

Financial Results for First Quarter of Fiscal 2023, ending March 31, 2023

August 5, 2022

Rinnai Corporation

Rinnai

Fiscal 2023 (1Q): Consolidated Performance Overview

Net sales: ¥95.0 billion (up 12.4% year on year)

Increase in domestic sales centered on water heaters; overseas sales also up thanks to growth in mainstay products and foreign exchange factors

Record-high level

Operating income: ¥10.0 billion (up 9.8% year on year, operating income to net sales ratio: 10.6%)

Increase thanks to higher sales despite soaring raw material and distribution costs and increased expenses for new U.S. plant

Record-high level

Ordinary income: ¥11.4 billion

(up 15.2% year on year, ordinary income to net sales ratio: 12.0%)

Up thanks due to higher operating income and foreign exchange gains

Record-high level

Net income attributable to owners of the parent company: ¥7.0 billion

(up 13.3% year on year, net income to net sales ratio: 7.4%)

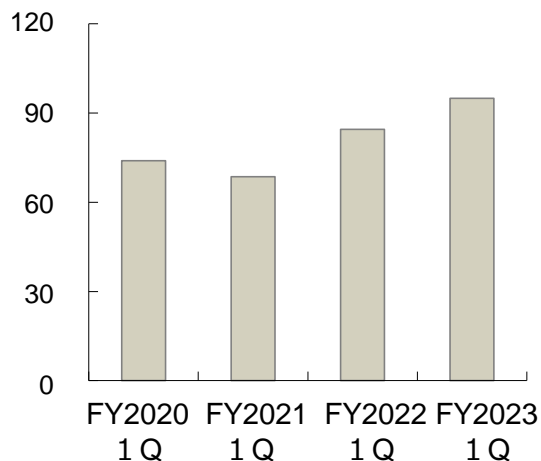
Record-high level

- Sales increased mainly in Japan owing to measures to quickly resolve supply delays
- Record-high figures for net sales, operating income, ordinary income, and net income attributable to owners of the parent company

Fiscal 2023 (1Q) : Consolidated Financial Results

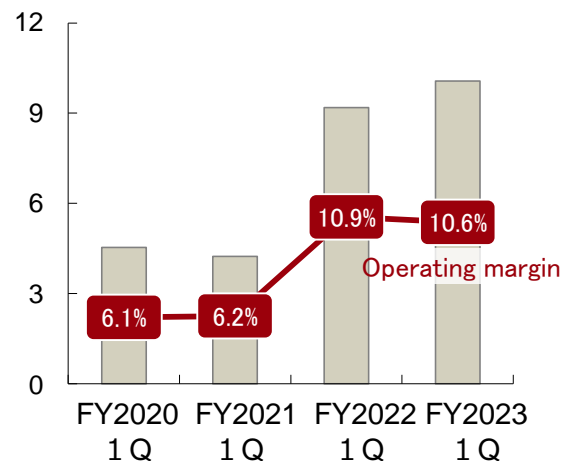
Net Sales

[Billions of Yen]



Operating Income

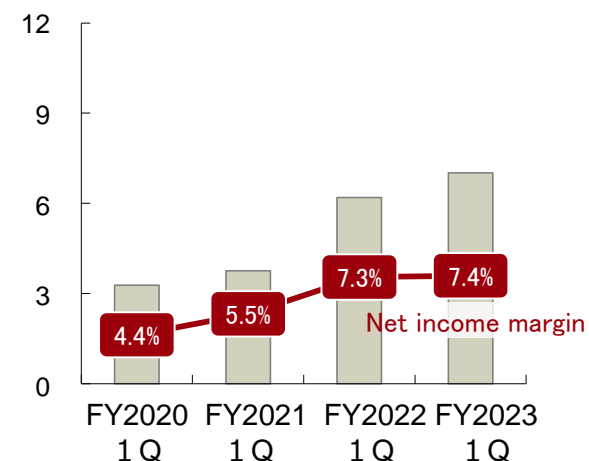
[Billions of Yen]



Attributable to owners of the parent company

Net Income

[Billions of Yen]



- Sales growth both in Japan and overseas; increase in income due to rise in sales despite higher costs
- Record-high 1Q figures for both sales and income for second consecutive year

