

Consolidated Financial Results for Fiscal 2024

(April 1, 2023 - March 31, 2024)

May 9, 2024

Listed Company Name: Rinnai Corporation

Listings: Prime Section of the Tokyo Stock Exchange, and Premiere Section of Nagoya Stock Exchange (Securities Code: 5947)

Website: <https://www.rinnai.co.jp/>

Representative: Hiroyasu Naito, President

Contact: Takuya Ogawa, Managing Executive Officer, Chief of Corporate Management Headquarters

TEL: +81 (52) 361-8211

Date of the General Meeting of Shareholders: June 27, 2024

Anticipated date to begin distributing dividends: June 28, 2024

Anticipated date for releasing annual securities report: June 27, 2024

Supplemental information sheets of financial results: Yes

Information meeting of financial results: Yes (for analysts and institutional investors)

1. Performance for the Year Ended March 31, 2024

(April 1, 2023 to March 31, 2024; Amounts less than one million yen are omitted)

(1) Consolidated Operating Results (Year ended March 31)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	(¥ millions)			
	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)
Fiscal 2024	430,186 (+1.2)	39,362 (-5.0)	46,071 (+3.4)	26,667 (+2.2)
Fiscal 2023	425,229 (+16.1)	41,418 (+15.5)	44,565 (+14.1)	26,096 (+9.9)

Note: Comprehensive income:

Year ended March 31, 2024: ¥51,643 million (+10.7%)

Year ended March 31, 2023: ¥46,633 million (+36.2%)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)	Ratio of Net Income to Equity Capital (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Operating Income to Net Sales (%)
Fiscal 2024	184.75	—	7.1	8.2	9.2
Fiscal 2023	176.92	—	7.4	8.4	9.7

References: Equity in earnings of companies accounted for using the equity method:

Year ended March 31, 2024: ¥— million Year ended March 31, 2023: ¥— million

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. Above figures for "Net income per share" are for after the stock split.

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2024	577,088	437,438	67.2	2,707.86
Fiscal 2023	547,114	407,199	66.6	2,487.60

(Reference) Equity capital: Year ended March 31, 2024; ¥387,774 million

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

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. Above figures for "Net assets per share" are for after the stock split.

(3) Consolidated Cash Flows (Years ended March 31) (¥ millions)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Fiscal 2024	43,347	(19,968)	(23,664)	123,829
Fiscal 2023	19,387	(30,087)	(21,313)	120,213

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
Fiscal 2023	—	75.00	—	85.00	160.00
Fiscal 2024	—	30.00	—	30.00	60.00
Fiscal 2025 (anticipated)	—	40.00	—	40.00	80.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2023	7,807	30.1	2.2
Fiscal 2024	8,592	32.5	2.3
Fiscal 2025 (anticipated)		40.0	

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figure for “Dividends” in the fiscal years ended March 31, 2023 is actual dividends declared before the stock split. Above figures for the year ended March 31, 2024, and the year ending March 31, 2025 (forecast) are for after the stock split.

3. Forecast for the Fiscal Year Ending March 31, 2025

(April 1, 2024, to March 31, 2025)

	(¥ millions)				
	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)	Net Income per Share (¥)
Two-quarter total	212,000 (+10.0)	17,300 (+70.9)	18,900 (+26.8)	11,500 (+45.5)	80.55
Full year	450,000 (+4.6)	45,000 (+14.3)	48,000 (+4.2)	28,300 (+6.1)	199.88

(Percentage figures in columns indicate increase or decrease from the previous term.)

Note: At its meeting held on May 9, 2024, the Board of Directors of the Corporation resolved to conduct a share buyback totaling up to ¥10 billion. The above figure for “Net income per share” (forecast) is calculated taking into account the impact of the share buyback. For details of the share buyback, please refer to the “Notice Concerning Share Buyback and Cancellation” (released May 9, 2024). In addition, the figure for “Consolidated payout ratio” for the fiscal year ending March 31, 2025 (forecast) in the above “2. Dividends” table takes the effect of the share buyback into consideration.

