

# Consolidated Financial Results

## First Three Quarters of the Fiscal Year Ending March 2023

(April 1–December 31, 2022)

February 8, 2023

### Listed Company Name: Rinnai Corporation

Listings: Prime Market of Tokyo Stock Exchange, and Premier Market of Nagoya Stock Exchange  
(Securities Code: 5947)

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

Representative: Hiroyasu Naito, President

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Scheduled date for release of quarterly securities report: February 8, 2023

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, 2023

(April 1–December 31, 2022; 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. 2022	¥314,093 [+14.7%]	¥33,688 [+20.1%]	¥36,487 [+20.0%]	¥21,423 [+16.7%]
Three Quarters to Dec. 2021 (Reference)	273,763 [+11.5%]	28,042 [+0.9%]	30,409 [+5.3%]	18,365 [-5.0%]

Comprehensive Income: First three quarters of the year ending March 31, 2023; ¥47,343 million (+77.1%)  
First three quarters of the year ended March 31, 2022; ¥26,731 million (+46.8%)

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
Three Quarters to Dec. 2022	¥434.72	—
Three Quarters to Dec. 2021	362.29	—

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, 2022	¥556,069	¥407,722	65.3%
March 31, 2022	512,867	378,856	66.9

(Reference) Equity capital: Three quarters of the year ending March 31, 2023; ¥363,017 million  
Year ended March 31, 2022; ¥343,120 million

## II. Dividends

(Basis date)	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
March 2022	—	¥70.00	—	¥70.00	¥140.00
March 2023	—	75.00	—		
March 2023 (anticipated)				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 (¥)
Full year	¥425,000 [+16.1%]	¥44,000 [+22.7%]	¥48,500 [+24.2%]	¥29,500 [+24.2%]	¥599.97

Note: Percentage figures in parentheses indicate increase or decrease from the previous fiscal year.

Note: Changes in performance forecasts since most recent announcement: None

#### \* 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)

December 31, 2022: 50,021,057 shares

March 31, 2022: 50,021,057 shares

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

December 31, 2022: 1,225,483 shares

March 31, 2022: 219,577 shares

(c) Average number of shares during the term

First three quarters of the fiscal year ending March 2023: 49,281,699 shares

First three quarters of the fiscal year ended March 2022: 50,692,851 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) Explanation about Consolidated Performance Forecasts” on page 4 of this report.

\* Supplemental information sheets of financial results are posted on the Corporation’s website on Wednesday, February 8, 2023.

# 1. Consolidated Performance

## (1) Operating Results

In the first three quarters under review, the global economy continued to face challenging conditions, including rising global prices, supply chain disruptions, the protracted situation in Ukraine, and concerns about an economic downturn, as the spread of COVID-19 became increasingly normalized. In the domestic economy, consumer spending and corporate earnings showed signs of recovery, but sharp exchange rate fluctuations, rising prices of energy and other commodities, and the re-emergence of infectious diseases made the situation unpredictable.

In the domestic housing-related industry, new housing starts weakened, but the household appliance sector remained firm, particularly in the renovation category.

Under these circumstances, the Rinnai Group pursued three key strategies under its medium-term business plan, New ERA 2025: “Advancement in addressing social challenges,” “Expansion of business scale,” and “Revolution of corporate structure.” During the period under review, for example, we launched the 405LP GP Series of built-in dishwashers/dryers with improved convenience, as well as the ECO ONE X5 hybrid water heater with heating system, which helps protect the global environment. The latter received the 2022 Energy Conservation Grand Prize from the Commissioner of the Agency for Natural Resources and Energy. 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, domestic sales of water heaters were solid as we worked to resolve supply delays, while higher sales of mainstay products, particularly in the United States and China, led to a year-on-year increase in overseas sales. On the earnings side, we posted an increase in operating income due to sales increase and growth in sales of high-value-added products. This was despite soaring raw material prices and distribution costs and higher expenses associated with the commissioning of a new plant in the United States.

