

Financial Results for First Two Quarters of Fiscal 2022, ending March 31, 2022

November 5, 2021

Rinnai Corporation

Rinnai

1. Results of First Two Quarters of Fiscal 2022

2. Business Outlook

Fiscal 2022 (2Q): Consolidated Performance Overview

Net sales: ¥179.7 billion (up 20.7% year on year ; vs target: up 6.3%)

Significant growth in overseas sales, especially China and United States; domestic sales also up, reaching new record high

Record-high level

Operating income: ¥20.1 billion (up 55.2% year on year ; vs target: up 27.3%)

Record-high figure due thanks to increased revenue and cost reduction efforts despite continued rise in raw material prices and logistics costs

Record-high level

Ordinary income: ¥21.6 billion (up 55.8% year on year ; vs target: up 33.1%)

Up thanks to increase in operating income

Record-high level

Net income attributable to owners of the parent company: ¥13.2 billion

(up 32.1% year on year ; vs target: up 33.8%) Increase due to higher ordinary income

* In the previous corresponding period, gain on sales of investment securities amounted to ¥1.44 billion.

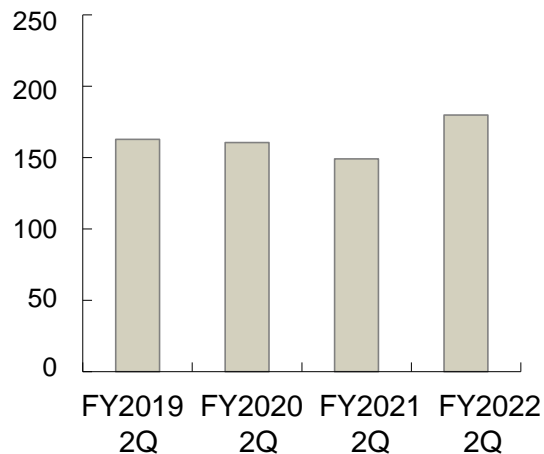
Record-high level

- Revenue and earnings well above forecasts despite many unexpected impacts
- In 3Q and beyond, we expect to face ongoing risks and difficult business conditions

Fiscal 2022 (2Q) : Consolidated Financial Results

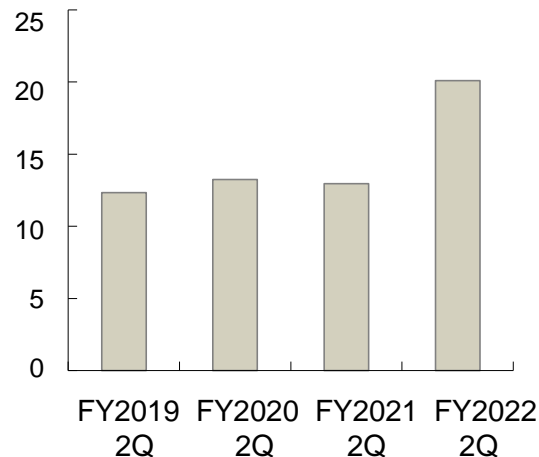
Net Sales

[Billions of Yen]



Operating Income

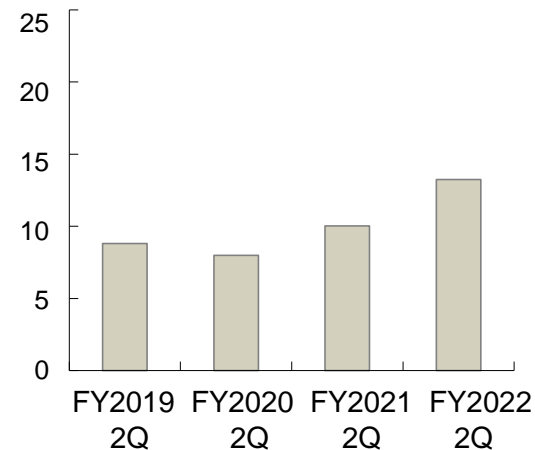
[Billions of Yen]



Attributable to owners of the parent company

Net Income

[Billions of Yen]



- Record-high net sales for first time in three years thanks to substantial increase in overseas sales and steady growth in Japan
- Operating income increased for first time in two years owing to cost reductions and increased sales

