

Financial Results of Fiscal 2023, ended March 31, 2023

May 10, 2023

Rinnai Corporation

Rinnai

1. Fiscal 2023 Results
2. Progress of Medium-Term Business Plan,
New ERA 2025
3. Fiscal 2024 Outlook

Fiscal 2023: Consolidated Performance Overview

Net sales: ¥425.2 billion (up 16.1% year on year)

Record-high level

Increase thanks to higher domestic sales of mainstay water heaters; overseas sales also up due to higher revenue and foreign exchange factors

[vs target*: up 0.1%*]

Operating income: ¥41.4 billion (up 15.5% year on year; Operating income to net sales ratio: 9.7%)

Record-high level

Increase due to higher revenue despite soaring raw material prices and logistics and energy costs factors

[vs target*: down 5.9%*]

Ordinary income: ¥44.5 billion (up 14.1% year on year; Ordinary income to net sales ratio: 10.5%)

Record-high level

[vs target*: down 8.1%*]

Net income attributable to owners of the parent company: ¥26.0 billion

(up 9.9% year on year; Net income to net sales ratio: 6.1%)

[vs target*: down 11.5%*]

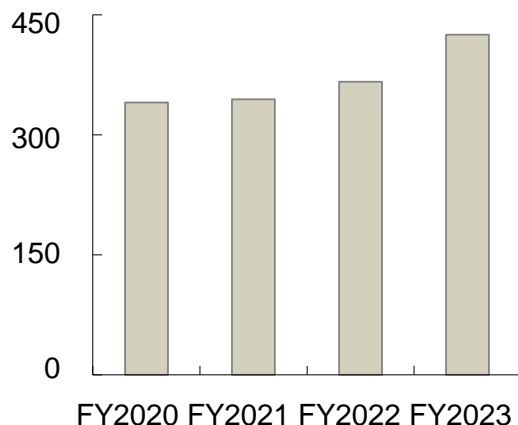
*"vs target" indicates the figure compared to performance forecasts announced on November 4, 2022.

- Record-high figures for net sales, operating income, and ordinary income despite rapidly changing environment
- Income fell short of upwardly revised plan due to high costs of raw materials and other items

Fiscal 2023: Consolidated Financial Results

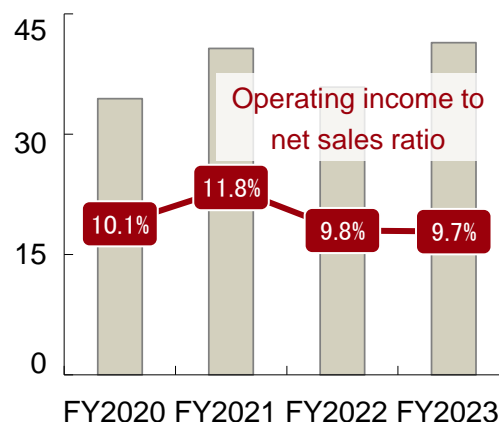
Net Sales

[Billions of Yen]



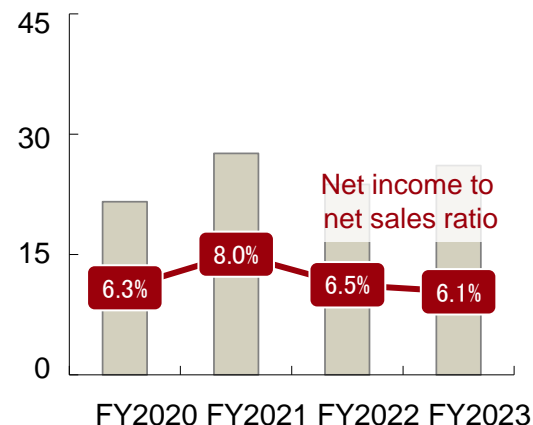
Operating Income

[Billions of Yen]



Attributable to owners of the parent company Net Income

[Billions of Yen]



- Net sales up for third consecutive year due to sales growth and foreign currency translation effects; significantly surpassed historical high
- Operating income reached record high, but operating margin improvement stalled by increases in raw materials and costs

Fiscal 2023: Net Sales by Product

[Billions of yen]	Fiscal 2022		Fiscal 2023		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	211.02	57.6%	258.65	60.8%	+47.63	+22.6%
Kitchen appliances	85.53	23.4%	91.78	21.6%	+6.24	+7.3%
Air conditioning appliances	21.10	5.8%	21.94	5.2%	+0.83	+3.9%
Commercial-use equipment	9.00	2.5%	10.66	2.5%	+1.66	+18.5%
Others	39.50	10.8%	42.17	9.9%	+2.66	+6.8%
Total	366.18	100.0%	425.22	100.0%	+59.04	+16.1%

Fiscal 2023: Consolidated Sales/Income Results

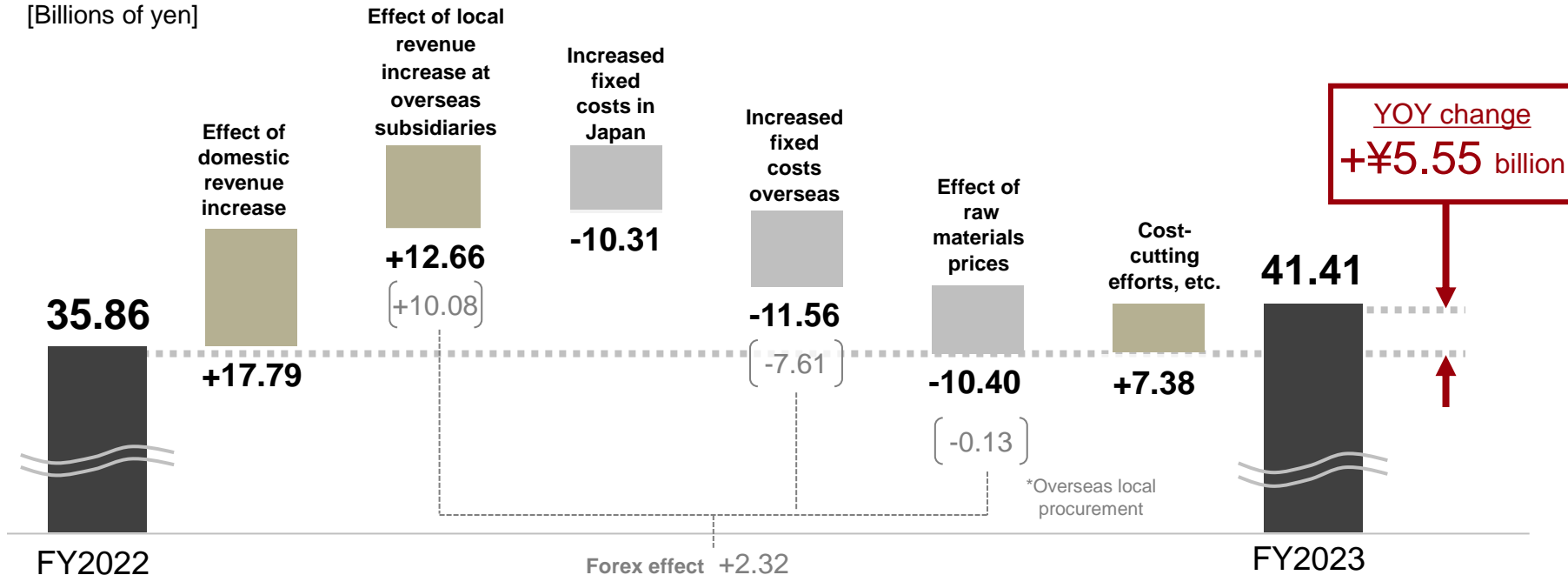
[Billions of yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	425.22	+16.1%	41.41	+15.5%	9.7%	-0.1pt



