



Shareholders' Report Vol.57 73rd Interim Term
(April 1 to September 30, 2022)

Rinnai

It is my pleasure to report on the Rinnai Group's business performance in the two-quarter period under review (April 1–September 30, 2022).

During the period review, the global economy faced increasing uncertainty due to ongoing sharp rises in raw material and energy prices, supply chain disruptions, the protracted situation in Ukraine, inflation, and rising interest rates. This was despite easing of restrictions aimed at preventing the spread of COVID-19. In the domestic economy, consumer spending and corporate earnings showed signs of recovery, but the rapid depreciation of the yen and concerns about further price hikes made the situation unpredictable.

In the domestic housing-related industry, the number of new housing starts showed signs of weakness, but the household appliance sector remained firm, particularly in the renovation category.

For the period, overseas sales weakened due to delays in product supply from Japan and activity restrictions caused by lockdowns in China, while domestic sales increased thanks to strong demand, especially for water heaters. Regarding earnings, we posted a year-on-year decrease in operating income due to soaring raw material prices and distribution costs, as well as increased expenses associated with the operation of a new plant in the United States. More details about our financial results are provided in the following pages. The Company declared an interim dividend of ¥75.00 per share.

The Rinnai Group continued pursuing three key strategies under its medium-term business plan, New ERA 2025: "Advancement in addressing social challenges," "expansion of business scale," and "revolution of corporate structure." During the period under review, for example, we developed the ultrafine-bubble water heater that helps improve people's quality of life, as well as a gas water heater with a built-in instant-heating unit. We also commissioned a new plant in the United States and otherwise worked to expand our business in the growing U.S. market. In these and other ways, we made steady progress in fulfilling our promise to our customers ("Creating a healthier way of living") and achieving sustainable and solid long-term growth.

December 2022
Hiroyasu Naito
President



Consolidated Business Results

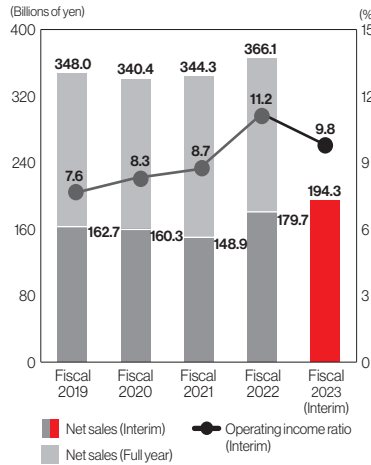
(First Two Quarters of the Fiscal Year ending March 2023)

Financial Data

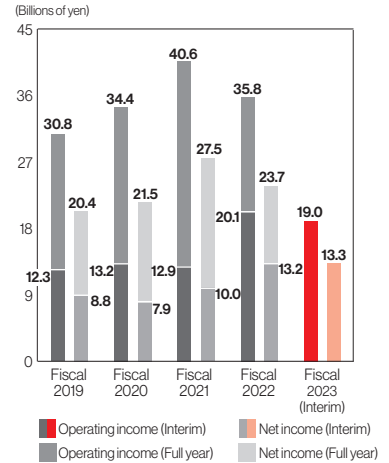
Performance Highlights

- Net sales **increased** for second consecutive interim period due to strong sales of water heaters in Japan, while overseas sales weakened due to delays in product supply from Japan
- Operating income **declined for first time in two years** due to soaring raw material prices and logistics costs, as well as increased expenses associated with the operation of a new plant in the United States
- Interim cash dividend of ¥75.00 per share, for **13th consecutive year of interim dividend increases**