* Notes

- (1) Changes in scope of consolidation of major subsidiaries during the period: None
Newly included one company — (Company name: —): Excluded — (Company name: —)
- (2) 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
- (3) Number of Outstanding Shares (Common Stock)
 - (a) Number of outstanding shares at fiscal year-end (including treasury stock)
Year ended March 31, 2024: 146,677,171 shares
Year ended March 31, 2023: 150,063,171 shares

- (b) Number of treasury stock at fiscal year-end
 Year ended March 31, 2024: 3,473,623 shares
 Year ended March 31, 2023: 3,676,692 shares
- (c) Average number of shares during the term
 Year ended March 31, 2024: 144,340,347 shares
 Year ended March 31, 2023: 147,508,523 shares

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

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2024

(April 1, 2023 to March 31, 2024; Amounts less than one million yen are omitted)

(1) Nonconsolidated Operating Results (Years ended March 31) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
Fiscal 2024	210,525 (-13.2)	15,107 (-24.0)	25,516 (+2.9)	19,828 (+7.0)
Fiscal 2023	242,442 (+18.3)	19,871 (+39.2)	24,796 (+24.1)	18,530 (+20.0)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2024	137.37	—
Fiscal 2023	125.62	—

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. Above figures for “Net income per share” are for after the stock split.

(2) Nonconsolidated Financial Position (at March 31) (¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2024	287,873	231,055	80.3	1,613.47
Fiscal 2023	286,227	226,544	79.1	1,547.58

(Reference) Equity capital: Year ended March 31, 2024; ¥231,055 million

Year ended March 31, 2023; ¥226,544 million

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. Above figures for “Net assets per share” are for after the stock split.

* This report is exempt from an auditing process.

* Note on appropriate use of performance forecasts, and other specified notes

Performance forecasts contained in this document are based on information currently available and certain judgments deemed by the Corporation to be reasonable. No intent is implied of promise by the Corporation to achieve such forward-looking statements. Actual results may differ significantly from such forecasts due to various factors. For more information, please refer to “1. Consolidated Performance, (4) Outlook for the Year Ending March 2025” on page 7 of this report.

*Supplemental information sheets of financial results are posted on the Corporation’s website on Thursday, May 9, 2024.

1. Consolidated Performance

(1) Fiscal Year in Review

In the fiscal year under review (April 1, 2023–March 31, 2024), 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 the Middle East and Ukraine. The Japanese economy also faced unpredictable conditions due to the ongoing impact of COVID-19 on the supply–demand balance, as well as continuing price increases on the back of soaring raw material and energy costs and uncertain foreign exchange fluctuations.

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.” We are now at a turning in that five-year plan. During the past three years, we have been exposed to various disruptive events that have affected the supply–demand balance, supply chain, and logistics due to the worldwide pandemic. Nevertheless, we will strive to achieve the targets of New ERA 2025 based on the assumption that business conditions will return to normal in the remaining two years.

To address social issues set forth in our medium-term plan, we are working to become carbon neutral as a priority initiative. In the United States, where storage-type water heaters are the norm, the spread of tankless water heaters with higher energy-saving performance is helping reduce CO₂ emissions. In Australia, there is a rapidly growing shift from fossil fuels to renewable energy as part of efforts to realize a decarbonized society, and we are responding by expanding our electricity-powered product lineup.

In Japan, We are expanding sales of our ECO ONE hybrid water heaters with heating systems which meet the needs of the times for higher energy-saving performance. We are taking advantage of a subsidy program offered by Japan’s Ministry of Economy, Trade and Industry for ECO ONE, and promoting sales activities centered on the ECO ONE X5, featuring improved compactness and ease of installation. Furthermore, sales of dishwashers and gas clothes dryers, which meet the growing need for time-saving housework due to the increase in dual-income households, remained strong. In these ways, we made steady progress in fulfilling our promise to our customers (“Creating a healthier way of living”) and achieving sustainable and solid long-term growth.

With respect to revenue, we faced weak consumer confidence due to rising global prices and high interest rates in some regions, while in-house and distribution inventories remained at high levels. However, these factors began to dissipate in the second half,

resulting in a year-on-year increase in net sales. We also posted a significant recovery in earnings due to return of production to previous-year levels through optimization of inventory levels, and the entrenched effects of price revisions. However, these factors failed to compensate for our negative performance in the first half, resulting in a year-on-year decline in operating income.

As a result, consolidated net sales for the period amounted to ¥430,186 million, up 1.2% from the previous year. Operating income declined 5.0%, to ¥39,362 million, and ordinary income rose 3.4%, to ¥46,071 million. Net income attributable to owners of the parent company increased 2.2%, to ¥26,667 million.

Our results by geographical segment were as follows:

Japan

In Japan, distribution inventories reached optimal levels in the second half of the year, and production, which we had adjusted since April, the beginning of the fiscal year, returned to normal levels in the third quarter. Sales of key products were also strong, evidenced by growth in sales of our ECO ONE hybrid water heaters with heating systems, which benefited from government subsidies. However, these factors failed to compensate for our negative performance in the first half. As a result, sales in Japan declined 2.3%, to ¥192,354 million, and operating income fell 23.9%, to ¥17,965 million.

