

Consolidated Financial Results for Fiscal 2022

(April 1, 2021 - March 31, 2022)

May 10, 2022

Listed Company Name: Rinnai Corporation

Listings: Prime Section of the Tokyo Stock Exchange, and Premiere Section of Nagoya Stock Exchange (Securities Code: 5947)

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

Representative: Hiroyasu Naito, President

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Date of the General Meeting of Shareholders: June 29, 2022

Anticipated date to begin distributing dividends: June 30, 2022

Anticipated date for releasing annual securities report: June 29, 2022

Supplemental information sheets of financial results: Yes

Information meeting of financial results: Yes (for analysts and institutional investors)

1. Performance for the Year Ended March 31, 2022

(April 1, 2021 to March 31, 2022; Amounts less than one million yen are omitted)

(1) Consolidated Operating Results (Year ended March 31)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	(¥ millions)			
	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)
Fiscal 2022	366,185 (+6.3)	35,864 (-11.9)	39,060 (-7.9)	23,748 (-13.9)
Fiscal 2021	344,364 (+1.1)	40,690 (+18.2)	42,400 (+18.8)	27,581 (+27.9)

Note: Comprehensive income:

Year ended March 31, 2022: ¥34,240 million (-6.9%)

Year ended March 31, 2021: ¥36,763 million (+51.0%)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)	Ratio of Net Income to Equity Capital (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Operating Income to Net Sales (%)
Fiscal 2022	470.39	—	6.9	7.7	9.8
Fiscal 2021	536.62	—	8.4	8.9	11.8

References: Equity in earnings of companies accounted for using the equity method:

Year ended March 31, 2022: ¥— million Year ended March 31, 2021: ¥8 million

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2022	512,867	378,856	66.9	6,889.76
Fiscal 2021	497,291	371,318	68.8	6,660.40

(Reference) Equity capital: Year ended March 31, 2022: ¥343,120 million

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

(3) Consolidated Cash Flows (Years ended March 31)

(¥ millions)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Fiscal 2022	28,696	(25,486)	(27,109)	147,972
Fiscal 2021	49,491	(15,820)	(7,269)	166,524

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year- End (¥)	Full Year (¥)
Fiscal 2021	—	55.00	—	70.00	125.00
Fiscal 2022	—	70.00	—	70.00	140.00
Fiscal 2023 (anticipated)	—	75.00	—	75.00	150.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2021	6,424	23.3	2.0
Fiscal 2022	6,972	29.8	2.1
Fiscal 2023 (anticipated)		29.0	

3. Forecast for the Fiscal Year Ending March 31, 2023

(April 1, 2022, to March 31, 2023)

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)	Net Income per Share (¥)
Two-quarter total	180,000 (+0.2)	14,000 (-30.4)	15,000 (-30.8)	9,000 (-32.1)	181.24
Full year	400,000 (+9.2)	41,000 (+14.3)	42,500 (+8.8)	25,500 (+7.4)	517.63

(Percentage figures in columns indicate increase or decrease from the previous term.)

(Note) At the Board of Directors meeting held today (May 10, 2022), the Corporation resolved to buy back the Corporation's shares up to a total value of ¥10 billion. The above figures for net income per share (forecast) take into account the impact of the share buyback. For details of the share buyback, please refer to the "Notice Concerning Share Buyback," released today. The figure for consolidated payout ratio for fiscal 2022 (anticipated) under "2. Dividends" also takes into account the impact of the share buyback.

* Notes

(1) Changes in scope of consolidation of major subsidiaries during the period: None

Newly included one company — (Company name: —): Excluded — (Company name: —)

(2) 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 "Changes in accounting policies" on page 16 of this report.

(3) Number of Outstanding Shares (Common Stock)

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

Year ended March 31, 2022: 50,021,057 shares

Year ended March 31, 2021: 51,616,463 shares

(b) Number of treasury stock at fiscal year-end

Year ended March 31, 2022: 219,577 shares

Year ended March 31, 2021: 218,686 shares

(c) Average number of shares during the term

Year ended March 31, 2022: 50,487,172 shares

Year ended March 31, 2021: 51,398,382 shares

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2022

(April 1, 2021 to March 31, 2022; Amounts less than one million yen are omitted)

(1) Nonconsolidated Operating Results (Years ended March 31) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
Fiscal 2022	204,929 (-3.5)	14,275 (-30.7)	19,975 (-15.1)	15,435 (-15.2)
Fiscal 2021	212,388 (+2.2)	20,612 (+18.7)	23,515 (+15.9)	18,208 (+20.9)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2022	305.74	—
Fiscal 2021	354.25	—

(2) Nonconsolidated Financial Position (at March 31) (¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2022	276,512	223,541	80.8	4,488.66
Fiscal 2021	290,346	234,199	80.7	4,556.61

(Reference) Equity capital: Year ended March 31, 2022; ¥223,541 million

Year ended March 31, 2021; ¥234,199 million

* This report is exempt from an auditing 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, (4) Outlook for the Year Ending March 2023” on page 7 of this report.