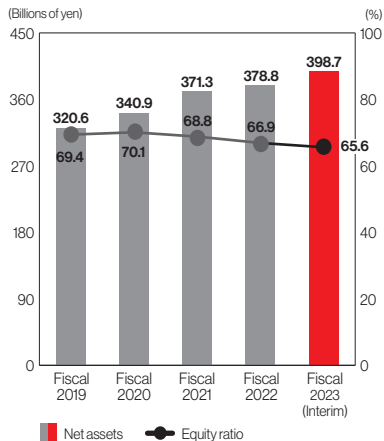
Net sales, operating income ratio



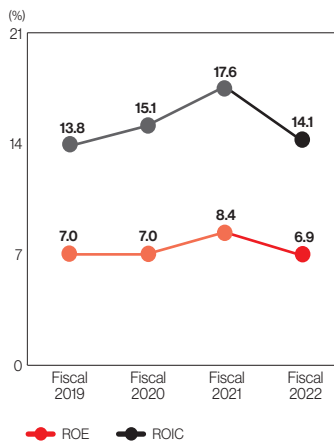
Operating income, net income attributable to owners of the parent company



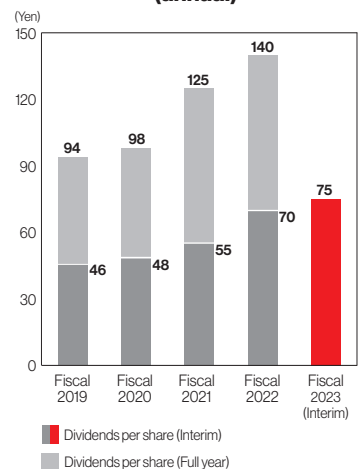
Net assets, equity ratio



ROE, ROIC



Dividends per share (annual)



* Return on invested capital (ROIC) = Operating income (after deemed tax) ÷ Invested capital (accounts receivable + inventory – accounts payable + fixed assets (tangible/intangible))

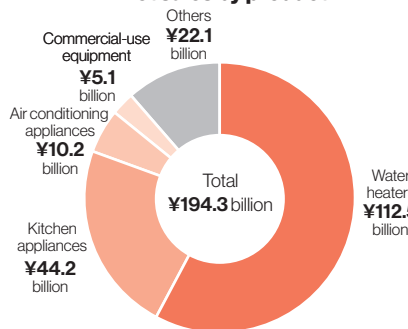
Consolidated Business Results

(First Two Quarters of the Fiscal Year ending March 2023)

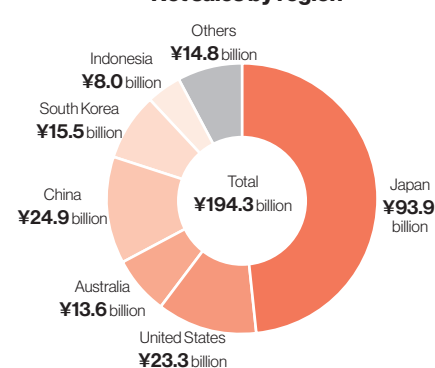
Highlights by Product Segment

- Water heaters: **Increase in sales** thanks to strengthened production to resolve supply delays in Japan
- Kitchen appliances: **Sales up** owing to due to strong sales of built-in products in Indonesia

Net sales by product

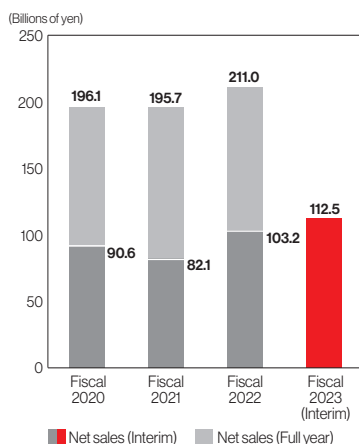


Net sales by region

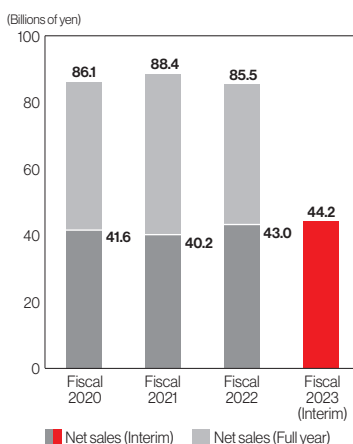


Product segment	Principal products
Water heaters	Tankless water heater with basic functions, bath-filling systems, heating systems, and hybrid water heater with heating systems
Kitchen appliances	Tabletop cookers, built-in hobs (stovetops), ovens, dishwashers, range hoods and rice cookers
Air conditioning appliances	Fan heaters, fanned flue heaters and infrared heaters
Commercial-use equipment	Commercial-use ceramics griller, ranges and rice cookers
Others	Clothes dryers, infrared burners and components