United States

In the United States, new housing starts showed signs of picking up, while consumer sentiment remained sluggish on the back of high interest rates. Due to foreign exchange factors, however sales in the United States increased 3.8%, to ¥57,875 million. On the earnings side, we posted an increase in fixed cost burden due to adjustments for production cutbacks made since the beginning of the fiscal year, resulting in a significant operating loss in the first half of the year. In the second half, however, profitability improved thanks to a decrease in storage costs stemming from inventory reductions, as well as containment of labor costs. These efforts helped reduce the operating loss posted in the first half. As a result, the operating loss for the year was ¥1,197 million.

Australia

Amid weakness in the housing market and a rapid shift toward electrification, sales of electrical products, such as heat pump water heaters and electric tank-based water heaters, remained strong. As a result, sales in Australia rose 9.7%, to ¥30,338 million, and operating income climbed 5.6%, to ¥1,245 million.

China

Amid ongoing weakness in the real estate market and a continued decline in consumer sentiment, we benefited from strong e-commerce sales and expanded the sales territory of bricks-and-mortar stores owned by e-commerce platforms. Accordingly, sales in China grew 8.7%, to ¥71,886 million, and operating income rose 14.9%, to ¥12,146 million.

South Korea

Although housing starts showed signs of bottoming out toward the end of the period, intense price competition resulted in weak sales of mainstay boilers. As a result, sales in South Korea decreased 0.7%, to ¥31,874 million. On the earnings side, we worked rigorously to reduce fixed costs under difficult conditions, resulting in operating income of ¥16 million, down 97.7%.

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 reduced costs. Consequently, sales in Indonesia declined 8.0%, to ¥14,913 million, and operating income increased 14.4%, to ¥2,745 million.

References 1: Net sales by product

(¥ millions)

	Year ended March 31, 2023 (April 1, 2022, to March 31, 2023)		Year ended March 31, 2024 (April 1, 2023, to March 31, 2024)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	258,658	60.8	263,839	61.3	5,181	2.0
Kitchen appliances	91,780	21.6	90,495	21.0	(1,285)	(1.4)
Air conditioning appliances	21,941	5.2	21,746	5.1	(194)	(0.9)
Commercial-use equipment	10,669	2.5	11,212	2.6	543	5.1
Others	42,179	9.9	42,891	10.0	712	1.7
Total	425,229	100.0	430,186	100.0	4,957	1.2

References 2: Overseas sales

(¥ millions)

	Year ended March 31, 2023 (April 1, 2022, to March 31, 2023)			Year ended March 31, 2024 (April 1, 2023, to March 31, 2024)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	136,541	100,873	237,415	141,162	105,693	246,856
II. Consolidated net sales	—	—	425,229	—	—	430,186
III. Composition ratio of overseas sales to consolidated net sales	32.1%	23.7%	55.8%	32.8%	24.6%	57.4%

Note: Overseas sales of the above indicate sales of the Corporations in overseas countries or regions.

(2) Financial Position

As of March 31, 2024, the Rinnai Group had total assets of ¥577,088 million, up ¥29,974 million from a year earlier. This rise stemmed mainly from an increase in property, plant and equipment.

Total liabilities decreased ¥264 million, to ¥139,650 million, due to a decrease in electronically recorded obligations and an increase in deferred tax liabilities.

Net assets were up ¥30,238 million, to ¥437,438 million, boosted by net income attributable to owners of the parent company and foreign exchange translation adjustment, in addition to share buyback and cancellation.

As a result, the equity ratio at fiscal year-end was 67.2%.

(3) Cash Flows

Cash and cash equivalents at March 31, 2024, stood at ¥123,829 million, up 3,616 million, or 3.0%, from a year earlier.

Net cash provided by operating activities amounted to ¥43,347 million, up 123.6% from the previous year. Main factors included the secured operating income and a cash decrease due to income taxes paid.

Net cash used in investing activities totaled ¥19,968 million, down 33.6% from the previous year. Main factors were purchases of property, plant and equipment.

Net cash used in financing activities was ¥23,664 million, up 11.0% from the previous year. Main factors were acquisition of treasury stock and payment of dividends.

(4) Outlook for the Year Ending March 2025

Looking ahead, we expect the operating environment to be highly uncertain, reflected by deteriorating business confidence stemming from rising prices and interest rates globally, as well as an unstable financial system and the protracted situation in the Middle East and Ukraine. Under these conditions, we expect the costs of procuring raw materials, components, and energy to remain high, while the market shifts from fossil fuels to renewable energy. Accordingly, we predict that business conditions will remain challenging.

