

# BALMUDA

## Financial Results Briefing Material for Six months ended June 30, 2023

Securities code : 6612

Note : This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# FY2023 2Q Results

## FY2023 2Q Summary

Sales : Decrease in revenue. Overseas generally on track as expected. Domestically, a slight underperformance compared to projections.

Gross Profit Margin :

Hit its lowest point in the last 4Q, but the impact of the weakening yen continues.

Operating Profit :

Due to our efforts in cost reduction, operating profit resulted in a slight decrease from the projected line.

Profit (loss) attributable to owners of parent :

In 1Q, recorded extraordinary losses related to the decision to terminate mobile terminal business, as well as deferred income taxes.

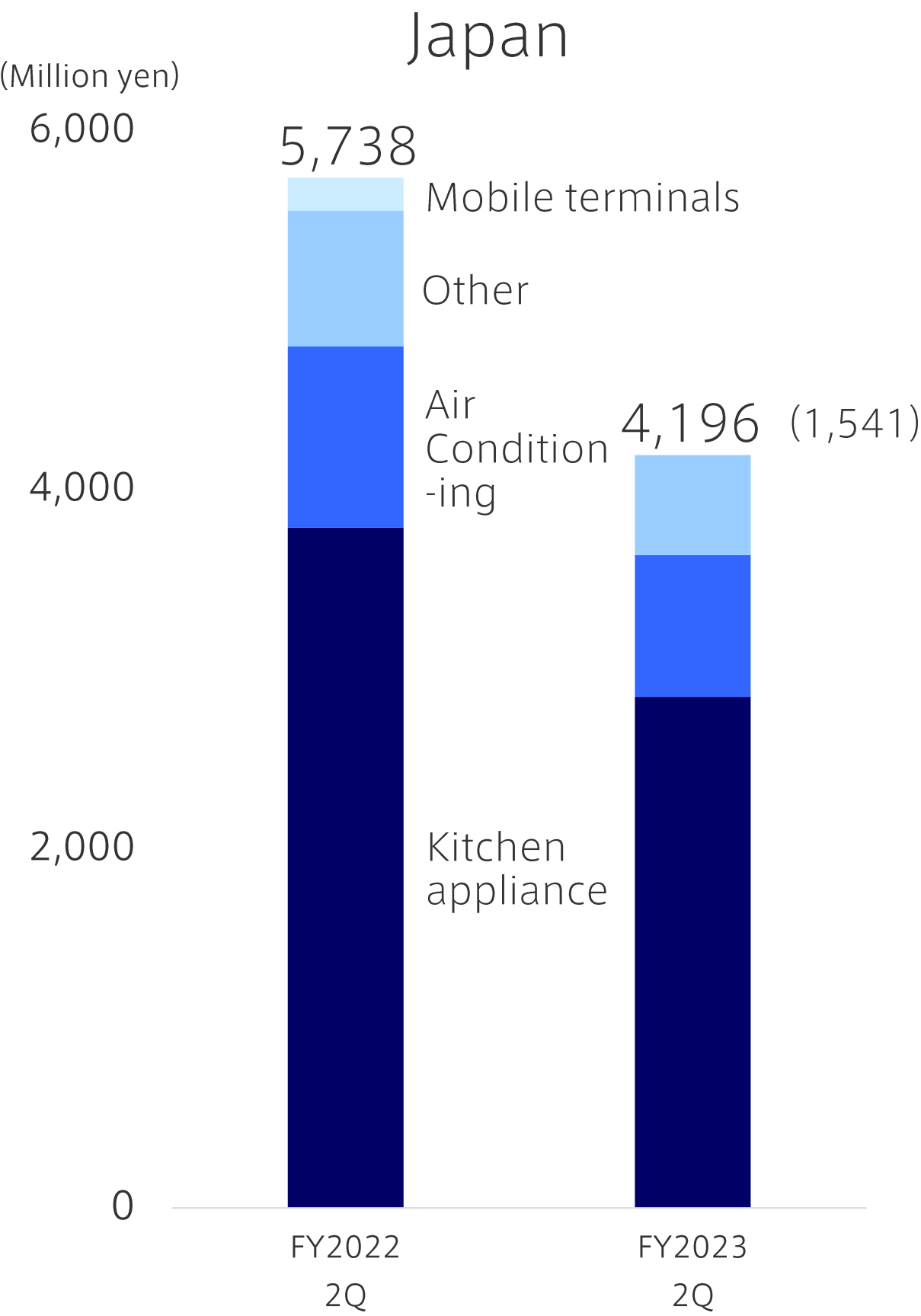
# Key Indicators

	FY2022 2Q	FY2023 2Q	YoY change	
Net sales	8,784 Million yen	5,745 Million yen	(34.6) %	
Operating Profit (loss)	421 Million yen	(695) Million yen	— %	
Profit (loss) attributable to owners of parent	234 Million yen	(1,385) <sup>※</sup> Million yen	— %	※accounted extraordinary loss due to termination of mobile terminal business and deferred income taxes.
Cost of sales ratio	65.0 %	70.1 %	+5.1 Pt.	
SG&A expenses ratio	30.2 %	42.0 %	+11.8 Pt.	
Operating profit (loss) margin	4.8 %	(12.1) %	(16.9) Pt.	
Equity-to-asset ratio	63.7 % (End of FY2022)	63.4 % (End of FY2023 2Q)	—	