*Supplemental information sheets of financial results are posted on the Corporation’s website on Tuesday, May 10, 2022.

1. Consolidated Performance

(1) Fiscal Year in Review

In the fiscal year under review, the world economy sought to return to normal from the COVID-19 pandemic. However, situation remained increasingly uncertain due to several factors. These included tight parts-procurement conditions—particularly for semiconductors and electronic components, due to a global recovery in demand—surging energy and raw material prices, restrictions on economic activities due to new outbreaks of COVID-19 in some countries and regions, and heightened geopolitical risks. In Japan, meanwhile, widespread vaccine rollouts led to expectations of an economic turnaround, but the outlook remained uncertain due to the risk of new outbreaks and weak business sentiment.

The domestic housing industry saw signs of weakness in the number of new housing starts, and recovery in the market for housing appliances also appeared to stagnate.

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 steadily implemented the three strategies of “advancement in addressing social challenges,” “expansion of business scale,” and “revolution of corporate structure.” During the year, for example, we updated our Lisse line of stoves, featuring an automatic cooking function that helps improve quality of life, as well as Leggiero, a waterless cooking pot. We also 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 a decline in domestic sales as tight parts-procurement conditions led to disruption of factory production and consequent delays in supplying products to domestic and overseas markets. On the earnings side, we posted a decrease in operating income due to lower domestic sales and soaring raw material prices and logistics costs, including marine freight charges to the United States.

As a result, consolidated net sales for the year amounted to ¥366,185 million, up 6.3% from the previous year. Operating income declined 11.9%, to ¥35,864 million, and ordinary income decreased 7.9%, to ¥39,060 million. Net income attributable to owners of the parent company fell 13.9%, to ¥23,748 million.

Our results by geographical segment were as follows:

Japan

Although sales of mainstay water heaters, built-in hobs (stovetops), and gas clothes dryers, a growth item, were strong at the beginning of the period, overall sales declined significantly

as tight procurement conditions for some parts since October 2021 had a negative impact on production. Due also to soaring raw material prices and logistics costs, sales in Japan decreased 6.3% year on year, to ¥171,533 million, and operating income fell 28.9%, to ¥17,439 million.

United States

In the United States, we enjoyed an increase in sales thanks to accelerating demand for tankless water heaters, as well as ongoing healthy conditions in the housing market. This was despite turmoil in international logistics and tight parts-procurement conditions, which affected supplies from Japan. As a result, sales increased 21.0%, to ¥44,752 million. Due to higher procurement costs and increased labor costs for operating the new plant, however, operating income slipped 3.2%, to ¥2,108 million.

Australia

In Australia, sales of room heaters remained firm as COVID-19 prompted people to spend more time at home. This was despite tight parts-procurement conditions, which had an impact on supplies of water heaters from Japan. We also made progress in improving productivity in the wake of soaring raw material prices and logistics costs. As a result, sales rose 6.0%, to ¥25,764 million, and operating income surged 77.7%, to ¥1,620 million.

China

In addition to strong Internet sales, we enjoyed a recovery in sales at physical stores, which had declined in the previous fiscal year due to restrictions on activity, leading to increases in sales of mainstay water heaters and boilers. 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 28.2% year-on-year, to ¥52,778 million, and operating income edged up 1.3%, to ¥6,752 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 13.3%, to ¥32,124 million, and operating income surged 636.7%, to ¥1,041 million.

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 thanks to growing demand for home cooking and our expanded product lineup, in addition to property orders. As a result, sales rose 20.8%, to ¥13,587 million, and operating income climbed 16.6%, to ¥2,826 million.

