



Shareholders' Report Vol. 59 74th Interim Term
(April 1 to September 30, 2023)

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, 2023).

During the period, the global economy continued facing difficult conditions, including worsening business confidence due to rising prices and tight monetary policies worldwide, as well as the prolonged situation in Ukraine and a stagnant Chinese economy suffering from real estate issues and other problems. The Japanese economy also faced unpredictable conditions due to rising raw materials prices and energy costs, as well as sharp exchange rate fluctuations. This was despite easing of restrictions on economic and social activities as the impact of COVID-19 subsided. In the domestic housing-related industry, new housing starts remained weak, but the household appliance sector saw a pickup in demand related to renovation.

For the period, we reported a year-on-year decline in revenue due to continued slowdown in market conditions stemming from rising prices and interest rates, as well as declining consumer sentiment. On the earnings side, we posted a year-on-year decrease in operating income due to the decline in sales volume and a slowdown in sales of high-value-added items in our product mix, as well as continued production cutbacks. The Corporation declared an interim dividend of ¥30.00 per share.

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." To help realize a carbon-neutral society, a key social issue, we took advantage of a subsidy program (hybrid water heater category) offered by Japan's Ministry of Economy, Trade and Industry for our *ECO ONE* hybrid water heaters with heating systems. We also launched the *ECO ONE X5*, featuring improved compactness and ease of installation. 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.

We look forward to your ongoing support and cooperation.

December 2023
Hiroyasu Naito
President

Consolidated Business Results

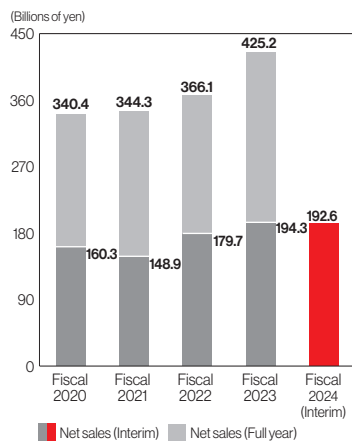
(First Two Quarters of the Fiscal Year ending March 2024)

Financial Data

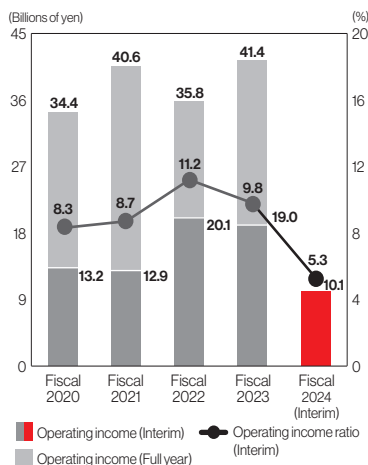
Performance Highlights

- Net sales **down** for the first time in three years due to continued slowdown in market conditions caused by rising prices and interest rates and cooling consumer sentiment.
- Operating income **down** for the second consecutive year due to lower sales volume, a slowdown in sales of high-value-added products, and continued production cutbacks.
- Interim cash dividend of ¥30.00 per share, for 14th consecutive year of interim dividend **increases**.

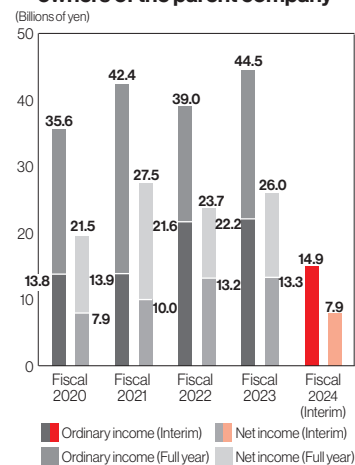
Net sales



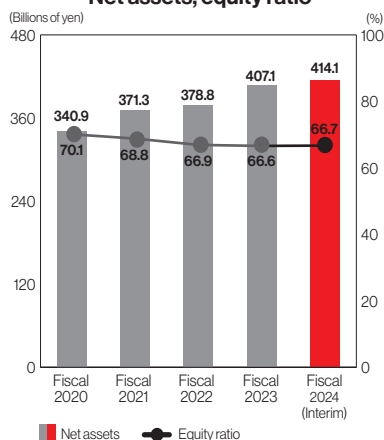
Operating income, operating income ratio