[Billions of yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	242.44	+18.3%	19.87	+39.2%	8.2%	+1.2pt
Domestic	113.35	+15.6%	3.40	+14.0%	3.0%	-0.0pt
Overseas	241.42	+16.2%	20.31	+6.1%	8.4%	-0.8pt
Total	597.21	+16.9%	43.59	+19.7%	7.3%	+0.2pt

Fiscal 2023: Consolidated Operating Income Analysis

[Billions of yen]



Higher sales in Japan and overseas, but soaring raw materials, logistics, and energy costs put downward pressure on profits

Rinnai (non-consolidated basis), Fiscal 2023 Results

- Strengthened production to eliminate supply delays, leading to growth in sales centered on water heaters
- Slowdown in profitability ratio due to continued high costs of raw materials and energy despite profit growth in sales of mainstay products and cost reductions



Built-in hobs (stovetops)



Hybrid water heater



Gas clothes dryers



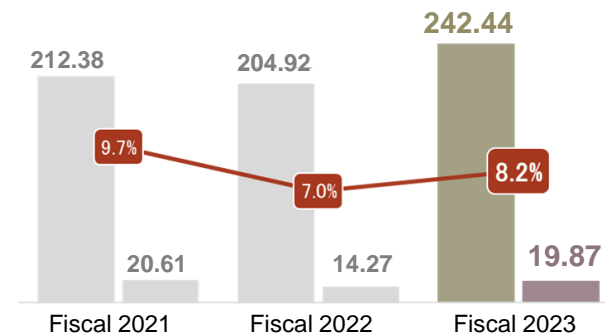
Dishwasher/dryers

[Billions of Yen]

	Fiscal 2022	Fiscal 2023	YOY change
Net Sales	204.92	242.44	+18.3%
Operating Income	14.27	19.87	+39.2%
Operating income to net sales ratio	7.0%	8.2%	+1.2pt

Rinnai (non-consolidated basis), Fiscal 2023 Results

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



[Sales Volume in Japan]	YOY change
Water heater with heating systems	+33.2%
Water heater with bath-filling systems	+26.3%
Built-in hobs (stovetops)	-1.6%
Gas clothes dryers	-0.1%

Rinnai Corporation Topics

■ Hot water supply energy-saving project (Ministry of Economy, Trade and Industry)

- Support for installation of high-efficiency water heaters that reduce CO₂ emissions

Details of support

Hybrid water heaters: ¥ 50,000 per unit
(heat-pump water heaters: ¥ 50,000 per unit;
residential fuel cells: ¥ 150,000 per unit)



ECO ONE hybrid water heater

Ref: Hot water supply energy-saving project
(<https://kyutou-shoene.meti.go.jp/>) (Japanese only)

■ Children's Eco-friendly Housing Support Project (Ministry of Land, Infrastructure, Transport and Tourism)

- Support for purchase of new highly energy-efficient housing and energy-saving renovations

Details of support

New construction: ZEH housing: ¥1 million per dwelling
Renovation: ¥50,000–600,000 depending on project

*Eligible for total of ¥20,000 or more if approved under Hot Water Supply Energy Saving Project

Rinnai-subsidized products *Subsidy amount: ¥11,000–27,000



Hybrid water heaters



Gas water heaters (Eco-Jozu)



Bathroom heater/dryers



Built-in hobs (stovetops)



Range hoods



Built-in dishwasher/dryers

Ref: Children's Eco-friendly Housing Support Project (<https://kodomo-ecosumai.mlit.go.jp/>)
(Japanese only)

Rinnai America, Fiscal 2023 Results

- Sales affected by delays in supply of tankless water heaters from Japan and logistical disruptions
- Demand slowed after we eliminated order backlogs amid deteriorating housing market conditions caused by rising interest rates
- Operating income down due to higher costs associated with commissioning of Griffin plant, distribution costs, etc.



Tankless water heater



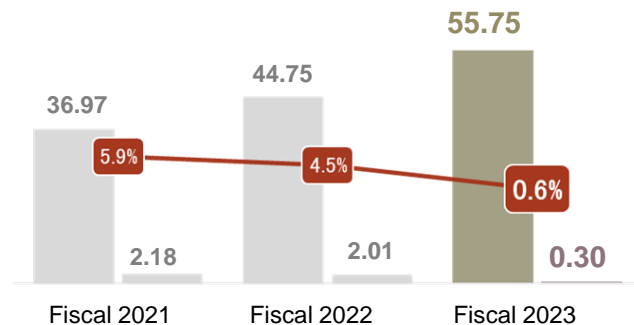
High-efficiency water heaters



High-efficiency boilers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	44.75	55.75	+24.6%	+4.6%
Operating Income	2.01	0.30	-84.8%	-87.2%
Operating income to net sales ratio	4.5%	0.6%	-3.9pt	

Rinnai America, Fiscal 2023 Results
 ■ : Net sales ■ : Operating income (Billions of yen)
 -●- : Operating income to net sales ratio



[Sales Volume]	YOY change
Tankless water heaters	-7.4%
High-efficiency models of total	+1.2%

Shanghai Rinnai, Fiscal 2023 Results

- Increase in sales thanks to restoration of production and sales after lifting of Shanghai lockdowns despite temporary restrictions on business activities during lockdowns
- Operating income up due to growth of sales of high-value-added products and cost reductions



Water heaters



Built-in hob (stovetops)



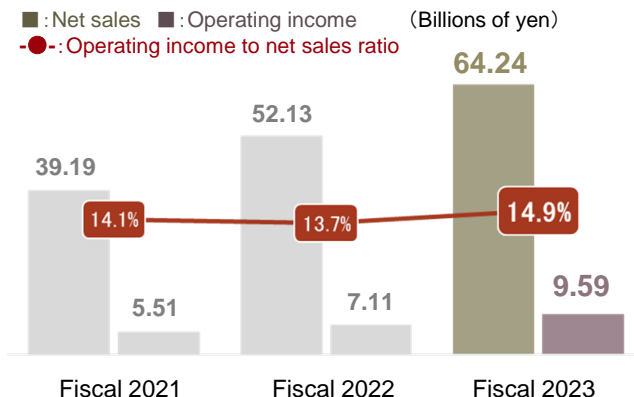
Range hoods



Boilers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	52.13	64.24	+23.2%	+8.2%
Operating Income	7.11	9.59	+34.8%	+18.4%
Operating income to net sales ratio	13.7%	14.9%	+1.3pt	

Shanghai Rinnai, Fiscal 2023 Results



[Sales Volume]	YOY change
Water heaters	+16.8%
Built-in hob (stovetops)	-12.7%
Range hoods	-25.4%
Boilers	-14.7%

Rinnai Australia, Fiscal 2023 Results

- Sales down on local-currency basis due to weakened sales of mainstay tankless water heaters and heating systems caused by supply delays from Japan
- Decrease in operating income due to lower sales and higher raw material prices and logistics costs



Tankless water heaters



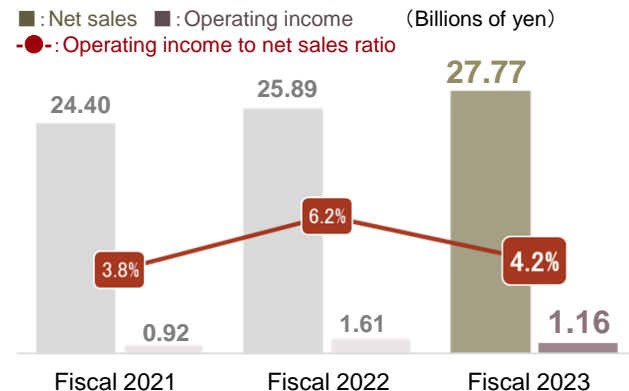
Electric tank-based water heaters



Duct-type air-conditioning and heating systems

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	25.89	27.77	+7.2%	-2.5%
Operating Income	1.61	1.16	-27.7%	-34.2%
Operating income to net sales ratio	6.2%	4.2%	-2.0pt	