References 1: Net sales by product

(¥ millions)

	Year ended March 31, 2021 (April 1, 2020, to March 31, 2021)		Year ended March 31, 2022 (April 1, 2021, to March 31, 2022)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	195,755	56.8	211,026	57.6	15,270	7.8
Kitchen appliances	88,441	25.7	85,531	23.4	(2,909)	(3.3)
Air conditioning appliances	19,013	5.5	21,109	5.8	2,096	11.0
Commercial-use equipment	7,726	2.2	9,007	2.5	1,280	16.6
Others	33,428	9.7	39,509	10.8	6,081	18.2
Total	344,364	100.0	366,185	100.0	21,820	6.3

References 2: Overseas sales

(¥ millions)

	Year ended March 31, 2021 (April 1, 2020, to March 31, 2021)			Year ended March 31, 2022 (April 1, 2021, to March 31, 2022)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	97,187	71,281	168,469	117,289	86,878	204,167
II. Consolidated net sales	—	—	344,364	—	—	366,185
III. Composition ratio of overseas sales to consolidated net sales	28.2%	20.7%	48.9%	32.0%	23.7%	55.8%

Note: Overseas sales of the above indicate sales of the Corporations in overseas countries or regions.

(2) Financial Position

As of March 31, 2022, the Rinnai Group had total assets of ¥512,867 million, up ¥15,575 million from a year earlier. This rise stemmed mainly from an increase in inventories.

Total liabilities increased ¥8,037 million, to ¥134,010 million, due to an increase in notes and accounts payable.

Net assets were up ¥7,537 million, to ¥378,856 million, boosted by net income attributable to owners of the parent company, and acquisition and retirement of treasury stock.

As a result, the equity ratio at fiscal year-end was 66.9%.

(3) Cash Flows

Cash and cash equivalents at March 31, 2022, stood at ¥147,972 million, down ¥18,551 million, or 11.1%, from a year earlier.

Net cash provided by operating activities amounted to ¥28,696 million, down 42.0% from the previous year. Main factors included the secured operating income and a cash decrease due to income taxes paid.

Net cash used in investing activities totaled ¥25,486 million, up 61.1% from the previous year. Main factors were purchases of tangible fixed assets.

Net cash used in financing activities was ¥27,109 million, up 272.9% from the previous year. Main factors were acquisition of treasury stock and payment of dividends.

(4) Outlook for the Year Ending March 2023

Looking ahead, we expect the business conditions to remain challenging due to various factors, including lockdowns in China due to new breakouts of COVID-19 and uncertainty stemming from heightened geopolitical risks, as well as ongoing increases in energy and raw material prices, inflation, and supply chain disruptions.