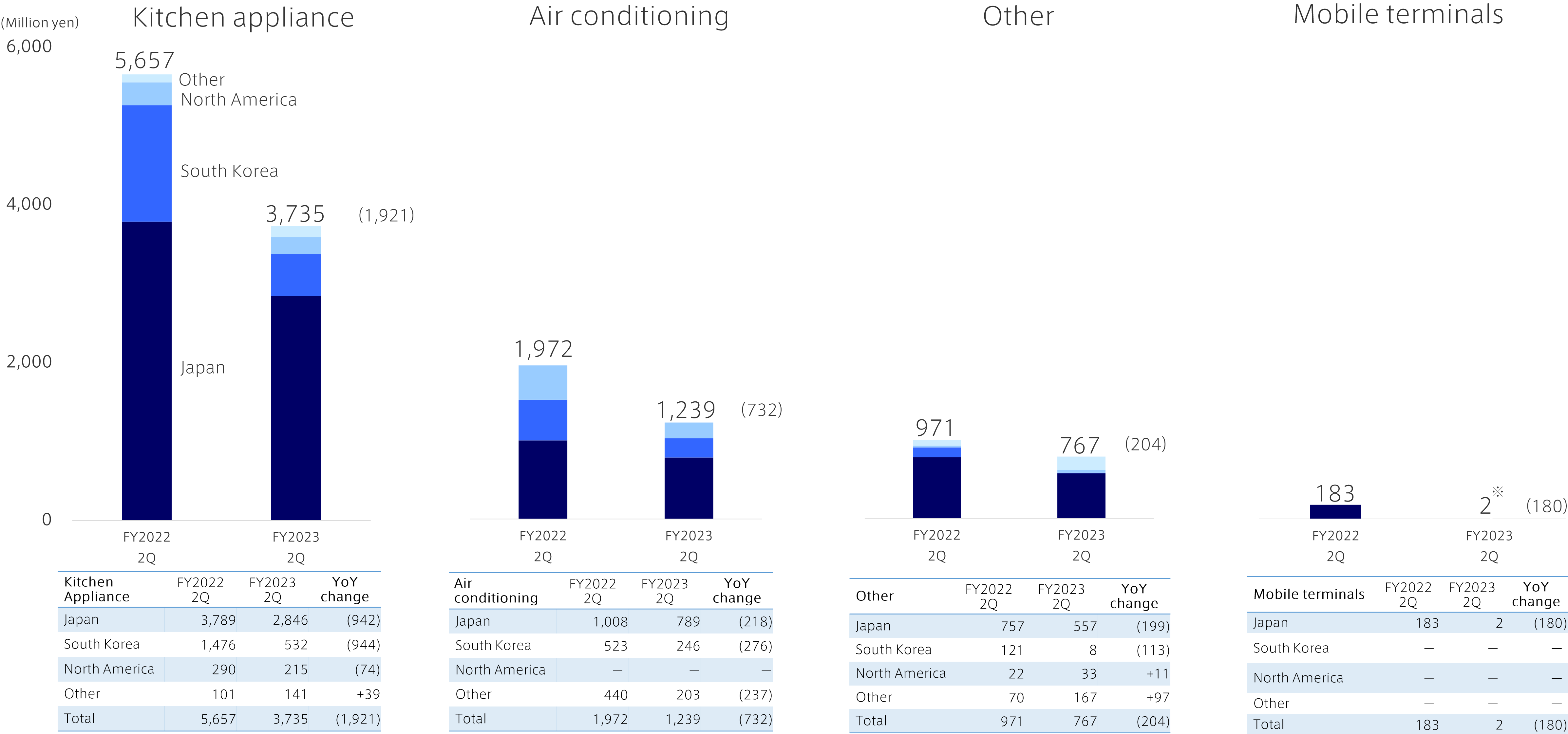
# Key Indicators

	1 Q: Jan. to Mar.	YoY change	2 Q: Apr. to Jun.	YoY change
Net sales	2,405 <small>Million yen</small>	(41.2) %	3,339 <small>Million yen</small>	(28.8) %
Operating Profit (loss)	(416) <small>Million yen</small>	— %	(278) <small>Million yen</small>	— %
Profit (loss) attributable to owners of parent	(1,144) <small>Million yen</small>	— %	(241) <small>Million yen</small>	— %
Cost of sales ratio	68.9 %	+5.3 Pt.	70.9 %	+4.7 Pt.
SG&A expenses ratio	48.5 %	+16.2 Pt.	37.4 %	+9.0 Pt.
Operating profit (loss) margin	(17.3) %	(21.5) Pt.	(8.3) %	(13.6) Pt.
Equity-to-asset ratio	60.2 % <small>End of FY2023 1Q</small>	(4.8) Pt	63.4 % <small>End of FY2023 2Q</small>	(0.2) Pt

# Summary Net sales by region

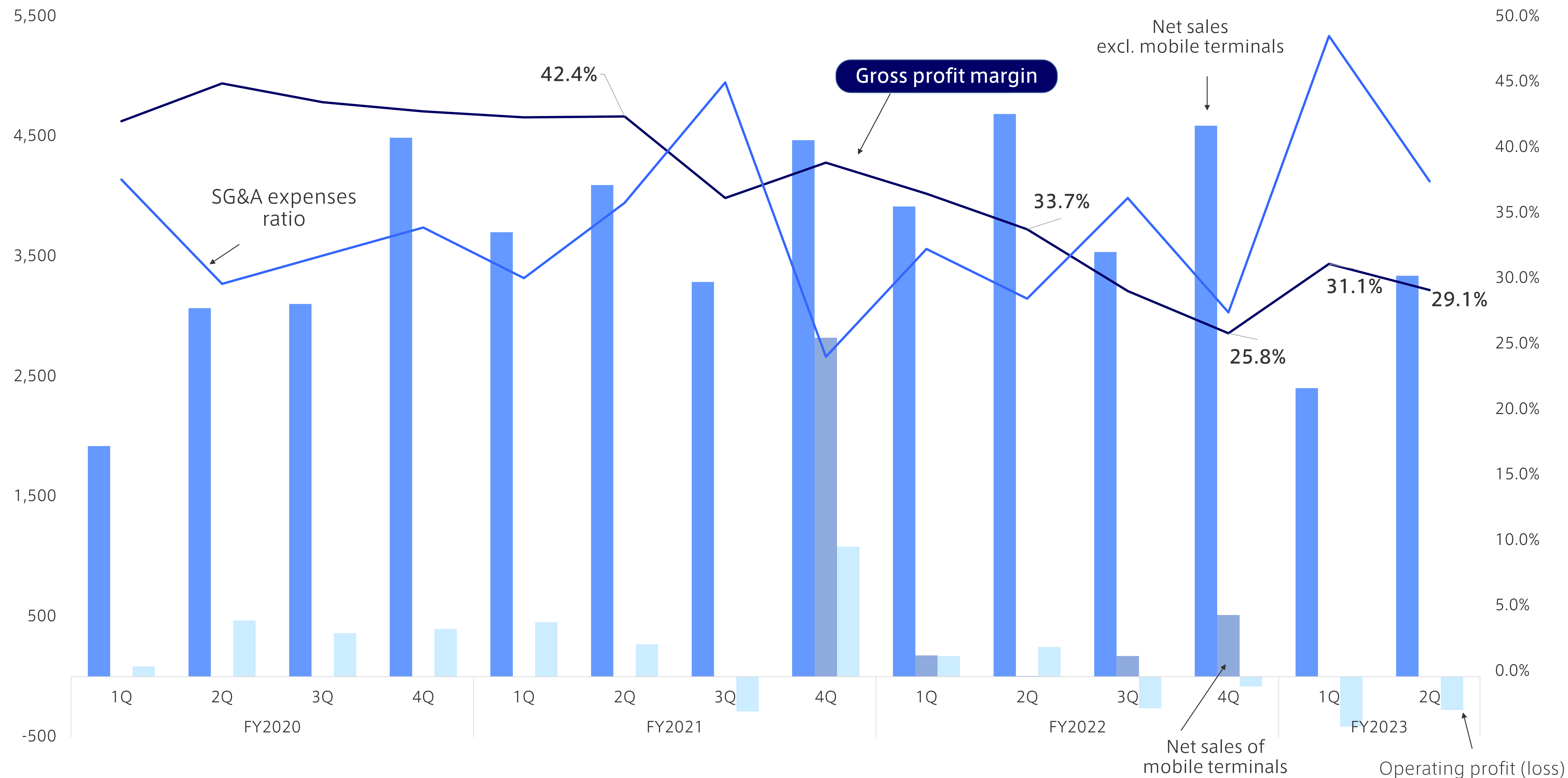


# Summary   Net sales by product category



# Summary Net sales, Operating profit, GP margin and SG&A expenses ratio (quarterly changes)

(Million yen)





# Counter measures to the current circumstances

## Recognition of the current circumstances

Enjoyed stay-at-home demand for two years until first half of 2022.

Initially estimated decline of such demand may continue throughout 2023.

→Recent demand decline is more than estimated and the trend may continue.

## Counter measures — Accelerate the preparations to recover earnings in 2024 —

- 1) Concentrate our management resources on to strengthen home appliance business and to develop new product categories.
  - Terminate mobile terminal business
- 2) Additional investments for future growth
  - Strengthen advertising & sales promotion activities to enhance our brand image and to boost sales.
  - Strengthen experimentation & research activities for further expansion of product line.

# Initiatives during 2023 and the first half of 2024

## 1. Strengthen existing business

Launch home appliance products (Renewal products in June and November, a new product in October), enhance business in North America, expand business region in Southeast Asia and enhance advertising and sales promotion activities.

## 2. Improve profitability

Lowering costs of sales by design improvement, simplification of production process and optimization of procurement. Efficient use of expenses.

## 3. Tireless challenge for growth

Develop new product categories which would further demonstrate our unique strength, ability in idea, design and engineering.

