

Consolidated Financial Results

First Quarter of the Fiscal Year Ending March 2023

(April 1–June 30, 2022)

August 5, 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

Contact: Takuya Ogawa, Senior Executive Officer, General Manager of Corporate Planning Headquarters

TEL: +81 (52) 361-8211

Scheduled date for release of quarterly securities report: August 9, 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 Quarter of the Fiscal Year Ending March 31, 2023

(April 1– June 30, 2022; 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 2022	¥95,006 [+12.4%]	¥10,079 [+9.8%]	¥11,437 [+15.2%]	¥7,014 [+13.3%]
First Quarter to June 2021	¥84,507 [+23.2%]	¥9,180 [+116.0%]	¥9,930 [+113.1%]	¥6,192 [+64.5%]

Notes: Comprehensive income: First quarter of the year ending March 31, 2023; ¥18,452 million [49.3%]

First quarter of the year ended March 31, 2022; ¥12,360 million [—%]

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
First Quarter to June 2022	¥140.98	—
First Quarter to June 2021	120.48	—

(2) Consolidated Financial Position

(¥ millions; %)

	Total Assets	Net Assets	Equity Ratio (%)
June 30, 2022	¥528,648	¥390,038	66.6%
March 31, 2022	512,867	378,856	66.9

(Reference) Equity capital: First quarter of the year ending March 31, 2023: ¥351,816 million

Year ended March 31, 2022: ¥343,120 million

II. Dividends

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

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

III. Forecast for the Fiscal Year Ending March 31, 2023 (Consolidated)

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

(¥ millions/%)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company	Net Income per Share (¥)
First half	¥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

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

As its meeting held on May 10, 2022, the Board of Directors resolved to undertake a share buyback. The above forecasts for "Net income per share" take into account this buyback.

* 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, 2022: 50,021,057 shares

March 31, 2022: 50,021,057 shares

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

June 30, 2022: 518,477 shares

March 31, 2022: 219,577 shares

(c) Average number of shares during the term

First quarter of the fiscal year ending March 2023: 49,759,320 shares

First quarter of the fiscal year ended March 2022: 51,397,760 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 5, 2022.

1. Consolidated Performance

(1) Operating Results

In the first quarter under review, global economic activities were expected to resume amid easing of restrictions aimed at preventing the spread of COVID-19. However, high energy and raw material prices, supply chain disruptions, heightened geopolitical risks, and lockdowns in China following the spread of infections led to an ongoing strong sense of uncertainty. In Japan, despite signs of economic recovery thanks to vaccination rollouts, the situation remains unpredictable due to the yen's sharp depreciation, imminent price hikes, and the increasing risk of new COVID-19 outbreaks.

In the domestic housing-related industry, the number of new housing starts showed signs of weakness, but the household appliance sector remained firm, particularly in the renovation category.

Under these circumstances, the Rinnai Group pursued three key strategies under New ERA 2025, its medium-term business plan—"advancement in addressing social challenges," "expansion of business scale," and "revolution of corporate structure"—while promoting RIM 2050, its corporate policy targeting carbon neutrality. During the year, we launched ECO ONE X5, a hybrid water heater with heating system that excels in energy efficiency, economy, and ease of installation, and we successfully developed the world's first 100% hydrogen combustion technology for a residential hot water heater. In these and other ways, we made steady progress in fulfilling our promise to our customers ("Creating a healthier way of living") and achieving sustainable and solid long-term growth.

For the period, we increased sales, mainly due to steady sales in Japan, especially of water heaters, as well as higher overseas sales thanks to growth in mainstay products in various regions and the impact of foreign exchange movements. On the earnings side, we reported an increase in operating income due to higher sales in Japan and overseas. This was despite soaring raw material prices and logistics costs, as well as expenses related to the commissioning of a new plant in the United States.

As a result, consolidated net sales for the period amounted to ¥95,006 million, up 12.4% from the previous corresponding period. Operating income rose 9.8%, to ¥10,079 million, while ordinary income climbed 15.2%, to ¥11,437 million. Net income attributable to owners of the parent company grew 13.3%, to ¥7,014 million.

Our results by geographical segment were as follows:

Japan

In Japan, we worked to strengthen our production system to address supply delays, leading to growth in sales of mainstay products, centered on water heaters. Despite soaring raw material prices and distribution costs, sales in Japan increased 11.1% year on year, to ¥45,224 million, and operating income jumped 30.4%, to was 6,366 million.

