

# Financial Results for First Two Quarters of Fiscal 2024, ending March 31, 2024

November 7, 2023

Rinnai Corporation

**Rinnai**

# Disclaimer

Forecasts, projections, strategies, and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that the Company believes are reasonable. Actual results may differ materially from these statements due to various risks and uncertainties. This material is for informational purposes only and is not intended as a solicitation to trade.

1. Results of First Two Quarters of Fiscal 2024/  
Fiscal 2024 Performance Forecasts  
(Japan: April–September 2023; Overseas: January–June 2023)

2. Business Outlook

# Fiscal 2024 (First Two Quarters): Consolidated Performance Overview

**Net sales: ¥192.6 billion** (down 0.9% year on year)

Decline due to slowdown in market conditions caused by rising prices and interest rates, which cooled consumer confidence

**Operating income: ¥10.1 billion** (down 47.0% year on year; Operating income to net sales ratio: 5.3%)

Down due to lower sales volume, continued production cutbacks/adjustments, and deteriorating product mix

**Ordinary income: ¥14.9 billion** (down 32.9% year on year; Ordinary income to net sales ratio: 7.7%)

Significant non-operating income due mainly to foreign exchange gain

**Net income attributable to owners of the parent company: ¥7.9 billion**

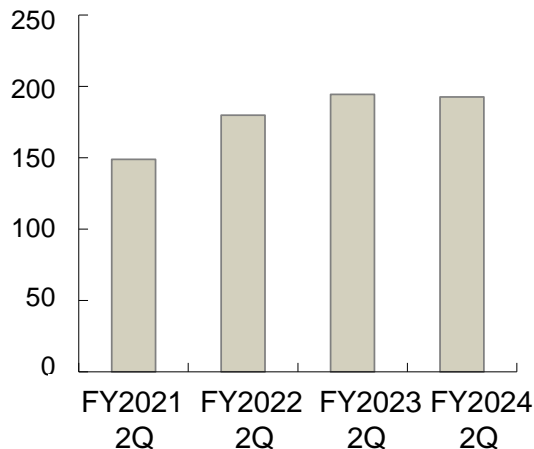
(down 40.9% year on year; Net income to net sales ratio: 4.1%)

- Weak market conditions due to global price and interest rate hikes and heightened geopolitical risks
- Despite cost reduction activities and cost cutting, the impact of production cutbacks could not be absorbed, resulting in profit declines

# Fiscal 2024 (First Two Quarters): Consolidated Financial Results

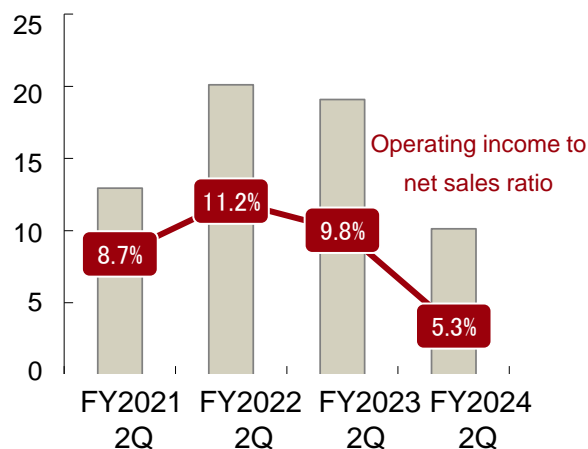
## Net Sales

[Billions of Yen]



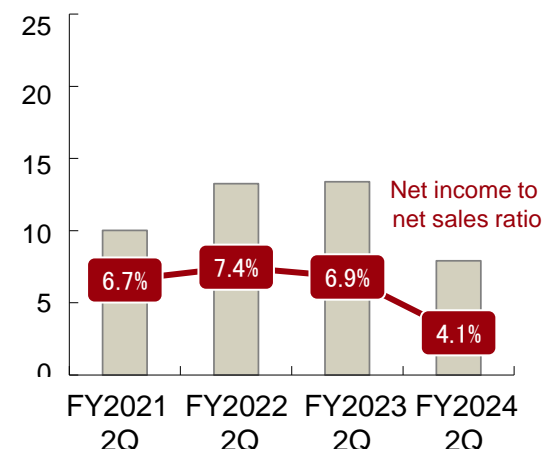
## Operating Income

[Billions of Yen]



## Attributable to owners of the parent company Net Income

[Billions of Yen]



- Second-highest net sales on record thanks due to entrenchment of price revision benefits and foreign currency translation
- Profits now on a recovery trajectory due to management actions, including cost reductions implemented in the second quarter

## Fiscal 2024 (First Two Quarters): Net Sales by Product

[Billions of Yen]	Fiscal 2023 2Q		Fiscal 2024 2Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	112.58	57.9%	114.47	59.4%	+1.88	+1.7%
Kitchen appliances	44.25	22.8%	42.56	22.1%	- 1.69	- 3.8%
Air conditioning appliances	10.22	5.3%	9.73	5.1%	- 0.49	- 4.8%
Commercial-use equipment	5.16	2.7%	5.34	2.8%	+0.18	+3.6%
Others	22.12	11.4%	20.57	10.7%	- 1.54	- 7.0%
Total	194.34	100.0%	192.69	100.0%	- 1.65	- 0.9%

# Fiscal 2024 (First Two Quarters): Consolidated Sales/Income Results

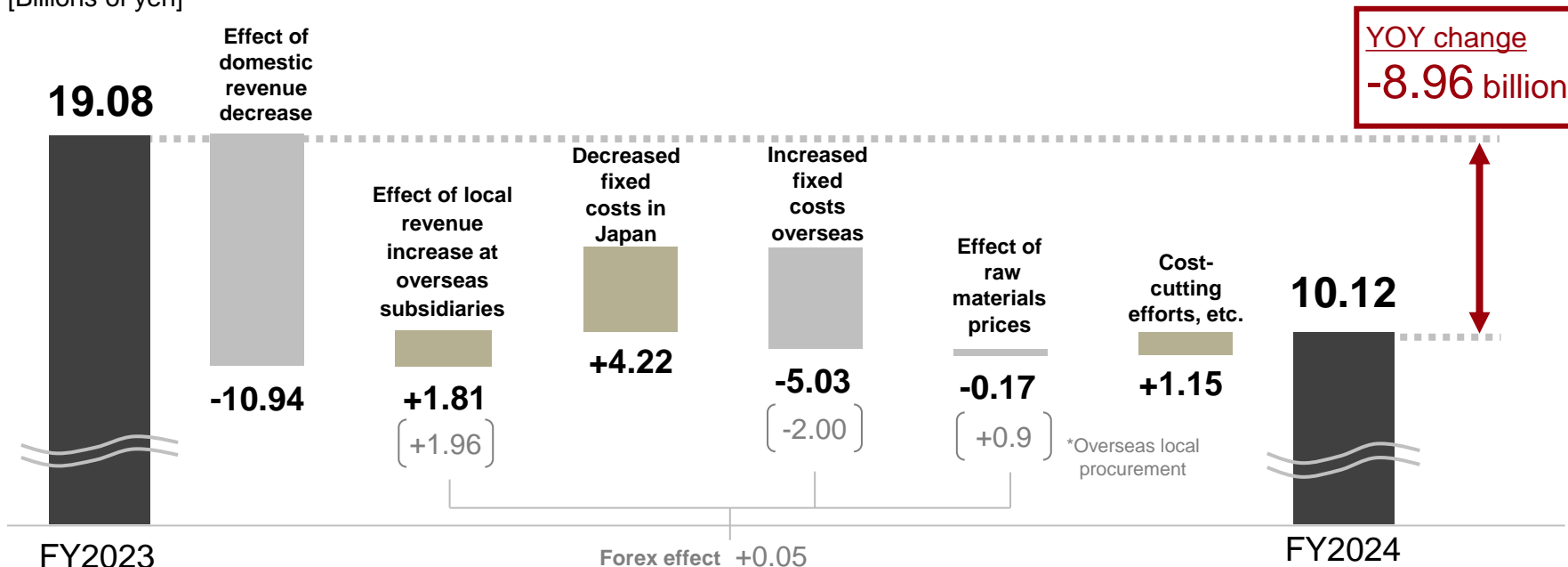
[Billions of Yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	192.69	- 0.9%	10.12	- 47.0%	5.3%	-4.6pt