Fiscal 2022 (2Q): Net Sales by Product

[Billions of Yen]	Fiscal 2021 2Q		Fiscal 2022 2Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	82.16	55.2%	103.20	57.4%	+21.03	+25.6%
Kitchen appliances	40.23	27.0%	43.00	23.9%	+2.76	+6.9%
Air conditioning appliances	8.24	5.5%	10.34	5.8%	+2.10	+25.5%
Commercial-use equipment	3.56	2.4%	4.35	2.4%	+0.78	+21.9%
Others	14.73	9.9%	18.81	10.5%	+4.08	+27.7%
Total	148.94	100.0%	179.72	100.0%	+30.77	+20.7%

Fiscal 2022 (2Q): Consolidated Sales/Income Results

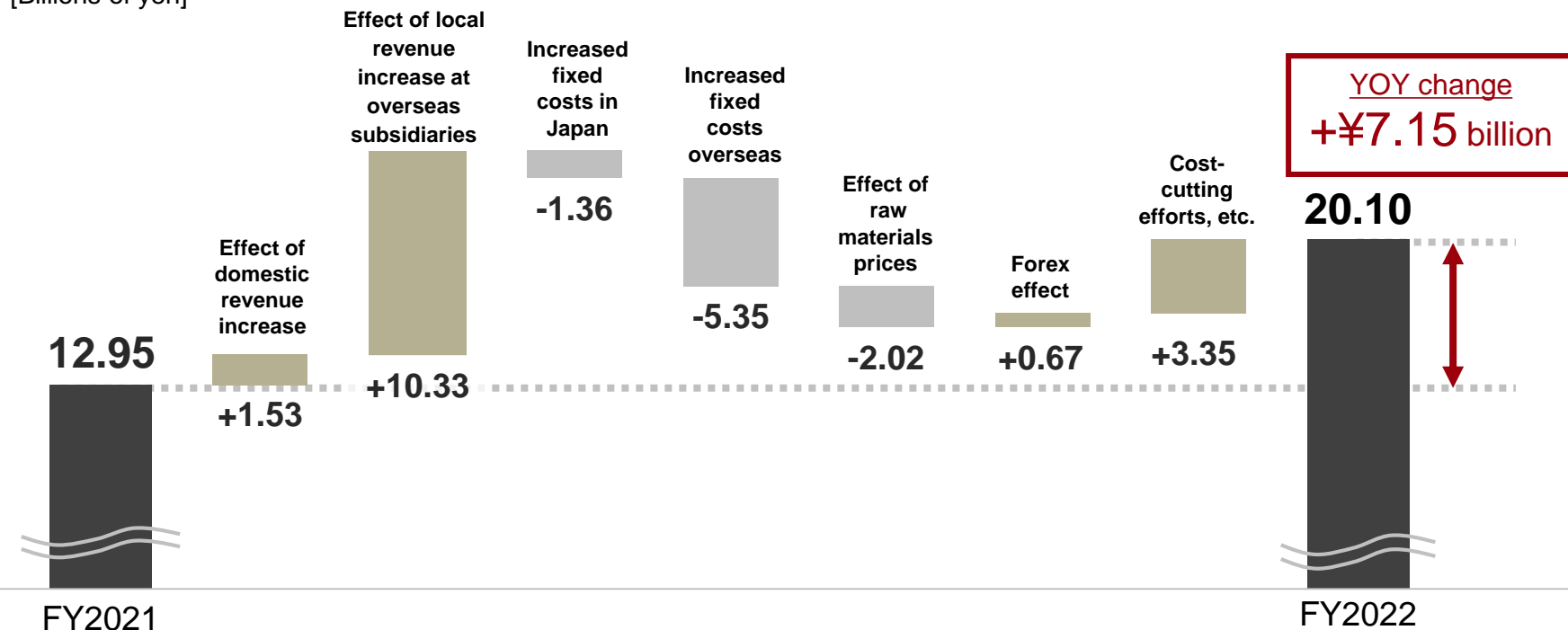
[Billions of Yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	179.72	+20.7%	20.10	+55.2%	11.2%	+2.5pt



