

Consolidated Financial Results for Fiscal 2023

(April 1, 2022 - March 31, 2023)

May 10, 2023

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/>

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Date of the General Meeting of Shareholders: June 29, 2023

Anticipated date to begin distributing dividends: June 30, 2023

Anticipated date for releasing annual securities report: June 29, 2023

Supplemental information sheets of financial results: Yes

Information meeting of financial results: Yes (for analysts and institutional investors)

1. Performance for the Year Ended March 31, 2023

(April 1, 2022 to March 31, 2023; Amounts less than one million yen are omitted)

(1) Consolidated Operating Results (Year ended March 31)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	(¥ millions)			
	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)
Fiscal 2023	425,229 (+16.1)	41,418 (+15.5)	44,565 (+14.1)	26,096 (+9.9)
Fiscal 2022	366,185 (+6.3)	35,864 (-11.9)	39,060 (-7.9)	23,748 (-13.9)

Note: Comprehensive income:

Year ended March 31, 2023: ¥46,633 million (+36.2%)

Year ended March 31, 2022: ¥34,240 million (-6.9%)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)	Ratio of Net Income to Equity Capital (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Operating Income to Net Sales (%)
Fiscal 2023	176.92	—	7.4	8.4	9.7
Fiscal 2022	156.80	—	6.9	7.7	9.8

References: Equity in earnings of companies accounted for using the equity method:

Year ended March 31, 2023: ¥— million Year ended March 31, 2022: ¥— million

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figure for "Net income per share" is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2023	547,114	407,199	66.6	2,487.60
Fiscal 2022	512,867	378,856	66.9	2,296.59

(Reference) Equity capital: Year ended March 31, 2023: ¥364,151 million

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

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figure for "Net assets per share" is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows (Years ended March 31) (¥ millions)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Fiscal 2023	19,387	(30,087)	(21,313)	120,213
Fiscal 2022	28,696	(25,486)	(27,109)	147,972

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
Fiscal 2022	—	70.00	—	70.00	140.00
Fiscal 2023	—	75.00	—	85.00	160.00
Fiscal 2024 (anticipated)	—	30.00	—	30.00	60.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2022	6,972	29.8	2.1
Fiscal 2023	7,807	30.1	2.2
Fiscal 2024 (anticipated)		32.7	

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figures for “Dividends” in the fiscal years ended March 31, 2022 and 2023 are actual dividends declared before the stock split. The figure for the year ending March 31, 2024 (forecast) is for after the stock split.

3. Forecast for the Fiscal Year Ending March 31, 2024

(April 1, 2023, to March 31, 2024)

	(¥ millions)				
	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)	Net Income per Share (¥)
Two-quarter total	190,000 (-2.2)	15,000 (-21.4)	16,500 (-25.7)	9,500 (-29.0)	65.28
Full year	440,000 (+3.5)	43,000 (+3.8)	46,000 (+3.2)	26,500 (+1.5)	183.34

(Percentage figures in columns indicate increase or decrease from the previous term.)

Notes 1: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figure for “Net income per share” for the year ending March 31, 2024 (forecast) is for after the stock split.

2: At its meeting held on May 10, 2023, the Board of Directors of the Corporation resolved to conduct a share buyback totaling up to ¥10 billion. The above figure for “Net income per share” (forecast) is calculated taking into account the impact of the share buyback. For details of the share buyback, please refer to the “Notice Concerning Share Buyback and Cancellation” (released May 10, 2023). In addition, the figure for “Consolidated payout ratio” for the fiscal year ending March 31, 2024 (forecast) in the above “2. Dividends” table takes the effect of the share buyback into consideration.

* Notes

(1) Changes in scope of consolidation of major subsidiaries during the period: None

Newly included one company — (Company name: —): Excluded — (Company name: —)

(2) 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 “Changes in accounting policies” on page 16 of this report.

- (3) Number of Outstanding Shares (Common Stock)
- (a) Number of outstanding shares at fiscal year-end (including treasury stock)
 Year ended March 31, 2023: 150,063,171 shares
 Year ended March 31, 2022: 150,063,171 shares
- (b) Number of treasury stock at fiscal year-end
 Year ended March 31, 2023: 3,676,692 shares
 Year ended March 31, 2022: 658,731 shares
- (c) Average number of shares during the term
 Year ended March 31, 2023: 147,508,523 shares
 Year ended March 31, 2022: 151,461,514 shares

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figure for “Number of outstanding shares at fiscal year-end,” “Number of treasury stock at fiscal year-end,” and “Average number of shares during the term,” are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2023

(April 1, 2022 to March 31, 2023; Amounts less than one million yen are omitted)