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	94.17	-21.4%	4.06	-64.3%	4.3%	-5.2pt
Domestic	45.26	-17.3%	0.26	-84.1%	0.6%	-2.5pt
Overseas	110.74	+5.1%	6.33	-6.7%	5.7%	- 0.7pt
Total	250.18	-10.6%	10.66	-46.3%	4.3%	-2.8pt

# Fiscal 2024 (First Two Quarters): Consolidated Operating Income Analysis

[Billions of yen]



Cost reductions unable to compensate for sales down due to slow recovery of domestic market demand, and production cutbacks and adjustments, resulting in profit decline



# Fiscal 2024 (First Two Quarters) Results Rinnai (non-consolidated basis)

\* From April to September, 2023

- Gradually reaping the benefits of price revisions despite slow recovery of overall market demand
- Decrease in income due to high raw material prices and continued production adjustments



Built-in hobs (stovetops)



Hybrid water heater



Gas clothes dryers



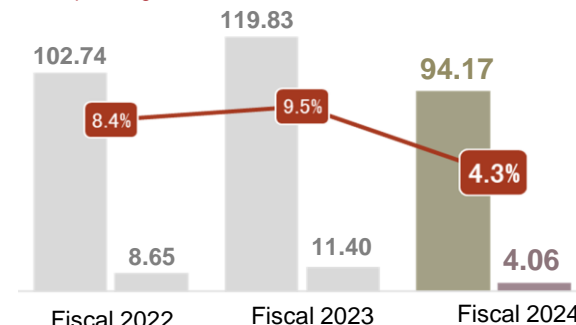
Dishwasher/dryers

[Billions of Yen]

	Fiscal 2023	Fiscal 2024	YOY change
Net Sales	119.83	94.17	-21.4%
Operating Income	11.40	4.06	-64.3%
Operating income to net sales ratio	9.5%	4.3%	-5.2pt

## Rinnai (non-consolidated basis), Fiscal 2024 (2Q) Results

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



[Sales Volume in Japan]

YOY Change

Water heater with heating systems	-9.8%
Water heater with bath-filling systems	-37.2%
Built-in hobs (stovetops)	-4.8%
Gas clothes dryers	-19.4%

# Fiscal 2024 (First Two Quarters) Results

## Rinnai America

\* From January to June, 2023

- Slow recovery in mainstay tankless water heaters amid weak housing market conditions
- Posted operating loss due to production cutbacks despite labor and cost reductions



Tankless water heaters



High-efficiency water heaters

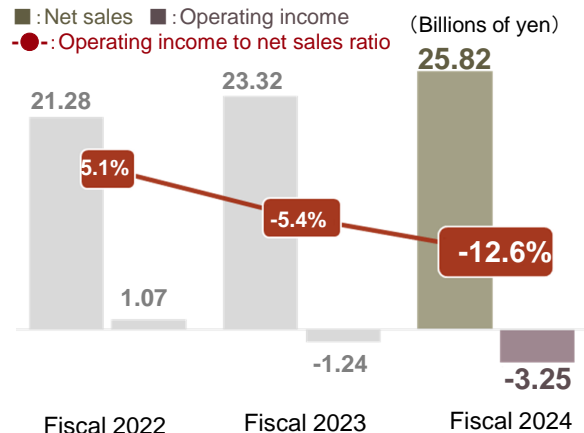
SENSEI



High-efficiency boilers

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	23.32	25.82	+10.7%	+0.3%
Operating Income	-1.24	-3.25	-	-
Operating income to net sales ratio	-5.4%	-12.6%	-	-

### Rinnai America, Fiscal 2024 (2Q) Results



[Sales Volume]	YOY change
Tankless water heaters	-3.9%
High-efficiency models of total	-18.9%

# Fiscal 2024 (First Two Quarters) Results Shanghai Rinnai

\* From January to June, 2023

- Strong sales via e-commerce sites and online bricks-and-mortar stores despite deteriorating real estate market conditions
- Increases in sales and income thanks to recovery in mainstay water heaters despite weak sales of kitchen appliances
- \* Including effects of review on expense and revenue recognition standard



Water heaters



Built-in hob (stovetops)



Range hoods



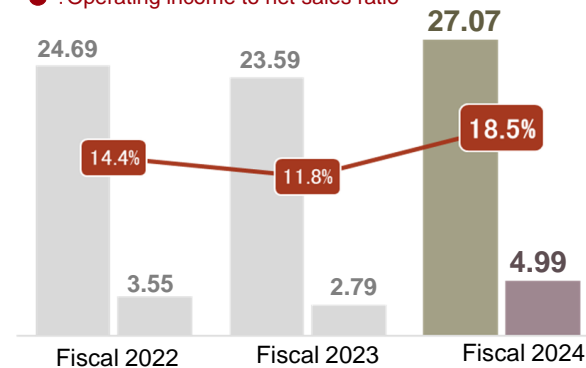
Boilers

[Billions of Yen]

	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	23.59	27.07	+14.7%	+11.8%
Operating Income	2.79	4.99	+78.9%	+74.4%
Operating income to net sales ratio	11.8%	18.5%	+6.6pt	

## Shanghai Rinnai, Fiscal 2024 (2Q) Results

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



[Sales Volume]

	YOY change
Water heaters	+10.1%
Built-in hob (stovetops)	-29.6%
Range hoods	-18.6%
Boilers	+5.0%

# Shanghai Rinnai Topics

## Fengxian Factory (Phase 2 construction)

- Expanding local production capacity to accommodate business growth
- Completed in November 2023

