

Financial Results for First Two Quarters of Fiscal 2023, ending March 31, 2023

November 4, 2022

Rinnai Corporation

Rinnai

1. Results of First Two Quarters of Fiscal 2023/
Fiscal 2023 Performance Forecasts
2. Business Outlook

Fiscal 2023 (2Q): Consolidated Performance Overview

Net sales: ¥194.3 billion (up 8.1% year on year ; vs target: up 8.0%)

Record-high level

Increase in domestic sales, mainly of water heaters; higher overseas sales thanks to foreign currency translation despite lower sales in the United States, China, and other markets

Operating income: ¥19.0 billion (down 5.1% year on year ; vs target: up 36.3%)

Decrease due to higher raw material prices and logistics costs and increased expenses associated with operation of new plant in the United States
[Operating income to net sales ratio: 9.8%]

Ordinary income: ¥22.2 billion (up 2.4% year on year, vs target: up 48.1%)

Record-high level

Increase thanks to foreign exchange gain despite decrease in operating income
[Ordinary income to net sales ratio : 11.4%]

Net income attributable to owners of the parent company: ¥13.3 billion
(up 1.0% year on year, vs target: up 48.7%)

Record-high level

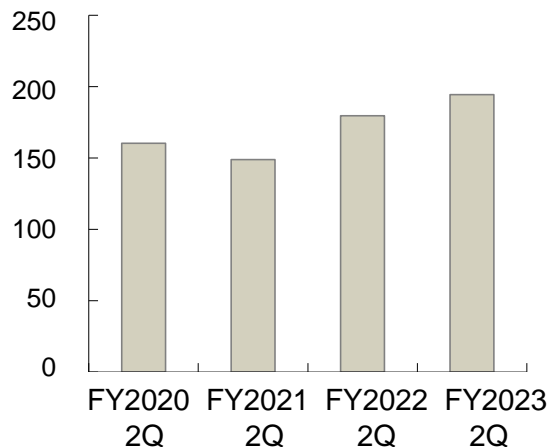
[Net income to net sales ratio: 6.9%]

- Sales and income in Japan up significantly due to an increased production to eliminate supply delays
- Both sales and income well above initial forecasts; full-year forecasts now revised

Fiscal 2023 (2Q) : Consolidated Financial Results

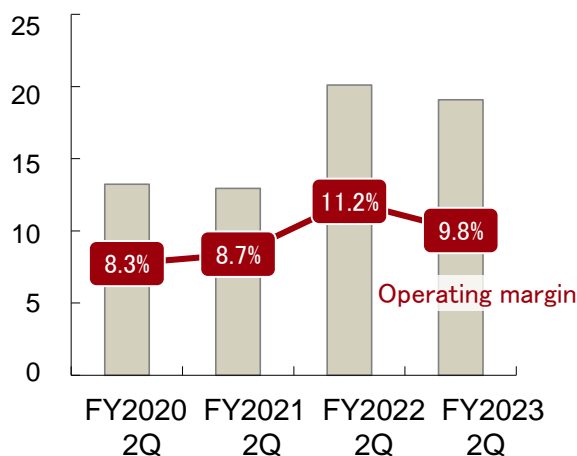
Net Sales

[Billions of Yen]



Operating Income

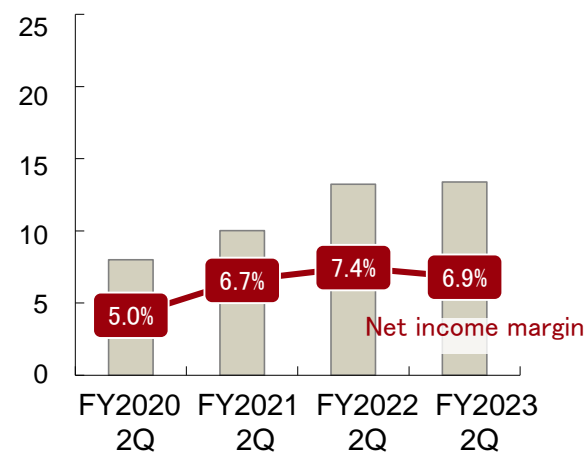
[Billions of Yen]



