

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

February 8, 2024

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 Three Quarters of Fiscal 2024

2. ESG Topics

3. Measures to Implement Management that Is  
Conscious of Cost of Capital and Stock Price

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

**Net sales: ¥310.1 billion** (down 1.3% year on year)

Decrease in net sales due to continued weak consumer confidence caused by rising global prices and persistently high interest rates in some regions

**Operating income: ¥25.4 billion** (down 24.4% year on year; Operating income to net sales ratio : 8.2%)

Recovery trend as production, which had been adjusted since the beginning of the period, returned to normal levels and the benefits of price revisions became evident

**Ordinary income: ¥30.4 billion** (down 16.5% year on year; Ordinary income to net sales ratio : 9.8%)

Significant increase in non-operating income due mainly to foreign exchange gain

**Net income attributable to owners of the parent company: ¥17.3 billion**

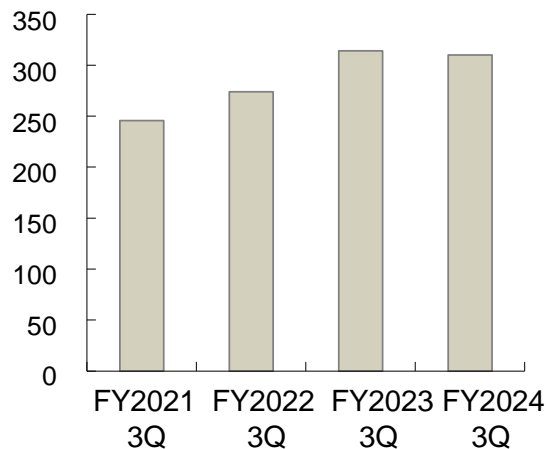
(down 18.9% year on year; Net income to net sales ratio: 5.6%)

- Both domestic and overseas markets recovering after bottoming out in first quarter despite ongoing weakness in housing market

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

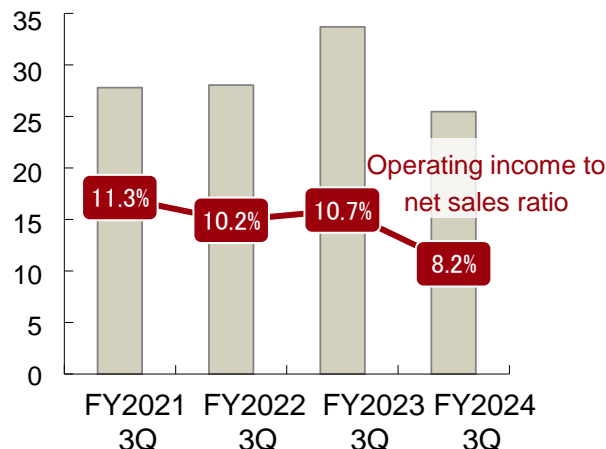
## Net Sales

[Billions of Yen]



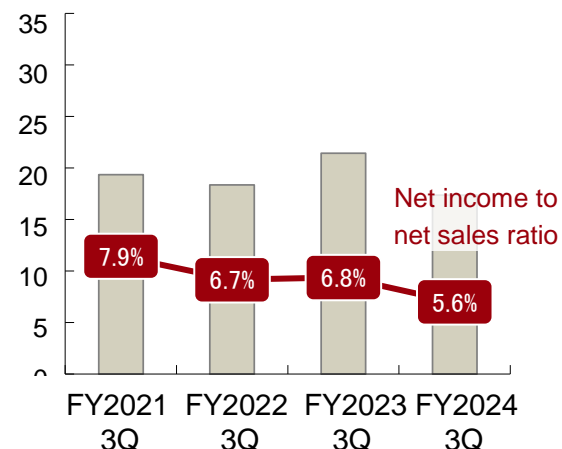
## Operating Income

[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 despite continued weakness in housing market
- Profits now on recovery trajectory due to proliferating benefits of price revisions and cost reduction activities