	Phase 1	Phase 2	Total
Total floor space	68.103m <sup>2</sup>	97.419m <sup>2</sup>	165.522m <sup>2</sup>



Fengxian Factory

## Expanding sales territory by contracting with online brick-and-mortar stores

- Tianmao and Jingdong are expanding their online brick-and-mortar stores throughout the country
- Expanding the number of stores with sales contracts, especially in Tier 3 and 4 cities

	2021-enc	2022-end	As of June 2023
No. of stores	Approx. 6,000	Approx. 10,000	Approx. 15,000



# Fiscal 2024 (First Two Quarters) Results

## Rinnai Australia

\* From January to June, 2023

- Significant increase in sales compared with previous corresponding period, when there were supply delays, helped by sales promotion for mainstay gas instant-heating water heaters
- Strong sales of heat-pump water heaters and other electric products



Tankless water heaters



Electric tank-based water heaters

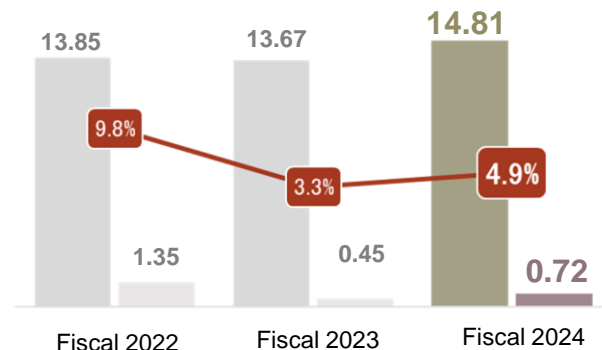


Duct-type air-conditioning and heating systems

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	13.67	14.81	+8.3%	+4.5%
Operating Income	0.45	0.72	+58.2%	+52.7%
Operating income to net sales ratio	3.3%	4.9%	+1.6pt	

### Rinnai Australia, Fiscal 2024 (2Q) Results

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



[Sales Volume]	YOY change
Tankless water heaters	+19.5%
Electric tank-based water heaters	+8.5%
Duct-type air-conditioning and heating systems	-6.6%

# Fiscal 2024 (First Two Quarters) Results

## Rinnai Korea

\* From January to June, 2023

- Maintained certain level of pricing discipline amid intense competition
- Rigorous cost reductions unable to compensate for sales decline, resulting in lower income



Environmentally friendly boilers



Gas tabletop cookers

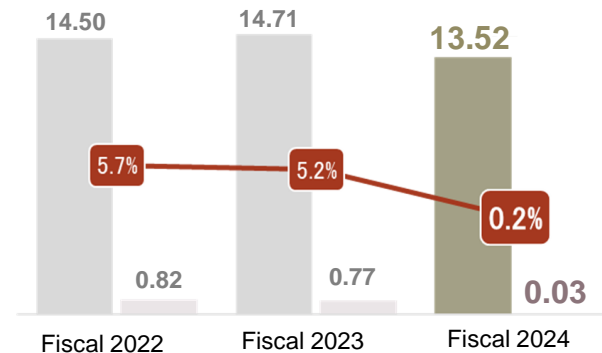


Electric tabletop cookers

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	14.71	13.52	-8.1%	-12.4%
Operating Income	0.77	0.03	-95.8%	-96.0%
Operating income to net sales ratio	5.2%	0.2%	-5.0pt	

### Rinnai Korea, Fiscal 2024 (2Q) Results

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



[Sales Volume]	YOY change
Boilers	-16.5%
Gas tabletop cookers	-16.6%
Electric tabletop cookers	-3.9%

# Fiscal 2024 (First Two Quarters) Results

## P.T. Rinnai Indonesia

\* From January to June, 2023

- Weak sales due to deteriorating market conditions accompanying price hikes
- Increase in income thanks to lower raw material prices (especially for steel), price revisions, and cost reductions



Tabletop cookers



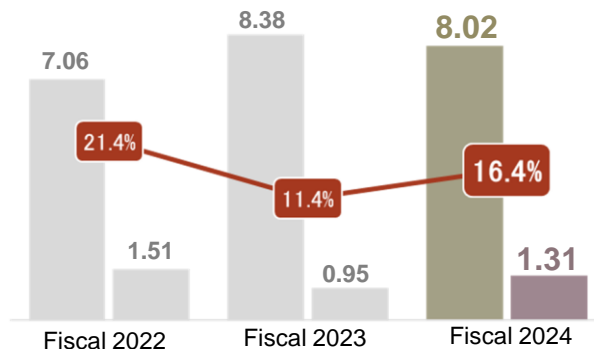
Built-in hob (stovetops)



Range hoods

### P.T. Rinnai Indonesia, Fiscal 2024 (2Q) 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	8.38	8.02	-4.4%	-9.6%
Operating Income	0.95	1.31	+37.5%	+30.0%
Operating income to net sales ratio	11.4%	16.4%	+5.0pt	

[Sales Volume]	YOY Change
Tabletop cookers	-13.2%
Built-in hob (stovetops)	-12.0%
Range hoods	-0.1%

# Results UP to 2Q and Outlook for 3Q and Beyond

	Results Up to 2Q	Outlook for 3Q and Beyond
Japan	<ul style="list-style-type: none"> <li>- Distribution inventories increased after supply delays from previous fiscal year were resolved</li> <li>- Also impacted by reaction decrease in demand (following high stay-at-home demand in previous year)</li> </ul>	<ul style="list-style-type: none"> <li>- Anticipate recovery in real demand in addition to price revision benefits</li> <li>- Expand sales of high-value-added products by capturing social needs</li> </ul>
United States	<ul style="list-style-type: none"> <li>- Signs of recovery in new construction market but renovation demand weak</li> <li>- Decline in profitability due to production cutbacks and adjustments at Griffin Factory</li> </ul>	<ul style="list-style-type: none"> <li>- Target return to monthly profit to reduce deficit</li> <li>- Aim for early optimization of inventory levels to return to growth in the next fiscal year</li> </ul>
China	<ul style="list-style-type: none"> <li>- Strong performance thanks to increased contracts with online brick-and-mortar stores despite continued deterioration of real estate market</li> <li>- Sales and income down in 1Q but back in line with plan in 2Q</li> </ul>	<ul style="list-style-type: none"> <li>- Sales and profits are increasing due to sales channel reforms, a proprietary strategy</li> <li>- Aim to improve profit margin in next fiscal year and beyond through production investments</li> </ul>
Other major markets	<ul style="list-style-type: none"> <li>- Australia: Increase in sales and income due to sales promotion efforts despite market contraction</li> <li>- South Korea: Price competition continued to intensify due to ongoing recession</li> <li>- Indonesia: Sales down due to deteriorating market conditions but income up thanks to lower raw material costs</li> </ul>	<ul style="list-style-type: none"> <li>- Australia: Anticipate strong sales, including of electrical products</li> <li>- South Korea: Aim to capture sales through sales promotion activities in difficult market</li> <li>- Indonesia: Expect income growth to continue despite weak market conditions</li> </ul>