As a result, consolidated net sales for the period amounted to ¥314,093 million, up 14.7% from the previous corresponding period. Operating income rose 20.1%, to ¥33,688 million, while ordinary income climbed 20.0%, to ¥36,487 million. Net income attributable to owners of the parent company increased 16.7%, to ¥21,423 million.

Our results by geographical segment were as follows:

### ***Japan***

In Japan, sales of mainstay water heaters grew substantially as we worked to strengthen our production system to eliminate supply delays. Despite soaring raw material prices and distribution costs, we posted increased sales of mainstay products with new functions and benefited from the weaker yen. As a result, sales in Japan rose 14.6%, to ¥148,049 million, and operating income jumped 53.1%, to ¥20,652 million.

### ***United States***

In the United States, sales rose 27.1%, to ¥42,280 million, thanks to an increase in the supply of tankless water heaters from Japan and higher local sales of water heaters following the commissioning of a new plant. However, these factors did not fully compensate for higher expenses and logistics costs associated with that plant. Consequently, we reported an operating loss of ¥252 million.

### ***Australia***

Sales in Australia increased 4.8%, to ¥20,958 million, due to a gradual recovery in the supply of tankless water heaters and heaters from Japan. This was despite tight parts procurement conditions and the impact of exchange rates. However, a decrease in sales of mainstay products resulting from supply delays, as well as soaring raw material prices and logistics costs, led to a 50.1% fall in operating income, to ¥881 million.

### ***China***

In China, we benefited from a rebound in production and sales activities following the lifting of lockdowns in Shanghai related to COVID-19, as well as growth in sales of high-value-added products, such as gas water heaters with built-in quick-heating units. Accordingly, sales in China, increased 13.4% to ¥45,195 million, and operating income jumped 73.6% to ¥8,355 million.

### South Korea

In South Korea, weakening market sentiment due to rising prices and interest rates, as well as a decrease in government subsidies, led to a decline in sales of mainstay boilers. Consequently, sales in South Korea edged down 0.7%, to ¥22,667 million, and operating income slipped 0.4%, to ¥895 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 and an expanded product lineup. As a result, sales in Indonesia increased 22.4% to ¥12.6 billion. Due to soaring raw material prices, however, operating income declined 22.2%, to ¥1,682 million.

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

(¥ millions; %)

	Three Quarters to Dec. 31, 2021		Three Quarters to Dec. 31, 2022		Change		Year to March 31, 2022	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Water heaters	¥157,145	57.4%	¥185,856	59.2%	¥28,711	18.3%	¥211,026	57.6%
Kitchen appliances	64,547	23.6	70,104	22.3	5,557	8.6	85,531	23.4
Air conditioning appliances	16,790	6.1	17,854	5.7	1,064	6.3	21,109	5.8
Commercial-use equipment	6,572	2.4	7,884	2.5	1,312	20.0	9,007	2.5
Others	28,708	10.5	32,391	10.3	3,683	12.8	39,509	10.8
Total	¥273,763	100.0%	¥314,093	100.0%	¥40,329	14.7%	¥366,185	100.0%

### (For references 2) Overseas Sales

(¥ millions; %)

	Three Quarters to Dec. 31, 2021			Three Quarters to Dec. 31, 2022		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥86,686	¥65,783	¥152,469	¥96,922	¥76,584	¥173,506
II. Consolidated net sales	—	—	273,763	—	—	314,093
III. Composition ratio of overseas sales to consolidated net sales	31.7%	24.0%	55.7%	30.9%	24.4%	55.2%

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

### (2) Financial Position

As of December 31, 2022, Rinnai had total assets of ¥556,069 million, up ¥43,202 million from March 31, 2022. Total liabilities increased ¥14,337 million, to ¥148,347 million. Net assets were up ¥28,865 million, to ¥407,722 million. The equity ratio at the end of the period was 65.3%.

