

Financial Results for First Quarter of Fiscal 2024, ending March 31, 2024

August 4, 2023

Rinnai Corporation

Rinnai

Fiscal 2024 (1Q): Consolidated Performance Overview

Net sales: ¥89.8 billion (down 5.4% year on year)

Decrease due to deteriorating housing market in major countries

Operating income: ¥3.1 billion

(down 69.1% year on year, operating income to net sales ratio: 3.5%)

Increase in fixed costs due to production adjustments and high raw material prices

Ordinary income: ¥5.8 billion

(down 48.4% year on year, ordinary income to net sales ratio: 6.6%)

Net income attributable to owners of the parent company: ¥3.2 billion

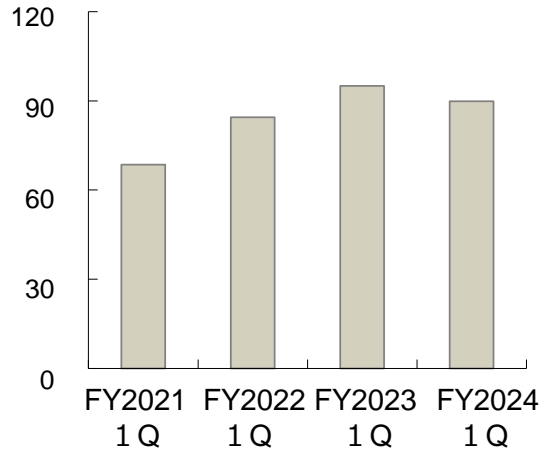
(down 53.1% year on year, net income to net sales ratio: 3.7%)

- Difficult start of year for both sales and income amid deteriorating market conditions due to rising prices and monetary tightening

Fiscal 2024 (1Q) : Consolidated Financial Results

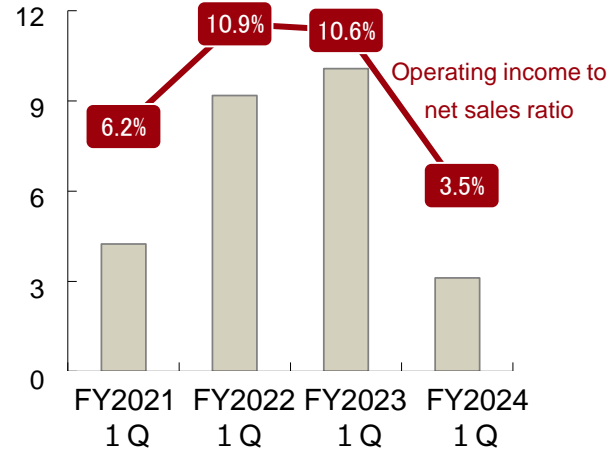
Net Sales

[Billions of Yen]



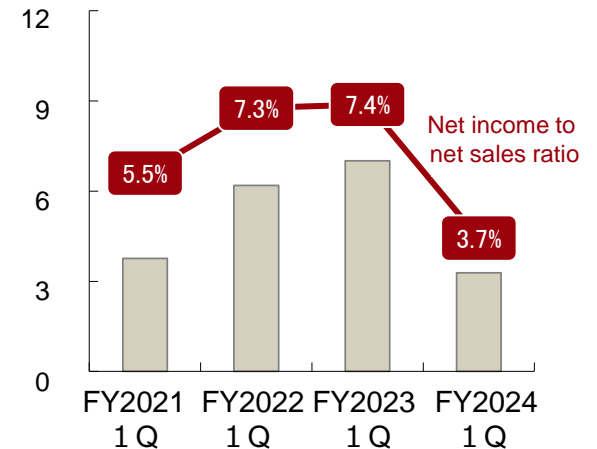
Operating Income

[Billions of Yen]



Attributable to owners of the parent company Net Income

[Billions of Yen]



- Decrease in both sales and income for the first time in three years due to harsh market environment