# Progress of the initiatives

## 1. Strengthen existing business

Launch home appliance products (Renewal products in June and November, a new product in October), enhance business in North America, expand business region in Southeast Asia and enhance advertising and sales promotion activities.

### Progress:

**Products launched both domestically and internationally. Plans to continue gradual rollouts beyond 3Q.**



North America : Launched BALMUDA The Brew in May



Japan : Launched a new model of BALMUDA The Range in June



# Progress of the initiatives

## 2. Improve profitability

Lowering costs of sales by design improvement, simplification of production process and optimization of procurement. Efficient use of expenses. In addition, considering a review of pricing to ensure appropriate gross profit margin.

Progress :

Introduced cost reduction models. Plans to continue gradual implementation beyond 3Q.



BALMUDA The Light : Changed manufacturing outsourcing partner



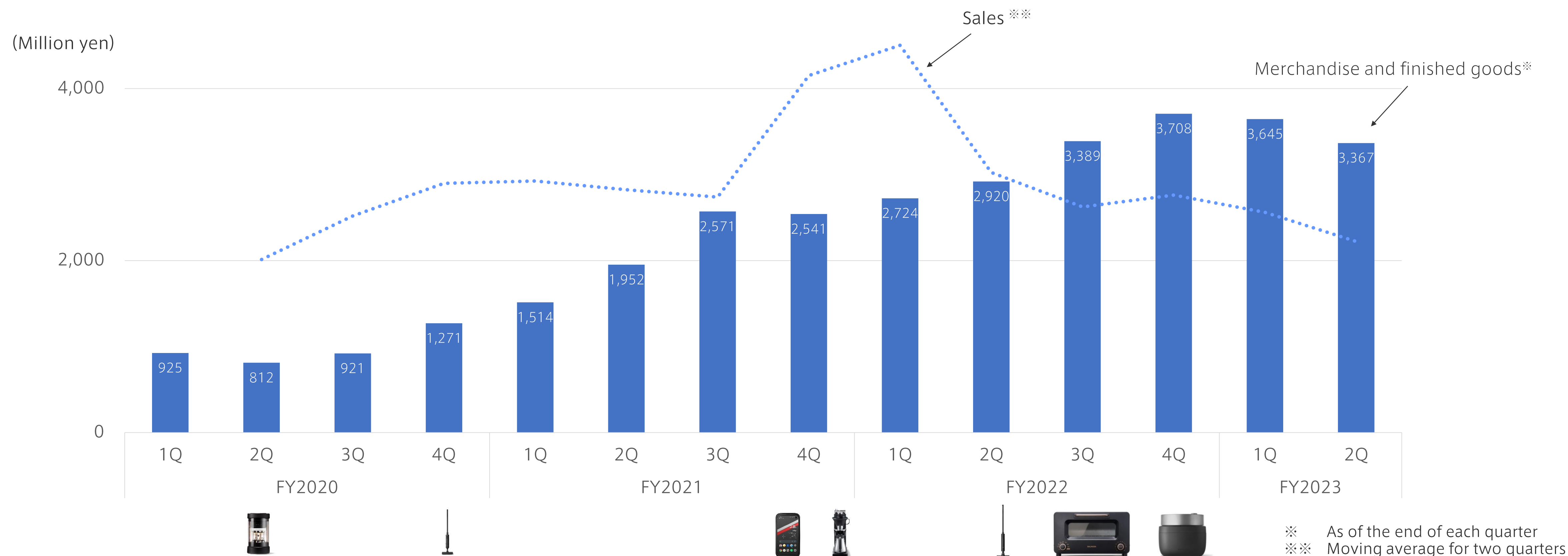
BALMUDA The Range : Launched a new model

# Progress of the initiatives

## 2. Improve profitability

Lowering costs of sales by design improvement, simplification of production process and optimization of procurement. Efficient use of expenses.

**Progress : By restraining procurement, further reduce inventory.**





# Progress of the initiatives

## 3. Tireless challenge for growth

Develop new product categories which would further demonstrate our unique strength, ability in idea, design and engineering.

Progress :

Commence field trial of small-scale wind turbines starting from the autumn of 2023.



(Concept design image)

# APPENDIX



# Initiatives to improve profitability

Launched cost reduction models. Plans to continue gradual implementation beyond 3Q.



BALMUDA The Light  
Achieved improved productivity and cost reduction while maintaining quality. Selling at the new price from June.  
¥42,900 → ¥39,600 (including consumption tax)



BALMUDA The Range (new model)  
While keeping the simple operation, achieved improved heating performance and expanded interior size. Launched in June.  
¥52,800 → ¥53,900 (including consumption tax)  
※Maintained the price for stainless steel-colored model at ¥62,700.

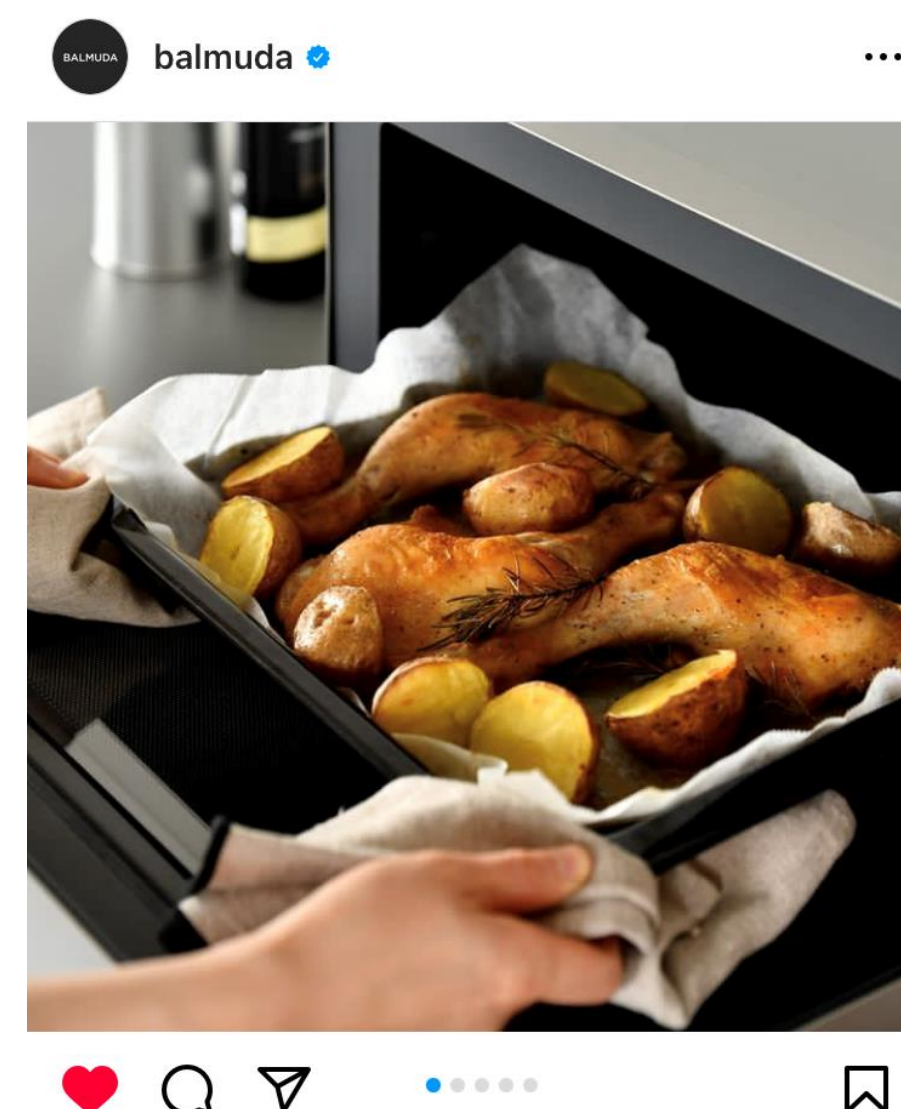


# Initiatives to communicate the experience value of BALMUDA products

Held product experience events at our flagship store. Continued to communicate information about the experiential value through social media and other channels.