In response, the Rinnai Group, committed to creating healthy and comfortable lifestyles, will provide a variety of products and services with the themes of “improving quality of life” and “addressing global environmental issues” under its medium-term business plan, New ERA 2025. At the same time, we are promoting compliance with the Rinnai Carbon Neutral Declaration, RIM2050, aimed at realizing a carbon neutral society. In Japan, we will expand sales of gas clothes dryers and dishwashers, which help improve people’s quality of life. We will also contribute to the fight against global warming by promoting spread of our ECO ONE hybrid water heaters with heating systems, which meet the needs of the times for higher energy-saving performance. In addition, we will work to further strengthen our supply chain to ensure a more stable supply of our products, which are daily necessities.

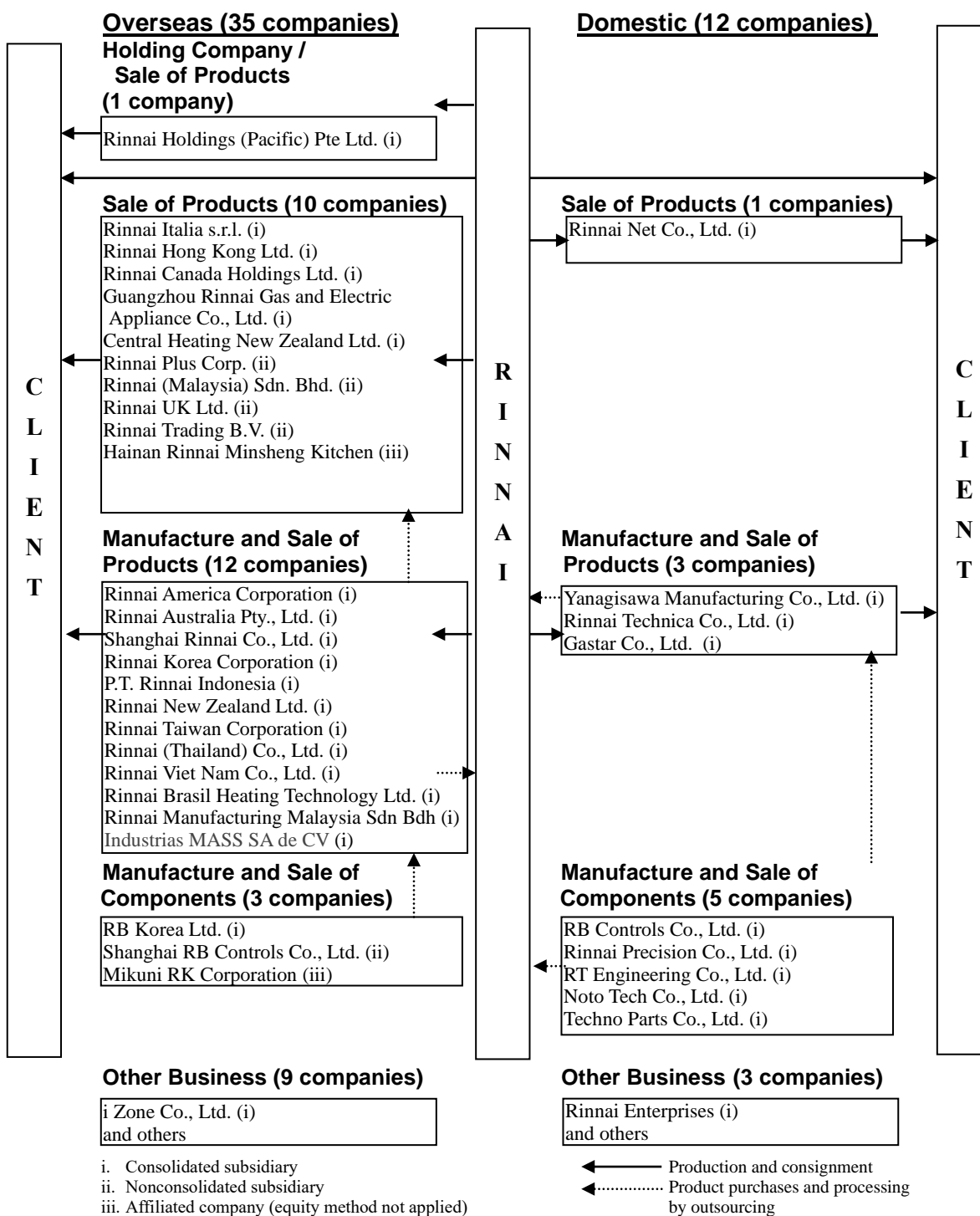
In the United States, we will help reduce CO₂ emissions by expanding sales of tankless water heaters, which are more energy-efficient than the storage-type water heaters widely used in that key market. In China, we will strengthen Internet sales, which are expected to grow, and expand the capacity of local production plants to broaden our range

of offerings. At the same time, we will continue expanding our business into emerging countries and untapped regions. We will also flexibly review our business portfolio with a view to realizing a decarbonized society in the future by introducing electric products in countries and regions where efforts to shift from fossil fuels to renewable energies are progressing.

