



Shareholders' Report Vol. 58 73rd Fiscal Year
(April 1, 2022 to March 31, 2023)

Rinnai

We will build a robust management structure to help realize a sustainable society.



It is my pleasure to report on the Rinnai Group's business and financial results for the fiscal year ended under review (April 1, 2022–March 31, 2023) and explain our strategy for the future.

The Rinnai Group is 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 year under review, we launched products that improve quality of life and help protect the global environment, such as the Ultra Fine Bubble Water Heater and *ECO ONE X5* hybrid water heater with heating system. We also commissioned a new plant in the growing U.S. market and expanded our business through the development of 100% hydrogen combustion technology for residential water heaters. 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.

For the period, domestic sales of water heaters increased year on year thanks to Groupwide efforts to resolve supply delays, while higher sales of mainstay products, particularly in the United States and China, led to a year-on-year increase in overseas sales, which also benefited from foreign exchange factors. On the earnings side, we posted an increase in operating income due to the sales increase and growth in sales of high-value-added products. This was despite soaring raw material prices, distribution costs, and energy costs, as well as higher expenses associated with the commissioning of a new plant in the United States. Our financial performance for the year is described in the following pages. The Corporation declared a year-end cash dividend of ¥85.00 per share, bringing total annual dividends to ¥160.00 per share, up ¥20.00 from the previous year.

Going forward, we will further strengthen our supply chain while focusing on our core markets of Japan, the United States, and China and working to realize a sustainable society as outlined in our Carbon Neutral Declaration, RIM 2050. Here, we will institute product-oriented measures in countries and regions where initiatives are underway. In the following pages, we provide a detailed overview of the fiscal year in review and our management strategy.

Hiroyasu Naito
President

Overview of fiscal year ended March 31, 2023

Eliminated supply delays and established a structure that is resistant to changing business conditions

In the year under review, we strengthened our production system to eliminate supply delays, resulting in firm domestic sales, especially of water heaters. This was despite sharp increases in raw material and energy prices in the fourth quarter, which placed downward pressure on profitability. As a result, we posted record-high figures for net sales and operating income. With the spread of COVID-19 infections, the Group experienced a parts procurement crunch starting in late 2021. This affected domestic sales of all products manufactured in Japan, including water heaters, stoves, and dishwashers, as well as exports to the U.S. and Australian markets. In response, we engaged in Groupwide collaboration to achieve a global procurement capability and implemented design changes to general-purpose and similar parts. As of March 31, 2023, therefore, we eliminated supply delays with the exception of some water heaters.

In addition, we maintained sufficient inventories of parts and products to mitigate any disruptions in logistics and shortages of parts due to future international unrest. For parts, we established a system that is resilient to changes in business conditions by placing orders with multiple suppliers in one- to two-year blocks.

Medium-Term Business Plan, New ERA 2025 (From April 2021 to March 2026)

Consolidate Net Sales: **¥450 billion**
(Japan: ¥200 billion yen; overseas: ¥250 billion yen)

Operating Income: **¥50 billion**
Return on invested capital (ROIC): **19.0%**
Total return ratio (five-year average): **50.0%**

Sales of products that improve quality of life and benefit the global environment
(compared with fiscal 2021, ended March 2021): **50% up**
Contribution to CO₂ emission reduction: **7 million tons**

Progress of Medium-Term Business Plan

Strategic markets: United States and China

The Rinnai Group develops high-value-added products that address the energy situations and growth stages of each country around the world under the themes of "heat and lifestyles" and "health and lifestyles." Under our medium-term business plan, New ERA 2025, we will work on two social issues—improving people's quality of life and addressing global environmental problems—in order to expand our operational scale in two areas: regional domains and business domains.

Overseas sales account for more than half of the Groups total revenue, and we have positioned the United States and China as particularly strategic markets. The U.S. market is experiencing a slowdown in replacement demand associated with new housing starts in the wake of economic recession following the COVID-19 pandemic. In the medium to long term, however, we expect customers to switch from electric storage-type water heaters to gas instantaneous-heating water heaters, which contribute greatly to CO₂ emissions reduction and provide better comfort. Therefore, the U.S. market remains very promising. In April 2022, we commenced local production at Rinnai America, and we will strive to expand our market share while taking advantage of subsidies for environmentally friendly products and other trends. In the Chinese market, we enjoyed strong Internet sales of water heaters despite temporary restrictions on business activities due to lockdowns in the Shanghai area. Now that sales have resumed in brick-and-mortar stores, sales are firming up.