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	102.74	+10.5%	8.65	+15.3%	8.4%	+0.3pt
Domestic	47.01	+3.3%	1.37	+22.9%	2.9%	+0.5pt
Overseas	100.36	+37.2%	10.84	+180.5%	10.8%	+5.5pt
Total	250.12	+18.2%	20.87	+67.1%	8.3%	+2.4pt

Fiscal 2022 (2Q): Consolidated Operating Income Analysis

[Billions of yen]



Rinnai (non-consolidated basis), Fiscal 2022 (2Q) Results

- Record-high sales thanks to steady demand since June 2020, despite contraction in rate of increase
- Achieved record-high profit as soaring raw material prices were absorbed by cost reductions and increased sales
- Tight procurement conditions for some product parts led to delivery delays



Built-in hobs (stovetops)



Hybrid water heater



Gas clothes dryers

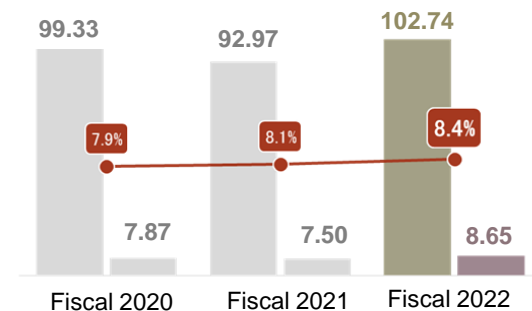


Dishwasher/dryers

[Billions of Yen]	Fiscal 2021	Fiscal 2022	YOY change
Net Sales	92.97	102.74	+10.5%
Operating Income	7.50	8.65	+15.3%
Operating income to net sales ratio	8.1%	8.4%	+0.3pt

Rinnai (non-consolidated basis), Fiscal 2022 (2Q) Results

■ : Net sales ■ : Operating income (Billions of yen)
 ●- : Operating income to net sales ratio



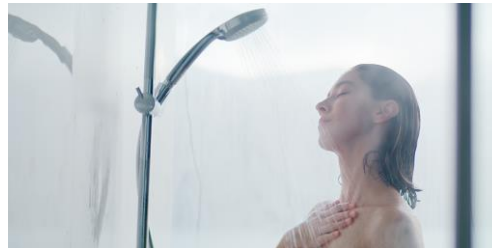
[Sales Volume in Japan]	YOY Change
Water heater with heating systems	+3.1%
Water heater with bath-filling systems	+4.1%
Built-in hobs (stovetops)	-1.0%
Gas clothes dryers	+12.9%

Rinnai Corporation (Non-Consolidated) Topics

Stepping up promotion of ECO ONE hybrid water heater/heating systems



- Renewed sales campaign for ECO ONE hybrid water heaters with heating systems that significantly reduce CO₂ emissions while maintaining quality of life
- Highlighting the appeal of ECO ONE, which simultaneously improves quality of life and contributes to the global environment, as the carbon neutral movement gathers pace



New TV commercial

Three concepts of “warmth” addressed by ECO ONE

“Warmth” of
your life

“Warmth” of
the earth

“Warmth” of
your wallet

Key message

Rinnai America, Fiscal 2022 (2Q) Results

- Continued growth in demand for tankless water heaters reflecting need to improve housing environments
- Supply chain disruptions yet to be resolved despite efforts to strengthen local supply systems
- Higher sales of tankless water heaters led to increase in operating income



High-efficiency water heaters



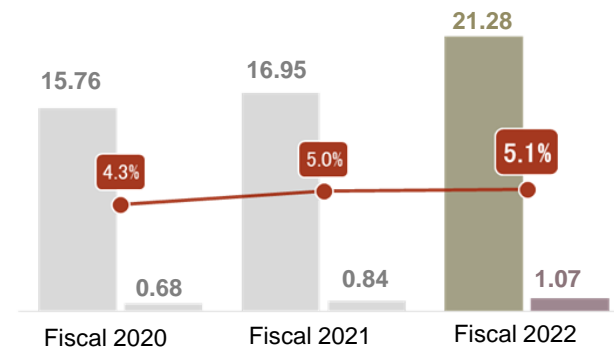
High-efficiency boilers



Construction status of Griffin Plant

Rinnai America, Fiscal 2022 (2Q) Results

■ : Net sales ■ : Operating income
 ● : Operating income to net sales ratio (Billions of yen)