Our consolidated forecasts for the year ending March 2025 are as follows: Net sales of ¥450.0 billion (up 4.6% year on year), operating income of ¥45.0 billion (up 14.3%), ordinary income of ¥48.0 billion (up 4.2%), and net income attributable to owners of the parent company of ¥28.3 billion (up 6.1%).

2. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 45 subsidiaries, and two affiliated companies, for a total of 48 companies. These include 38 consolidated subsidiaries. The Group is primarily engaged in the manufacture and sale of heating appliances and components, and related businesses. The Group's structure and business flow are shown below.



3. Basic Policy Regarding Selection of Accounting Standard

The Rinnai Group has prepared these consolidated financial statements based on to the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), except for Chapters 7 and 8. With respect to application of international accounting standards, the Group's policy is to respond appropriately after considering various circumstances in Japan and overseas.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2023 (Year ended March 31, 2023)	At March 31, 2024 (Year ended March 31, 2024)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	150,883	147,600
Notes and accounts receivable, and contract assets	78,886	91,694
Electronically Recorded Monetary Claims	10,413	12,879
Marketable securities	7,737	8,068
Products	53,265	41,699
Raw materials and stores	39,562	39,953
Other	6,141	5,717
Less allowance for doubtful accounts	(5,369)	(6,175)
Total current assets	341,520	341,437
Fixed assets		
Property, plant and equipment		
Buildings and structures	96,515	110,907
Accumulated depreciation	(46,315)	(50,274)
Buildings and structures (net)	50,200	60,632
Machinery and vehicles	75,467	81,327
Accumulated depreciation	(55,591)	(59,785)
Machinery and vehicles (net)	19,875	21,542
Tools and fixtures	40,899	42,374
Accumulated depreciation	(36,230)	(37,681)
Tools and fixtures (net)	4,668	4,692
Land	25,878	49,306
Lease assets	6,659	8,433
Accumulated depreciation	(2,071)	(2,827)
Lease assets (net)	4,588	5,605
Construction in progress	12,954	5,645
Total property, plant and equipment	118,166	147,425
Intangible fixed assets	3,743	3,642
Investments and advances		
Investments in securities	48,205	40,834
Net defined benefit assets	26,372	33,379
Deferred income taxes	4,774	5,325
Other	4,379	5,091
Less allowance for doubtful accounts	(47)	(48)
Total investments and advances	83,683	84,582
Total fixed assets	205,593	235,650
Total assets	547,114	577,088

(¥ millions)

	At March 31, 2023 (Year ended March 31, 2023)	At March 31, 2024 (Year ended March 31, 2024)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	26,205	24,427
Electronically recorded obligations	37,851	28,937
Other payables	20,785	19,853
Accrued consumption taxes	1,270	2,489
Accrued income taxes	6,665	5,244
Accrued employee's bonuses	5,365	6,159
Allowance for product guarantee	4,706	4,806
Other	10,018	14,972
Total current liabilities	112,868	106,890
Long-term liabilities		
Deferred tax liabilities	11,497	16,023
Allowance for environmental measures	2,255	2,255
Net defined benefit liabilities	8,827	8,809
Other	4,465	5,671
Total long-term liabilities	27,045	32,759
Total liabilities	139,914	139,650
NET ASSETS:		
Shareholders' equity:		
Common stock	6,484	6,484
Capital surplus	8,428	8,428
Earned surplus	334,946	342,493
Treasury stock	(12,290)	(10,936)
Total shareholders' equity	337,569	346,470
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	6,161	8,690
Foreign exchange translation adjustment	14,248	22,671
Remeasurements of defined benefit plans	6,171	9,941
Total other accumulated comprehensive income	26,582	41,304
Non-controlling interests	43,048	49,663
Total net assets	407,199	437,438
Total liabilities and net assets	547,114	577,088

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

(¥ millions)