New plant of Rinnai America (Griffin, Georgia)



Locally produced gas water heater

R&D system that accounts for differing energy situations

Each foreign country has a different energy situation. In Europe and Australia, for example, electric heat pumps are becoming the mainstream for water heating, but they must be used in combination with gas to cope with increased demand in winter. In developing countries, where household infrastructure is slow to develop, natural gas is the main source of energy for heating water. Therefore, the situation is not uniform. For this reason, we promote our business while assessing the needs of each country. In Australia, for instance, we sell heat pump-based water heaters.

In May 2022, we announced the world's first 100% hydrogen-powered water heater for residential use (hydrogen water heater) as a result of our future-oriented R&D. We are also jointly developing a hydrogen-powered cooker with Toyota Motor Corporation and its subsidiary, Woven By Toyota, Inc. We will continue strengthening our R&D system to address changes in the global energy situation.

Revolution of corporate structure

Acquired land and building in Minami Aoyama (Tokyo) to strengthen our consumer-oriented approach

While remaining committed to advances in technology and quality as reflected in our development of a hydrogen-powered water heater, we believe that improving our brand image is also an important priority in our quest to offer even higher-value-added products. With this in mind, we acquired land and a building in Minami-Aoyama, Tokyo, in April 2023. Minami-Aoyama is trend-setting area in terms of fashion and lifestyle, with flagship stores of foreign brands operating in the vicinity. Under our medium-term business plan, New ERA 2025, we have sets four tasks in our marketing activities to strengthen consumer orientation: understand user needs, improve Rinnai's brand image through products, appeal directly to end users, and incorporate progress in these areas into our value chain. Taking advantage of the features of the newly acquired property in Minami-Aoyama, we will promote measures to help us perform those tasks successfully. With the opening of an experiential showroom in mind, we plan to create a flagship center that proposes high-quality living to a variety of consumers, including wealthy individuals.



Press briefing on hydrogen-powered water heater (May 2022)



Hydrogen-powered water heater (concept model)

Deepening ESG initiatives to target sustainable growth

In April 2022, we established an ESG Committee, chaired by myself. With the input of our stakeholders, we are advancing discussions and initiatives to ensure the sustainable growth of the Rinnai Group. Human capital is a key priority in making ESG investments. In addition to human resource development, skills training, and work-style reforms, we are pursuing measures to improve employee motivation. In February 2023, for example, we introduced a restricted stock incentive targeting our Employee Stock Ownership Association. In addition, one of our diversity initiatives is to promote the advancement of women. Here, we recognize that promoting more women to management positions will be a priority in the future.

In governance, we increased the number of outside directors by two, including one woman, in accordance with a resolution of the Ordinary General Meeting of Shareholders in June 2023. In addition, our Risk Management Committee, which serves as an advisory body to the Board of Directors, meets regularly to

discuss various management risks, including procurement issues arising from COVID-19 and pandemic countermeasures, as well as to take preventive measures for specific risks.

To implement the aforementioned measures, we plan to make growth investments and strategic expenditures totaling ¥125 billion during the period of the medium-term business plan. Based on steady corporate growth, we will continue pursuing a basic policy of making stable and continuously increasing dividend payments, targeting a total return ratio of 40% in the final year of the plan. We also executed a three-for-one stock split, effective April 1, 2023, with the aim of further expanding our investor base.

Going forward, we will accelerate efforts to entrench the Rinnai brand while overcoming the management challenges revealed by COVID-19 and helping resolve global environmental problems and other social issues. We look forward to the understanding and support of shareholders.