Rinnai Australia, Fiscal 2023 Results



[Sales Volume]	YOY change
Unvented-type heaters	-32.6%
Commercial air-conditioning appliances	+27.8%
Duct-type air-conditioning and heating systems	-6.4%

Rinnai Korea, Fiscal 2023 Results

- Boiler sales down due to ongoing deterioration in business sentiment amid rising prices and interest rates
- Decline in operating income due to inspection costs incurred for commercial fryers despite improvement in overall business performance



Environmentally friendly boilers



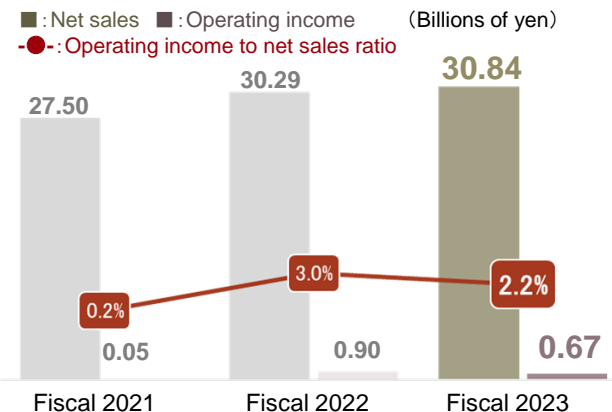
Gas tabletop cookers



Electric tabletop cookers

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	30.29	30.84	+1.8%	-3.7%
Operating Income	0.90	0.67	-25.8%	-29.8%
Operating income to net sales ratio	3.0%	2.2%	-0.8pt	

Rinnai Korea, Fiscal 2023 Results



[Sales Volume]	YOY change
Boilers	-18.8%
Gas tabletop cookers	-0.7%
Electric tabletop cookers	+18.5%

P.T. Rinnai Indonesia, Fiscal 2023 Results

- Strong sales of built-in appliances despite sluggish sales of mainstay tabletop stoves
- Profitability declined due to soaring raw material prices but improved in second half of the year



Tabletop cookers



Built-in hob (stovetops)

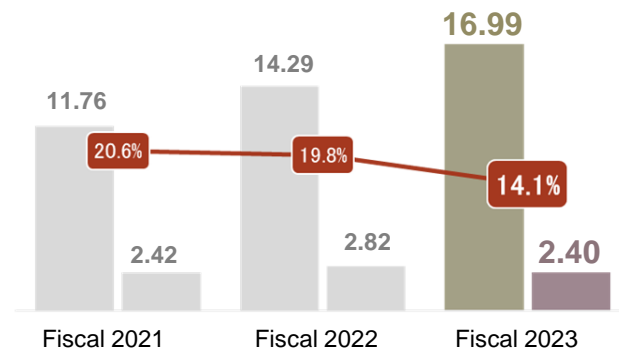


Range hoods

[Billions of Yen]	Fiscal 2022	Fiscal 2023	YOY change	
			Yen	Local currency
Net Sales	14.29	16.99	+18.9%	+4.1%
Operating Income	2.82	2.40	-15.1%	-25.7%
Operating income to net sales ratio	19.8%	14.1%	-5.6pt	

P.T.Rinnai Indonesia, Fiscal 2023 Results

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



[Sales Volume]	YOY change
Tabletop cookers	-7.0%
Built-in hob (stovetops)	+25.2%
Range hoods	+33.4%

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2. Progress of Medium-Term Business Plan,
New ERA 2025
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Medium-Term Business Plan, New ERA 2025

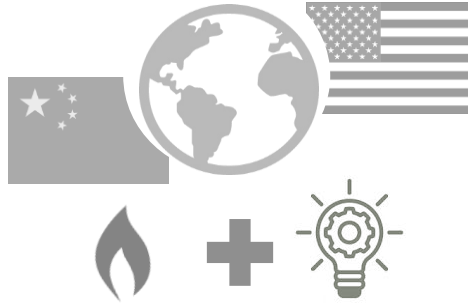
Our new medium-term business plan is based on three strategic stories: “Advancement in addressing social challenges,” “Expansion of business scale,” and “Revolution of corporate structure”

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

Review of New ERA 2025 (Fiscal 2022–2023)

■ Performance review for fiscal 2022–2023

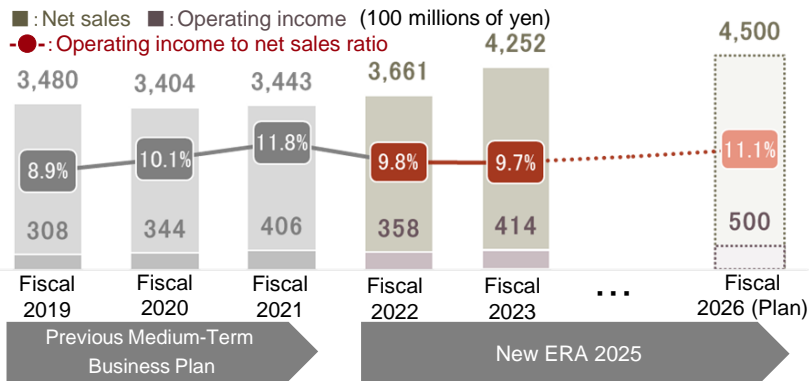
Fiscal 2022 **Performance stalled due to supply delays from second half of year; increase in sales but decrease in income**

- Sales strong in first half, but slowed sharply in second half due to supply delays caused by tight parts procurement conditions
- Decrease in income due to lost sales opportunities and higher raw material/logistics costs

Fiscal 2023 **Record-high figures for net sales and operating income despite emergence of many risks**

- Increasingly harsh business environment due to geopolitical risks, rising prices, and sharp exchange rate fluctuations
- Profit margin slowed due to soaring costs despite posting record-high figures for net sales and operating income

Consolidated Results and Fiscal 2026 Targets



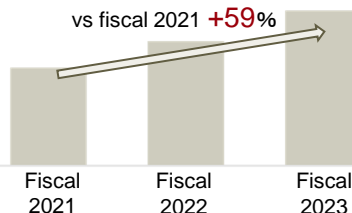
■ Progress of each strategy (summary)

Advancement in addressing social challenges

Increases sales of key products, especially in Japan, USA, and China

Sales of products that help "improve quality of life"

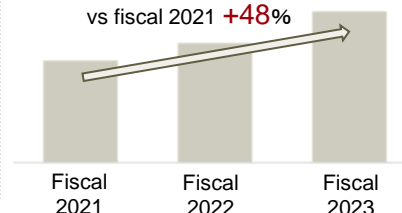
vs fiscal 2021 **+59%**



Progress beyond expectations

Sales of products that help "protect the environment"

vs fiscal 2021 **+48%**



Expansion of business scale

Steady expansion both geographically and in business scale

Increases overseas sales, due to business expansion and yen depreciation

Consolidated Domestic/Overseas Sales (100 millions of yen)

■ Domestic ■ Overseas



Developed 100% hydrogen combustion water heater for residential use




Environmental changes since drafting of New ERA 2025

Supply chain disruptions

Tight parts procurement conditions; disruption of international logistics

 : Positive impact  : Negative impact

[Business impact]

 **Backlog of orders mainly in Japan, USA, and Australia; deployed internal resources to implement countermeasures**


[Countermeasure]

Design changes, procurement diversification, inventory redundancy

Progressive inflation

Increased geopolitical risks and changes in supply-demand environment led to global price rises

[Business impact]

 **Slowdown in profitability due to soaring prices of raw materials and parts, higher logistics and energy costs, etc.**

[Countermeasure]

Pursued rigorous cost reductions; passed on prices globally

Exchange rate
fluctuations

Rapid market fluctuations in short time periods and entrenched appreciation of U.S. dollar against the yen