Attributable to owners of the parent company

Net Income

[Billions of Yen]



- Record-high net sales for second consecutive year due to increased domestic sales and foreign currency impact
- Year-on-year decrease in operating income due to increases in raw material prices and costs but still above fiscal 2020 and fiscal 2021 results

Fiscal 2023 (2Q): Net Sales by Product

	Fiscal 2022 2Q		Fiscal 2023 2Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	103.20	57.4%	112.58	57.9%	+9.37	+9.1%
Kitchen appliances	43.00	23.9%	44.25	22.8%	+1.24	+2.9%
Air conditioning appliances	10.34	5.8%	10.22	5.3%	- 0.11	- 1.2%
Commercial-use equipment	4.35	2.4%	5.16	2.7%	+0.80	+18.6%
Others	18.81	10.5%	22.12	11.4%	+3.31	+17.6%
Total	179.72	100.0%	194.34	100.0%	+14.62	+8.1%

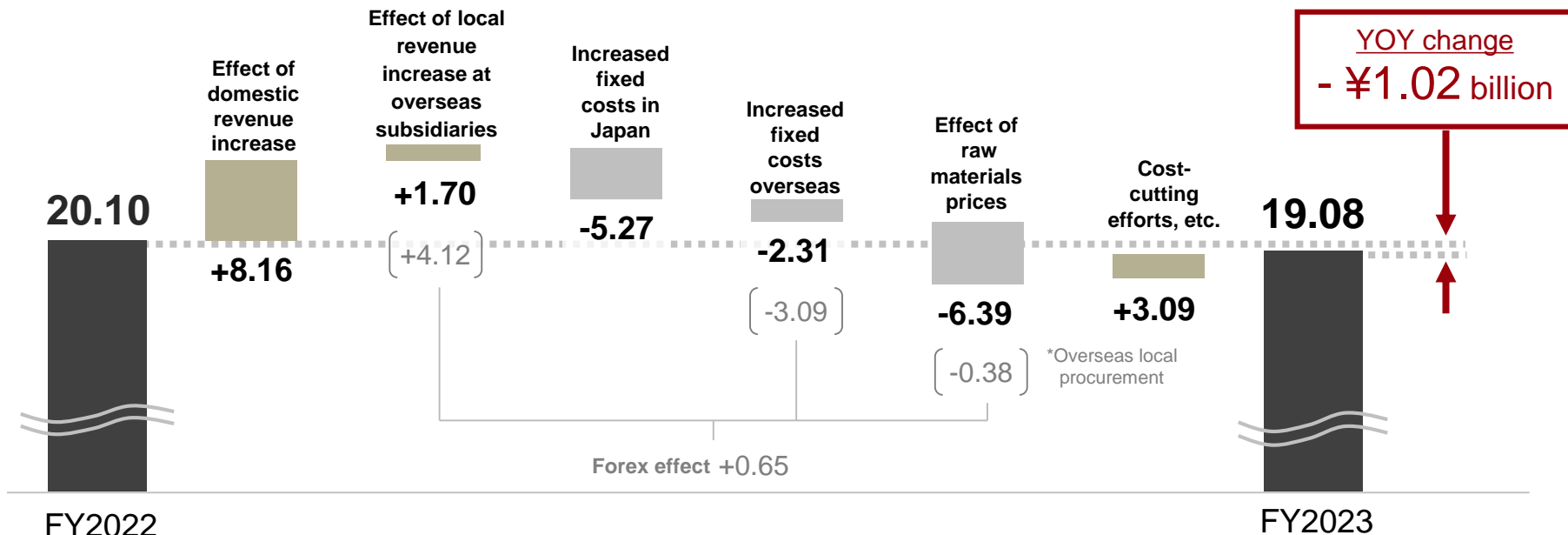
Fiscal 2023 (2Q): Consolidated Sales/Income Results

	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	194.34	+8.1%	19.08	- 5.1%	9.8%	-1.4pt



