

Business Outlook of Fiscal 2019, ended March 31, 2019

May 9, 2019

Rinnai Corporation

Rinnai

- **Medium-Term Business Plan**
- Fiscal 2020 Plan

Market Environment Analysis

World	Opportunities	<ul style="list-style-type: none">- Popularity of high-efficiency equipment due to stricter environmental policies/regulations and greater interest in saving energy- High level of latent demand as the appeal of gas instant-heating models starts to gain traction
	Threats	<ul style="list-style-type: none">- Prominent players entering countries with attractive markets (expanding presence of local Chinese manufacturers and existing players)
Japan	Opportunities	<ul style="list-style-type: none">- Continuing switchover to high-end equipment owing to healthy demand from customers desiring comfort and energy efficiency- Increase in multifunctional machines due to energy diversification; progress in restructuring of distribution systems
	Threats	<ul style="list-style-type: none">- Population declining and household numbers peaking out; small market for new demand means business driven by replacement demand- Longer time until replacement due to improved product quality and reduced consumer desire

Numerical Target of Medium-Term Business Plan

《Consolidated》 [Billions of Yen]		Medium-Term Business Plan “G - shift 2020”					
		Fiscal 2019 Plan	Fiscal 2019 Actual	Fiscal 2020 Initial plan	Fiscal 2020 Revised plan	Fiscal 2021 Initial plan	Fiscal 2021 Revised plan
Net Sales		360.0	348.0	388.0	356.0	410.0	372.0
Breakdown	Domestic	180.0	172.5	183.0	176.0	185.0	178.5
	Overseas	180.0	175.5	205.0	180.0	225.0	193.5
	(Overseas sales ratio)	50.0%	50.4%	52.8%	50.6%	54.9%	52.0%
Operating Income		36.0	30.8	39.0	32.0	42.0	34.0
Operating Margin		10.0%	8.9%	10.1%	9.0%	10.2%	9.1%

Business Strategies for Fiscal 2020 and Beyond

World

- Step up sales promotion to increase awareness and spread of tankless water heaters
- Establish unique technologies and provide optimal products and services in new fields

Japan

- Develop advanced next-generation technologies by strengthening capabilities in product development and manufacture
- Restructure domestic sales in response to energy diversification

Overall

- Develop new brands (unify brand projection and improve brand value)
- Identify growing and contracting markets and optimize management resources accordingly

Key Measures of Medium-Term Business Plan

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

Branding Promotion

With the aim of conveying a unified global brand image, Rinnai has redesigned the basic design elements of its logo, which expresses its brand's worldview. The new logo will be rolled out sequentially from April 1, 2019.

Previous logo

Rinnai



New logo

Rinnai



(Event: Nagoya International Exhibition Hall , April 2019)

New logo and brand image exhibited at Future Health Expo 2019 (hosted by the Japanese Association of Medical Sciences)

Our medium-to-long-term vision is to provide unique products and services to the global market based on the keywords of “heat and living” and “health and living.”

Positioning of Medium-Term Business Plan

New challenge for sustainable growth

Strengthening corporate structure through the past four business plans

(current plan)

5th

G-shift
2020

(Consolidated targets)

Net sales
¥372.0 billion
Operating income
¥34.0 billion
Operating margin
9.1%

6th

(Consolidated targets)
Net sales
¥500.0 billion
Operating income
¥55.0 billion
Operating margin
11.0%

100th
anniversary

Formulate roadmap

Branding control

Medium-Term Business Plan

1st

V-Shift Plan

(Consolidated)
Net sales
¥236.7 billion
Operating income
¥15.0 billion
Operating margin
6.4%

2nd

Reform & Break-through

(Consolidated)
Net sales
¥246.6 billion
Operating income
¥26.6 billion
Operating margin
10.8%

3rd

Jump Up 2014

(Consolidated)
Net sales
¥295.0 billion
Operating income
¥30.7 billion
Operating margin
10.4%

4th

Evolution and Succession 2017

(Consolidated)
Net sales
¥347.0 billion
Operating income
¥32.8 billion
Operating margin
9.5%

Fiscal year ended/ending March 31

2006

2009

2012

2015

2018

2021

2024

2027

2031

Medium- and Long-Term Vision

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

Rinnai Group
companies shall
share and closely
coordinate
information

“3Gs” shift to new Rinnai

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 shift to a new generation that breaks common sense while inheriting the tradition cultivated for 100 years

