

Business Outlook of Fiscal 2020, ended March 31, 2020

May 8, 2020

Rinnai Corporation

Rinnai

Consolidated Business Outlook for Fiscal 2021

The effects of COVID-19 infections have spread across the Rinnai Group's entire supply chain. It is difficult to predict the degree to which this will impact our business activities and, at the present time, to make reasonable calculations about our business outlook.

For this reason, our consolidated business forecasts for fiscal 2021 ending March 2021 are undecided.

Going forward, we will carefully monitor the impact of COVID-19 on our business activities, and we will disclose our consolidated business forecasts for fiscal 2021 swiftly, as soon as we are able to make proper and reasonable judgments.

Impact of COVID-19 Infections

World

The situation varies greatly from country to country, and it is difficult to predict when the problem will end. The impact on our business performance may increase in the event of the following:

- If we are forced to suppress or suspend production due to national government directives
- If we are forced to significantly restrict or suspend sales due to lockdown, etc.
- If unprecedented unemployment rates and economic impacts lead to a significant decrease in sales

Japan

We assume that some distribution channels will be affected, but sales will remain steady, driven mainly by replacement demand. Nevertheless:

- Emergency declarations have forced us to self-restrain and restrict our sales and construction activities
- We will need to immediately take countermeasures if the impacts are prolonged

Common

We enjoy solid demand because our mainstay products are daily necessities, but the long-term effects of COVID-19 are unclear.

- We will need to maintain strong production and sales systems because we are responsible for the stable supply of our products

- **Medium-Term Business Plan**
- Fiscal 2021 Plan

Numerical Target of Medium-Term Business Plan

《Consolidated》		Medium-Term Business Plan “G - shift 2020”				
[Billions of Yen]		Fiscal 2019 Plan	Fiscal 2019 Actual	Fiscal 2020 Plan	Fiscal 2020 Actual	✕ Fiscal 2021 Initial plan
Net Sales		360.0	348.0	356.0	340.4	372.0
Breakdown	Domestic	180.0	172.5	176.0	173.5	178.5
	Overseas	180.0	175.5	180.0	166.9	193.5
	(Overseas sales ratio)	50.0%	50.4%	50.6%	49.0%	52.0%
Operating Income		36.0	30.8	32.0	34.4	34.0
Operating Margin		10.0%	8.9%	9.0%	10.1%	9.1%

✕Announced on May 2019

Business Strategies for Fiscal 2021 and Beyond

World

Reinforce our overseas strategies, especially in the United States and China (strengthen our system for strategy formulation)

- United States: Increase awareness about our tankless water heaters and step up local production (open new plant)
- China: Increase awareness about the basic functions of our water heaters and expand Internet sales