[Business impact]

 **Increasing cost of purchased goods**  **Performance boosted by foreign currency translation effects**

Demand environment

Waning business confidence due to high prices/interest rates; changing consumption structure due to post-COVID normalization

[Business impact]

 **Weak final demand due to housing market slowdown and revenge consumption in post-COVID period**

- Many unprecedented social/environmental changes have occurred since plan was drafted
- In fiscal 2024, we will vigorously pursue growth strategies originally set forth in the plan

Advancement in Addressing Social Challenges: Improving Quality of Life

■ Air Bubble Technology



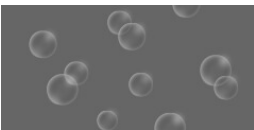
Provide new value in existing areas by fostering the enrichment and convenience of daily life through micro bubble bath units and ultra-fine bubble water heaters using Rinnai's proprietary technology that dissolves microscopic bubbles into water

• Micro Bubble Bath Units



Micro bubble generator and jet nozzles in the circulation fittings generate micro bubbles in the bathtub

Micro bubbles



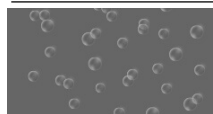
- 1–100 μ m
- Visible/cloudy
- Disappear in water

• Ultra-Fine Bubble water heater

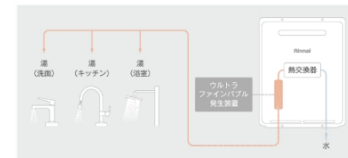


Ultra-fine bubble generator built into water heater: Hot water infused with ultra-fine bubbles is piped throughout the house, reducing the burden of cleaning around wet areas

Ultra-fine bubbles



- Several tens of μ m–1 μ m
- Invisible/transparent
- Remain in water for a long time



China

Water heater with micro bubble function launched in China, where interest in beauty, health, safety, and security is growing



Micro bubble water heater

Advancement in Addressing Social Challenges: Responding to Global Environmental Issues

■ ECO ONE

- Increase in sales bolstered by acceleration toward carbon neutrality

ECO ONE sales volume (year-on-year) **+28.2%** (Record high)

- Approach to expanding our lineup to address wide-ranging demand

For new construction, large-capacity tank, and No.1 energy-saving



ECO ONE 160L

For new construction/replacement, narrow lots, all-round, and energy-saving



ECO ONE X5

- Maximizing use of subsidies to drive up sales

Start of subsidies for ECO ONE installation
(Water Heater Energy-Saving Project; application: March 2023)



■ Diversification of energy sources

- Hydrogen utilization (see below for details)

- Succeeded in developing a residential water heater that uses 100% hydrogen as energy source and emits zero CO₂ (utilizing core technologies cultivated over many years)
- Started joint research on cooking by burning hydrogen (hydrogen cooking)*1
- Began field-testing hydrogen-burning water heaters in Kitakyushu Hydrogen Town*2



Hydrogen water heater (concept model)

*1: Jointly with Toyota Motor Corporation

*2: Jointly with Iwatani Corporation

Australia

In Australia, which is proactive in environmental measures, we are developing heaters that utilize a variety of energy sources other than gas. We are also scheduled to begin field-testing hydrogen-burning water heaters May 2023.



Heat pump water heater



Geothermal heat pump

RIM 2050 Progress: Business Activities

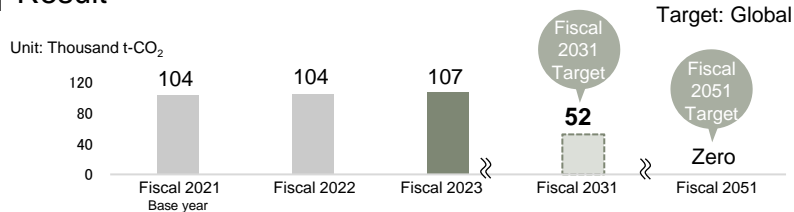
Reduction of CO₂ emissions at plants and offices

Target

		Scope 1 (gas and fuel)		Scope 2 (electricity)
Unit: Thousand t-CO ₂		Fiscal 2021	Fiscal 2031	Fiscal 2051
CO ₂ emission volume	Global	104	52	Zero
	Domestic	30	15	Zero

(–50% by fiscal 2031 (Domestic Scope 2: –100%))

Result

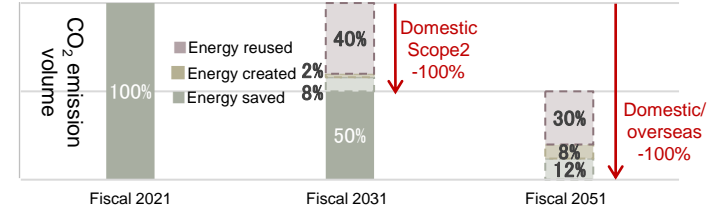


• CO₂ emissions increased in fiscal 2023 due to increased production at major plants, but the rate of increase in emissions was less than the rate of increase in production value thanks to energy conservation activities (Production value vs fiscal 2021: +30%; CO₂ emissions: +7%; approx. 9,500 tons of CO₂ emissions reduction^{*1})

• We will step up measures to shift from “controlling the increase” to “achieving real reductions”

^{*1} Estimated by Rinnai based on the definition of the main factories as Seto Factory and Group companies (Shanghai Rinnai, Rinnai Indonesia, and Rinnai Seiki), which emits a large amount of CO₂

Future CO₂ reduction scenario



- Aiming for zero Scope 2 emissions at domestic sites by switching to green power (–40%) and creating energy (–2%)
- Continued environmental investments to switch to renewable energy, taking into account the unstable global energy supply situation

Topics

- Obtained ZEB Ready certification in 2021
- In 2023, we will introduce 100% carbon-neutral gas^{*2} for gas as well as for electricity

^{*2} Gas with virtually zero CO₂ emissions created by offsetting with CO₂ credits



Head office of
R.B. Controls, Co., Ltd.

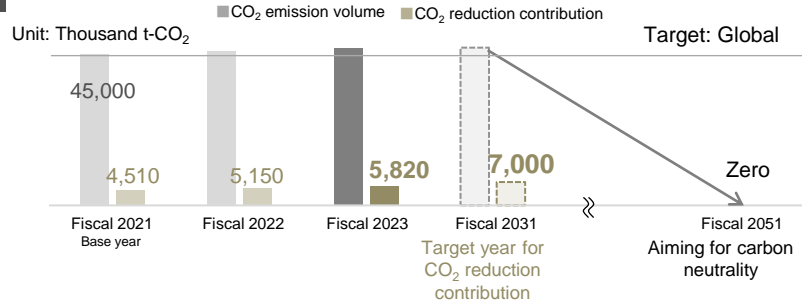
RIM 2050 Progress: Product Use

Reduction of CO₂ emissions at customer sites

Target

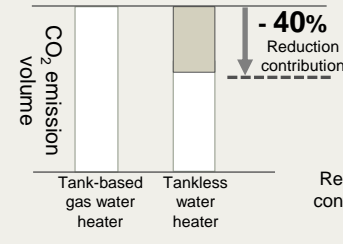
Unit: Thousand t-CO ₂		Scope 3 (Category 11)		
		Fiscal 2021	Fiscal 2031	Fiscal 2051
CO ₂ emission volume	Global	45,000	—	Zero
	Domestic	16,800	12,600	Zero
CO ₂ reduction contribution		Targeting 7 million tons of CO ₂ reduction contribution in fiscal 2026		

Result



What is CO₂ reduction contribution?