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

Generation

Governance

- Medium-Term Business Plan
- Fiscal 2020 Plan

Fiscal 2019 Business Plan (Consolidated Basis)

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change
Net Sales	348.02	356.00	+2.3%
Operating Income	30.87	32.00	+3.6%
Ordinary Income	33.31	34.00	+2.0%
Attributable to owners of the parent company Net Income	20.48	21.00	+2.5%

Rinnai (non-consolidated basis), Fiscal 2020 Forecast

Performance

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change
Net Sales	206.01	207.00	+0.5%
Operating Income	14.60	15.00	+2.7%

Main Products (Domestic Sales)

[Sales Volume]	YOY Change
Water heater with heating systems* (including hybrid water heater)	+4.9% (+24.9%)
Water heater with bath-filling systems	+1.8%
Built-in hobs (stovetops)	+0.0%



Built-in hobs (stovetops)



Gas clothes dryers

Gas clothes dryer

はやい
乾太くん



Retail price: 8kg model: ¥158,000

5kg model: ¥128,000

3kg model: ¥98,000

Launch date :
January 10, 2019

October 1, 2018

*Fast drying with the power of gas ~ Drying time for 5kg of clothes ~

Gas clothes dryer *Kanta-kun*

Approx.
52 minutes

Electric heat pump type
Fully automatic washing/drying machine

Approx.
162 minutes

Electric heater type
Fully automatic washing/drying machine

Approx.
281 minutes



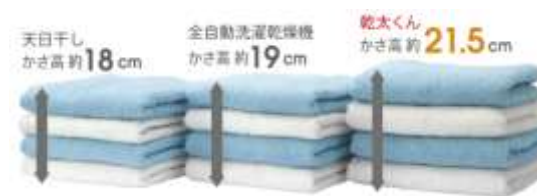
Approx.
1/3

*Powerful warm air eliminates odor-causing bacteria

Kanta-kun eliminates odors that cannot normally be removed by drying or sunlight exposure

*Comfortable finish

Dries using strong warm air unique to gas, allowing fibers to rise from the roots for a comfortable finish



Topics

Making life easier. Introducing Rinnai's *Rakukaji+* concept

Built-in hob (stovetop)

DELICIA



*Send recipe from smartphone to stove for automatic cooking

DELICIAAPP



Dishwasher/dryer



*Lineup of deep-type models that can handle both frying pans and bowls



Deep-type models:
Volume around 1.5 times larger than standard types



Kanta-kun clothes dryer

*Saves time on housework
Fast drying with the power of gas

はやい
乾太くん



~ Drying time for 5kg of clothes ~ Approx.

Gas clothes dryer  Approx. **52 minutes**

Electric heat pump type Fully automatic washing/drying machine Approx. **162 minutes**

Electric heater type Fully automatic washing/drying machine Approx. **281 minutes**

1/3

Remote control of water heater

*Water heater operation possible even from remote or separated locations



Dokodemo Rinnai app



Smart speaker



Deep-type dishwasher



*Large-capacity “deep-type” model accommodates both dishes and cooking utensils

Large-capacity deep-type model can hold 47 dishes (equivalent to about 6 people). Large capacity allows storage of large dishes and combined washing of dishes and cooking utensils.

*Unconventional “free rack”



Retail price (RKW-D401LP): ¥197,000

Launch date:
March 1, 2019

Replacement models:

High grade (RSW-D401LP): ¥197,000
Medium grade (RSW-D401GP): ¥177,000

May 7, 2019

Basket can be reconfigured into various patterns according to items to be washed; dishes can also be washed together with cooking utensils, such as frying pans and bowls.