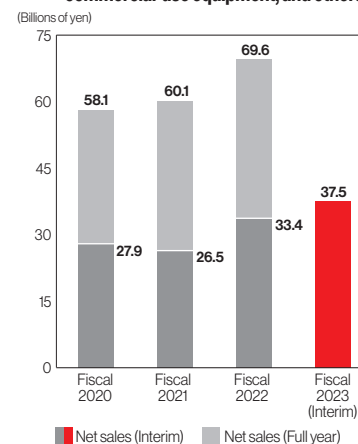
Sales of water heaters



Sales of kitchen appliances

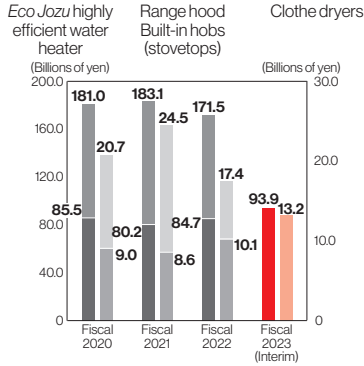


Sales of air conditioning appliances, commercial-use equipment, and others



Highlights by Regional Segment

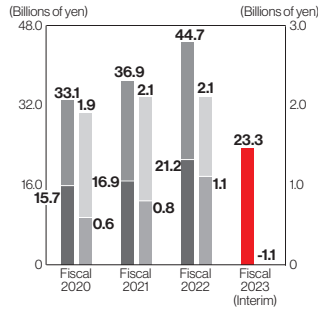
Japan



Year-on-year increases in sales and income due to significant growth in water heaters stemming from strengthened production to resolve supply delays



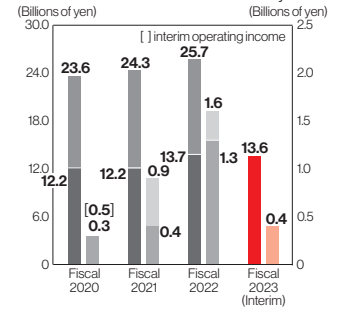
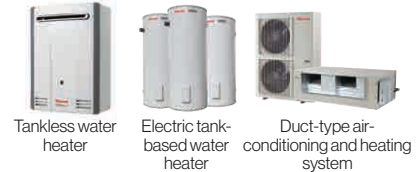
United States



Increase in sales due to foreign currency translation impact despite lower sales in local-currency terms due to delay in supply of tankless water heaters and other products from Japan; **operating loss** due to higher expenses associated with new plant start-up



Australia

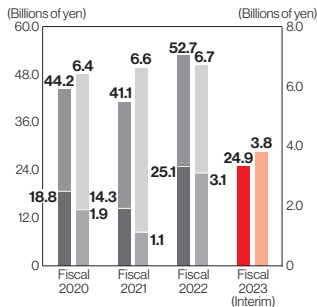


Delays in supply of tankless water heaters other products from Japan, as well as increased raw material prices, led to

decreases in both sales and income



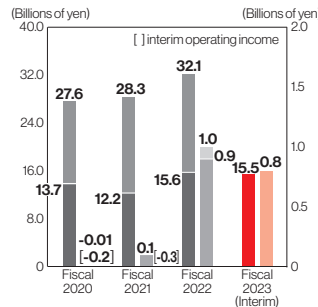
China



Decrease in sales due to constraints on production and sales activities caused by lockdowns related to COVID-19, but **increase in income** due to decrease in sales promotion expenses