"WORLD BREAKFAST with BALMUDA"  
Held events to enjoy breakfasts from around the world at BALMUDA The Store Aoyama in April and May.



BALMUDA The Range : In conjunction with the release of the new model, provided recipe suggestions on social media and other platforms.



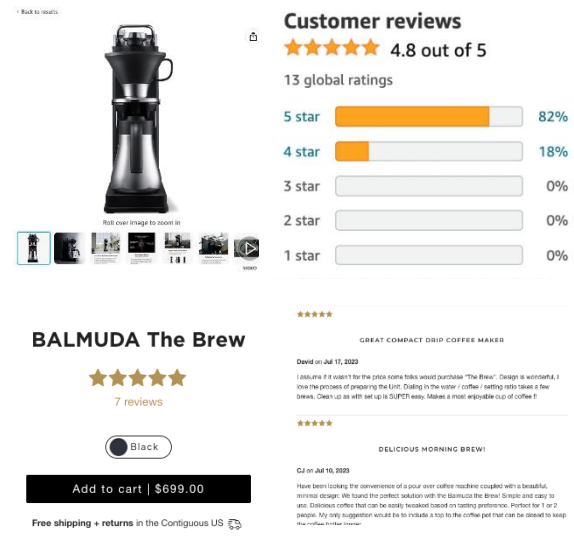
The GreenFan : Re-emphasized the product's features.



# Strengthen overseas's business : Sales activities in North America

BALMUDA The Brew, launched in the US, received high praise from local media and users. Through communication during the business campaign period, conveyed our brand as suitable for various scenarios.

## Launched BALMUDA The Brew in May

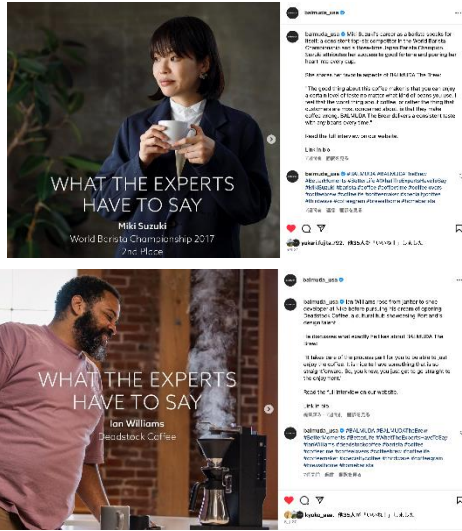


Customer reviews  
★★★★★ 4.8 out of 5  
13 global ratings

5 star 82%  
4 star 18%  
3 star 0%  
2 star 0%  
1 star 0%

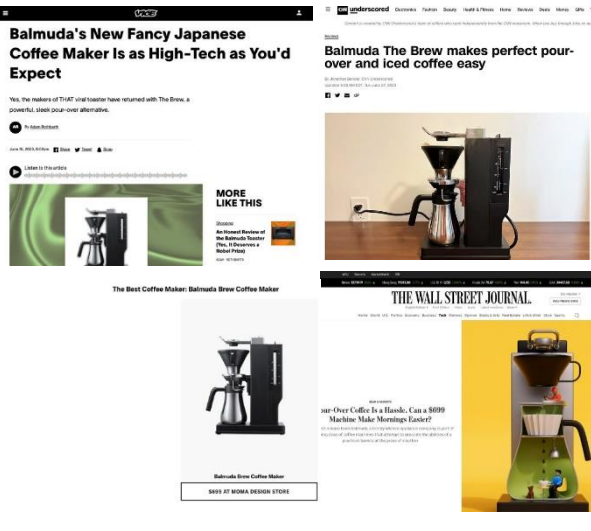
**BALMUDA The Brew**  
★★★★★  
7 reviews

Add to cart | \$499.00



WHAT THE EXPERTS HAVE TO SAY  
Hikari Suzuki  
World Barista Championship 2017

WHAT THE EXPERTS HAVE TO SAY  
Jon Williams  
World Barista Championship 2017



Balmuda's New Fancy Japanese Coffee Maker Is as High-Tech as You'd Expect

Balmuda The Brew makes perfect pour-over and iced coffee easy

Received high praise at EC platform

Received numerous positive comments such as 'unprecedentedly wonderful' and 'revolutionary coffee machine'.


Recommendation comments from experts

Published content on our website and social media where experts, including the World Barista Championship runner-up baristas, talked about BALMUDA The Brew. Helped cultivate trust and confidence in the product.


Exposure in prominent media articles

Numerous features in prominent media outlets like CNN and WSJ. Garnered high praise for its consistent and well-balanced coffee taste. Nominated for 'The Best Coffee Maker' in 'The GQ Home Award' for 2023.


## Communication during the business campaign period




MOTHER'S DAY  
RISK-FREE TRIAL  
Ends 5/14



BALMUDA The Brew  
Father's Day



Spark Your Summer  
10% Off  
5/27 - 6/18



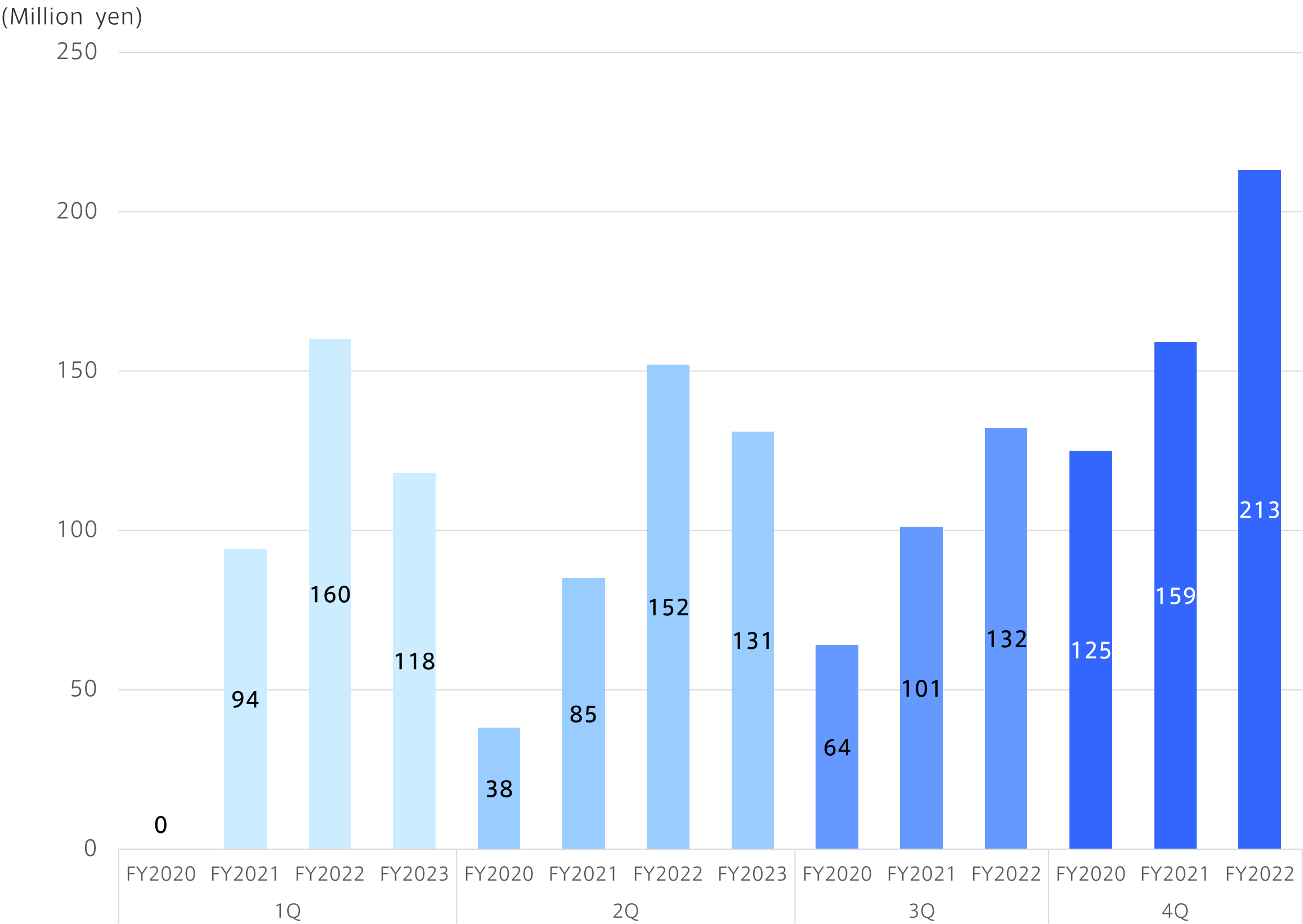
Spark Your Summer  
10% Off  
5/27 - 6/18