- **Year-on-year dividend increases for 21 consecutive fiscal periods**

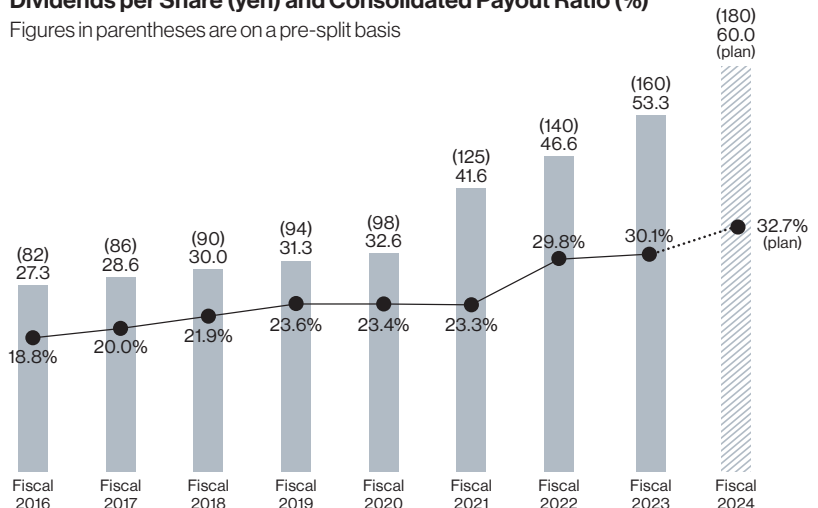
- **Shareholder return policy**

Target total return ratio of 40%
(Fiscal 2022–2026 average)

Additional policy: Gradually increase in dividend payout ratio
(Fiscal 2026: 40% level)

Dividends per Share (yen) and Consolidated Payout Ratio (%)

Figures in parentheses are on a pre-split basis



On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock.



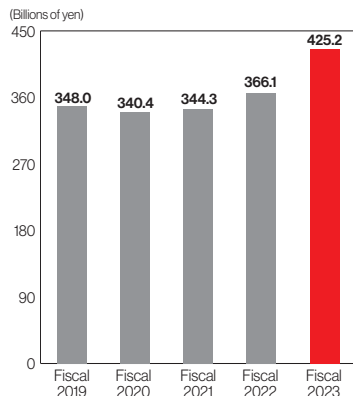
Consolidated Business Results for Fiscal 2023

(Year ended March 31, 2023)

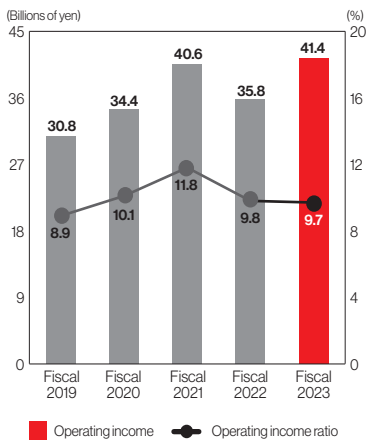
Performance Highlights

- Growth in domestic sales of water heaters following the elimination of supply delays, as well as higher sales of mainstay products in the United States and China, resulted in **a year-on-year net sales increase for the third consecutive year**
- **Increase in operating income for the first time in two years** thanks to higher revenue and growth in sales of high-value-added products, despite soaring raw material, distribution, and energy prices
- Paid annual dividends of ¥160.00 per share, for the **21st consecutive period of dividend increases**

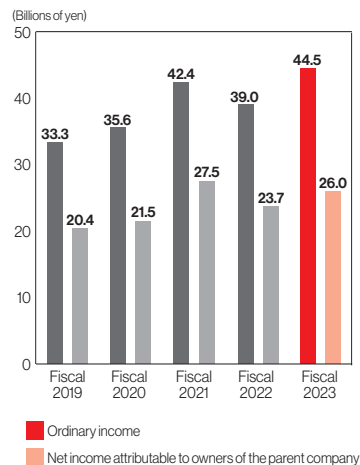
Net sales



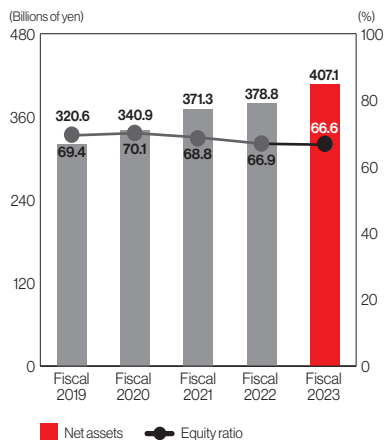
Operating income, operating income ratio