Fiscal 2023 (1Q): Net Sales by Product

[Billions of Yen]	Fiscal 2022 1Q		Fiscal 2023 1Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	48.68	57.6%	55.56	58.5%	+6.88	+14.1%
Kitchen appliances	20.69	24.5%	22.16	23.3%	+1.46	+7.1%
Air conditioning appliances	3.68	4.4%	3.54	3.7%	-0.14	-3.9%
Commercial-use equipment	2.10	2.5%	2.42	2.6%	+0.32	+15.5%
Others	9.33	11.0%	11.30	11.9%	+1.96	+21.1%
Total	84.50	100.0%	95.00	100.0%	+10.49	+12.4%

Fiscal 2023 (1Q): Consolidated Sales/Income Results

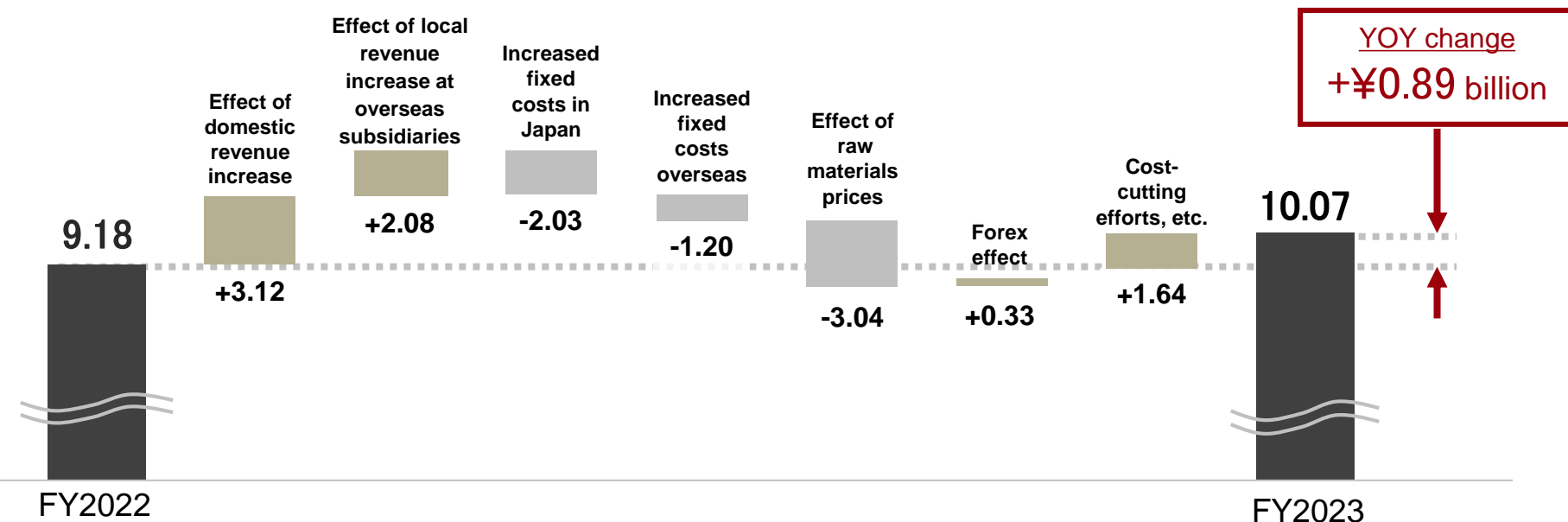
[Billions of Yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	95.00	+12.4%	10.07	+9.8%	10.6%	-0.3pt



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	56.90	+13.8%	5.47	+28.4%	9.6%	+1.1pt
Domestic	26.87	+13.4%	0.93	+10.1%	3.5%	-0.1pt
Overseas	51.54	+11.3%	4.01	-17.6%	7.8%	-2.7pt
Total	135.32	+12.8%	10.42	+4.4%	7.7%	-0.6pt

Fiscal 2023 (1Q): Consolidated Operating Income Analysis

[Billions of yen]



Record-high income as increased sales and cost reduction efforts especially in Japan offset soaring raw material prices

Rinnai (non-consolidated basis), Fiscal 2023 (1Q) Results

- Growth mainly in water heaters due to strengthened production to address supply delays
- Increase in operating income due to higher sales despite continuing sharp rises in raw material prices and logistics costs
- Record-high figures for sales and operating income in 1Q



Built-in hobs (stovetops)



