

Consolidated Financial Results for the Three Months Ended February 20, 2022 [Japanese GAAP]



April 1, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 7965
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 Scheduled date of filing quarterly report: April 5, 2022
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended February 20, 2022 (November 21, 2021 to February 20, 2022)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended February 20, 2022	26,500	–	3,979	–	4,148	–	2,756	–
February 20, 2021	24,698	2.0	3,646	28.9	3,590	15.4	2,394	15.4

(Note) Comprehensive income: Three months ended February 20, 2022: ¥3,484 million [22.2%]
 Three months ended February 20, 2021: ¥2,851 million [13.6%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended February 20, 2022	40.76		–	
February 20, 2021	35.42		–	

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related standards from the beginning of the first quarter of the fiscal year ending November 20, 2022, and therefore changes from the previous corresponding period prior to the application of these accounting standards are not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 20, 2022	104,930	78,975	74.7
As of November 20, 2021	101,913	76,837	74.8

(Reference) Equity: As of February 20, 2022: ¥78,336 million

As of November 20, 2021: ¥76,224 million

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related standards from the beginning of the first quarter of the fiscal year ending November 20, 2022, and therefore the figures for the three months ended February 20, 2022 show the amounts after the application of these accounting standards.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended November 20, 2021	–	15.00	–	19.00	34.00
Fiscal year ending November 20, 2022	–				
Fiscal year ending November 20, 2022 (Forecast)		17.00	–	17.00	34.00

(Note) Revision of the dividend forecast announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 20, 2022 (November 21, 2021 to November 20, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2nd quarter (cumulative)	43,300	–	3,000	–	3,200	–	2,250	–	33.27
Full year	79,300	–	4,400	–	4,700	–	3,400	–	50.27

(Note 1) Revision of the financial results forecast announced most recently: None

(Note 2) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related standards from the beginning of the first quarter of the fiscal year ending November 20, 2022, and therefore the financial results forecast above shows the amounts after the application of these accounting standards. Accordingly, changes from the previous corresponding period are not shown.

* Notes:

(1) Changes in significant subsidiaries during the period under review: None

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

Newly included: – (Name) –

Excluded: – (Name) –

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

February 20, 2022: 72,600,000 shares

November 20, 2021: 72,600,000 shares

2) Total number of treasury shares at the end of the period:

February 20, 2022: 4,968,791 shares

November 20, 2021: 4,968,791 shares

3) Average number of shares during the period (cumulative):

Three months ended February 20, 2022: 67,631,209 shares

Three months ended February 20, 2021: 67,612,379 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

Forward-looking statements, such as performance forecasts, made in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results, etc., may differ significantly due to various factors.

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1. Qualitative Information on Financial Results for the Period under Review

(1) Explanation of Operating Results

During the period under review (November 21, 2021 to February 20, 2022), there was a growing sense of global economic slowdown due to the spread of the Omicron variant of COVID-19 as well as increased costs owing to the rising prices and supply restrictions of raw materials among other factors. Meanwhile, due to factors such as falling stock prices worldwide against the backdrop of the Ukraine crisis and concerns over prolonged inflation owing to soaring resource prices, the uncertain outlook is expected to continue.

Amid such management environment, the Group entered the final fiscal year of its new two-year medium-term plan, ADAPT Phase II, that accounts for the new normal, and has worked on horizontal expansion of domains, vertical expansion of domains, and a stronger management platform in order to develop Zojirushi from the current brand of household products into a food and lifestyle solution brand.

For the period under review, the Group's net sales increased by ¥1,801 million year on year to ¥26,500 million (¥24,698 million for the same period a year earlier). Net sales by product category also increased year on year in cooking appliances, household and thermal products, and household appliances. On a consolidated basis, domestic net sales amounted to ¥14,775 million (¥15,049 million for the same period a year earlier) and overseas net sales amounted to ¥11,724 million (¥9,649 million for the same period a year earlier), resulting in overseas net sales making up 44.2% of net sales. Outside of Japan, net sales declined in Southeast Asia but increased year on year in North America, Taiwan, and China.

As for profits, the Company recorded operating profit of ¥3,979 million (¥3,646 million for the same period a year earlier) due to increased net sales and a decrease in selling, general and administrative expenses. Ordinary profit was ¥4,148 million (¥3,590 million for the same period a year earlier), and profit attributable to owners of parent was ¥2,756 million (¥2,394 million for the same period a year earlier).