Mother's Day

Father's Day

Early Summer Sale

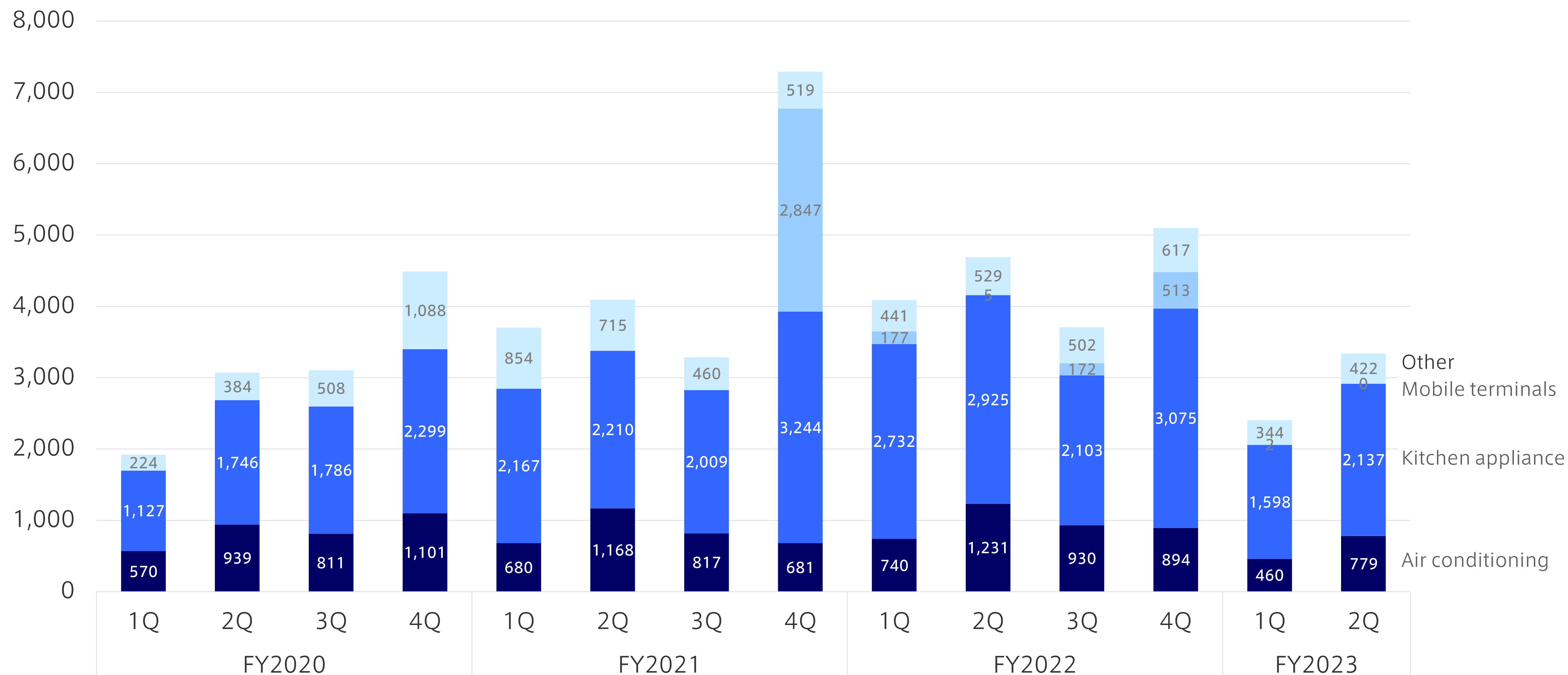
Carried out promotional communications during commercial periods like Mother's Day and Father's Day. This year, as a new initiative, launched an Early Summer Sale to celebrate the arrival of summer on Memorial Day, promoting BALMUDA The Speaker and BALMUDA The Lantern.



Quarterly sales in North America

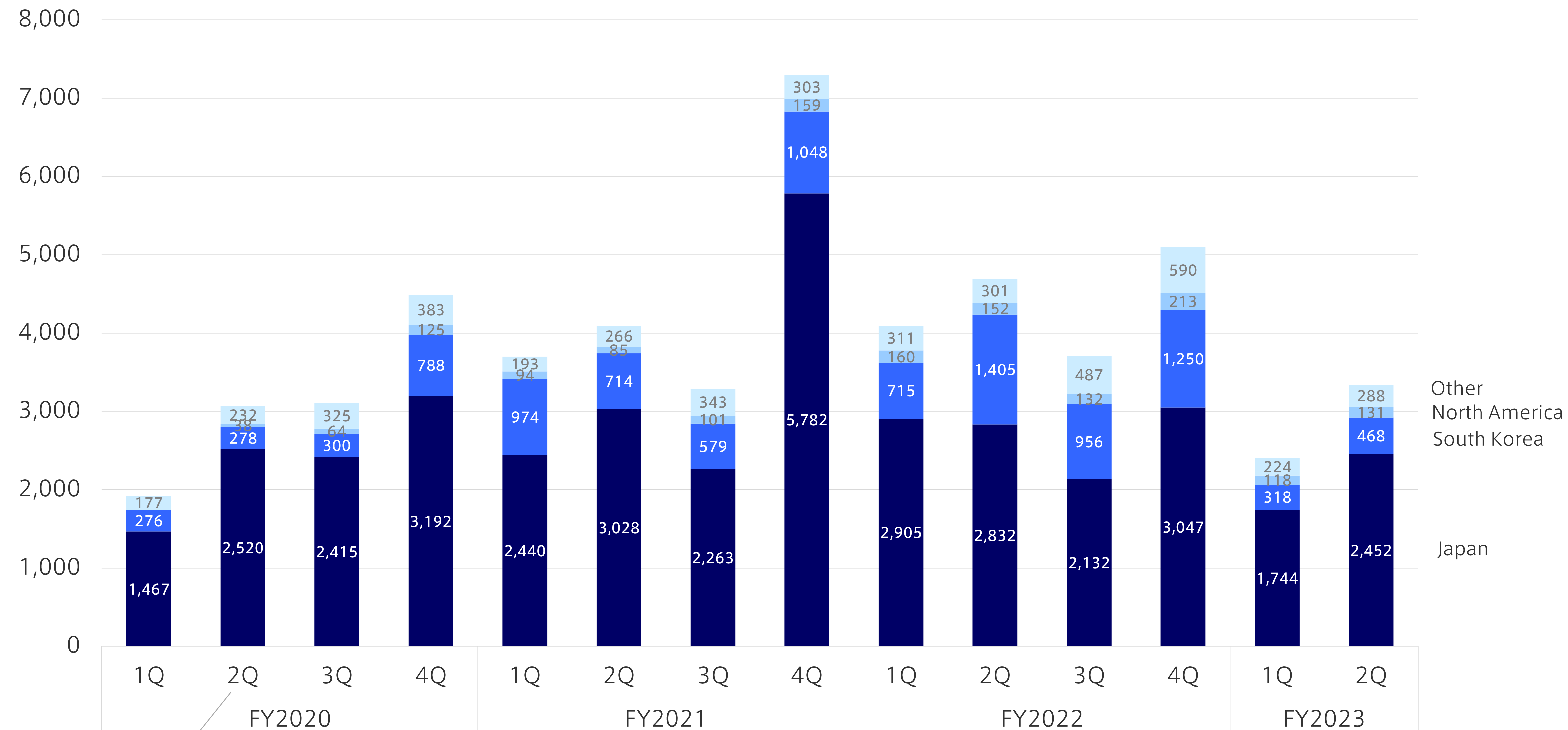
# Quarterly net sales by product category