	Fiscal 2023 (April 1, 2022, to March 31, 2023)	Fiscal 2024 (April 1, 2023, to March 31, 2024)
	Amount	Amount
Net sales	425,229	430,186
Cost of Sales	286,834	292,343
Gross Profit	138,394	137,842
Selling, general and administrative expenses		
Transportation and packing	15,414	11,557
Advertising	3,830	3,961
Sales promotion	8,345	11,391
Transfer to allowance for product guarantee	4,699	4,738
Salary and bonuses	29,695	30,509
Transfer to allowance for employee's bonuses	2,307	2,905
Retirement benefit expenses	388	18
Depreciation	3,379	3,714
Transfer to allowance for doubtful accounts	1,605	593
Other	27,309	29,088
Total selling, general and administrative expenses	96,975	98,479
Operating income	41,418	39,362
Other income:		
Interest income	1,690	2,501
Dividends received	445	479
Foreign exchange income	514	2,340
Other	1,129	2,303
Total other income	3,779	7,625
Other expenses:		
Interest expenses	73	79
Loss on retirement of fixed assets	225	215
Share buyback costs	63	156
Depreciation	—	334
Fair value fluctuation amount related to contingent consideration	141	—
Other	129	130
Total other expenses	633	916
Ordinary income	44,565	46,071
Extraordinary income:		
Subsidy income	—	204
Total extraordinary income	—	204
Extraordinary losses:		
Loss on reduction of fixed assets	—	134
Impairment loss	—	220
Total extraordinary losses	—	355
Income before income taxes	44,565	45,921
Income taxes:		
Current	11,761	10,418
Deferred	(192)	973
Total income taxes	11,569	11,391
Net income	32,995	34,529
Net income attributable to non-controlling interests	6,898	7,862
Net income attributable to owners of the parent company	26,096	26,667

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2023 (April 1, 2022, to March 31, 2023)	Fiscal 2024 (April 1, 2023, to March 31, 2024)
	Amount	Amount
Net income	32,995	34,529
Other comprehensive income		
Unrealized gain on marketable securities	1,562	2,515
Foreign exchange translation adjustment	11,095	10,837
Remeasurements of defined benefit plans	979	3,760
Total other comprehensive income	13,638	17,113
Comprehensive income	46,633	51,643
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	37,978	41,389
Non-controlling interest	8,655	10,253

(3) Consolidated Statements of Shareholders' Equity

Fiscal 2023 (April 1, 2022, to March 31, 2023)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,484	8,673	315,593	(2,330)	328,419
Net changes during the current term					
Dividends paid			(7,145)		(7,145)
Net income attributable to owners of the parent company			26,096		26,096
Acquisition of treasury stock				(10,007)	(10,007)
Disposition of treasury stock		(1)		48	46
Retirement of treasury stock					—
Increase due to merger			404		404
Transfer from earned surplus to capital surplus		1	(1)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(244)			(244)
Net other changes than shareholders' equity during the current term					
Total net changes during the current term	—	(244)	19,353	(9,959)	9,149
Balance at the end of current term	6,484	8,428	334,946	(12,290)	337,569

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	4,582	4,925	5,193	14,700	35,736	378,856
Net changes during the current term						
Dividends paid						(7,145)
Net income attributable to owners of the parent company						26,096
Acquisition of treasury stock						(10,007)
Disposition of treasury stock						46
Retirement of treasury stock						—
Increase due to merger						404
Transfer from earned surplus to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						(244)
Net other changes than shareholders' equity during the current term	1,579	9,323	978	11,881	7,311	19,193
Total net changes during the current term	1,579	9,323	978	11,881	7,311	28,342
Balance at the end of current term	6,161	14,248	6,171	26,582	43,048	407,199

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

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,484	8,428	334,946	(12,290)	337,569
Net changes during the current term					
Dividends paid			(8,443)		(8,443)
Net income attributable to owners of the parent company			26,667		26,667
Acquisition of treasury stock				(10,001)	(10,001)
Disposition of treasury stock		(11)		690	679
Retirement of treasury stock		(10,665)		10,665	—
Increase due to merger					—
Transfer from earned surplus to capital surplus		10,676	(10,676)		—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net other changes than shareholders' equity during the current term					—
Total net changes during the current term	—	—	7,546	1,354	8,900
Balance at the end of current term	6,484	8,428	342,493	(10,936)	346,470

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	6,161	14,248	6,171	26,582	43,048	407,199
Net changes during the current term						
Dividends paid						(8,443)
Net income attributable to owners of the parent company						26,667
Acquisition of treasury stock						(10,001)
Disposition of treasury stock						679
Retirement of treasury stock						—
Increase due to merger						—
Transfer from earned surplus to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net other changes than shareholders' equity during the current term	2,528	8,423	3,770	14,722	6,615	21,337
Total net changes during the current term	2,528	8,423	3,770	14,722	6,615	30,238
Balance at the end of current term	8,690	22,671	9,941	41,304	49,663	437,438