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

[Billions of Yen]	Fiscal 2023 3Q		Fiscal 2024 3Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	185.85	59.2%	185.11	59.7%	- 0.74	-0.4%
Kitchen appliances	70.10	22.3%	68.53	22.1%	-1.56	-2.2%
Air conditioning appliances	17.85	5.7%	16.69	5.4%	-1.15	-6.5%
Commercial-use equipment	7.88	2.5%	8.23	2.7%	+0.35	+4.5%
Others	32.39	10.3%	31.57	10.2%	-0.81	-2.5%
Total	314.09	100.0%	310.16	100.0%	-3.93	-1.3%

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

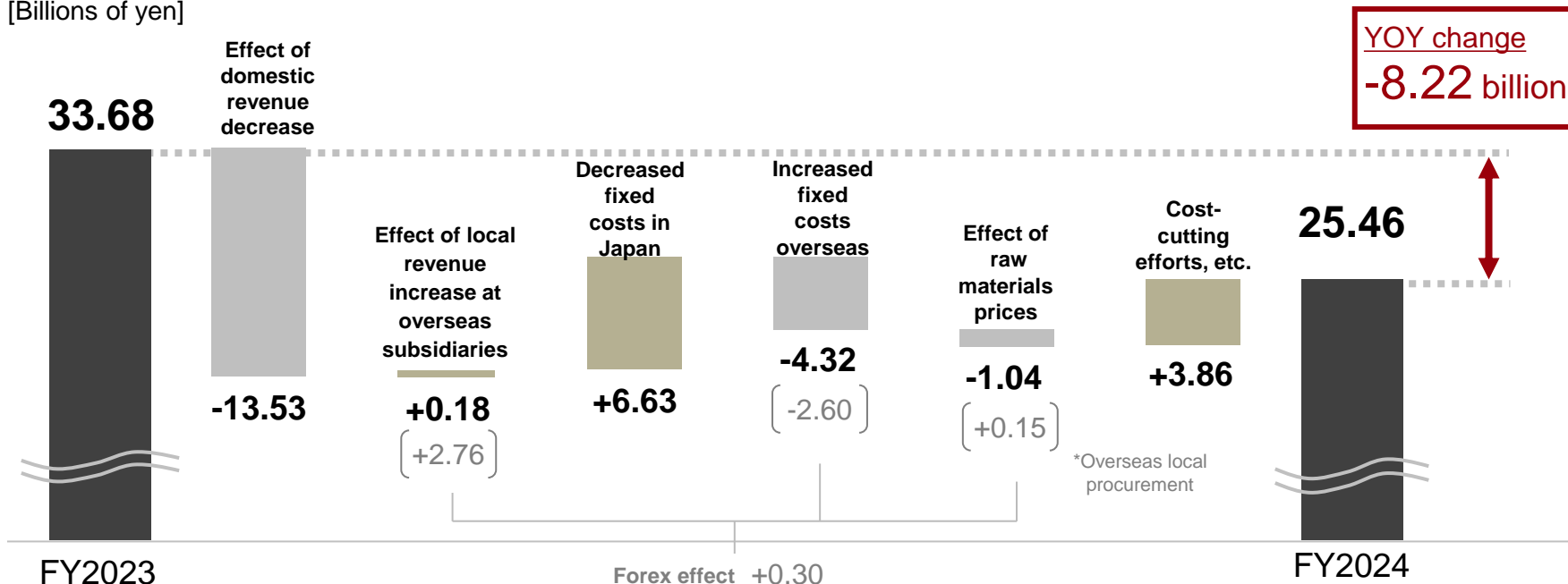
[Billions of Yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	310.16	-1.3%	25.46	-24.4%	8.2%	-2.5pt



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	155.32	-16.9%	10.32	-41.0%	6.6%	-2.8pt
Domestic	72.44	-15.4%	1.42	-50.3%	2.0%	-1.4pt
Overseas	174.93	+0.0%	13.30	-8.3%	7.6%	-0.7pt
Total	402.70	-10.0%	25.05	-28.2%	6.2%	-1.6pt

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

[Billions of yen]



Profits now on recovery trajectory due to domestic fixed cost reductions and increased cost reduction benefits despite expanding impact of lower domestic revenue



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

\* From April to December, 2023

- Production returned to normal levels in third quarter thanks to optimized distribution inventories
- On road to recovery with increase in sales of key products



Built-in hobs (stovetops)