[Billions of Yen]	Fiscal 2021	Fiscal 2022	YOY change	
			Yen	Local currency
Net Sales	16.95	21.28	+25.5%	+26.3%
Operating Income	0.84	1.07	+28.0%	+28.8%
Operating income to net sales ratio	5.0%	5.1%	+0.1pt	

[Sales Volume]	YOY change
Tankless water heaters	+22.1%
High-efficiency models of total	+26.0%

Rinnai America Topics

Acquisition of Mexico-based Industrias Mass (leading manufacturer of commercial water heaters)

Aiming to improve brand recognition and achieve medium-to-long-term business growth in Latin America in order to expand our business domains as stated in New ERA 2025 (medium-term management plan)



Commercial water heaters

Name	Industrias Mass, S.A. de C.V.
Address	Tlalnepantla de Baz, State of Mexico, Mexico
Business	Manufacture and sale of commercial water heaters, water treatment systems, and commercial tanks
Established	1964

Network in the Americas



Shanghai Rinnai, Fiscal 2022 (2Q) Results

- Continued strength in sales of mainstay water heaters and boilers
- Participation in 618 Sale (large-scale e-commerce shopping event) boosted sales, especially of water heaters
- Internet sales (Jan–Jun 2021): up 43.4% year-on-year; Internet sales ratio 27.6% (down 1.3 points)



Water heaters



Built-in hob (stovetops)



Range hoods

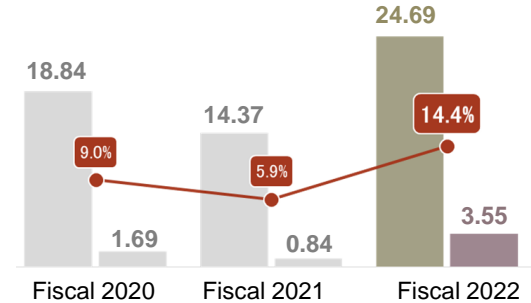


Boilers

[Billions of Yen]	Fiscal 2021	Fiscal 2022	YOY change	
			Yen	Local currency
Net Sales	14.37	24.69	+71.8%	+58.8%
Operating Income	0.84	3.55	+320.4%	+288.5%
Operating income to net sales ratio	5.9%	14.4%	+8.5pt	

Shanghai Rinnai, Fiscal 2022 (2Q) Results

■ : Net sales ■ : Operating income (Billions of yen)
 ● : Operating income to net sales ratio

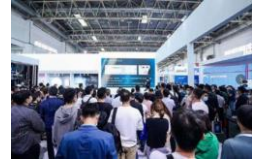


[Sales Volume]	YOY change
Water heaters	+58.3%
Built-in hob (stovetops)	+5.5%
Range hoods	+8.4%
Boilers	+110.8%

Shanghai Rinnai Topics

Launched of Micro Bubble bath unit in China

Water heater with micro-bubble function launched in August 2021 in China, where interest in beauty, health, safety, and security is growing (Announcement of launch made at Beijing ISH Exhibition)



Beijing ISH Exhibition (held in May 2021) Micro Bubble bath unit

Strong sales at 618 Sale (large-scale e-commerce shopping event)

Healthy sales, especially of water heaters (water heater sales up 29% year on year)

Growth in sales of medium-to-high-end, large-capacity models; improvement in unit sales prices



IoT-compatible water heater



Water heater with instant-heating function



Cooking stove with sensors

Rinnai Australia, Fiscal 2022 (2Q) Results

- Healthy sales of room heaters due to cold weather and increase in telecommuting
- Increase in income thanks to productivity improvement and fixed cost rationalization, as well as foreign exchange impact