(1) Nonconsolidated Operating Results (Years ended March 31) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
Fiscal 2023	242,442 (+18.3)	19,871 (+39.2)	24,796 (+24.1)	18,530 (+20.0)
Fiscal 2022	204,929 (-3.5)	14,275 (-30.7)	19,975 (-15.1)	15,435 (-15.2)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2023	125.62	—
Fiscal 2022	101.91	—

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figure for “Net income per share” is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Nonconsolidated Financial Position (at March 31) (¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2023	286,227	226,544	79.1	1,547.58
Fiscal 2022	276,512	223,541	80.8	1,496.22

(Reference) Equity capital: Year ended March 31, 2023; ¥226,544 million

Year ended March 31, 2022; ¥223,541 million

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figure for “Net assets per share” is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* This report is exempt from an auditing 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, (4) Outlook for the Year Ending March 2024” on page 7 of this report.

*Supplemental information sheets of financial results are posted on the Corporation’s website on Wednesday, May 10, 2023.

1. Consolidated Performance

(1) Fiscal Year in Review

In the period under review, the global economy continued facing challenging conditions, including rising global prices, supply chain disruptions, the protracted situation in Ukraine, and deteriorating business confidence, as the spread of COVID-19 became increasingly normalized. In the domestic economy, conditions remained unpredictable as consumer spending and corporate earnings stagnated against a backdrop of sharp exchange rate fluctuations and rising prices of raw materials, energy, and other commodities.

In the domestic housing-related industry, new housing starts weakened, especially for owner-occupied dwellings, 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 products that improve quality of life and help protect the global environment, such as the Ultra Fine Bubble water heater and ECO ONE X5 hybrid water heater with heating system. We also commissioned a new plant in the growing U.S. market and expanded our business through the development of 100% hydrogen combustion technology for residential water heaters. 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 increased year on year thanks to Groupwide efforts 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, which also benefited from foreign exchange factors. On the earnings side, we posted an increase in operating income thanks to the increase in revenue and growth in sales of high-value-added products. This was despite soaring raw material prices, distribution costs, and energy costs, as well as higher expenses associated with the commissioning of a new plant in the United States.

As a result, consolidated net sales for the year amounted to ¥425,229 million, up 16.1% from the previous year. Operating income rose 15.5%, to ¥ 41,418 million, and ordinary income climbed 14.1%, to ¥44,565 million. Net income attributable to owners of the parent company grew 9.9%, to ¥26,096 million.

Our results by geographical segment were as follows:

Japan

In Japan, we posted a substantial increase in sales of mainstay water heaters, centered on hybrid and other models with heating systems, as we worked to strengthen our production

system to eliminate supply delays. Despite continued high costs of procuring raw materials and parts, as well as distribution and energy costs, we reported higher sales of mainstay products and benefited from the weaker yen and cost reduction efforts. As a result, sales in Japan rose 14.8%, to ¥196,838 million, and operating income jumped 35.3%, to ¥23,597 million.

United States

Despite temporary delays in the supply of tankless water heaters from Japan due to tight parts procurement and disruptions in international logistics, local sales of water heaters increased thanks to the commissioning of a new plant in April 2022 and increased supply from Japan. Although worsening housing market conditions led to stagnation in demand in the second half of the year, total U.S. sales increased 24.6%, to ¥55,750 million. However, these factors did not fully compensate for higher expenses and logistics costs associated with the new plant. Consequently, operating income fell 85.1%, to ¥313 million.

Australia

Sales in Australia increased 7.3%, to ¥27,655 million, due to growth in sales of commercial air conditioners and tank-based water heaters, as well as foreign exchange factors. This was despite lower sales of mainstay products due to delays in the supply of tankless water heaters and room heaters from Japan amid inflation and weak housing market conditions. However, the decline in sales (in local-currency terms) and soaring raw material prices and logistics costs led to a 27.2% fall in operating income, to ¥1,180 million.

China

In China, our business was affected by temporary restrictions on production and sales activities due to the stagnant housing market caused by stricter policies for developers and lockdowns in Shanghai related to COVID-19. After the lockdowns were lifted, however, we benefited from a rebound in production and sales activities, 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 25.3% to ¥66,150 million, and operating income jumped 56.5% to ¥10,569 million.

South Korea

In South Korea, weakening market sentiment due to rising prices and interest rates, as well as a decrease in housing sales and a reduction in government subsidies for eco-friendly products, caused the market to contract and led to a decline in sales of mainstay boilers. Consequently, sales in South Korea edged down 0.1%, to ¥32,094 million. Operating income fell 32.3%, to ¥705 million, due to lower sales of mainstay products and repair and inspection expenses for commercial fryers.

