

**Rinnai**

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**Medium-Term Business Plan,  
and Business Plan for Fiscal 2019,  
ending March 31, 2019**

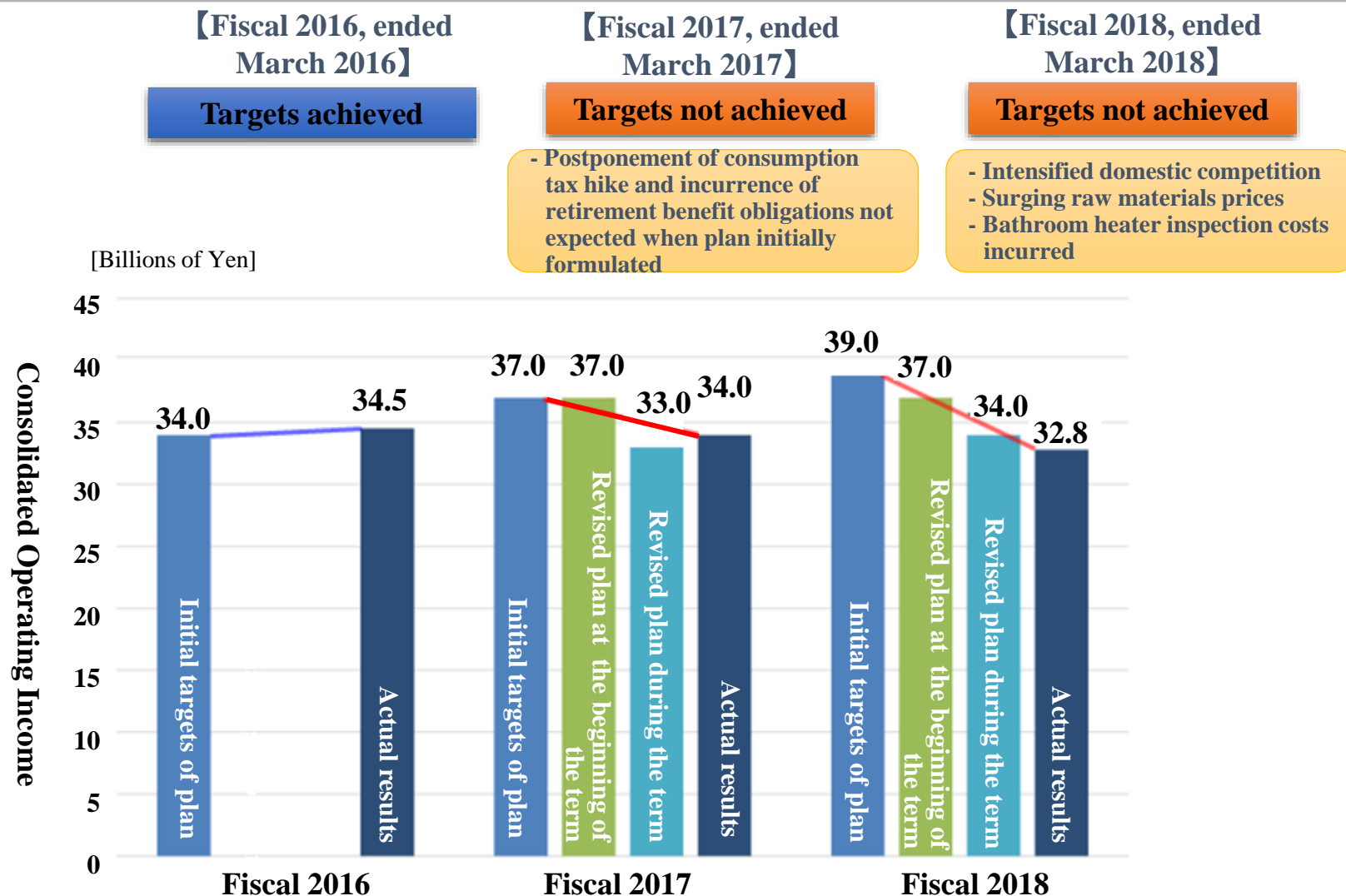
**May 9, 2018**

# **1. Medium-Term Business Plan**

## **2. Fiscal 2019 Business Plan**

# Review of Previous Medium-Term Business Plan

(Evolution and Succession 2017)