From the beginning of the period under review, the Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Standard") and related standards. As a result, the accounting treatment of revenue for the period under review is different from that for the same period a year earlier. Therefore, year-on-year percentage changes are not presented in the explanation of operating results above. For details on the impact of the application of the Revenue Recognition Standard and related standards on financial position and operating results, see "Changes in accounting policies" in "(3) Notes to Quarterly Consolidated Financial Statements" under "2. Quarterly Consolidated Financial Statements and Principal Notes."

Business results by product category were as follows.

1) Cooking appliances

Net sales of cooking appliances amounted to ¥18,929 million (¥17,979 million for the same period a year earlier).

In Japan, overall sales of rice cookers/warmers decreased year on year due to a slump in the sales of rice cookers/warmers in the affordable price range, despite continued strong sales of the Embudaki series, the highest grade of induction heating pressure rice cookers which reproduces heat from swaying flame of traditional cooking stoves. Sales of electric pots were weak due in part to the shrinking market, while electric kettles recorded strong sales. Sales of electric cooking appliances declined year on year owing to declined sales of electric griddles, toaster ovens, and other products for which demand had been strong, due partly to the softening of demand for at-home consumption caused by the spread of COVID-19.

Overseas, sales of rice cookers/warmers, electric pots, and electric cooking appliances were strong in the North American, Chinese, and Taiwanese markets. Especially in the North American market, sales of cooking appliances were strong as the economy was recovering and demand for at-home consumption continued.

2) Household and thermal products

Net sales of household and thermal products amounted to ¥5,309 million (¥5,071 million for the same period a year earlier).

In Japan, sales increased year on year. Stainless-steel vacuum bottles led the sales, thanks in part to the launch of stainless-steel carry tumblers as a new category aimed at offering the design and performance that allow for comfortable use in all scenes.

Overseas, overall sales increased year on year thanks to the solid performance of stainless-steel products in the Chinese market, which is a mainstay for these products.

3) Household appliances

Net sales of household appliances amounted to ¥1,746 million (¥1,172 million for the same period a year earlier).

In Japan, sales increased year on year due to the strong performance of humidifiers.

4) Others

Net sales of others amounted to ¥514 million (¥476 million for the same period a year earlier).

· Net sales by region and product category

(Million yen)

		Japan	Overseas				Subtotal	Total
			Asia		Americas	Other		
			Of which, China					
Net sales	Cooking appliances	11,189	4,638	2,105	3,097	3	7,740	18,929
	Household and thermal products	1,543	3,184	2,216	379	201	3,765	5,309
	Household appliances	1,677	69	6	–	–	69	1,746
	Others	365	131	42	16	0	149	514
		14,775	8,024	4,371	3,493	206	11,724	26,500
Composition (%)		55.8	30.3	16.5	13.2	0.8	44.2	100.0

(2) Explanation of Financial Position

In regard to financial position as of the end of the period under review, total assets increased by ¥3,017 million, liabilities increased by ¥879 million, and net assets increased by ¥2,137 million, from the end of the previous fiscal year. As a result, equity ratio declined by 0.1 percentage points to 74.7%.

The increase of ¥3,017 million in total assets was attributable to increases of ¥2,644 million in current assets and ¥372 million in non-current assets.

The increase of ¥2,644 million in current assets was mainly due to increases of ¥2,407 million in cash and deposits, ¥2,021 million in notes and accounts receivable - trade, ¥726 million in electronically recorded monetary claims - operating, and ¥2,306 million in raw materials and supplies, partially offset by decreases of ¥4,121 million in merchandise and finished goods and ¥748 million in other current assets. The increase of ¥372 million in non-current assets was mainly due to increases of ¥339 million in investment securities and ¥171 million in retirement benefit asset, partially offset by decreases of ¥44 million in tools, furniture and fixtures and ¥67 million in leased assets.

The increase of ¥879 million in liabilities was attributable to an increase of ¥2,069 million in non-current liabilities, partially offset by a decrease of ¥1,190 million in current liabilities.

The decrease of ¥1,190 million in current liabilities was mainly due to decreases of ¥371 million in notes and accounts payable - trade, ¥1,500 million in current portion of long-term borrowings, ¥2,488 million in

accrued expenses, ¥496 million in income taxes payable, and ¥635 million in provision for bonuses, partially offset by increases of ¥2,574 million in refund liabilities, ¥113 million in contract liabilities, and ¥1,658 million in other current liabilities. The increase of ¥2,069 million in non-current liabilities was mainly due to increases of ¥1,500 million in long-term borrowings and ¥643 million in deferred tax liabilities.