Indonesia

Despite weak sales of mainstay tabletop stoves, sales of built-in hobs (stovetops) and range hoods increased on the back of strong demand thanks to sales promotion activities and an expanded product lineup. As a result, sales in Indonesia increased 19.3% to ¥16,203 million. However, operating income declined 15.1%, to ¥ 2,400 million, due to continued high raw material prices, especially for steel.

References 1: Net sales by product

(¥ millions)

	Year ended March 31, 2022 (April 1, 2021, to March 31, 2022)		Year ended March 31, 2023 (April 1, 2022, to March 31, 2023)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	211,026	57.6	258,658	60.8	47,631	22.6
Kitchen appliances	85,531	23.4	91,780	21.6	6,248	7.3
Air conditioning appliances	21,109	5.8	21,941	5.2	831	3.9
Commercial-use equipment	9,007	2.5	10,669	2.5	1,662	18.5
Others	39,509	10.8	42,179	9.9	2,669	6.8
Total	366,185	100.0	425,229	100.0	59,044	16.1

References 2: Overseas sales

(¥ millions)

	Year ended March 31, 2022 (April 1, 2021, to March 31, 2022)			Year ended March 31, 2023 (April 1, 2022, to March 31, 2023)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	117,289	86,878	204,167	136,541	100,873	237,415
II. Consolidated net sales	—	—	366,185	—	—	425,229
III. Composition ratio of overseas sales to consolidated net sales	32.0%	23.7%	55.8%	32.1%	23.7%	55.8%

Note: Overseas sales of the above indicate sales of the Corporations in overseas countries or regions.

(2) Financial Position

As of March 31, 2023, the Rinnai Group had total assets of ¥547,114 million, up ¥34,246 million from a year earlier. This rise stemmed mainly from an increase in inventories.

Total liabilities increased ¥5,904 million, to ¥139,914 million, due to an increase in Electronically recorded obligations.

Net assets were up ¥28,342 million, to ¥407,199 million, boosted by net income attributable to owners of the parent company and foreign exchange translation adjustment, and acquisition of treasury stock.

As a result, the equity ratio at fiscal year-end was 66.6%.

(3) Cash Flows

Cash and cash equivalents at March 31, 2023, stood at ¥120,213 million, down ¥27,759 million, or 18.8%, from a year earlier.

Net cash provided by operating activities amounted to ¥19,387 million, down 32.4% from the previous year. Main factors included the secured operating income and a cash

decrease due to income taxes paid.

Net cash used in investing activities totaled ¥30,087 million, up 18.1% from the previous year. Main factors were purchases of tangible fixed assets.

Net cash used in financing activities was ¥21,313 million, down 21.4% from the previous year. Main factors were acquisition of treasury stock and payment of dividends.