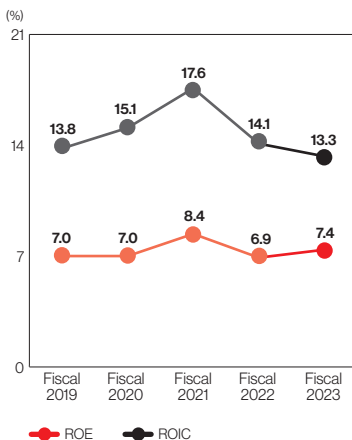
Ordinary income, net income attributable to owners of the parent company



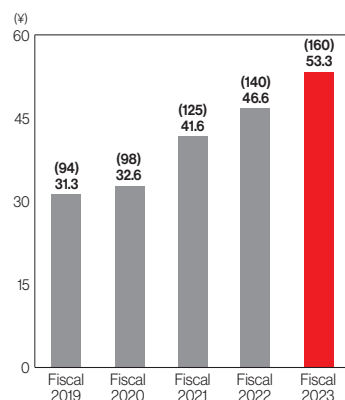
Net assets, equity ratio



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))

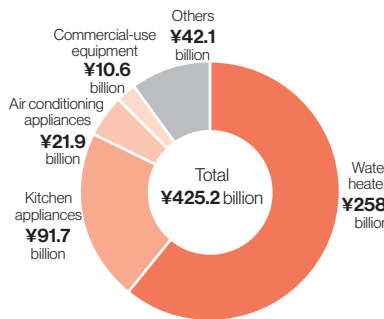
* On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock.
* Figures in parentheses are on a pre-split basis.

Highlights by Product Segment

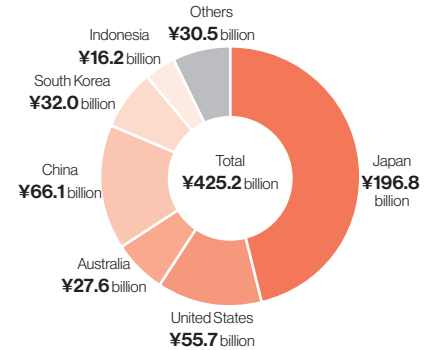
- Water heaters: Reinforced production system to eliminate supply delays in Japan, leading to **increase in sales**
- Kitchen appliances: Strong sales of built-in products in Indonesia resulted in **higher sales**

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 (stove-tops), 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

