

Business Outlook for First Two Quarter of Fiscal 2020, ending March 31, 2020

November 7, 2019

Rinnai Corporation

Rinnai

Items of Concern and Future Outlook

◆ Downward recoil after last-minute demand rush ahead of consumption tax hike

- Limited impact due to smaller scale of rush compared with last hike in 2014 (31% year-on-year increase in March 2014; 18% increase in September 2019)
- Improved product mix based on growth in high-value-added offerings such as Built-in hobs (stovetops) and clothes dryers
- Lowered the expansion of distribution and other inventories (reflecting experience of previous take hike)

◆ Sluggish conditions in domestic water heater field

- Improved product mix by reducing range of standalone appliances and increasing number of water heaters with heating systems
- Launched new range of bathwater heaters (released on October 21, 2019)

◆ Stagnating overseas business

- Both net sales and operating income on recovery trend; operating margin also up (1Q: 4.0% → 2Q: 5.0%) (* Based on simple aggregate of overseas consolidated subsidiaries)
- Progress in getting return on aggressive investments for new product promotions (made in the United States in the previous year)
- Recent year-on-year upturn due to local urban strategy in China and stronger online sales

◆ Foreign exchange impact due to yen's appreciation

- Absorb foreign exchange losses by expanding local production (in United States, Australia, etc.)

- Medium-Term Business Plan
- Trends in Major Countries
- Topics

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

Positioning of Medium-Term Business Plan

New challenge for sustainable growth

Strengthening corporate structure through the past four business plans

(current plan)
5th

6th

Medium-Term Business Plan

1st

2nd

3rd

4th

G-shift
2020

V-Shift Plan

Reform & Break-through

Jump Up 2014

Evolution and Succession 2017

(Consolidated targets)
Net sales
¥372.0 billion
Operating income
¥34.0 billion
Operating margin
9.1%

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

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

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

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

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

100th
anniversary

Formulate roadmap

Branding control

Fiscal year ended/ending March 31

2006

2009

2012

2015

2018

2021

2024

2027

2031

Medium-term Business Plan “G-shift 2020”

(From fiscal 2019 to fiscal 2021)

“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

Generation

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

Governance

- Medium-Term Business Plan
- Trends in Major Countries
- Topics

Rinnai (non-consolidated basis), Fiscal 2020 (2Q) Results

Performance

[Billions of Yen]	Fiscal 2019 2Q	Fiscal 2020 2Q	YOY Change	
			2Q actual	Full-year targets
Net Sales	95.81	99.33	+3.7%	+0.5%
Operating Income	5.44	7.87	+44.6%	+2.7%

◆ Sales up thanks to growth in cookers and clothes dryers, as well as last-minute demand rush; operating income buoyed by cost reduction activities

Main Products (Domestic Sales)

[Sales Volume]	YOY Change
Water heater with heating systems (including hybrid water heater)	+6.1% (- 9.7%)
Water heater with bath-filling systems	- 2.0%
Built-in hobs (stovetops)	+ 8.6%



Next-Generation Housing Points System

Next-Generation Housing Points System

System that issues points for new construction and renovations involving deployment of housing appliances that improve energy efficiency and reduce housework burden (economic measure introduced by Ministry of Land, Infrastructure, Transport and Tourism around the time of the consumption tax hike)

2019 budget

¥130 billion

(Including ¥26.8 billion
for renovations)

* Issue more than 20,000 points at one application
* Eco Jozu, and Hybrid water heaters for reform only



Built-in hobs
(With automatic cooking
function)

12,000
point



Range
hoods

9,000
point



Dishwasher

18,000
point



Bathroom
heater/dryers

18,000
point



Eco Jozu

24,000
point



Hybrid water
heaters

24,000
point

Rinnai priority products included in target
→ Expected to reduce impact of tax hike recoil

Bathwater Heaters (UF-E Series)