We steadily implemented our long-term strategies despite sluggish domestic performance and stalling profits

### Review of “Four business models”

#### Domestic business model

- Fiscal 2018 target for unit sales of *ECO ONE* (30,000 units/year) not reached
  - Due to spread of all-electric houses and lack of progress in tapping new channels
- Moderate progress in shifting focus to high-end models but no major change achieved
  - Slow progress due to prolonged replacement cycle and unprecedented increase in standalone product demand

#### Gas appliance peripherals business model

- Growing demand for kitchen peripherals, such as dishwasher/dryers and range hoods; healthy results for bathroom heaters, floor heaters, and remote-controlled products to meet needs for enhanced comfort

#### Overseas business model

- Deployed strengths of overseas affiliates to develop products and strengthen Group collaboration; globally rolled out common-model water heaters and boilers

#### New-field business model

- Identified needs related to environmental and health-oriented awareness and promoted elemental technologies aimed at new business fields

# Positioning of Medium-Term Business Plan “G-shift 2020”



Fiscal year ended/ending March 31

2006      2009      2012      2015      2018      2021      2024      2027      2031

## Global Markets

“Heat and Lifestyles”

‘Health and Lifestyles’

~ We shall help improve people’s living standards ~

Contribute to the environment through our core business activities (products and services)

Develop and provide original products and services

Combustion and heat utilization technologies

Electronic control technologies

Fluid control technologies

New technologies

~ Recognize core technologies that represent our strengths ~

Renewable energy

Electricity

Gas

Air

Water

Rinnai Group companies shall share and closely coordinate information

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## Global

**Global shift means deploying the Group’s network to promote strategies and focus on developing Rinnai as a world-renowned brand**

## G-shift 2020

**Generation shift means shifting to a new generation that breaks away from common sense while inheriting traditions cultivated for 100 years**

**Governance shift means building management frameworks suited to the times and organizational structures that encourage growth**

## Generation

## Governance

## Five Group-Wide Theme

- 1. Branding**
- 2. Formulate and share long-term roadmap**
- 3. Expand business domains**
- 4. Optimally allocate business resources**
- 5. Improve business efficiency and management quality**

## Three Process Reforms

- 1. Product planning process**
- 2. Overseas business operational process**
- 3. Just-in-time production process**



**Background: Increase in price-based competition due to difficulty in distinguishing product appeal**

**【Japan】**

**Increasing dependency on own brands**

(Transition from gas providers' brands (OEM) to manufacturers' brands)