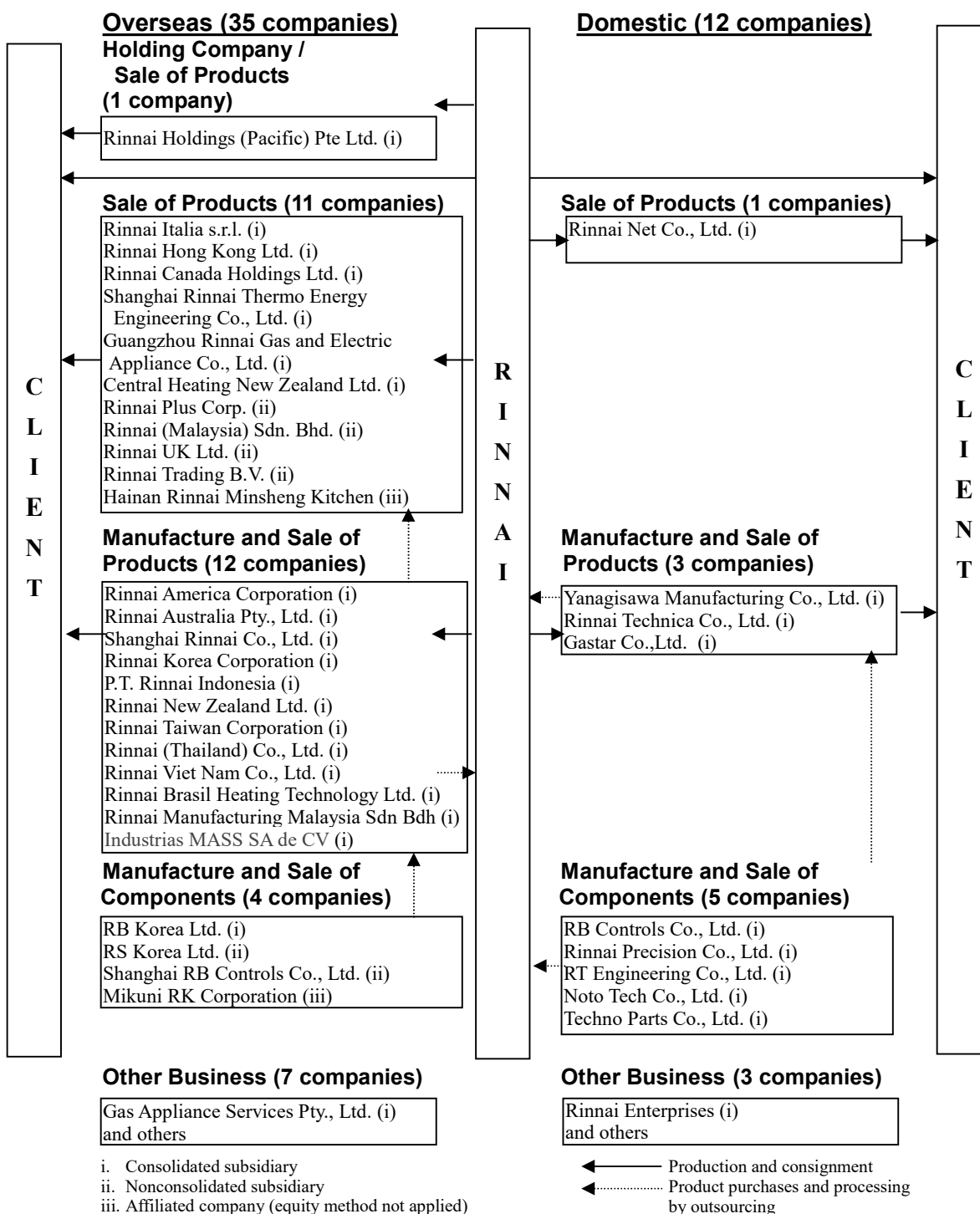
Under these circumstances, the Rinnai Group, guided by its medium-term business plan, New ERA 2025, will provide a variety of products and services designed to improve quality of life and address global environmental issues as a company that creates healthy and comfortable ways of living.

In Japan, we will rebuild and fortify our supply chain with top priority on swiftly resolving supply delays. We will also strengthen sales of products that strongly differentiate our business. These include gas clothes dryers and dishwasher/dryers that help improve quality of life, as well as environmentally friendly and energy-efficient water heaters, such as ECO ONE hybrid water heaters and heating systems that help combat global warming. In the key U.S. market, we will begin full-scale local production of tankless gas water heaters, which continue to enjoy strong demand, while in China we will further strengthen Internet sales, which are expected to grow. We will also continue expanding into emerging countries and untapped regions while promoting products in regions that are working swiftly to realize a decarbonized society.

Our consolidated forecasts for the year ending March 2023 are as follows: Net sales of ¥400.0 billion (up 9.2% year on year), operating income of ¥41.0 billion (up 14.3%), ordinary income of ¥42.5 billion (up 8.8%), and net income attributable to owners of the parent company of ¥25.5 billion (up 7.4%).

2. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 45 subsidiaries, and two affiliated companies, for a total of 48 companies. These include 37 consolidated subsidiaries. The Group is primarily engaged in the manufacture and sale of heating appliances and components, and related businesses. The Group's structure and business flow are shown below.



3. Basic Policy Regarding Selection of Accounting Standard

The Rinnai Group has prepared these consolidated financial statements based on to the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), except for Chapters 7 and 8. With respect to application of international accounting standards, the Group's policy is to respond appropriately after considering various circumstances in Japan and overseas.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2021 (Year ended March 31, 2021)	At March 31, 2022 (Year ended March 31, 2022)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	186,412	173,235
Notes and accounts receivable	74,997	—
Notes and accounts receivable, and contract assets	—	75,596
Electronically Recorded Monetary Claims	9,350	7,641
Marketable securities	18,522	12,250
Products	25,532	36,078
Raw materials and stores	17,558	28,548
Other	2,531	4,698
Less allowance for doubtful accounts	(2,751)	(4,093)
Total current assets	332,153	333,956
Fixed assets		
Property, plant and equipment		
Buildings and structures	74,800	79,238
Accumulated depreciation	(40,579)	(43,133)
Buildings and structures (net)	34,221	36,104
Machinery and vehicles	63,114	67,194
Accumulated depreciation	(47,495)	(51,509)
Machinery and vehicles (net)	15,618	15,684
Tools and fixtures	38,138	38,209
Accumulated depreciation	(33,612)	(34,192)
Tools and fixtures (net)	4,525	4,016
Land	24,078	24,995
Lease assets	4,513	5,047
Accumulated depreciation	(1,118)	(1,145)
Lease assets (net)	3,394	3,902
Construction in progress	4,834	15,894
Total property, plant and equipment	86,672	100,598
Intangible fixed assets	3,232	3,792
Investments and advances		
Investments in securities	40,783	44,620
Net defined benefit assets	28,096	23,371
Deferred income taxes	3,774	4,299
Other	2,637	2,383
Less allowance for doubtful accounts	(57)	(153)
Total investments and advances	75,234	74,520
Total fixed assets	165,138	178,910
Total assets	497,291	512,867