(4) Outlook for the Year Ending March 2024

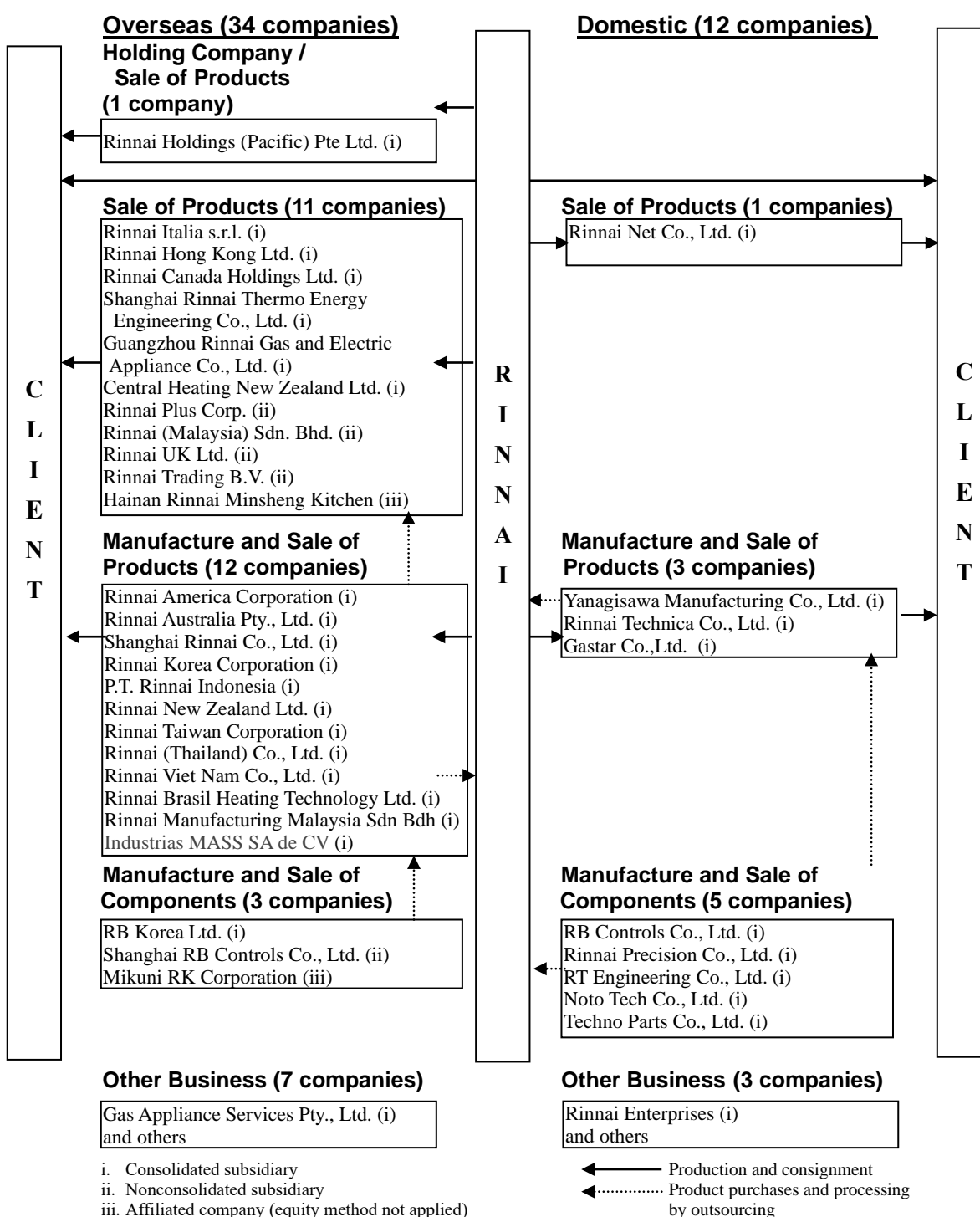
Looking ahead, we expect the operating environment to be highly uncertain, reflected by deteriorating business confidence stemming from rising prices and interest rates globally, as well as an unstable financial system and the protracted situation in Ukraine. Under these conditions, we expect the costs of procuring raw materials, components, and energy to remain high, while the structure of demand will change as we enter the post-COVID era and the market shifts from fossil fuels to renewable energy. Accordingly, we predict that business conditions will remain challenging.

In response, the Rinnai Group, committed to creating healthy and comfortable lifestyles, will provide a variety of products and services with the themes of “improving quality of life” and “addressing global environmental issues” under its medium-term business plan, New ERA 2025. In Japan, we will step up sales of product lines that are highly distinctive in our business. These include gas clothes dryers and dishwashers that help improve quality of life, as well environmentally friendly and energy-efficient water heaters, such as ECO ONE, a hybrid water heater with heating system that helps combat global warming. We will also work to further strengthen our supply chain to ensure a more stable supply of our products, which are daily necessities. Overseas, we will engage in sales promotion activities to expand demand for tankless water heaters in the United States, our main market for those products, while in China we will strengthen Internet sales, which are expected to grow, and expand the capacity of local production plants to broaden our range of offerings. At the same time, we will continue expanding our business into emerging countries and untapped regions. We will also promote products in countries and regions that are working progressively to realize a decarbonized society as indicated in our carbon neutrality declaration, RIM 2050.

Our consolidated forecasts for the year ending March 2024 are as follows: Net sales of ¥440.0 billion (up 3.5% year on year), operating income of ¥43.0 billion (up 3.8%), ordinary income of ¥46.0 billion (up 3.2%), and net income attributable to owners of the parent company of ¥26.5 billion (up 1.5%).

2. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 44 subsidiaries, and two affiliated companies, for a total of 47 companies. These include 37 consolidated subsidiaries. The Group is primarily engaged in the manufacture and sale of heating appliances and components, and related businesses. The Group's structure and business flow are shown below.