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	119.83	+16.6%	11.40	+31.8%	9.5%	+1.1pt
Domestic	54.72	+16.4%	1.66	+21.3%	3.0%	+0.1pt
Overseas	105.35	+5.0%	6.78	- 37.4%	6.4%	- 4.4pt
Total	279.91	+11.9%	19.86	- 4.8%	7.1%	- 1.2pt

Fiscal 2023 (2Q): Consolidated Operating Income Analysis



- Strong performance in Japan, but income down due to lower sales in the United States and China and soaring raw material and logistics costs

Rinnai (non-consolidated basis), Fiscal 2023 (2Q) 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 for second consecutive two-quarter period



Built-in hobs (stovetops)



Hybrid water heater



Gas clothes dryers

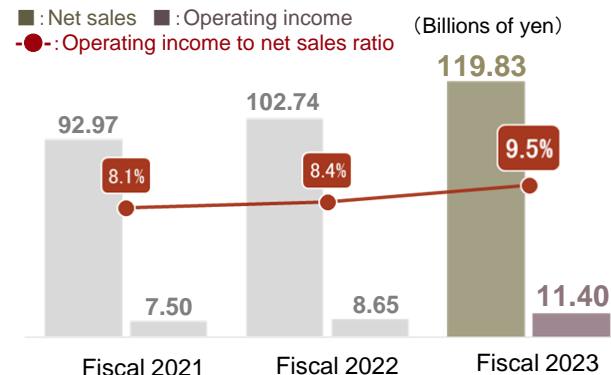


Dishwasher/dryers

[Billions of Yen]

	Fiscal 2022	Fiscal 2023	YOY change
Net Sales	102.74	119.83	+16.6%
Operating Income	8.65	11.40	+31.8%
Operating income to net sales ratio	8.4%	9.5%	+1.1pt

Rinnai (non-consolidated basis), Fiscal 2023 (2Q) Results



[Sales Volume in Japan]

YOY Change

Water heater with heating systems	+20.7%
Water heater with bath-filling systems	+27.2%
Built-in hobs (stovetops)	- 5.6%
Gas clothes dryers	+17.6%

Rinnai America, Fiscal 2023 (2Q) Results

- Decrease in sales due to delays in supply of tankless water heaters from Japan
- Increase in operating loss due to lower sales and higher costs, including costs associated with new factory operation and domestic transportation costs



Tankless water heaters



High-efficiency water heaters

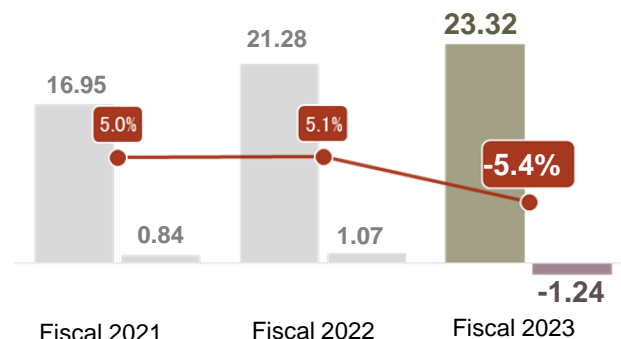


High-efficiency boilers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	21.28	23.32	+9.6%	-4.1%
Operating Income	1.07	-1.24	-	-
Operating income to net sales ratio	5.1%	-5.4%	-	-

Rinnai America, Fiscal 2023 (2Q) Results

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



[Sales Volume]	YOY change
Tankless water heaters	-14.0%
High-efficiency models of total	-3.0%

Shanghai Rinnai, Fiscal 2023 (2Q) Results

- Sharp decline in bricks-and-mortar sales due to restricted business activities stemming from lockdowns in Shanghai related to COVID-19
- Decrease in operating income due to lower sales and higher raw material prices



Water heaters



Built-in hob (stovetops)