ECO ONE hybrid water heater with heating system

《 Lineup 》

160-liter type



Retail price:
¥770,000–¥918,000

50-liter type (“Low-Boy” model)



Retail price:
¥650,000–¥716,000

100-liter type
(integrated)



Retail price:
¥690,000–¥790,000

100-liter type
(split system)



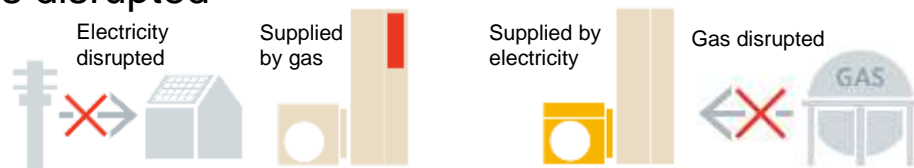
*Reduce utility cost of water heating

(Annual water heater running cost comparison)

Gas water heater
(conventional type)  ¥112,800

ECO ONE
(160-liter type)  **¥43,200** **62% reduction**

*Hot water can be supplied even if electricity or gas disrupted



*Water heater operation possible even from remote or separated locations



Built-in hobs (stovetops) with multiple color choices

ILO



Retail price: ¥128,000
Launch date: April 25, 2019

Sales site:
<https://www.rinnai-style.jp/ilo/>

*60 possible combinations for your perfect kitchen



*Color simulation function helps find your favorite combination



Perform simulation of color combinations at the sales site, or get quote and place order directly via Internet

*Convenient function that makes cooking fun

Equipped with popular cooking functions found in other series



Auto-grill function



Cocotte plate



Rice-cooking function

Domino-type built-in hob

G:101 series, G: Line

Domino type allows you to freely choose number and type of gas stove and IH cooking heater



Launch of new IH cooking heater



Retail price: ¥265,000

Launch date: April 26, 2019

Rinnai America, Fiscal 2020 Forecast

Performance

Established:1974

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change	YOY Change (local currency basis)
Net Sales	30.39	33.97	+11.8%	+12.4%
Operating Income	1.49	2.38	+59.9%	+60.8%

Main Products

[Sales Volume]	YOY Change
Tankless water heaters	+10.4%

SENSEI™



Tankless water heaters



Commercial-use
water heaters



Boilers
(New model, to be released
in July 2019)

Rinnai Australia, Fiscal 2020 Forecast

Performance

Established: 1971

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change	YOY Change (local currency basis)
Net Sales	25.03	24.39	-2.6%	+2.4%
Operating Income	1.72	1.37	-20.3%	-16.2%

Main Products

[Sales Volume]	YOY Change
Tankless water heaters	+0.7%
Electric tank-based water heaters	+9.3%
Duct-type air-conditioning and heating systems	-0.9%



Tankless water heaters



Electric tank-based water heaters



Duct-type air-conditioning and heating systems

Shanghai Rinnai, Fiscal 2020 Forecast

Performance

Established:1993

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change	YOY Change (local currency basis)
Net Sales	47.51	48.17	+1.4%	+3.8%
Operating Income	5.08	4.33	-14.8%	-12.7%

Main Products

[Sales Volume]	YOY Change
Water heaters	+3.1%
Stoves	+48.3%
Range hoods	+25.9%
Boilers	-9.3%



Gas water heaters



Built-in hobs
(stovetops)



Boilers

Rinnai Korea, Fiscal 2020 Forecast

Performance

Established:1974

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change	YOY Change (local currency basis)
Net Sales	32.80	33.90	+3.4%	+5.4%
Operating Income	0.10	0.76	+642.9%	+657.2%

Main Products

[Sales Volume]	YOY Change
Boilers	+2.4%
Gas stoves	-2.1%
IH cooking heaters	+26.0%



Gas stoves



IH cooking heaters



Boilers

P.T. Rinnai Indonesia, Fiscal 2020 Forecast

Performance

Established:1988

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change	YOY Change (local currency basis)
Net Sales	12.84	13.33	+3.8%	+5.3%
Operating Income	1.82	2.07	+13.4%	+15.0%

Main Products

[Sales Volume]	YOY Change
Table-top cookers	+0.7%
Built-in hobs (Stovetops)	+0.4%



Table-top cookers



Built-in hobs (stovetops)