**【Overseas】**

**Increasing brand recognition for heater appliances**

**Increase Rinnai's value as a global brand**

**Reinforce brand image;  
attain visual control**

Fiscal 2019,  
ending March 31, 2019

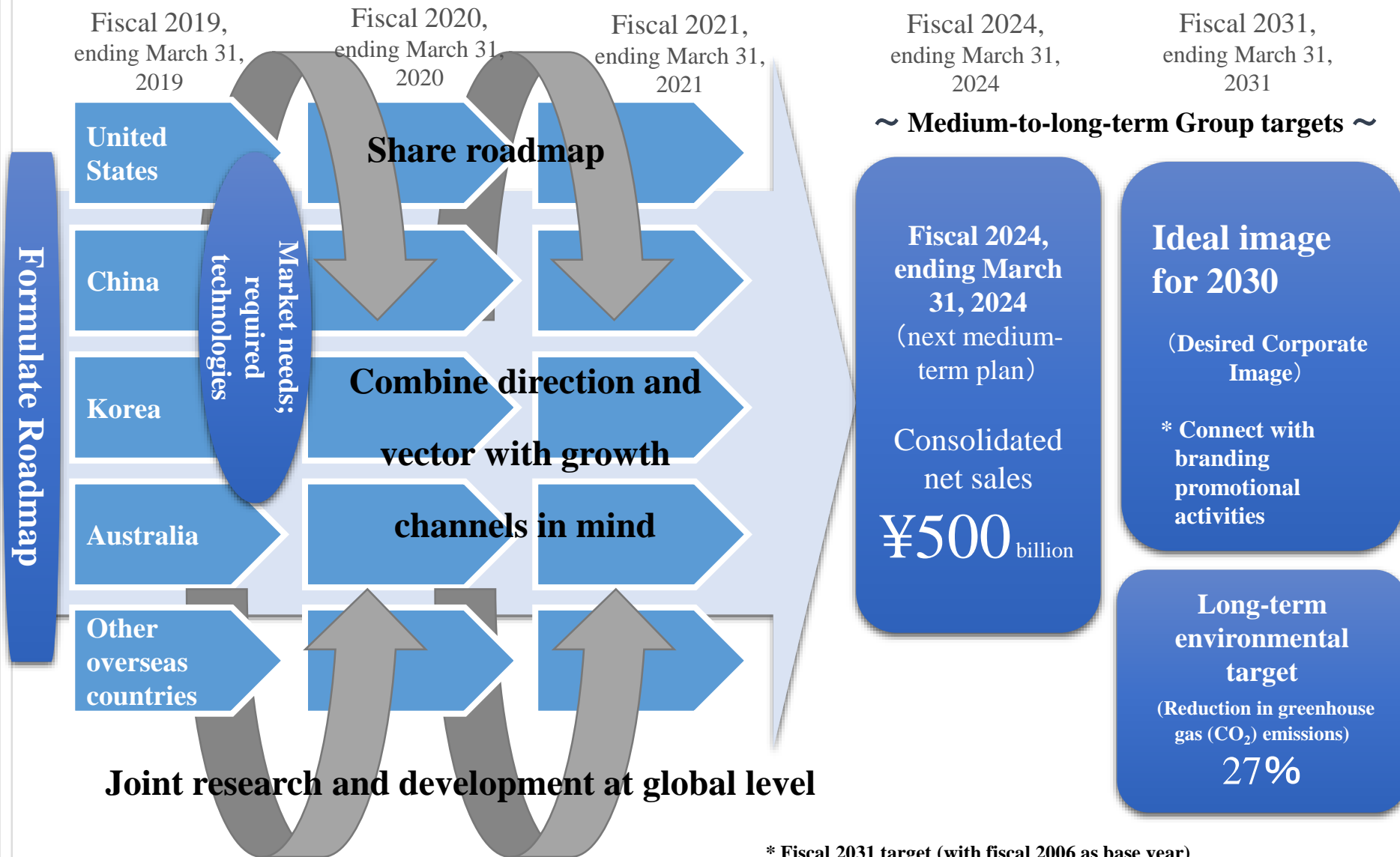
**Rinnai brand:  
Proliferate within Group  
and roll out overseas**

Fiscal 2020,  
ending March 31, 2020

**Improve brand value to  
make Rinnai the  
company of choice**

Fiscal 2021,  
ending March 31, 2021

# Formulate and Share Long-Term Roadmap



\* Fiscal 2031 target (with fiscal 2006 as base year)

\* Reduction in greenhouse gas (CO<sub>2</sub>) emissions when using our products

# Expand Business Domains

Expand the scope of product and service to help improve people's living standards



Bath

Kitchen



Living room

“Heat and lifestyles” and  
“Health and lifestyles”

Established  
Business Planning  
Division (2018)

