

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

February 8, 2023

Rinnai Corporation

Rinnai

Fiscal 2023 (3Q) : Consolidated Performance Overview

Net sales: ¥ 314.0 billion (up 14.7% year on year)

Record-high level

Steady sales of water heaters in Japan; overseas sales also up due to higher sales in the United States, China, and other markets and the impact of foreign currency translation

Operating income: ¥33.6 billion

Record-high level

(up 20.1% year on year; operating income to net sales ratio: 10.7%)

Increase due to sales growth mainly in major countries despite soaring raw material prices and energy costs

Ordinary income: ¥36.4 billion

Record-high level

(up 20.0% year on year; ordinary income to net sales ratio: 11.6%)

Net income attributable to owners of the parent company: **¥21.4 billion**

Record-high level

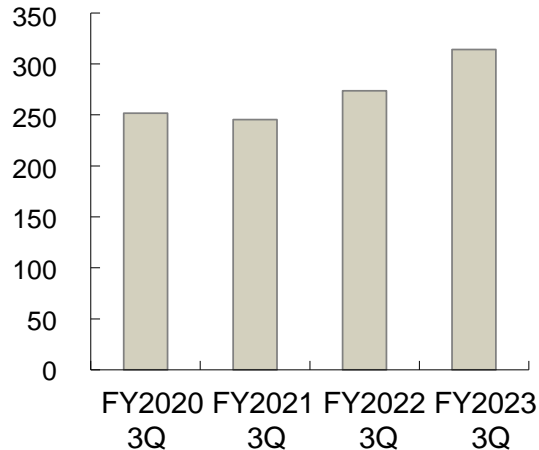
(up 16.7%, net income to net sales ratio: 6.8%)

- Increase in sales mainly in major countries despite concerns of economic downturn due to high prices and interest rates
- Record-high sales and income, but increased costs put pressure on profits

Fiscal 2023 (3Q) : Consolidated Financial Results

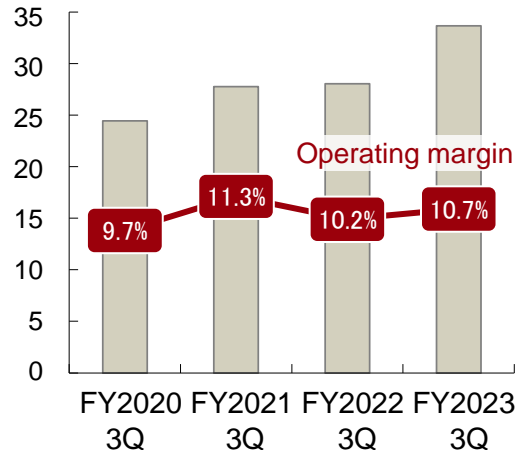
Net Sales

[Billions of Yen]



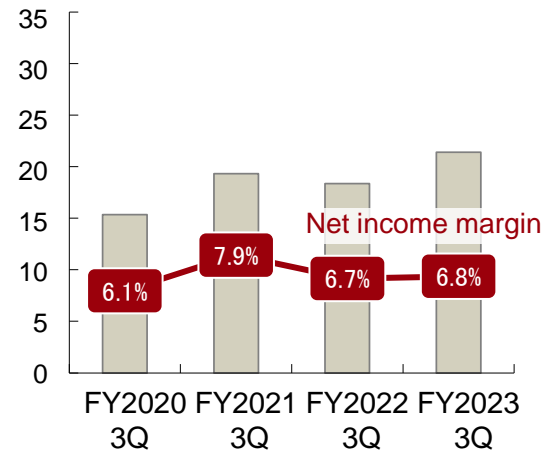
Operating Income

[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 and overseas sales and foreign currency impact
- Record-high operating income owing to revenue growth, but profit margins slowed due to increases in raw material prices and other costs

Fiscal 2023 (3Q): Net Sales by Product

[Billions of Yen]	Fiscal 2022 3Q		Fiscal 2023 3Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	157.14	57.4%	185.85	59.2%	+28.71	+18.3%
Kitchen appliances	64.54	23.6%	70.10	22.3%	+5.55	+8.6%
Air conditioning appliances	16.79	6.1%	17.85	5.7%	+1.06	+6.3%
Commercial-use equipment	6.57	2.4%	7.88	2.5%	+1.31	+20.0%
Others	28.70	10.5%	32.39	10.3%	+3.68	+12.8%
Total	273.76	100.0%	314.09	100.0%	+40.32	+14.7%