The increase of ¥2,137 million in net assets was mainly due to profit attributable to owners of parent of ¥2,756 million recorded and an increase of ¥633 million in foreign currency translation adjustment, partially offset by dividends of surplus of ¥1,284 million. Additionally, the application of the Revenue Recognition Standard and related standards resulted in a reduction of ¥61 million in the beginning balance of retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Statements

For the period under review, the Company's financial results remained solid overall. Sales in Japan declined year on year due to a decline in sales of rice cookers/warmers, the softening of demand for at-home consumption caused by the spread of COVID-19, and the impact of the application of the Accounting Standard for Revenue Recognition and related standards, although sales of electric kettles and humidifiers were strong. Outside of Japan, however, sales increased year on year mainly in the North American market, as well as in the Chinese and Taiwanese markets.

With respect to the consolidated financial results forecast for the second quarter (cumulative) and the full year of the fiscal year ending November 20, 2022, the financial results forecast announced on December 24, 2021 remains unchanged, in light of the continued uncertainty over the trend of COVID-19 and other factors such as soaring raw materials prices.

Please note that the forecast mentioned above is based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of the forecast. Actual results, etc., may differ significantly due to various factors.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of November 20, 2021	As of February 20, 2022
Assets		
Current assets		
Cash and deposits	37,274	39,681
Notes and accounts receivable - trade	13,159	15,180
Electronically recorded monetary claims - operating	1,368	2,094
Merchandise and finished goods	19,796	15,674
Work in process	265	332
Raw materials and supplies	2,627	4,933
Other	2,968	2,219
Allowance for doubtful accounts	(9)	(21)
Total current assets	77,450	80,095
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,880	12,889
Accumulated depreciation	(10,356)	(10,406)
Buildings and structures, net	2,524	2,482
Machinery, equipment and vehicles	3,663	3,622
Accumulated depreciation	(3,295)	(3,270)
Machinery, equipment and vehicles, net	368	352
Tools, furniture and fixtures	9,465	9,559
Accumulated depreciation	(7,974)	(8,113)
Tools, furniture and fixtures, net	1,490	1,445
Land	7,431	7,433
Leased assets	2,039	2,110
Accumulated depreciation	(475)	(613)
Leased assets, net	1,564	1,496
Construction in progress	39	96
Total property, plant and equipment	13,418	13,307
Intangible assets		
Software	498	478
Other	117	126
Total intangible assets	616	605
Investments and other assets		
Investment securities	6,239	6,578
Deferred tax assets	491	482
Retirement benefit asset	3,406	3,577
Other	300	292
Allowance for doubtful accounts	(8)	(8)
Total investments and other assets	10,428	10,923
Total non-current assets	24,463	24,835
Total assets	101,913	104,930

(Million yen)

	As of November 20, 2021	As of February 20, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,945	7,574
Current portion of long-term borrowings	1,500	–
Lease obligations	366	339
Accrued expenses	6,813	4,325
Income taxes payable	1,158	661
Contract liabilities	–	113
Refund liabilities	–	2,574
Provision for bonuses	1,139	504
Provision for product warranties	171	152
Other	502	2,160
Total current liabilities	19,598	18,407
Non-current liabilities		
Long-term borrowings	–	1,500
Lease obligations	1,184	1,149
Deferred tax liabilities	1,008	1,652
Retirement benefit liability	2,933	2,895
Other	351	350
Total non-current liabilities	5,478	7,548
Total liabilities	25,076	25,955
Net assets		
Shareholders' equity		
Share capital	4,022	4,022
Capital surplus	4,243	4,243
Retained earnings	66,090	67,501
Treasury shares	(961)	(961)
Total shareholders' equity	73,395	74,805
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,690	1,761
Foreign currency translation adjustment	1,168	1,802
Remeasurements of defined benefit plans	(30)	(32)
Total accumulated other comprehensive income	2,829	3,531
Non-controlling interests	612	638
Total net assets	76,837	78,975
Total liabilities and net assets	101,913	104,930

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended February 20, 2022

(Million yen)