Create a original business mode

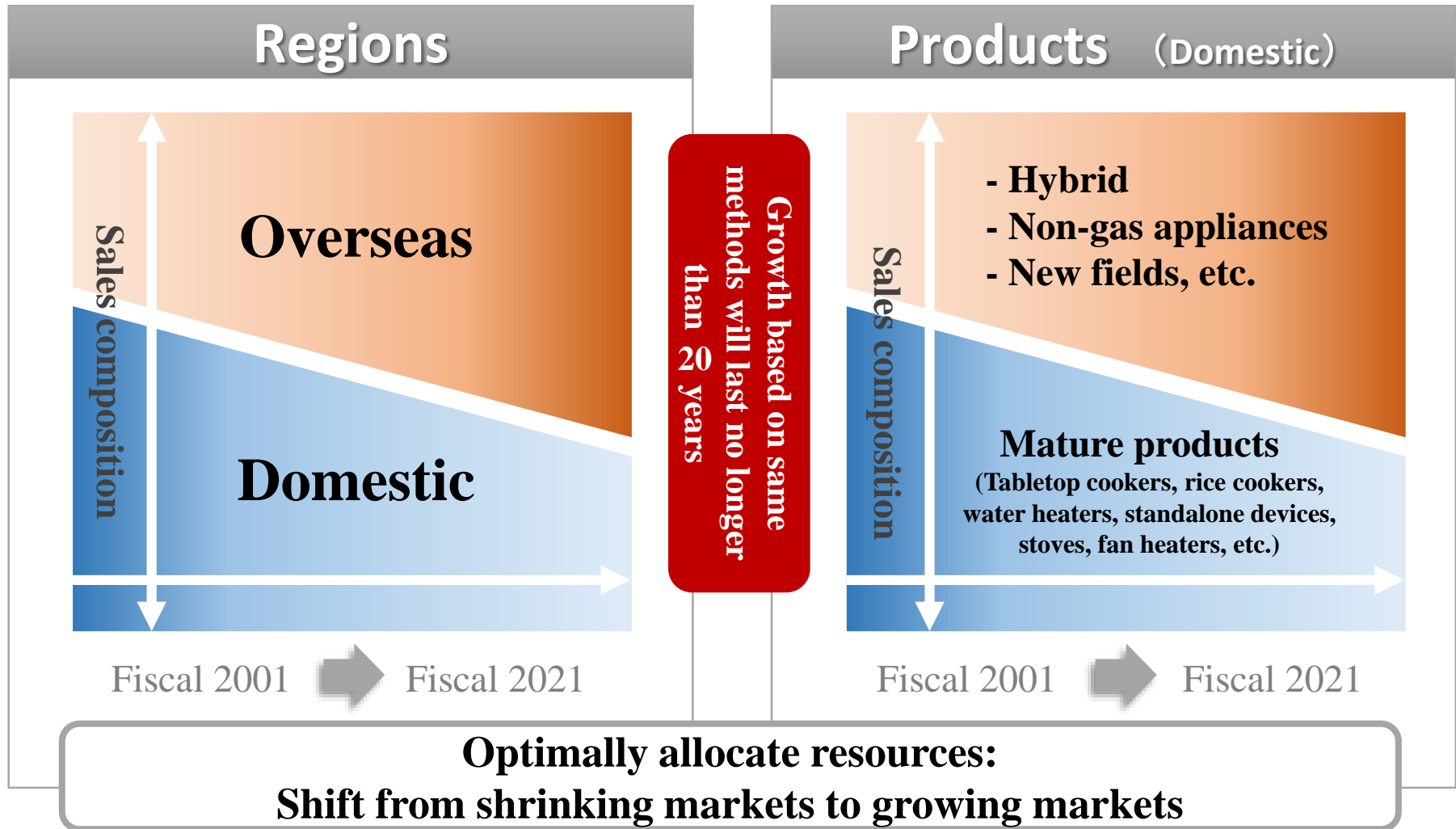


Technological innovation and applications  
development of new technologies cooperating  
with other companies