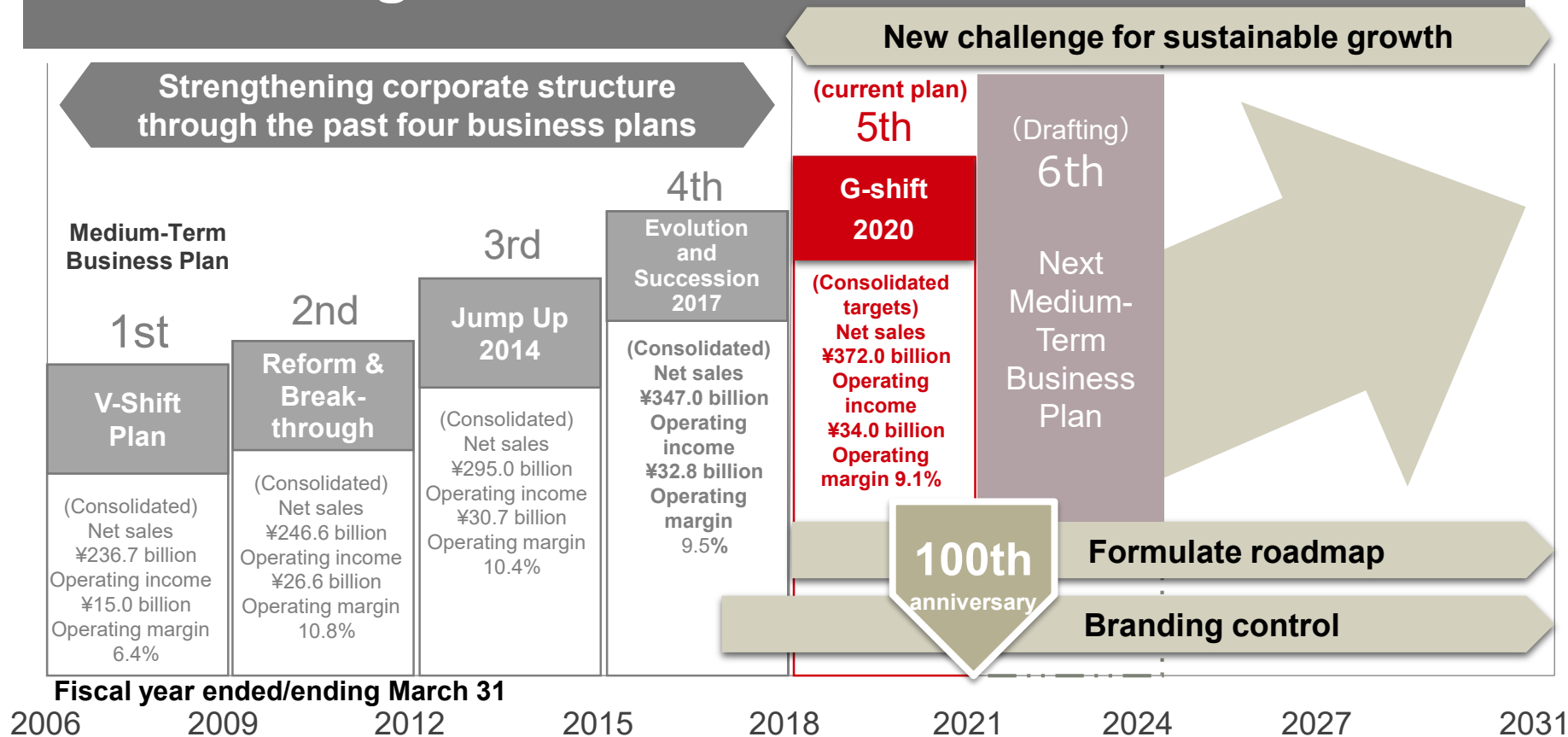
Japan

- Review our domestic sales structure in response to diversification of the energy market
- Promote DX (digital transformation) and strengthen our IoT products

Common

- Rinnai will celebrate its 100th anniversary in September 2020
- Transition to a “new Rinnai” in fiscal 2021
(final year of medium-term business plan, G-shift 2020)

Positioning of Medium-Term Business Plan



Positioning of Medium-Term Business Plan

New challenge for sustainable growth

Strengthening corporate structure

“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

Net sales ¥236.7 billion	¥246.6 billion	Operating margin 10.4%	9.5%
Operating income ¥15.0 billion	Operating income ¥26.6 billion		
Operating margin 6.4%	Operating margin 10.8%		

(current plan)

5th

G-shift
2020

(Consolidated targets)

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

(Under formulation)

6th

Next
Medium-Term
Business Plan

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
- **Fiscal 2021 Plan (Domestic)**

Rinnai (non-consolidated basis), Fiscal 2021 Plan

Impress customers by providing them with Rinnai's unique value
with the theme of “health and lifestyles”

Built-in gas hobs (stovetops)
DELICIA



- Link with dedicated app for automatic cooking and improved convenience
- More diversified cooking options thanks to The Cocotte



High-efficiency gas water heater with
micro bubble bath unit



- Gentle micro bubbles provide a more relaxing bathing experience



Gas clothes dryers
Kanta-kun



- Gas drying thanks to the power of gas
- Enables indoor drying that is unaffected by weather



Built-in Hobs (Stovetops) DELICIA

DELICIA



Retail price: ¥280,000–¥319,000

Launch date: August 1, 2019

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

◆ “The Cocotte” enables a variety of cooking options



The Cocotte

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

Put in stove for water-free cooking and
low-temperature cooking



Vertical cooking

Insert in grill for oven cooking or defrosting

◆ Rinnai’s original cleaning function, “Easy Clean”



An aluminum plate beneath the glass disperses and dissipates heat, reducing temperature increases on the glass surface and protecting against dirt and grime buildup from spills and oil splashes

Micro Bubble Bath Unit (Launched on April 21, 2020)

Micro Bubble Bath Unit



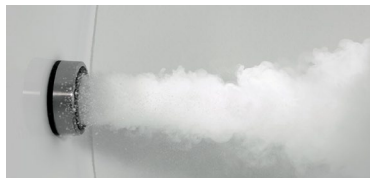
Amazing Experience
Amazing Technology

Retail price: ¥118,000 (Micro Bubble Bath Unit)