Fiscal 2024 (1Q): Net Sales by Product

	Fiscal 2023 1Q		Fiscal 2024 1Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	55.56	58.5%	53.72	59.8%	-1.84	-3.3%
Kitchen appliances	22.16	23.3%	20.33	22.6%	-1.83	-8.3%
Air conditioning appliances	3.54	3.7%	3.58	4.0%	+0.04	+1.2%
Commercial-use equipment	2.42	2.6%	2.50	2.8%	+0.07	+3.2%
Others	11.30	11.9%	9.70	10.8%	-1.60	-14.2%
Total	95.00	100.0%	89.85	100.0%	-5.15	-5.4%

Fiscal 2024 (1Q): Consolidated Sales/Income Results

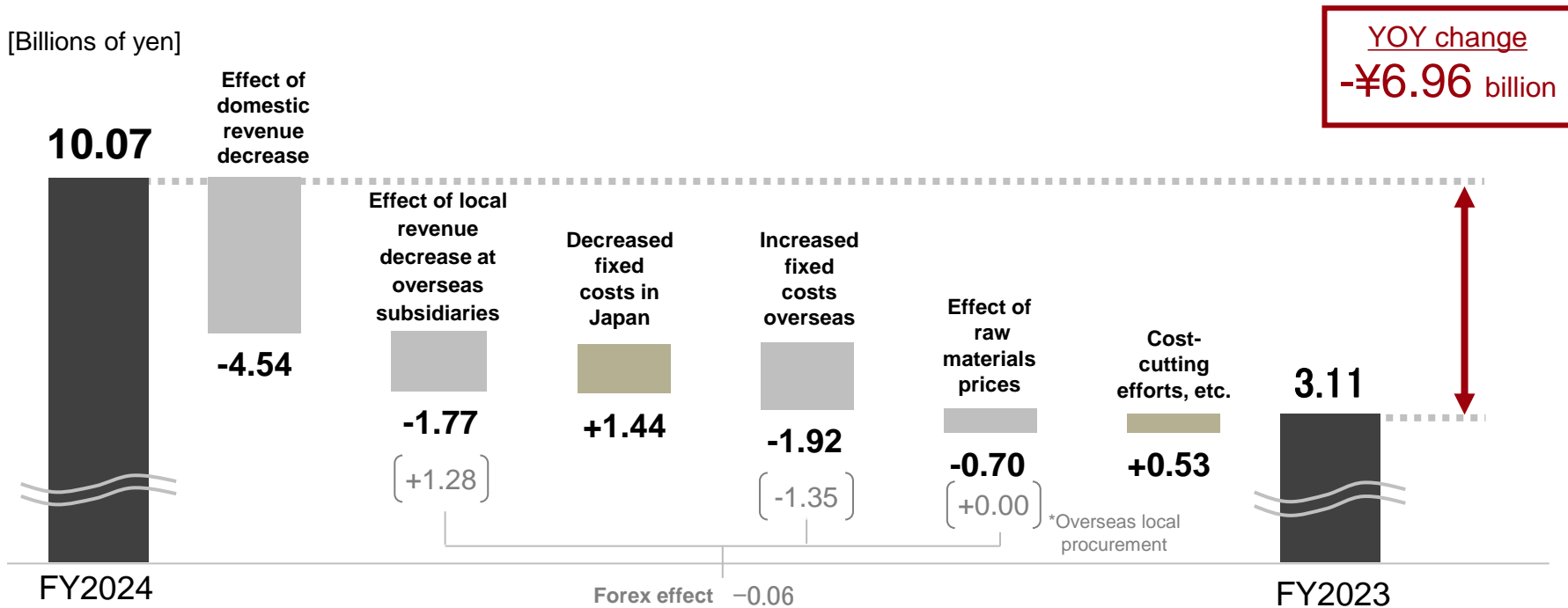
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	89.85	-5.4%	3.11	-69.1%	3.5%	-7.1pt



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	46.17	-18.9%	1.60	-70.6%	3.5%	-6.1pt
Domestic	22.88	-14.8%	(0.00)	-	-0.0%	-3.5pt
Overseas	48.90	-5.1%	0.54	-86.5%	1.1%	-6.7pt
Total	117.96	-12.8%	2.14	-79.4%	1.8%	-5.9pt