United States

In the United States, local demand remained firm despite disruptions in international logistics and tight parts procurement conditions, which affected the supply of finished tankless water heaters and knockdown parts from Japan. Accordingly, sales increased 22.4%, to ¥11,133 million. Due to higher procurement costs and expenses for the operation of a new plant, however, we reported a segment operating loss of ¥494 million.

Australia

Sales in Australia declined due to tight parts procurement conditions, which affected supplies of tankless water heaters and heating equipment from Japan. Due also to surging raw material prices and logistics costs, sales decreased 5.1% year on year, to ¥5,667 million, and operating income fell 83.5%, to ¥42 million.

China

While business activities were constrained by lockdowns in Shanghai due to the spread of COVID-19, sales of mainstay water heaters were steady and foreign exchange factors also had a positive impact. As a result, sales in China rose 16.6% year on year, to ¥13,108 million, and operating income jumped 60.0% to ¥2,253 million.

South Korea

Sales of high-efficiency boilers weakened due to a decrease in government subsidies and a warm winter, but kitchen appliances performed well. Accordingly, sales in South Korea grew 4.1%, to ¥8,660 million. Due to soaring raw material prices, however, operating income decreased 4.3%, to ¥730 million.

Indonesia

Despite weak sales of mainstay tabletop stoves, sales of built-in hobs (stovetops) and range hoods increased on the back of sales promotion activities. Consequently, sales in Indonesia rose 13.1%, to ¥3,836 million. Due to soaring raw material prices, however, operating income fell 46.4%, to ¥459 million.

(For references 1)

Sales Composition by Business Segment

(¥ millions; %)

	First Quarter to June 30, 2021		First Quarter to June 30, 2022		Change		Year to March 31, 2022	
	Amount	Amount	Amount	% of total	Amount	%	Amount	% of total
Water heaters	¥48,684	57.6%	¥55,565	58.5%	¥ 6,881	14.1%	¥211,026	57.6%
Kitchen appliances	20,698	24.5	22,167	23.3	1,469	7.1	85,531	23.4
Air conditioning appliances	3,687	4.4	3,543	3.7	(144)	(3.9)	21,109	5.8
Commercial-use equipment	2,101	2.5	2,427	2.6	326	15.5	9,007	2.5
Others	9,336	11.0	11,301	11.9	1,965	21.1	39,509	10.8
Total	¥84,507	100.0%	¥95,006	100.0%	¥10,498	12.4%	¥366,185	100.0%

(For references 2)

Overseas Sales

(¥ millions; %)

	First Quarter to June 30, 2021			First Quarter to June 30, 2022		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥27,451	¥18,458	¥45,910	¥30,853	¥21,054	¥51,908
II. Consolidated net sales	—	—	84,507	—	—	95,006
III. Composition ratio of overseas sales to consolidated net sales	32.5%	21.8%	54.3%	32.5%	22.2%	54.6%

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

(2) Financial Position

As of June 30, 2022, Rinnai had total assets of ¥528,648 million, up ¥15,781 million from March 31, 2022. Total liabilities increased ¥4,600 million, to ¥138,610 million. Net assets were up ¥11,181 million, to ¥390,038 million. The equity ratio at the end of the period was 66.6%.

(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, 2023. (Those forecasts were released on May 10, 2022.)

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2022 (Fiscal 2022)	At June 30, 2022 (First Quarter of Fiscal 2023)
ASSETS:		
Current assets		
Cash and deposits	¥173,235	¥165,192
Notes and accounts receivable, and contract assets	75,596	80,653
Electronically recorded monetary claims	7,641	8,350
Marketable securities	12,250	13,729
Products	36,078	40,313
Raw materials and stores	28,548	31,153
Other	4,698	6,330
Less allowance for doubtful accounts	(4,093)	(4,564)
Total current assets	333,956	341,158
Fixed assets		
Tangible fixed assets	100,598	107,014
Intangible fixed assets	3,792	3,874
Investments and advances		
Investments in securities	44,620	45,911
Other	30,053	30,850
Less allowance for doubtful accounts	(153)	(159)
Total investments and advances	74,520	76,602
Total fixed assets	178,910	187,490
Total assets	¥512,867	¥528,648

(¥ millions)