Hybrid water heater



Gas clothes dryers

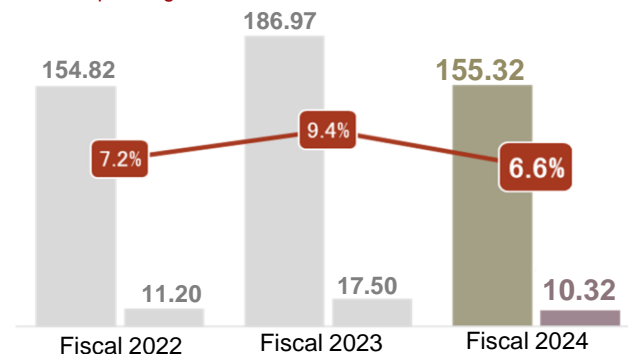


Dishwasher/dryers

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change
Net Sales	186.97	155.32	-16.9%
Operating Income	17.50	10.32	-41.0%
Operating income to net sales ratio	9.4%	6.6%	-2.8pt

## Rinnai (non-consolidated basis), Fiscal 2024 (3Q) Results

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



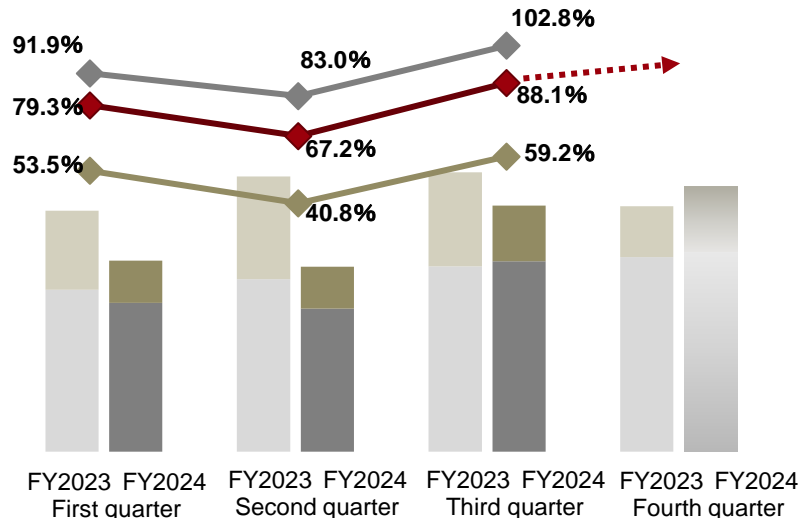
[Sales Volume in Japan]	YOY Change
Water heater with heating systems	-13.2%
Water heater with bath-filling systems	-27.8%
Built-in hobs (stovetops)	-3.7%
Gas clothes dryers	-8.2%

# Rinnai Corporation Topics

## Year-on-Year Sales Comparison by Product Category (Quarterly)

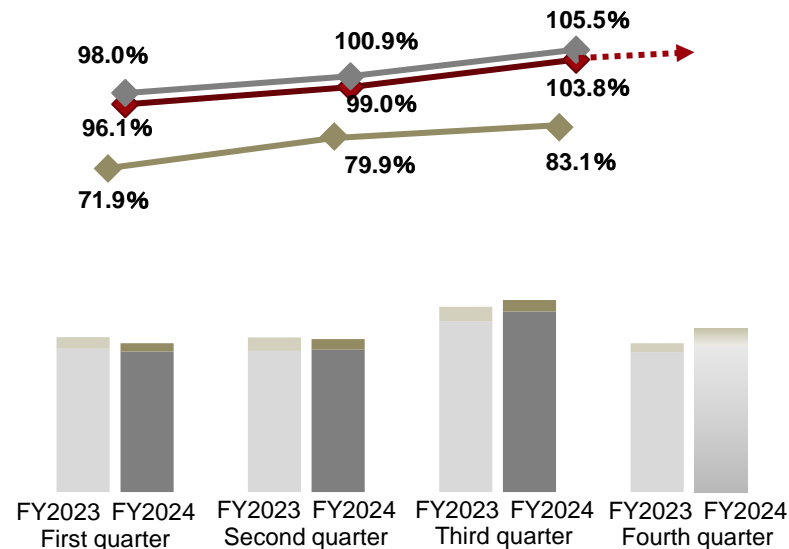
Water heaters: Year-on-year sales comparison and forecasts