Fiscal 2023 (3Q): Consolidated Sales/Income Results

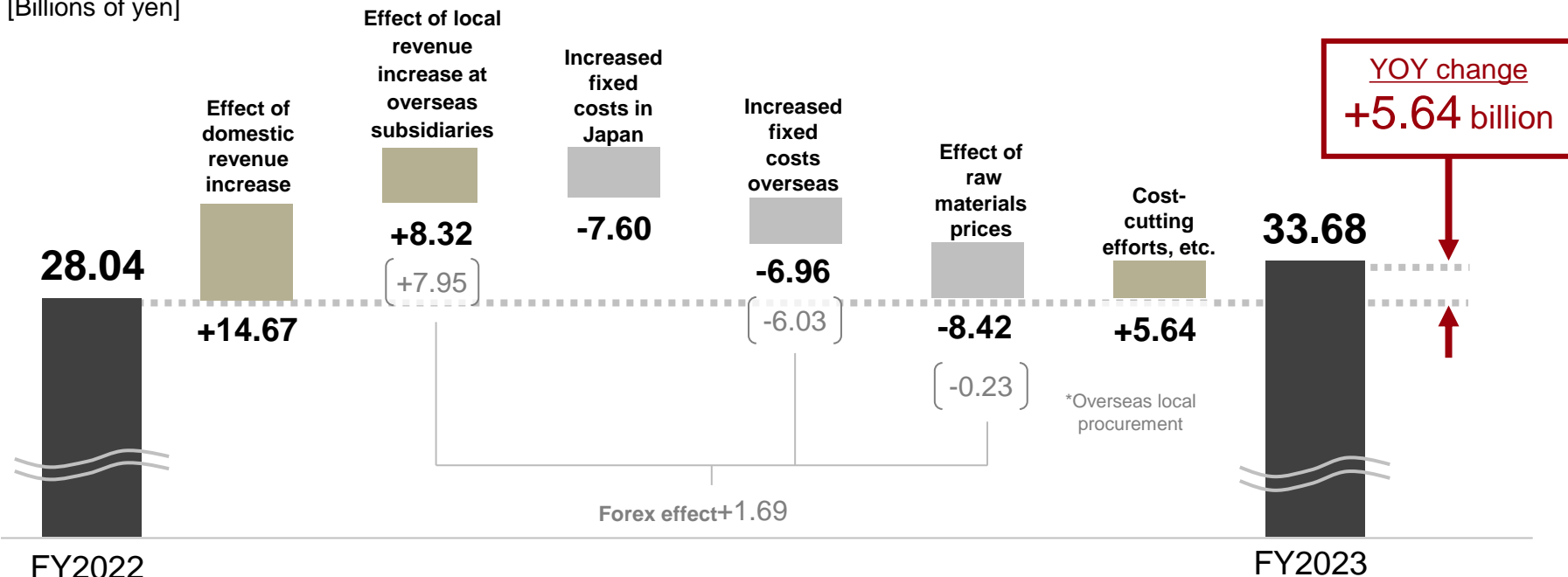
[Billions of Yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	314.09	+14.7%	33.68	+20.1%	10.7%	+0.5pt



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	186.97	+20.8%	17.50	+56.2%	9.4%	+2.1pt
Domestic	85.59	+17.6%	2.87	+38.4%	3.4%	+0.5pt
Overseas	174.86	+14.2%	14.51	-1.0%	8.3%	-1.3pt
Total	447.43	+17.5%	34.89	+24.8%	7.8%	+0.5pt

Fiscal 2023 (3Q): Consolidated Operating Income Analysis

[Billions of yen]



- Increase in operating income due to sales growth in Japan and overseas despite soaring raw material prices and distribution and energy costs

Rinnai (non-consolidated basis), Fiscal 2023 (3Q) Results

- Strengthened production to eliminate supply delays, leading to growth in sales centered on water heaters
- Record-high figures for sales and operating income thanks to increased revenue, but profit margins slowed due to significant impact of soaring raw material prices and energy costs



Built-in hobs (stovetops)



Hybrid water heater



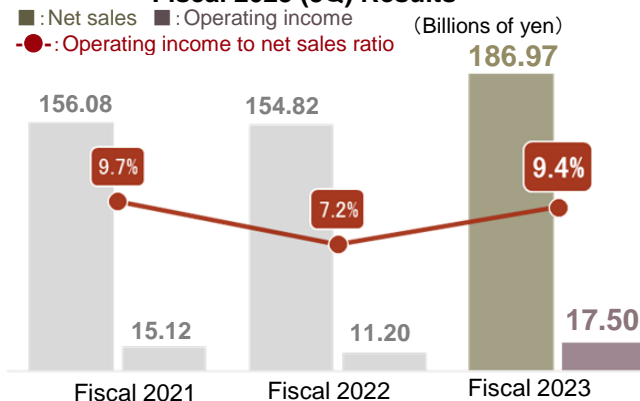
Gas clothes dryers



Dishwasher/dryers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change
Net Sales	154.82	186.97	+20.8%
Operating Income	11.20	17.50	+56.2%
Operating income to net sales ratio	7.2%	9.4%	+2.1pt

