

Consolidated Financial Results

First Three Quarters of the Fiscal Year Ending March 2021

(April 1–December 31, 2020)

February 10, 2021

Listed Company Name: Rinnai Corporation

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

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Scheduled date for release of quarterly securities report: February 12, 2021

Anticipated date to begin distributing dividends: —

Supplemental information sheets of quarterly results: Yes

Information meeting of quarterly results: None

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

(April 1–December 31, 2020; amounts less than one million yen are omitted)

(1) Consolidated Operating Results

(¥ millions; %)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income attributable to owners of the parent company (% change)
Three Quarters to Dec. 2020	¥245,506 [-2.5%]	¥27,781 [+13.6%]	¥28,884 [+13.4%]	¥19,342 [+26.0%]
Three Quarters to Dec. 2019 (Reference)	251,851 [-2.0%]	24,445 [+10.2%]	25,471 [+5.5%]	15,354 [+2.2%]

Comprehensive Income: First three quarters of the year ending March 31, 2021; ¥18,203 million (+49.5%)
First three quarters of the year ended March 31, 2020; ¥12,173 million (+12.1%)

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
Three Quarters to Dec. 2020	¥376.32	—
Three Quarters to Dec. 2019	298.72	—

Note: Percentage figures in net sales, operating income, ordinary income and net income columns indicate increase or decrease from the previous term.

(2) Consolidated Financial Position

(¥ millions; %)

	Total Assets	Net Assets	Equity Ratio (%)
December 31, 2020	¥472,001	¥352,764	69.1%
March 31, 2020	450,486	340,959	70.1

(Reference) Equity capital: Three quarters of the year ending March 31, 2021; ¥326,377 million
Year ended March 31, 2020; ¥315,615 million

II. Dividends

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

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

Note: Composition of interim dividends of Fiscal 2021; 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 (¥)
Full year	¥340,000 [-0.1%]	¥38,500 [+11.8%]	¥40,000 [+12.1%]	¥25,700 [+19.2%]	¥500.02

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

Note: Changes in performance forecasts since most recent announcement: Yes

Regarding consolidated performance forecasts, please refer to “Notice Regarding to Revision of 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)

December 31, 2020: 51,616,463 shares

March 31, 2020: 51,616,463 shares

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

December 31, 2020: 218,238 shares

March 31, 2020: 217,646 shares

(c) Average number of shares during the term

First three quarters of the fiscal year ending March 2021: 51,398,526 shares

First three quarters of the fiscal year ended March 2020: 51,399,319 shares

* Implementation status of quarterly review process

This report is exempt from a quarterly review process.

* Note on appropriate use of performance forecasts

Performance forecasts contained in this document are based on information currently available and certain judgments deemed by the Corporation to be reasonable. Actual results may differ significantly from such forecasts due to various factors. For more information, please refer to “1. Consolidated Performance, (3) Consolidated Performance Forecasts” on page 5 of this report.

* Supplemental information sheets of financial results are posted on the Corporation’s website on Wednesday, February 10, 2021.

1. Consolidated Performance

(1) Operating Results

In the first three quarters under review, the world economy was heavily affected by the spread of COVID-19. Although there has been a gradual resumption of economic activity, the pandemic has not subsided, and the situation remains serious due to the tightening of regulations on economic activities, especially in Europe. In Japan, despite signs of a pickup in economic activity, the outlook remains uncertain due to the re-issuance of an emergency declaration to counter the spread of “third wave” infections.

The domestic housing industry saw an ongoing moderate decline in new housing starts for both rental and owner-occupied properties. While sales activities have resumed in the household appliance industry, there has been no recovery in demand due to a decrease in opportunities for contact with consumers stemming from restraint in our participation in trade shows and other events.

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 are seeking 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 celebrated 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.

In the period under review, we posted a year-on-year decline in net sales due to the impact of COVID-19 on economic activities. During the period, we made relentless Groupwide efforts to cut basic costs. We also captured demand from people staying at home due to the pandemic, leading to increased sales of high-value-added gas stoves and water heaters.

As a result, consolidated net sales for the period amounted to ¥245,506 million, down 2.5% from the previous corresponding period. Operating income rose 13.6%, to ¥27,781 million, while ordinary income climbed 13.4%, to ¥28,884 million. Net income attributable to owners of the parent company jumped 26.0%, to ¥19,342 million.

Our results by geographical segment were as follows:

Japan

In Japan, sales declined 2.2% year on year, to ¥135,137 million, due to the impact of the COVID-19 pandemic. However, we posted increased sales of gas clothes dryers and dishwasher/dryers, as well as healthy sales of gas stoves with automatic cooking functions amid growing demand among people staying at home. As a result, domestic operating income rose 7.5%, to ¥18,211 million.

United States

In the United States, we benefited from healthy demand among people staying at home due to the COVID-19 pandemic, as well as a steady housing market buoyed by people relocating to suburban areas to avoid infections. Sales of tankless gas water heaters gas also continued to expand. Accordingly, sales increased 6.6%, to ¥ 25,458 million, and operating income rose 2.8%, to ¥1,254 million.