Tankless water heater



Electric tank-based water heaters

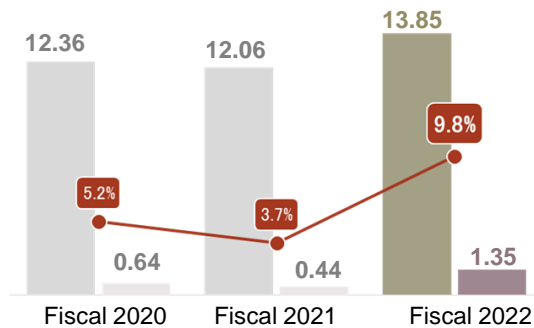


Duct-type air-conditioning and heating systems

[Billions of Yen]	Fiscal 2021	Fiscal 2022	YOY change	
			Yen	Local currency
Net Sales	12.06	13.85	+14.8%	-0.3%
Operating Income	0.44	1.35	+204.9%	+164.8%
Operating income to net sales ratio	3.7%	9.8%	+6.1pt	

Rinnai Australia, Fiscal 2022 (2Q) Results

■ : Net sales ■ : Operating income (Billions of yen)
● : Operating income to net sales ratio



[Sales Volume]	YOY change
Unvented-type heaters	+20.6%
Commercial air-conditioning appliances	+10.7%
Duct-type air-conditioning and heating systems	+0.3%

Rinnai Korea, Fiscal 2022 (2Q) Results

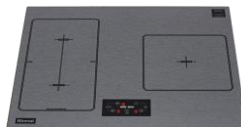
- Sales of environmentally friendly boilers remained strong due in part to subsidies
 - Subsidies ended in 2Q due to budget depletion
- Increase in profitability thanks to management improvement activities (cost reductions, new product introductions, etc.)



Environmentally friendly boilers



Gas tabletop cookers

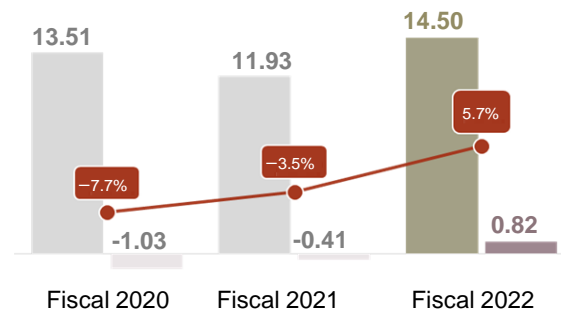


Electric tabletop cookers

[Billions of Yen]	Fiscal 2021	Fiscal 2022	YOY change	
			Yen	Local currency
Net Sales	11.93	14.50	+21.6%	+13.5%
Operating Income	-0.41	0.82	-	-
Operating income to net sales ratio	-3.5%	5.7%	-	-

Rinnai Korea, Fiscal 2022 (1Q) Results

■ : Net sales ■ : Operating income (Billions of yen)
 ● : Operating income to net sales ratio



[Sales Volume]	YOY change
Boilers	+9.0%
Gas tabletop cookers	-5.1%
Electric tabletop cookers	-18.8%

P.T. Rinnai Indonesia, Fiscal 2022 (2Q) Results

- In addition to strong demand, significant sales growth in each product category due to economic activity restrictions in the previous corresponding period
- Magnitude of profit growth also up, buoyed in particular by increased sales of built-in hobs (stovetops) and range hoods



Tabletop cookers



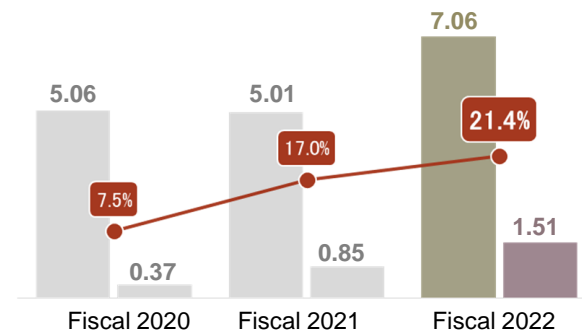
Built-in hob (stovetops)



Range hoods

P.T. Rinnai Indonesia, Fiscal 2022 (2Q) Results

■ : Net sales ■ : Operating income (Billions of yen)
 ●-● : Operating income to net sales ratio



[Billions of Yen]	Fiscal 2021	Fiscal 2022	YOY change	
			Yen	Local currency
Net Sales	5.01	7.06	+41.0%	+38.9%
Operating Income	0.85	1.51	+77.6%	+75.0%
Operating income to net sales ratio	17.0%	21.4%	+4.4pt	