For water heaters sold in USA



CO₂ emissions (estimated) that can be reduced (compared with tank-based gas models), achieved by improving energy-saving performance

$$\text{Reduction contribution} = \text{Estimated emissions from tank-based water heaters}^1 - \text{Emissions of tankless water heaters}$$

(1.3t) (0.8t)

Figures in parentheses indicate CO₂ emissions per appliance/year

Contribute to low-carbon society by targeting "CO₂ reduction contribution" in the medium term

*1. Popular tank-based gas water heaters developed in USA but not for purpose of improving energy-saving performance

Future direction

Contribute to decarbonization of society as a whole by increasing CO₂ reduction contribution and cooperating in development of infrastructure for renewable energy (such as hydrogen)

RIM 2025 Progress: Hydrogen-Fuelled Appliances

1. Hydrogen-fuelled water heater (Australia)



"Hydrogen House"
(site for field tests in Australia)

- Build water heating technology using 100% hydrogen as fuel
(World's first technology for residential water heaters)
- Cooperate in field tests using real equipment in Australia (which is proactive in introducing hydrogen)
(Scheduled for May 2023)

2. Hydrogen-fuelled cooking appliance



Joint development of cooking appliances
using hydrogen as fuel

- Jointly developing hydrogen-fuelled cooking appliances (with Toyota Motor Corporation)
- Scientifically verifying safety and efficiency of hydrogen-fuelled cooking and its effects on food taste and flavor through field tests at Woven City and elsewhere

3. Test project in Kitakyushu Hydrogen Town



Various hydrogen-related field tests taking place in Kitakyushu City
(from Kitakyushu City official website)



Rinnai's hydrogen water heater
(concept model)

- We began field-testing Japan's first 100% hydrogen-fuelled water heater at Kitakyushu Hydrogen Town (Iwatani Corporation, Kitakyushu City, etc.)
- Field tests scheduled to start in July 2023 in an environment similar to that of actual use (the field has proven track record of hydrogen utilization through pipelines since 2009)

Expansion of Business Scale: Regional Areas (U.S. Market)

■ Long-term growth driver

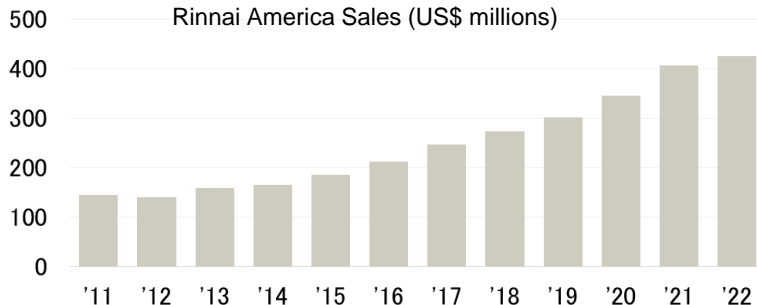
- Switchover from storage-type to tankless water heaters is progressing due to the latter's high convenience and energy efficiency
- Top-line sales growth bolstered by expansion of tankless water heater market

■ Recent environmental changes and their impact on our business performance

- Sluggish growth in new demand due to deteriorating housing market conditions caused by rising interest rates
- Operation started at Griffin Factory; profitability slowed due to start-up costs and changes in cost structure

■ Future growth strategies

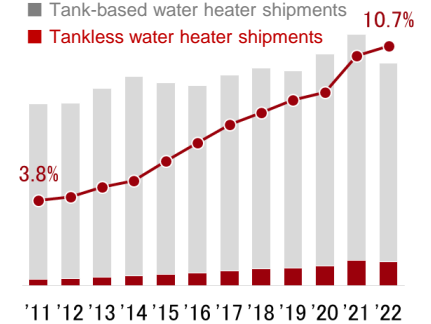
- Long-term growth path remains unchanged; we will target top-line growth by expanding awareness and strengthening sales promotion activities
- Aiming for medium-term income growth through strategic spending and depreciation reduction at local factories



Griffin Plant
(Commissioned in April 2022)



Van fitted with tankless water heater



Tankless water heater ratio in U.S. market
(Compiled by Rinnai using statistics from Air-Conditioning, Heating, and Refrigeration Institute (AHRI))



We provide tours and experiences at our head and factories

Expansion of Business Scale: Regional Areas (Chinese Market)

■ Long-term growth driver

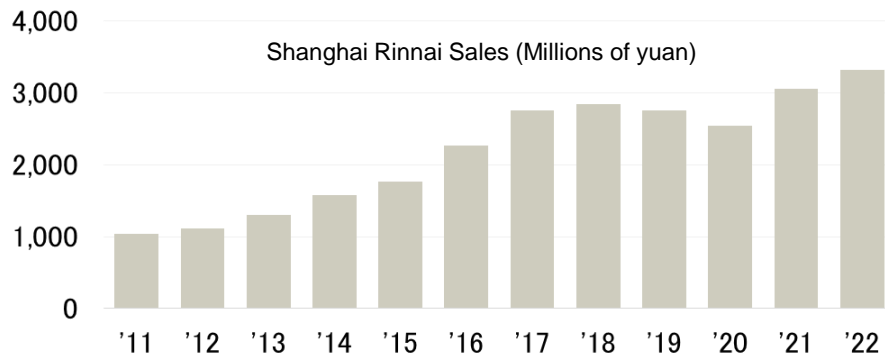
- Increase in business on the back of rising income levels, EC growth, and expansion of gas infrastructure
- Improvement in profitability thanks to cost reductions and growth in sales of high-value-added products (instant-heating water heaters, etc.)

■ Recent environmental changes and their impact on our business performance

- Slowdown in demand for new construction due to deteriorating housing market conditions
- Increase in sales thanks to expansion of bricks-and-mortar sales via e-commerce sites

■ Future growth strategies

- Aiming for sustained expansion of e-commerce sales and establishing business field to complement mainstay water heater business
- Further accelerate cost reductions and shift to high-value-added products



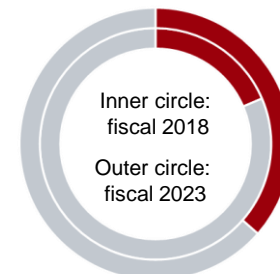
Stage 2 construction of Fengxian Factory (scheduled for August 2023)



High-value-added water heaters
(Left: Built-in instant-heating water heater; Right: Micro Bubble water heater)



Brick-and-mortar sales
via e-commerce sites



Internet sales ratio
(based on sales amount)
©Rinnai Corporation

Revolution of Corporate Structure: Becoming More Consumer-Oriented (1/2)

■ Acquisition of land and building in Minami Aoyama (Tokyo) to spearhead consumer-oriented

Background

- Japan entering era of declining population and number of households
- Progress in carbon neutrality, “new normal” living arrangements, etc., as well as rapid expansion of digital society
- Competitive environment (difficult to differentiate based on hardware functions and performance)

Aim

Create new value for our products and services by promoting B2C branding and elevating Rinnai into a brand that delivers quality, surprise, and excitement

Action

Acquisition of land and building in Minami Aoyama, Tokyo

Reason for selecting Minami Aoyama

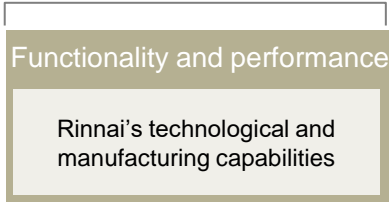
In many cases, affluent people with unwavering values are the catalysts for new trends, and Minami Aoyama is an area that attracts such buyers

Revolution of Corporate Structure: Becoming More Consumer-Oriented (2/2)