Hybrid water heater



Gas clothes dryers



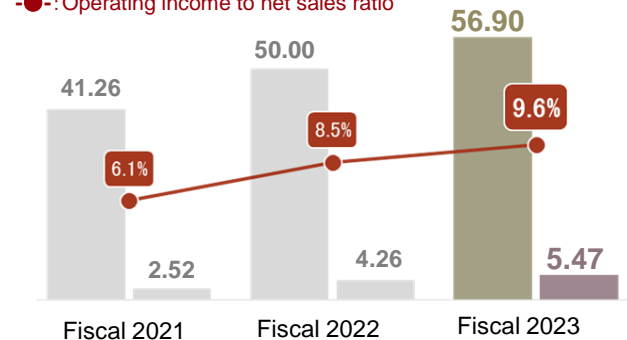
Dishwasher/dryers

[Billions of Yen]

	Fiscal 2022	Fiscal 2023	YOY change
Net Sales	50.00	56.90	+13.8%
Operating Income	4.26	5.47	+28.4%
Operating income to net sales ratio	8.5%	9.6%	+1.1pt

Rinnai (non-consolidated basis), Fiscal 2023 (1Q) 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	+19.4%
Water heater with bath-filling systems	+29.1%
Built-in hobs (stovetops)	-1.4%
Gas clothes dryers	+26.4%

Rinnai Corporation (Non-Consolidated) Topics

■ Supply delays: Current status and outlook

-Rapid decline in sales since September 2021 due to supply delays caused by tight parts procurement conditions; December sales down 25% year on year

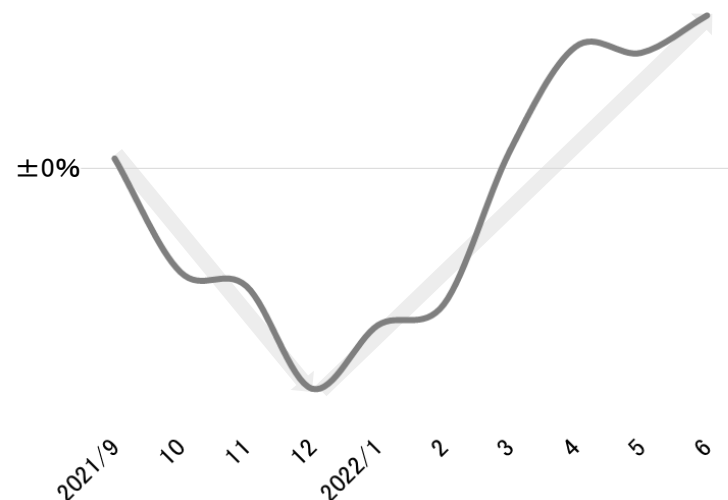
Measures to eliminate supply delays

Product design	Product design changes to accommodate highly marketable components
Manufacturing	In-house production of components affected by tight procurement conditions (wire harnesses) at main plants
Procurement	Diversification of procurement: Multiple orders, longer notice periods, stockpiling inventory, etc.

Thanks to these emergency and permanent measures, we achieved year-on-year sales increases since March 2022

Although measures taken have been successful and the situation has recovered, we expect it will take time to resolve the essential challenge of tight procurement conditions

Net Sales: YoY Change by Month
(Rinnai Corporation; Nonconsolidated)



Rinnai Corporation (Non-Consolidated) Topics

■ Kasugai Distribution Center completed



Kasugai Distribution Center (Kasugai City, Aichi Prefecture)

Site area: 47,436m² (including parking and other related areas);
Gross floor area: 51,713m² (5 levels); Construction completed: July 2022;
Full-scale operation: October 2022

Automation introduced to address labor shortages

- Reduced manual labor thanks to automated equipment
- IT used to optimize equipment, personnel, and transport vehicles



Sorting equipment



Conveyor robot

Improved transportation and operational efficiency

- Consolidation of distribution bases (Integrated Distribution Center, Rinnai Parts Center)
- Fixed costs lowered through integration of indirect operations

Efficient logistics system achieved

- Located midway between main production bases (Oguchi Factory, Seto Factory, and Akatsuki Factory)
- Convenience access to major expressways