(Million yen)



# Quarterly net sales by region

(Million yen)

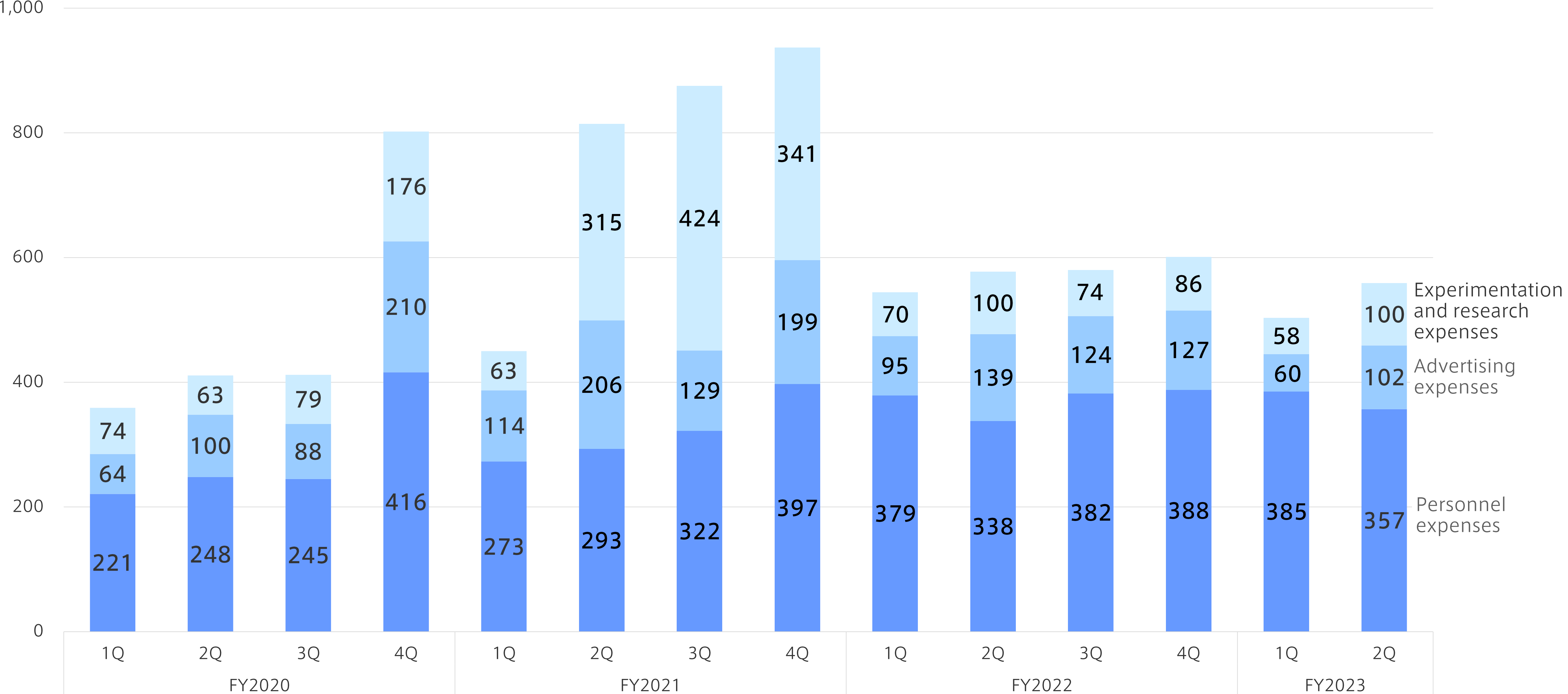


Launched business in North America

# Summary Major SG&A expenses

(Million yen)