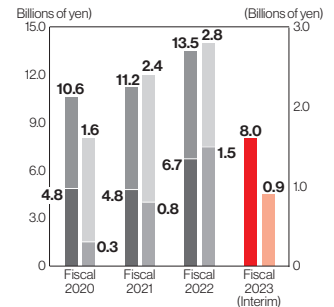
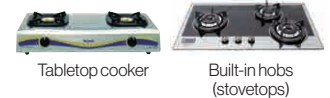
South Korea



Sales and income down due to lower sales of mainstream boilers amid weakening business sentiment caused by rising prices and interest rates



Indonesia



Increase in sales owing to growth of built-in hob (stove-tops) and range hoods, but **income down** due to soaring raw material prices





Industry's first Ultra Fine Bubble water heater launched

October 2022



This water heater is equipped with an Ultra Fine Bubble generator. Using water containing Ultra Fine Bubbles helps prevent build-up of grime and limescale in bathrooms, washrooms, kitchens, and other wet areas, thus reducing the burden of daily cleaning.

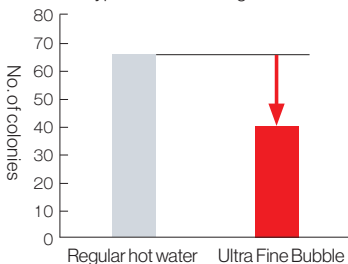
Ultra Fine Bubbles

These are fine bubbles (less than one micrometer in diameter) that penetrate into the smallest gaps and wash away dirt. The technology is already widely used mainly in industrial applications, but recently has spread to households through showerheads and other products.

Cleaning effect of Ultra Fine Bubble water heater

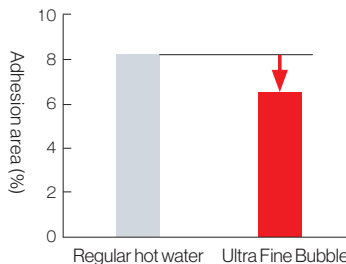
Reduced grime build-up around wet areas

39% reduction in the number of colonies of one type of stain-causing bacteria



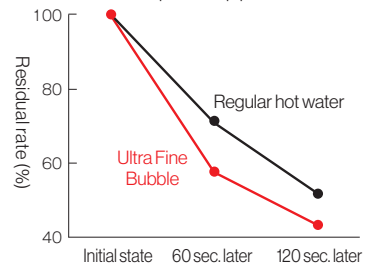
Inhibits hard-to-remove limescale

18% reduction in limescale adhesion area



Keeps difficult-to-wash drainpipes clean

Decrease in residue build-up in drainpipes



* These cleaning effects were noted under specific conditions and do not represent a verification under real usage conditions. Actual cleaning results will vary depending on the method of use.

Turbo heating function
ECO ONE X5 hybrid water heater/heating system

June 2022



**ECO ONE
X5**

As part of our ECO ONE series of hybrid water heater/heating systems, we recently launched the ECO ONE X5, which has a separate gas heat source and tank unit. It features a “Turbo Heating” function, which increases the boiling capacity of the heat pump in accordance with the amount of hot water used, making it possible to reduce the tank capacity. For the first time, moreover, we have added model with a built-in microbubble bath unit to the ECO ONE lineup, resulting in greater energy efficiency and comfort.

Fulfills two needs: Design and functionality
Stainless Steel Door Dishwasher

June 2022



We recently launched Stainless Steel Door Dishwasher exclusively through our official online store. This dishwasher features a door panel made of stainless steel, which is simple and blends naturally into any kitchen. Two types are available—a front-opening type and the standard slide-opening type—with different opening and closing methods and capacities. The design is more stylish while maintaining the functionality of Rinnai-brand dishwasher.

Sophisticated, exquisite design for greater comfort
High-quality color LCD bathroom remote control

October 2022



**GOOD DESIGN
AWARD 2022
BEST
100**

We recently released a color LCD bathroom remote control with a sophisticated design and excellent operability based on the concept of “simple and sturdy.” To embody the “healthy and comfortable lifestyle” worldview of the Rinnai brand, we have enhanced the sensory quality of the remote control’s operational sounds. We also added Bluetooth connectivity (industry first), enabling users to enjoy music and conversation and thus improve the bathroom environment.