(¥ millions)

	At March 31, 2021 (Year ended March 31, 2021)	At March 31, 2022 (Year ended March 31, 2022)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	21,974	26,433
Electronically recorded obligations	33,527	33,293
Other payables	17,087	19,728
Accrued consumption taxes	2,794	1,179
Accrued income taxes	7,380	4,106
Accrued employee's bonuses	4,804	5,162
Allowance for product guarantee	3,568	3,868
Other	8,400	15,031
Total current liabilities	99,538	108,803
Long-term liabilities		
Deferred tax liabilities	10,926	10,109
Allowance for environmental measures	2,255	2,255
Net defined benefit liabilities	9,660	8,769
Other	3,592	4,073
Total long-term liabilities	26,434	25,206
Total liabilities	125,973	134,010
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,484
Capital surplus	8,648	8,673
Earned surplus	315,992	315,593
Treasury stock	(1,881)	(2,330)
Total shareholders' equity	329,219	328,419
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	6,058	4,582
Foreign exchange translation adjustment	(2,885)	4,925
Remeasurements of defined benefit plans	9,937	5,193
Total other accumulated comprehensive income	13,110	14,700
Non-controlling interests	28,989	35,736
Total net assets	371,318	378,856
Total liabilities and net assets	497,291	512,867

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

(¥ millions)

	Fiscal 2021 (April 1, 2020, to March 31, 2021)	Fiscal 2022 (April 1, 2021, to March 31, 2022)
	Amount	Amount
Net sales	344,364	366,185
Cost of Sales	229,032	249,628
Gross Profit	115,331	116,556
Selling, general and administrative expenses		
Transportation and packing	9,370	11,070
Advertising	3,444	3,082
Sales promotion	8,117	6,914
Transfer to allowance for product guarantee	3,494	3,771
Salary and bonuses	23,397	26,197
Transfer to allowance for employee's bonuses	2,401	2,565
Retirement benefit expenses	500	31
Depreciation	2,663	2,864
Transfer to allowance for doubtful accounts	325	1,659
Other	20,924	22,534
Total selling, general and administrative expenses	74,641	80,692
Operating income	40,690	35,864
Other income:		
Interest income	957	1,141
Dividends received	371	378
Foreign exchange income	—	1,144
Other	851	1,289
Total other income	2,179	3,955
Other expenses:		
Interest expenses	50	64
Foreign exchange loss	115	—
Loss on retirement of fixed assets	193	181
Fair value fluctuation amount related to contingent consideration	—	383
Other	110	130
Total other expenses	469	759
Ordinary income	42,400	39,060
Extraordinary income:		
Gain on sales of investment securities	1,445	—
Total extraordinary income	1,445	—
Income before income taxes	43,846	39,060
Income taxes:		
Current	11,017	9,266
Deferred	585	786
Total income taxes	11,602	10,053
Net income	32,243	29,006
Net income attributable to non-controlling interests	4,662	5,258
Net income attributable to owners of the parent company	27,581	23,748

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2021 (April 1, 2020, to March 31, 2021)	Fiscal 2022 (April 1, 2021, to March 31, 2022)
	Amount	Amount
Net income	32,243	29,006
Other comprehensive income		
Unrealized gain on marketable securities	916	(1,432)
Foreign exchange translation adjustment	(1,110)	11,376
Remeasurements of defined benefit plans	4,711	(4,710)
Equity equivalents in equity method affiliates	2	—
Total other comprehensive income	4,519	5,233
Comprehensive income	36,763	34,240
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	32,230	25,339
Non-controlling interest	4,533	8,901