Despite ongoing risk factors, our performance bottomed out in the first quarter and is expected to recover toward fiscal year-end



# 1. Results of First Two Quarters of Fiscal 2024/ Fiscal 2024 Performance Forecasts

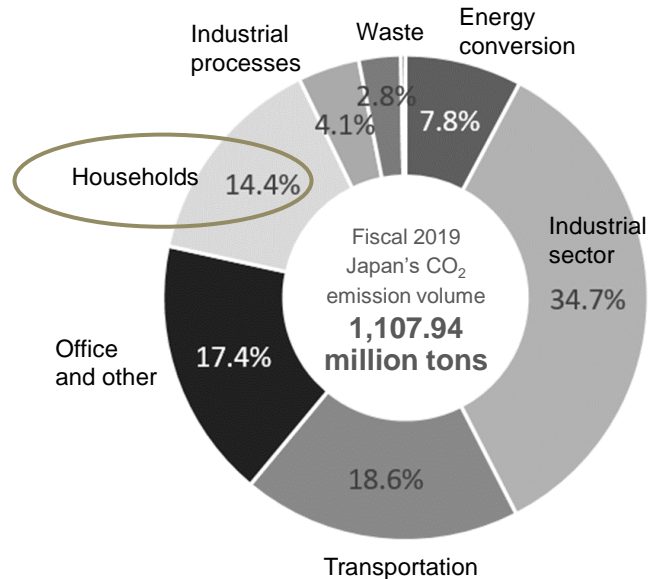
(Japan: April–September 2023; Overseas: January–June 2023)

## 2. Business Outlook

# Domestic Strategy: Carbon Neutral Compliance

## CO<sub>2</sub> emissions in Japan

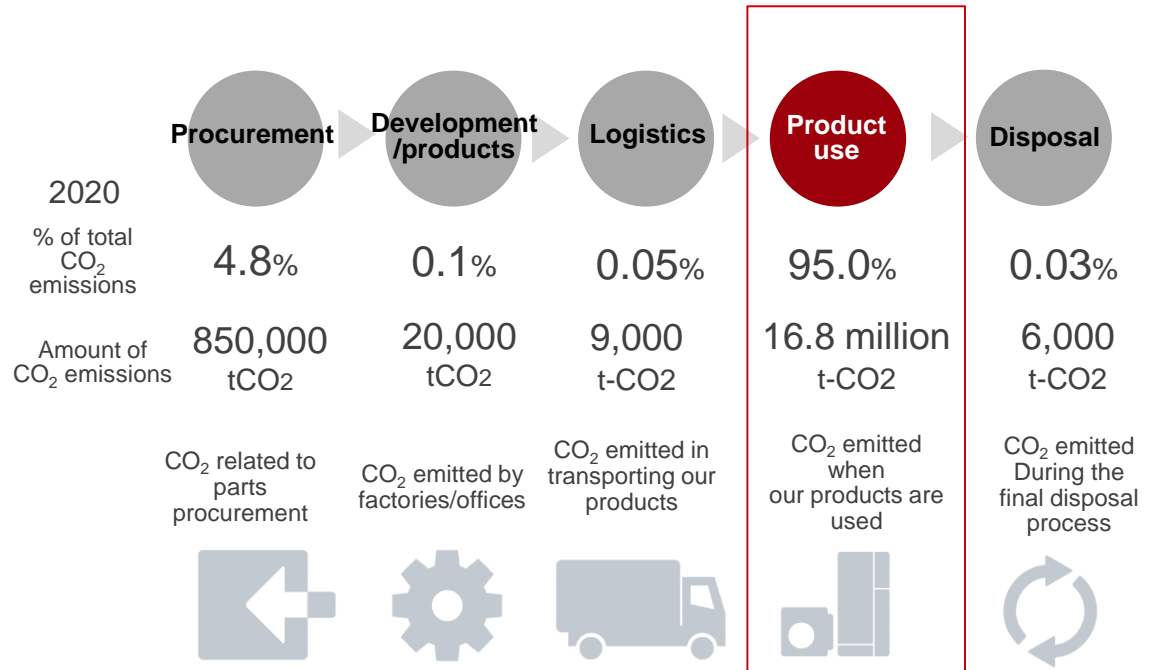
### 【 CO<sub>2</sub> emissions, by sector 】



Source: Japan Center for Climate Change Actions

<https://www.jccca.org/lp/english>

## Environmental impact over product life cycle



# CO<sub>2</sub> Emission Targets on RIM2050

## Life cycle of Rinnai products



## CO<sub>2</sub> emission targets

(\* Figures of overseas products are rough estimates)

	2020	2030	2050	2020	2030	2050
Domestic	30,000 t-CO <sub>2</sub>	15,000 t-CO <sub>2</sub>	Zero	16.8 million t-CO <sub>2</sub>	12.6 million t-CO <sub>2</sub>	Zero
Global	100,000 t-CO <sub>2</sub>	50,000 t-CO <sub>2</sub>	Zero	45 million t-CO <sub>2</sub>	—	Zero

(\* Progress status to be announced on financial results for Fiscal 2024, ending March 31, 2024.)

# Domestic Strategy: Examples of Measures for 2030

Aiming for “decarbonization” (net zero) by 2050,  
but “low carbon” (energy-efficient) in the medium term (2030)

**Increase sales of ECO ONE and Eco Jozu**



**ECO ONE**

Hybrid water heater with  
heating system

**Eco Jozu**

CO<sub>2</sub> emissions  
(compared with  
conventional water heaters)



Approx. **50%**  
reduction



Approx. **15%**  
reduction

## Water heaters: CO<sub>2</sub> emission comparison

Non-Eco Jozu

1,507 kg-CO<sub>2</sub>/year

Eco Jozu  
(Mode thermal efficiency 92.5%)

1,270 kg-CO<sub>2</sub>/year

Approx. 15%  
reduction

Heat pump-based  
water heater (JIS 3.3)

865 kg-CO<sub>2</sub>/year

Approx. 43%  
reduction

Hybrid water heater  
with heating system  
(ECO ONE 160-liter model)

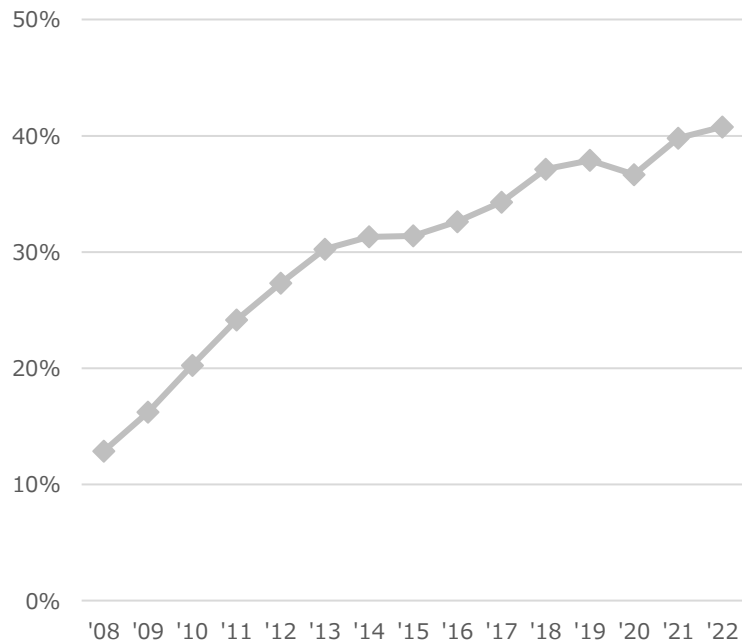
707 kg-CO<sub>2</sub>/year

Approx. 50%  
reduction

Gradually reduce number of  
non-Eco Jozu units as the ratio  
of Eco Jozu units increases.