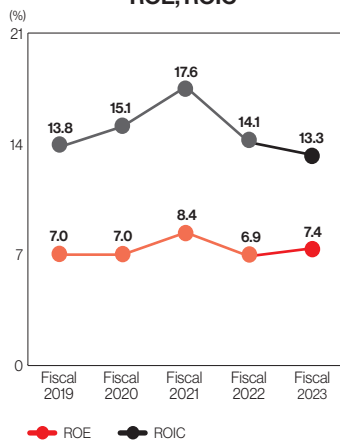
Ordinary income, net income attributable to owners of the parent company



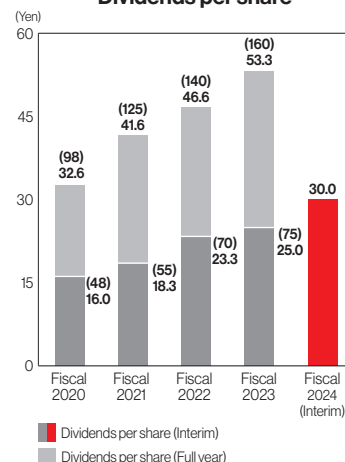
Net assets, equity ratio



ROE, ROIC



Dividends per share



* 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.



Consolidated Business Results

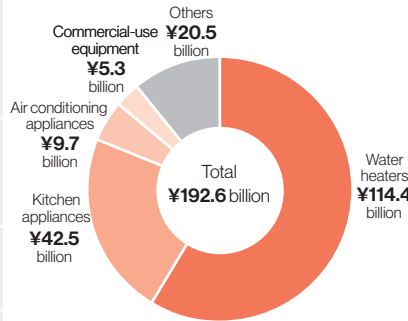
(First Two Quarters of the Fiscal Year ending March 2024)

Highlights by Product Segment

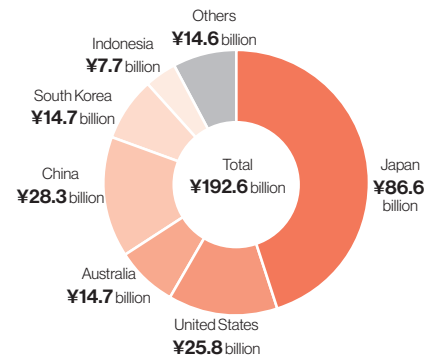
- Water heaters: Although demand did not recover in Japan, we posted higher e-commerce sales in China, leading to an **increase in sales**.
- Kitchen appliances: **Sales down** due to market contraction for built-in hobs (stovetops) and mainstay tabletop stoves stemming from of sluggish consumer spending in Indonesia amid rising prices.

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

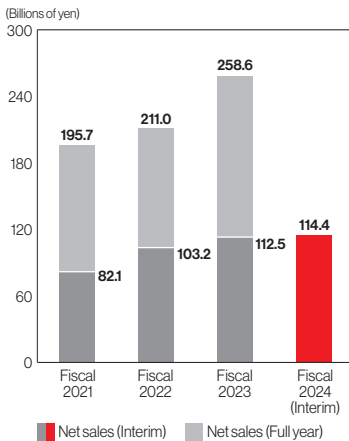
Net sales by product



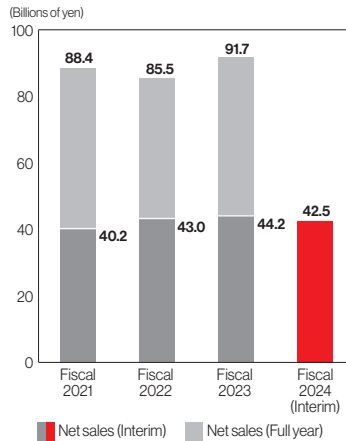
Net sales by region



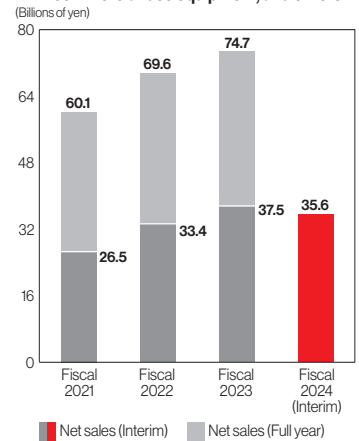
Sales of water heaters



Sales of kitchen appliances



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



Highlights by Regional Segment

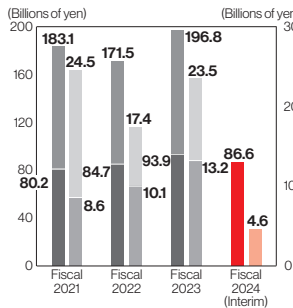
Japan



Eco Jozu highly efficient water heater

Range hood Built-in hobs (stovetops)