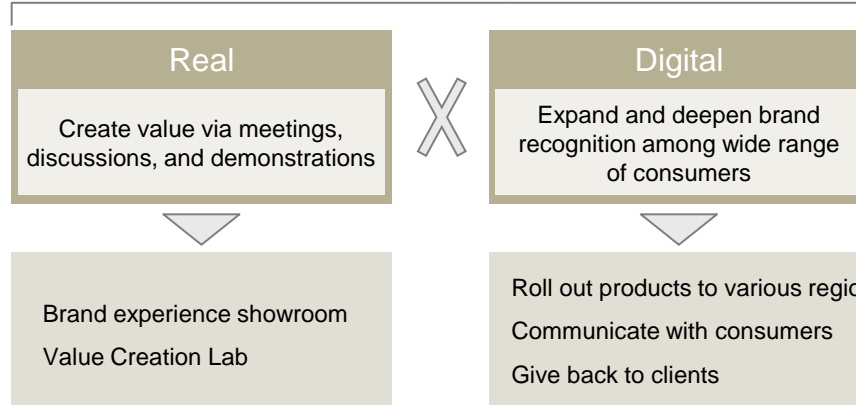
■ Building a brand experience showroom and value creation laboratory

- Pursuit of essence: Thoroughly explore consumer insights
- Search for knowledge: Experimentally explore possibilities that lead to creation of new value
- Co-create value: Work together with companies, experts, and consumers from different fields

Rinnai's accumulated strengths



Brand strategies



Sharpen our
competitive edge

Revolution of Corporate Structure: Human Capital

Medium-Term Business Plan New ERA 2025

Strategic stories

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

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

Priority measures/indicators

Develop

“global” human resources

Indicator: Number of employees with overseas work experience

Develop “DX” human resources

Indicator: Number of core DX promotion employees

Aim for “brand” penetration

Indicator: Participation rate in brand penetration training

Invest in human resources

Key HR investment measures
to support our strategy

Increase educational
opportunities

Promote diversity

Employee work styles/work environment

Human capital value (Outcome)

Increase global
momentum

Create innovation;
improve productivity

Change employees’
mindsets

Improve employees’
performances

Increase value of human capital
by promoting strategic storylines

**Revitalize
organization
and
employees**

Conduct employee
engagement surveys
and improvement-
oriented activities

Capital Policies: Capital Allocation Progress

■ Investments

Investments during New ERA 2025

Necessary investments

Investments to achieve financial targets of medium-term business plan

* Existing level of capital investment + Large-scale investments already decided when plan drafted

Growth investments

Investments targeting sustainable growth

Necessary investments:

Progressing as planned, but the amount slightly exceeded

Steadily make large-scale investments to expand local production capacity in growing U.S. and Chinese markets and establish an efficient logistics system in Japan



United States: Griffin Factory
(Commissioned in April 2022)



China: Fengxian Factory
(Phase 2)
(Scheduled to start
operations in August 2023)



Japan: Kasugai Logistics
Center (Commissioned
in October 2022)

Growth investments:

Delayed progress due to risk management factors

Build a robust foundation for sustainable growth by carefully selecting investments targeting “Advancement in addressing social challenges,” “Expansion of business scale,” and “Revolution of corporate structure”

Embodiment

- Build consumer contact points to help Rinnai become more consumer-oriented

Future investment themes

- Strengthen R&D, production technology, and manufacturing capabilities (Innovation Center, etc.)
- Make focused investments in intangible assets (information, brand, human resources, know-how)
- Consider ways (M&As, etc.) needed to promote expansion of business scale and business domains

■ Shareholder return

- Conduct flexible share buybacks (¥17.4 billion in fiscal 2022, ¥10 billion in fiscal 2023)
- Increase dividend payout ratio in stages



We expect to surpass the return policy proposed in current medium-term business plan

(5-year average total return ratio of over 40%; total return of over ¥60 billion)

Capital Policies: ROE and ROIC

■ ROE

We added ROE as a new performance indicator based on the importance of improving capital policy transparency and capital efficiency

Basic policy on ROE improvement

Achieve steady ROE improvement through medium-term profit growth

Measures

- Build a business foundation for sustainable growth in profit
 - Steady make both necessary and growth investments
 - Further improve earning power (high-value-added product strategy and cost reductions)
- Raise dividend payout ratio (fiscal 2026 target: 40%) and conduct flexible share buybacks

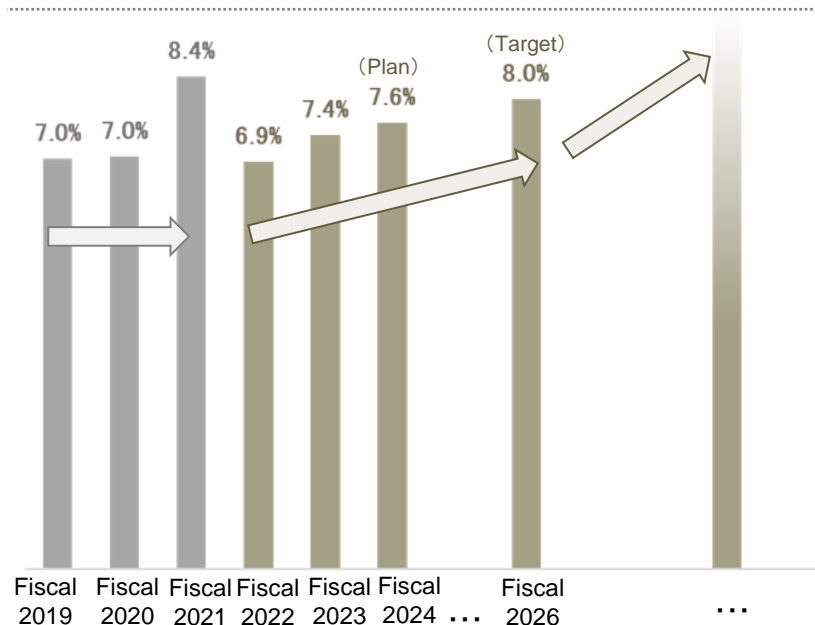
Target

8% in fiscal 2026 and further improvements during next medium-term plan period

■ ROIC

Profit outlook remains unchanged, but ROIC is expected to fall short of plan's target in the short term due to review of appropriate inventory levels and execution of growth investments

ROE: Results and Targets



Fiscal 2019 Fiscal 2020 Fiscal 2021 Fiscal 2022 Fiscal 2023 Fiscal 2024 ... Fiscal 2026 ...

Previous
Medium-Term
Business Plan

New ERA 2025

Next
Medium-Term
Business Plan

ESG Topics

	Theme	Details
ESG overall	Establish ESG Committee	ESG Committee established and activities launched (April 2022)
	Join UN Global Compact	Application made in fiscal 2023; will join in fiscal 2024
E	TCFD: Conduct monetary assessment of financial impact	Calculated financial impacts of 2°C and 4°C scenarios and disclosed them in Integrated Report
	Conduct conflict minerals survey	Completed survey and collected data during fiscal 2023; results to be published in Integrated Report
S	Formulate and publish Rinnai Human Rights Policy	Approved by Board of Directors and posted on corporate website (November 2022)
	Disclose targets for ratio of female managers	Set and disclosed targets for fiscal 2026 (1.5%) and fiscal 2031 (3.0%)
	Conduct supply chain CSR survey	Results to be published in Integrated Report
G	Strengthen functions and increase diversity of Board of Directors	Strengthened functions (corporate management, capital policy, etc.); appointed female directors
	Create skills matrix and disclose reasons for executive selections	Disclosed on corporate website and Integrated report