■ : Domestic ■ : Exports - ◆ - : YOY comparison (domestic)  
- ◆ - : YOY comparison (exports) - ◆ - : Year-on-year comparison (overall)



Kitchen appliances: Year-on-year sales comparison and forecasts

■ : Domestic ■ : Exports - ◆ - : YOY comparison (domestic)  
- ◆ - : YOY comparison (exports) - ◆ - : Year-on-year comparison (overall)



- Sluggish sales, mainly of water heaters, due to deteriorating market conditions and high distribution inventory levels but now on recovery trajectory

# Rinnai Corporation Topics

## ECO ONE Hybrid Water Heaters

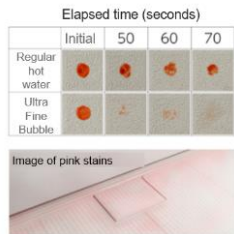
Stronger product lineup (launched September 8, 2023)

- Ultra Fine Bubble model added to ECO ONE X5 Series to address global environmental issues and improve quality of life

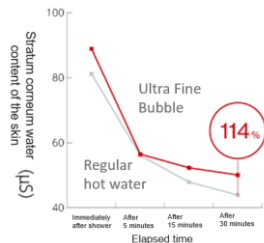


<Ultra Fine Bubble benefits>

- Reduces pink stains in wet areas



- Helps maintain skin moisture, etc.



Ministry of Economy, Trade and Industry:  
Increased subsidy for hybrid water heaters

[Previously] Basic subsidy: ¥50,000/unit only



Water Heater Energy-Saving 2024 Campaign

Basic subsidy: **¥100,000/unit**

+ ¥30,000 (requirement A or B)

**¥50,000** (requirements A and B)

Requirement A: Utilizes surplus renewable energy and has Internet access

Requirement B: 5% lower CO<sub>2</sub> emissions (compared with models at the lower limit of subsidy requirements)

**All ECO ONE models meet ¥150,000/unit requirements**



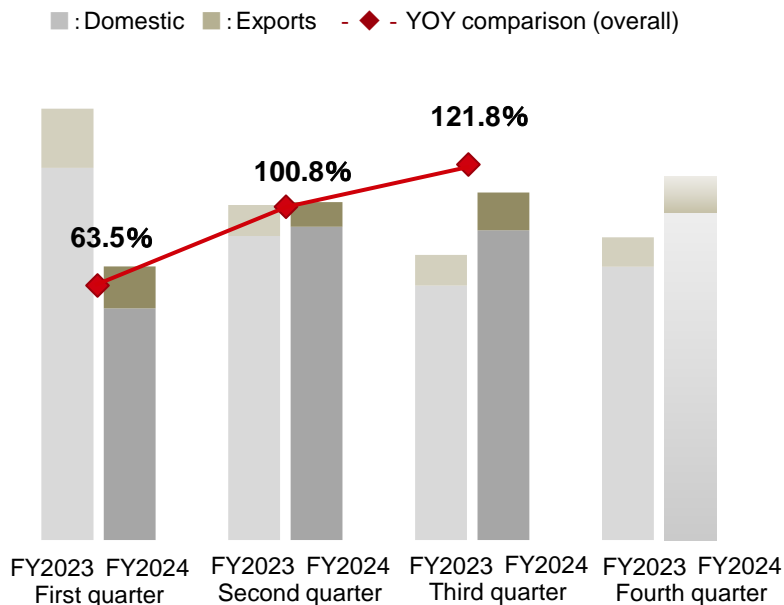
X5 series (mainly urban detached houses,  
new condominiums, water heater replacement)

160-liter (mainly  
new houses)

# Rinnai Corporation Topics

## Kanta-Kun Clothes Dryers

### Clothes dryers: Year-on-year comparison (unit sales)



### Proliferation rate

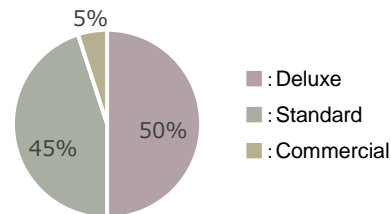
(Rinnai estimates)