### (3) Explanation about Consolidated Performance Forecasts

Rinnai has not changed its forecasts for the full-year period ending March 31, 2023. (Those forecasts were released on November 4, 2022.)

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2022 (Fiscal 2022)	At December 31, 2022 (Three Quarters of Fiscal 2023)
<b>ASSETS:</b>		
Current assets		
Cash and deposits	¥173,235	¥161,806
Notes and accounts receivable, and contract assets	75,596	87,322
Electronically recorded monetary claims	7,641	11,979
Marketable securities	12,250	7,626
Products	36,078	50,101
Raw materials and stores	28,548	39,537
Other	4,698	6,688
Less allowance for doubtful accounts	(4,093)	(6,067)
Total current assets	333,956	358,995
Fixed assets		
Property, plant and equipment	100,598	112,574
Intangible fixed assets	3,792	3,897
Investments and advances		
Investments in securities	44,620	48,269
Other	30,053	32,490
Less allowance for doubtful accounts	(153)	(158)
Total investments and advances	74,520	80,601
Total fixed assets	178,910	197,074
<b>Total assets</b>	<b>¥512,867</b>	<b>¥556,069</b>

(¥ millions)

	At March 31, 2022 (Fiscal 2022)	At December 31, 2022 (Three Quarters of Fiscal 2023)
<b>LIABILITIES:</b>		
Current liabilities		
Notes and accounts payable	¥ 26,433	¥ 28,297
Electronically recorded obligations	33,293	41,191
Accrued income taxes	4,106	6,225
Accrued employee's bonuses	5,162	3,416
Allowance for product guarantee	3,868	4,437
Other allowances	1,210	1,312
Other	34,728	36,441
Total current liabilities	108,803	121,323
Long-term liabilities		
Allowance for environmental measures	2,255	2,255
Reserves	93	95
Net defined benefit liabilities	8,769	9,251
Other	14,089	15,421
Total long-term liabilities	25,206	27,023
<b>Total liabilities</b>	<b>134,010</b>	<b>148,347</b>
<b>NET ASSETS:</b>		
Shareholders' equity:		
Common stock	6,484	6,484
Capital surplus	8,673	8,428
Earned surplus	315,593	329,869
Treasury stock	(2,330)	(12,289)
Total shareholders' equity	328,419	332,492
Other comprehensive income:		
Unrealized gain on marketable securities	4,582	5,662
Foreign exchange translation adjustment	4,925	20,568
Remeasurements of defined benefit plans	5,193	4,292
Total other comprehensive income	14,700	30,524
Non-controlling interests	35,736	44,705
<b>Total net assets</b>	<b>378,856</b>	<b>407,722</b>
<b>Total liabilities and net assets</b>	<b>¥512,867</b>	<b>¥556,069</b>

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

### Consolidated Statements of Income

(¥ millions)

	Three Quarters of Fiscal 2022 (From April 1 to December 31, 2021)	Three Quarters of Fiscal 2023 (From April 1 to December 31, 2022)
Net sales	¥273,763	¥314,093
Cost of sales	183,701	210,344
Gross profit	90,062	103,748
Selling, general and administrative expenses	62,020	70,059
Operating income	28,042	33,688
Other income:		
Interest income	723	1,166
Dividends received	361	428
Foreign exchange income	604	722
Other	874	933
Total other income	2,564	3,250
Other expenses:		
Interest expenses	46	52
Loss on retirement of fixed assets	73	114
Fair value fluctuation amount related to contingent consideration	—	140
Other	77	143
Total other expenses	197	451
Ordinary income	30,409	36,487
Income before income taxes	30,409	36,487
Income taxes (current)	7,512	9,890
Income taxes (deferred)	843	(97)
Total income taxes	8,356	9,792
Net income	22,052	26,695
Net income attributable to non-controlling interests	3,687	5,271
Net income attributable to owners of the parent company	¥ 18,365	¥ 21,423