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2023 (April 1, 2022, to March 31, 2023)	Fiscal 2024 (April 1, 2023, to March 31, 2024)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	44,565	45,921
Depreciation and amortization	13,278	14,790
Increase (decrease) in allowance for doubtful accounts	951	539
(Increase) decrease in net defined benefit assets	(1,870)	(1,553)
Increase (decrease) in net defined benefit liabilities	141	(191)
Interest and dividends income	(2,136)	(2,981)
Decrease (increase) in trade receivables and contract assets	(2,774)	(12,296)
Decrease (increase) in inventories	(24,054)	15,928
Increase (decrease) in trade payables	2,363	(12,882)
Increase (decrease) in accrued consumption taxes	590	1,189
Increase (decrease) in other liability	(4,379)	509
Other	544	3,381
Subtotal	27,219	52,354
Interest and dividends received	1,705	2,729
Interest paid	(79)	(73)
Income taxes paid	(9,458)	(11,867)
Subsidy income received	—	204
Net cash provided by operating activities	19,387	43,347
Cash flows from investing activities		
Transfers to time deposits	(51,088)	(47,894)
Withdrawals from time deposits	55,039	55,329
Purchases of securities	(1,947)	(3,791)
Proceeds from redemption of securities	1,557	3,026
Purchases of tangible fixed assets	(25,950)	(36,747)
Purchases of intangible fixed assets	(759)	(613)
Purchases of investments in securities	(8,626)	(22)
Proceeds from sales/and redemption of investments in securities	1,964	11,538
Other	(277)	(793)
Net cash used in investing activities	(30,087)	(19,968)
Cash flows from financing activities		
Acquisition of treasury stock	(10,070)	(10,158)
Dividends paid	(7,146)	(8,439)
Dividends paid to non-controlling interests	(1,588)	(3,638)
Repayments of lease obligations	(1,295)	(1,428)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,204)	—
Other	(7)	0
Net cash used in financing activities	(21,313)	(23,664)
Effect of exchange rate fluctuations on cash and cash equivalents	3,937	3,902
Net increase (decrease) in cash and cash equivalents	(28,075)	3,616
Cash and cash equivalents at beginning of year	147,972	120,213
Increase in cash and cash equivalents due to merger with a non-consolidated subsidiary	315	—
Cash and cash equivalents at end of year	120,213	123,829

(5) Notes to Consolidated Financial Statements

Notes regarding the assumption of a going concern

There are no relevant items.

Segment Information

(1) Summary of Reportable Segments

With respect to its business segments, Rinnai is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance.

The Rinnai Group is engaged mainly in the production and sales of heat appliances. The Corporation (parent company) and domestic subsidiaries are in charge of business activities in Japan, while mainly overseas subsidiaries in United States, Australia, and elsewhere are in charge of business activities in the respective regions. Local subsidiaries operate as independently managed units. With respect to products handled, they advance their operations based on their comprehensive strategies for their specific regions.

Accordingly, the reportable segments of the Corporation, which are geographic segments based on its production and sales system, consist of six regions: Japan, United States, Australia, China, South Korea, and Indonesia.

(2) Calculation Methods of Sales, Income (Loss), Assets, and Other Items by Reportable Segment

Accounting treatments of the reportable segments of the Corporation are much the same in the accounting treatments of Consolidated Financial Statements.

Income of the reportable segment indicates figures based on operating income.

(3) Sales, Income (Loss), Assets, and Other Items by Reportable Segment
Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4, 5)	Amounts in Consolidated Statements of Income (Note 6)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	196,838	55,750	27,655	66,150	32,094	16,203	394,691	30,537	—	425,229
Intersegment sales	56,403	—	116	2,783	1,234	794	61,331	3,216	(64,548)	—
Total	253,241	55,750	27,771	68,933	33,329	16,997	456,023	33,754	(64,548)	425,229
Segment Income	23,597	313	1,180	10,569	705	2,400	38,767	4,875	(2,223)	41,418
Segment Assets	359,184	50,076	30,322	78,837	22,001	14,866	555,289	42,726	(50,901)	547,114
Others										
Depreciation	8,480	835	616	1,306	976	340	12,556	722	—	13,278
Amortization of goodwill	—	51	13	—	—	—	65	21	—	86
Increase in property, plant and equipment and intangible fixed assets (Note 7)	17,643	2,927	297	4,060	798	327	26,054	1,263	—	27,317

- 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 refers to intersegment transactions to eliminate.
5. "Adjustments" of segment assets refers to intersegment transactions to eliminate.
6. "Segment income" is adjusted from operating income in Consolidated Statements of Income.