Clothe dryers



Decrease in sales due to lack of recovery in demand and **lower operating income** due to high raw material prices and continued production adjustments

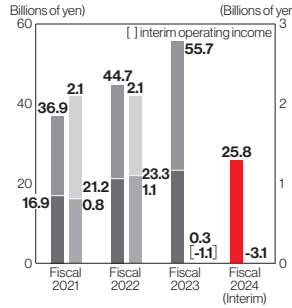
■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

United States



Tankless water heater

Gas fan-forced heater



Increase in sales due to foreign exchange impact but **incurred operating loss** as production cut-backs prevented ability to reduce fixed costs

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

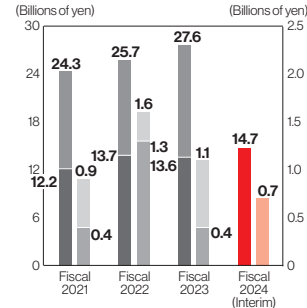
Australia



Tankless water heater

Electric tank-based water heater

Duct-type air-conditioning and heating system



Strong sales of heat pump water heaters and other electric products led to **increases in both sales and operating income**

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

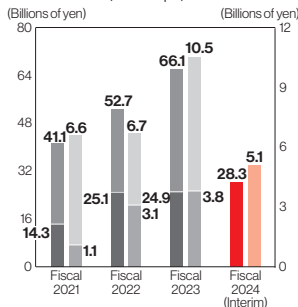
China



Tankless water heater

Built-in hobs (stovetops)

Range hood



Higher sales and operating income owing to recovery in sales of mainstay water heaters driven by strong e-commerce sales

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

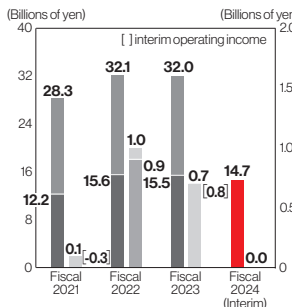
South Korea



Tabletop cooker

Gas boiler

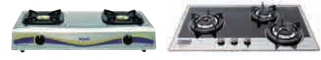
Commercial-use steam oven



Sales and operating income down due to continued price competition, although market conditions bottomed out

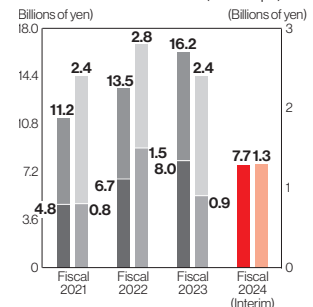
■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

Indonesia



Tabletop cooker

Built-in hobs (stovetops)



Decrease in sales due to contraction of stove market stemming from weak personal consumption accompanying price hikes but **increase in operating income** owing to cost-reduction activities

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)



Compatible with outdoor outlets

ECO ONE X5 PLUG-IN MODEL launched

September 2023

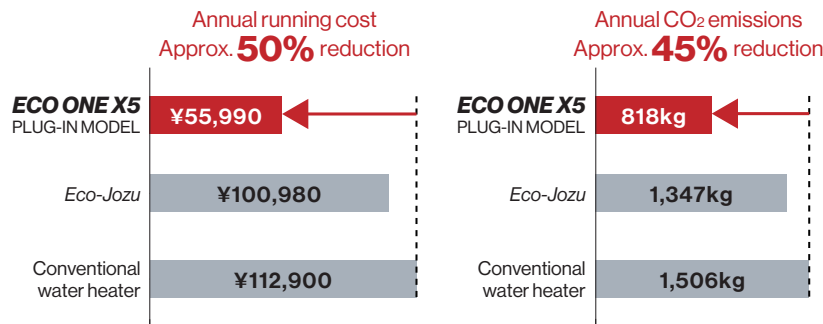
Our ECO ONE X5 series of hybrid water heaters with heating systems feature a combination of an electric heat pump and gas water heater. Recently, we added PLUG-IN MODEL, which is compatible with outdoor electricity outlets, to our lineup.



Features of ECO ONE X5 PLUG-IN MODEL

PLUG-IN MODEL monitors the power consumption of the entire system while controlling consumption during heat pump operation, allowing existing outdoor outlets to be used without modification*1. Unlike ordinary heat pump-based water heaters, no dedicated electrical wiring is required. We have also added water heaters equipped with our proprietary Air Bubble Technology, which dissolves minute bubbles into water, thus providing new value to people's lives.