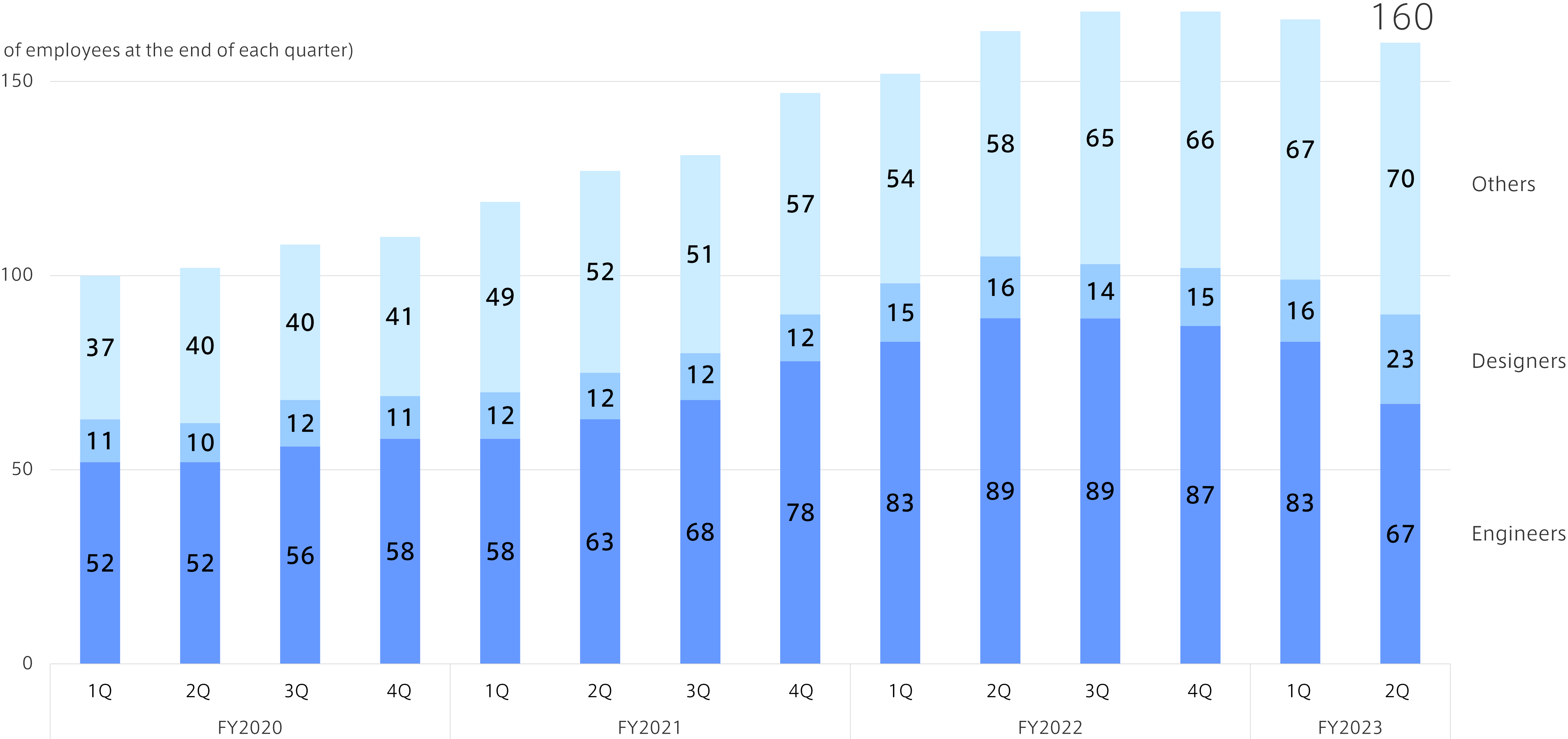
1,000



※In FY2021, appx. 840 million yen of experimentation and research expenses were for mobile terminals.  
Appx. 280 million yen out of such 840 million yen were accounted in 4Q/FY2021.

# Number of employees

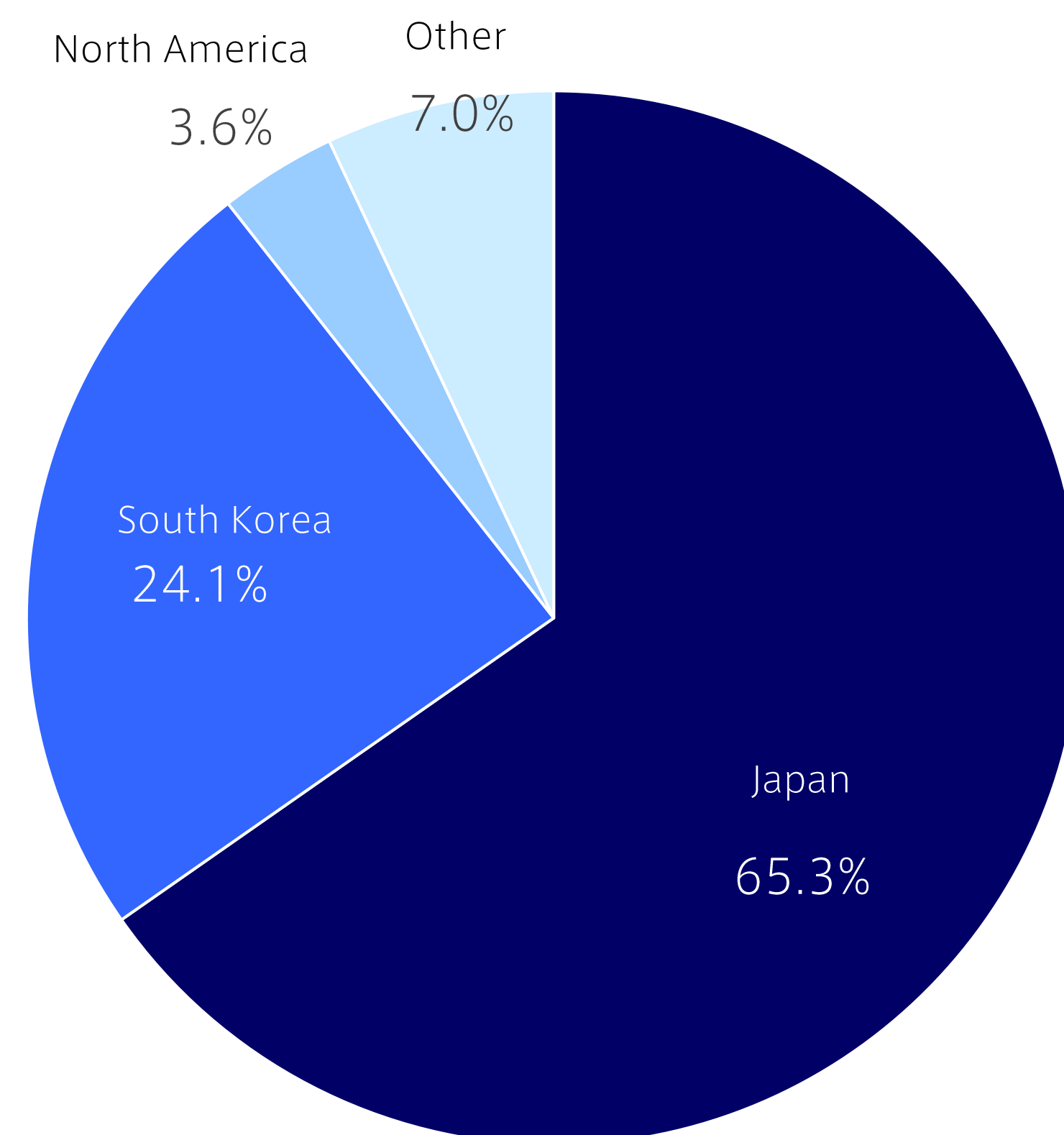
(Number of employees at the end of each quarter)