3. Basic Policy Regarding Selection of Accounting Standard

The Rinnai Group has prepared these consolidated financial statements based on to the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), except for Chapters 7 and 8. With respect to application of international accounting standards, the Group's policy is to respond appropriately after considering various circumstances in Japan and overseas.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2022 (Year ended March 31, 2022)	At March 31, 2023 (Year ended March 31, 2023)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	173,235	150,883
Notes and accounts receivable, and contract assets	75,596	78,886
Electronically Recorded Monetary Claims	7,641	10,413
Marketable securities	12,250	7,737
Products	36,078	53,265
Raw materials and stores	28,548	39,562
Other	4,698	6,141
Less allowance for doubtful accounts	(4,093)	(5,369)
Total current assets	333,956	341,520
Fixed assets		
Property, plant and equipment		
Buildings and structures	79,238	96,515
Accumulated depreciation	(43,133)	(46,315)
Buildings and structures (net)	36,104	50,200
Machinery and vehicles	67,194	75,467
Accumulated depreciation	(51,509)	(55,591)
Machinery and vehicles (net)	15,684	19,875
Tools and fixtures	38,209	40,899
Accumulated depreciation	(34,192)	(36,230)
Tools and fixtures (net)	4,016	4,668
Land	24,995	25,878
Lease assets	5,047	6,659
Accumulated depreciation	(1,145)	(2,071)
Lease assets (net)	3,902	4,588
Construction in progress	15,894	12,954
Total property, plant and equipment	100,598	118,166
Intangible fixed assets	3,792	3,743
Investments and advances		
Investments in securities	44,620	48,205
Net defined benefit assets	23,371	26,372
Deferred income taxes	4,299	4,774
Other	2,383	4,379
Less allowance for doubtful accounts	(153)	(47)
Total investments and advances	74,520	83,683
Total fixed assets	178,910	205,593
Total assets	512,867	547,114

(¥ millions)

	At March 31, 2022 (Year ended March 31, 2022)	At March 31, 2023 (Year ended March 31, 2023)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	26,433	26,205
Electronically recorded obligations	33,293	37,851
Other payables	19,728	20,785
Accrued consumption taxes	1,179	1,270
Accrued income taxes	4,106	6,665
Accrued employee's bonuses	5,162	5,365
Allowance for product guarantee	3,868	4,706
Other	15,031	10,018
Total current liabilities	108,803	112,868
Long-term liabilities		
Deferred tax liabilities	10,109	11,497
Allowance for environmental measures	2,255	2,255
Net defined benefit liabilities	8,769	8,827
Other	4,073	4,465
Total long-term liabilities	25,206	27,045
Total liabilities	134,010	139,914
NET ASSETS:		
Shareholders' equity:		
Common stock	6,484	6,484
Capital surplus	8,673	8,428
Earned surplus	315,593	334,946
Treasury stock	(2,330)	(12,290)
Total shareholders' equity	328,419	337,569
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	4,582	6,161
Foreign exchange translation adjustment	4,925	14,248
Remeasurements of defined benefit plans	5,193	6,171
Total other accumulated comprehensive income	14,700	26,582
Non-controlling interests	35,736	43,048
Total net assets	378,856	407,199
Total liabilities and net assets	512,867	547,114

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

(¥ millions)

	Fiscal 2022 (April 1, 2021, to March 31, 2022)	Fiscal 2023 (April 1, 2022, to March 31, 2023)
	Amount	Amount
Net sales	366,185	425,229
Cost of Sales	249,628	286,834
Gross Profit	116,556	138,394
Selling, general and administrative expenses		
Transportation and packing	11,070	15,414
Advertising	3,082	3,830
Sales promotion	6,914	8,345
Transfer to allowance for product guarantee	3,771	4,699
Salary and bonuses	26,197	29,695
Transfer to allowance for employee's bonuses	2,565	2,307
Retirement benefit expenses	31	388
Depreciation	2,864	3,379
Transfer to allowance for doubtful accounts	1,659	1,605
Other	22,534	27,309
Total selling, general and administrative expenses	80,692	96,975
Operating income	35,864	41,418
Other income:		
Interest income	1,141	1,690
Dividends received	378	445
Foreign exchange income	1,144	514
Other	1,289	1,129
Total other income	3,955	3,779
Other expenses:		
Interest expenses	64	73
Loss on retirement of fixed assets	181	225
Fair value fluctuation amount related to contingent consideration	383	141
Other	130	192
Total other expenses	759	633
Ordinary income	39,060	44,565
Income before income taxes	39,060	44,565
Income taxes:		
Current	9,266	11,761
Deferred	786	(192)
Total income taxes	10,053	11,569
Net income	29,006	32,995
Net income attributable to non-controlling interests	5,258	6,898
Net income attributable to owners of the parent company	23,748	26,096

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2022 (April 1, 2021, to March 31, 2022)	Fiscal 2023 (April 1, 2022, to March 31, 2023)
	Amount	Amount
Net income	29,006	32,995
Other comprehensive income		
Unrealized gain on marketable securities	(1,432)	1,562
Foreign exchange translation adjustment	11,376	11,095
Remeasurements of defined benefit plans	(4,710)	979
Total other comprehensive income	5,233	13,638
Comprehensive income	34,240	46,633
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	25,339	37,978
Non-controlling interest	8,901	8,655

