

Consolidated Financial Results for the Six Months Ended September 30, 2024

(April 1, 2024 to September 30, 2024)

November 7, 2024

Listed Company Name: Rinnai Corporation

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

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Anticipated date for releasing quarterly securities report: November 13, 2024

Anticipated date to begin distributing dividends: December 6, 2024

Supplemental information sheets of quarterly results: Yes

Information meeting of quarterly results: Yes (for analyst and institutional investors)

1. Performance for the Six Months Ended September 30, 2024

(April 1, 2024 – September 30, 2024; amounts less than one million are omitted)

(1) Consolidated Operating Results

Percentage figures in parentheses 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)
Two-quarter total at September 2024	¥212,124 (+10.1)	¥20,996 (+107.5)	¥22,327 (+49.7)	¥12,247 (+55.0)
Two-quarter total at September 2023	192,694 (-0.9)	10,120 (-47.0)	14,910 (-32.9)	7,902 (-40.9)

Note: Comprehensive Income: Six months ended September 30, 2024; ¥32,285 million (+34.7%)
Six months ended September 30, 2023; ¥23,969 million (-30.8%)

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
Two-quarter total at September 2024	¥85.99	—
Two-quarter total at September 2023	54.38	—

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 (%)
Two-quarter total at September 2024	¥586,743	¥452,925	68.2
Full-year at March 2024	577,088	437,438	67.2

(Reference) Equity capital: Six months ended September 30, 2024; ¥399,990 million
Year ended March 31, 2024; ¥387,774 million

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	2nd Quarter (¥)	3rd Quarter (¥)	Fiscal Year- End (¥)	Full Year (¥)
March 2024	—	¥30.00	—	¥30.00	¥60.00
March 2025	—	40.00	—	—	—
March 2025 (anticipated)	—	—	—	40.00	80.00

Note: Changes on the forecast in period under review: None

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 (¥)
Full year	¥450,000 (+4.6)	¥45,000 (+14.3)	¥48,000 (+4.2)	¥28,300 (+6.1)	¥199.97

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

Note: Revision of fiscal year forecast in period under review: 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 interim consolidated financial reporting:

None

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

(a) Changes due to revision of accounting standard: Yes

(b) Other changes than (a): None

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

(d) Retrospective restatement: None

Note: For more information, please refer to “2. Consolidated Financial Statements and Main Notes,

(4) Notes to Interim Consolidated Financial Statements (Changes in accounting policies) on page 13 of this report.

(4) Number of Outstanding Shares (Common Stock)

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

September 30, 2024: 146,677,171 shares

March 31, 2024: 146,677,171 shares

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

September 30, 2024: 5,556,588 shares

March 31, 2024: 3,473,623 shares

(c) Average number of shares during the term

First two quarters of the fiscal year ending March 2025: 142,427,176 shares

First two quarters of the fiscal year ended March 2024: 145,313,782 shares

* 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. 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, (3) Explanation about Consolidated Performance Forecasts” on page 7 of this report.

* Supplemental information sheets of financial results are posted on the Corporation’s website on Thursday, November 7, 2024.

1. Consolidated Performance

(1) Operating Results

In the first two quarters under review (April 1–September 30, 2024), the world economic outlook remained uncertain due to weakened business confidence caused by ongoing global price hikes and monetary tightening, a stagnating housing market in the United States, and a sluggish Chinese economy affected by real estate issues. In Japan as well, the situation remained unpredictable due to soaring raw material and energy costs, rising prices amid wage increases, and other factors, as well as sharp exchange rate fluctuations.

The domestic housing industry saw moderate declines in new housing starts, especially owner-occupied properties, while the housing appliance sector benefited from signs of recovery in home renovations.

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.”

Specifically, we are expanding sales of products that help improve quality of life and benefit the global environment, which we have defined as key areas for resolving social issues.

(1) In Japan, we are expanding sales of our *ECO ONE* hybrid water heaters with heating systems, which combine high energy efficiency with resilience through its dual heat sources of gas and electricity, and respond flexibly to demand response. Overseas, we are promoting our tankless water heaters, which boast superior energy efficiency and provide an uninterrupted supply of hot water.