Fiscal 2024 (1Q): Consolidated Operating Income Analysis

[Billions of yen]



Significant decrease in profit in Japan and overseas due to sales decline and production adjustments

Rinnai (non-consolidated basis), Fiscal 2024 (1Q) Results

- Decrease in sales due to deteriorating domestic housing market and transfer of production to overseas sites
- Implement production adjustments due to decline in recent demand, and procurement costs such as raw material prices remain high



Built-in hobs (stovetops)



Hybrid water heater



Gas clothes dryers



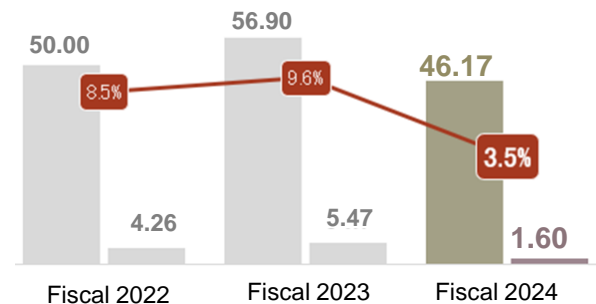
Dishwasher/dryers

[Billions of Yen]

	Fiscal 2023	Fiscal 2024	YOY change
Net Sales	56.90	46.17	-18.9%
Operating Income	5.47	1.60	-70.6%
Operating income to net sales ratio	9.6%	3.5%	-6.2pt

Rinnai (non-consolidated basis), Fiscal 2024 (1Q) Results

■ : Net sales ■ : Operating income
 -●- : Operating income to net sales ratio



[Sales Volume in Japan]

YOY Change

Water heater with heating systems	-0.1%
Water heater with bath-filling systems	-33.9%
Built-in hobs (stovetops)	-6.2%
Gas clothes dryers	-37.7%

Rinnai Japan Topic: Gas Clothes Dryers

Cumulative sales volume surpasses 1 million units!

Full model change of *Kantakun* Deluxe gas clothes dryers (launched July 12, 2023)



乾太くん

Recommended retail prices (excl. tax):
¥187,000 (6kg); ¥219,000 (9kg)

Large-capacity 9kg model added to lineup

- Large-capacity 9kg model added to lineup to meet diversified needs

Drying capacity lineup



Standard type Deluxe type

3kg | 5kg | 8kg 6kg | 9kg

Dries 6kg of clothes in approx. 60 minutes

Uses power of gas to dry clothes quickly; contributes to significant reduction in housework time

Drying-time comparison

Kantakun

6kg, about 60 minutes

5kg, about 52 minutes/
9kg, about 90 minutes/

Electric heat pump type About 185 minutes

Electric heater type About 312 minutes

Functional design



- Functional and textured operation panel
- Upper operation panel added to lineup to address diverse installation configurations






Rinnai Japan Topic: Hybrid Water Heaters

ECO ONE hybrid water heaters: Launch of dedicated and plug-in models for multi-dwelling buildings

Variation enhanced with addition of compact, energy-saving X5 model Increasing proliferation by addressing government policy

Residential type	ECO ONE models
New detached houses	<p>Energy-conscious: 160L type (launched) Cost-conscious: 70L X5 (launched)</p>
Multi-dwelling buildings	<p>Compatible with ZEH condominiums: Dedicated model for condominiums Launch: September 1, 2023</p> 
Existing houses	<p>Simple construction: Plug-in model Launch: September 8, 2023</p> 

	Details of policy
FY2024	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px dashed gray; padding: 5px; text-align: center;">  <p>For ECO ONE</p> <p>Energy savings of water heaters</p> <p>Subsidy ¥50,000</p> </div> <div style="border: 1px dashed gray; padding: 5px; text-align: center;">  <p>New construction ¥1 million</p> <p>Renovation Up to ¥300 thousands</p> <p>Eco support for parenting family</p> </div> </div>
Future (under consideration)	<p>Equipment makers required to ensure that products with features listed below account for a certain percentage of their lineup by the target year</p> <ul style="list-style-type: none"> - Compatible with demand response systems - Compatible with non-fossil energy sources 