Excellent energy-saving performance*2



Air Bubble Technology



*1. Individual wiring breaker requires minimum capacity of 20A. *2. Calculated based on "Energy Consumption Performance Calculation Program (Residential Edition) Ver. 3.3.1" (Region 6; as of April 2023) in accordance with the 2016 Energy Conservation Standards published in the "Technical Information on Energy Consumption Performance of Buildings" by the Building Research Institute (in cooperation with the National Institute for Land and Infrastructure Management). Based on Rinnai's research. Annual hot water supply + Bath-filling load: 18.3GJ. Eco-Jozu and conventional gas water heaters for comparison: water heating with heating system type. [Assumed unit prices] LPG: ¥450/m³/full year; electricity: ¥27/kWh. [CO₂ emission factor] Electricity: Emission factor by electricity provider (for calculating greenhouse gas emissions of specific emitters), FY2021 result, R5.5.26 alternative values published by Ministry of the Environment and Ministry of Economy, Trade and Industry; LPG: "Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain" (Ver. 1.0, March 2017, Ministry of the Environment)

Prime (dishwasher with stainless steel door) available exclusively at official online store



In June 2023, we added a model with a stainless steel door to our lineup of dishwashers. We also launched *Prime*, a high-grade model of our standard slide-open dishwashers, exclusively through our official online store. In addition to high quality and stylish design, it is equipped with Plasmacluster* technology that suppresses airborne mold bacteria and odors, as well as Eco Gear, which automatically saves water and energy.

* Plasmacluster is a registered trademark of Sharp Corporation.

Wiz (gas fan heater) launched



In August 2023, we launched a remodeled gas fan heater called *Wiz* featuring an air purifier. It can also be used as an air purifier outside of the colder months. In addition, it functions as a circulator to distribute indoor air for comfortable and efficient air conditioning.

Kanta-kun (gas clothes dryers): Deluxe model released



In July 2023, we launched a deluxe model of our *Kanta-kun* gas clothes dryers following the first full model change to the lineup in 10 years. On July 26, total cumulative sales of *Kanta-kun* clothes dryers surpassed 1 million units. In recent years, annual sales of *Kanta-kun* clothes dryers have exceeded 100,000 units due to growing demand stemming from such factors such as unseasonable weather and air pollution, as well as the increasing number of dual-income households.

Product experience held event for children



In August 2023, we held a product experience event for children of individual investors in collaboration with Commons Asset Management Inc. The event provided an opportunity for participants to deepen their understanding of Rinnai's business activities through hands-on experience with products related to food, clothing, and housing (laundry, cooking, and bathing products).



First in Japan

Demonstration test of 100% hydrogen combustion water heaters started

September 2023

Together with Iwatani Corporation, we have started a demonstration test of 100% hydrogen combustion water heaters at Kitakyushu Hydrogen Town (Kitakyushu City, Fukuoka Prefecture).



Working toward carbon neutrality by 2050

Thermal energy appliances such as water heaters emit a large amount of CO₂ when products are used during their life cycle, from procurement of raw materials to disposal of the final product. Based on our RIM 2050 carbon neutral declaration, announced in November 2021, we are working to develop equipment compatible with hydrogen and various other forms of energy.

Normal living environment

In this test, we installed 100% hydrogen combustion water heaters in three rental housing buildings in Kitakyushu Hydrogen Town. To prepare for the future widespread use of hydrogen-compatible equipment, we will confirm the reliability of the water heaters and identify issues in environments similar to normal living conditions.



Hydrogen piping (installed underground)



Installed 100% hydrogen combustion water heaters

* Kitakyushu Hydrogen Town: Constructed in 2011 as part of the Ministry of Economy, Trade and Industry's "Hydrogen utilization society system establishment demonstration." At that time (2011), it was the first attempt in the world to use hydrogen as energy for general households, commercial facilities, and public facilities.

Demonstration experiments also started overseas

Rinnai Australia, in collaboration with the Australian Gas Infrastructure Group (AGIG), a gas infrastructure company, has installed a 100% hydrogen combustion water heater in Hydrogen House (in the state of Victoria) and is now testing the system with a view to commercializing it by 2030. In addition, Rinnai UK announced the start of a demonstration test of biogas in collaboration with a local energy company. The Rinnai Group will continue developing a wide variety of thermal energy equipment.