(2) We are promoting gas clothes dryers, which use powerful warm air that only gas can provide to dry clothes quickly, in 14 countries around the world.

(3) We are introducing our air bubble products in the Asian region. These products enhance health by enabling bathing in hot water infused with microscopic bubbles, and they also have a powerful cleansing property to simplify daily cleaning.

In these ways, we are broadening our lineup of priority products to support the Group’s carbon neutrality commitment, RIM 2050. We are also making steady progress in fulfilling our promise to customers: “Creating a healthier way of living,” and sustainable and stable long-term growth.

In terms of revenue, the supply–demand imbalance and other elements of the market environment have returned to normal despite no noticeable recovery in demand in major countries. This allowed us to maintain the strong performance seen in the first quarter, resulting in record-high net sales for the two-quarter period. On the earnings side, we posted record-high operating income due to price revisions and cost reduction efforts. This was despite increased costs due to rising global prices of raw materials and energy.

As a result, consolidated net sales amounted to ¥212,124 million, up 10.1% year-on-year. Operating income jumped 107.5%, to ¥20,996 million, and ordinary income rose 49.7% to ¥22,327 million. Net income attributable to owners of the parent company climbed 55.0%, to ¥12,247 million.

Our results by geographical segment were as follows:

Japan

In Japan, amid subdued consumer spending due to rising prices, sales of our priority products, including our *ECO ONE* hybrid water heaters with heating systems, gas clothes dryers, and air bubble products, increased significantly. As a result, sales in Japan grew 5.2% year on year, to ¥91,188 million. During the period, we compensated for rising costs of raw materials and energy by improving production utilization ratio. Accordingly, operating income jumped

105.7%, to ¥9,483 million.

United States

Despite the sluggish U.S. housing market due to high interest rates, we posted steady sales of newly launched mainstay condensing water heaters. Accordingly, sales in the United States increased 24.5%, to ¥32,152 million. On the earnings side, we engaged in aggressive sales promotion activities, which led to increased costs, but this was offset by solid sales of new products. As a result, we posted operating income of ¥894 million, compared with an operating loss of ¥3,171 million in the previous corresponding period.

Australia

In addition to a sluggish housing market and a shift toward electrification, sales of core gas appliances rebounded due to the impact of a severe winter. As a result, sales in Australia rose 9.9%, to ¥16,219 million. Despite the increase in revenue, operating income declined 2.4%, to ¥725 million.

China

In China, consumer sentiment remained weak due to stagnant economic activity caused by a real estate market recession and other factors. Nevertheless, we posted growth in unit sales of various products due to an increase in e-commerce and online bricks-and-mortar transactions. Accordingly, sales in China grew 8.7%, to ¥30,798 million. Due partly to deterioration of our product mix, however, operating income declined 2.7%, to ¥4,978 million.

South Korea

Amid rising prices and interest rates caused ongoing deterioration in market sentiment, sales of mainstay boilers continued to struggle as price competition intensified. On the other hand, we maintained strong sales of kitchen appliances as competitors withdrew from the market. As a result, sales in South Korea rose 13.2%, ¥16,662 million, and operating income jumped to ¥563 million, from ¥46 million in the previous corresponding period.

Indonesia

In Indonesia, we captured steady replacement demand for tabletop stoves in addition to price revision effects despite subdued consumer sentiment due to rising prices. Our performance also benefited from price revisions. As a result, sales climbed 12.8%, to ¥8,727 million, and operating income jumped 51.5%, to ¥1,989 million.