(3) Consolidated Statements of Shareholders' Equity

Fiscal 2022 (April 1, 2021, to March 31, 2022) (¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,648	315,992	(1,881)	329,219
Effect of change of accounting policy			(8)		(8)
Balance at the beginning of current term, after change of accounting policy	6,459	8,648	315,984	(1,881)	329,211
Net changes during the current term					
Issuance of new shares	24	24			49
Dividends paid			(7,083)		(7,083)
Net income attributable to owners of the parent company			23,748		23,748
Acquisition of treasury stock				(17,433)	(17,433)
Disposition of treasury stock		0		0	0
Retirement of treasury stock		(16,983)		16,983	—
Increase due to merger					—
Decrease due to merger			(72)		(72)
Transfer from earned surplus to capital surplus		16,983	(16,983)		—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net other changes than shareholders' equity during the current term					—
Total net changes during the current term	24	24	(391)	(449)	(791)
Balance at the end of current term	6,484	8,673	315,593	(2,330)	328,419

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	6,058	(2,885)	9,937	13,110	28,989	371,318
Effect of change of accounting policy						(8)
Balance at the beginning of current term, after change of accounting policy	6,058	(2,885)	9,937	13,110	28,989	371,310
Net changes during the current term						
Issuance of new shares						49
Dividends paid						(7,083)
Net income attributable to owners of the parent company						23,748
Acquisition of treasury stock						(17,433)
Disposition of treasury stock						0
Retirement of treasury stock						—
Increase due to merger						—
Decrease due to merger						(72)
Transfer from earned surplus to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net other changes than shareholders' equity during the current term	(1,476)	7,811	(4,744)	1,590	6,747	8,337
Total net changes during the current term	(1,476)	7,811	(4,744)	1,590	6,747	7,545
Balance at the end of current term	4,582	4,925	5,193	14,700	35,736	378,856

Fiscal 2023 (April 1, 2022, to March 31, 2023) (¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,484	8,673	315,593	(2,330)	328,419
Effect of change of accounting policy					—
Balance at the beginning of current term, after change of accounting policy	6,484	8,673	315,593	(2,330)	328,419
Net changes during the current term					
Issuance of new shares					—
Dividends paid			(7,145)		(7,145)
Net income attributable to owners of the parent company			26,096		26,096
Acquisition of treasury stock				(10,007)	(10,007)
Disposition of treasury stock		(1)		48	46
Retirement of treasury stock					—
Increase due to merger			404		404
Decrease due to merger					—
Transfer from earned surplus to capital surplus		1	(1)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(244)			(244)
Net other changes than shareholders' equity during the current term					
Total net changes during the current term	—	(244)	19,353	(9,959)	9,149
Balance at the end of current term	6,484	8,428	334,946	(12,290)	337,569

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	4,582	4,925	5,193	14,700	35,736	378,856
Effect of change of accounting policy						—
Balance at the beginning of current term, after change of accounting policy	4,582	4,925	5,193	14,700	35,736	378,856
Net changes during the current term						
Issuance of new shares						—
Dividends paid						(7,145)
Net income attributable to owners of the parent company						26,096
Acquisition of treasury stock						(10,007)
Disposition of treasury stock						46
Retirement of treasury stock						—
Increase due to merger						404
Decrease due to merger						—
Transfer from earned surplus to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						(244)
Net other changes than shareholders' equity during the current term	1,579	9,323	978	11,881	7,311	19,193
Total net changes during the current term	1,579	9,323	978	11,881	7,311	28,342
Balance at the end of current term	6,161	14,248	6,171	26,582	43,048	407,199