Launched on April 21, 2020

*Retail price for bath water heating system with Micro Bubble Bath Unit embedded: ¥450,000–495,000

Compared with conventional systems, micro-bubble systems produce around twice the number of bubbles (2.7 times for nano-sized bubble systems). These bubbles are gentler to the body and provide a more relaxing bathing experience



◆Micro-bubble foam envelopes the body to prolong warmth

The enveloping foam transfers water heat gently to the body, which then stays warm after emerging from the bath

◆Gently removes dirt on the surface of the skin

The tiny micro-bubbles gently remove grime (dirt and dust) from the skin surface

* Not all grime on the body will be removed by using Micro Bubble Bath Unit

◆Flexible installation







The Micro Bubble Bath Unit can be attached to existing bathwater heater, simply by replacing the circulation bracket and remote control



* water heater with bath-filling system with embedded Micro Bubble Bath Unit also included in lineup (only for Model 24 bathwater heaters)

Expanded Lineup of Gas Clothes Dryers

◆ Stronger lineup to meet customer needs

	3kg	5kg	8kg
Residential		 	 <div>Launched January 2019</div>
	For installation in narrow spaces	Standard type Multi-functional deluxe type	Large capacity for use with large-scale washing machines
Commercial		 <div>Model change in March 2020</div>	 <div>Model change in March 2020</div>
		Growing demand among beauty and nursing facilities that use washer/dryers frequently	



はやい
乾太くん

◆ Increasing brand recognition thanks to social media

Our gas clothes dryers, which help reduce housework time and exposure to pollen, have earned a high level of customer satisfaction and wide social media coverage, with unit sales up more than 30% year on year.

G-LINE series of Domino-type Built-in Hobs (Stovetops)



G-LINE a series of “drop-in” modular-type cookers for high-end kitchens. Users can freely combine and configure multiple components according to their lifestyles.



◆ Red Dot Award 2020 Received

Received a Red Dot Award 2020 for its G-LINE series of domino-type built-in hobs (stovetops)



reddot winner 2020

- Medium-Term Business Plan
- **Fiscal 2021 Plan (Overseas)**

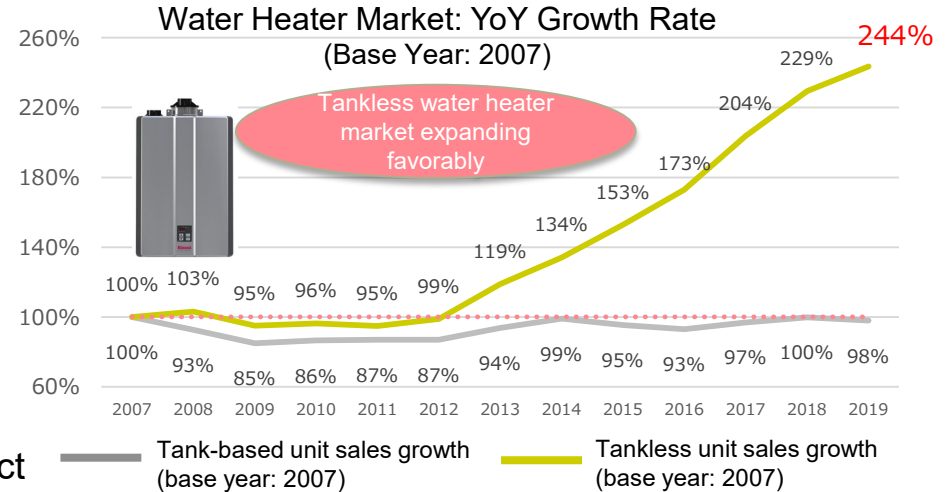
Rinnai America, Fiscal 2021 Plan

● Continued market growth for tankless water heaters

Since 2012, the U.S. market for tankless water heaters has expanded due to economic recovery and stricter environmental regulations, while the market for tank-based water heaters has flattened and peaked out.

