

Consolidated Financial Results

First Quarter of the Fiscal Year Ending March 2021

(April 1–June 30, 2020)

August 6, 2020

Listed Company Name: Rinnai Corporation

Listings: First Sections of Tokyo and Nagoya Stock Exchanges (Securities Code: 5947)

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

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Scheduled date for release of quarterly securities report: August 7, 2020

Anticipated date to begin distributing dividends: —

Supplemental information sheets of quarterly results: Yes

Information meeting of quarterly results: None

I. Performance in the First Quarter of the Fiscal Year Ending March 31, 2021

(April 1– June 30, 2020; amounts less than one million yen are omitted)

(1) Consolidated Operating Results

Percentage figures in parentheses indicate increase or decrease from the previous term.

(¥ millions; %)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company
First Quarter to June 2020	¥68,586 [-7.2%]	¥4,249 [-6.2%]	¥4,660 [-8.1%]	¥3,763 [+14.6%]
First Quarter to June 2019	¥73,931 [-6.7%]	¥4,532 [-18.4%]	¥5,069 [-22.0%]	¥3,284 [-20.1%]

Notes: Comprehensive income: First quarter of the year ending March 31, 2021; ¥(2,740) million [—%]

First quarter of the year ended March 31, 2020; ¥2,929 million [+297.6%]

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
First Quarter to June 2020	¥73.23	—
First Quarter to June 2019	63.89	—

(2) Consolidated Financial Position

(¥ millions; %)

	Total Assets	Net Assets	Equity Ratio (%)
June 30, 2020	¥432,208	¥335,388	72.0%
March 31, 2020	450,486	340,959	70.1

(Reference) Equity capital: First quarter of the year ending March 31, 2021: ¥311,310 million

Year ended March 31, 2020: ¥315,615 million

II. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
March 2020	—	¥48.00	—	¥50.00	¥98.00
June 2020	—				
March 2021 (anticipated)		55.00	—	55.00	110.00

Note: Revision of dividend forecast in period under review: None

Note: Composition of interim dividends of Fiscal 2021 (anticipated);

common dividends ¥50.00, memorable dividends of the 100th anniversary of its founding ¥5.00

Composition of year-end dividends of Fiscal 2021 (anticipated);

common dividends ¥50.00, memorable dividends of the 100th anniversary of its founding ¥5.00

III. Forecast for the Fiscal Year Ending March 31, 2021 (Consolidated)

(April 1, 2020, to March 31, 2021)

(¥ millions/%)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company	Net Income per Share (¥)
First half	¥150,000 [-6.5%]	¥11,500 [-13.1%]	¥12,000 [-13.4%]	¥9,000 [+12.6%]	¥175.10
Full year	325,000 [-4.5]	32,000 [-7.0]	33,000 [-7.5]	21,500 [-0.3]	418.30

Note: Percentage figures in parentheses indicate increase or decrease from the previous fiscal year.

Note: Revision of fiscal year forecast in period under review: Yes

For references about our consolidated performance forecast, please refer to "Notice Regarding Performance Forecasts" released today.

* Notes

(1) Changes in scope of consolidation of major subsidiaries during the period: None
Newly included — (Company name: —): Excluded — (Company name: —)

(2) Application of special accounting method for quarterly consolidated financial reporting:
None

(3) Changes in accounting policies; changes in accounting estimates; retrospective restatement

(a) Changes due to revision of accounting standard: None

(b) Other changes than (a): None

(c) Changes in the rules for the accounting estimates: None

(d) Retrospective restatement: None

(4) Number of Outstanding Shares (Common Stock)

(a) Number of outstanding shares at term-end (including treasury stock)

June 30, 2020: 51,616,463 shares

March 31, 2020: 51,616,463 shares

(b) Number of treasury stock shares at term-end

June 30, 2020: 217,864 shares

March 31, 2020: 217,646 shares

(c) Average number of shares during the term

First quarter of the fiscal year ending March 2021: 51,398,707 shares

First quarter of the fiscal year ended March 2020: 51,399,552 shares

* This report is exempt from a quarterly review process.

* Note on appropriate use of performance forecasts, and other specified notes

Performance forecasts contained in this document are based on information currently available and certain judgments deemed by the Corporation to be reasonable. No intent is implied of promise by the Corporation to achieve such forward-looking statements. Actual results may differ significantly from such forecasts due to various factors. For more information, please refer to "1. Consolidated Performance, (3) Explanation about Consolidated Performance Forecasts" on page 4 of this report.