ECO ONE supports maximum effective use of renewable electricity

Rinnai America, Fiscal 2024 (1Q) Results

- Tankless water heaters market slows due to deteriorating housing market
- Operating loss due to production cutbacks stments at Griffin plant, and higher logistics costs such as transportation costs and an expansion of inventories



Tankless gas water heaters



High-efficiency water heaters



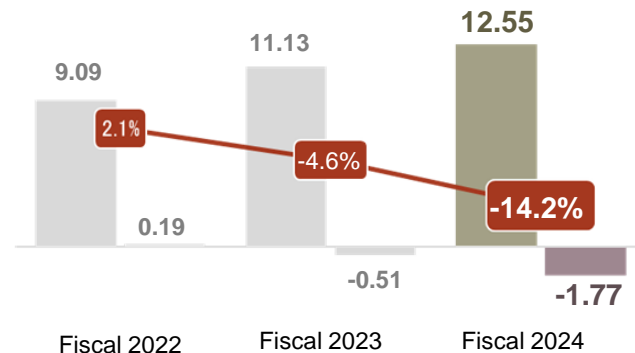
High-efficiency boilers

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	11.13	12.55	+12.8%	-0.9%
Operating loss	-0.51	-1.77	-	-
Operating loss to net sales ratio	-4.6%	-14.2%	-	-

Rinnai America, Fiscal 2024 (1Q) Results

■ : Net sales ■ : Operating income (Billions of yen)

●- : Operating income to net sales ratio



[Sales Volume]	YOY change
Tankless water heaters	-5.8%
High-efficiency models of total	-23.3%

Shanghai Rinnai, Fiscal 2024 (1Q) Results

- Decrease in sales due to lower consumer confidence and adjustment of distribution inventories
- Slow start of the current 1st quarter due to rapid spread of COVID-19 infections after zero-COVID policy lifted



Water heaters



Built-in hob (stovetops)



Range hoods

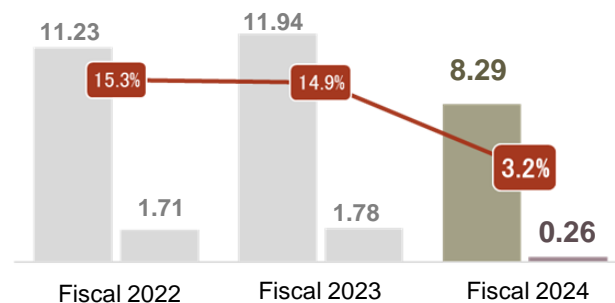


Boilers

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	11.94	8.29	-30.5%	-33.7%
Operating Income	1.78	0.26	-85.3%	-85.9%
Operating income to net sales ratio	14.9%	3.2%	-11.7pt	

Shanghai Rinnai, Fiscal 2024 (1Q) Results

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



[Sales Volume]	YOY change
Water heaters	-33.3%
Built-in hob (stovetops)	-45.7%
Range hoods	-1.1%
Boilers	-38.3%

Rinnai Australia, Fiscal 2024 (1Q) Results

- Increase in sales of electric tank-based water heaters and heat-pump water heaters, as well as growth in sales of mainstay gas tankless water heaters
- Increase in income due to higher sales, especially of high-value-added products



Tankless water heater



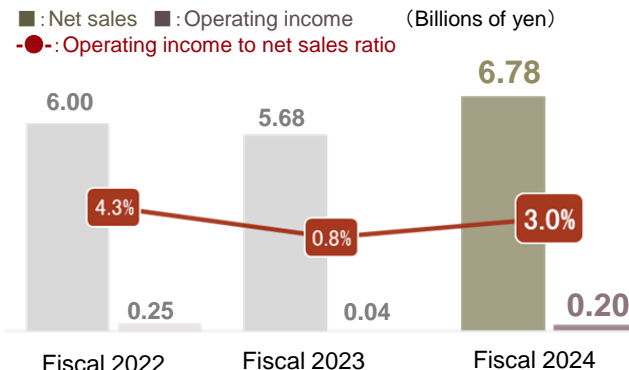
Electric tank-based water heaters



Duct-type air-conditioning and heating systems

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	5.68	6.78	+19.4%	+11.5%
Operating Income	0.04	0.20	+350.6%	+320.9%
Operating income to net sales ratio	0.8%	3.0%	+2.2pt	

