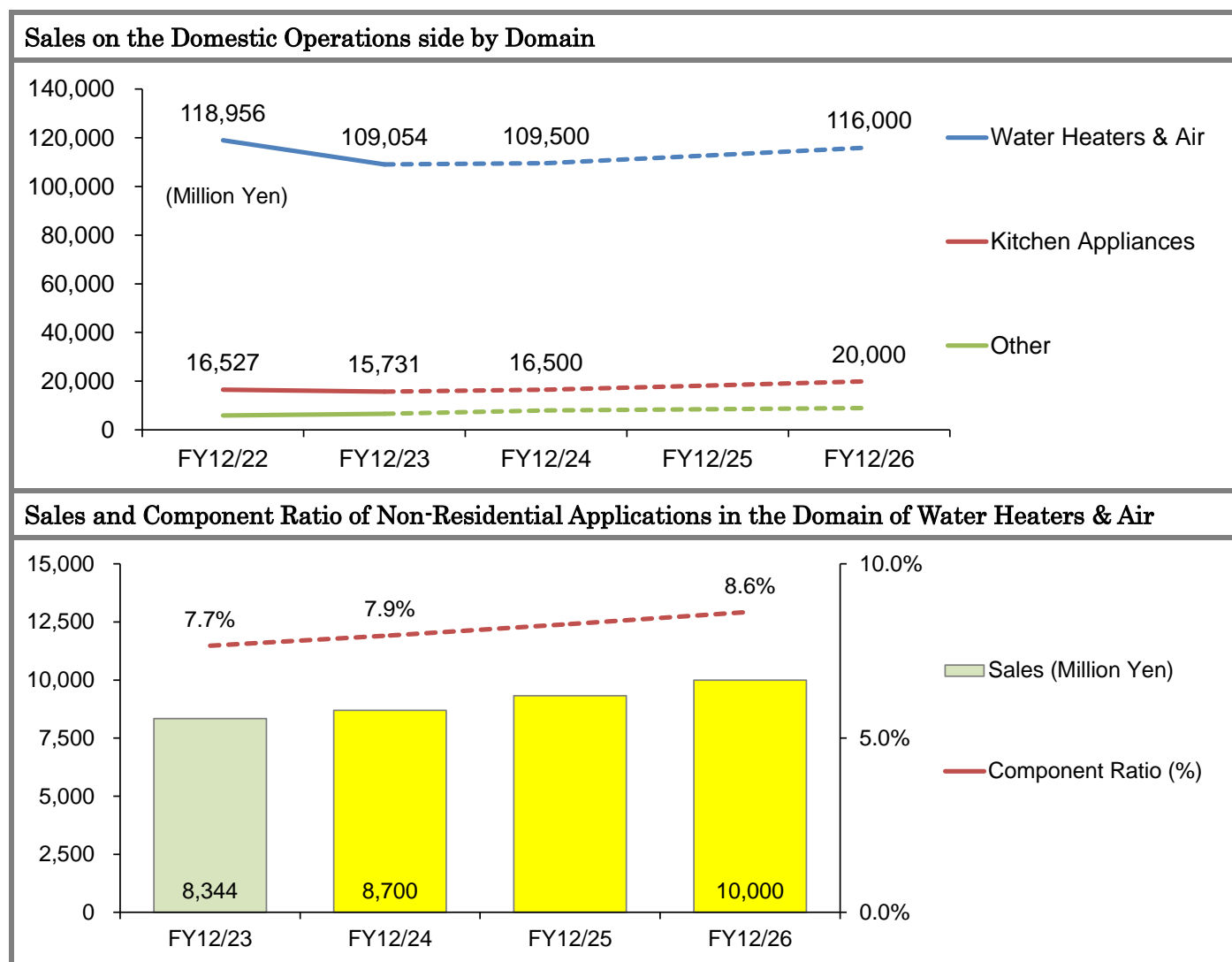


Source: Company Data, WRJ Calculation

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 Investment & 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 domain on the Domestic Operations side and by region on the Foreign Operations side.

Transformation of Business Portfolio: Domestic Operations

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 domain of water heaters & air as well as those of the domain of kitchen appliances.