Region	Proliferation rate	Region	Proliferation rate
Hokkaido	0.3%	Kinki	1.5%
Tohoku	0.6%	Chugoku/Shikoku	0.9%
Kanto	1.1%	Kyushu	2.5%
Chubu	1.3%	(Okinawa *)	15.7%

(\* New dwellings: Approx. 40%)

### Deluxe models (launched July 12, 2023): Sales status

July–November 2023 breakdown (unit sales)



#### Decisive factors

- (1) Large drying capacity
- (2) Large clothes inlet
- (3) Easy to clean because filter is located at front

Growth driven by the social need to reduce burden of household chores despite regional differences in proliferation

# Fiscal 2024 (First Three Quarters) Results

## Rinnai America

\* From January to September, 2023

- Optimized inventories through production cutbacks and adjustments
- Turned profit in current third quarter and reduced three-quarter loss due to cost reductions



Tankless water heaters



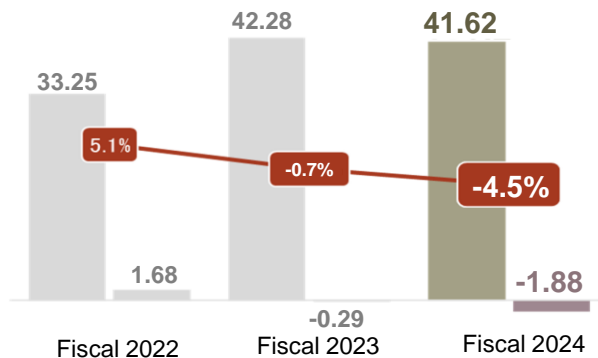
High-efficiency water heaters

SENSEI

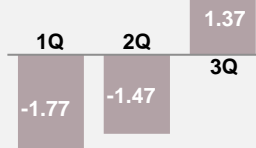


High-efficiency boilers

Rinnai America, Fiscal 2024 (3Q) Results  
 ■ : Net sales ■ : Operating income  
 ● : Operating income to net sales ratio (Billions of yen)



Operating income, Fiscal 2024 quarterly results (Billions of yen)



[Billions of Yen]

	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	42.28	41.62	-1.5%	-9.2%
Operating Income	-0.29	-1.88	-	-
Operating income to net sales ratio	-0.7%	-4.5%	-	-

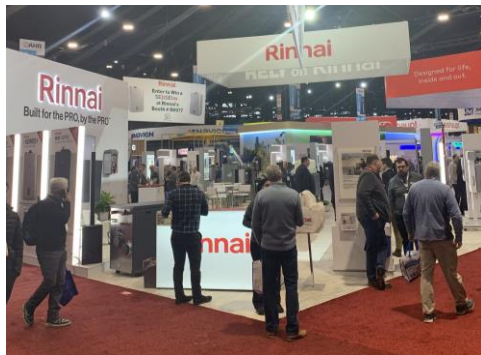
[Sales Volume]

	YOY change
Tankless water heaters	-14.1%
High-efficiency models of total	-24.2%

# Rinnai America Topics

## New Products Unveiled at Exhibition

AHR Expo (January 21–24, 2024): Announced launch of four key products



- ◆ Heat pump water heaters:  
Industry's highest efficiency level

**REHP•SERIES™**  
Electric Heat Pump Water Heater



- ◆ New condensing boilers:  
Full lineup extending to large-capacity models

**I-SERIES+™**  
Condensing Gas Boiler



- ◆ New condensing water heaters:  
Gas conversion and installation configuration can be switched with single unit

Rinnai America  
Introduces  
the **NEXT GENERATION**  
of **WATER HEATING**

**SENSEI<sup>®</sup>RX**  
**SERIES**  
Built for the PRO, by the PRO™



- ◆ Commercial boilers :  
Entered commercial market with industry's highest performance level

**RCB•SERIES™**  
Commercial Wall-Hung Boiler



# Fiscal 2024 (First Three Quarters) Results Shanghai Rinnai

\* From January to September, 2023

- Strong e-commerce sales (online brick-and-mortar store sales) despite deteriorating real estate market conditions
- Year-on-year increases in both sales and operating income due to improved mix despite decrease in unit sales



Water heaters



Built-in hob (stovetops)