Supplemental information sheets of quarterly results:

Please refer to Supplemental information sheets of quarterly results, which will be posted on the Corporation's website on Thursday, August 6, 2020.

1. Consolidated Performance

(1) Operating Results

In the first quarter under review, the world economy was heavily affected by the spread of COVID-19. Although China and other some nations have seen a gradual resumption of economic activity, the pandemic has not subsided and the situation remains serious.

The domestic economy was affected by restrictions stemming from emergency declarations by the government, including requests for leave from work and restraint from going outdoors, leading to a major decline in personal consumption and rapid deterioration of corporate profits. After the emergency declarations were lifted, there were some signs of turnaround in economic activity, but this did not amount to recovery.

The domestic housing industry saw an ongoing moderate decline in new housing starts—both rental and owner-occupied properties—while demand for housing appliances continued falling as providers restricted their sales activities due to concerns about COVID-19.

Under these circumstances, the Rinnai Group entered the final year of its medium-term business plan, “G-shift 2020,” which started in April 2018. Under the plan (with the slogans “heat and lifestyles” and “health and lifestyles”), we sought to create unique products and services by incorporating new technologies into our core technologies, in addition to supplying existing offerings.

In the current fiscal year, the Group will celebrate the 100th anniversary of its founding. As a company that creates healthy and comfortable lifestyles, we are promoting various measures to target sustainable growth for the next 100 years.

With respect to revenue, we posted a year-on-year sales decline in net sales, including in Japan and China, due to the impact of COVID-19 on economic activities. On the earnings side, we made relentless Groupwide efforts to cut basic costs and deployed digital technologies to reduce fixed costs. However, these actions failed to compensate for a decrease in gross profit stemming from the fall in net sales, leading to a decline in operating income.

As a result, consolidated net sales for the period amounted to ¥68,586 million, down 7.2% from the previous corresponding period. Operating income slipped 6.2%, to ¥4,249 million, and ordinary income was down 8.1%, to ¥4,660 million. Net income attributable to owners of the parent company increased 14.6%, to ¥3,763 million, owing to a gain on sales of investment securities, reported as extraordinary income.

Our results by geographical segment were as follows:

Japan

In Japan, we enjoyed growth in sales of gas clothes dryers and dishwasher/dryers, as well as a recovery in sales of gas stoves with automatic cooking functions amid growing demand among people staying at home. However, both domestic and export sales of our mainstay water heaters declined. As a result, sales in Japan were down 6.9% year on year, to ¥35,875 million, and operating income fell 11.6%, to ¥2,847 million.

United States

In the United States, we reported growing sales of highly convenient tankless water heaters, as well as an increase in sales of water heaters in regions relatively unaffected by COVID-19. As a result, sales increased 13.8%, to ¥8,873 million, and operating income jumped 109.9%, to ¥483 million.

Australia

Our business in Australia benefited from healthy sales of mainstay tankless water heaters, as well as steady sales of storage-type water heaters and room heaters. Due to foreign exchange factors, however, sales declined 7.5%, to ¥5,029 million. We also incurred higher purchasing costs stemming from depreciation of the local currency, resulting in an

operating loss of ¥105 million.

China

In China, nationwide restrictions on economic activity associated with COVID-19 led to severe limitations on production and sales activities. As a result, sales fell 36.9% year-on-year, to ¥4,978 million, and we reported an operating loss of ¥284 million.

South Korea

In South Korea, we posted a decline in sales of gas stoves due to falling numbers of visitors to retail stores amid concern about COVID-19. This was compounded by sluggish sales of boilers due to a warm winter. Accordingly, sales declined 12.1% year on year, to ¥6,632 million, and operating income dropped 97.7%, to ¥1 million.

Indonesia

In Indonesia, we enjoyed a 26.9% increase in sales, to ¥2,731 million, and a 173.5% jump in operating income, to ¥569 million, owing to higher sales of mainstay tabletop stoves stemming from ongoing sales promotion activities, as well as healthy sales of high-priced built-in stoves and range hoods.