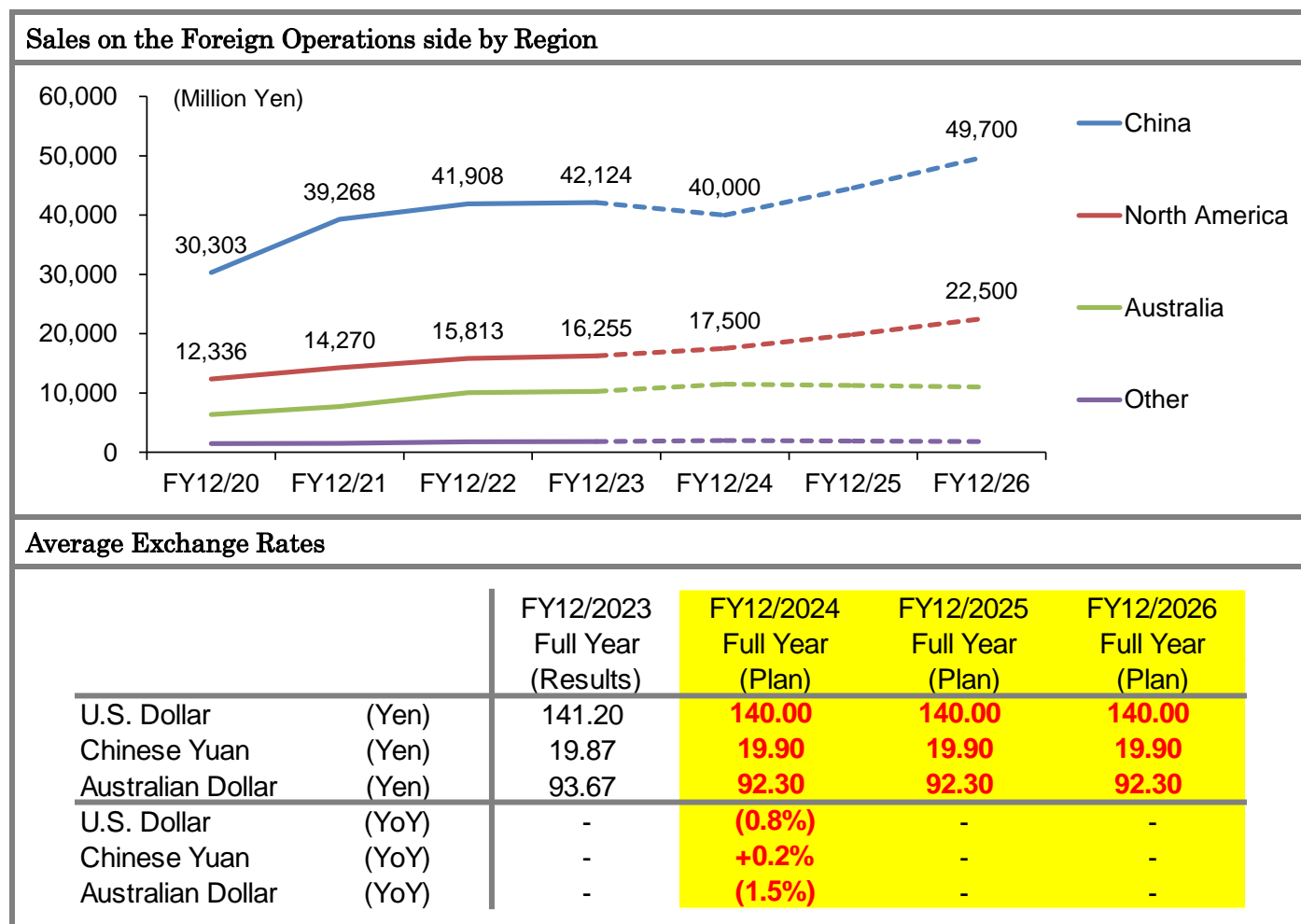


Source: Company Data, WRJ Calculation

In other words, the Company plans to change its business structure, which is heavily weighted toward home-use gas water heaters & oil-fired boilers, accounting for the bulk of sales of the mainstay domain of water heaters & air. The Company also plans to build a sustainable business foundation for achieving carbon-neutrality through focusing on sales expansion of environment-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.

Transformation of Business Portfolio: Foreign Operations

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 a 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.

Expansion of Strategic Investment and Capital Policy

The Company intends to make business investment of collective ¥32,500m during the period of the midterm Management Plan V Plan 26 (FY12/2024 to FY12/2026). The Company intends to ensure sustainable growth through the said investment. 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 regarding cost of capital and share prices. For information, the main targets for business investment are that of being associated with the Foreign Operations side, which is positioned as a growth business realm, that of being associated with research & development and that of production reforms. When investment in other strategic issues is also included, the Company is to see amount up to collective ¥23,500m (72.3% of total) with such new and/or strategic investment.