Rinnai (non-consolidated basis), Fiscal 2023 (3Q) Results



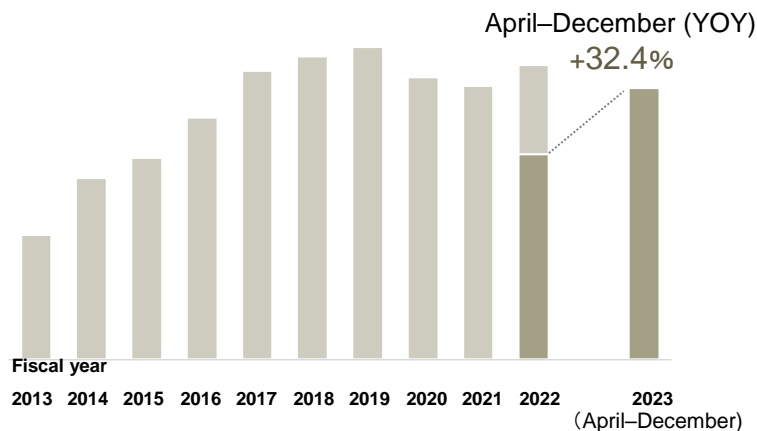
[Sales Volume in Japan]	YOY change
Water heater with heating systems	+35.1%
Water heater with bath-filling systems	+22.2%
Built-in hobs (stovetops)	-0.7%
Gas clothes dryers	+8.3%

Rinnai Corporation Topic: ECO ONE

Record-high sales of ECO ONE in three-quarter period

- Increase in sales due to accelerated efforts to achieve carbon neutrality and the launch of new-generation ECO ONE X5 (+32.4% YOY in 3Q period)
- Unit sales also expected to reach a record high for full year

ECO ONE Unit Sales



Hybrid water with heating system
ECO ONE X5 (launched June 15, 2022)

Received 2022 Energy Conservation Grand Prize (Product/Business Model Category) from the Commissioner of the Agency for Natural Resources and Energy

- Awarded for high energy efficiency and flexible installation with new “Turbo Heating” control



Addition of new model exclusively for multi-dwelling buildings (launch scheduled for September 1, 2023)

- Space-saving design allows installation on balconies or in pipe shafts
- Secures water for emergency use, leading to improved resilience
- Industry-leading energy efficiency contributes to ZEH transition in condominiums



Rinnai America, Fiscal 2023 (3Q) Results

- Growth in local sales thanks to increased supply of tankless water heaters from Japan
- Increases in sales and income in third quarter (Oct-Dec) thanks to higher revenue; operating loss down over three-quarter period
- Weakened local demand due to deteriorating housing market conditions caused by rising interest rates



Tankless water heaters



High-efficiency water heaters

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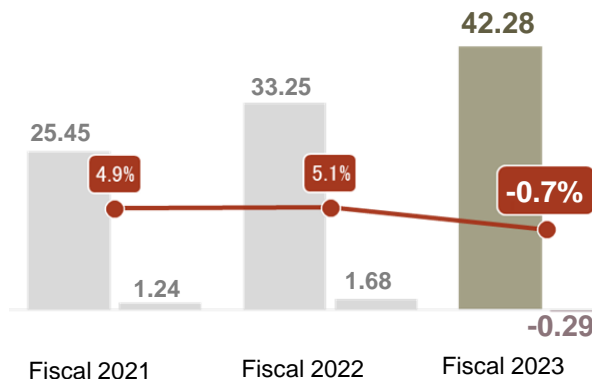


High-efficiency boilers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
			Net Sales	33.25
Operating Income	1.68	-0.29	-	-
Operating income to net sales ratio	5.1%	-0.7%	-	-

Rinnai America, Fiscal 2023 (3Q) Results

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



[Sales Volume]	YOY change
Tankless water heaters	-2.4%
High-efficiency models of total	+7.9%

Shanghai Rinnai, Fiscal 2023 (3Q) Results

- Recovery in production and sales activities after Shanghai lockdowns lifted
- Favourable sales of high-value-added products; bricks-and-mortar sales via EC sites up
- Higher sales and improved product mix led to a turnaround in operating income for the three-quarter period



