

# Consolidated Financial Results

## First Three Quarters of the Fiscal Year Ending March 2022

(April 1–December 31, 2021)

February 9, 2022

### 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 10, 2022

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, 2022

(April 1–December 31, 2021; 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. 2021	¥273,763 [+11.5%]	¥28,042 [+0.9%]	¥30,409 [+5.3%]	¥18,365 [-5.0%]
Three Quarters to Dec. 2020 (Reference)	245,506 [-2.5%]	27,781 [+13.6%]	28,884 [+13.4%]	19,342 [+26.0%]

Comprehensive Income: First three quarters of the year ending March 31, 2022; ¥26,731 million (+46.8%)  
First three quarters of the year ended March 31, 2021; ¥18,203 million (+49.5%)

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
Three Quarters to Dec. 2021	¥362.29	—
Three Quarters to Dec. 2020	376.32	—

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, 2021	¥499,223	¥371,402	67.8%
March 31, 2021	497,291	371,318	68.8

(Reference) Equity capital: Three quarters of the year ending March 31, 2022; ¥338,582 million  
Year ended March 31, 2021; ¥342,329 million

## II. Dividends

(Basis date)	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
March 2021	—	¥55.00	—	¥70.00	¥125.00
March 2022	—	70.00	—		
March 2022 (anticipated)				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 (¥)
Full year	¥365,000 [+6.0%]	¥35,000 [-14.0%]	¥38,000 [-10.4%]	¥22,500 [-18.4%]	¥445.66

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: 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 10 of this report.

(4) Number of Outstanding Shares (Common Stock)

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

December 31, 2021: 50,021,057 shares

March 31, 2021: 51,616,463 shares

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

December 31, 2021: 219,240 shares

March 31, 2021: 218,686 shares

(c) Average number of shares during the term

First three quarters of the fiscal year ending March 2022: 50,692,851 shares

First three quarters of the fiscal year ended March 2021: 51,398,526 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 9, 2022.

# 1. Consolidated Performance

## (1) Operating Results

In the three-quarter period under review, the world economy sought to return to normal from the COVID-19 pandemic. Although restrictions on activities were relaxed in some countries and regions, the situation remained confusing due to various factors—such as tight parts-procurement conditions, soaring raw material prices, and the emergence of new COVID variants—against the backdrop of a global recovery in demand and restrictions on activities in areas where infections have spread. In Japan, meanwhile, widespread vaccine rollouts led to expectations of an economic turnaround, but the outlook remained uncertain due to the risk of a new outbreak and weak business sentiment.

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.” In November 2021, for example, we announced “RIM 2050,” which sets forth our long-term corporate policy aimed at creating a decarbonized society. In these ways, we are working to 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 a year-on-year increase in net sales thanks to higher sales of mainstay products in various overseas markets, especially China and the United States. This was despite delays in supply stemming from tight parts-procurement conditions, which had a significant impact on domestic sales activities and exports. On the earnings side, we posted an increase in operating income thanks to higher overseas revenue and rigorous cost-reduction activities, despite a decline in domestic sales and a growing sense of slowdown due to downward pressure from soaring raw material prices and logistics costs.

As a result, consolidated net sales for the period amounted to ¥273,763 million, up 11.5% from the previous corresponding period. Operating income edged up 0.9%, to ¥28,042 million, and ordinary income climbed 5.3%, to ¥30,409 million. Net income attributable to owners of the parent company declined 5.0%, to ¥18,365 million, due partly to a gain on sales of investment securities in the previous corresponding period.

Our results by geographical segment were as follows:

### ***Japan***

In Japan, the impact of difficult procurement conditions on our production activities since October 2021 led to a significant decline in sales, especially of mainstay built-in hobs (stovetops) and water heaters. Due also to soaring raw material prices and logistics costs, sales in Japan decreased 4.4% year on year, to ¥129,149 million, and operating income fell 25.9%, to ¥13,490 million.

### ***United States***

In the United States, we enjoyed an increase in sales thanks to accelerating demand for highly convenient tankless water heaters, as well as ongoing healthy conditions in the housing market. This was despite tight parts-procurement conditions, which affected supplies from Japan. As a result, sales increased 30.6%, to ¥33,257 million, and operating income jumped 41.7%, to ¥1,776 million.

### ***Australia***

In Australia, sales of room heaters remained firm despite tight parts-procurement conditions, which had an impact on supplies of water heaters from Japan. We also benefited from improved productivity and appreciation of the local currency. As a result, sales rose 9.3% year

on year, to ¥19,994 million, and operating income surged 112.0%, to ¥1,766 million.