Range hoods

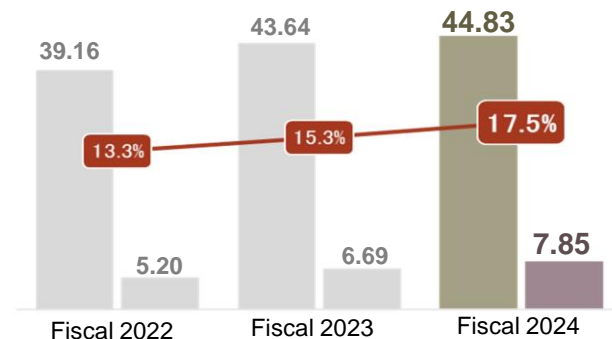


Boilers

[Billions of Yen]	Fiscal 2023	Fiscal 2024	YOY change	
			Yen	Local currency
Net Sales	43.64	44.83	+2.7%	+1.0%
Operating Income	6.69	7.85	+17.3%	+15.3%
Operating income to net sales ratio	15.3%	17.5%	+2.2pt	

## Shanghai Rinnai, Fiscal 2024 (3Q) Results

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



[Sales Volume]	YOY change
Water heaters	-2.0%
Built-in hob (stovetops)	-35.0%
Range hoods	-18.0%
Boilers	+3.0%

# Shanghai Rinnai Topics

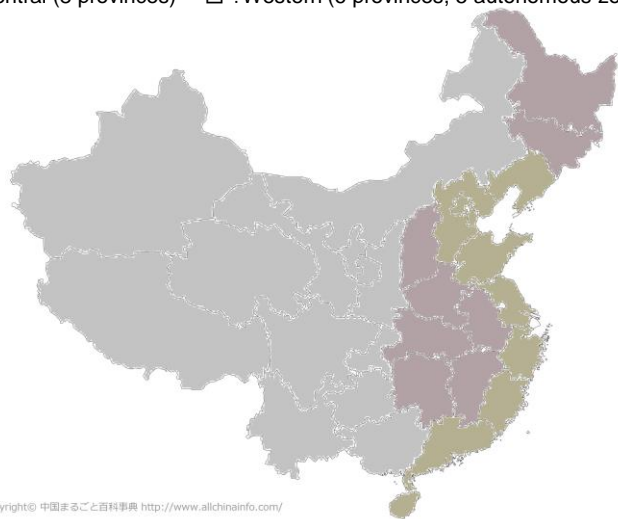
## Sales Growth through online brick-and-mortar stores

### Online brick-and-mortar store sales status, by region

As of September 30, 2023 (Rinnai estimates)

■ : Eastern (8 provinces, 3 cities)

■ : Central (8 provinces) □ : Western (6 provinces, 5 autonomous zones)



	Eastern	Central	Western	Total
Online brick-and-mortar stores	10,500	7,900	5,800	24,200
└(Incl.) handling stores	6,500	4,400	2,100	13,000
(Composition ratio)	61.9%	55.7%	36.2%	53.7%
Number of households (1,000s)	227,400	151,730	133,450	512,590



Further growth expected as number of stores handling our products steadily increases thanks to sales channel reforms



# Fiscal 2024 (First Three Quarters) Results

## Rinnai Australia

\* From January to September, 2023

- Recovery in sales of mainstay tankless water heaters despite weak housing market
- Worked to boost sales of electrical products by expanding lineup of heat pump water heaters as market continues shifting toward electrification



Tankless water heaters



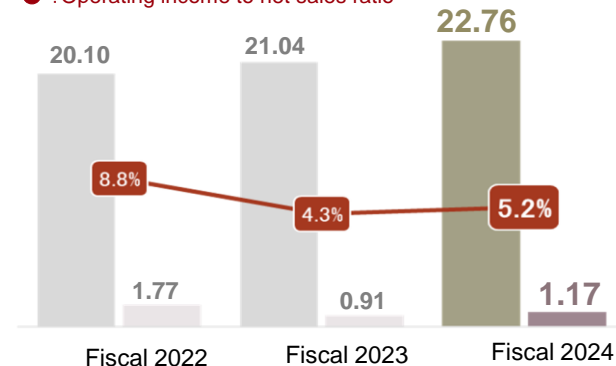
Electric tank-based water heaters



Duct-type air-conditioning and heating systems

### Rinnai Australia, Fiscal 2024 (3Q) 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	21.04	22.76	+8.2%	+5.4%
Operating Income	0.91	1.17	+28.9%	+25.7%
Operating income to net sales ratio	4.3%	5.2%	+0.9pt	