# Domestic Strategy: *Eco-Jozu* High-Efficiency Water Heaters

## *Eco-Jozu* water heaters: Sales composition



## Proliferation efforts

Strategy

- Target year for achieving “Top Runner” standard for gas water heaters: 2025

Category	Target efficiency
Standalone water heaters	84.4%
Bathwater heaters	87.2%
Water heaters with heating systems	90.3%

Our initiatives

- Increase added value

*Eco-Jozu* with Ultra Fine Bubble generator (launched in October 2022)



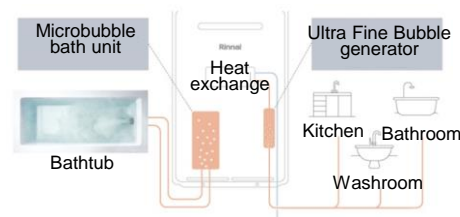
- Subsidy (Ministry of Economy, Trade and Industry)

Support for energy conservation in rental housing complexes (from 2024)

Limited subsidy to encourage replacement with *Eco-Jozu* systems in existing rental housing complexes

Promote replacement with *Eco-Jozu* from standalone water heaters

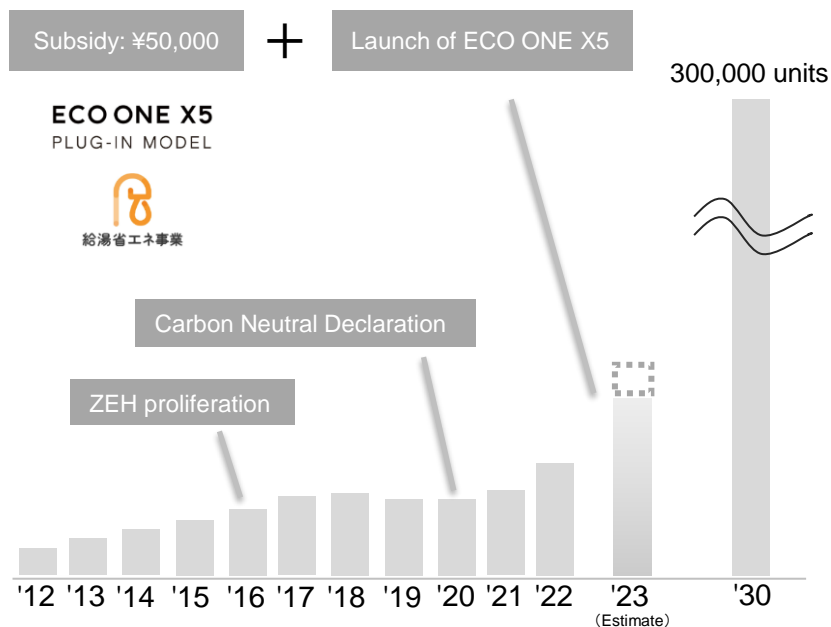
Water heater with built-in Microbubble bath unit (launched in August 2023)



# Domestic Strategy: *ECO ONE* Hybrid Water Heaters

## *ECO ONE*: Unit sales and targets (image)

-Significant increase in sales after 11 years of hard work since launch in 2012

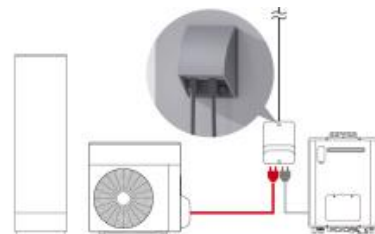


## Launched *ECO ONE* X5 with improved compactness and ease of installation

-Flexibility allowing installation in a variety of configurations



- Plug-in model requires no dedicated power supply wiring

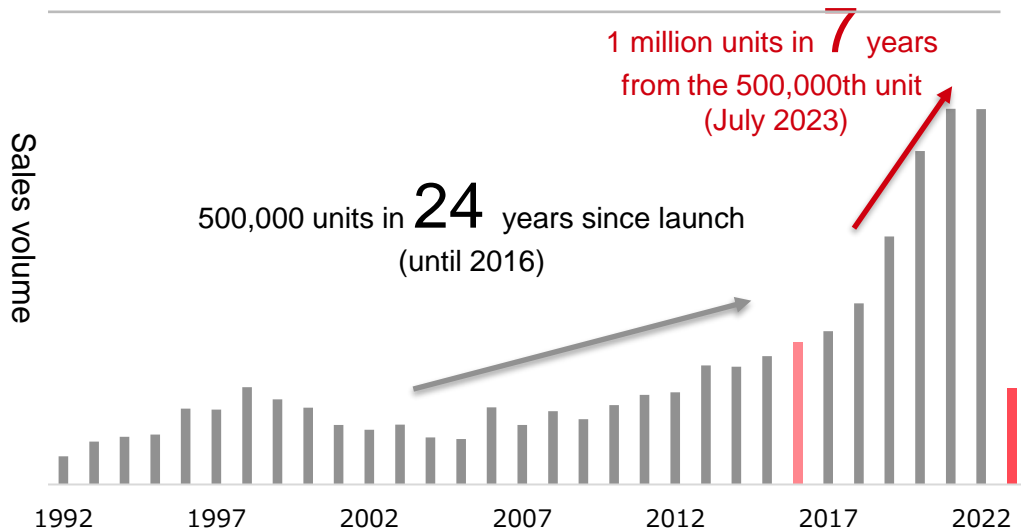


When replacing a gas water heater, the existing outdoor outlet can be used\*

\* Individual wiring breakers must be 20A

# Domestic Strategy: *Kanta-kun* Gas Clothes Dryers

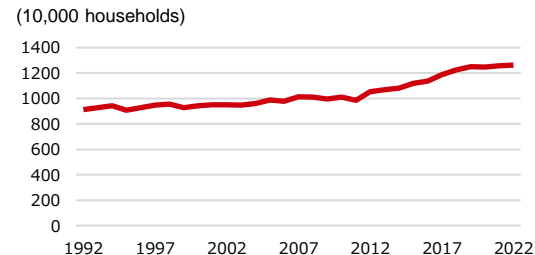
Unit sales of *Kanta-kun* (image)



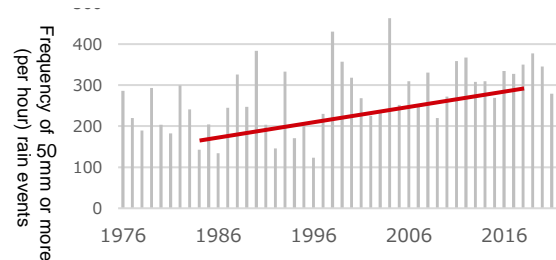
Cumulative sales reached 500,000 units in the first 24 years after launch and reached 1,000,000 seven years later (2023), driven by changes in society and the environment.