Year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4, 5)	Amounts in Consolidated Statements of Income (Note 6)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	192,354	57,875	30,338	71,886	31,874	14,913	399,242	30,943	—	430,186
Intersegment sales	29,735	—	90	2,126	880	495	33,328	3,031	(36,360)	—
Total	222,090	57,875	30,428	74,012	32,755	15,408	432,571	33,975	(36,360)	430,186
Segment Income	17,965	(1,197)	1,245	12,146	16	2,745	32,922	4,361	2,078	39,362
Segment Assets	361,053	45,304	32,987	93,353	23,196	16,762	572,657	46,600	(42,169)	577,088
Others										
Depreciation	9,070	1,150	631	1,655	1,048	376	13,933	857	—	14,790
Amortization of goodwill	—	53	11	—	—	—	65	21	—	87
Increase in property, plant and equipment and intangible fixed assets (Note 7)	31,262	1,602	319	5,496	1,557	389	40,628	1,108	—	41,736

- 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 refers to intersegment transactions to eliminate.
5. "Adjustments" of segment assets refers to intersegment transactions to eliminate.
6. "Segment income" is adjusted from operating income in Consolidated Statements of Income.

Per Share Data

	Fiscal 2023 (April 1, 2022, to March 31, 2023)	Fiscal 2024 (April 1, 2023, to March 31, 2024)
1. Net assets per share	¥2,487.60	¥2,707.86
2. Net income per share	¥176.92	¥184.75

Notes: 1. Fully diluted net income per share is not indicated because there is no residual equity.

2. Net assets per share are calculated based on the following amounts.

	At End of Fiscal 2023 (As of March 31, 2023)	At End of Fiscal 2024 (As of March 31, 2024)
Net assets	¥407,199 million	¥437,438 million
Deduction from net assets	¥43,048 million	¥49,663 million
[Non-controlling interest]	[¥43,048 million]	[¥49,663 million]
Net assets at year-end related to common shares	¥364,151 million	¥387,774 million
Number of common shares at year-end used in calculations	146,386,479 shares	143,203,548 shares

3. Net income per share is calculated based on the following amounts.

	Fiscal 2023 (April 1, 2022, to March 31, 2023)	Fiscal 2024 (April 1, 2023, to March 31, 2024)
Net income attributable to owners of the parent company	¥26,096 million	¥26,667 million
Amount not attributable to common shares	— million	— million
Net income attributable to owners of the parent company related to common shares	¥26,096 million	¥26,667 million
Average number of shares during the term	147,508,523 shares	144,340,347 shares

Subsequent Events

Share buyback and Cancellation

At its meeting held on May 9, 2024, the Board of Directors of the Corporation resolved the following matter related to a share buyback pursuant to Article 156 of the Companies Act of Japan as applied to Article 165 (Paragraph 3) of the same Act, and a cancellation of those shares pursuant to the Article 178 of the same Act.

1. Reason for share buyback and cancellation

To improve shareholder return and capital efficiency and thus further enhance corporate value.

2. Details of share buyback

(1) Type of shares to be acquired	Common stock of the Company
(2) Total number of shares to be acquired	4,000,000 shares (maximum) (2.79% of total shares issued and outstanding (excluding treasury stock))
(3) Total value of shares to be acquired	¥10 billion (maximum)
(4) Acquisition period	May 10, 2024–January 31, 2025
(5) Acquisition method	Open-market purchase through discretionary trading

3. Details of Cancellation

(1) Type of shares to be cancelled:	Common stock of the Company
(2) Total number of shares to be cancelled:	All of the shares acquired as described in 2. above*
(3) Planned cancellation date:	February 13, 2025

5. Other

Changes in Directors and Executive Officers

(1) Change in representative director: Not applicable.

(2) Other changes in officers

- New candidate for Outside Director:

Kumi Sato (currently Professor of Faculty of Technology, International Professional University of Technology in Nagoya)

- Retiring Outside Director

Nobuyuki Matsui

- New candidate for Standing Audit & Supervisory Board Member:

Atsuo Kashima (currently assistant to Chief of Corporate Management Headquarters)

- Retiring Audit & Supervisory Board Member: Kinji Mori (Standing Audit & Supervisory Board Member)

(3) Scheduled date of assumption of office and retirement: June 27, 2024