Range hoods

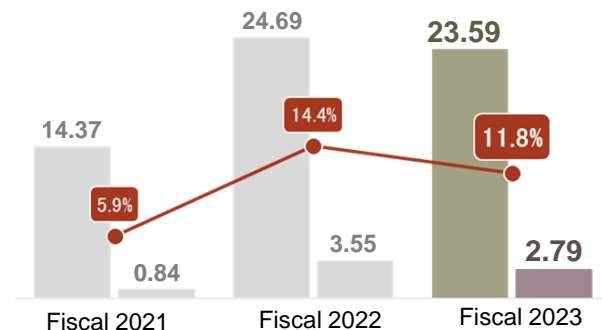


Boilers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	24.69	23.59	-4.4%	-16.3%
Operating Income	3.55	2.79	-21.5%	-31.2%
Operating income to net sales ratio	14.4%	11.8%	-2.6pt	

Shanghai Rinnai, Fiscal 2023 (2Q) Results

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



[Sales Volume]	YOY change
Water heaters	-5.0%
Built-in hob (stovetops)	-30.0%
Range hoods	-39.1%
Boilers	-15.0%

Rinnai Australia, Fiscal 2023 (2Q) Results

- Good performances by electric tank-based water heaters and commercial air conditioners, but weak sales of tankless water heaters and heating equipment due to supply delays from Japan
- Decrease in operating income due to lower sales and higher raw material prices and logistics costs



Tankless water heaters



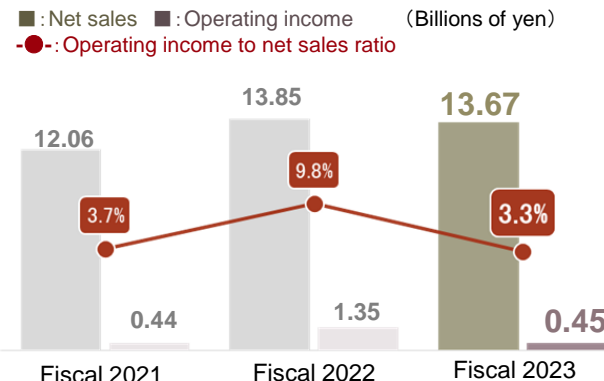
Electric tank-based water heaters



Duct-type air-conditioning and heating systems

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	13.85	13.67	-1.3%	-7.4%
Operating Income	1.35	0.45	-66.4%	-68.4%
Operating income to net sales ratio	9.8%	3.3%	-6.5pt	

Rinnai Australia, Fiscal 2023 (2Q) Results



[Sales Volume]	YOY change
Unvented-type heaters	-39.2%
Commercial air-conditioning appliances	+28.4%
Duct-type air-conditioning and heating systems	-2.7%

Rinnai Korea, Fiscal 2023 (2Q) Results

- Decrease in boiler sales due to deteriorating real estate market conditions caused by rising prices and interest rates
- Decrease in operating income due to lower sales and higher raw material prices



Environmentally friendly boilers



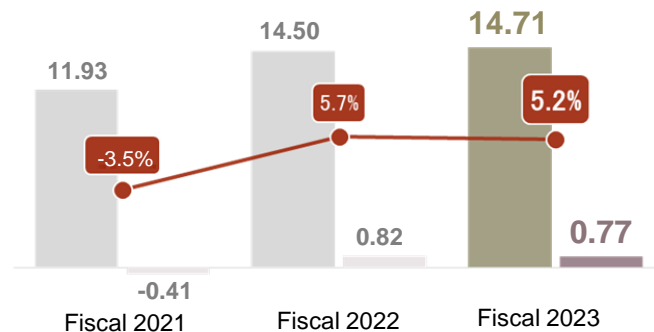
Gas tabletop cookers



Electric tabletop cookers

Rinnai Korea, Fiscal 2023 (2Q) 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	14.50	14.71	+1.4%	-2.1%
Operating Income	0.82	0.77	-6.5%	-9.8%
Operating income to net sales ratio	5.7%	5.2%	-0.4pt	

[Sales Volume]	YOY change
Boilers	-14.9%
Gas tabletop cookers	+0.6%
Electric tabletop cookers	+17.9%

P.T. Rinnai Indonesia, Fiscal 2023 (2Q) Results

- Increase in sales due to higher sales of built-in products despite weak sales of tabletop cookers
- Decrease in operating income due to significant impact of raw material price hikes



Tabletop cookers



Built-in hob (stovetops)

