

Financial Results of Fiscal 2019, ended March 31, 2019

May 9, 2019

Rinnai Corporation

Rinnai

Fiscal 2019: Consolidated Performance Overview

Record-high level

Net sales: ¥348.0 billion (up 0.3% year on year)

Revenue up thanks to healthy overseas performances, especially in China and United States

Operating income: ¥30.8 billion

(down 6.0%) [operating income to net sales ratio: 8.9%]

Income down due to sluggish growth of high-value-added products in Japan and higher overseas sales promotion costs

Ordinary income: ¥33.3 billion

(down 2.8%) [ordinary income to net sales ratio: 9.6%]

Down due to lower operating income, despite increase in foreign exchange gain

Net income attributable to owners of the parent company: **¥20.4 billion**

(down 3.4%) [net income to net sales ratio: 5.9%]

Down due to decrease in ordinary income

- We revised our forecasts in 3rd quarter of fiscal 2019 (first year of “G-shift 2020” medium-term business plan).
- Operating income ended up higher than our forecast for the second half.

Review of Fiscal 2019

● **Domestic sales down despite recovery in second half**

- Gas equipment sector slow to recover, and competitive environment remained severe
- Income tended to improve in second half, thanks to new product launches and cost reductions in existing products
- Original products highlighting Rinnai's strengths are on a steady growth trajectory

● **Overseas sales continued to grow, but income down due to upfront investments**

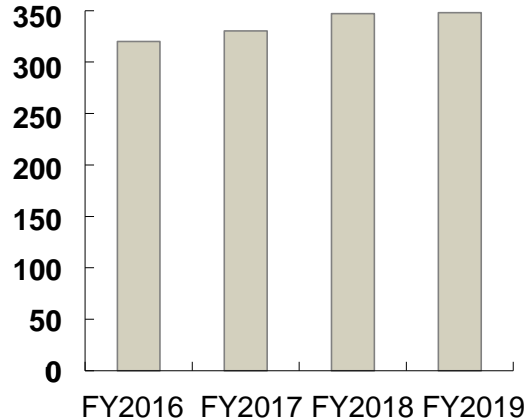
- North America: Healthy sales thanks to new product launches, but expenses exceeded expectations
- China: Competition intensified as players crowded the market
- South Korea: Difficult conditions due to market contraction; urgently need to improve business model

**Intensifying competition in Japan and other saturated markets
—a year that required patience**

Consolidated Financial Results

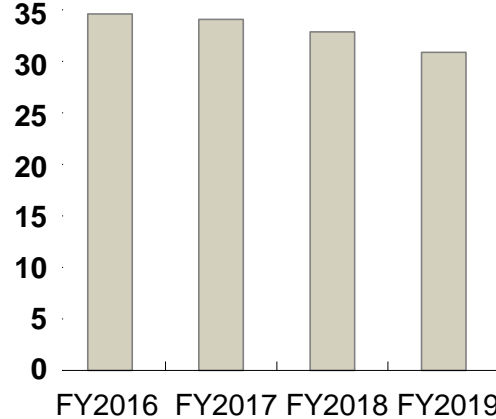
Net Sales

[Billions of Yen]



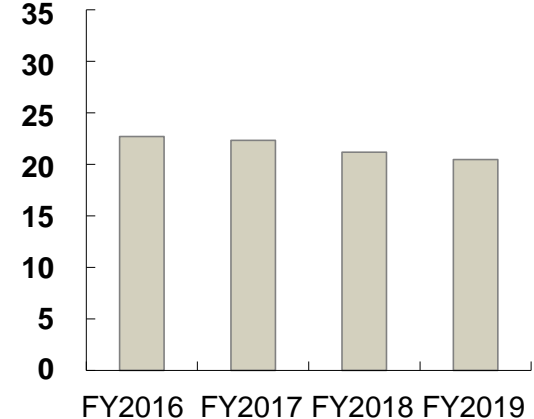
Operating Income

[Billions of Yen]



Attributable to owners of the parent company Net Income

[Billions of Yen]



- Net sales up year on year for ninth consecutive period; record high
- Income trending sluggishly despite maintaining a certain level

