

# Consolidated Financial Results

## First Quarter of the Fiscal Year Ending March 2022

(April 1–June 30, 2021)

August 6, 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: August 6, 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 Quarter of the Fiscal Year Ending March 31, 2022

(April 1– June 30, 2021; 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 2021	¥84,507 [+23.2%]	¥9,180 [+116.0%]	¥9,930 [+113.1%]	¥6,192 [+64.5%]
First Quarter to June 2020	¥68,586 [-7.2%]	¥4,249 [-6.2%]	¥4,660 [-8.1%]	¥3,763 [+14.6%]

Notes: Comprehensive income: First quarter of the year ending March 31, 2022; ¥12,360 million [—%]

First quarter of the year ended March 31, 2021; ¥(2,740) million [—%]

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
First Quarter to June 2021	¥120.48	—
First Quarter to June 2020	73.23	—

### (2) Consolidated Financial Position

(¥ millions; %)

	Total Assets	Net Assets	Equity Ratio (%)
June 30, 2021	¥501,782	¥378,061	69.4%
March 31, 2021	497,291	371,318	68.8

(Reference) Equity capital: First quarter of the year ending March 31, 2022: ¥348,234 million

Year ended March 31, 2021: ¥342,329 million

## II. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
March 2021	—	¥55.00	—	¥70.00	¥125.00
June 2021	—				
March 2022 (anticipated)		70.00	—	70.00	140.00

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

### III. Forecast for the Fiscal Year Ending March 31, 2022 (Consolidated)

(April 1, 2021, to March 31, 2022)

(¥ millions/%)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company	Net Income per Share (¥)
First half	¥169,000 [+13.5%]	¥15,800 [+21.9%]	¥16,300 [+17.1%]	¥9,900 [-1.3%]	¥192.61
Full year	365,000 [+6.0]	41,000 [+0.8]	42,000 [-0.9]	26,000 [-5.7]	505.83

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

Note: Revision of fiscal year forecast in period under review: None

#### \* 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: Yes

(b) Other changes than (a): None

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

(d) Retrospective restatement: None

Note: For more information, please refer to “2. Consolidated Financial Statements and Main Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies) on page 9 of this report.

(4) Number of Outstanding Shares (Common Stock)

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

June 30, 2021: 51,616,463 shares

March 31, 2021: 51,616,463 shares

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

June 30, 2021: 218,757 shares

March 31, 2021: 218,686 shares

(c) Average number of shares during the term

First quarter of the fiscal year ending March 2022: 51,397,760 shares

First quarter of the fiscal year ended March 2021: 51,398,707 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) 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 Friday, August 6, 2021.

## 1. Consolidated Performance

### (1) Operating Results

In the first quarter under review, the world economy remained heavily affected by the spread of COVID-19. Although widespread vaccine rollouts led to expectations of a return to normal economic activities, the situation remained serious, with differences in the status of infections and recovery of economic activities depending on the country or region. In Japan, economic activities continued to pick up, but the outlook remained uncertain due to weakness in personal consumption and intermittent emergency declarations.

The domestic housing industry saw signs of an overall recovery in new housing starts, and the market for housing appliances remained firm, especially for renovation projects.

Under these circumstances, the Group launched its new medium-term business plan, entitled “New ERA 2025,” covering the five-year period from April 2021 to March 2026. Under the plan, we will steadily implement the three strategies of “advancement in addressing social challenges,” “expansion of business scale,” and “revolution of corporate structure,” while deploying all kinds of energy sources and our core technologies to help resolve global social issues in the fields of “heat and lifestyles” and “health and lifestyles.” In these ways, we will fulfill our promise to our customers—“Creating a healthier way of living”— and achieve sustainable and robust long-term growth.

With respect to revenue, the Rinnai Group reported year-on-year growth in sales of mainstay products in each region. We also enjoyed a significant increase in overall sales, especially in Japan and China, due to the impact of COVID-19 in the previous corresponding period. On the earnings side, we posted an increase in operating income thanks to higher revenue and rigorous cost-reduction activities, despite downward pressure from raw material and logistics costs.