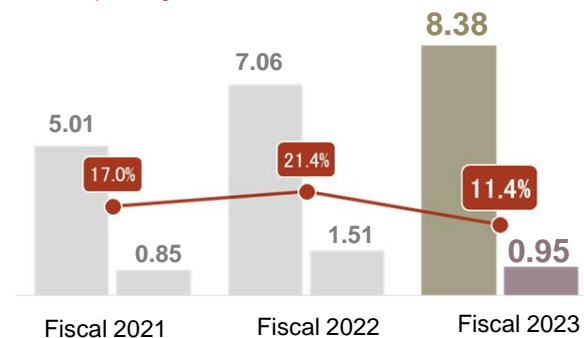


Range hoods

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	7.06	8.38	+18.7%	+5.4%
Operating Income	1.51	0.95	-36.8%	-43.9%
Operating income to net sales ratio	21.4%	11.4%	-10.0pt	

P.T. Rinnai Indonesia, Fiscal 2023 (2Q) Results

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



[Sales Volume]	YOY Change
Tabletop cookers	-4.4%
Built-in hob (stovetops)	+10.4%
Range hoods	+54.7%

2Q Results and Outlook for 3Q and Beyond

	2Q Results	Outlook for 3Q and Beyond
Japan	Recovery in production situation due to measures to address tight parts procurement conditions Significant increase in sales of water heaters and other products as supply delays resolved	Sales expected to grow during peak-demand period as we strengthen production system to ensure stable supply of products
United States	Posted operating loss due to lower sales caused by delays in supply of tankless water heaters from Japan, which could not absorb higher costs for new factory operation, domestic logistics costs, etc.	Sales expected to grow due to increased supply from Japan, but impact of deteriorating market conditions is a concern
China	Internet sales remained strong, but production and sales activities limited due to lockdowns in Shanghai	Increase in sales expected due to recovery in production after lockdown is lifted, as well as growth in sales of high-value-added products
Other major markets	Australia: Sales down due to supply delays from Japan South Korea: Weaker boiler sales due to deteriorating real estate market conditions Indonesia: Lower operating income due to soaring raw material prices despite strong sales of built-in commercial products	Australia: Supply from Japan expected to gradually recover South Korea: Profitability expected to improve despite continued market weakness Indonesia: Strong sales expected but raw material prices to remain high
Risk assumption	Soaring prices of raw materials (steel, copper, etc.) and energy, deteriorating business confidence due to rising prices and interest rates, excessive yen depreciation, geopolitical risks, etc.	

Although strong uncertainties remain, we have revised our full-year forecasts based on our two-quarter results and future outlook

Revision of Fiscal 2023 Consolidated Performance Forecast

[Billions of Yen]	Previous forecast (A)	Revised forecast (B)	Change (B – A)	Change (%)	Fiscal 2022 Results	Reference: YOY Changes
Net sales	400.0	425.0	+25.0	+6.3%	366.1	+16.1%
Operating income	41.0	44.0	+3.0	+7.3%	35.8	+22.7%
Ordinary income	42.5	48.5	+6.0	+14.1%	39.0	+24.2%
Net income attributable to owners of the parent company	25.5	29.5	+4.0	+15.7%	23.7	+24.2%

Upward revision as domestic results exceeded forecasts, with overseas projected to pick up from 3Q onward

1. Results of First Two Quarters of Fiscal 2023/
Fiscal 2023 Performance Forecasts
2. Business Outlook

Three Strategic Stories of Medium-Term Business Plan, New ERA 2025

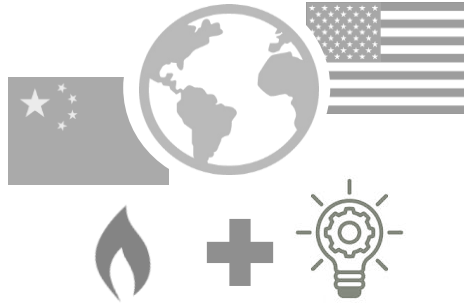
Our new medium-term business plan is based on three strategic stories: “Advancement in addressing social challenges,” “Expansion of business scale,” and “Revolution of corporate structure”