Hydrogen House (Victoria, Australia)

Consolidated Balance Sheets (Millions of yen)

Current Term (As of September 30, 2023)
Previous Term (As of March 31, 2023)

	Current Term	Previous Term
Assets		
Current assets	324,105	341,520
Fixed assets	228,567	205,593
Property, plant and equipment	145,867	118,166
Intangible fixed assets	3,576	3,743
Investments and advances	79,123	83,683
Total assets	552,673	547,114
Liabilities		
Current liabilities	109,515	112,868
Long-term liabilities	29,032	27,045
Total liabilities	138,548	139,914
NET ASSETS:		
Shareholders' equity:	332,002	337,569
Common stock	6,484	6,484
Capital surplus	8,428	8,428
Earned surplus	338,690	334,946
Treasury stock	(21,600)	(12,290)
Other comprehensive income:	36,429	26,582
Minority interests	45,692	43,048
Total net assets	414,125	407,199
Total liabilities and net assets	552,673	547,114

Consolidated Statements of Income (Millions of yen)

Current Term (From April 1, 2023, to September 30, 2023)
Previous Term (From April 1, 2022, to September 30, 2022)

	Current Term	Previous Term
Net sales	192,694	194,347
Cost of sales	135,706	130,891
Gross profit	56,988	63,455
Selling, general and administrative expenses	46,868	44,370
Operating income	10,120	19,084
Other income	5,320	3,470
Other expenses	530	341
Ordinary income	14,910	22,213
Income before income taxes	14,910	22,213
Income taxes	3,612	6,179
Net income	11,298	16,034
Net income attributable to non-controlling interests	3,395	2,651
Net income attributable to owners of the parent company	7,902	13,382

Consolidated Statements of Cash Flows (Millions of yen)

Current Term (From April 1, 2023, to September 30, 2023)
Previous Term (From April 1, 2022, to September 30, 2022)

	Current Term	Previous Term
Cash flows from operating activities	8,157	12,155
Cash flows from investing activities	(12,763)	(18,551)
Cash flows from financing activities	(18,530)	(15,317)
Cash and cash equivalents at end of term	101,312	133,632

Corporate Data

Directory (As of September 30, 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	10,952 (Consolidated) 3,577 (Nonconsolidated)

Domestic Network (As of September 30, 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 (89 offices)

Other domestic offices 11 Training Centers, Customer Center

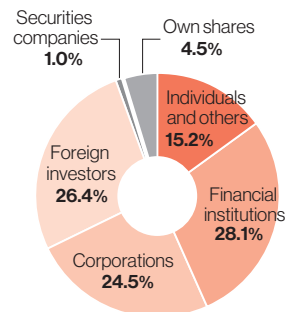
Corporate Officers (As of September 30, 2023)

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

Share Composition (As of September 30, 2023)

Number of shares	
Authorized:	600,000,000
Outstanding:	150,063,171 (Including treasury stock)
Number of shareholders:	9,178

Composition of shareholders



Rinnai Group (As of September 30, 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
- P.T. 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 B.V.
- 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

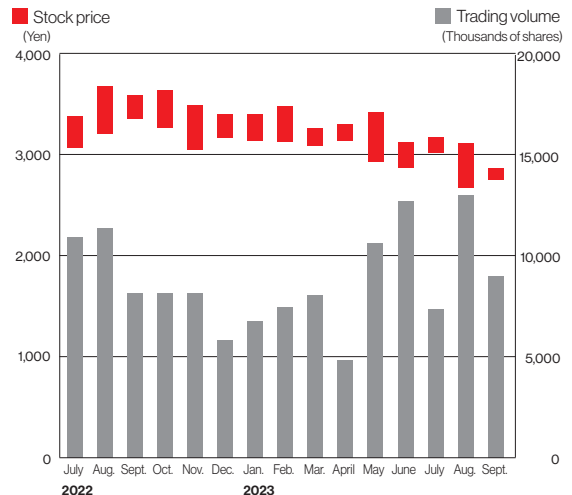
● Consolidated subsidiary ● Nonconsolidated subsidiary ■ Affiliated company (equity method not applied)

Major Shareholders (As of September 30, 2023)

Name	Shares held (Thousands)
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,386
Naito Co., Ltd.	18,647
Custody Bank of Japan, Ltd. (Trust Account)	11,926
Kenji Hayashi	7,369
Rinnai Scholarship Foundation	4,200
State Street Bank and Trust Company 505103	2,682
MISAKI ENGAGEMENT MASTER FUND	2,411
Tokyo Gas Company, Limited	2,352
SSBTC Client Omnibus Account	1,821
Employee Shareholding Association	1,747

* Treasury stocks (6,857 shares) held by the Corporation are excluded from the above figures.

Stock Price Range



* The Corporation conducted a 3-for-1 stock split of shares of common stock, effective March 31, 2023. Figures before March 2023 are presented assuming this stock split was conducted.

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