Rapid expansion driven by social and environmental changes

- Increase in dual-earner households as women enter the workforce  
⇒ Growing need for shorter housework hours



- Environmental changes, such as major downpours, yellow sand, pollen, etc.  
⇒ Drying clothes properly outside is difficult



# Domestic Strategy: *Kanta-kun* Gas Clothes Dryers

*Kanta-kun* Deluxe Model Change (launched July 12, 2023)



乾太くん

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

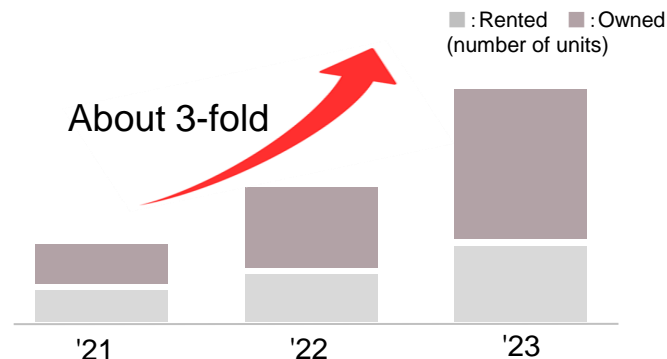
Electric heat pump type About 185 minutes

Electric heater type About 312 minutes

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

Increased adoption in newly built condominiums

-Increased adoption in not only single-family homes but also condominiums and rental apartments



Aiming for standardization in new construction through proactive space-use proposals



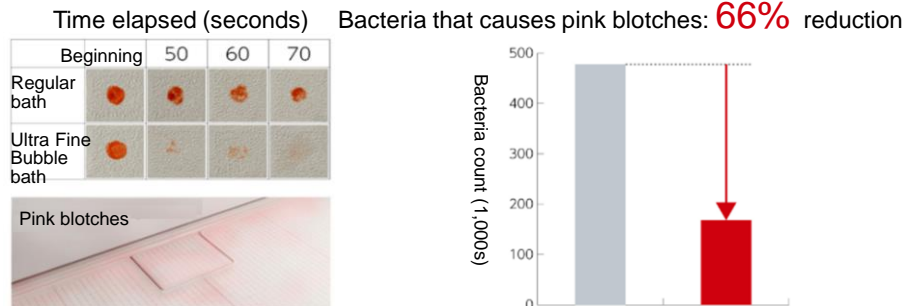


# Domestic Strategy: Air Bubble Products\*

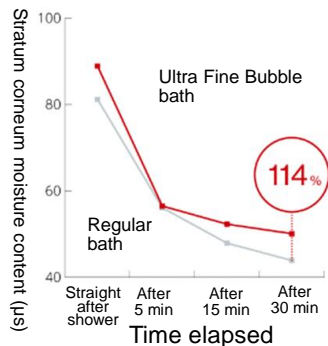
\* Collective name for Microbubble and Ultra Fine Bubble products

## Benefits of Ultra Fine Bubbles

-Removes dirt and limescale around water and drain pipes



-Helps retain skin moisture

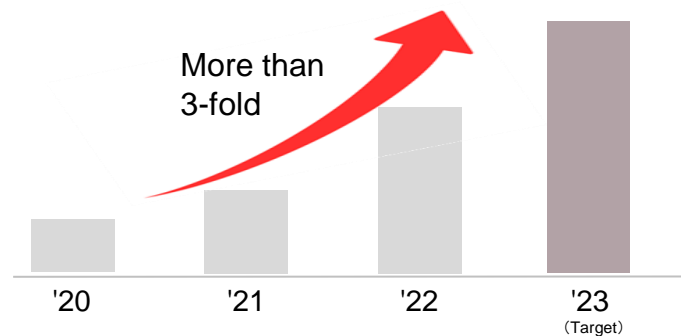


Skin tends to dry out after bathing, so proper care is essential.

Maintains stratum corneum moisture content for **up to 30 minutes**

## Air Bubble products: Unit sales

-Steady growth in unit sales since launch in 2020



## 【Overseas rollout】



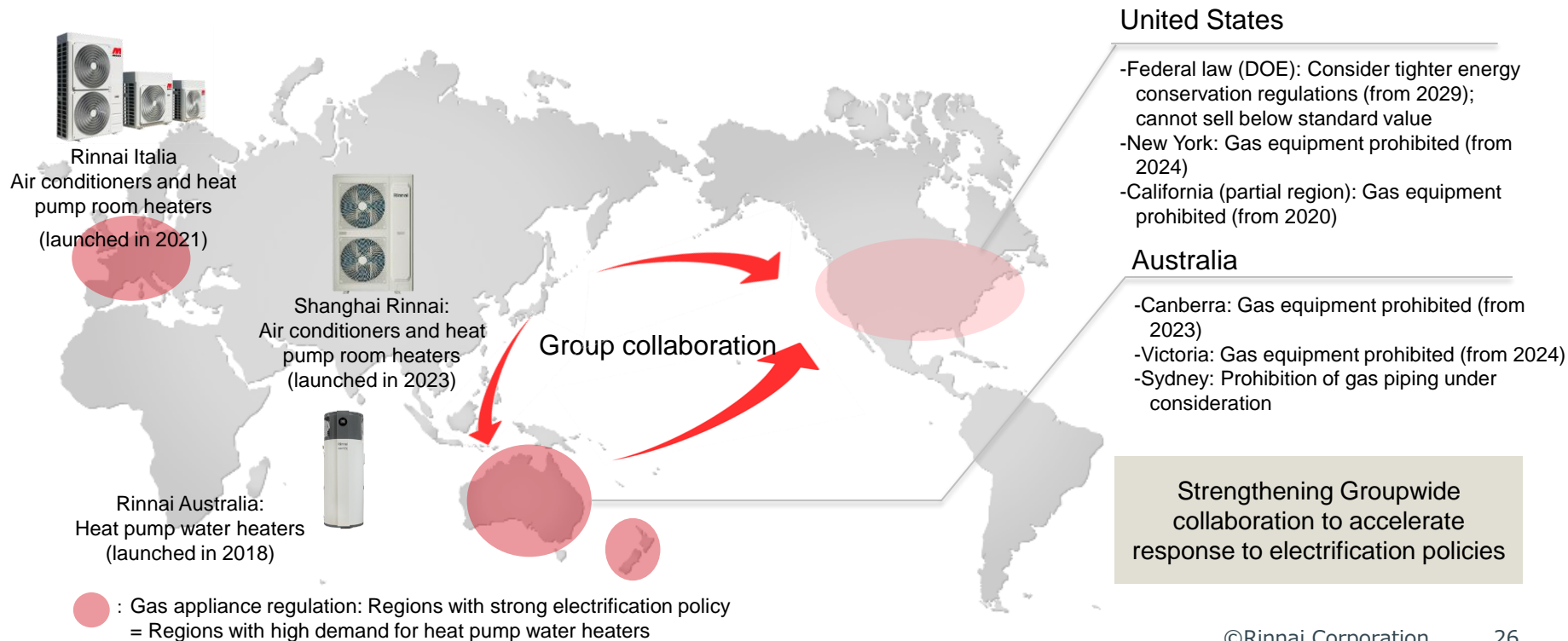
ISH China (Beijing, May 2021)



