

Consolidated Financial Results

First Three Quarters of the Fiscal Year Ending March 2024

(April 1–December 31, 2023)

February 8, 2024

Listed Company Name: Rinnai Corporation

Listings: Prime Market of Tokyo Stock Exchange, and Premier Market of Nagoya Stock Exchange
(Securities Code: 5947)

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Scheduled date for release of quarterly securities report: February 13, 2024

Anticipated date to begin distributing dividends: —

Supplemental information sheets of quarterly results: Yes

Information meeting of quarterly results: None

I. Performance in the First Three Quarters of the Fiscal Year Ending March 31, 2024

(April 1–December 31, 2023; amounts less than one million yen are omitted)

(1) Consolidated Operating Results

(¥ millions; %)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income attributable to owners of the parent company (% change)
Three Quarters to Dec. 2023	¥310,162 [-1.3%]	¥25,468 [-24.4%]	¥30,471 [-16.5%]	¥17,375 [-18.9%]
Three Quarters to Dec. 2022	314,093 [+14.7%]	33,688 [+20.1%]	36,487 [+20.0%]	21,423 [+16.7%]

(Reference)

Comprehensive Income: First three quarters of the year ending March 31, 2024; ¥38,337 million (-19.0%)

First three quarters of the year ended March 31, 2023; ¥47,343 million (+77.1%)

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
Three Quarters to Dec. 2023	¥120.10	—
Three Quarters to Dec. 2022	144.91	—

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 for after the stock split.

Note: Percentage figures in net sales, operating income, ordinary income and net income columns indicate increase or decrease from the previous term.

(2) Consolidated Financial Position

(¥ millions; %)

	Total Assets	Net Assets	Equity Ratio (%)
December 31, 2023	¥565,723	¥424,158	66.4%
March 31, 2023	547,114	407,199	66.6

(Reference) Equity capital: Three quarters of the year ending March 31, 2024; ¥375,516 million

Year ended March 31, 2023; ¥364,151 million

II. Dividends

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

Notes: 1. Revision of dividend forecast in period under review: None

2. 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, 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.

III. Forecast for the Fiscal Year Ending March 31, 2024 (Consolidated)

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

(¥ millions/%)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company	Net Income per Share (¥)
Full year	¥ 440,000 [+3.5%]	¥ 39,000 [-5.8%]	¥ 44,000 [-1.3%]	¥ 25,000 [-4.2%]	¥ 173.20

Note: Percentage figures in parentheses indicate increase or decrease from the previous fiscal year.

Note: Changes in performance forecasts since most recent announcement: None

* Notes

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

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

(2) Application of special accounting method for quarterly consolidated financial reporting:

None

(3) Changes in accounting policies; changes in accounting estimates; retrospective restatement

(a) Changes due to revision of accounting standard: None

(b) Other changes than (a): None

(c) Changes in the rules for the accounting estimates: None

(d) Retrospective restatement: None

(4) Number of Outstanding Shares (Common Stock)

(a) Number of outstanding shares at term-end (including treasury stock)

December 31, 2023: 146,677,171 shares

March 31, 2023: 150,063,171 shares

(b) Number of treasury stock shares at term-end

December 31, 2023: 3,472,081 shares

March 31, 2023: 3,676,692 shares

(c) Average number of shares during the term

First three quarters of the fiscal year ending March 2024: 144,681,223 shares

First three quarters of the fiscal year ended March 2023: 147,845,095 shares

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figures for “Number of outstanding shares at term-end,” “Number of treasury stock shares at term-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.

* This report is exempt from a quarterly review process by certified public accountant or audit corporation.

* Note on appropriate use of performance forecasts

Performance forecasts contained in this document are based on information currently available and certain judgments deemed by the Corporation to be reasonable. Actual results may differ significantly from such forecasts due to various factors. For more information, please refer to “1. Consolidated Performance, (3) Explanation about Consolidated Performance Forecasts” on page 4 of this report.

* Supplemental information sheets of financial results are posted on the Corporation’s website on Thursday, February 8, 2024.