New
product

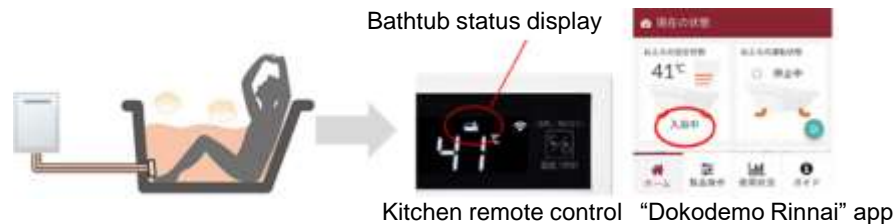


RUF-E2406 Series

Retail price: ¥345,00–400,000

Launched: October 21, 2019

- ◆ Reborn with high-quality design and sharp metallic color
- ◆ Supports safe and convenient bathing with “bathing timer” and other functions
 - Self-cleaning (bath pipe cleaning) function can be engaged from the bathroom remote control
 - Bathtub status can be monitored from the kitchen remote control or via app (* Full Auto version only)



- ◆ Minimal size and lightest weight in industry*
(26.0kg)

* As of August 2019 (based on Rinnai Corporation research)

- Allows low-temperature hot water supply, making it easier to use water-efficient faucets
- Lightest weight in industry and easy to install



Built-in Hob (stovetops) DELICIA

New
product

DELICIA



Retail price: ¥280,000–319,000
Launched: August 1, 2019

※Retail price with “The Cocotte”
included: ¥296,000–¥319,000

◆ “The Cocotte” enables diverse cooking options



The Cocotte

Water-free, low-temperature
cooking on a stove



Vertical cooking

Insert in grill for oven cooking or defrosting

- Water-free cooking can be done automatically (meat and potatoes, rolled cabbage, pot-au-feu, etc.)
- Lighter and easier than using popular enamel saucepans (same level of evaporation)
- Light weight means it can be placed on a table or stored in a refrigerator



To coincide with the launch of new DELICIA and The Cocotte, we offer dedicated recipes via “DELICIA App”; more than 250 authentic recipes available in combination with other cooking utensils

Gas Clothes Dryer

はやい
乾太くん



Launch date :
January 10, 2019

October 1, 2018

Retail price: 8kg model: ¥158,000

5kg model: ¥128,000
3kg model: ¥98,000

◆ Fast drying thanks to power of gas

Gas clothes dryer *Kanta-kun*

乾太くん

Electric heat pump type
Fully automatic washing/drying machine

Approx.
162 minutes

Electric heater type
Fully automatic washing/drying machine

Approx.
281 minutes

5kg: Dries
in approx.
52 minutes

8kg: Dries
in approx.
80 minutes

◆ Economic benefit of gas

¥102 per 8kg load; ¥63 per 5kg load

*Comfortable finish

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

Exterior drying
(sunlight)

Height: **18cm**

Fully automatic
washer/dryer

Height: **19cm**

Kanta-kun

Height: **21.5cm**



Rinnai America, Fiscal 2020 (2Q) Results

Performance

Established:1974

[Billions of Yen]	Fiscal 2019 2Q	Fiscal 2020 2Q	YOY Change (yen)		YOY Change (local currency)	
			2Q actual	Full-year targets	2Q actual	Full-year targets
Net Sales	14.20	15.76	+11.0%	+11.8%	+10.0%	+12.4%
Operating Income	0.40	0.68	+67.6%	+59.9%	+66.1%	+60.8%

◆ Sales up thanks to growing recognition of tankless water heaters, as well as higher proportion of high-efficiency water heaters sold; operating income up due to year-on-year decrease in sales promotion expenditures for products launched in previous year

Main Products

[Sales Volume]

YOY Change

Tankless water heaters

+6.2%

SENSEI



Tankless water heaters



Fanned flue heaters



Commercial-use water heaters

Rinnai Australia, Fiscal 2020 (2Q) Results

Performance

Established:1971

[Billions of Yen]	Fiscal 2019 2Q	Fiscal 2020 2Q	YOY Change (yen)		YOY Change (local currency)	
			2Q actual	Full-year targets	2Q actual	Full-year targets
Net Sales	12.21	12.36	+ 1.2%	- 2.6%	+ 9.2%	+ 2.4%
Operating Income	1.33	0.64	- 51.8%	- 20.3%	- 48.0%	- 16.2%