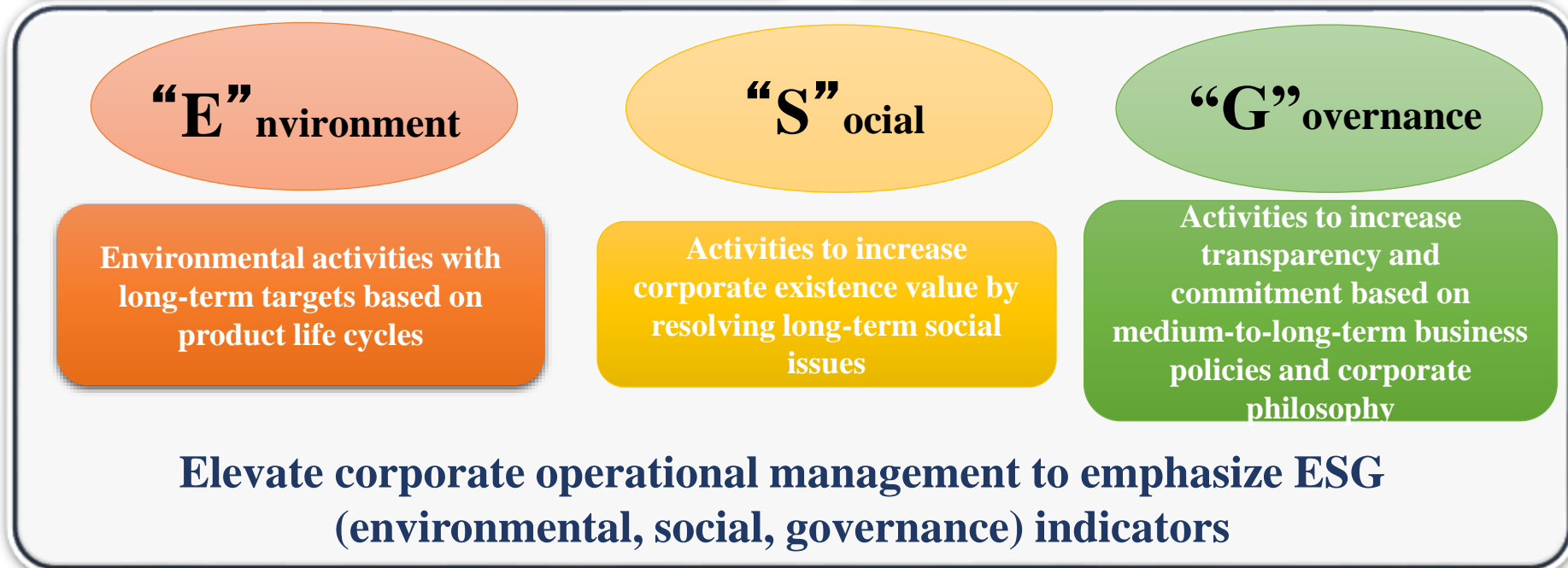
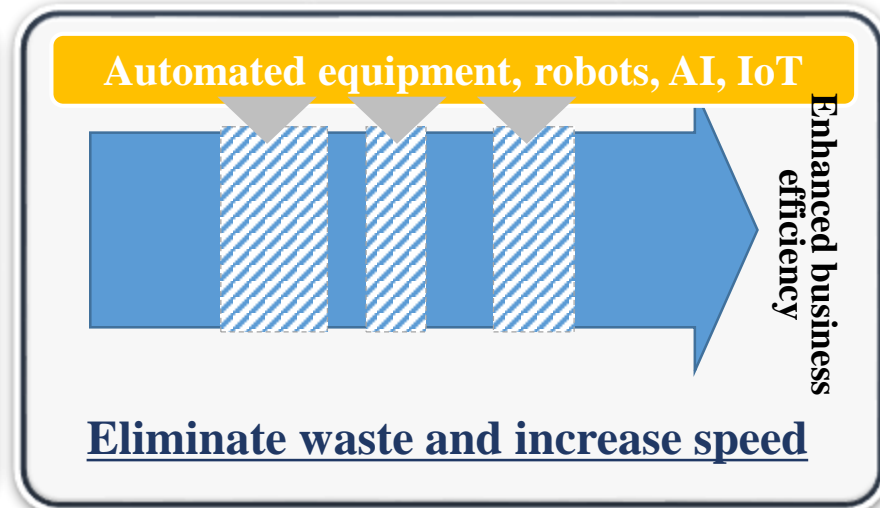
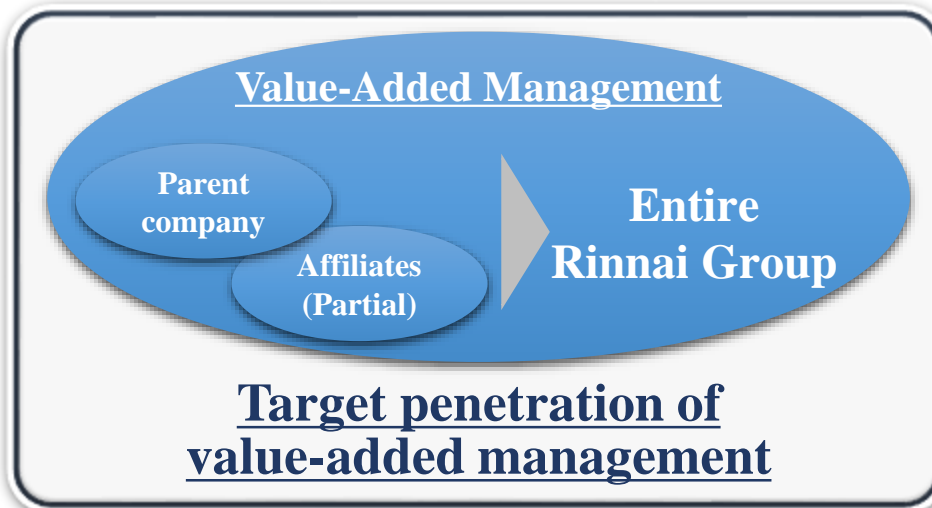