Fiscal 2019: Net Sales by Product

[Billions of Yen]	Fiscal 2018		Fiscal 2019		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	202.38	58.3%	202.63	58.2%	+0.24	+0.1%
Kitchen appliances	88.36	25.5%	88.32	25.4%	-0.04	-0.0%
Air conditioning appliances	19.08	5.5%	19.64	5.6%	+0.55	+2.9%
Commercial-use equipment	9.49	2.7%	8.45	2.4%	-1.04	-11.0%
Others	27.73	8.0%	28.97	8.3%	+1.23	+4.5%
Total	347.07	100.0%	348.02	100.0%	+0.95	+0.3%

Fiscal 2019: Consolidated Sales/Income Results

	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	348.02	+0.3%	30.87	-6.0%	8.9%	-0.6P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	206.01	+2.0%	14.60	-5.0%	7.1%	-0.5P
Domestic	122.18	-2.7%	2.74	-0.0%	2.2%	+0.1P
Overseas	175.75	+3.9%	13.64	-7.6%	7.8%	-1.0P
Total	503.95	+1.5%	30.99	-5.8%	6.1%	-0.5P

Rinnai (non-consolidated basis), Fiscal 2019 Results

Performance

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change
Net Sales	201.93	206.01	+2.0%
Operating Income	15.37	14.60	-5.0%

*Income down due to lower sales of high-value-added products

Main Products (Domestic Sales)

[Sales Volume]	YOY Change
Water heater with heating systems* (including hybrid water heater)	+20.9% (+3.1%)
Water heater with bath-filling systems	-2.2%
Built-in hobs (stovetops)	-1.9%



Hybrid water heater with heating systems



Built-in hobs (stovetops)



Gas clothes dryers

* Total domestic sales in the Rinnai Group decreased 3.4% year on year.

Rinnai America, Fiscal 2019 Results

Performance

Established:1974

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	YOY Change (local currency basis)
Net Sales	27.73	30.39	+9.6%	+11.4%
Operating Income	2.20	1.49	-32.5%	-31.3%

*Down due to sales promotion costs, and local production setup costs

*Local production started in April 2018. Headquarters expansion completed in September 2018.

Main Products

SENSEI™



Tankless water heaters



Fanned flue heaters



Commercial-use
water heaters

[Sales Volume]

YOY Change

Tankless water heaters

+11.5%

Rinnai Australia, Fiscal 2019 Results

Performance

Established:1971

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	YOY Change (local currency basis)
Net Sales	23.58	25.03	+6.1%	+10.6%
Operating Income	1.80	1.72	-4.6%	-0.6%

*Income down due to increased local production and other costs

Main Products

[Sales Volume]	YOY Change
Tankless water heaters	+3.6%
Electric tank-based water heaters	+31.4%
Duct-type air-conditioning and heating systems	+1.0%



Tankless water heaters



Electric tank-based water heaters



Duct-type air-conditioning and heating systems

Room heater sales down 1.3% as increased demand for fan-forced models in second half partly outweighed lower unit sales of gas fan heaters in first half due to warm winter

Shanghai Rinnai, Fiscal 2019 Results

Performance

Established:1993

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	YOY Change (local currency basis)
Net Sales	45.96	47.51	+3.4%	+3.0%
Operating Income	5.13	5.08	-0.9%	-1.2%

*Income down due to increased sales promotion costs to address severe competitive environment

Main Products

[Sales Volume]	YOY Change
Water heaters	+1.4%
Stoves	+31.0%
Range hoods	+19.3%
Boilers	-20.2%



Gas water heaters



Built-in hobs
(stovetops)



Boilers

Rinnai Korea, Fiscal 2019 Results

Performance

Established:1974

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	YOY Change (local currency basis)
Net Sales	34.90	32.80	-6.0%	-7.1%
Operating Income	0.72	0.10	-85.9%	-86.0%

*Actively introduced new products, but market contraction led to intensified price competition

Main Products

[Sales Volume]	YOY Change
Boilers	-6.7%
Gas stoves	-9.9%
IH cooking heaters	+9.9%



Gas stoves



IH cooking heaters



Boilers

P.T. Rinnai Indonesia, Fiscal 2019 Results

Performance

Established: 1988

[Billions of Yen]	Fiscal 2018	Fiscal 2019	YOY Change	YOY Change (local currency basis)
Net Sales	12.04	12.84	+6.6%	+14.8%
Operating Income	1.95	1.82	-6.4%	+0.8%