(For references 1)

Sales Composition by Business Segment

(¥ millions; %)

	First Quarter to June 30, 2019		First Quarter to June 30, 2020		Change		Year to March 31, 2020	
	Amount	Amount	Amount	% of total	Amount	%	Amount	% of total
Water heaters	¥42,989	58.1%	¥38,947	56.8%	¥(4,042)	(9.4)%	¥196,122	57.6%
Kitchen appliances	18,698	25.3	17,951	26.2	(746)	(4.0)	86,193	25.3
Air conditioning appliances	3,421	4.6	2,759	4.0	(662)	(19.4)	18,901	5.6
Commercial-use equipment	1,818	2.5	1,790	2.6	(28)	(1.5)	8,556	2.5
Others	7,003	9.5	7,138	10.4	134	1.9	30,685	9.0
Total	¥73,931	100.0%	¥68,586	100.0%	¥(5,345)	(7.2)%	¥340,460	100.0%

(For references 2)

Overseas Sales

(¥ millions; %)

	First Quarter to June 30, 2019			First Quarter to June 30, 2020		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥21,398	¥15,862	¥37,260	¥18,138	¥15,909	¥34,048
II. Consolidated net sales	—	—	73,931	—	—	68,586
III. Composition ratio of overseas sales to consolidated net sales	28.9%	21.5%	50.4%	26.4%	23.2%	49.6%

Note: Above indicates sales of the Corporation and consolidated subsidiaries in overseas countries or regions.

(2) Financial Position

As of June 30, 2020, Rinnai had total assets of ¥432,208 million, down ¥18,278 million from March 31, 2020. Total liabilities decreased ¥12,707 million, to ¥96,819 million. Net assets were down ¥5,570 million, to ¥335,388 million. The equity ratio at the end of the period was 72.0%.

(3) Explanation about Consolidated Performance Forecasts

At the time of publication of “Consolidated Financial Results for Fiscal 2020” (year ended March 31, 2020), the Rinnai Group was unable to make rational calculations for its forecasts due to the global spread of COVID-19. For this reason, our consolidated earnings

forecasts for fiscal 2021 were undecided at that time.

Since the close of fiscal 2020, however, we have obtained an understanding of the impact of COVID-19 in each country and calculated our performance forecasts based on information and predictions available at hand, and we are ready to announce our consolidated business forecasts for the fiscal year ending March 2021.

Currently, more and countries are gradually resuming their economic activities. Assuming that the impact of COVID-19 will not increase more than previously, we anticipate that the effect on the Rinnai Group's businesses will be limited due to firm demand for daily necessities, even if it takes longer than expected for the situation to return to normal.

Going forward, we will promptly announce any event that may affect the performance of the Group due to various factors.

For details about our forecasts, please refer to "Notice Regarding Performance Forecasts," released today.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2020 (Fiscal 2020)	At June 30, 2020 (First Quarter of Fiscal 2021)
ASSETS:		
Current assets		
Cash and deposits	¥167,090	¥157,907
Notes and accounts receivable	67,776	60,256
Electronically recorded monetary claims	8,199	7,083
Marketable securities	6,364	8,365
Products	27,490	30,070
Raw materials and stores	17,138	16,516
Other	2,743	2,588
Less allowance for doubtful accounts	(2,090)	(1,801)
Total current assets	294,713	280,987
Fixed assets		
Tangible fixed assets	84,633	82,893
Intangible fixed assets	3,480	3,234
Investments and advances		
Investments in securities	40,865	38,598
Other	26,851	26,550
Less allowance for doubtful accounts	(58)	(56)
Total investments and advances	67,659	65,092
Total fixed assets	155,773	151,220
Total assets	¥450,486	¥432,208

(¥ millions)

	At March 31, 2020 (Fiscal 2020)	At June 30, 2020 (First Quarter of Fiscal 2021)
LIABILITIES:		
Current liabilities		
Notes and accounts payable	¥ 18,392	¥ 16,025
Electronically recorded obligations	30,851	26,520
Accrued income taxes	4,834	2,874
Accrued employee's bonuses	4,497	1,796
Allowance for product guarantee	3,504	3,306
Other allowances	988	733
Other	23,538	24,114
Total current liabilities	86,607	75,371
Long-term liabilities		
Allowance environmental measures	2,255	2,255
Other allowances	108	86
Net defined benefit liabilities	9,503	9,162
Other	11,053	9,944
Total long-term liabilities	22,919	21,447
Total liabilities	109,527	96,819
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,756	8,756
Earned surplus	293,807	295,002
Treasury stock	(1,870)	(1,872)
Total shareholders' equity	307,153	308,346
Other comprehensive income:		
Unrealized gain on marketable securities	5,144	5,169
Foreign exchange translation adjustment	(1,908)	(7,212)
Remeasurements of defined benefit plans	5,225	5,007
Total of other comprehensive income	8,461	2,964
Non-controlling interests	25,343	24,078
Total net assets	340,959	335,388
Total liabilities and net assets	¥450,486	¥432,208