Rinnai Australia, Fiscal 2024 (1Q) Results



[Sales Volume]

	YOY change
Tankless water heater	+13.7%
Electric tank-based water heaters	+15.0%
Duct-type air-conditioning and heating systems	-1.0%

Rinnai Korea, Fiscal 2024 (1Q) Results

- Decline in sales of core products due to deteriorating business confidence caused by rising prices and interest rates
- Decrease in income as sales decline despite cost reduction efforts



Environmentally friendly boilers



Gas tabletop cookers

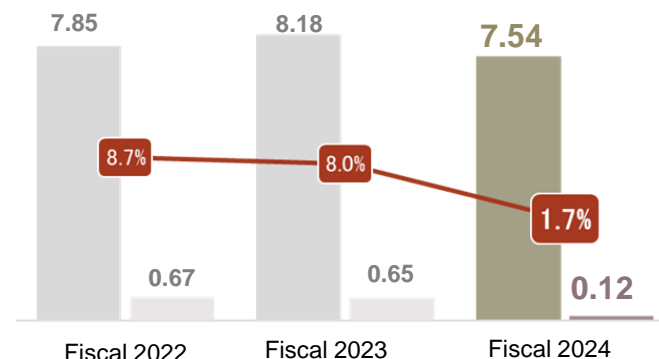


Electric tabletop cookers

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	8.18	7.54	-7.8%	-14.0%
Operating Income	0.65	0.12	-80.5%	-81.8%
Operating income to net sales ratio	8.0%	1.7%	-6.3pt	

Rinnai Korea, Fiscal 2024 (1Q) Results

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



[Sales Volume]	YOY change
Boilers	-13.6%
Gas tabletop cookers	-21.5%
Electric tabletop cookers	-22.0%

P.T. Rinnai Indonesia, Fiscal 2024 (1Q) Results

- Contraction of market for tabletop stoves due to sluggish personal consumption caused by rising prices
- Improvement in profit margin thanks to cost reductions and other operational improvements, as well as solid demand for built-in products and a lull in raw material price rises



Tabletop cookers



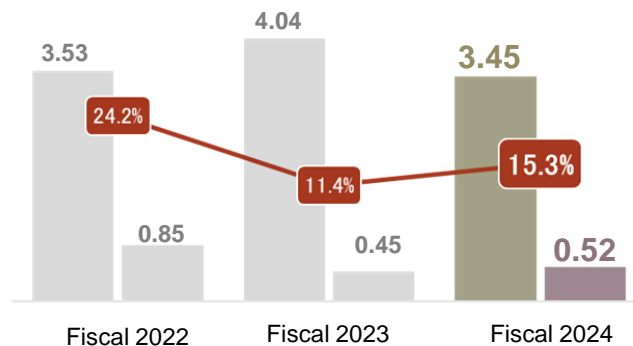
Built-in hob (stovetops)



Range hoods

P.T. Rinnai Indonesia, Fiscal 2024 (1Q) Results

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



[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	4.04	3.45	-14.4%	-19.8%
Operating Income	0.45	0.52	+15.3%	+8.1%
Operating income to net sales ratio	11.4%	15.3%	+3.9pt	

[Sales Volume]	YOY Change
Tabletop cookers	-26.1%
Built-in hob (stovetops)	-3.5%
Range hoods	+2.9%

1Q Results and Forecast for 2Q and Beyond

1Q Results

Deteriorating market conditions in major countries (Japan, United States, and China); operating income down significantly due to inability to absorb fixed costs