## Consolidated Statements of Comprehensive Income

(¥ millions)

	Three Quarters of Fiscal 2022 (From April 1 to December 31, 2021)	Three Quarters of Fiscal 2023 (From April 1 to December 31, 2022)
Net Income	¥22,052	¥26,695
Other comprehensive income		
Unrealized gain on marketable securities	(1,034)	1,086
Foreign exchange translation adjustment	6,929	20,467
Remeasurements of defined benefit plans	(1,216)	(905)
Total other comprehensive income	4,678	20,648
Comprehensive income	26,731	47,343
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	20,798	37,247
Non-controlling interest	5,932	10,096

### **(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 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

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

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4)	Amounts on consolidated statements of income (Note 5)
	Japan	United States (Note 1)	Australia (Note 2)	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	13,490	1,776	1,766	4,812	899	2,161	24,906	3,058	77	28,042

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

### First Three Quarters of the Fiscal Year Ending March 31, 2023 (April 1 to December 31, 2022)

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4)	Amounts on consolidated statements of income (Note 5)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Sales										
Outside client	¥148,049	¥42,280	¥20,958	¥45,195	¥22,667	¥12,600	¥291,751	¥22,341	¥ —	¥314,093
Intersegment	47,407	—	86	1,896	896	628	50,915	2,228	(53,144)	—
Total	195,457	42,280	21,045	47,091	23,564	13,228	342,667	24,569	(53,144)	314,093
Income (loss)	20,652	(252)	881	8,355	895	1,682	32,215	3,593	(2,119)	33,688

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 (loss) refers to intersegment transactions to eliminate.

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

## **Subsequent Events**

### ***Stock Split and Partial Amendment of Articles of Incorporation***

At its meeting held on February 8, 2023, the Board of Directors of the Corporation adopted a resolution to execute a stock split and partially amend the Articles of Incorporation.

#### **1. Stock split**

(1) Purpose of stock split

The stock split will be conducted with the aim of increasing the liquidity of Rinnai stock and expanding the Corporation's investor base by reducing the price of share-trading units.

(2) Method of stock split

This stock split will provide shareholders listed or recorded in the final Shareholders' Registry as of Friday, March 31, 2023, with three shares for every one share of common stock held as of the date of record.

(3) Increase in shares resulting from stock split

Total number of issued shares before stock split	50,021,057 shares
Increase in shares due to this stock split	100,042,114 shares
Total number of issued shares after stock split	150,063,171 shares
Total number of authorized shares after stock split	600,000,000 shares

(4) Schedule for stock split

Public notice of record date	March 15, 2023
Record date	March 31, 2023
Effective date	April 1, 2023

(5) Effect on net income per share

Assuming that the stock split was conducted at the beginning of the previous fiscal year, figures of consolidated net income per share are as follows.

	Three Quarters of Fiscal 2022 (From April 1 to December 31, 2021)	Three Quarters of Fiscal 2023 (From April 1 to December 31, 2022)
Net income per share	¥120.76	¥144.91

(6) Change in amount of stated capital

There will be no change in the amount of stated capital as a result of this stock split.

#### **3. Partial amendment to Articles of Incorporation in connection with stock split**

(1) Reason for amendment

In connection with the stock split, the number of authorized shares under Article 6 of the Corporation's Articles of Incorporation will change, effective April 1, 2023 (Saturday), in accordance with Article 184, Paragraph 2 of the Companies Act.

(2) Content of amendment

(Changes are underlined)

Existing article	After amendment
(Total number of shares authorized for issue) Article 6 The total number of shares authorized for issue by the Corporation shall be <u>200 million</u> .	(Total number of shares authorized for issue) Article 6 The total number of shares authorized for issue by the Corporation shall be <u>600 million</u> .

(3) Schedule

Effective date for partial amendment to Articles of Incorporation	April 1, 2023
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