(2) Consolidated Statements of Income, and Statements of Comprehensive Income

Consolidated Statements of Income

(¥ millions)

	First Quarter of Fiscal 2020 (From April 1 to June 30, 2019)	First Quarter of Fiscal 2021 (From April 1 to June 30, 2020)
Net sales	¥73,931	¥68,586
Cost of sales	50,571	46,843
Gross profit	23,359	21,742
Selling, general and administrative expenses	18,826	17,492
Operating income	4,532	4,249
Other income:		
Interest income	365	216
Dividends received	252	235
Other	238	105
Total other income	855	558
Other expenses:		
Interest expenses	11	11
Foreign exchange loss	203	88
Loss on retirement of fixed assets	79	23
Other	24	24
Total other expenses	319	147
Ordinary income	5,069	4,660
Extraordinary income		
Gain on Sales of investment securities	—	847
Total extraordinary income	—	847
Income before income taxes	5,069	5,508
Income taxes (current)	2,278	2,294
Income taxes (deferred)	(946)	(832)
Total income taxes	1,332	1,461
Net income	3,736	4,047
Net income attributable to non-controlling interests	452	283
Net income attributable to owners of the parent company	¥ 3,284	¥ 3,763

Consolidated Statements of Comprehensive Income

(¥ millions)

	First Quarter of Fiscal 2020 (From April 1 to June 30, 2019)	First Quarter of Fiscal 2021 (From April 1 to June 30, 2020)
Net income	¥3,736	¥4,047
Other comprehensive income		
Unrealized gain on marketable securities	(1,093)	24
Foreign exchange translation adjustment	526	(6,569)
Remeasurements of defined benefit plans	(240)	(210)
Equity equivalents in equity method affiliates	—	(32)
Total of other comprehensive income	(807)	(6,787)
Comprehensive income	2,929	(2,740)
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	2,161	(1,732)
Non-controlling interest	768	(1,007)

(3) Noted to Quarterly Consolidated Financial Statements

Assumptions for Going Concern

Not applicable.

Major Changes in Shareholders' Equity

Not applicable.

Segment Information

1. First Quarter of the Fiscal Year Ended March 31, 2020 (From April 1 to June 30, 2019)

Sales and Income (Loss) by Reportable Segment

	Reportable Segments							Others (Note 1)	Adjustments (Note 2)	Amounts in Consolidated Statements of Income (Note 3)
	Japan	United States	Australia	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	¥38,533	¥7,795	¥5,436	¥7,888	¥7,542	¥2,152	¥69,349	¥4,582	¥ —	¥73,931
Intersegment sales	9,629	—	25	320	167	133	10,275	511	(10,786)	—
Total	48,162	7,795	5,461	8,209	7,709	2,285	79,624	5,093	(10,786)	73,931
Segment Income (loss)	3,219	230	(81)	453	57	208	4,087	649	(204)	4,532

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. "Adjustments" is the intersegment transactions to eliminate.

3. "Income (loss)" is adjusted from operating income on Consolidated Statement of Income.

2. First Quarter of the Fiscal Year Ending March 31, 2021 (From April 1 to June 30, 2020)

Sales and Income (Loss) by Reportable Segment

	Reportable Segments							Others (Note 1)	Adjustments (Note 2)	Amounts in Consolidated Statements of Income (Note 3)
	Japan	United States	Australia	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	¥35,875	¥8,873	¥5,029	¥4,978	¥6,632	¥2,731	¥64,120	¥4,465	¥ —	¥68,586
Intersegment sales	7,074	—	16	424	186	115	7,817	504	(8,322)	—
Total	42,949	8,873	5,046	5,402	6,818	2,847	71,938	4,970	(8,322)	68,586
Segment Income (loss)	2,847	483	(105)	(284)	1	569	3,512	645	91	4,249

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. "Adjustments" is the intersegment transactions to eliminate.

3. "Income (loss)" is adjusted from operating income on Consolidated Statement of Income.