As a result, consolidated net sales for the period amounted to ¥84,507 million, up 23.2% from the previous corresponding period. Operating income jumped 116.0%, to ¥9,180 million, and ordinary income climbed 113.1%, to ¥9,930 million. Net income attributable to owners of the parent company rose 64.5%, to ¥6,192 million.

Our results by geographical segment were as follows:

#### ***Japan***

In Japan, we posted increases in sales of all items compared with the previous corresponding period, when sales plummeted due to the impact of restrictions on activities stemming from the nation’s first emergency declaration. In addition to mainstay water heaters and built-in hobs (stovetops), sales of gas clothes dryers and range hoods, which are growth items, remained strong. As a result, sales in Japan rose 13.5% year on year, to ¥40,719 million, and operating income jumped 71.5%, to ¥4,881 million.

#### ***United States***

In the United States, we benefitted from growing demand for highly convenient tankless water heaters, as well as ongoing healthy conditions in the housing market. As a result, sales increased 2.5%, to ¥9,095 million. Due to an increase in purchasing costs, R&D expenses, and personnel expenses, however, operating income fell 51.1%, to ¥236 million.

#### ***Australia***

In Australia, sales of water heaters and cooling equipment weakened due to COVID-related lockdowns and a cool summer. However, an increase in telecommuting and lower-than-normal temperatures led to strong sales of heating equipment for the winter season. Due also to foreign exchange factors, sales increased 18.8%, to ¥5,973 million, and operating income was ¥255 million, compared with an operating loss of ¥105 million in the previous corresponding period.

#### ***China***

In addition to strong Internet sales of mainstay water heaters, sales at physical stores also showed signs of recovery, while boiler sales also remained strong. In the previous corresponding period, sales declined significantly due to restrictions on economic activities caused by COVID-19. As a result, year-on-year sales in China jumped 125.8%, to ¥11,240 million, and operating income was ¥1,408 million, compared with an operating loss of ¥ 284 million in the previous corresponding period.

### South Korea

In South Korea, we posted growth in sales of high-efficiency boilers in response to stricter environmental regulations, and made good progress in improving earnings through cost reductions and other activities. Accordingly, sales increased 25.4%, to ¥8,318 million, and operating income was ¥763 million, up from ¥1 million in the previous corresponding period.

### Indonesia

In Indonesia, we reported growth in sales of mainstay tabletop stoves thanks to our sales promotion activities and growing demand for cooking at home. Sales of high-priced built-in hobs (stovetops) and range hoods also increased. As a result, sales rose 24.2%, to ¥3,392 million, and operating income jumped 50.3%, to ¥856 million.

(For references 1)

### Sales Composition by Business Segment

(¥ millions; %)

	First Quarter to June 30, 2020		First Quarter to June 30, 2021		Change		Year to March 31, 2020	
	Amount	Amount	Amount	% of total	Amount	%	Amount	% of total
Water heaters	¥38,947	56.8%	¥48,684	57.6%	¥ 9,737	25.0%	¥195,755	56.8%
Kitchen appliances	17,951	26.2	20,698	24.5	2,746	15.3	88,441	25.7
Air conditioning appliances	2,759	4.0	3,687	4.4	928	33.7	19,013	5.5
Commercial-use equipment	1,790	2.6	2,101	2.5	310	17.4	7,726	2.2
Others	7,138	10.4	9,336	11.0	2,198	30.8	33,428	9.7
Total	¥68,586	100.0%	¥84,507	100.0%	¥15,921	23.2%	¥344,364	100.0%

(For references 2)

### Overseas Sales

(¥ millions; %)

	First Quarter to June 30, 2020			First Quarter to June 30, 2021		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥18,138	¥15,909	¥34,048	¥27,451	¥18,458	¥45,910
II. Consolidated net sales	—	—	68,586	—	—	84,507
III. Composition ratio of overseas sales to consolidated net sales	26.4%	23.2%	49.6%	32.5%	21.8%	54.3%

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

### (2) Financial Position

As of June 30, 2021, Rinnai had total assets of ¥501,782 million, up ¥4,490 million from March 31, 2021. Total liabilities decreased ¥2,252 million, to ¥123,720 million. Net assets were up ¥6,742 million, to ¥378,061 million. The equity ratio at the end of the period was 69.4%.