1. Fiscal 2023 Results
2. Progress of Medium-Term Business Plan,
New ERA 2025
3. Fiscal 2024 Outlook

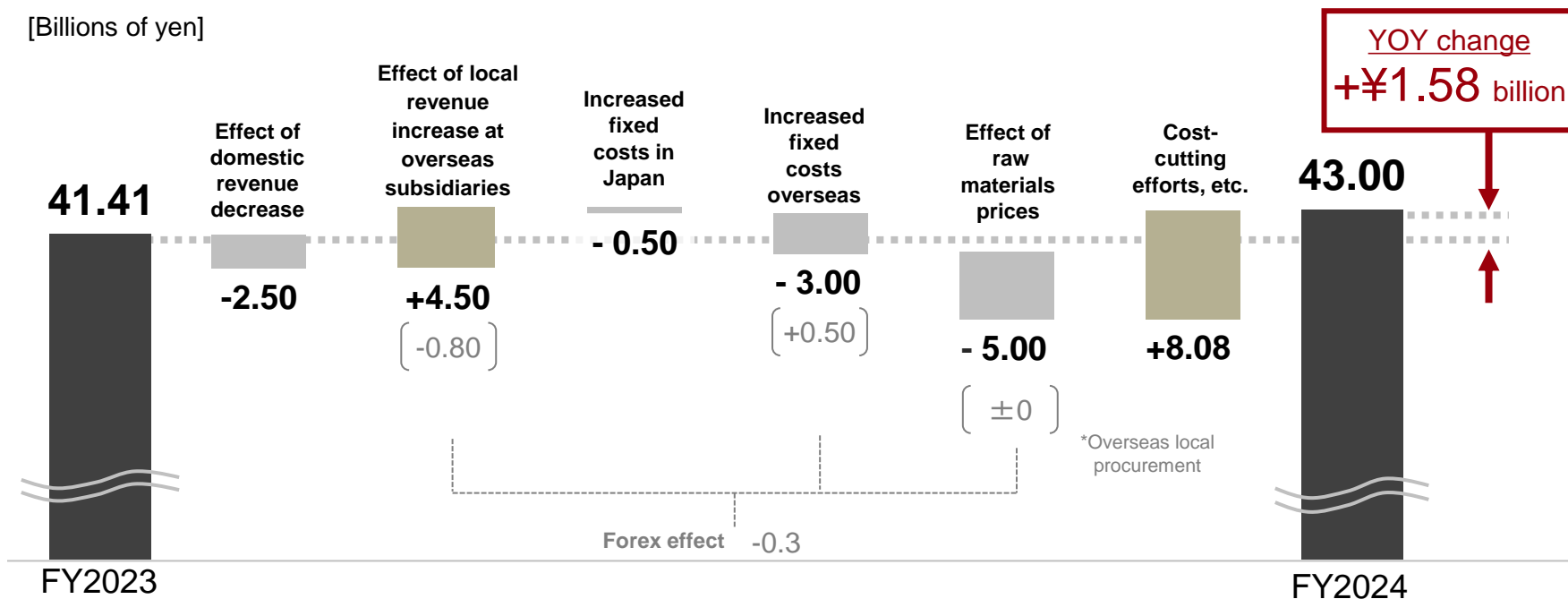
Fiscal 2024: Consolidated Sales/Income Plan

[Billions of yen]	Fiscal 2023 actual	Fiscal 2024 plan	Comparison to fiscal 2023		(Ref) Comparison to fiscal 2022	
			Amount	% change	Amount	% change
Net Sales	425.2	440.0	+14.7	+3.5%	+73.8	+20.2%
Domestic	187.8	190.0	+2.1	+1.2%	+27.9	+17.3%
Overseas	237.4	250.0	+12.5	+5.3%	+45.8	+22.4%
Overseas ratio	55.8%	56.8%	+1.0pt	-	+1.1pt	-
Operating income	41.4	43.0	+1.5	+3.8%	+7.1	+19.9%
Operating margin	9.7%	9.8%	+0.0pt	-	-0.0pt	-
ROE	7.4%	7.6%	+0.2pt	-	+0.7pt	-
ROIC	13.3%	13.0%	-0.3pt	-	-1.1pt	-

*Percentage figures less than indicated amounts are omitted.

Fiscal 2024: Consolidated Operating Income Plan

[Billions of yen]



Aim to achieve record-high income for second consecutive fiscal year by improving profitability despite expected difficult environment

Rinnai (non-consolidated basis), Fiscal 2024 Plan

- We expect exports to decrease due to full-scale local production in the United States and weak local demand, while domestic sales are expected to increase slightly, mainly for products that improve quality of life and help protect the global environment
- We project a decline in operating income due to lower sales and accelerated investments in future growth



Built-in hobs (stovetops)



Hybrid water heater



Gas clothes dryers



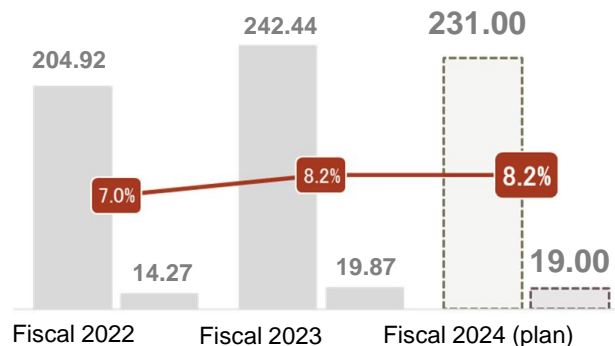
Dishwasher/dryers

[Billions of Yen]

	Fiscal 2023 actual	Fiscal 2024 plan	YOY change
Net Sales	242.44	231.00	-4.7%
Operating Income	19.87	19.00	-4.4%
Operating income to net sales ratio	8.2%	8.2%	+0.0pt

Rinnai (non-consolidated basis), Fiscal 2024 Plan

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



[Sales Volume Plan in Japan]

YOY Change

Water heater with heating systems	-10.4%
Water heater with bath-filling systems	-9.2%
Built-in hobs (stovetops)	+4.0%
Gas clothes dryers	+16.6%

Rinnai America, Fiscal 2024 Plan

- Demand is expected to remain sluggish due to weak housing market conditions
- We will improve productivity and streamline operations at local factories while implementing strategic investments to expand sales of tankless water heaters, and expect operating income to increase in as a result



Tankless water heater



High-efficiency water heaters

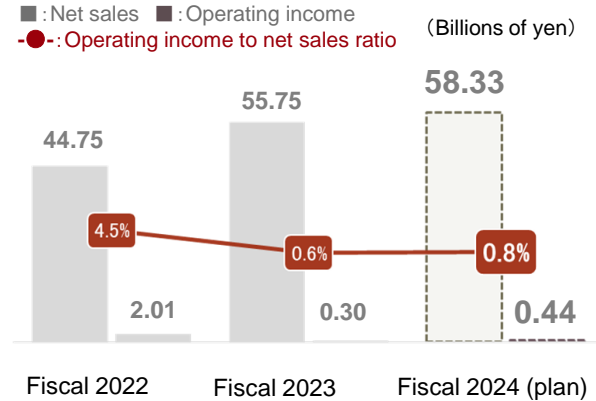


High-efficiency boilers

[Billions of Yen]

	Fiscal 2023 actual	Fiscal 2024 plan	YOY change	
			Yen	Local currency
Net Sales	55.75	58.33	+4.6%	+5.3%
Operating Income	0.30	0.44	+44.0%	+44.8%
Operating income to net sales ratio	0.6%	0.8%	+0.2pt	

Rinnai America, Fiscal 2024 Plan



[Sales Volume Plan]	YOY change
Tankless water heaters	+1.1%
High-efficiency models of total	+4.7%

Shanghai Rinnai, Fiscal 2024 Plan

- Plan to increase sales through expansion of e-commerce and growth of priority products despite weak market conditions
- Profit expected to increase thanks to growth in sales of high-value-added products and cost reductions
- Making good progress in Stage 2 construction of Fengxian Factory (scheduled to begin operations in August 2023)



Water heaters



Built-in hob (stovetops)