Water heaters



Built-in hob (stovetops)



Range hoods

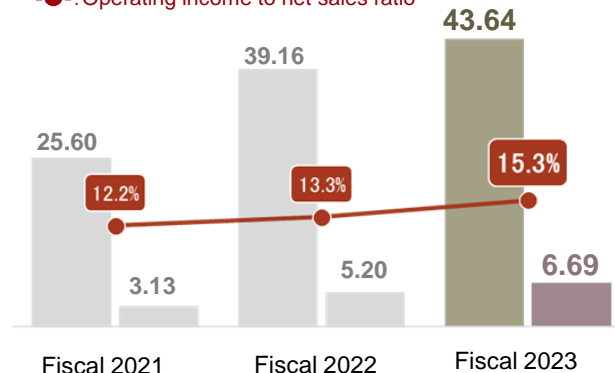


Boilers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	39.16	43.64	+11.4%	-3.3%
Operating Income	5.20	6.69	+28.6%	+11.6%
Operating income to net sales ratio	13.3%	15.3%	+2.0pt	

Shanghai Rinnai, Fiscal 2023 (3Q) Results

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



[Sales Volume]	YOY change
Water heaters	+11.4%
Built-in hob (stovetops)	-17.2%
Range hoods	-37.1%
Boilers	-21.2%

Rinnai Australia, Fiscal 2023 (3Q) Results

- Gradual recovery in sales of tankless water heaters and heaters, but local-currency sales down due to supply delays from Japan until second quarter
- Decrease in operating income due to lower sales and higher raw material prices and logistics costs



Tankless water heaters



Electric tank-based water heaters

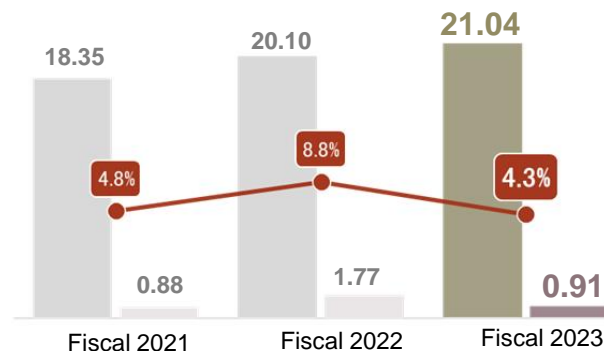


Duct-type air-conditioning and heating systems

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	20.10	21.04	+4.7%	-4.6%
Operating Income	1.77	0.91	-48.7%	-53.2%
Operating income to net sales ratio	8.8%	4.3%	-4.5pt	

Rinnai Australia, Fiscal 2023 (3Q) Results

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



[Sales Volume]	YOY change
Unvented-type heaters	-33.0%
Commercial air-conditioning appliances	+27.1%
Duct-type air-conditioning and heating systems	-6.5%

Rinnai Korea, Fiscal 2023 (3Q) Results

- Boiler sales down due to ongoing deterioration in business sentiment amid rising prices and interest rates
- Increase in income due to management improvement activities amid declining sales and rising raw material prices



Environmentally friendly boilers



Gas tabletop cookers

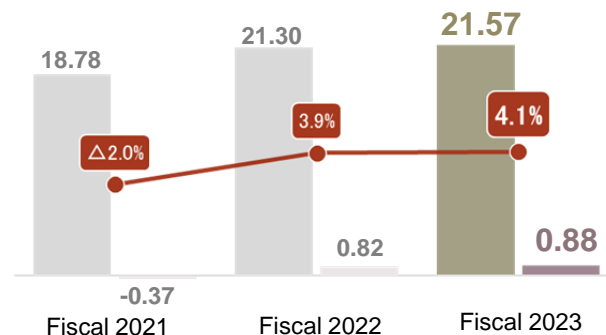


Electric tabletop cookers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	21.30	21.57	+1.3%	-3.5%
Operating Income	0.82	0.88	+7.7%	+2.6%
Operating income to net sales ratio	3.9%	4.1%	+0.2pt	

Rinnai Korea, Fiscal 2023 (3Q) Results

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



[Sales Volume]	YOY change
Boilers	-17.9%
Gas tabletop cookers	-0.7%
Electric tabletop cookers	+17.4%

P.T. Rinnai Indonesia, Fiscal 2023 (3Q) Results

- Increase in sales due to higher sales of built-in products despite weak sales of tabletop cookers
- Gradual improvement in profitability despite lower income stemming from higher raw material prices



Tabletop cookers



Built-in hob (stovetops)