[Sales Volume]	YOY Change
Tabletop cookers	+25.3%
Built-in hob (stovetops)	+90.3%
Range hoods	+132.4%

Future Outlook and Risk Factors

		Fiscal 2022 2Q Results	Future outlook	Ongoing risk factors	
Japan		<ul style="list-style-type: none"> - Revenue growth narrowed compared with 1Q despite demand remaining firm since previous year - Tightening parts procurement situation from 2Q 	Through cost reductions and increased sales of high-value-added products, we will absorb the impact of high material prices (despite ongoing difficult business conditions)	Tight parts procurement situation; soaring raw material prices	Changes in expenditure structure due to removal of behavioral restrictions
Overseas	United States	<ul style="list-style-type: none"> - Rapid growth in demand for tankless water heaters - Supply delays due to international supply chain disruptions 	<ul style="list-style-type: none"> - Rapid demand growth expected to continue - Priority on supply to increase sales 		<ul style="list-style-type: none"> - International supply chain disruptions - Shortage of containers
	China	<ul style="list-style-type: none"> - Internet and retail sales both strong - Substantial increase in sales due to decline in previous year 	Demand expected to remain strong despite many risk factors that are difficult to assess		<ul style="list-style-type: none"> - Expansion/cascade of credit instability - Power restrictions
	Other	Australia: Increased sales of room heaters South Korea: Boiler sales strong; business improvement progressing Indonesia: Strong sales of high-value-added products	Australia: Will work to improve productivity and promote rationalization South Korea: Weak year-on-year growth expected, but will pursue rigorously management improvement Indonesia: Expecting strong sales but concerned about high material prices		Restrictions on activities due to new outbreaks of COVID-19

We expect many risk factors to emerge and must monitor them closely. At this stage, we have not changed our full-year performance forecasts.

1. Results of First Two Quarters of Fiscal 2022
2. Business Outlook

Medium-Term Management Plan and Long-Term Corporate Policy

New Medium-Term Business Plan (2021-2025) New ERA 2025

Three Key Strategies

Advancement in addressing social challenges	Expansion of business scale	Revolution of corporate structure	Main achievements
<ul style="list-style-type: none"> - Improve quality of life - Help resolve global environmental problems 	<ul style="list-style-type: none"> - Expand regional domains - Expand business domains 	<ul style="list-style-type: none"> - Become more consumer-oriented - Make focused investments in intangible assets - Enhance profitability 	<ul style="list-style-type: none"> - Full model change of Lisse built-in hobs (stovetops) (Improved quality of life) - Acquisition of Mexico-based Industrias Mass (Expanded geographical coverage) - Share buybacks (Capital strategy implementation)

Global carbon-neutral initiatives

October 26, 2020

「Carbon Neutral Declaration for 2050」

Japan

October 22, 2021

「The 6th Strategic Energy Plan」

「Plan for Global Warming Countermeasures」

-2030 greenhouse gas emission targets(vs 2013) :46% reduction overall , 66% reduction for household use