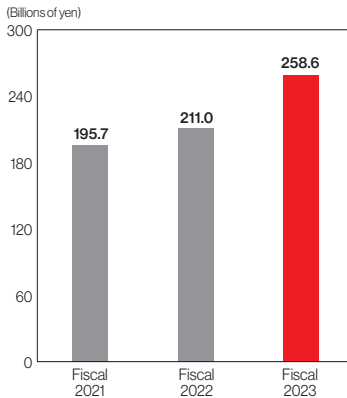
Net sales by product



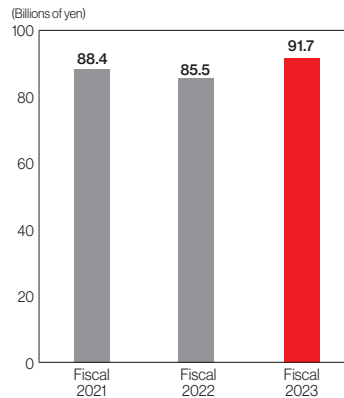
Net sales by region



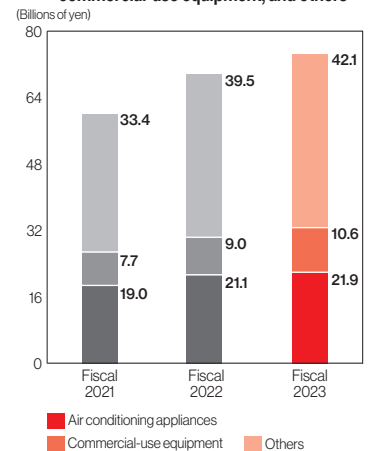
Sales of water heaters



Sales of kitchen appliances



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





Consolidated Business Results for Fiscal 2023

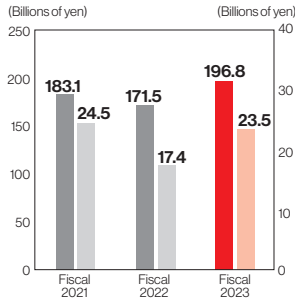
(Year ended March 31, 2023)

Financial Data

Highlights by Regional Segment

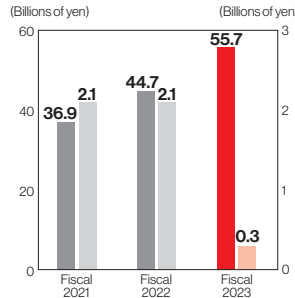
■ Net sales ■ Operating income

Japan



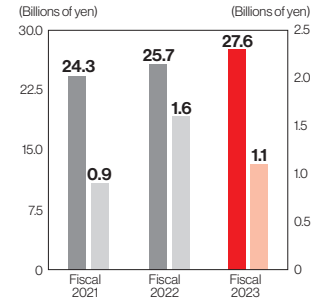
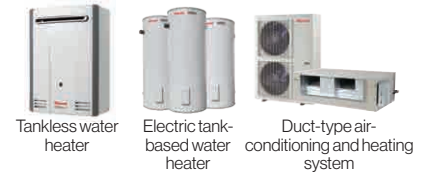
Increases in both sales and operating income due to growth in sales of mainstay water heaters stemming from reinforcement of production system to resolve supply delays

United States



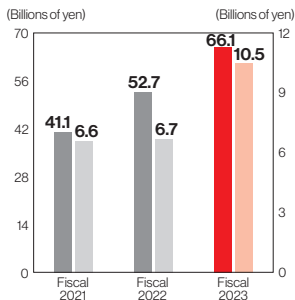
Despite higher sales of water heaters, we incurred greater expenses associated with the new factory commissioning, leading to **increase in sales and decrease in operating income**

Australia



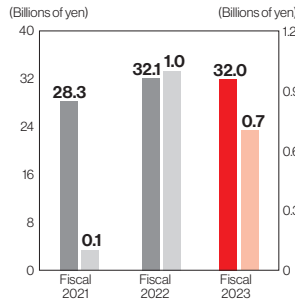
Increase in sales thanks to higher sales of commercial air conditioners and tank-based water heaters, but **decline in operating income** due to lower sales of mainstay products

China



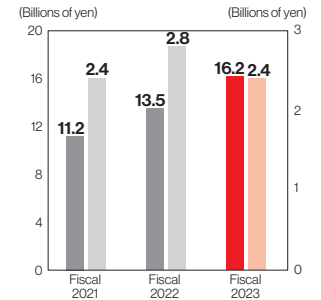
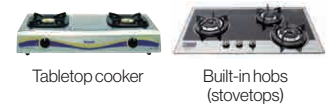
Recovery of production and sales activities after lifting of lockdowns in Shanghai led to **increases in both sales and operating income**

South Korea



Declines in both sales and operating income due to lower sales of mainstay boilers and repair and inspection expenses related to commercial fryers

Indonesia



Increase in sales owing to firm sales of built-in hobs (stove-tops) and range hoods, but **decrease in operating income** due to ongoing surge in raw material prices

Consolidated Balance Sheets (Millions of yen)

Current Term (As of March 31, 2023)
Previous Term (As of March 31, 2022)