Range hoods

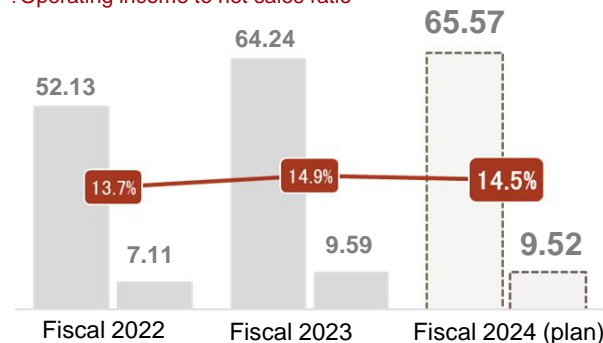


Boilers

[Billions of Yen]	Fiscal 2023 actual	Fiscal 2024 plan	YOY change	
			Yen	Local currency
Net Sales	64.24	65.57	+2.1%	+4.1%
Operating Income	9.59	9.52	-0.7%	+1.3%
Operating income to net sales ratio	14.9%	14.5%	-0.4pt	

Shanghai Rinnai, Fiscal 2024 Plan

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



[Sales Volume Plan]	YOY change
Water heaters	+0.3%
Built-in hob (stovetops)	+0.6%
Range hoods	-2.8%
Boilers	-1.9%

Major Overseas Subsidiaries: Fiscal 2024 Outlook

[Billions of Yen]		Fiscal 2023 actual	Fiscal 2024 plan	YOY change		Sales Volume Plan (YOY change)	
				Yen	Local currency		
Rinnai Australia	Net Sales	27.77	30.49	+9.8%	+10.5%	Tankless water heater	+11.5%
	Operating Income	1.16	1.58	+35.9%	+36.8%	Electric tank-based water heaters	+5.8%
	Operating Margin	4.2%	5.2%	+1.0pt		Duct-type air- conditioning and heating systems	+2.0%
Rinnai Korea	Net Sales	30.84	32.24	+4.5%	+2.3%	Boilers	+1.7%
	Operating Income	0.67	0.98	+47.0%	+43.9%	Gas tabletop cookers	-2.7%
	Operating Margin	2.2%	3.1%	+0.9pt		Electric tabletop cookers	+24.0%
P.T. Rinnai Indonesia	Net Sales	16.99	18.46	+8.6%	+10.4%	Tabletop cookers	+4.8%
	Operating Income	2.40	3.11	+29.7%	+31.8%	Built-in hob (stovetops)	+28.4%
	Operating Margin	14.1%	16.9%	+2.7pt		Range hoods	+12.6%

Capital Investments and R&D

Consolidated capital investments and R&D costs: Results and forecasts

[Billions of yen]	Fiscal 2023 actual	Fiscal 2024 plan	YOY change
Capital investment	26.5	50.1	+23.6
Depreciation	13.2	14.3	+1.0
R&D expenditure	13.4	15.6	+2.1

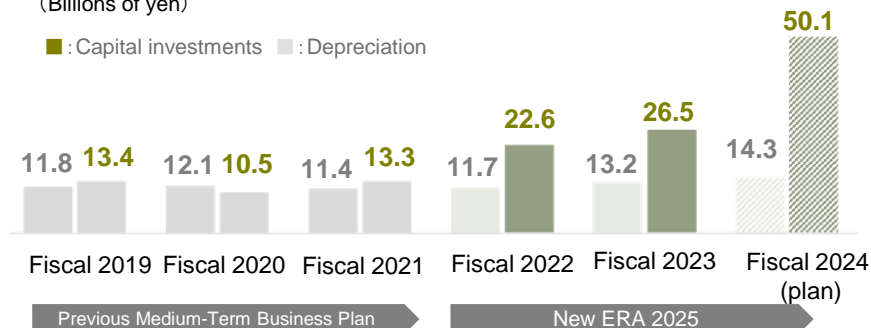
Main capital investments in Fiscal 2024

- Japan: Land and building in Minami Aoyama, Tokyo, innovation center, expansion of Production and Technology Development Center, etc.
- Overseas: Phase II construction of Fengxian Plant (China), etc.

Capital investment and Depreciation

(Billions of yen)

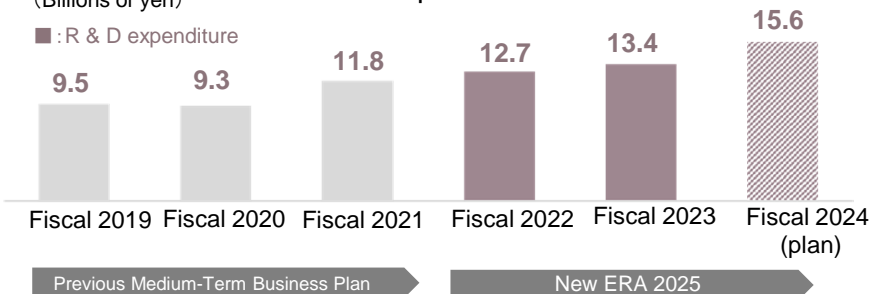
■ : Capital investments ■ : Depreciation



R&D Expenditure

(Billions of yen)

■ : R & D expenditure



Shareholder Return Policy

Return policy

When medium-term business plan was drafted:
Target total return ratio of 40% (Fiscal 2022–2026 average)
Additional policy: Gradually increase in dividend payout ratio
(Fiscal 2026: 40% level)

Dividends

Fiscal
2023
actual

¥160.00/share

(y-o-y increases for 21 consecutive years*)

* Scheduled to be resolved at upcoming Annual General Meeting of Shareholders

Fiscal
2024

¥60.00/share

(y-o-y increases for 22 consecutive years*)

* After 3-for-1 stock split (April 1, 2023)

Share buybacks

Fiscal
2023
actual

¥10 billion

(1.01 million shares)

Fiscal
2024

¥10 billion

(up to 4 million shares)

Acquisition period: May 11–November 30, 2023
Considering flexible share buybacks in the future

Total return ratio

84.7%* (fiscal 2022–2023 cumulative)

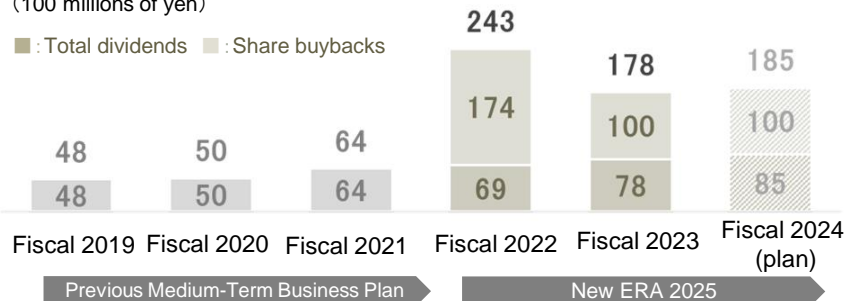
Expect to exceed return policy target set when medium-term business plan was drafted

* Total return (dividends and share buybacks) / Net income attributable to owners of the parent company

Total Shareholder Return

(100 millions of yen)

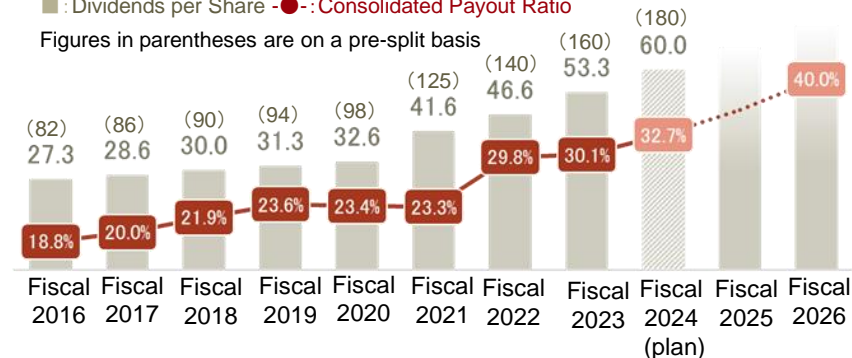
■ : Total dividends ■ : Share buybacks



Dividends per Share (on the assumption that the stock split was conducted), Consolidated Payout Ratio

■ : Dividends per Share -●- : Consolidated Payout Ratio

Figures in parentheses are on a pre-split basis



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