	At March 31, 2022 (Fiscal 2022)	At June 30, 2022 (First Quarter of Fiscal 2023)
LIABILITIES:		
Current liabilities		
Notes and accounts payable	¥ 26,433	¥ 25,633
Electronically recorded obligations	33,293	35,474
Accrued income taxes	4,106	6,025
Accrued employee's bonuses	5,162	2,325
Allowance for product guarantee	3,868	4,115
Other allowances	1,210	1,166
Other	34,728	38,966
Total current liabilities	108,803	113,707
Long-term liabilities		
Allowance environmental measures	2,255	2,255
Other allowances	93	100
Net defined benefit liabilities	8,769	8,923
Other	14,089	13,624
Total long-term liabilities	25,206	24,902
Total liabilities	134,010	138,610
NET ASSETS:		
Shareholders' equity:		
Common stock	6,484	6,484
Capital surplus	8,673	8,673
Earned surplus	315,593	319,121
Treasury stock	(2,330)	(5,015)
Total shareholders' equity	328,419	329,264
Other comprehensive income:		
Unrealized gain on marketable securities	4,582	5,252
Foreign exchange translation adjustment	4,925	12,406
Remeasurements of defined benefit plans	5,193	4,893
Total of other comprehensive income	14,700	22,552
Non-controlling interests	35,736	38,221
Total net assets	378,856	390,038
Total liabilities and net assets	¥512,867	¥528,648

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

Consolidated Statements of Income

(¥ millions)

	First Quarter of Fiscal 2022 (From April 1 to June 30, 2021)	First Quarter of Fiscal 2023 (From April 1 to June 30, 2022)
Net sales	¥84,507	¥95,006
Cost of sales	55,501	62,818
Gross profit	29,005	32,187
Selling, general and administrative expenses	19,824	22,108
Operating income	9,180	10,079
Other income:		
Interest income	262	344
Dividends received	240	287
Foreign exchange income	10	723
Other	292	202
Total other income	806	1,558
Other expenses:		
Interest expenses	11	17
Loss on retirement of fixed assets	13	8
Fair value fluctuation amount related to contingent consideration	—	135
Other	32	38
Total other expenses	57	200
Ordinary income	9,930	11,437
Income before income taxes	9,930	11,437
Income taxes (current)	3,260	4,202
Income taxes (deferred)	(779)	(1,197)
Total income taxes	2,480	3,004
Net income	7,449	8,432
Net income attributable to non-controlling interests	1,257	1,417
Net income attributable to owners of the parent company	¥ 6,192	¥ 7,014

Consolidated Statements of Comprehensive Income

(¥ millions)

	First Quarter of Fiscal 2022 (From April 1 to June 30, 2021)	First Quarter of Fiscal 2023 (From April 1 to June 30, 2022)
Net income	¥7,449	¥8,432
Other comprehensive income		
Unrealized gain on marketable securities	(802)	673
Foreign exchange translation adjustment	6,123	9,647
Remeasurements of defined benefit plans	(409)	(301)
Total of other comprehensive income	4,911	10,020
Comprehensive income	12,360	18,452
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	9,583	14,866
Non-controlling interest	2,777	3,585

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement

From the first quarter of fiscal 2023, ending March 31, 2023, the Corporation has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Guidance on Accounting Standard for Fair Value Measurement") In accordance with the transitional treatment prescribed in Paragraph 27-2 of the "Guidance on Accounting Standard for Fair Value Measurement," the Corporation has decided to apply the new accounting policies set forth by the "Guidance on Accounting Standard for Fair Value Measurement" into the future. These changes had no impact on the Corporation's quarterly consolidated financial statements.

Segment Information

1. First Quarter of the Fiscal Year Ended March 31, 2022 (From April 1 to June 30, 2021)

Sales and Income (Loss) by Reportable Segment

	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	4,881	236	255	1,408	763	856	8,401	1,034	(254)	9,180

- Notes: 1. "United states" include sales from subsidiaries in Canada, 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. "Segment income" is adjusted from operating income in Consolidated Statements of Income.

2. First Quarter of the Fiscal Year Ending March 31, 2023 (From April 1 to June 30, 2022)

Sales and Income (Loss) by Reportable Segment

	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	¥45,224	¥11,133	¥5,667	¥13,108	¥8,660	¥3,836	¥87,630	¥7,375	¥ —	¥95,006
Intersegment sales	14,176	—	17	509	288	204	15,196	640	(15,836)	—
Total	59,400	11,133	5,684	13,618	8,948	4,040	102,826	8,015	(15,836)	95,006
Segment Income (loss)	6,366	(494)	42	2,253	730	459	9,358	1,344	(622)	10,079

- 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. "Segment income (loss)" is adjusted from operating income in Consolidated Statements of Income.