References 1: Net sales by product

(¥ millions; %)

	First two quarters for the year ended March 31, 2024 (April 1, 2023, to Sept. 30, 2023)		First two quarters for the year ending March 31, 2025 (April 1, 2024, to Sept. 30, 2024)		Change		Year ended March 31, 2024 (April 1, 2023, to March 31, 2024)	
	Amount	% of total	Amount	% of total	Amount	(%)	Amount	% of total
Water heaters	¥114,471	59.4	¥126,749	59.8	¥12,277	10.7	¥263,839	61.3
Kitchen appliances	42,560	22.1	46,262	21.8	3,701	8.7	90,495	21.0
Air conditioning appliances	9,736	5.1	9,838	4.6	102	1.1	21,746	5.1
Commercial-use equipment	5,345	2.8	5,705	2.7	359	6.7	11,212	2.6
Others	20,579	10.7	23,568	11.1	2,988	14.5	42,891	10.0
Total	¥192,694	100.0	¥212,124	100.0	¥19,429	10.1	¥430,186	100.0

References 2: Overseas sales

(¥ millions; %)

	First two quarters for the year ended March 31, 2024 (April 1, 2023, to Sept. 30, 2023)			First two quarters for the year ending March 31, 2025 (April 1, 2024, to Sept. 30, 2024)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	¥61,416	¥48,706	¥110,123	¥67,920	¥57,348	¥125,269
II. Consolidated net sales	—	—	192,694	—	—	212,124
III. Composition ratio of overseas sales to consolidated net sales	31.9%	25.3%	57.1%	32.0%	27.0%	59.1%

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

(2) Financial Position

As of September 30, 2024, Rinnai had total assets of ¥586,743 million, up ¥9,654 million from March 31, 2024. Total liabilities decreased ¥5,832 million, to ¥133,818 million. Net assets were up ¥15,486 million, to ¥452,925 million. The equity ratio at the end of the period was 68.2%.

Cash Flows

Cash and cash equivalents at September 30, 2024, stood at ¥132,469 million, up ¥8,640 million from March 31, 2024.

Net cash provided by operating activities amounted to ¥15,952 million, up 95.55% from the previous corresponding period. The main factor was the secured operating income and a cash decrease due to trade payables.

Net cash used in investing activities totaled ¥468 million, down 96.3% from the previous corresponding period. Main factors were purchases of tangible fixed assets.

Net cash used in financing activities was ¥13,657 million, down 26.3% from the previous corresponding period. This was due mainly to acquisition of treasury stock and payment of dividends.

(3) Explanation about Consolidated Performance Forecasts

Rinnai has not changed its forecasts for the full-year period ending March 31, 2025. (Those forecasts were released on May 9, 2024.)

2. Interim Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2024 (Year ended March 31, 2024)	At Sept. 30, 2024 (First two quarters for the year ending March 31, 2025)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	¥147,600	¥153,755
Notes and accounts receivable, and contract assets	91,694	91,972
Electronically recorded monetary claims	12,879	9,993
Marketable securities	8,068	7,209
Products	41,699	42,459
Raw materials and stores	39,953	39,983
Other	5,717	7,335
Less allowance for doubtful accounts	(6,175)	(6,707)
Total current assets	341,437	346,003
Fixed assets		
Property, plant and equipment	147,425	155,478
Intangible fixed assets	3,642	4,263
Investments and advances		
Investments in securities	40,834	36,841
Other	43,796	44,204
Less allowance for doubtful accounts	(48)	(48)
Total investments and advances	84,582	80,997
Total fixed assets	235,650	240,739
Total assets	¥577,088	¥586,743

	(¥ millions)	
	At March 31, 2024 (Year ended March 31, 2024)	At Sept. 30, 2024 (First two quarters for the year ending March 31, 2025)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥ 24,427	¥ 24,847
Electronically recorded obligations	28,937	15,757
Accrued corporate taxes	5,244	4,770
Accrued employee's bonuses	6,159	6,313
Allowance for product guarantee	4,806	5,356
Other allowances	1,379	1,371
Other	35,936	40,748
Total current liabilities	106,890	99,165
Long-term liabilities		
Allowance for environmental measures	2,255	2,255
Allowance related to antimonopoly law	—	1,208
Reserves	77	98
Net defined benefit liabilities	8,809	8,871
Other	21,617	22,219
Total long-term liabilities	32,759	34,653
Total liabilities	139,650	133,818
NET ASSETS:		
Shareholders' equity:		
Common stock	6,484	6,484
Capital surplus	8,428	8,435
Earned surplus	342,493	350,444
Treasury stock	(10,936)	(18,445)
Total shareholders' equity	346,470	346,919
Other comprehensive income:		
Unrealized gain on marketable securities	8,690	8,280
Foreign exchange translation adjustment	22,671	35,546
Remeasurements of defined benefit plans	9,941	9,243
Total other comprehensive income	41,304	53,070
Non-controlling interests	49,663	52,935
Total net assets	437,438	452,925
Total liabilities and net assets	¥577,088	¥586,743