Range hoods

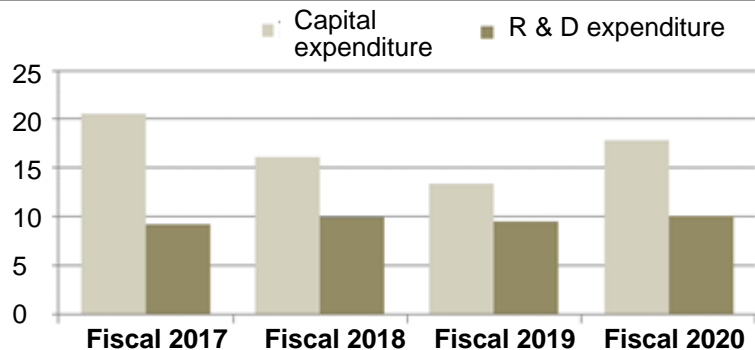
Capital Expenditure Plan

Fiscal 2019 Results and Fiscal 2020 Target

[Billions of yen]	Fiscal 2019 (Actual)	Fiscal 2020 (Target)	YOY change
Capital investment	13.4	17.8	4.4
Depreciation	11.8	11.5	-0.3
R&D	9.5	10.1	0.6

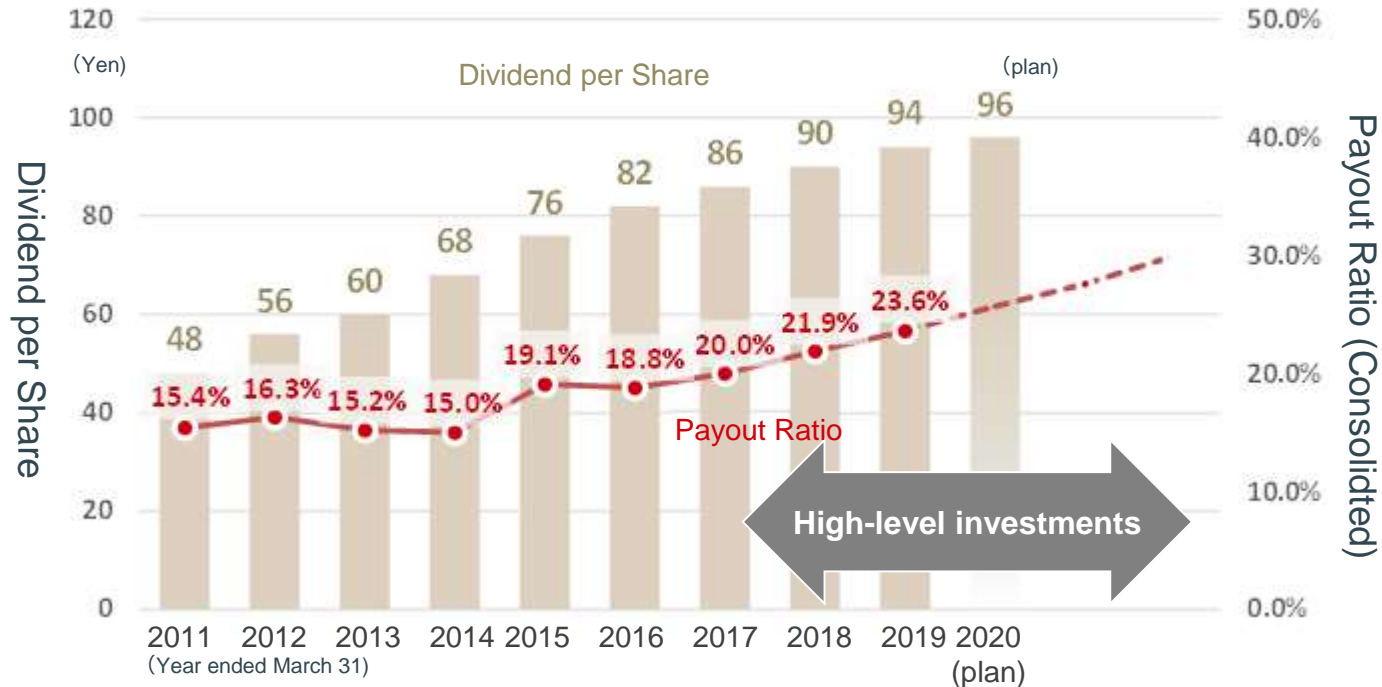
Addressing changes in domestic demand and increasing investments in overseas business development

Capital Expenditure Plan



High-level investments for ongoing capacity expansion

Shareholder return policy



- Continuing year-on-year dividend increases; 18 consecutive increase to fiscal 2020
- Will consider raising dividend payout after high-level investments have settled

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.