1. Consolidated Performance

(1) Operating Results

In the first three quarters under review (April 1–December 31, 2023), the global economy continued facing difficult conditions, including worsening business confidence due to rising prices and tight monetary policies worldwide, as well as a stagnant Chinese economy suffering from real estate issues and other problems and prolonged situations in Ukraine and the Middle East. The Japanese economy also faced unpredictable conditions due to price increase based on rising raw materials prices and energy costs, as well as sharp exchange rate fluctuations. This was despite easing of restrictions on economic and social activities as the impact of COVID-19 subsided.

In the domestic housing-related industry, new housing starts remained weak, especially for owner-occupied dwellings, which continued declining slowly. However, the household appliance sector showed signs of recovery in demand related to renovation.

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.”

To help realize a carbon-neutral society, a key social issue, we took advantage of a subsidy program (hybrid water heater category) offered by Japan’s Ministry of Economy, Trade and Industry for our ECO ONE hybrid water heaters with heating systems, which meet the needs of the times for higher energy-saving performance. We also launched the ECO ONE X5, featuring improved compactness and ease of installation. In these and other ways, we worked to achieve the Group’s carbon neutrality declaration, RIM 2050. We also 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, we reported a year-on-year decline in revenue due to continued weakness in consumer sentiment caused by rising global prices and high interest rates in some regions. On the earnings side, while the sales volume continued to decline, we began seeing signs of recovery as production, which had been adjusted since the beginning of the period, returned to normal levels and the benefits of price revisions became evident. However, these factors did not compensate for the negative results of the first two quarters, resulting in a year-on-year decrease in operating income.

As a result, consolidated net sales for the period amounted to ¥310,162 million, down 1.3% from the previous corresponding period. Operating income fell 24.4%, to ¥25,468 million, and ordinary income declined 16.5%, to ¥30,471 million. Net income attributable to owners of the parent company fell 18.9%, to ¥17,375 million.

Our results by geographical segment were as follows:

Japan

In Japan, our production system, which we adjusted since the beginning of the period, returned to normal levels thanks to our optimization of distribution inventories, while sales of key products increased, continuing the recovery trend. As a result, sales in Japan declined 3.6% year on year, to ¥142,791 million, and operating income fell 41.4%, to ¥12,102 million.

United States

In the United States, new housing starts showed signs of picking up, but renovation-related demand remained sluggish. As a result, sales edged down 1.5%, to ¥41,625 million. On the earnings side, the operating loss increased in the first two quarters due to lack of recovery of fixed costs caused by production cutbacks and adjustments. Since then, however, from the second half, we benefited from cost reductions implemented to date, including storage costs associated with inventory reductions and lower labor costs. These factors helped ease the operating loss, which totaled ¥1,928 million for the period.

Australia

Amid weakness in new housing starts and a market shift toward electrification, sales of electrical products remained strong as we expanded our lineup of heat pump water heaters. As a result, sales in Australia rose 8.2%, to ¥22,680 million, and operating income jumped 32.6%, to ¥1,168 million.

China

Despite deteriorating real estate market conditions and a decline in consumer confidence stemming from a weakening economy, we benefited from strong e-commerce sales, including online brick-and-

mortar stores sales. Accordingly, sales in China grew 3.7%, to ¥46,867 million, and operating income edged up 0.1%, to ¥8,361 million.

South Korea

As housing market conditions continue to deteriorate, sales of mainstay boilers and kitchen appliances declined due to intensified price competition. As a result, sales in South Korea decreased 3.0%, to ¥21,982 million. Despite ongoing efforts to control fixed costs, we posted an operating loss of ¥122 million.

Indonesia

Although sales remained sluggish due to continued weak personal consumption accompanying rising prices, we revised our sales prices, benefited from lower raw materials prices, and made operational improvements including cost reduction. Consequently, sales in Indonesia declined 4.8%, to ¥11,990 million, and operating income jumped 27.2%, to ¥2,139 million.