Australia

Our business in Australia benefited from healthy sales of both tankless and storage-type water heaters, as well as growth in sales of room heaters stemming from an increase in people working from home due to COVID-19. As a result, sales edged up 0.9%, to ¥18,284 million, and operating income rose 18.1% to ¥833 million.

China

Sales in China declined 13.8% year on year, to ¥25,728 million, reflecting a significant drop in

sales at the beginning of the period due to COVID-19. However, operating income rose 21.1% year on year, to ¥3,468 million, thanks to a recovery in sales of water heaters, mainly through Internet sales, following the lifting of restrictions on economic activities.

South Korea

In South Korea, we reported increases in sales of both gas and electric stoves thanks to emergency disaster relief funds provided by the government to address the COVID-19 pandemic. However, we faced intensifying competition in the market for high-efficiency boilers due to stricter environmental regulations. Accordingly, sales decreased 1.8%, to ¥19,246 million, and we posted an operating loss of ¥418 million.

Indonesia

In Indonesia, the impact of COVID-19 on sales began to dissipate in June 2020, leading to a year-on-year increase in sales of tabletop stoves driven by stay-at-home demand. We posted healthy sales of high-priced built-in hobs (stovetops) and range hoods. As a result, sales increased 5.1%, to ¥8,407 million, and operating income jumped 58.3%, to ¥1,591 million.

(For references 1) Sales Composition by Business Segment

(¥ millions; %)

	Three Quarters to Dec. 31, 2019		Three Quarters to Dec. 31, 2020		Change		Year to March 31, 2020	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Water heaters	¥141,793	56.3%	¥135,263	55.1%	¥(6,530)	(4.6)%	¥196,122	57.6%
Kitchen appliances	66,325	26.3	66,475	27.1	150	0.2	86,193	25.3
Air conditioning appliances	14,695	5.8	14,257	5.8	(437)	(3.0)	18,901	5.6
Commercial-use equipment	6,265	2.5	5,667	2.3	(597)	(9.5)	8,556	2.5
Others	22,772	9.0	23,842	9.7	1,069	4.7	30,685	9.0
Total	¥251,851	100.0%	¥245,506	100.0%	¥(6,344)	(2.5)%	¥340,460	100.0%

(For references 2) Overseas Sales

(¥ millions; %)

	Three Quarters to Dec. 31, 2019			Three Quarters to Dec. 31, 2020		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥69,298	¥50,645	¥119,943	¥64,946	¥50,731	¥115,677
II. Consolidated net sales	—	—	251,851	—	—	245,506
III. Composition ratio of overseas sales to consolidated net sales	27.5%	20.1%	47.6%	26.5%	20.7%	47.1%

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

(2) Financial Position

As of December 31, 2020, Rinnai had total assets of ¥472,001 million, up ¥21,514 million from March 31, 2020. Total liabilities increased ¥9,709 million, to ¥119,236 million. Net assets were up ¥11,805 million, to ¥352,764 million. The equity ratio at the end of the period was 69.1%.

(3) Explanation about Consolidated Performance Forecasts

Although we previously expected a contraction in our financial results due to the impact of COVID-19, our business performance is now expected to exceed our previous forecasts for several reasons. These include increasing stay-at-home demand in Japan and overseas, rising domestic sales of growth items and high-value-added products, and better-than-expected recovery in overseas countries, including the United States where business is strong. For these reasons, and also taking recent business conditions into account, we have revised our full-year forecasts for the fiscal period ending March 31, 2021 (previous forecasts announced August 6, 2020).

Revision of consolidated performance forecasts for fiscal 2021
(April 1, 2020–March 31, 2021)

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company	Net Income per Share (Yen)
Previous forecast (A)	325,000	32,000	33,000	21,500	418.30
Revised forecast (B)	340,000	38,500	40,000	25,700	500.02
Difference (B–A)	15,000	6,500	7,000	4,200	—
Change (%)	4.6	20.3	21.2	19.5	—
(For references) Year ended March 31, 2020 (actual)	340,460	34,422	35,679	21,561	419.49

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2020 (Fiscal 2020)	At December 31, 2020 (Three Quarters of Fiscal 2021)
ASSETS:		
Current assets		
Cash and deposits	¥167,090	¥180,434
Notes and accounts receivable	67,776	73,783
Electronically recorded monetary claims	8,199	9,636
Marketable securities	6,364	8,298
Products	27,490	26,857
Raw materials and stores	17,138	17,647
Other	2,743	2,965
Less allowance for doubtful accounts	(2,090)	(1,882)
Total current assets	294,713	317,742
Fixed assets		
Property, plant and equipment	84,633	84,949
Intangible fixed assets	3,480	3,107
Investments and advances		
Investments in securities	40,865	40,054
Other	26,851	26,203
Less allowance for doubtful accounts	(58)	(56)
Total investments and advances	67,659	66,201
Total fixed assets	155,773	154,258
Total assets	¥450,486	¥472,001

(¥ millions)