### **China**

In addition to strong Internet sales, sales of mainstay water heaters at physical stores also increased, while boiler sales also remained strong. To address soaring raw material prices, we sought to reduce costs and expand sales of high-value-added products. As a result, sales in China climbed 54.9% year-on-year, to ¥39,856 million, and operating income rose 38.8%, to ¥4,812 million.

### **South Korea**

In South Korea, we posted growth in sales of high-efficiency boilers in response to stricter environmental regulations. We also made good progress in improving earnings through cost reductions and other activities. Accordingly, sales increased 18.7%, to ¥22,837 million, and operating income was ¥899 million, compared with an operating loss of ¥418 million in the previous corresponding period.

### **Indonesia**

In Indonesia, sales of mainstay tabletop stoves weakened due to restrictions on social activities caused by the spread of COVID-19, but sales of high-priced built-in hobs (stovetops) and range hoods remained firm. As a result, sales rose 22.5%, to ¥10,295 million, and operating income jumped 35.9%, to ¥2,161 million.

### **(For references 1) Sales Composition by Business Segment**

(¥ millions; %)

	Three Quarters to Dec. 31, 2020		Three Quarters to Dec. 31, 2021		Change		Year to March 31, 2021	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Water heaters	¥135,263	55.1%	¥157,145	57.4%	¥21,882	16.2%	¥195,755	56.8%
Kitchen appliances	66,475	27.1	64,547	23.6	(1,928)	(2.9)	88,441	25.7
Air conditioning appliances	14,257	5.8	16,790	6.1	2,532	17.8	19,013	5.5
Commercial-use equipment	5,667	2.3	6,572	2.4	905	16.0	7,726	2.2
Others	23,842	9.7	28,708	10.5	4,866	20.4	33,428	9.7
Total	¥245,506	100.0%	¥273,763	100.0%	¥28,257	11.5%	¥344,364	100.0%

### **(For references 2) Overseas Sales**

(¥ millions; %)

	Three Quarters to Dec. 31, 2020			Three Quarters to Dec. 31, 2021		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥64,946	¥50,731	¥115,677	¥86,686	¥65,783	¥152,469
II. Consolidated net sales	—	—	245,506	—	—	273,763
III. Composition ratio of overseas sales to consolidated net sales	26.5%	20.7%	47.1%	31.7%	24.0%	55.7%

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

### **(2) Financial Position**

As of December 31, 2021, Rinnai had total assets of ¥499,223 million, up ¥1,931 million from March 31, 2021. Total liabilities increased ¥1,847 million, to ¥127,820 million. Net assets were up ¥83 million, to ¥371,402 million. The equity ratio at the end of the period was 67.8%.

### (3) Explanation about Consolidated Performance Forecasts

Despite strong sales of mainstay products in various overseas markets, especially China and the United States, the Group's performance is expected to fall short of the previous forecast due to continued increases in raw material prices and logistics costs, as well as supply delays caused by tight parts-procurement conditions, which had a significant impact on domestic sales activities and exports. As a result, the Group's performance is expected to fall short of the previous forecast. In light of our recent business performance and other factors, we have revised our full-year consolidated performance forecasts (initially announced on May 12, 2021).

#### Revision of consolidated performance forecasts for fiscal 2022 (April 1, 2021–March 31, 2022)

(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)	365,000	41,000	42,000	26,000	505.86
Revised forecast (B)	365,000	35,000	38,000	22,500	445.66
Difference (B – A)	–	(6,000)	(4,000)	(3,500)	–
Change (%)	–	-14.6	-9.5	-13.5	–
(For references) Year ended March 31, 2021 (actual)	344,364	40,690	42,400	27,581	536.62

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2021 (Fiscal 2021)	At December 31, 2021 (Three Quarters of Fiscal 2022)
<b>ASSETS:</b>		
Current assets		
Cash and deposits	¥186,412	¥175,065
Notes and accounts receivable	74,997	—
Notes and accounts receivable, and contract assets	—	72,322
Electronically recorded monetary claims	9,350	9,834
Marketable securities	18,522	11,384
Products	25,532	30,243
Raw materials and stores	17,558	24,615
Other	2,531	3,943
Less allowance for doubtful accounts	(2,751)	(3,705)
Total current assets	332,153	323,704
Fixed assets		
Property, plant and equipment	86,672	96,033
Intangible fixed assets	3,232	3,511
Investments and advances		
Investments in securities	40,783	40,927
Other	34,508	35,196
Less allowance for doubtful accounts	(57)	(150)
Total investments and advances	75,234	75,973
Total fixed assets	165,138	175,518
<b>Total assets</b>	<b>¥497,291</b>	<b>¥499,223</b>