◆ Revenue buoyed by healthy sales of tankless water heaters and air conditioners; operating income down due to higher purchasing costs stemming from weak local currency

Main Products

[Sales Volume]	YOY Change
Tankless water heaters	+ 10.5%
Electric tank-based water heaters	+ 18.8%
Duct-type air-conditioning and heating systems	+ 0.3%



Tankless water heaters



Electric tank-based water heaters



Duct-type air-conditioning and heating systems

Shanghai Rinnai, Fiscal 2020 (2Q) Results

Performance

Established:1993

[Billions of Yen]	Fiscal 2019 2Q	Fiscal 2020 2Q	YOY Change (yen)		YOY Change (local currency)	
			2Q actual	Full-year targets	2Q actual	Full-year targets
Net Sales	24.18	18.84	- 22.1%	+ 1.4%	- 18.1%	+ 3.8%
Operating Income	2.13	1.69	- 20.7%	- 14.8%	- 16.7%	- 12.7%

◆ Decreases in both revenue and income due to lower sales of water heaters (stemming from worsening market conditions) and weakening demand for boilers

Main Products

[Sales Volume]	YOY Change
Water heaters	- 9.0%
Stoves	- 5.6%
Range hoods	+ 1.8%
Boilers	- 48.1%



Gas water heaters



Built-in hobs
(stovetops)



Boilers

Rinnai Korea, Fiscal 2020 (2Q) Results

Performance

Established:1974

[Billions of Yen]	Fiscal 2019 2Q	Fiscal 2020 2Q	YOY Change (yen)		YOY Change (local currency)	
			2Q actual	Full-year targets	2Q actual	Full-year targets
Net Sales	15.91	13.51	- 15.1%	+ 3.4%	- 11.1%	+ 5.4%
Operating Income	0.07	- 1.03	-	+ 642.9%	-	+ 657.2%

◆ Sales down and operating loss posted due to market contraction (stemming from economic slowdown) and intensified competition

Main Products

[Sales Volume]	YOY Change
Boilers	- 5.7%
Gas stoves	- 21.2%
IH cooking heaters	- 14.4%



Gas stoves



IH cooking heaters



Boilers

P.T. Rinnai Indonesia, Fiscal 2020 (2Q) Results

Performance

Established:1988

[Billions of Yen]	Fiscal 2019 2Q	Fiscal 2020 2Q	YOY Change (yen)		YOY Change (local currency)	
			2Q actual	Full-year targets	2Q actual	Full-year targets
Net Sales	5.52	5.06	- 8.4%	+ 3.8%	- 6.3%	+ 5.3%
Operating Income	0.69	0.37	- 45.4%	+ 13.4%	- 44.1%	+ 15.0%

◆ Both sales and operating income down due to lack of strength in market for tabletop stoves

Main Products

[Sales Volume]	YOY Change
Table-top cookers	- 9.5%
Built-in hobs (Stovetops)	+ 0.7%



Table-top cookers



Built-in hobs (stovetops)



Range hoods

- Medium-Term Business Plan
- Trends in Major Countries
- Topics

Good Design Award Received

Two Rinnai offerings (Domino-type Induction Hob and Domino-type Drop-in Hob Series) received prizes in the GOOD DESIGN AWARD 2019



Domino-type Induction Hob



Domino-type Drop-in Hob

- * This year's award-winner is the front-most module.
- * The gas modules at the center and further back were included in the 2017 GOOD DESIGN BEST 100.