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

Consolidated Statements of Income

(¥ millions)

	First two quarters for the year ended March 31, 2024 (April 1, 2023, to Sept. 30, 2023)	First two quarters for the year ending March 31, 2025 (April 1, 2024, to Sept. 30, 2024)
	Amount	Amount
Net sales	¥192,694	¥212,124
Cost of Sales	135,706	140,506
Gross Profit	56,988	71,617
Selling, general and administrative expenses	46,868	50,621
Operating income	10,120	20,996
Other income:		
Interest income	1,144	1,453
Dividends received	327	398
Foreign exchange income	2,399	—
Other	1,449	818
Total other income	5,320	2,670
Other expenses:		
Interest expenses	29	48
Loss on retirement of fixed assets	121	129
Share buyback costs	156	0
Depreciation	167	167
Fair value fluctuation amount related to contingent consideration	—	898
Other	55	95
Total other expenses	530	1,339
Ordinary income	14,910	22,327
Extraordinary income:		
Gain on sale of investment securities	—	791
Total extraordinary income	—	791
Extraordinary losses:		
Loss related to antimonopoly law	—	※1,243
Total extraordinary losses	—	1,243
Income before income taxes	14,910	21,874
Income taxes:		
Current	4,687	6,150
Deferred	(1,074)	(191)
Total income taxes	3,612	5,958
Net income	11,298	15,916
Net income attributable to non-controlling interests	3,395	3,668
Net income attributable to owners of the parent company	¥ 7,902	¥ 12,247

Consolidated Statements of Comprehensive Income

(¥ millions)

	First two quarters for the year ended March 31, 2024 (April 1, 2023, to Sept. 30, 2023)	First two quarters for the year ending March 31, 2025 (April 1, 2024, to Sept. 30, 2024)
	Amount	Amount
Net Income	¥ 11,298	¥ 15,916
Other comprehensive income		
Unrealized gain on marketable securities	1,408	(411)
Foreign exchange translation adjustment	11,880	17,481
Remeasurements of defined benefit plans	(618)	(699)
Total other comprehensive income	12,670	16,369
Comprehensive income	23,969	32,285
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	17,750	24,013
Non-controlling interest	6,218	8,272

(3) Consolidated Statements of Cash Flows

(¥ millions)

	First two quarters for the year ended March 31, 2024 (April 1, 2023, to Sept. 30, 2023)	First two quarters for the year ending March 31, 2025 (April 1, 2024, to Sept. 30, 2024)
Cash flows from operating activities		
Income before income taxes	¥ 14,910	¥ 21,874
Depreciation and amortization	6,805	7,139
Loss related to antimonopoly law	—	1,243
Interest and dividends income	(1,471)	(1,851)
Decrease (increase) in trade receivables, and contract assets	(3,059)	8,731
Decrease (increase) in inventories	2,962	4,277
Increase (decrease) in trade payables	(11,340)	(15,528)
Other	5,618	(5,213)
Subtotal	14,424	20,672
Interest and dividends received	1,373	2,077
Interest paid	(55)	(62)
Income taxes paid	(7,584)	(6,735)
Net cash provided by operating activities	8,157	15,952
Cash flows from investing activities		
Transfers to time deposits	(25,855)	(22,322)
Withdrawals from time deposits	31,152	26,831
Purchases of tangible fixed assets	(28,019)	(8,550)
Purchases of investments in securities	(12)	(114)
Sale and redemption of investments in securities	10,145	5,275
Acquisition of subsidiary shares due to changes in the scope of consolidation	—	(1,260)
Other	(174)	(326)
Net cash used in investing activities	(12,763)	(468)
Cash flows from financing activities		
Acquisition of treasury stock	(10,157)	(7,575)
Dividends paid	(4,145)	(4,294)
Dividends paid to non-controlling shareholders	(3,574)	(1,056)
Other	(653)	(731)
Net cash used in financing activities	(18,530)	(13,657)
Effect of exchange rate fluctuations on cash and cash equivalents	4,235	6,814
Net increase (decrease) in cash and cash equivalents	(18,900)	8,640
Cash and cash equivalents at beginning of term	120,213	123,829
Cash and cash equivalents at end of term	¥101,312	¥132,469