Advancement in addressing social challenges



- Improve quality of life
- Help resolve global environmental problems

Expansion of business scale



- Expand regional domains
- Expand business domains

Revolution of corporate structure

Rinnai

- Become more consumer-oriented
- Make focused investments in intangible assets
- Enhance profitability

Ultra Fine Bubble Water Heater

Industry's first water heater to provide Ultra Fine Bubbles* to the entire house

Relevant
strategic story

Advancement in
addressing social
challenges

Expansion of
business scale

Revolution of
corporate structure

Ultra Fine Bubble generator

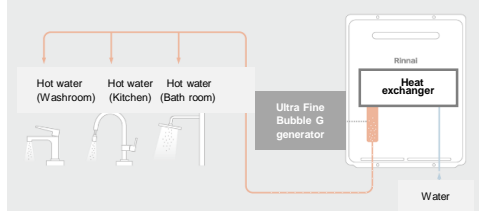
- Ultra Fine Bubble generator installed in water heater (Eco Jozu)
Sends hot water containing Ultra Fine Bubbles throughout the house
- Installation completed by replacing existing water heater, so no need for extensive plumbing work

Reduces the burden of cleaning around water

- Ultra Fine Bubble water heaters have been tested for cleaning effectiveness and confirmed to be less prone to water-related stains compared with regular hot water

Air Bubble Technology

- Through years of research on the use of fine bubbles, we have developed a technology to dissolve fine bubbles in water



Launch: October 1, 2022

Suggested retail prices (excluding tax):

Gas water heater with heating system: ¥490,000~

Gas bath water heater: ¥428,000~

Gas water heater: ¥209,000~

* Ultra Fine Bubble is a registered trademark of the Fine Bubble Industries Association

Dishwasher/dryer

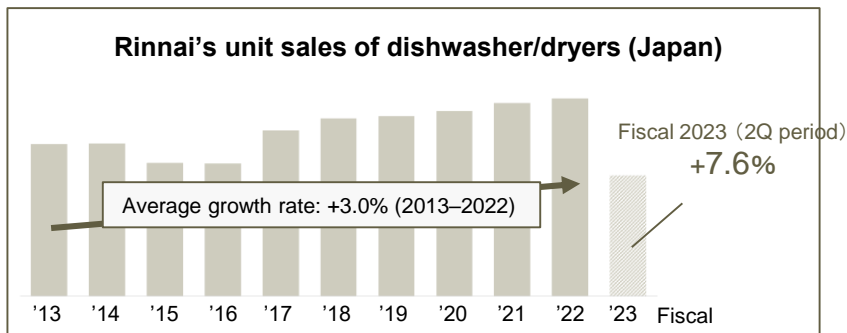
Helping resolve social issues through increased sales

Swifter, more efficient housework

- Growing need to reduce housework burden due to increase in dual-income households
- Increased need to wash dishes due to greater time spent at home

Conserves water when washing dishes

- Water savings of around 80–90% compared to washing dishes by hand, contributing to resource conservation



Relevant strategic story

Advancement in addressing social challenges

Expansion of business scale

Revolution of corporate structure

Easy-to-use lineup to suit your lifestyle

- Japan's only front-opening and function-rich slide-opening



Now offering stainless steel door (official online store only)

- Stainless steel material used to enhance sense of unity of entire kitchen



Progress of RIM 2050 Carbon Neutral Policy (Hydrogen)

Relevant
strategic story

Advancement in
addressing social
challenges

Expansion of
business scale

Revolution of
corporate structure

Water heater powered by 100% hydrogen

World's first technological development in residential water heaters

- Utilizing core technologies cultivated over many years, we have succeeded in developing a household water heater powered by 100% hydrogen that emits zero CO₂

Demonstration test in Australia

- Scheduled to start in November 2022 in Australia, which is focusing on hydrogen utilization



Hydrogen water heater (concept model) "Hydrogen House" planned for demonstration in Australia

Hydrogen food preparation

Joint development started

- We have begun joint development together with Toyota Motor Corporation and Woven Planet Holdings, Inc. of a food preparation system using hydrogen (hydrogen cooking)
- Through demonstrations at Woven City, which Toyota is constructing, we will investigate the safest and most efficient combustion methodologies for hydrogen-powered cooking and scientifically verify its effects on the taste and texture of ingredients
- Contributing to carbon neutrality through hydrogen food preparation and offering new food experiences with hydrogen