Sold by Rinnai Taiwan (since September 2023)

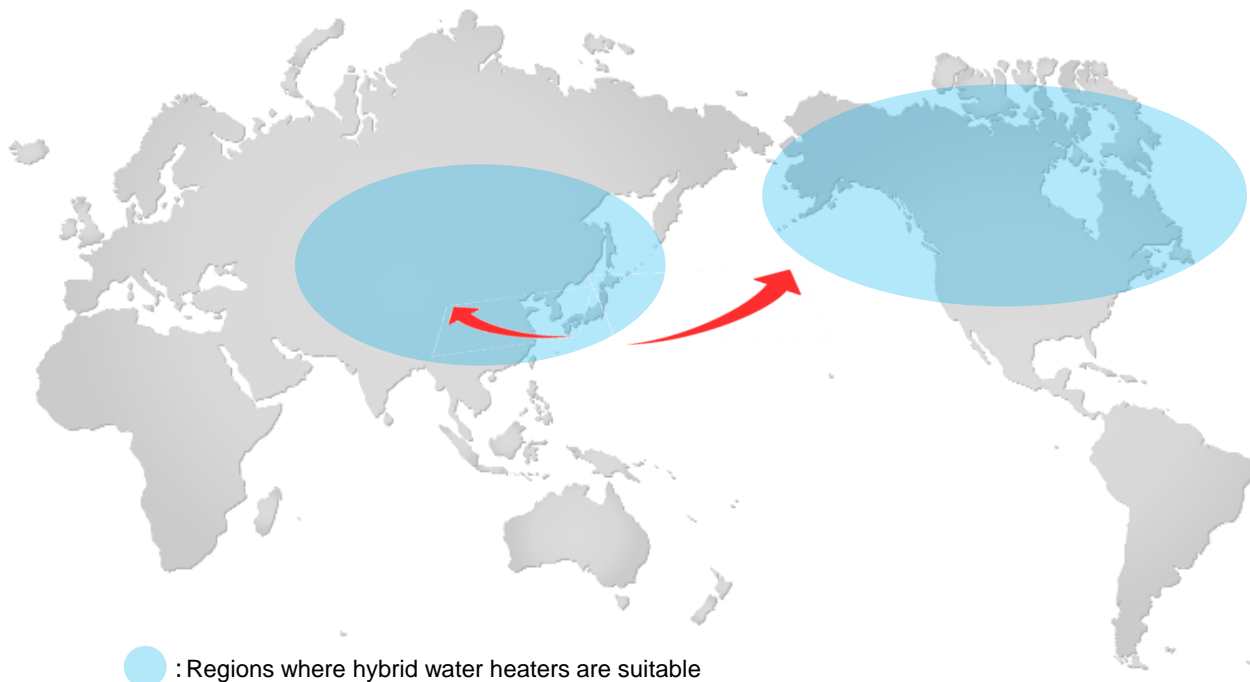
# Overseas Strategy: Addressing Electrification Policies

Gas appliance regulations and electrification policies are being tightened in some parts of the world to achieve carbon neutrality



# Overseas Strategy: Deploy Hybrid Water Heaters

Suitable locations for hybrid water heaters (climate classification: cold regions)



Hybrid water heaters are effective in cold regions from the standpoint of efficiency



ECO ONE hybrid water heater

Opportunity to deploy technology and experience gained in Japan to establish competitive advantage overseas

## ESG Promotion Structure

### Initiatives spearheaded by ESG Committee

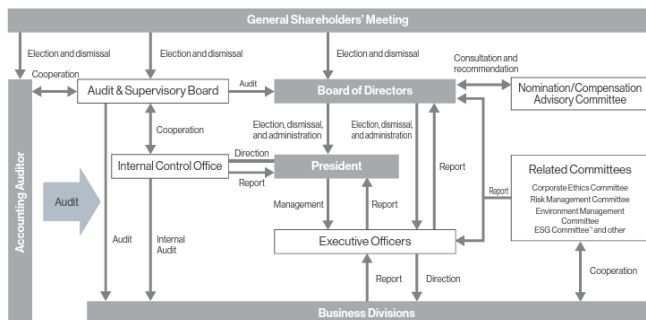
Committee Chairman: President Naito

Committee members: General Manager of Corporate Planning  
Headquarters, General Manager of General Affairs Division,  
General Manager of Personnel Division, General Manager of  
Environment Division, General Manager of Purchasing  
Division

Meetings: 4 times a year

Content: Discussion on ESG activities:

Reporting: Reports submitted to Board of Directors



## List of ESG issues (main items)

Item		Response status
E	Scope 2: 100% renewable energy	Domestic: Considering implementation at each business site Overseas: Confirming energy supply system
S	Employee engagement survey	Second survey: Conducted in October 2023 (results analysis in progress)
	Increase ratio of women in managerial positions	Provide pre-management training
	Survey of human rights and conflict minerals in the supply chain	Survey of suppliers (246 companies) <div>completed</div>
	Stock compensation for employees	Restricted stock granted to Employee Shareholding Association (granted in April 2023) Participation rate: 51% ⇒ 85% <div>completed</div>
G	Composition of the Board of Directors	Increase ratio of Outside Directors and improve diversity ⇒ Approved at General Shareholders' Meeting in June 2023 <div>completed</div>
	Executive remuneration system	Scheduled for review three years after introduction

# ESG Topics

## E: Expanding offices that use 100% renewable energy for electricity

-Achieved 100% renewable energy (Scope 2) at 5 sites in line with Carbon Neutral Declaration (RIM 2050)

Business site	Start date
Tsukuba Training Center	July 2021
Hot.Lab Hamamatsucho	September 2021
Minami-Kanto Branch	July 2022
Chugoku Branch	July 2022
Hokkaido Branch	September 2023
Kansai Branch Office	November 2023 (schedule)