World's first 100% hydrogen-powered water heater for residential use

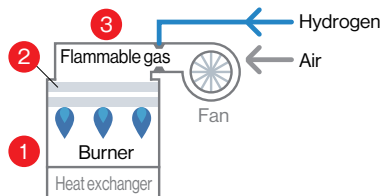
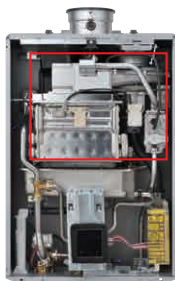
May 2022

Thermal energy appliances, such as water heaters, emit large amounts of CO₂ at the product-use phase during their life cycle, from initial parts procurement to final disposal. Having formulated the Rinnai Innovation Manifesto 2050 (RIM 2050), our declaration to achieve carbon neutrality, we have been developing hydrogen-burning appliances and recently announced the world's first 100% hydrogen-powered water heater for residential use (Hydrogen Water Heater). We now offer a wide range of equipment using multiple energy sources, including hydrogen.



Hydrogen Water Heater
(concept model)

Hydrogen Water Heater configuration Commitment to safety



- 1 Burner**
Stable combustion without backfire even with small amounts of hot water and low temperatures
- 2 Flame trap (flame-blocking part)**
The flame trap blocks flames even if backfire occurs in the burner
- 3 Mixing method of hydrogen and air**
Minimizes the volume of combustible gas to a level where it is safe even if it ignites

What is backfire?

A backfire occurs when the fuel jet velocity falls below the combustion velocity, allowing the flame to enter the inside of the burner. The temperature of the burner then rises, causing deformation and equipment failure.

We overcame the problems of hydrogen combustion, including danger of explosion and combustion stability, with combustion and control technologies we have cultivated over many years.

Demonstration test in Australia



Hydrogen Water Heater presentation
(July 2022)

We will start demonstration tests of Hydrogen Water Heater with an Australian gas supplier (scheduled within fiscal 2022).

Joint development of hydrogen cooking system

October 2022

We have begun joint development together with Toyota Motor Corporation and its subsidiary, Woven Planet Holdings, Inc., of a food preparation system using hydrogen (hydrogen cooking). We will conduct demonstration tests with a view to introducing the system to Woven City, which is being constructed by Toyota. We aim to contribute to carbon neutrality through hydrogen food preparation while offering new food experiences with hydrogen.



Consolidated Balance Sheets (Millions of yen)

Current Term (As of September 30, 2022)
Previous Term (As of March 31, 2022)

	Current Term	Previous Term
Assets		
Current assets	350,678	333,956
Fixed assets	193,612	178,910
Property, plant and equipment	110,504	100,598
Intangible fixed assets	3,821	3,792
Investments and advances	79,286	74,520
Total assets	544,290	512,867
Liabilities		
Current liabilities	119,436	108,803
Long-term liabilities	26,128	25,206
Total liabilities	145,564	134,010
NET ASSETS:		
Shareholders' equity:	328,357	328,419
Common stock	6,484	6,484
Capital surplus	8,673	8,673
Earned surplus	325,488	315,593
Treasury stock	(12,287)	(2,330)
Other comprehensive income:	28,786	14,700
Minority interests	41,581	35,736
Total net assets	398,725	378,856
Total liabilities and net assets	544,290	512,867

Consolidated Statements of Income (Millions of yen)

Current Term (From April 1, 2022, to September 30, 2022)
Previous Term (From April 1, 2021, to September 30, 2021)

	Current Term	Previous Term
Net sales	194,347	179,721
Cost of sales	130,891	118,739
Gross profit	63,455	60,981
Selling, general and administrative expenses	44,370	40,873
Operating income	19,084	20,107
Other income	3,470	1,680
Other expenses	341	100
Ordinary income	22,213	21,687
Income before income taxes	22,213	21,687
Income taxes	6,179	5,886
Net income	16,034	15,800
Net income attributable to non-controlling interests	2,651	2,552
Net income attributable to owners of the parent company	13,382	13,247