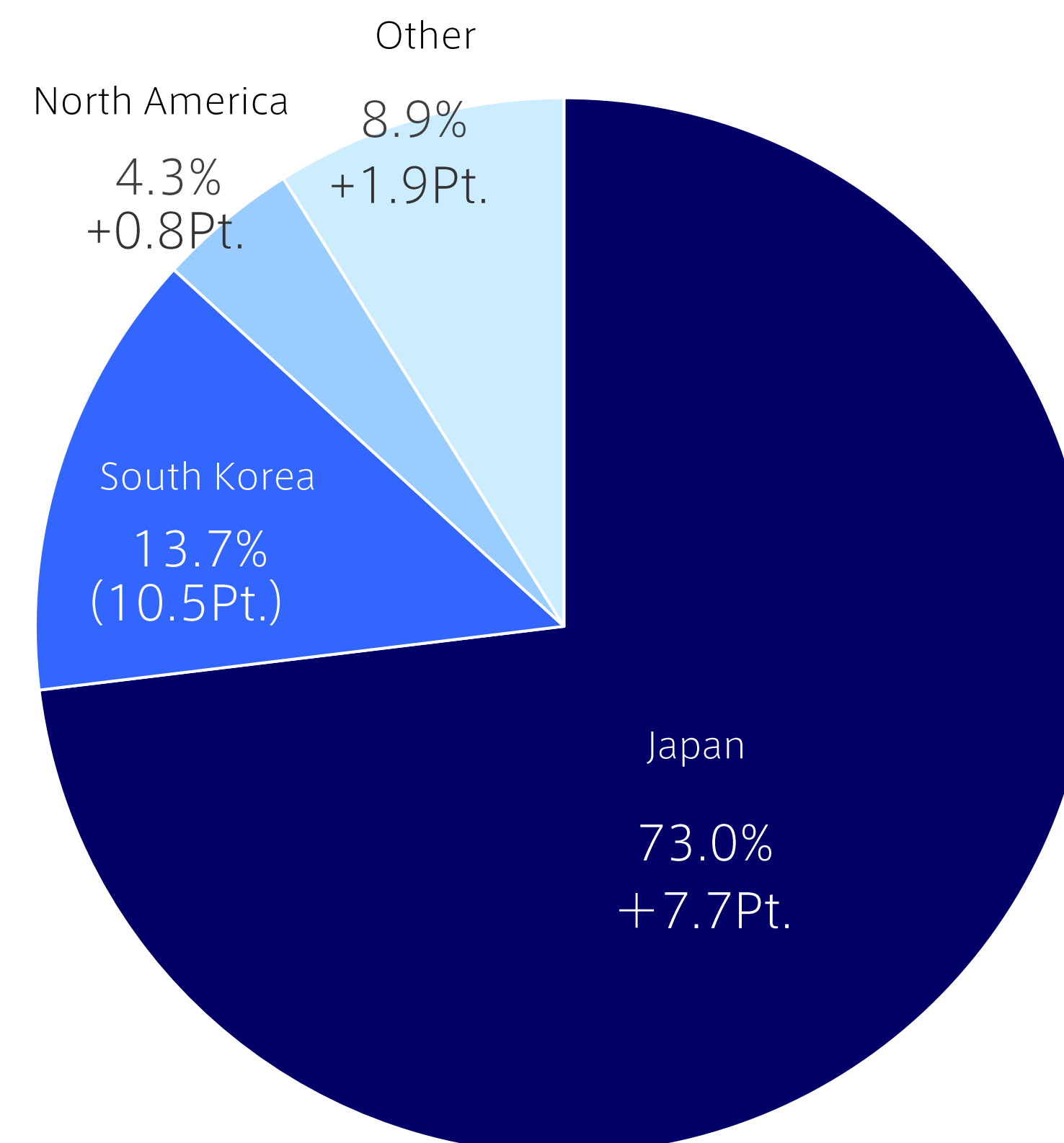


# Composition percentage of net sales by region

FY2022 2Q



FY2023 2Q



# Consolidated statement of income by quarters

(Million yen. Percentages indicate composition in net sales.)

	FY2020				FY2021				FY2022				FY2023	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	1,921	3,070	3,105	4,489	3,702	4,095	3,288	7,293	4,092	4,691	3,708	5,101	2,405	3,339
Gross Profit	806 42.0%	1,377 44.9%	1,349 43.4%	1,918 42.7%	1,565 42.3%	1,734 42.4%	1,187 36.1%	2,832 38.8%	1,492 36.5%	1,583 33.7%	1,076 29.0%	1,314 25.8%	749 31.1%	970 29.1%
SG&A expenses	721 37.5%	907 29.6%	985 31.7%	1,520 33.9%	1,111 30.0%	1,464 35.8%	1,478 45.0%	1,748 24.0%	1,319 32.2%	1,334 28.4%	1,340 36.1%	1,397 27.4%	1,166 48.5%	1,249 37.4%
Personnel expenses	221	248	245	416	273	293	322	397	379	338	382	388	385	357
Advertising expenses	64	100	88	210	114	206	129	199	95	139	124	127	60	102
Experimentation and research expenses	74	63	79	176	63	315	424	341	70	100	74	86	58	100
Operating profit	85 4.5%	469 15.3%	363 11.7%	398 8.9%	454 12.3%	270 6.6%	(290) (8.8%)	1,083 14.9%	172 4.2%	248 5.3%	(263) (7.1%)	(82) (1.6%)	(416) (17.3%)	(278) (8.3%)
Ordinary profit	75	455	360	360	462	245	(300)	1,054	144	224	(294)	(60)	(354)	(243)
Profit attributable to owners of parent	55	307	240	230	301	146	(179)	747	96	137	(190)	(40)	(1,144)	(241)



# Net sales by region/product category by quarters

(Million yen. Percentages indicate composition in net sales.)

	FY2020				FY2021				FY2022				FY2023	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	1,921	3,070	3,105	4,489	3,702	4,095	3,288	7,293	4,092	4,691	3,708	5,101	2,405	3,339
Net sales by region														
Japan	1,467 76.4%	2,520 82.1%	2,415 77.8%	3,192 71.1%	2,439 65.9%	3,028 74.0%	2,263 68.8%	5,782 79.3%	2,905 71.0%	2,832 60.4%	2,132 57.5%	3,047 59.7%	1,744 72.5%	2,452 73.4%
Overseas	454 23.6%	549 17.9%	689 22.2%	1,297 28.9%	1,262 34.1%	1,066 26.0%	1,024 31.2%	1,511 20.7%	1,187 29.0%	1,859 39.6%	1,576 42.5%	2,053 40.3%	660 27.5%	887 26.6%
South Korea	276 14.4%	278 9.1%	300 9.7%	788 17.6%	974 26.3%	714 17.5%	579 17.6%	1,048 14.4%	715 17.5%	1,405 30.0%	956 25.8%	1,250 24.5%	318 13.2%	468 14.0%
North America	- -	38 1.3%	64 2.1%	125 2.8%	94 2.5%	85 2.1%	101 3.1%	159 2.2%	160 3.9%	152 3.3%	132 3.6%	213 4.2%	118 4.9%	131 3.9%
Other	177 9.2%	232 7.6%	325 10.5%	383 8.5%	194 5.2%	266 6.5%	343 10.5%	303 4.2%	311 7.6%	301 6.4%	487 13.2%	590 11.6%	224 9.3%	288 8.6%
Net sales by product category														
Air conditioning	570 29.7%	939 30.6%	811 26.1%	1,101 24.5%	680 18.4%	1,168 28.5%	817 24.9%	681 9.3%	740 18.1%	1,231 26.3%	930 25.1%	894 17.5%	460 19.1%	779 23.3%
Kitchen appliance	1,127 58.7%	1,746 56.9%	1,786 57.5%	2,299 51.2%	2,167 58.5%	2,210 54.0%	2,009 61.1%	3,244 44.5%	2,732 66.8%	2,925 62.3%	2,103 56.7%	3,075 60.3%	1,598 66.4%	2,137 64.0%
Mobile terminals	- -	- -	- -	- -	- -	- -	- -	2,847 39.0%	177 4.3%	5 0.1%	172 4.6%	513 10.1%	2 0.1%	0 0.0%
Other	224 11.7%	384 12.5%	508 16.4%	1,088 24.3%	854 23.1%	715 17.5%	460 14.0%	519 7.1%	441 10.8%	529 11.3%	502 13.5%	617 12.1%	344 14.3%	422 12.7%

# Consolidated Balance Sheet

(Million yen)

	At the end of FY2022	At the end of FY2023 2Q	Notes
Current assets			
( Cash and deposits	1,246	933	
( Accounts receivable - trade	2,660	1,721	
( Merchandise and finished goods	3,708	3,367	
( Other	698	817	
Non-current assets			
Property, plant and equipment	761	657	
Intangible assets	490	232	Impairment losses of software in 1Q
Other	342	82	Reversal of deferred tax assets in 1Q
Total assets	9,907	7,812	
Current liabilities			
Accounts payable - trade	1,121	756	
Short-term borrowings	800	100	
Current portion of long-term borrowings	330	556	
Provision for product warranties	368	296	
Other	690	570	
Non-current liabilities			
Long-term borrowings	284	580	
Total liabilities	3,595	2,859	
Total net assets	6,312	4,952	
Total liabilities and net assets	9,907	7,812	

# Products

BALMUDA



BALMUDA The Toaster



BALMUDA The Toaster Pro



BALMUDA The Pot



BALMUDA The Brew



BALMUDA The Gohan



BALMUDA The Range



BALMUDA The Lantern



BALMUDA The Light



The GreenFan



GreenFan Cirq



GreenFan C2



Rain



BALMUDA The Pure



BALMUDA The Cleaner  
BALMUDA The Cleaner Lite



BALMUDA The Speaker



BALMUDA Phone

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