(For references 1) Sales Composition by Business Segment

(¥ millions; %)

	Three Quarters to Dec. 31, 2022		Three Quarters to Dec. 31, 2023		Change		Year to March 31, 2023	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Water heaters	¥185,856	59.2%	¥185,115	59.7%	¥ (741)	(0.4)%	¥258,658	60.8%
Kitchen appliances	70,104	22.3	68,536	22.1	(1,568)	(2.2)	91,780	21.6
Air conditioning appliances	17,854	5.7	16,697	5.4	(1,157)	(6.5)	21,941	5.2
Commercial-use equipment	7,884	2.5	8,236	2.7	351	4.5	10,669	2.5
Others	32,391	10.3	31,576	10.2	(815)	(2.5)	42,179	9.9
Total	¥314,093	100.0%	¥310,162	100.0%	¥(3,930)	(1.3)%	¥425,229	100.0%

(For references 2) Overseas Sales

(¥ millions; %)

	Three Quarters to Dec. 31, 2022			Three Quarters to Dec. 31, 2023		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥96,922	¥76,584	¥173,506	¥97,279	¥76,676	¥173,955
II. Consolidated net sales	—	—	314,093	—	—	310,162
III. Composition ratio of overseas sales to consolidated net sales	30.9%	24.4%	55.2%	31.4%	24.7%	56.1%

Note: Above indicates sales of the Corporation and consolidated subsidiaries in overseas countries or regions.

(2) Financial Position

As of December 31, 2023, Rinnai had total assets of ¥565,723 million, up ¥18,609 million from March 31, 2023. Total liabilities increased ¥1,650 million, to ¥141,565 million. Net assets were up ¥16,959 million, to ¥424,158 million. The equity ratio at the end of the period was 66.4%.

(3) Explanation about Consolidated Performance Forecasts

Rinnai has not changed its forecasts for the full-year period ending March 31, 2024. (Those forecasts were released on August 4, 2023.)

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2023 (Fiscal 2023)	At December 31, 2023 (Three Quarters of Fiscal 2024)
ASSETS:		
Current assets		
Cash and deposits	¥150,883	¥132,496
Notes and accounts receivable, and contract assets	78,886	94,727
Electronically recorded monetary claims	10,413	12,030
Marketable securities	7,737	5,028
Products	53,265	47,671
Raw materials and stores	39,562	42,708
Other	6,141	6,508
Less allowance for doubtful accounts	(5,369)	(5,684)
Total current assets	341,520	335,486
Fixed assets		
Property, plant and equipment	118,166	147,915
Intangible fixed assets	3,743	3,531
Investments and advances		
Investments in securities	48,205	42,011
Other	35,525	36,827
Less allowance for doubtful accounts	(47)	(48)
Total investments and advances	83,683	78,790
Total fixed assets	205,593	230,237
Total assets	¥547,114	¥565,723

(¥ millions)

	At March 31, 2023 (Fiscal 2023)	At December 31, 2023 (Three Quarters of Fiscal 2024)
LIABILITIES:		
Current liabilities		
Notes and accounts payable	¥ 26,205	¥ 29,526
Electronically recorded obligations	37,851	28,058
Accrued income taxes	6,665	3,534
Accrued employee's bonuses	5,365	3,903
Allowance for product guarantee	4,706	4,676
Other allowances	1,273	1,430
Other	30,800	39,612
Total current liabilities	112,868	110,741
Long-term liabilities		
Allowance for environmental measures	2,255	2,255
Reserves	89	85
Net defined benefit liabilities	8,827	9,014
Other	15,873	19,468
Total long-term liabilities	27,045	30,823
Total liabilities	139,914	141,565
NET ASSETS:		
Shareholders' equity:		
Common stock	6,484	6,484
Capital surplus	8,428	8,428
Earned surplus	334,946	333,202
Treasury stock	(12,290)	(10,935)
Total shareholders' equity	337,569	337,179
Other comprehensive income:		
Unrealized gain on marketable securities	6,161	7,714
Foreign exchange translation adjustment	14,248	25,372
Remeasurements of defined benefit plans	6,171	5,249
Total other comprehensive income	26,582	38,336
Non-controlling interests	43,048	48,642
Total net assets	407,199	424,158
Total liabilities and net assets	¥547,114	¥565,723