(3) Consolidated Statements of Shareholders' Equity

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

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,756	293,807	(1,870)	307,153
Effect of change of accounting policy					—
Balance at the beginning of current term, after change of accounting policy	6,459	8,756	293,807	(1,870)	307,153
Net changes during the current term					
Issuance of new shares					—
Dividends paid			(5,396)		(5,396)
Net income attributable to owners of the parent company			27,581		27,581
Acquisition of treasury stock				(10)	(10)
Disposition of treasury stock					—
Retirement of treasury stock					—
Decrease due to merger					—
Transfer from earned surplus to capital surplus					—
Change in ownership interest of parent due to transactions with non-controlling interests		(108)			(108)
Net other changes than shareholders' equity during the current term					—
Total net changes during the current term	—	(108)	22,184	(10)	22,065
Balance at the end of current term	6,459	8,648	315,992	(1,881)	329,219

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	5,144	(1,908)	5,225	8,461	25,343	340,959
Effect of change of accounting policy						—
Balance at the beginning of current term, after change of accounting policy	5,144	(1,908)	5,225	8,461	25,343	340,959
Net changes during the current term						
Issuance of new shares						—
Dividends paid						(5,396)
Net income attributable to owners of the parent company						27,581
Acquisition of treasury stock						(10)
Disposition of treasury stock						—
Retirement of treasury stock						—
Decrease due to merger						—
Transfer from earned surplus to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						(108)
Net other changes than shareholders' equity during the current term	913	(977)	4,712	4,648	3,645	8,293
Total net changes during the current term	913	(977)	4,712	4,648	3,645	30,359
Balance at the end of current term	6,058	(2,885)	9,937	13,110	28,989	371,318

Fiscal 2022 (April 1, 2021, to March 31, 2022) (¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,648	315,992	(1,881)	329,219
Effect of change of accounting policy			(8)		(8)
Balance at the beginning of current term, after change of accounting policy	6,459	8,648	315,984	(1,881)	329,211
Net changes during the current term					
Issuance of new shares	24	24			49
Dividends paid			(7,083)		(7,083)
Net income attributable to owners of the parent company			23,748		23,748
Acquisition of treasury stock				(17,433)	(17,433)
Disposition of treasury stock		0		0	0
Retirement of treasury stock		(16,983)		16,983	—
Decrease due to merger			(72)		(72)
Transfer from earned surplus to capital surplus		16,983	(16,983)		—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net other changes than shareholders' equity during the current term					—
Total net changes during the current term	24	24	(391)	(449)	(791)
Balance at the end of current term	6,484	8,673	315,593	(2,330)	328,419

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	6,058	(2,885)	9,937	13,110	28,989	371,318
Effect of change of accounting policy						(8)
Balance at the beginning of current term, after change of accounting policy	6,058	(2,885)	9,937	13,110	28,989	371,310
Net changes during the current term						
Issuance of new shares						49
Dividends paid						(7,083)
Net income attributable to owners of the parent company						23,748
Acquisition of treasury stock						(17,433)
Disposition of treasury stock						0
Retirement of treasury stock						—
Decrease due to merger						(72)
Transfer from earned surplus to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net other changes than shareholders' equity during the current term	(1,476)	7,811	(4,744)	1,590	6,747	8,337
Total net changes during the current term	(1,476)	7,811	(4,744)	1,590	6,747	7,545
Balance at the end of current term	4,582	4,925	5,193	14,700	35,736	378,856