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-neutrality 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 12/2019	FY 12/2020	FY 12/2021	FY 12/2022	FY 12/2023	FY 12/2024	YoY Net Chg.
Sales	208,396	183,859	178,142	210,966	201,891	200,000	(1,891)
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	-	-
Operating Profit	2,693	4,763	2,500	6,889	3,840	1,600	(2,240)
Non Operating Balance	744	1,162	1,476	1,011	(2,595)	1,000	+3,595
Recurring Profit	3,437	5,925	3,976	7,900	1,245	2,600	+1,355
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	-	-
Profit Attributable to Owners of Parent	1,512	(3,013)	5,479	4,800	868	3,800	+2,932
Sales YoY	(0.7%)	(11.8%)	(3.1%)	+18.4%	(4.3%)	(0.9%)	-
Operating Profit YoY	(44.0%)	+76.8%	(47.5%)	+175.5%	(44.3%)	(58.3%)	-
Recurring Profit YoY	(45.1%)	+72.4%	(32.9%)	+98.7%	(84.2%)	+108.8%	-
Profit Attributable to Owners of Parent YoY	(73.8%)	-	-	(12.4%)	(81.9%)	+337.8%	-
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%	0.8%	(1.1%)
Recurring Profit Margin	1.6%	3.2%	2.2%	3.7%	0.6%	1.3%	+0.7%
Profit Attributable to Owners of Parent Margin	0.7%	(1.6%)	3.1%	2.3%	0.4%	1.9%	+1.5%
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 12/2019	FY 12/2020	FY 12/2021	FY 12/2022	FY 12/2023	FY 12/2024	YoY Net Chg.
Water Heaters & Air	-	-	-	118,956	109,054	-	-
Kitchen Appliances	-	-	-	16,527	15,731	-	-
Other	-	-	-	5,932	6,618	-	-
Domestic Operations	149,834	133,385	115,382	141,417	131,404	-	-
Water Heaters & Air	-	-	-	58,542	59,364	-	-
Kitchen Appliances	-	-	-	10,041	10,380	-	-
Other	-	-	-	964	797	-	-
Foreign Operations	58,562	50,473	62,760	69,548	70,486	-	-
Sales	208,396	183,859	178,142	210,966	201,891	200,000	(1,891)
Domestic Operations	2,396	4,385	(183)	3,345	367	-	-
Foreign Operations	297	378	2,683	3,544	3,473	-	-
Segment Profit	2,693	4,763	2,500	6,889	3,840	-	-
Adjustment	-	-	-	-	-	-	-
Operating Profit	2,693	4,763	2,500	6,889	3,840	1,600	(2,240)
Domestic Operations	1.6%	3.3%	(0.2%)	2.4%	0.3%	-	-
Foreign Operations	0.5%	0.7%	4.3%	5.1%	4.9%	-	-
Adjustment	-	-	-	-	-	-	-
Operating Profit Margin	1.3%	2.6%	1.4%	3.3%	1.9%	0.8%	(1.1%)

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
(Million Yen)	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	-	-
Current Assets	117,922	108,052	112,010	132,183	121,518	-	-
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	-	-
Fixed Assets	81,382	81,673	82,516	84,791	86,252	-	-
Total Assets	199,305	189,726	194,527	216,974	207,771	-	-
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	-	-
Current Liabilities	63,167	58,913	58,608	80,245	66,824	-	-
Long-Term Debt	-	40	40	-	-	-	-
Other	21,336	19,801	19,685	17,072	14,279	-	-
Fixed Liabilities	21,336	19,841	19,725	17,072	14,279	-	-
Total Liabilities	84,503	78,755	78,333	97,318	81,104	-	-
Shareholders' Equity	103,365	97,349	100,618	99,948	98,320	-	-
Other	11,436	13,622	15,575	19,708	28,347	-	-
Net Assets	114,801	110,971	116,193	119,656	126,667	-	-
Total Liabilities & Net Assets	199,305	189,726	194,527	216,974	207,771	-	-
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%	-	-
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
(Million Yen)	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)	-	-
Operating Cash Flow and Investing Cash Flow	(5,166)	3,983	12,925	(5,387)	(7,532)	-	-
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	YoY
	FY	FY	FY	FY	FY	FY	Net Chg.
	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	
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	82.30	-
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	YoY
	FY	FY	FY	FY	FY	FY	Net Chg.
	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	31.75	(64.79)	119.12	104.64	18.84	82.30	-
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%	81.4%	-

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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