	Current Term	Previous Term
ASSETS		
Current assets	341,520	333,956
Fixed assets	205,593	178,910
Property, plant and equipment	118,166	100,598
Intangible fixed assets	3,743	3,792
Investments and advances	83,683	74,520
Total assets	547,114	512,867
LIABILITIES		
Current liabilities	112,868	108,803
Long-term liabilities	27,045	25,206
Total liabilities	139,914	134,010
NET ASSETS		
Shareholders' equity:	337,569	328,419
Common stock	6,484	6,484
Capital surplus	8,428	8,673
Earned surplus	334,946	315,593
Treasury stock	(12,290)	(2,330)
Accumulated other comprehensive income	26,582	14,700
Non-controlling interests	43,048	35,736
Total net assets	407,199	378,856
Total liabilities and net assets	547,114	512,867

Consolidated Statements of Income (Millions of yen)

Current Term (From April 1, 2022, to March 31, 2023)
Previous Term (From April 1, 2021, to March 31, 2022)

	Current Term	Previous Term
Net sales	425,229	366,185
Cost of sales	286,834	249,628
Gross profit	138,394	116,556
Selling, general and administrative expenses	96,975	80,692
Operating income	41,418	35,864
Other income	3,779	3,955
Other expenses	633	759
Ordinary income	44,565	39,060
Income before income taxes	44,565	39,060
Income taxes	11,569	10,053
Net income	32,995	29,006
Net income attributable to non-controlling interests	6,898	5,258
Net income attributable to owners of the parent company	26,096	23,748

Consolidated Statements of Cash Flows (Millions of yen)

Current Term (From April 1, 2022, to March 31, 2023)
Previous Term (From April 1, 2021, to March 31, 2022)

	Current Term	Previous Term
Cash flows provided by operating activities	19,387	28,696
Cash flows used in investing activities	(30,087)	(25,486)
Cash flows used in financing activities	(21,313)	(27,109)
Cash and cash equivalents at end of term	120,213	147,972

Realizing healthy, comfortable lifestyles and a sustainable society

Rinnai works to achieve the SDGs by promoting products that improve people's quality of life and contribute to the global environment.

In this section, we introduce some product lines that have been well received in recent years.



The Rinnai Group supports the Sustainable Development Goals (SDGs) adopted at the United Nations Summit.

Improving the energy efficiency of water heaters to benefit the global environment



Rinnai's hybrid water heaters combine gas and electricity to reduce CO₂ emissions to half those of conventional water heaters



Gas-electric hybrid water heaters help people secure lifelines in times of disaster



Hybrid water heaters, which are compatible with both gas and electricity, spread the risk and help people prepare for emergencies



Fostering healthy living by cleansing kitchen/ bathroom and moisturizing the skin with fine air bubbles



Minute air bubbles produced by our Ultra Fine Bubble Water Heater have a cleansing kitchen/ bathroom and moisturizing effect on the skin

Note: "Ultra Fine Bubble" is a registered trademark of the Fine Bubble Industries Association

Bathroom heating eliminates temperature changes during bathing and helps prevent heat shock



Bathroom heater/dryers not only warm up the bathroom to prevent heat shock, but also make laundering easier in winter when clothes are hard to dry

Note: Heat shock is a phenomenon in which a sudden change in temperature, which happens when taking a bath in winter, places a heavy burden on the heart and brain, resulting in a serious, life-threatening condition.



Helps conserve water resources by saving water when washing dishes



Using a dishwasher saves around 50–60% of water compared with washing dishes by hand

Powerful gas drying shortens laundry time and helps reduce the burden of housework



Gas clothes dryers are as effective at sterilizing clothes as drying them in the sun, and their powerful drying power shortens housework time



HOWARO Built-in

Built-In Gas Stove Launched February 2023

Replacement-only product
exclusive to official online store



Since its introduction in 2011 as a stationary gas tabletop, *HOWARO* has been supported by users who are particular about kitchen interior design. In February 2023, we added the *HOWARO* Built-In Gas Stove to our lineup and released it exclusively through our official online store.