Minami-Kanto Branch



Kansai Branch

## S: Developing manager candidates

New

- Pre-management training scheduled (starting December 2023)
- Select 55 persons (male and female) from each division

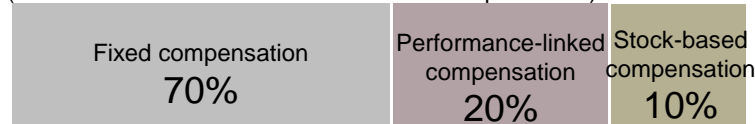
<Object>

- Make participants aware of their achievements as a team (not as individual players)
- Acquire communication skills to discover the true feelings of superiors and subordinates

## G: Revise executive compensation plan

- Plans to review remuneration ratios and KPIs

(Current status: Breakdown of executive compensation)

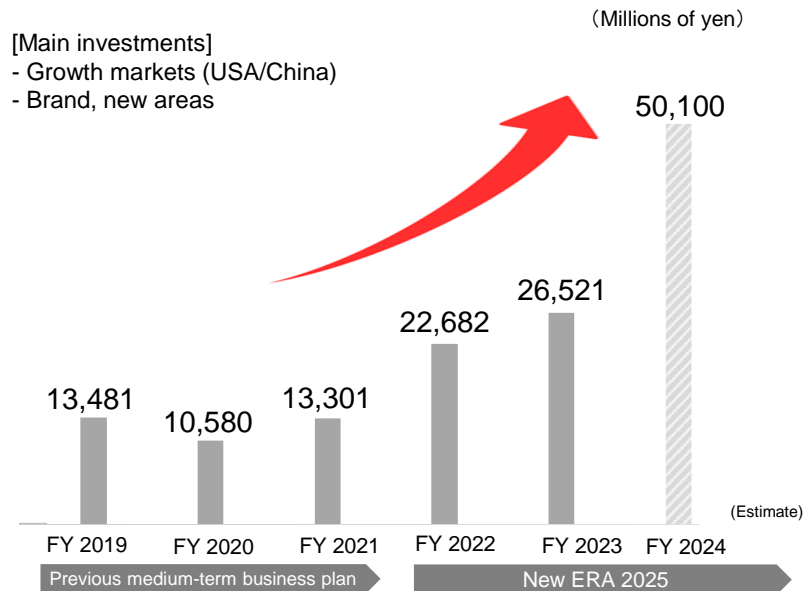


- ✓ Performance-linked compensation: Consolidate operating income, non-consolidated operating income, individual performance-evaluation
- ✓ Stock-based compensation: Restricted stock

- Establishment of shareholding guidelines planned

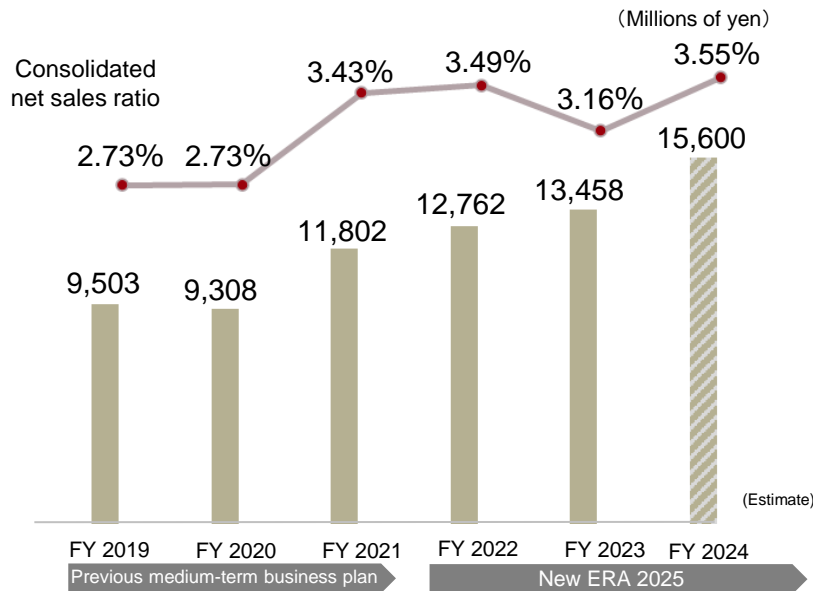
# Investments

## Capital investments



Increasing investments in growth and new areas

## Research and development expenditure



Focus on developing new technologies related to carbon neutrality, etc.

# Shareholder Return

## Return Policy

Total return ratio: 40%  
(2021–2025 average)

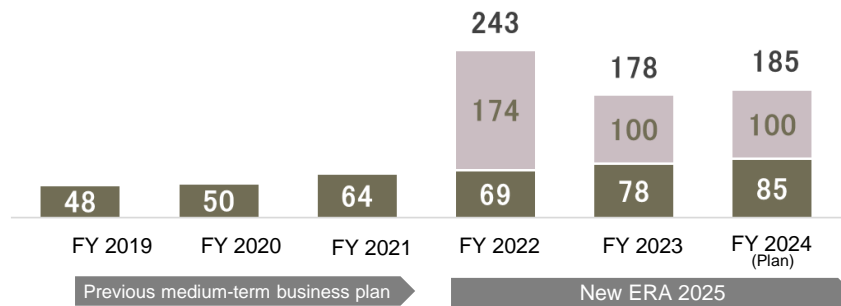
+

Gradual increase in dividend payout ratio  
(Fiscal 2026 target: 40% range)

### Total shareholder return

(100 millions of yen)

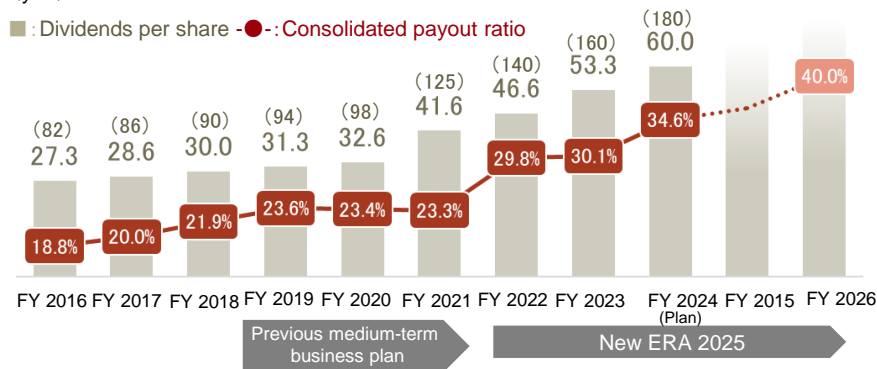
■ : Total dividends ■ : Share buybacks



### Dividends per share, consolidated payout ratio

(yen)

■ : Dividends per share ● : Consolidated payout ratio



- Increase total shareholder return during period of current medium-term business plan
- Maintain focus on future growth and raising dividend payout ratio despite challenging performance in fiscal 2024, ending March 31, 2024