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2021 (April 1, 2020, to March 31, 2021)	Fiscal 2022 (April 1, 2021, to March 31, 2022)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	43,846	39,060
Depreciation and amortization	11,413	11,794
Increase (decrease) in allowance for doubtful accounts	650	1,106
(Increase) decrease in net defined benefit assets	(645)	(2,466)
Increase (decrease) in net defined benefit liabilities	222	(529)
Interest and dividends income	(1,328)	(1,520)
(Gains) losses on sales of investments in securities	(1,445)	(106)
Decrease (increase) in trade receivables	(8,506)	—
Decrease (increase) in trade receivables and contract assets	—	5,672
Decrease (increase) in inventories	1,086	(18,124)
Increase (decrease) in trade payables	6,332	2,362
Increase (decrease) in accrued consumption taxes	(84)	(1,750)
Increase (decrease) in other liability	4,310	5,448
Other	1,011	(938)
Subtotal	56,862	40,007
Interest and dividends received	1,339	1,445
Interest paid	(50)	(65)
Special retirement expenses paid	(142)	—
Income taxes paid	(8,516)	(12,691)
Net cash provided by operating activities	49,491	28,696
Cash flows from investing activities		
Transfers to time deposits	(37,492)	(44,718)
Withdrawals from time deposits	33,453	41,595
Purchases of securities	(1,122)	(1,487)
Proceeds from redemption of securities	1,384	1,775
Purchases of tangible fixed assets	(12,609)	(20,227)
Purchases of intangible fixed assets	(672)	(612)
Purchases of investments in securities	(5,420)	(8,845)
Proceeds from sales/and redemption of investments in securities	6,786	7,128
Other	(128)	(93)
Net cash used in investing activities	(15,820)	(25,486)
Cash flows from financing activities		
Acquisition of treasury stock	(10)	(17,434)
Dividends paid	(5,395)	(7,080)
Dividends paid to non-controlling interests	(455)	(1,800)
Other	(1,407)	(793)
Net cash used in financing activities	(7,269)	(27,109)
Effect of exchange rate fluctuations on cash and cash equivalents	(15)	4,967
Net increase (decrease) in cash and cash equivalents	26,385	(18,931)
Cash and cash equivalents at beginning of year	140,138	166,524
Increase in cash and cash equivalents due to newly consolidation	—	94
Increase in cash and cash equivalents due to merger with a non-consolidated subsidiary	—	285
Cash and cash equivalents at end of year	166,524	147,972

(5) Notes to Consolidated Financial Statements

Notes regarding the assumption of a going concern

There are no relevant items.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition

From the beginning of the fiscal 2022 ended 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 fiscal year, 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 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 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 fiscal 2022. Decrease (increase) in trade receivables, which was presented in Cash flows from operating activities on the Consolidated Statements of Cash Flows for the prior fiscal year, has been included in Decrease (increase) in trade receivables and contract assets from the 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 fiscal 2022 ended 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 consolidated financial statements.

Segment Information

(1) Summary of Reportable Segments

With respect to its business segments, Rinnai is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance.

The Rinnai Group is engaged mainly in the production and sales of heat appliances. The Corporation (parent company) and domestic subsidiaries are in charge of business activities in Japan, while mainly overseas subsidiaries in United States, Australia, and elsewhere are in charge of business activities in the respective regions. Local subsidiaries operate as independently managed units. With respect to products handled, they advance their operations based on their comprehensive strategies for their specific regions.

Accordingly, the reportable segments of the Corporation, which are geographic segments based on its production and sales system, consist of six regions: Japan, United States, Australia, China, South Korea, and Indonesia.

(2) Calculation Methods of Sales, Income, Assets, and Other Items by Reportable Segment

Accounting treatments of the reportable segments of the Corporation are much the same in the accounting treatments of Consolidated Financial Statements.

Income of the reportable segment indicates figures based on operating income.

(3) Sales and Income (Loss), Assets, and Other Items by Reportable Segment **Year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)**

	Reportable Segments							Others (Note 3)	Adjustments (Note 4, 5)	Amounts in Consolidated Statements of Income (Note 6)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	183,136	36,971	24,311	41,160	28,358	11,248	325,187	19,177	—	344,364
Intersegment sales	37,596	—	93	1,751	676	518	40,635	2,088	(42,724)	—
Total	220,733	36,971	24,404	42,912	29,034	11,766	365,823	21,265	(42,724)	344,364
Segment Income	24,544	2,177	911	6,667	141	2,423	36,866	2,881	943	40,690
Segment Assets	364,659	25,949	24,950	51,786	17,895	13,758	499,000	30,697	(32,405)	497,291
Others										
Depreciation	7,095	345	557	1,479	1,088	301	10,868	544	—	11,413
Investments in company to which equity method applied	—	—	—	—	—	—	—	290	—	290
Amortization of goodwill	133	—	27	—	—	—	161	—	—	161
Increase in property, plant and equipment and intangible fixed assets	9,089	1,488	1,141	736	820	115	13,394	580	—	13,974

- Notes: 1. "United states" include sales from a subsidiary in Canada, which conducts integrate business activities based on comprehensive sales strategies.
2. "Australia" include sales from a subsidiary in Malaysia, which complements the production system, and conducts integrate business activities.
3. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.
4. "Adjustments" of segment income refers to intersegment transactions to eliminate.
5. "Adjustments" of segment assets refers to intersegment transactions to eliminate.
6. "Segment income" is adjusted from operating income in Consolidated Statements of Income.