Greenhouse gas emission targets in countries where the Rinnai Group is involved

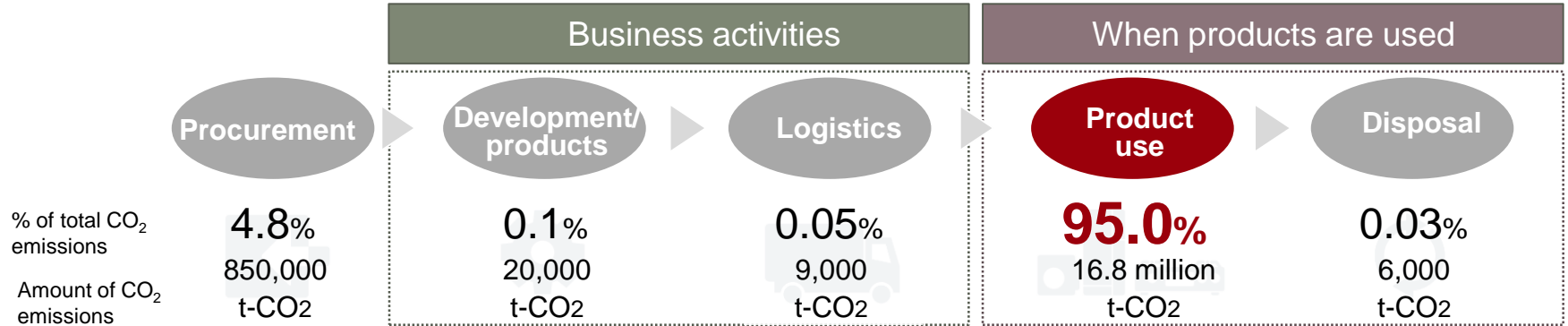
Overseas

United States: 2030: 50–52% reduction (vs 2005); 2050: Zero
 Australia: 2030: 26–28% reduction (vs 2005); 2050: Zero
 United Kingdom: 2030: 68% reduction (vs 1990); 2050: Zero
 China: 2030; 65% reduction (vs 2005); 2060: Zero

We will formulate a long-term corporate policy aimed at realizing a decarbonized society by 2050

Product life cycle: Environmental Impacts and CO₂ Emission Targets

Environmental Impact of Rinnai Products over Their Life Cycle (Domestic, fiscal 2021)



CO₂ emission targets

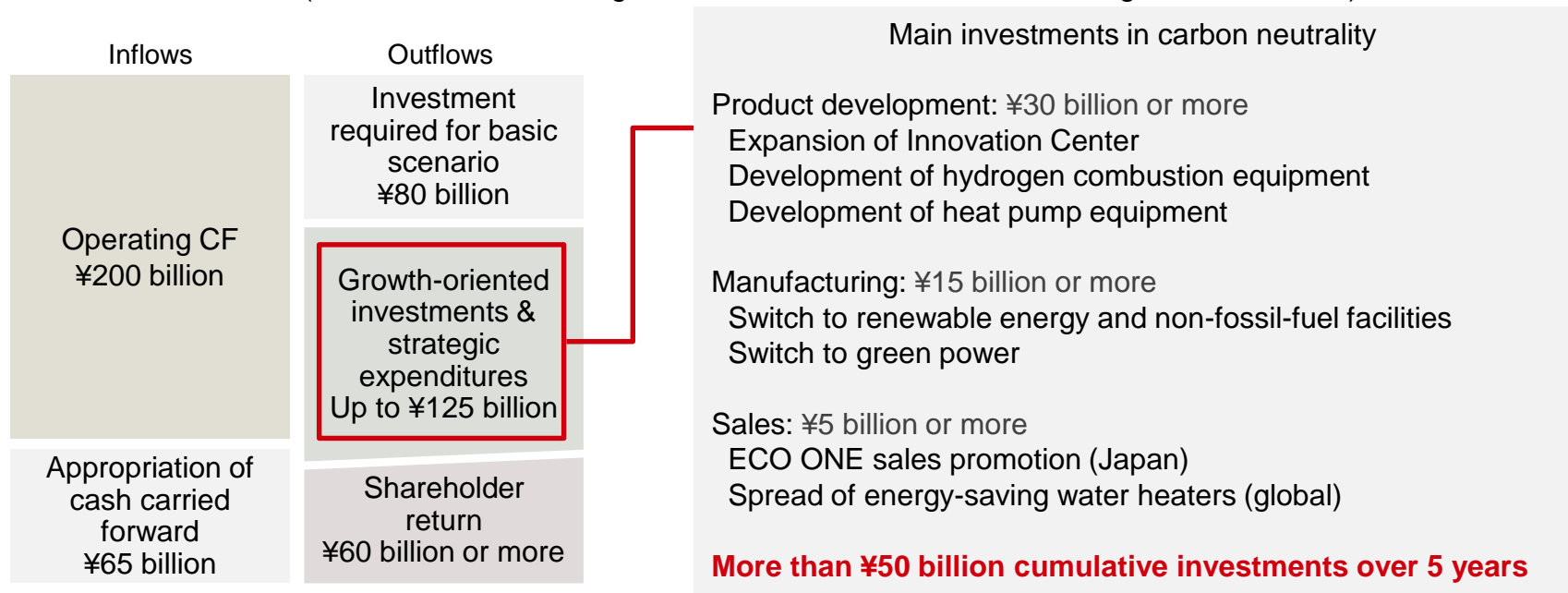
* Figures of overseas products are rough estimates