Features of *HOWARO* Built-In Gas Stove

Dedicated to white color scheme

Top panel, body, and knobs are all in solid white

Convenient functions for daily cooking

Equipped with temperature control, automatic rice cooking, timer function, and waterless double-sided grill

Official online store for peace of mind

5-year manufacturer's warranty; installation and collection handled by our certified contractors



Received Director-General Prize of Agency of Natural Resources and Energy at the 2022 Energy Conservation Grand Prize Awards

December 2022



Rinnai's *ECO ONE X5* hybrid water heater with heating system has received the Director-General Prize of Agency of Natural Resources and Energy at the 2022 Energy Conservation Grand Prize Awards. *ECO ONE X5* was highly evaluated for the high energy-saving performance of its new Turbo Heating control and the installation flexibility provided by having separate gas heat source and tank units. Committed to achieving carbon neutrality by 2050, we plan to increase sales of *ECO ONE X5* and other *ECO ONE* products to 300,000 units per year by 2030.

Built-in dishwasher with easy-to-insert dish basket released

December 2022



Rinnai launched its 405LP/GP series of high- and medium-grade dishwashers (standard slide-open type). In this series, the pin shape of the dish basket has been modified to enable smoother placement of dishes (RKW-405GP/GPM excepted).

Received 2022 Good Design Award

October 2022

Two Rinnai products have received a 2022 Good Design Award (sponsored by the Japan Institute of Design Promotion): the MBC-332VC series of controllers for water/bath heaters and the Leggiero waterless cooking pot. The MBC-332VC series earned particularly high acclaim and was selected for inclusion in the Good Design Best 100.



MBC-332VC series of controllers for water/bath heaters



Leggiero waterless cooking pot

Directory (As of March 31, 2023)

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	11,150 (Consolidated) 3,587 (Nonconsolidated)

Domestic Network (As of March 31, 2023)

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

Branch Offices Tohoku, Kanto, Chubu, Kansai, Kyushu

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

Sales and satellite offices (90 offices)

Other domestic offices 11 Training Centers, Customer Center

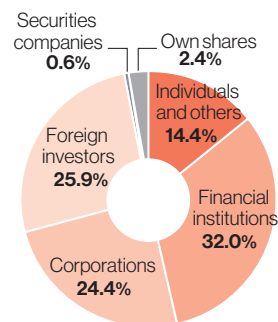
Corporate Officers (As of June 29, 2023)

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

Share Composition (As of March 31, 2023)

Number of shares	
Authorized:	200,000,000
Outstanding:	50,021,057 (Including treasury stock)
Number of shareholders:	4,736

Composition of shareholders



Rinnai Group (As of March 31, 2023)

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

34 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.
- Mikuni RK Corporation

Other Business

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

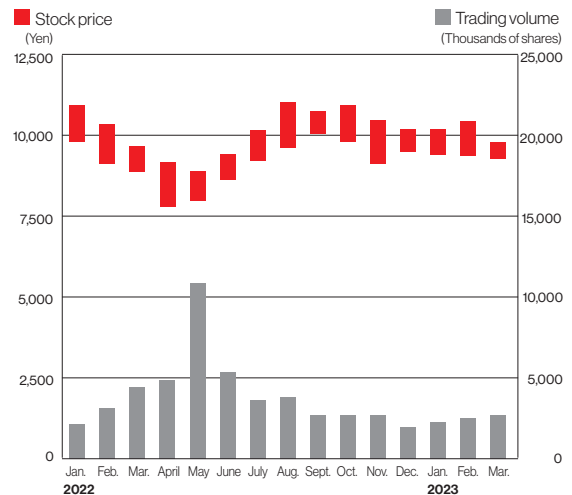
● Consolidated subsidiary ● Nonconsolidated subsidiary ■ Affiliated company (equity method not applied)

Major Shareholders (As of March 31, 2023)

Name	Shares held (Thousands)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,416
Naito Co., Ltd.	6,215
Custody Bank of Japan, Ltd. (Trust Account)	4,200
Kenji Hayashi	2,456
Rinnai Scholarship Foundation	1,400
MISAKI ENGAGEMENT MASTER FUND	1,137
Tokyo Gas Company, Limited	784
BBH (LUX) FOR FIDELITY FUNDS-SUSTAINABLE WATER AND WASTE POOL	591
Makoto Naito	570
Yukimi Naito	550

* Treasury stocks (1,225,564 shares) held by the Corporation are excluded from the above figures.

Stock Price Range



On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock.

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