### (3) Consolidated Performance Forecasts

Rinnai has not changed its forecasts for the first two-quarter period ending September 30, 2022 or the full-year period ending March 31, 2022. (Those forecasts were released on May 12, 2021.)

## 2. Consolidated Financial Statements and Main Notes

### (1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2021 (Fiscal 2021)	At June 30, 2021 (First Quarter of Fiscal 2022)
<b>ASSETS:</b>		
Current assets		
Cash and deposits	¥186,412	¥193,393
Notes and accounts receivable	74,997	—
Notes and accounts receivable, and contract assets	—	69,588
Electronically recorded monetary claims	9,350	8,386
Marketable securities	18,522	13,791
Products	25,532	30,993
Raw materials and stores	17,558	18,899
Other	2,531	2,519
Less allowance for doubtful accounts	(2,751)	(2,889)
Total current assets	332,153	334,683
Fixed assets		
Tangible fixed assets	86,672	89,491
Intangible fixed assets	3,232	3,507
Investments and advances		
Investments in securities	40,783	39,605
Other	34,508	34,552
Less allowance for doubtful accounts	(57)	(58)
Total investments and advances	75,234	74,099
Total fixed assets	165,138	167,098
<b>Total assets</b>	<b>¥497,291</b>	<b>¥501,782</b>

(¥ millions)

	At March 31, 2021 (Fiscal 2021)	At June 30, 2021 (First Quarter of Fiscal 2022)
<b>LIABILITIES:</b>		
Current liabilities		
Notes and accounts payable	¥ 21,974	¥ 21,979
Electronically recorded obligations	33,527	31,880
Accrued income taxes	7,380	4,785
Accrued employee's bonuses	4,804	1,881
Allowance for product guarantee	3,568	3,698
Other allowances	1,074	1,016
Other	27,208	31,763
<b>Total current liabilities</b>	<b>99,538</b>	<b>97,006</b>
Long-term liabilities		
Allowance environmental measures	2,255	2,255
Other allowances	99	96
Net defined benefit liabilities	9,660	9,575
Other	14,419	14,786
<b>Total long-term liabilities</b>	<b>26,434</b>	<b>26,714</b>
<b>Total liabilities</b>	<b>125,973</b>	<b>123,720</b>
<b>NET ASSETS:</b>		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,648	8,648
Earned surplus	315,992	318,507
Treasury stock	(1,881)	(1,882)
<b>Total shareholders' equity</b>	<b>329,219</b>	<b>331,733</b>
Other comprehensive income:		
Unrealized gain on marketable securities	6,058	5,256
Foreign exchange translation adjustment	(2,885)	1,712
Remeasurements of defined benefit plans	9,937	9,532
<b>Total of other comprehensive income</b>	<b>13,110</b>	<b>16,501</b>
<b>Non-controlling interests</b>	<b>28,989</b>	<b>29,826</b>
<b>Total net assets</b>	<b>371,318</b>	<b>378,061</b>
<b>Total liabilities and net assets</b>	<b>¥497,291</b>	<b>¥501,782</b>

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

**Consolidated Statements of Income**

(¥ millions)