(4) Notes to Interim Consolidated Financial Statements

Changes in Accounting Policies

(Application of the Accounting Standard for Current Income Taxes)

Effective the beginning of period under review, the Corporation has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter, the “Revised Accounting Standard 2022”).

Amendments to categories in which current income taxes apply (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of Paragraph 20–3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of Paragraph 65–2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, the “Revised Implementation Guidance 2022”). This change in accounting policies had no impact on the Corporation's consolidated financial statements for the period under review.

For the amendment related to the revised accounting treatment for consolidated financial statements (when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies have been deferred for tax purposes), the Revised Implementation Guidance 2022 has been adopted from the beginning of period under review.

This change in accounting policies has been applied retrospectively. Hence, the consolidated financial statements for both the previous corresponding period and the previous fiscal year have been modified retrospectively. This change had no impact on both the consolidated financial statements for the previous corresponding period and the previous fiscal year.

Segment Information

1. First two quarters for the year ended March 31, 2024 (April 1, 2023, to Sept. 30, 2023) **Sales and Income (Loss) by Reportable Segment**

	Reportable Segments							Others (Note 3)	Adjustments (Note 4)	Amounts on consolidate statements of income (Note 5)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	¥ 86,675	¥25,827	¥14,757	¥28,321	¥14,720	¥7,737	¥178,039	¥14,655	¥ —	¥192,694
Intersegment sales	13,025	—	54	844	337	284	14,546	1,418	(15,965)	—
Total	99,700	25,827	14,812	29,166	15,058	8,021	192,586	16,073	(15,965)	192,694
Segment Income (loss)	4,609	(3,171)	742	5,118	46	1,313	8,659	1,963	(502)	10,120

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.

2. First two quarters for the year ending March 31, 2025 (April 1, 2024, to Sept. 30, 2024)
Sales and Income (Loss) by Reportable Segment

(¥ millions)

	Reportable Segments							Others (Note 3)	Adjustments (Note 4)	Amounts on consolidate statements of income (Note 5)
	Japan	United States (Note 1)	Australia (Note 2)	China	South Korea	Indonesia	Total			
Net sales										
Sales to outside customers	¥ 91,188	¥32,152	¥16,219	¥30,798	¥16,662	¥8,727	¥195,748	¥16,375	¥ —	¥212,124
Intersegment sales	22,080	—	76	1,459	259	375	24,251	1,740	(25,992)	—
Total	113,269	32,152	16,295	32,258	16,921	9,102	220,000	18,116	(25,992)	212,124
Segment Income (loss)	9,483	894	725	4,978	563	1,989	18,634	2,585	(223)	20,996

Notes:1. "United states" include sales from subsidiaries in Canada, Mexico, and Costa Rica,, 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.

Assumptions for Going Concern

Not applicable.

Notes on Major Changes in Shareholders' Equity

Not applicable.

Interim Consolidated Statements of Income

※ Loss Related to Antimonopoly Law

On September 5, 2024, Rinnai Brasil Heating Technology Ltd., a subsidiary of Rinnai Corporation, received a recommendation from Brazil's Administrative Council for Economic Defense regarding that nation's antimonopoly law. The Corporation has made a provision for the estimated losses that may arise in the future in connection with the alleged violation of that law.