Initiatives to Improve Non-Financial Value

Relevant strategic story

Advancement in
addressing social
challenges

Expansion of
business scale

Revolution of
corporate structure

Promoting ESG management

Established ESG Committee (April 2022)

- Chaired by the president and representative director, the ESG Committee examines ESG-related measures and confirms the status of initiatives, and promotes Groupwide ESG activities through reports and proposals to the Board of Directors

Published Rinnai Report 2022 (Integrated Report)

- In this report, we detail the progress of our medium-term business plan (New ERA 2025) and our carbon neutrality declaration (RIM 2050) and describe the status and our thinking on other ESG-related issues



Rinnai Report 2022

Investment in human capital

Employee Engagement Survey

- Survey began in fiscal 2022
- Targeting continuous improvement by sharing issues with executives and management and implementing measures on a Groupwide and organizational basis

Fiscal 2026
target

Percentage of positive survey responses

+15 points

Promoting skills development and growth

- Restructuring our education programs to encourage acquisition of language skills, IT-related technologies, and knowledge/expertise in specialized areas
- Accelerating investment in human resources

Shareholder Return Policy

Return policy

- Target total return ratio of 40% (Fiscal 2022–2026 average)
- Maintain dividend payout ratio at 30% range

Dividends

Fiscal 2023 (2Q)

¥75 13th consecutive interim dividend increase (year on year)

Fiscal 2023 (Full year)

¥150 Plan for 21st consecutive annual (full-year) dividend increase

Share buybacks

Fiscal 2023 acquisition frame

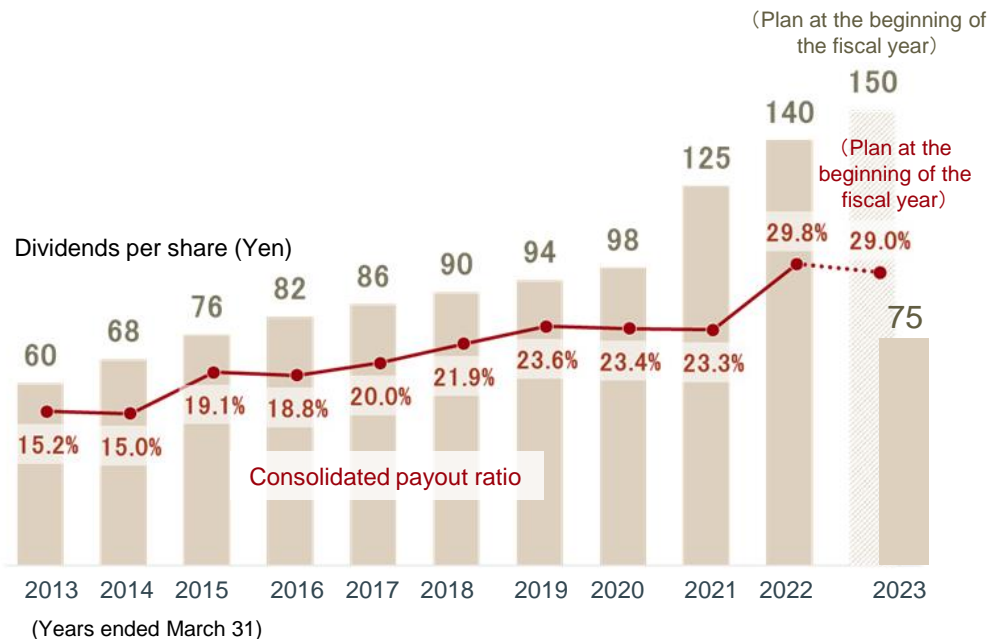
¥10 billion (up to 1.5 million shares)
Acquisition period: May 11–September 22, 2022

Fiscal 2023 results

¥10 billion (1.01 million shares)

Invest in growth and increase returns for the future based on sound capital and shareholder return policies

Dividends per Share, Consolidated Payout Ratio



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