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

Consolidated Statements of Income

(¥ millions)

	Three Quarters of Fiscal 2023 (From April 1 to December 31, 2022)	Three Quarters of Fiscal 2024 (From April 1 to December 31, 2023)
Net sales	¥314,093	¥310,162
Cost of sales	210,344	212,316
Gross profit	103,748	97,845
Selling, general and administrative expenses	70,059	72,377
Operating income	33,688	25,468
Other income:		
Interest income	1,166	1,757
Dividends received	428	463
Foreign exchange income	722	1,759
Other	933	1,733
Total other income	3,250	5,713
Other expenses:		
Interest expenses	52	53
Loss on retirement of fixed assets	114	160
Share buyback costs	63	156
Depreciation	—	250
Fair value fluctuation amount related to contingent consideration	140	—
Other	80	89
Total other expenses	451	710
Ordinary income	36,487	30,471
Extraordinary income:		
Subsidy income	—	204
Total extraordinary income	—	204
Extraordinary losses:		
Loss on reduction of fixe assets	—	134
Impairment loss	—	110
Total extraordinary losses	—	244
Income before income taxes	36,487	30,431
Income taxes (current)	9,890	7,186
Income taxes (deferred)	(97)	367
Total income taxes	9,792	7,553
Net income	26,695	22,878
Net income attributable to non-controlling interests	5,271	5,502
Net income attributable to owners of the parent company	¥ 21,423	¥ 17,375

Consolidated Statements of Comprehensive Income

(¥ millions)

	Three Quarters of Fiscal 2023 (From April 1 to December 31, 2022)	Three Quarters of Fiscal 2024 (From April 1 to December 31, 2023)
Net Income	¥26,695	¥22,878
Other comprehensive income		
Unrealized gain on marketable securities	1,086	1,556
Foreign exchange translation adjustment	20,467	14,824
Remeasurements of defined benefit plans	(905)	(922)
Total other comprehensive income	20,648	15,459
Comprehensive income	47,343	38,337
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	37,247	29,130
Non-controlling interest	10,096	9,207

(3) Notes to Quarterly Consolidated Financial Statements

Assumptions for Going Concern

Not applicable.

Notes on Major Changes in Shareholders' Equity

Not applicable.

Segment Information

First Three Quarters of the Fiscal Year Ended March 31, 2023 (April 1 to December 31, 2022)

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4)	Amounts on consolidated statements of income (Note 5)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Sales										
Outside client	¥148,049	¥42,280	¥20,958	¥45,195	¥22,667	¥12,600	¥291,751	¥22,341	¥ —	¥314,093
Intersegment	47,407	—	86	1,896	896	628	50,915	2,228	(53,144)	—
Total	195,457	42,280	21,045	47,091	23,564	13,228	342,667	24,569	(53,144)	314,093
Income (loss)	20,652	(252)	881	8,355	895	1,682	32,215	3,593	(2,119)	33,688

- 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 (loss) refers to intersegment transactions to eliminate.
5. "Segment income (loss)" is adjusted from operating income in Consolidated Statements of Income.

First Three Quarters of the Fiscal Year Ending March 31, 2024 (April 1 to December 31, 2023)

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4)	Amounts on consolidated statements of income (Note 5)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Sales										
Outside client	¥142,791	¥41,625	¥22,680	¥46,867	¥21,982	¥11,990	¥287,937	¥22,224	¥ —	¥310,162
Intersegment	21,028	—	81	1,392	558	396	23,457	2,375	(25,832)	—
Total	163,819	41,625	22,761	48,260	22,541	12,386	311,394	24,599	(25,832)	310,162
Income (loss)	12,102	(1,928)	1,168	8,361	(122)	2,139	21,721	3,089	658	25,468

- 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 (loss) refers to intersegment transactions to eliminate.
5. "Segment income (loss)" is adjusted from operating income in Consolidated Statements of Income.