- Japan...** In addition to rising raw material prices and other procurement costs, we raised prices for the second time (following last year)
Decrease in exports due to transfer of local production to the United States, in addition to production cutbacks due to slowing demand
- Overseas...** **United States:** Slowdown in business due to deteriorating housing market conditions; sluggish sales of high-efficiency models; additional expenses incurred due to storage costs resulting from increased inventories
China: Deterioration in business confidence due to spread of COVID-19 over year-end/New Year holidays; consumers refrained from and downgraded purchasing activity
Australia: Increase in sales of tankless water heaters; review of transportation costs led to cost reductions; revenue and profit trending upward
South Korea: Deterioration in housing market due to rising interest rates; intensification of price competition

Forecast for 2Q and Beyond

Market conditions expected to improve in Japan and China; we anticipate higher income than initial forecasts thanks to the appeal of new products and cost reduction activities in the second half of the year

- Japan...** Confident of market recovery in peak-demand season; we anticipate recovery in income due to appeal of new products, such as high-efficiency water heaters and gas clothes dryers, as well as flow-through benefits of product price increases
- Overseas...** **United States:** Plan to strengthen sales promotion although housing market conditions expected to remain severe
China: In addition to online sales, bricks-and-mortar sales through e-commerce sites are also strong; we anticipate steady progress in switching to high-value-added water heaters
Australia: Sales of tankless water heaters continuing favorable; Growing sales of electric appliances, such as tank-based water heaters and heat pump
South Korea: Expect to secure profit through rigorous efforts to control costs despite continuing severe housing market conditions

Fiscal 2024: Consolidated Performance Forecasts

First half	[Billions of yen]	Initial forecast at the beginning of the fiscal year (A)	Revised forecast on Aug. 4, 2023 (B)	Difference (B)-(A)	Change	Fiscal 2023 1Q (actual)
Net sales		190.0	190.0	—	—	194.3
Operating income		15.0	10.0	(5.0)	-33.3%	19.0
Ordinary income		16.5	14.0	(2.5)	-15.2%	22.2
Net income attributable to owners of the parent company		9.5	7.5	(2.0)	-21.1%	13.3

Full year	[Billions of yen]	Initial forecast at the beginning of the fiscal year (A)	Revised forecast on Aug. 4, 2023(B)	Difference (B)-(A)	Change	Fiscal 2023 (actual)
Net sales		440.0	440.0	—	—	425.2
Operating income		43.0	39.0	(4.0)	-9.3%	41.4
Ordinary income		46.0	44.0	(2.0)	-4.3%	44.5
Net income attributable to owners of the parent company		26.5	25.0	(1.5)	-5.7%	26.0

ESG Topics

Supplier survey conducted and results disclosed

Rinnai Human Rights Policy formulated and announced (November 2022)

Conflict minerals

Zero use of minerals that could fund armed forces

CSR survey

Survey of suppliers' human rights, employment, working conditions, etc.

Survey of 173 suppliers conducted (March 2023)

Results collected/analyzed and disclosed on Rinnai website (May 2023) indicating that no problems were uncovered

Implementation of Employee Stock Ownership Plan (restricted stock)

Granted restricted stock (RS) to expand employee benefits and give them a shareholder perspective

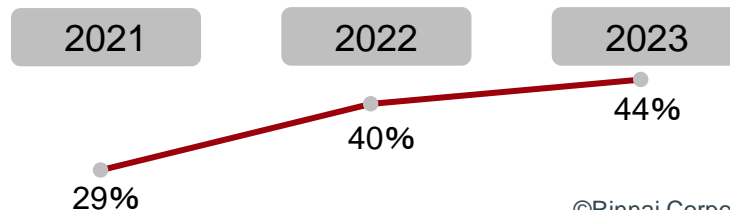
Target of granted stock	3,187 persons
Amount of grant	Approx. ¥200,000
Transfer restriction period	Approx. 3 years
Date of grant	April 28, 2023

Employee Shareholding Association membership rate

Before introduction	51%	After introduction	85%
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Increasing ratio of outside directors

Monitoring and Management policy formulation function strengthened and diversified



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.