	For the three months ended February 20, 2021	For the three months ended February 20, 2022
Net sales	24,698	26,500
Cost of sales	15,718	17,572
Gross profit	8,980	8,927
Selling, general and administrative expenses	5,333	4,948
Operating profit	3,646	3,979
Non-operating income		
Interest income	11	19
Dividend income	33	37
Purchase discounts	10	9
Share of profit of entities accounted for using equity method	–	34
Royalty income	8	5
Rental income	24	31
Foreign exchange gains	78	20
Other	13	33
Total non-operating income	179	192
Non-operating expenses		
Interest expenses	7	14
Sales discounts	116	–
Share of loss of entities accounted for using equity method	102	–
Rental expenses on non-current assets	4	5
Other	4	2
Total non-operating expenses	235	23
Ordinary profit	3,590	4,148
Extraordinary income		
Gain on sale of non-current assets	2	0
Gain on sale of investment securities	3	0
Total extraordinary income	6	0
Extraordinary losses		
Loss on retirement of non-current assets	1	1
Total extraordinary losses	1	1
Profit before income taxes	3,595	4,146
Income taxes - current	605	718
Income taxes - deferred	567	654
Total income taxes	1,172	1,372
Profit	2,422	2,773
Profit attributable to non-controlling interests	27	16
Profit attributable to owners of parent	2,394	2,756

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended February 20, 2022

(Million yen)

	For the three months ended February 20, 2021	For the three months ended February 20, 2022
Profit	2,422	2,773
Other comprehensive income		
Valuation difference on available-for-sale securities	284	70
Foreign currency translation adjustment	89	575
Remeasurements of defined benefit plans, net of tax	6	(2)
Share of other comprehensive income of entities accounted for using equity method	49	66
Total other comprehensive income	429	710
Comprehensive income	2,851	3,484
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,824	3,458
Comprehensive income attributable to non-controlling interests	27	25

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition and related standards)

From the beginning of the period under review, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Standard") and related standards. Accordingly, the Company recognizes revenue when control of promised goods or services is transferred to customers, in an amount expected to be received in exchange for such goods or services.

Major changes due to the application of the Revenue Recognition Standard and related standards are as outlined below.

(i) Variable consideration and consideration payable to customers

The Company has changed to a method whereby a portion of center fees, slotting allowances, etc. previously recorded in selling, general and administrative expenses, as well as sales discounts that were previously recorded in non-operating expenses are subtracted from transaction prices.

For a transaction that includes variable consideration, the Company estimates the amount of the variable portion of the consideration of the transaction, and includes the estimated amount in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Buy-sell transactions

The Company previously derecognized the raw materials and other items that it supplied for a fee, but has changed to a method whereby those supplied items are not derecognized if the Company is obligated to buy them back.

For such transactions, the Company has not hitherto recognized revenue from the transfer of the items it supplied, and there is no change in that regard.

The Company has applied the Revenue Recognition Standard and related standards in accordance with the transitional treatment stipulated in the proviso to paragraph 84 of the Revenue Recognition Standard. Accordingly, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the period under review has been added to or subtracted from the beginning balance of retained earnings of the period under review, and the Company applied the new accounting policy starting with the said beginning balance.

For the period under review, this resulted in reductions of ¥435 million in net sales, ¥335 million in selling, general and administrative expenses, ¥100 million in operating profit, and ¥134 million in non-operating expenses, while ordinary profit and profit before income taxes increased by ¥33 million, respectively. This also resulted in a reduction of ¥61 million in the beginning balance of retained earnings, as well as increases of ¥1,255 million in raw materials and supplies and ¥1,255 million in other current liabilities.

As a result of the application of the Revenue Recognition Standard and related standards, certain changes have been made to the presentation of the consolidated balance sheet for the period under review compared with that for the previous fiscal year. Specifically, among the items previously presented as "Accrued expenses" under "Current liabilities," those relating to the variable consideration and other components subtracted from the transaction price are now presented as "Refund liabilities." Likewise, "Advances received" previously presented as part of "Other" under "Current liabilities" are now presented as "Contract liabilities."

In accordance with the transitional treatment stipulated in paragraph 89-2 of the Revenue Recognition

Standard, no reclassification was made for the previous fiscal year using the new presentation method. Further, pursuant to the transitional treatment stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), no information is presented herein on disaggregated revenue from contracts with customers for the same period a year earlier.

(Application of the Accounting Standard for Fair Value Measurement and related standards)

Since the beginning of the period under review, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, “Fair Value Measurement Standard”) and related standards. The new accounting policy prescribed in the Fair Value Measurement Standard and related standards is set to be applied in the future in compliance with the transitional treatment stipulated in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.