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2022 (April 1, 2021, to March 31, 2022)	Fiscal 2023 (April 1, 2022, to March 31, 2023)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	39,060	44,565
Depreciation and amortization	11,794	13,278
Increase (decrease) in allowance for doubtful accounts	1,106	951
(Increase) decrease in net defined benefit assets	(2,466)	(1,870)
Increase (decrease) in net defined benefit liabilities	(529)	141
Interest and dividends income	(1,520)	(2,136)
Decrease (increase) in trade receivables and contract assets	5,672	(2,774)
Decrease (increase) in inventories	(18,124)	(24,054)
Increase (decrease) in trade payables	2,362	2,363
Increase (decrease) in accrued consumption taxes	(1,750)	590
Increase (decrease) in other liability	5,448	(4,379)
Other	(1,045)	544
Subtotal	40,007	27,219
Interest and dividends received	1,445	1,705
Interest paid	(65)	(79)
Income taxes paid	(12,691)	(9,458)
Net cash provided by operating activities	28,696	19,387
Cash flows from investing activities		
Transfers to time deposits	(44,718)	(51,088)
Withdrawals from time deposits	41,595	55,039
Purchases of securities	(1,487)	(1,947)
Proceeds from redemption of securities	1,775	1,557
Purchases of tangible fixed assets	(20,227)	(25,950)
Purchases of intangible fixed assets	(612)	(759)
Purchases of investments in securities	(8,845)	(8,626)
Proceeds from sales/and redemption of investments in securities	7,128	1,964
Other	(93)	(277)
Net cash used in investing activities	(25,486)	(30,087)
Cash flows from financing activities		
Acquisition of treasury stock	(17,434)	(10,070)
Dividends paid	(7,080)	(7,146)
Dividends paid to non-controlling interests	(1,800)	(1,588)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,204)
Repayments of lease obligations	(793)	(1,295)
Other	0	(7)
Net cash used in financing activities	(27,109)	(21,313)
Effect of exchange rate fluctuations on cash and cash equivalents	4,967	3,937
Net increase (decrease) in cash and cash equivalents	(18,931)	(28,075)
Cash and cash equivalents at beginning of year	166,524	147,972
Increase in cash and cash equivalents due to newly consolidation	94	—
Increase in cash and cash equivalents due to merger with a non-consolidated subsidiary	285	315
Cash and cash equivalents at end of year	147,972	120,213

(5) Notes to Consolidated Financial Statements

Notes regarding the assumption of a going concern

There are no relevant items.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

From the beginning of fiscal 2023, ended 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 consolidated financial statements.

Application of U.S. GAAP ASC 842 accounting standard, “Leases”

Effective the fiscal year in review, some of Rinnai Corporation’s overseas consolidated subsidiaries have applied the U.S. GAAP ASC 842 accounting standard, “Leases.” In principle, the standard requires lessees to recognize the assets and liabilities of all leases on the Consolidated Balance Sheets. The cumulative effect of applying the standard, which is permitted as a transitional measure, is recognized at the date of application. The application of this accounting standard did not have a material impact on Rinnai Corporation’s consolidated financial statements.

Segment Information

(1) Summary of Reportable Segments

With respect to its business segments, Rinnai is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance.

The Rinnai Group is engaged mainly in the production and sales of heat appliances. The Corporation (parent company) and domestic subsidiaries are in charge of business activities in Japan, while mainly overseas subsidiaries in United States, Australia, and elsewhere are in charge of business activities in the respective regions. Local subsidiaries operate as independently managed units. With respect to products handled, they advance their operations based on their comprehensive strategies for their specific regions.

Accordingly, the reportable segments of the Corporation, which are geographic segments based on its production and sales system, consist of six regions: Japan, United States, Australia, China, South Korea, and Indonesia.

(2) Calculation Methods of Sales, Income (Loss), Assets, and Other Items by Reportable Segment

Accounting treatments of the reportable segments of the Corporation are much the same in the accounting treatments of Consolidated Financial Statements.

Income of the reportable segment indicates figures based on operating income.

(3) Sales, Income (Loss), Assets, and Other Items by Reportable Segment

Year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4, 5)	Amounts in Consolidated Statements of Income (Note 6)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	171,533	44,752	25,764	52,778	32,124	13,587	340,540	25,644	—	366,185
Intersegment sales	42,939	—	131	2,402	1,165	710	47,349	2,431	(49,780)	—
Total	214,472	44,752	25,895	55,181	33,290	14,297	387,890	28,075	(49,780)	366,185
Segment Income	17,439	2,108	1,620	6,752	1,041	2,826	31,789	4,280	(205)	35,864
Segment Assets	343,663	33,843	27,654	72,029	20,240	14,519	511,950	37,272	(36,356)	512,867
Others										
Depreciation	7,474	360	599	1,408	1,018	308	11,169	624	—	11,794
Amortization of goodwill	—	13	12	—	—	—	25	19	—	45
Increase in property, plant and equipment and intangible fixed assets (Note 7)	13,046	6,163	342	1,984	994	117	22,649	646	—	23,295

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. "Adjustments" of segment assets refers to intersegment transactions to eliminate.