Rinnai America, Fiscal 2023 (1Q) Results

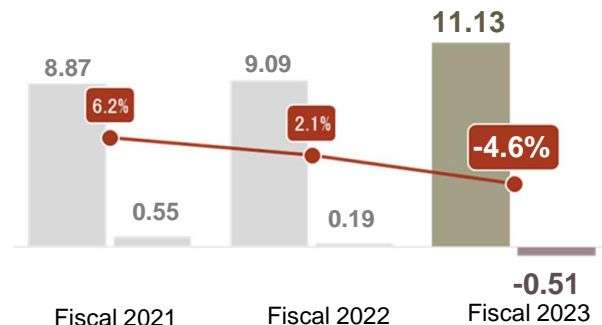
- Local demand for tankless water heaters remained strong, but local sales affected by supply delays from Japan and disruptions in international logistics
- Operating loss due to higher costs for new plant start-up



[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	9.09	11.13	+22.4%	+11.0%
Operating Income	0.19	-0.51	-	-
Operating income to net sales ratio	2.1%	-4.6%	-	-

Rinnai America, Fiscal 2023 (1Q) Results

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



[Sales Volume]	YOY change
Tankless water heaters	-0.6%
High-efficiency models of total	+18.0%

Rinnai America Topics

■ Mass production started at Griffin Factory

Full-scale local production began in April 2022, boosting local production capacity for tankless water heaters, demand for which remains strong



Tankless water heater
(Local production model)



Griffin Factory

■ “Try Rinnai Tour” resumed

- We conducted our “Try Rinnai Tour” throughout North America using a tankless water heater mounted in large vans.
- Our aim is to promote the convenience and ease of installation of our tankless water heaters and raise awareness of their features.



Large vans equipped with tankless water heater

Shanghai Rinnai, Fiscal 2023 (1Q) Results

- Production and sales activities restricted due to the lockdown in Shanghai caused by spread of COVID-19
- Declines in sales and operating income on a local-currency basis



Water heaters



Built-in hob (stovetops)



Range hoods



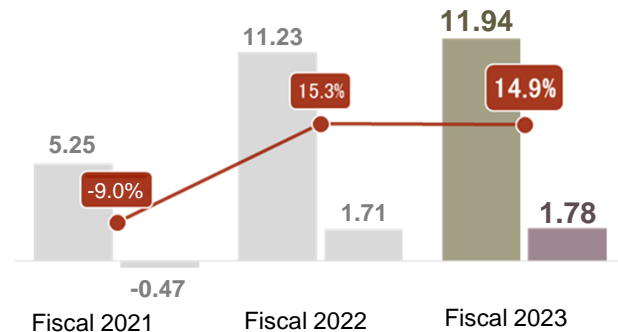
Boilers

[Billions of Yen]

	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	11.23	11.94	+6.2%	-6.0%
Operating Income	1.71	1.78	+3.6%	-8.4%
Operating income to net sales ratio	15.3%	14.9%	-0.4pt	

Shanghai Rinnai, Fiscal 2023 (1Q) Results

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



[Sales Volume]

	YOY change
Water heaters	+0.2%
Built-in hob (stovetops)	-29.8%
Range hoods	-49.0%
Boilers	+1.1%

Rinnai Australia, Fiscal 2023 (1Q) Results

- Weak sales of tankless water heaters and room heaters due to supply delays from Japan
- Decrease in operating income due to higher raw material and logistics costs despite productivity improvement



Tankless water heater



Electric tank-based water heaters

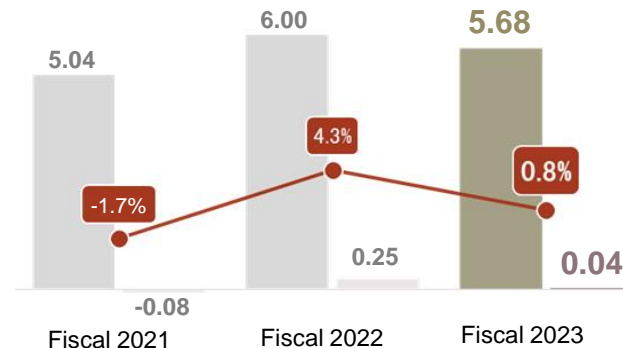


Duct-type air-conditioning and heating systems

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	6.00	5.68	-5.4%	-8.9%
Operating Income	0.25	0.04	-82.4%	-83.1%
Operating income to net sales ratio	4.3%	0.8%	-3.5pt	

Rinnai Australia, Fiscal 2023 (1Q) Results

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



[Sales Volume]	YOY change
Unvented-type heaters	-53.8%
Commercial air-conditioning appliances	+31.7%
Duct-type air-conditioning and heating systems	-6.3%