Year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4, 5)	Amounts in Consolidated Statements of Income (Note 6)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	171,533	44,752	25,764	52,778	32,124	13,587	340,540	25,644	—	366,185
Intersegment sales	42,939	—	131	2,402	1,165	710	47,349	2,431	(49,780)	—
Total	214,472	44,752	25,895	55,181	33,290	14,297	387,890	28,075	(49,780)	366,185
Segment Income	17,439	2,108	1,620	6,752	1,041	2,826	31,789	4,280	(205)	35,864
Segment Assets	343,663	33,843	27,654	72,029	20,240	14,519	511,950	37,272	(36,356)	512,867
Others										
Depreciation	7,474	360	599	1,408	1,018	308	11,169	624	—	11,794
Investments in company to which equity method applied	—	—	—	—	—	—	—	—	—	—
Amortization of goodwill	—	13	12	—	—	—	25	19	—	45
Increase in property, plant and equipment and intangible fixed assets (Note 7)	13,046	6,163	342	1,984	994	117	22,649	646	—	23,295

Notes:1. "United states" include sales from subsidiaries in Canada and Mexico, which conduct integrate business activities based on comprehensive sales strategies.

2. "Australia" include sales from a subsidiary in Malaysia, which complements the production system, and conducts integrate business activities.

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

4. "Adjustments" of segment income refers to intersegment transactions to eliminate.

5. "Adjustments" of segment assets refers to intersegment transactions to eliminate.

6. "Segment income" is adjusted from operating income in Consolidated Statements of Income.

7. "Increase in property, plant and equipment and intangible fixed assets" do not include increase due to newly consolidation

Per Share Data

	Fiscal 2021 (April 1, 2020, to March 31, 2021)	Fiscal 2022 (April 1, 2021, to March 31, 2022)
1. Net assets per share	¥6,660.40	¥6,889.76
2. Net income per share	¥536.62	¥470.39

Notes: 1. Fully diluted net income per share is not indicated because there is no residual equity.

2. Net assets per share are calculated based on the following amounts.

	Fiscal 2021 (April 1, 2020, to March 31, 2021)	Fiscal 2022 (April 1, 2021, to March 31, 2022)
Net assets	¥371,318 million	¥378,856 million
Deduction from net assets	¥28,989 million	¥35,736 million
[Non-controlling interest]	[¥28,989 million]	[¥35,736 million]
Net assets at year-end related to common shares	¥342,329 million	¥343,120 million
Number of common shares at year-end used in calculations	51,397,777 shares	49,801,480 shares

3. Net income per share is calculated based on the following amounts.

	Fiscal 2021 (April 1, 2020, to March 31, 2021)	Fiscal 2022 (April 1, 2021, to March 31, 2022)
Net income attributable to owners of the parent company	¥27,581 million	¥23,748 million
Amount not attributable to common shares	— million	— million
Net income attributable to owners of the parent company related to common shares	¥27,581 million	¥23,748 million
Average number of shares during the term	51,398,382 shares	50,487,172 shares

Subsequent Events

(Share buyback)

At its meeting held on May 10, 2022, the Board of Directors of the Corporation resolved the following matter related to a share buyback pursuant to Article 156 of the Companies Act of Japan as applied to Article 165 (Paragraph 3) of the same Act.

1. Reason for share buyback

To improve shareholder return and capital efficiency and thus further enhance corporate value.

2. Details

- | | |
|--|---|
| (1) Type of shares to be acquired: | Common stock of the Company |
| (2) Total number of shares to be acquired: | 1,500,000 shares (maximum)
(3.01% of total shares issued and outstanding (excluding treasury stock)) |
| (3) Total value of shares to be acquired: | ¥10 billion (maximum) |
| (4) Acquisition period: | May 11–September 22, 2022 |

5. Other

Changes in Directors and Executive Officers

- (1) Change in representative director: Not applicable.
- (2) Other changes in officers
 - New candidate for Standing Audit & Supervisory Board Member: Kinji Mori (currently General Manager of Quality Assurance Headquarters)
 - Retiring Audit & Supervisory Board Member: Katsuhiko Shinji (currently Standing Audit & Supervisory Board Member)
- (3) Scheduled date of assumption of office and retirement: June 29, 2022