Consolidated Statements of Cash Flows (Millions of yen)

Current Term (From April 1, 2022, to September 30, 2022)
Previous Term (From April 1, 2021, to September 30, 2021)

	Current Term	Previous Term
Cash flows provided by operating activities	12,155	13,676
Cash flows provided by investing activities	(18,551)	(2,090)
Cash flows provided by financing activities	(15,317)	(21,674)
Cash and cash equivalents at end of term	133,632	159,800

Directory (As of September 30, 2022)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,484,416,754
Head office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802 TEL: +81-52-361-8211
Number of employees	11,072 (Consolidated) 3,637 (Nonconsolidated)

Domestic Network (As of September 30, 2022)

Factories and related centers Technology Development Center, Production Technology Center, Kasugai Logistics Center, Atsugi Logistics Center, Oguchi Factory, Seto Factory, Akatsuki Factory

Branches Tohoku, Kanto, Chubu, Kansai, Kyushu

Domestic sales offices Hokkaido, Kita-Tohoku, Sendai, Niigata, Tokyo, Kita-Kanto, Higashi-Kanto, Minami-Kanto, Tokai, Shizuoka, Hokuriku, Nagano, Osaka, Keiji, Hyogo, Chugoku, Shikoku, Fukuoka

Domestic satellite offices (90 offices)

Other domestic offices 11 Training Centers, Customer Center

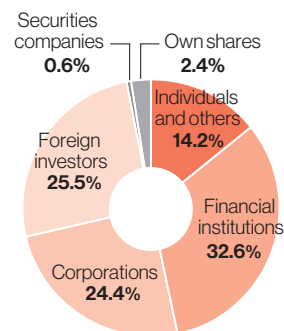
Corporate Officers (As of September 30, 2022)

Chairman	Kenji Hayashi	Managing Executive Officers	Hideyuki Shiraki	Executive Officers	Katsunori Tanioka
President and Executive Officer	Hiroyasu Naito		Chuji Nakashima		Hiroyuki Hoyano
Director and Executive Vice President	Tsunenori Narita	Senior Executive Officers	Kazuto Inoue		Atsuo Kashima
Directors (outside)	Nobuyuki Matsui Takashi Kamio		Hirohisa Ooi		Kazuhiko Matsumoto
Standing Audit & Supervisory Board Members	Haruhiko Ishikawa Kinji Mori		Takuya Ogawa		Kenji Endo
Audit & Supervisory Board Members (outside)	Masaaki Matsuoka Ippei Watanabe		Yoshihiko Takasu		Hayao Nishizawa
			Masanori Shimizu		
			Kenichi Ebata		

Share Composition (As of September 30, 2022)

Number of shares	
Authorized:	200,000,000
Outstanding:	50,021,057 (Including treasury stock)
Number of shareholders:	4,119

Composition of shareholders



Rinnai Group (As of September 30, 2022)

12 Domestic Subsidiaries

Manufacture and Sale of Products

- Yanagisawa Manufacturing Co., Ltd.
- Rinnai Technica Co., Ltd.
- Gastar Co., Ltd.

Sale of Products

- Rinnai Net Co., Ltd.

Manufacture and Sale of Components

- RB Controls Co., Ltd.
- Rinnai Precision Co., Ltd.
- RT Engineering Co., Ltd.
- Noto Tech Co., Ltd.
- Techno Parts Co., Ltd.

Other Business

- Rinnai Enterprises
- Other two companies

35 Overseas Subsidiaries and Affiliates

Holding Company/Sale of Products

- Rinnai Holdings (Pacific) Pte Ltd.

Manufacture and Sale of Products

- Rinnai America Corporation
- Rinnai Australia Pty., Ltd.
- Shanghai Rinnai Co., Ltd.
- Rinnai Korea Corporation
- PT. Rinnai Indonesia
- Rinnai New Zealand Ltd.
- Rinnai Taiwan Corporation
- Rinnai (Thailand) Co., Ltd.
- Rinnai Viet Nam Co., Ltd.
- Rinnai Brasil Heating Technology Ltd.
- Rinnai Manufacturing Malaysia Sdn. Bhd.
- Industrias MASS SA de CV

Sale of Products

- Rinnai Italia S.r.l.
- Rinnai Hong Kong Ltd.
- Rinnai Canada Holdings Ltd.