	At March 31, 2020 (Fiscal 2020)	At December 31, 2020 (Three Quarters of Fiscal 2021)
LIABILITIES:		
Current liabilities		
Notes and accounts payable	¥ 18,392	¥ 26,071
Electronically recorded obligations	30,851	31,965
Accrued income taxes	4,834	4,323
Accrued employee's bonuses	4,497	2,432
Allowance for product guarantee	3,504	3,372
Other allowances	988	919
Other	23,538	26,473
Total current liabilities	86,607	95,558
Long-term liabilities		
Allowance environmental measures	2,255	2,255
Reserves	108	92
Net defined benefit liabilities	9,503	9,357
Other	11,053	11,972
Total long-term liabilities	22,919	23,678
Total liabilities	109,527	119,236
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,756	8,648
Earned surplus	293,807	307,753
Treasury stock	(1,870)	(1,876)
Total shareholders' equity	307,153	320,985
Other comprehensive income:		
Unrealized gain on marketable securities	5,144	5,529
Foreign exchange translation adjustment	(1,908)	(4,688)
Remeasurements of defined benefit plans	5,225	4,551
Total other comprehensive income	8,461	5,391
Non-controlling interests	25,343	26,387
Total net assets	340,959	352,764
Total liabilities and net assets	¥450,486	¥472,001

(2) Consolidated Statements of Income

(¥ millions)

	Three Quarters of Fiscal 2020 (From April 1 to December 31, 2019)	Three Quarters of Fiscal 2021 (From April 1 to December 31, 2020)
Net sales	¥251,851	¥245,506
Cost of sales	168,333	163,109
Gross profit	83,517	82,396
Selling, general and administrative expenses	59,072	54,615
Operating income	24,445	27,781
Other income:		
Interest income	812	686
Dividends received	392	359
Other	489	574
Total other income	1,693	1,620
Other expenses:		
Interest expenses	31	34
Foreign exchange loss	245	346
Loss on retirement of fixed assets	274	88
Other	117	46
Total other expenses	667	516
Ordinary income	25,471	28,884
Extraordinary income:		
Gain on sales of investment securities	—	1,445
Total extraordinary income	—	1,445
Extraordinary loss:		
Special retirement expenses	697	—
Total extraordinary loss	697	—
Income before income taxes	24,773	30,330
Income taxes (current)	6,664	7,585
Income taxes (deferred)	642	771
Total income taxes	7,307	8,357
Net income	17,466	21,973
Net income attributable to non-controlling interests	2,111	2,630
Net income attributable to owners of the parent company	¥ 15,354	¥ 19,342

Consolidated Statements of Comprehensive Income

(¥ millions)

	Three Quarters of Fiscal 2020 (From April 1 to December 31, 2019)	Three Quarters of Fiscal 2021 (From April 1 to December 31, 2020)
Net Income	¥17,466	¥21,973
Other comprehensive income		
Unrealized gain on marketable securities	570	386
Foreign exchange translation adjustment	(5,147)	(3,471)
Remeasurements of defined benefit plans	(716)	(669)
Equity equivalents in equity method affiliates	—	(14)
Total other comprehensive income	(5,292)	(3,769)
Comprehensive income	12,173	18,203
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	10,986	16,272
Non-controlling interest	1,186	1,930

(3) Notes to Quarterly Consolidated Financial Statements Assumptions for Going Concern

Not applicable.

Note on Major Changes in Shareholders' Equity

Not applicable.

Segment Information

First Three Quarters of the Fiscal Year Ended March 31, 2020 (April 1 to December 31, 2019)

	Reportable Segments							Others (Note 1)	Adjustments (Note 2)	Amounts on consolidated statements of income (Note 3)
	Japan	United States	Australia	China	South Korea	Indonesia	Total			
Sales										
Outside client	¥138,174	¥23,892	¥18,123	¥29,863	¥19,590	¥7,999	¥237,643	¥14,207	¥ —	¥251,851
Intersegment	26,582	—	106	1,202	705	414	29,011	1,732	(30,743)	—
Total	164,756	23,892	18,230	31,065	20,296	8,414	266,654	15,939	(30,743)	251,851
Income (loss)	16,943	1,219	705	2,862	(539)	1,004	22,197	2,102	145	24,445

- 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.

First Three Quarters of the Fiscal Year Ending March 31, 2021 (April 1 to December 31, 2020)

	Reportable Segments							Others (Note 1)	Adjustments (Note 2)	Amounts on statements of income (Note 3)
	Japan	United States	Australia	China	South Korea	Indonesia	Total			
Sales										
Outside client	¥135,137	¥25,458	¥18,284	¥25,728	¥19,246	¥8,407	¥232,262	¥13,244	¥ —	¥ 245,506
Intersegment	27,071	—	74	1,233	448	313	29,141	1,547	(30,688)	—
Total	162,208	25,458	18,359	26,961	19,695	8,720	261,403	14,791	(30,688)	245,506
Income (loss)	18,211	1,254	833	3,468	(418)	1,591	24,939	2,006	834	27,781

- 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.