Expanding to different  
business areas

# Optimally Allocate Business Resources



# Improve Business Efficiency and Management Quality<sup>12</sup>



# Three Process Reforms

## Product planning process ▶▶▶ Business Planning Division established

Swift planning of appealing products

Fast-tracked development of elemental technologies

Product mix based on long-term strategies

## Overseas business operational process ▶▶▶

Appoint non-Japanese managing executive officer  
Reinforce overseas organization

Review and strengthen overseas support system

Establish framework enabling swift decision-making by overseas subsidiaries and improved communication

## Just-in-time production process ▶▶▶

Reinforce production technologies (Independent Production Engineering Division)

Streamlined production linked to real demand

Achieve shortest lead times according to true delivery dates

Shift to new Rinnai through process innovation

# Medium-Term Business Plan (April 2018–March 2021)<sub>14</sub>

《Consolidated》		Actual	Medium-Term Business Plan “G - shift 2020”				
		Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Comparing to fiscal 2018	Increase/decrease from fiscal 2018
[Billions of Yen]							
Net Sales		347.0	360.0	388.0	410.0	118.1%	62.9
Breakdown	Domestic	177.6	180.0	183.0	185.0	104.2%	7.3
	Overseas	169.4	180.0	205.0	225.0	132.8%	55.5
	(Overseas sales ratio)	48.8%	50.0%	52.8%	54.9%	—	6.1p
Operating Income		32.8	36.0	39.0	42.0	127.9%	9.1
Operating Margin		9.5%	10.0%	10.1%	10.2%	—	0.8p

**1. Medium-Term Business Plan**

**2. Fiscal 2019 Business Plan**



# Fiscal 2019 Business Plan (Consolidated Basis)

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[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change
<b>Net Sales</b>	347.07	360.00	+3.7%
<b>Operating Income</b>	32.84	36.00	+9.6%
<b>Ordinary Income</b>	34.28	37.30	+8.8%
Attributable to owners of the parent company <b>Net Income</b>	21.19	23.00	+8.5%

## Performance

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change
<b>Net Sales</b>	<b>201.93</b>	<b>212.50</b>	<b>+5.2%</b>
<b>Operating Income</b>	<b>15.37</b>	<b>17.00</b>	<b>+10.5%</b>

## Main Products (Domestic Sales)

[Sales Volume]	YOY Change
<b>Water heater with heating system (including hybrid water heater)</b>	<b>+23.6%</b> <b>(+71.6%)</b>
<b>Water heater with bath-filling system</b>	<b>+7.1%</b>
<b>Built-in hobs (stovetops)</b>	<b>+4.8%</b>



## Performance

Established:1974

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	Local currency basis YOY Change
Net Sales	27.73	32.00	+15.4%	+20.0%
Operating Income	2.20	2.37	+7.7%	+12.1%

## Main Products

[Sales Volume]

YOY Change

Tankless water heaters

+19.9%



New SENSEI series  
(High-efficiency tankless water heaters)



Tankless water heater production plant  
(Griffin, Georgia)



Plan of expanded headquarters  
(Peach Tree, Georgia)

## Performance

Established:1971

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	Local currency basis YOY Change
Net Sales	23.58	24.04	+1.9%	+3.2%
Operating Income	1.80	2.13	+18.6%	+20.1%

## Main Products

[Sales Volume]	YOY Change
Tankless water heaters	+1.6%
Electric tank-based water heater	+11.1%
Duct-type air-conditioning and heating system	- 0.5%



Tankless water heaters



Electric tank-based water heater



Duct-type air-conditioning and heating system



Electric tank-based water heater plant (Victoria, Australia)



Brivis Climate Systems (Victoria, Australia)