[Sales Volume]	YOY change
Tankless water heaters	+13.7%
Electric tank-based water heaters	+13.2%
Duct-type air-conditioning and heating systems	-7.3%

# Fiscal 2024 (First Three Quarters) Results

## Rinnai Korea

\* From January to September, 2023

- Decrease in sales of mainstay boilers and gas stoves due and fierce low-cost offensives by competitors, in addition to deteriorating real estate market conditions
- Continued restraining fixed costs despite difficult conditions, leading to break-even result



Environmentally friendly boilers



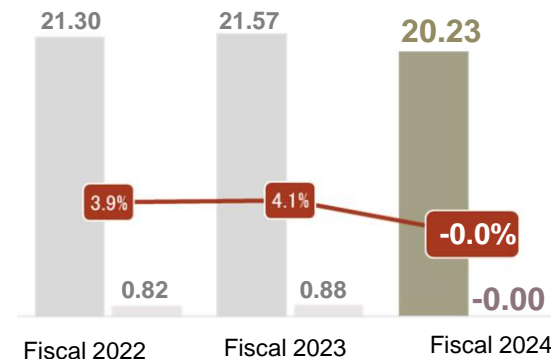
Gas tabletop cookers



Electric tabletop cookers

### Rinnai Korea, Fiscal 2024 (3Q) 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	21.57	20.23	-6.2%	-11.3%
Operating Income	0.88	-0.00	-	-
Operating income to net sales ratio	4.1%	-0.0%	-4.1pt	

[Sales Volume]	YOY change
Boilers	-16.0%
Gas tabletop cookers	-16.4%
Electric tabletop cookers	-1.8%

# Fiscal 2024 (First Three Quarters) Results

## P.T. Rinnai Indonesia

\* From January to September, 2023

- Sales remained sluggish due to continued market deterioration
- Increase in profit due to price revisions, lower raw material prices, and cost reductions



Tabletop cookers



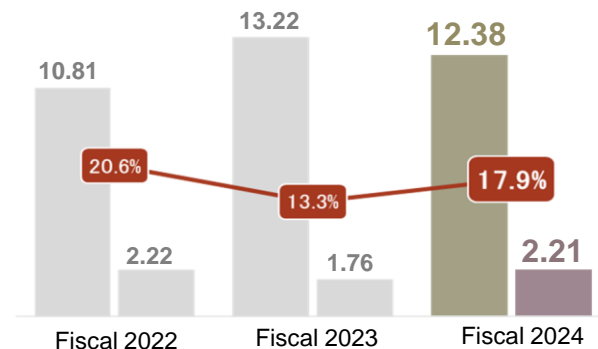
Built-in hob (stovetops)



Range hoods

### P.T. Rinnai Indonesia, Fiscal 2024 (3Q) 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	13.22	12.38	-6.4%	-10.6%
Operating Income	1.76	2.21	+25.7%	+19.9%
Operating income to net sales ratio	13.3%	17.9%	+4.6pt	

[Sales Volume]	YOY Change
Tabletop cookers	-11.8%
Built-in hob (stovetops)	-22.8%
Range hoods	+6.8%