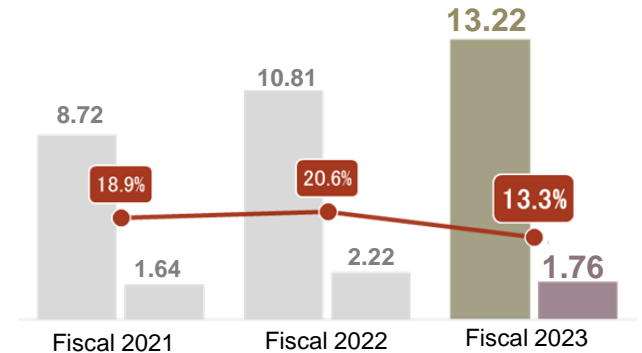


Range hoods

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	10.81	13.22	+22.3%	+6.3%
Operating Income	2.22	1.76	-20.8%	-31.2%
Operating income to net sales ratio	20.6%	13.3%	-7.3pt	

P.T. Rinnai Indonesia, Fiscal 2023 (3Q) Results

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



[Sales Volume]	YOY change
Tabletop cookers	-4.1%
Built-in hob (stovetops)	+25.8%
Range hoods	+36.3%

3Q Results and 4Q Forecasts

3Q Results

Growth in sales mainly in the United States and China; profitability in Japan down due to high raw material prices despite growth in sales of main products

- Japan** - Increase in sales of water heaters aimed at eliminating order backlog; significant jump in sales compared with previous corresponding period, when sales declined due to supply delays
- Downward pressure on profits due to soaring raw material prices and energy costs (especially for steel) despite higher sales
- Overseas** **United States:** Increase in supply of water heaters from Japan amid deteriorating housing market conditions; growth in local sales as order backlog eliminated
China: Growth in sales and income thanks to recovery in production and sales activities after Shanghai lockdowns lifted; bricks-and-mortar sales via EC sites up
Australia: Gradual recovery in sales of tankless water heaters and heaters from Japan, but performance impacted by sales decline (until second quarter) and high costs
South Korea: Weak boiler sales due to deteriorating market conditions
Indonesia: Strong sales of built-in products, but decrease in income due to high raw material prices

4Q Forecasts

Delayed recovery in profitability due to soaring prices and energy costs in addition to slowing demand

- Japan** We will continue strengthening our production system and target early elimination of our order backlog; profitability will remain impacted by soaring raw material prices and energy costs
- Overseas** **United States:** Deteriorating housing market conditions expected to dampen demand for new construction and renovation; despite the difficult market environment, we expect to eliminate the full-year operating loss
China: Forecast for growth in sales of high-value-added products and bricks-and-mortar sales via EC sites; expect continuation of strong performance in 3Q
Australia: In addition to recovery in tankless water heaters, we expect electric tank-based water heaters and heat pump-type water heaters to perform well
South Korea: In addition to struggling sales of mainstay boilers, we expect inspection costs associated with commercial fryers to put downward pressure on profits
Indonesia: Sales of built-in products expected to remain strong despite weakening personal consumption due to high prices

Fiscal 2023 Consolidated Performance Forecast

[Billions of Yen]	Initial forecast (A)	Nov. 4, 2022 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%

Despite concerns of market deterioration and increased uncertainty due to soaring raw material prices, our revised forecasts (announced on November 4, 2022) remain unchanged.

Stock Split and Stock Grant to Employees

Stock split

By reducing the price of share-trading units, we aim to increase the liquidity of our shares and expand our investor base.

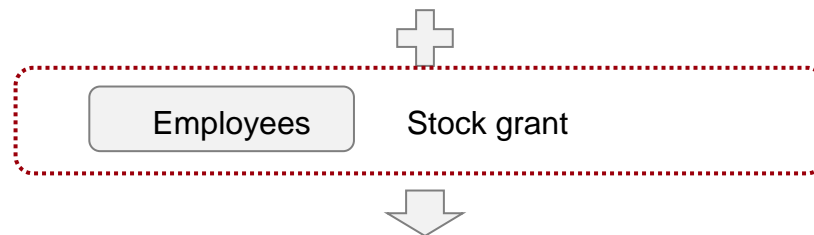
Stock split ratio	One share → Three shares
Record data	March 31, 2023 (Friday)
Effective date	April 1, 2023 (Saturday)

Introduction of RS for Employee Shareholding Association

We will grant restricted stock (RS) to employee with the aims of expanding employee benefits and fostering awareness of the need to improve the Corporation's performance from the perspective of shareholders.

Directors/Executive Officers

Introduction of stock compensation system (from fiscal 2022)



Promoting initiatives to enhance corporate value

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.