*Higher sales thanks to strong demand for table-top cookers

Main Products

[Sales Volume]	YOY Change
Table-top cookers	+9.0%
Built-in hobs (Stovetops)	+25.5%



Table-top cookers



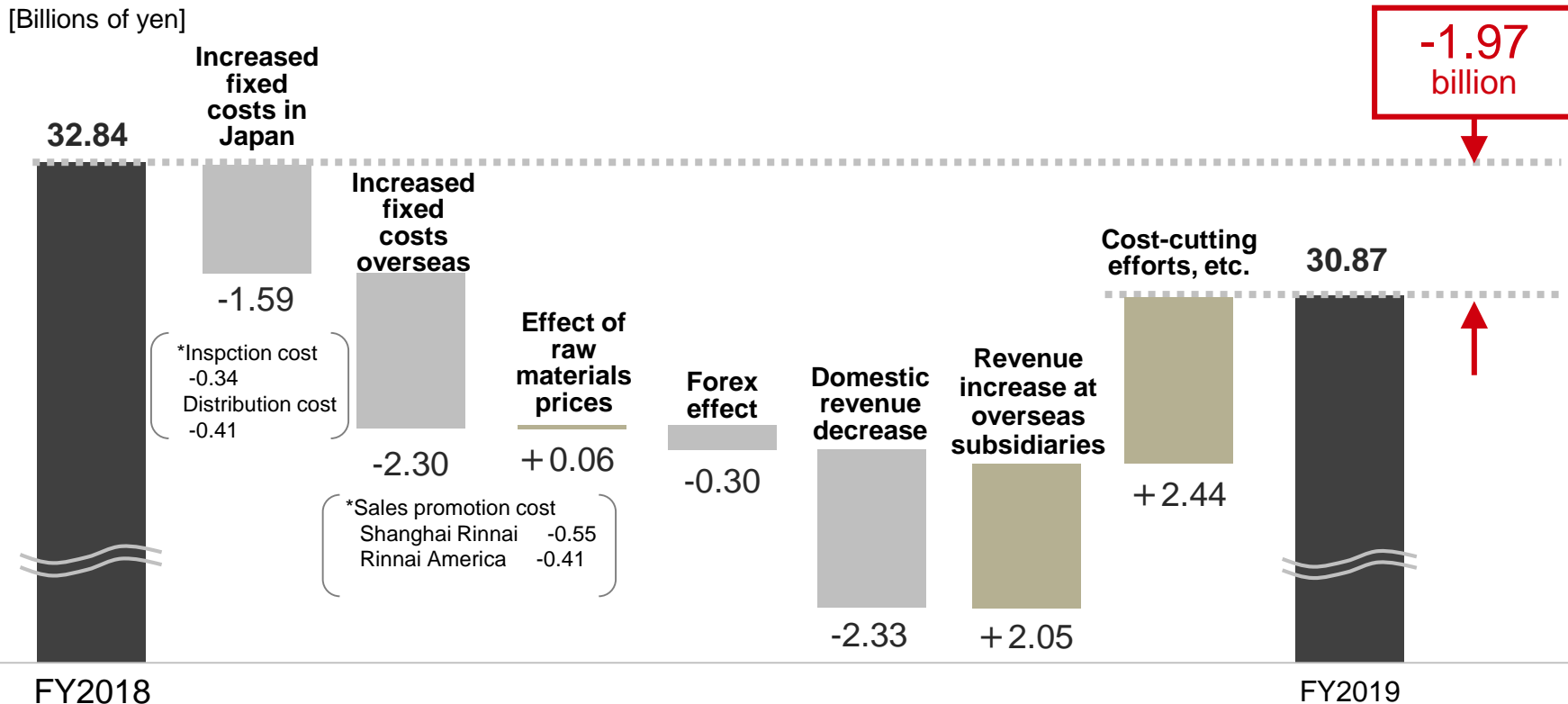
Built-in hobs (stovetops)



Range hoods

Fiscal 2019: Consolidated Operating Income

[Billions of yen]



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.