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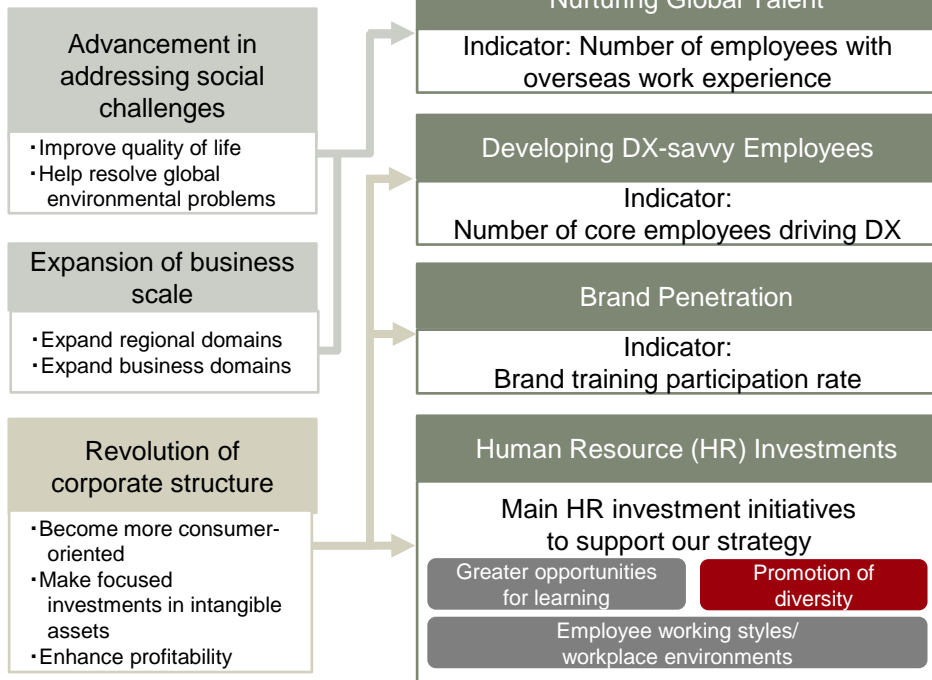
# ESG Topics

## Human Capital Strategies (Promoting Diversity)

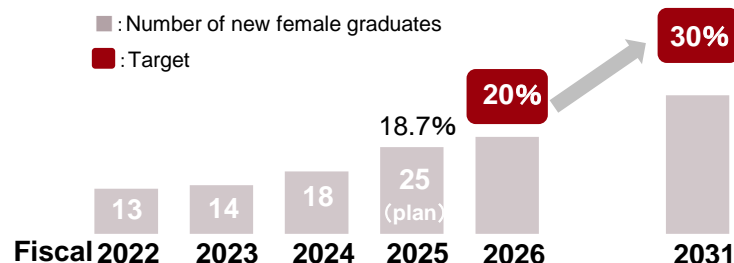
### Human Capital Strategies (Overview)

#### New ERA 2025

#### Key strategies



### New female graduates: Number, percentage, and targets



#### 【Measures】

Management	Raise awareness + Break away from male-dominated model	
	Review way new graduates are hired - Promote awareness change at HR and onsite consultation meetings	
Female employees	Education	
	Women-only training policies - Provide early development and opportunities for future leaders and management candidates	
Male employees	Education	Systems
	Parenting seminars	Encourage use of parental leave

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# Measures to Implement Management that Is Conscious of Cost of Capital and Stock Price

## Current situation

- \*Through dialogue with shareholders, we recognize that improving return on capital is a key management issue
  - **Cost of shareholders' equity estimate: 6.5–7.5%**
  - **ROIC target set at 19% for fiscal 2025**, ending March 31, 2025, but remained at around 13% in fiscal 2024  
**Expect to fall short of plan in short term** due to inventory increases stemming from supply–demand imbalance and execution of growth-oriented investments
  - **ROE projected at around 7% at end of fiscal 2024**  
**Aim to exceed 10% during next medium-term business plan** (fiscal 2027 to fiscal 2031))
  - **Price-to-book ratio (PBR) is above 1x but current level is not sufficient**

## Policies

- \***Achieve targets of medium-term business plan**  
 (Fiscal 2026 targets: consolidated net sales of ¥450 billion, operating income of ¥50 billion, ROIC of 19.0%, ROE of 8%, total return ratio (5-year average) of 40%, dividend payout ratio of 40%)
- \***Based on capital allocation set forth in the medium-term business plan, we will (1) Invest for growth and (2) Enhance shareholder returns**

## Specific measures

<Improve ROE>

- \***Further increase earning power through profit recovery and growth investments** (electrification support, value chain expansion)
- \*Conduct flexible share buybacks in conjunction increases in dividend payout ratio from long-term growth perspective

<Improve PER>

- \***Enhance information disclosure** to domestic and overseas investors and **strengthen IR activities**
- \*Promote ESG initiatives
  - Address climate risk
  - Link executive compensation to financial indicators, etc.