Included in the GOOD DESIGN BEST 100 products, which are selected among Good Design Award winners after receiving particularly high evaluation from judges

- Drop-in hob for the Hong Kong and Southeast Asian markets
- Size consistent with domino-style modules in Japan's G:101 series, allowing users to freely combine heat sources according to their cooking styles

Expansion of Major Facilities

◆ Seto Factory: Welfare Building completed



October 2019
Completed Welfare Building,
Seto Factory
(Seto City, Aichi Prefecture)

Three stories above ground
1F: Locker rooms
2F: Cafeteria
3F: Multipurpose space

◆ Rinnai Brazil: New factory building completed

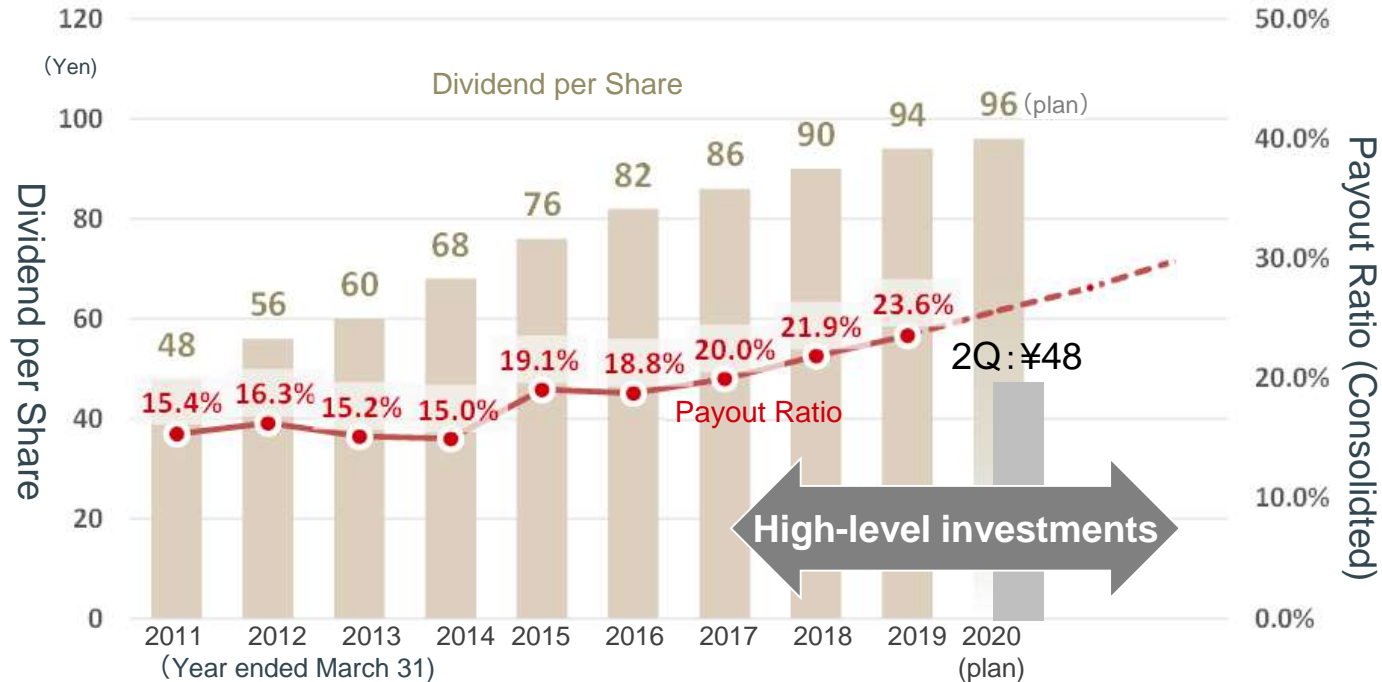


August 2019
Rinnai Brasil Tecnologia de Aquecimento Ltda.
(Rinnai Brazil)
(Head office: Mogi das Cruzes, São Paulo)
New factory building completed

Rinnai Brazil was established in 1975
Main products: Gas water heaters

Total floor space of new factory building: Approx.
4,900m² (resulting in two-fold increase in entire factory's
production space)

Shareholder Return Policy



- Consistent year-on-year dividend increases (interim dividend up for 10th consecutive year)
- 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.