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

7. "Increase in property, plant and equipment and intangible fixed assets" do not include increase due to newly consolidation

Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4, 5)	Amounts in Consolidated Statements of Income (Note 6)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	196,838	55,750	27,655	66,150	32,094	16,203	394,691	30,537	—	425,229
Intersegment sales	56,403	—	116	2,783	1,234	794	61,331	3,216	(64,548)	—
Total	253,241	55,750	27,771	68,933	33,329	16,997	456,023	33,754	(64,548)	425,229
Segment Income	23,597	313	1,180	10,569	705	2,400	38,767	4,875	(2,223)	41,418
Segment Assets	359,184	50,076	30,322	78,837	22,001	14,866	555,289	42,726	(50,901)	547,114
Others										
Depreciation	8,480	835	616	1,306	976	340	12,556	722	—	13,278
Amortization of goodwill	—	51	13	—	—	—	65	21	—	86
Increase in property, plant and equipment and intangible fixed assets (Note 7)	17,643	2,927	297	4,060	798	327	26,054	1,263	—	27,317

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. "Adjustments" of segment assets refers to intersegment transactions to eliminate.

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

Per Share Data

	Fiscal 2022 (April 1, 2021, to March 31, 2022)	Fiscal 2023 (April 1, 2022, to March 31, 2023)
1. Net assets per share	¥2,296.59	¥2,487.60
2. Net income per share	¥156.80	¥176.92

Notes: 1. Fully diluted net income per share is not indicated because there is no residual equity.

2: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figures for “Net assets per share” and “Net income per share” are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

3. Net assets per share are calculated based on the following amounts.

	At End of Fiscal 2022 (As of March 31, 2022)	At End of Fiscal 2023 (As of March 31, 2023)
Net assets	¥378,856 million	¥407,199 million
Deduction from net assets	¥35,736 million	¥43,048 million
[Non-controlling interest]	[¥35,736 million]	[¥43,048 million]
Net assets at year-end related to common shares	¥343,120 million	¥364,151 million
Number of common shares at year-end used in calculations	149,404,440 shares	146,386,479 shares

3. Net income per share is calculated based on the following amounts.

	Fiscal 2022 (April 1, 2021, to March 31, 2022)	Fiscal 2023 (April 1, 2022, to March 31, 2023)
Net income attributable to owners of the parent company	¥23,748 million	¥26,096 million
Amount not attributable to common shares	— million	— million
Net income attributable to owners of the parent company related to common shares	¥23,748 million	¥26,096 million
Average number of shares during the term	151,461,514 shares	147,508,523 shares

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 resolved to conduct a stock split and partially amend the Articles of Incorporation.

1. Stock split

(1) Purpose

The stock split was 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

This stock split provided 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 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 per-share information

The effect of the split on per-share information is stated in the relevant section of this document.

(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.

2. 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 changed, 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 April 1, 2023
to Articles of Incorporation

Share buyback and Cancellation

At its meeting held on May 10, 2023, the Board of Directors of the Corporation resolved the following matter related to a share buyback pursuant to Article 156 of the Companies Act of Japan as applied to Article 165 (Paragraph 3) of the same Act, and a cancellation of those shares pursuant to the Article 178 of the same Act.

1. Reason for share buyback and cancellation

To improve shareholder return and capital efficiency and thus further enhance corporate value.

2. Details of share buyback

- | | |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------|
| (1) Type of shares to be acquired | Common stock of the Company |
| (2) Total number of shares to be acquired | 4,000,000 shares (maximum)
(2.73% of total shares issued and outstanding
(excluding treasury stock)) |
| (3) Total value of shares to be acquired | ¥10 billion (maximum) |
| (4) Acquisition period | May 11–November 30, 2023 |

3. Details of Cancellation

- | | |
|---------------------------------------------|---------------------------------------------------------|
| (1) Type of shares to be cancelled: | Common stock of the Company |
| (2) Total number of shares to be cancelled: | All of the shares acquired as described in 2.
above* |
| (3) Planned cancellation date: | December 14, 2023 |

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The number of shares to be acquired are for after the stock split.

5. Other

Changes in Directors and Executive Officers

(1) Change in representative director: Not applicable.

(2) Other changes in officers

- New candidates for Directors:

Hideyuki Shiraki (currently Senior Managing Executive Officer and General Manager of Marketing & Sales Headquarters)

Kazuto Inoue (currently Senior Managing Executive Officer and General Manager of Production Engineering Headquarters)

- New candidates for Outside Directors:

Tadashi Ogura (currently Representative Director and Chairman of Noritake Co., Limited)

Yoko Dochi (currently Outside Director of NIPPO LTD and Director of The Daiwa Anglo-Japanese Foundation.)

- New candidate for Standing Audit & Supervisory Board Member: Masanori Shimizu (currently General Manager of Quality Assurance Headquarters)

- Retiring Audit & Supervisory Board Member: Haruhiko Ishikawa (Standing Audit & Supervisory Board Member)

(3) Scheduled date of assumption of office and retirement: June 29, 2023