## Performance

Established:1993

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	Local currency basis YOY Change
Net Sales	45.96	53.01	+15.3%	+12.2%
Operating Income	5.13	5.41	+5.6%	+2.7%

## Main Products

[Sales Volume]	YOY Change
Water heaters	+3.3%
Stoves	+57.7%
Range hood	+25.1%
Boilers	+5.8%



Gas water heater



Built-in hobs  
(stovetops)



Experiential showroom  
(Shanghai)



Shanghai plant

## Performance

Established:1974

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	Local currency basis YOY Change
<b>Net Sales</b>	<b>34.90</b>	<b>37.00</b>	<b>+6.0%</b>	<b>+5.7%</b>
<b>Operating Income</b>	<b>0.72</b>	<b>1.50</b>	<b>+106.2%</b>	<b>+105.6%</b>

## Main Products

[Sales Volume]	YOY Change
<b>Boilers</b>	<b>- 3.6%</b>
<b>Gas stoves</b>	<b>+3.5%</b>



Gas stoves



Boilers



Gas clothes dryer



IH cooking heater

## Performance

Established: 1988

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	Local currency basis YOY Change
Net Sales	12.04	12.40	+3.0%	+8.3%
Operating Income	1.95	1.83	- 6.0%	- 1.2%

## Main Products

[Sales Volume]	YOY Change
Table-top cookers	+4.9%
Built-in hobs (Stovetops)	+8.1%



Table-top cookers



Range hood



Built-in hobs (stovetops)

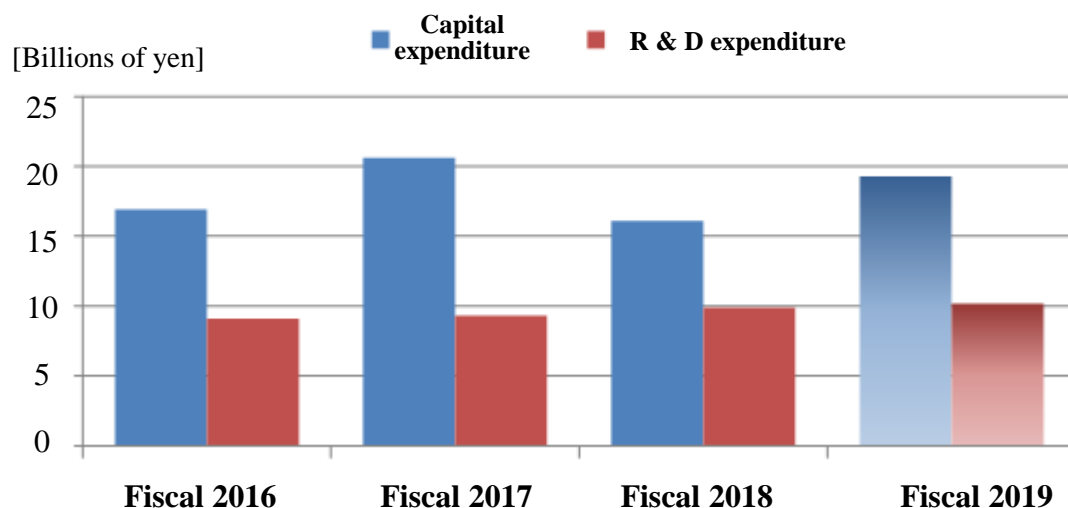
# Capital Expenditure Plan

## Fiscal 2018 Results and Fiscal 2019 Target

[Billions of yen]	Fiscal 2018 (Actual)	Fiscal 2019 (Target)	YOY change
<b>Capital investment</b>	<b>16.1</b>	<b>19.3</b>	<b>3.2</b>
<b>Depreciation</b>	<b>11.2</b>	<b>12.9</b>	<b>1.7</b>
<b>R&amp;D</b>	<b>9.9</b>	<b>10.2</b>	<b>0.3</b>

**Restructure and expand domestic production system to meet rising overseas demand**

## Capital Expenditure



**Continue increasing capacity under investment plan exceeding previous year**



# Rinnai

EXPERIENCE OUR INNOVATION

**Performance forecasts and other future-oriented predictions contained in these materials are based on the Company's judgments using available information. Actual results may differ from such forecasts and predictions due to changing future circumstances.**