- Shanghai Rinnai Thermo Energy Engineering Co., Ltd.
- Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.
- Central Heating New Zealand Ltd.
- Rinnai Plus Corp.
- Rinnai (Malaysia) Sdn. Bhd.
- Rinnai UK Ltd.
- Rinnai Trading BV.
- Hainan Rinnai Minsheng Kitchen Appliances Sales Co., Ltd.

Manufacture and Sale of Components

- RB Korea Ltd.
- Shanghai RB Controls Co., Ltd.
- RS Korea Ltd.
- Mikuni RK Corporation

Other Business

- Gas Appliance Services Pty., Ltd.
- Other six companies

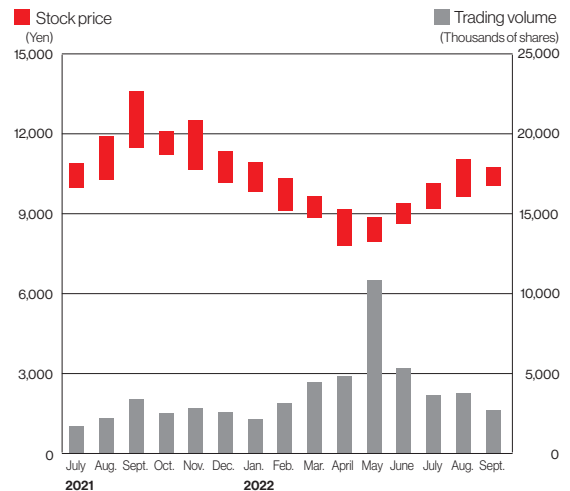
● Consolidated subsidiary ● Nonconsolidated subsidiary ■ Affiliated company (equity method not applied)

Major Shareholders (As of September 30, 2022)

Name	Shares held (Thousands)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,856
Naito Co., Ltd.	6,215
Custody Bank of Japan, Ltd. (Trust Account)	4,258
Kenji Hayashi	2,456
Rinnai Scholarship Foundation	1,400
MISAKI ENGAGEMENT MASTER FUND	1,137
Tokyo Gas Company, Limited	784
Makoto Naito	570
Yukimi Naito	550
Mitsuuroko Group Holdings Co., Ltd.	527

* Treasury stocks (1,255 thousand shares) held by the Corporation are excluded from the above figures.

Stock Price Range



Financial year

From April 1 to March 31

Annual meeting of shareholders

Every June

Dates of record

Annual meeting of shareholders,

year-end dividend: March 31

Interim dividend: September 30

Minimum trading unit

100 shares

Public notice

Public notices by the Company will be announced online.

<https://www.rinnai.co.jp/>

However, if due to accident or some other unavoidable reason that prevents the Company from completing an online announcement should arise, a public notice will be made by posting in the *Nihon Keizai Shimbun*.

Transfer agent

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005

Special account administrator

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005

Mailing and contact

Sumitomo Mitsui Trust Bank, Limited

Stock Transfer Agency Department

8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063

(Telephone)

Freedial 0120-782-031(9:00 am-17:00 pm on weekdays)

Stock Listings:

Tokyo Stock Exchange, Prime Section

Nagoya Stock Exchange, Premiere Section

Inquiries Pertaining to Share-Related Procedures**1. Non-Payment of Dividends**

Please contact the transfer agent (Sumitomo Mitsui Trust Bank, Limited; contact details above).

2. Change of address, purchases (or increases in purchases) of fractional shares, designation of dividend payment method, etc.

(1) Shareholders with account at a securities company

Please contact the securities company handling your account.

(2) Shareholders with a special account opened due to absence of account at a securities company

Please contact Sumitomo Mitsui Trust Bank, Limited