(¥ millions)

	At March 31, 2021 (Fiscal 2021)	At December 31, 2021 (Three Quarters of Fiscal 2022)
<b>LIABILITIES:</b>		
Current liabilities		
Notes and accounts payable	¥ 21,974	¥ 23,956
Electronically recorded obligations	33,527	32,382
Accrued income taxes	7,380	3,164
Accrued employee's bonuses	4,804	3,058
Allowance for product guarantee	3,568	3,811
Other allowances	1,074	1,169
Other	27,208	32,429
Total current liabilities	99,538	99,972
Long-term liabilities		
Allowance for environmental measures	2,255	2,255
Reserves	99	89
Net defined benefit liabilities	9,660	9,479
Other	14,419	16,024
Total long-term liabilities	26,434	27,848
<b>Total liabilities</b>	<b>125,973</b>	<b>127,820</b>
<b>NET ASSETS:</b>		
Shareholders' equity:		
Common stock	6,459	6,484
Capital surplus	8,648	8,673
Earned surplus	315,992	310,210
Treasury stock	(1,881)	(2,327)
Total shareholders' equity	329,219	323,040
Other comprehensive income:		
Unrealized gain on marketable securities	6,058	5,025
Foreign exchange translation adjustment	(2,885)	1,790
Remeasurements of defined benefit plans	9,937	8,727
Total other comprehensive income	13,110	15,542
Non-controlling interests	28,989	32,819
<b>Total net assets</b>	<b>371,318</b>	<b>371,402</b>
<b>Total liabilities and net assets</b>	<b>¥497,291</b>	<b>¥499,223</b>

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

### Consolidated Statements of Income

(¥ millions)

	Three Quarters of Fiscal 2021 (From April 1 to December 31, 2020)	Three Quarters of Fiscal 2022 (From April 1 to December 31, 2021)
Net sales	¥245,506	¥273,763
Cost of sales	163,109	183,701
Gross profit	82,396	90,062
Selling, general and administrative expenses	54,615	62,020
Operating income	27,781	28,042
Other income:		
Interest income	686	723
Dividends received	359	361
Foreign exchange income	—	604
Other	574	874
Total other income	1,620	2,564
Other expenses:		
Interest expenses	34	46
Foreign exchange loss	346	—
Loss on retirement of fixed assets	88	73
Other	46	77
Total other expenses	516	197
Ordinary income	28,884	30,409
Extraordinary income:		
Gain on sales of investment securities	1,445	—
Total extraordinary income	1,445	—
Income before income taxes	30,330	30,409
Income taxes (current)	7,585	7,512
Income taxes (deferred)	771	843
Total income taxes	8,357	8,356
Net income	21,973	22,052
Net income attributable to non-controlling interests	2,630	3,687
Net income attributable to owners of the parent company	¥ 19,342	¥ 18,365



## Consolidated Statements of Comprehensive Income

(¥ millions)

	Three Quarters of Fiscal 2021 (From April 1 to December 31, 2020)	Three Quarters of Fiscal 2022 (From April 1 to December 31, 2021)
Net Income	¥21,973	¥22,052
Other comprehensive income		
Unrealized gain on marketable securities	386	(1,034)
Foreign exchange translation adjustment	(3,471)	6,929
Remeasurements of defined benefit plans	(669)	(1,216)
Equity equivalents in equity method affiliates	(14)	–
Total other comprehensive income	(3,769)	4,678
Comprehensive income	18,203	26,731
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	16,272	20,798
Non-controlling interest	1,930	5,932

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

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

Not applicable.

#### **Notes on 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 for the fiscal 2022 ending March 31, 2022, 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 first quarter, 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 first quarter for the fiscal 2022 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 first quarter of fiscal 2022. 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 for the fiscal 2022 ending March 31, 2022, 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

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

(¥ millions)

	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	¥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.

### First Three Quarters of the Fiscal Year Ending March 31, 2022 (April 1 to December 31, 2021)

(¥ millions)

	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	¥129,149	¥33,257	¥19,994	¥39,856	¥22,837	¥10,295	¥255,389	¥18,373	¥ —	¥273,763
Intersegment	32,890	—	109	1,840	732	522	36,095	1,797	(37,893)	—
Total	162,039	33,257	20,103	41,697	23,569	10,818	291,485	20,171	(37,893)	273,763
Income (loss)	13,490	1,776	1,766	4,812	899	2,161	24,906	3,058	77	28,042

- 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.