Rinnai Korea, Fiscal 2023 (1Q) Results

- Decline in boiler sales due to decrease in subsidies and a warm winter
- Operating income down due to higher raw material prices despite increase in sales



Environmentally friendly boilers



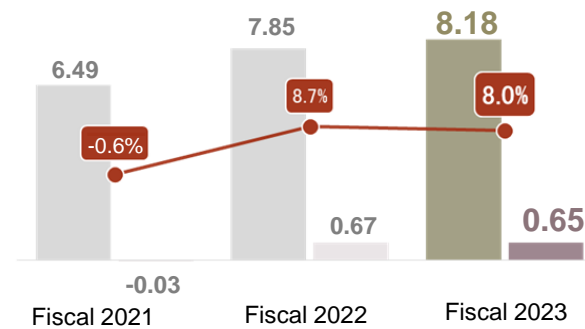
Gas tabletop cookers



Electric tabletop cookers

Rinnai Korea, Fiscal 2023 (1Q) Results

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



[Billions of Yen]

	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	7.85	8.18	+4.2%	+1.9%
Operating Income	0.67	0.65	-4.2%	-6.4%
Operating income to net sales ratio	8.7%	8.0%	-0.7pt	

[Sales Volume]

	YOY change
Boilers	-12.6%
Gas tabletop cookers	+5.3%
Electric tabletop cookers	+42.3%

P.T. Rinnai Indonesia, Fiscal 2023 (1Q) Results

- Weakened sales mainstay tabletop stoves but sales of built-in hobs (stovetops) remained strong
- Operating income down, impacted significantly by soaring raw material prices



Tabletop cookers



Built-in hob (stovetops)

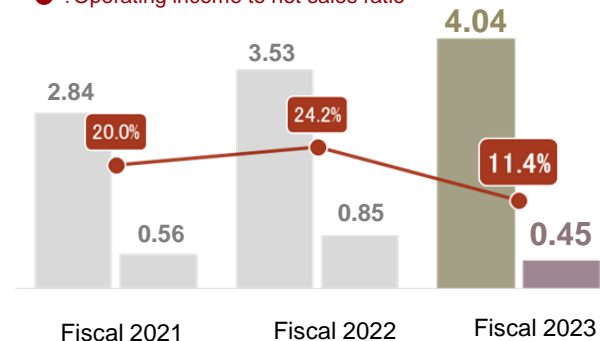


Range hoods

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	3.53	4.04	+14.2%	+4.8%
Operating Income	0.85	0.45	-46.4%	-50.8%
Operating income to net sales ratio	24.2%	11.4%	-12.8pt	

P.T. Rinnai Indonesia, Fiscal 2023 (1Q) Results

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



[Sales Volume]	YOY Change
Tabletop cookers	-5.7%
Built-in hob (stovetops)	+26.5%
Range hoods	+39.6%

ESG Topics

■ [RIM 2050] 100% hydrogen combustion in residential water heaters

Japan

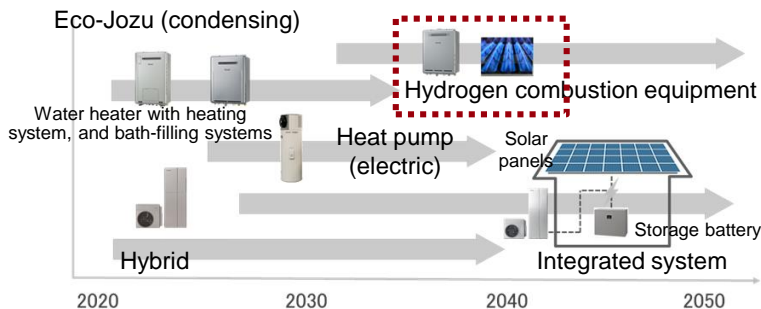
May 30, 2022

- Press release on successful development of 100% hydrogen combustion technology
- Utilizing our core technologies, we succeeded in developing this world-first technology for residential water heaters

Australia

July 1, 2022

- Rinnai Australia held a presentation on hydrogen-powered water heaters
- Demonstration tests using hydrogen in households scheduled to begin around October 2022 in cooperation with local gas companies



Product development roadmap for RIM 2050



Concept model



Press release on 100% hydrogen combustion (Japan)



Presentation for invited government officials and gas operators (Australia)

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