	Domestic	Global		Domestic	Global
2020	30,000 t-CO ₂	100,000 t-CO ₂		16.8 million t-CO ₂	45 million t-CO ₂
2030	15,000 t-CO ₂	50,000 t-CO ₂		12.6 million t-CO ₂	—
2050	Zero			Zero	

Investing in Carbon Neutrality

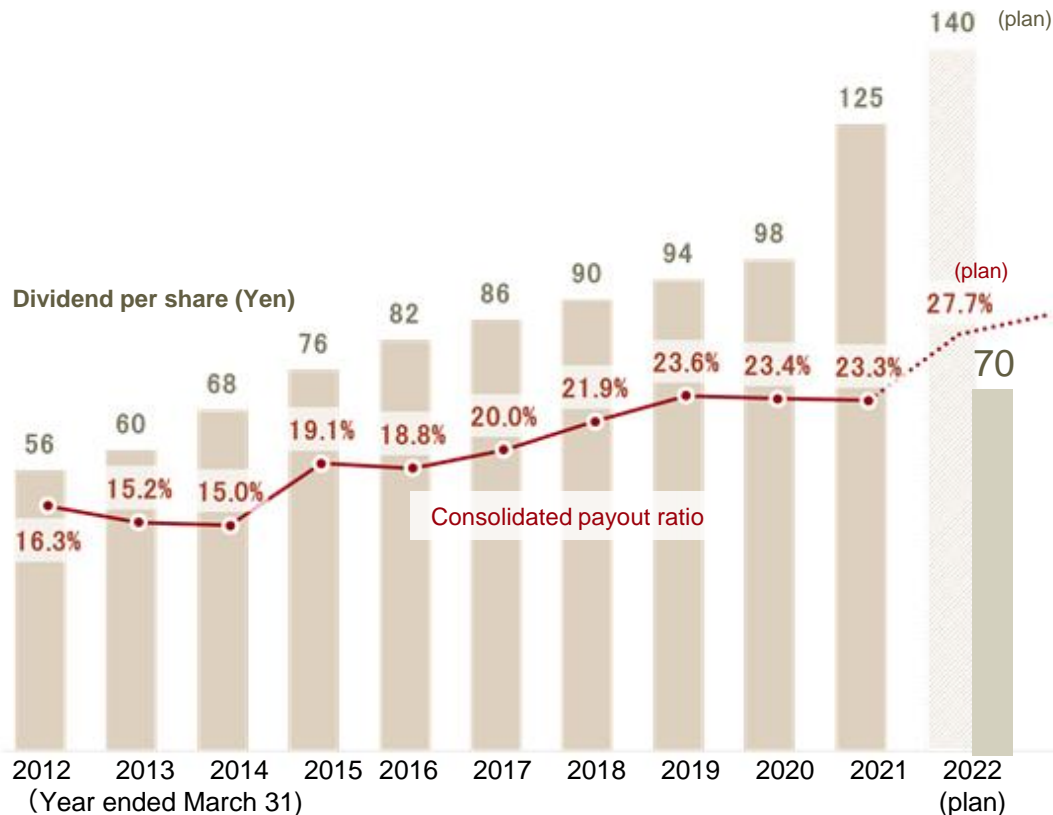
Global

Cash flow scenarios (From fiscal 2022 ending March 31, 2022, to fiscal 2026, ending March 31, 2026)



Accelerate innovation in product development, manufacturing, and sales by investing aggressively to become carbon neutral

Shareholder Return Policy



Dividends

Two first quarters of fiscal 2022

¥70

interim dividend for the 12th consecutive year

Fiscal 2022 forecast

¥140

Year-end dividend for the 20th consecutive year

Share buybacks

Acquired on August 19, 2021

¥17.4 billion (1.6 million shares)

Return policy

- Total return ratio 40%
(average during 2022~2026)

- Continual raising of the dividend payout ratio

Implement growth investments for the future and shareholder return expansion based on capital strategy

Performance forecasts and other future-oriented predictions contained in these materials are based on the Company's judgments using available information. Actual results may differ from such forecasts and predictions due to changing future circumstances.