	First Quarter of Fiscal 2021 (From April 1 to June 30, 2020)	First Quarter of Fiscal 2022 (From April 1 to June 30, 2021)
Net sales	¥68,586	¥84,507
Cost of sales	46,843	55,501
Gross profit	21,742	29,005
Selling, general and administrative expenses	17,492	19,824
Operating income	4,249	9,180
Other income:		
Interest income	216	262
Dividends received	235	240
Foreign exchange income	—	10
Other	105	292
Total other income	558	806
Other expenses:		
Interest expenses	11	11
Foreign exchange loss	88	—
Loss on retirement of fixed assets	23	13
Other	24	32
Total other expenses	147	57
Ordinary income	4,660	9,930
Extraordinary income		
Gain on Sales of investment securities	847	—
Total extraordinary income	847	—
Income before income taxes	5,508	9,930
Income taxes (current)	2,294	3,260
Income taxes (deferred)	(832)	(779)
Total income taxes	1,461	2,480
Net income	4,047	7,449
Net income attributable to non-controlling interests	283	1,257
Net income attributable to owners of the parent company	¥ 3,763	¥ 6,192

## Consolidated Statements of Comprehensive Income

(¥ millions)

	First Quarter of Fiscal 2021 (From April 1 to June 30, 2020)	First Quarter of Fiscal 2022 (From April 1 to June 30, 2021)
Net income	¥4,047	¥7,449
Other comprehensive income		
Unrealized gain on marketable securities	24	(802)
Foreign exchange translation adjustment	(6,569)	6,123
Remeasurements of defined benefit plans	(210)	(409)
Equity equivalents in equity method affiliates	(32)	—
Total of other comprehensive income	(6,787)	4,911
Comprehensive income	(2,740)	12,360
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	(1,732)	9,583
Non-controlling interest	(1,007)	2,777



### **(3) Notes to Quarterly Consolidated Financial Statements**

#### **Assumptions for Going Concern**

Not applicable.

#### **Major Changes in Shareholders' Equity**

Not applicable.

#### **Changes in accounting policies**

##### ***Application of Accounting Standard for Revenue Recognition***

From the beginning of the first quarter under review, the Corporation has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), under which revenue that is recognized as control of promised goods or services is transferred to customers in an amount expected to be received in exchange for those goods or services. Resulting changes mainly include the accounting for consideration paid to customers, which was previously recorded in Selling, General and Administrative Expenses. From the period under review, the amount has been deducted from Net Sales.

The Corporation applied the "Accounting Standard for Revenue Recognition" in accordance with the transitional treatment stipulated in the proviso of paragraph 84 of the Standard. The cumulative effect of having retroactively applied the new accounting policy to periods prior to the beginning of the period under review is added to or deducted from the opening balance of Earned Surplus, and the new accounting policy is applied from that balance. The effect of the application on the quarterly consolidated financial statements is immaterial.

Due to the application of the "Accounting Standard for Revenue Recognition", Notes and Accounts Receivable, which was presented in Current Assets on the Consolidated Balance Sheet as of the end of the prior fiscal year, has been included in Notes and Accounts Receivable, and Contract Assets from the beginning of the period under review. Pursuant to the transitional treatment stipulated in paragraph 89-2 of the "Accounting Standard for Revenue Recognition", the figures for the prior fiscal year have not been restated under the new presentation method.

##### ***Application of Accounting Standard for Fair Value Measurement***

From the beginning of the first quarter under review, the Corporation has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019). The Corporation prospectively applied the new accounting policy under the "Accounting Standard for Fair Value Measurement" in accordance with the transitional treatment stipulated in paragraph 19 of the Standard and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no effect on the quarterly consolidated financial statements.

## Segment Information

### 1. First Quarter of the Fiscal Year Ended March 31, 2021 (From April 1 to June 30, 2020) Sales and Income (Loss) by Reportable Segment

(¥ millions)

	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.

### 2. First Quarter of the Fiscal Year Ending March 31, 2022 (From April 1 to June 30, 2021) Sales and Income (Loss) by Reportable Segment

(¥ millions)

	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	¥40,719	¥9,095	¥5,973	¥11,240	¥8,318	¥3,392	¥78,741	¥5,766	¥ —	¥84,507
Intersegment sales	10,103	—	32	541	272	145	11,095	516	(11,612)	—
Total	50,823	9,095	6,006	11,782	8,591	3,538	89,837	6,283	(11,612)	84,507
Segment Income (loss)	4,881	236	255	1,408	763	856	8,401	1,034	(254)	9,180

- 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.