● Reinforcing our local development and production systems

- Opened an innovation center to boost local product development (March 2020)
- Started full-scale construction of factory in Griffin, Georgia, that will produce 200,000 water heaters annually (scheduled to open in November 2021)



Griffin Factory (provisional name)

Site area: 237,550m² Floor space: 27,900m² Investment budget: US\$63 million



Shanghai Rinnai, Fiscal 2021 Plan

● Strengthen marketing

Enhance response to rapidly changing markets

- Rebuild product lineup and pricing
- Develop retail spaces that highlight the strengths of our products



- Effectively emphasize the performance strengths of our products (temperature adjustment function, etc.)
- **Differentiate** from competitors, **increase recognition** of brand, **strengthen contact** with customers



Achieve differentiation from competitors and branding penetration

● Increase Internet sales and gas company OEM sales

Internet sales: **Expand lineup** of products

Gas company OEM sales: **Develop sales channels** with local gas companies



Launch models for sale via local Internet site

- Medium-Term Business Plan
- **Fiscal 2021 Plan (Capital Expenditure, and others)**

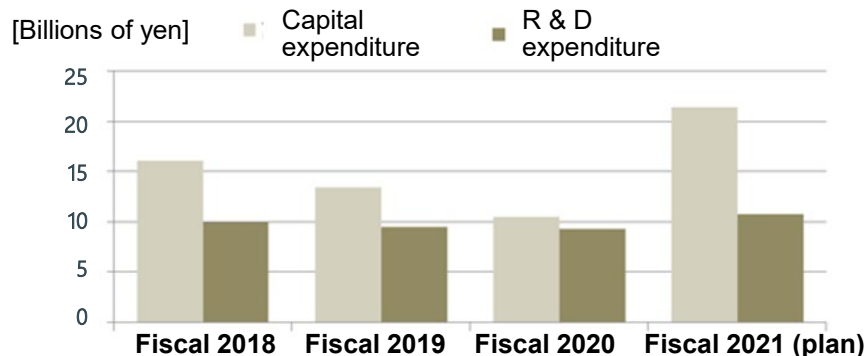
Capital Expenditure Plan

Fiscal 2020 Results and Fiscal 2021 Plan

[Billions of yen]	Fiscal 2020 (Actual)	Fiscal 2021 (Plan)	YOY change
Capital investment	10.5	21.4	10.9
Depreciation	12.1	11.9	-0.2
R&D expenditure	9.3	10.8	1.5

Respond swiftly and flexibly to domestic demand; make active investments overseas (United States, China)

Capital Expenditure and R&D Expenditure



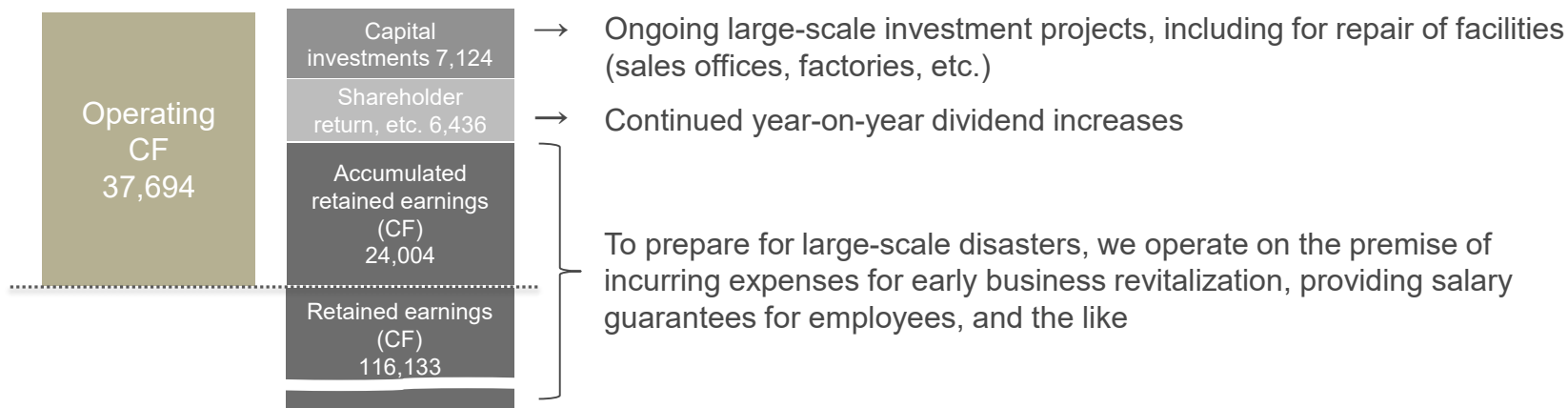
Make year-on-year increases in investments in growth fields

Capital Strategy (Current Status)

Made smooth progress in “building a risk-resistant financial foundation” and “laying the groundwork for growth-oriented investments”

- Strengthening preparations for large-scale disasters against backdrop of stable growth
- Promoting capital investments, including for repair of facilities (sales offices, factories, etc.)

[Millions of yen]



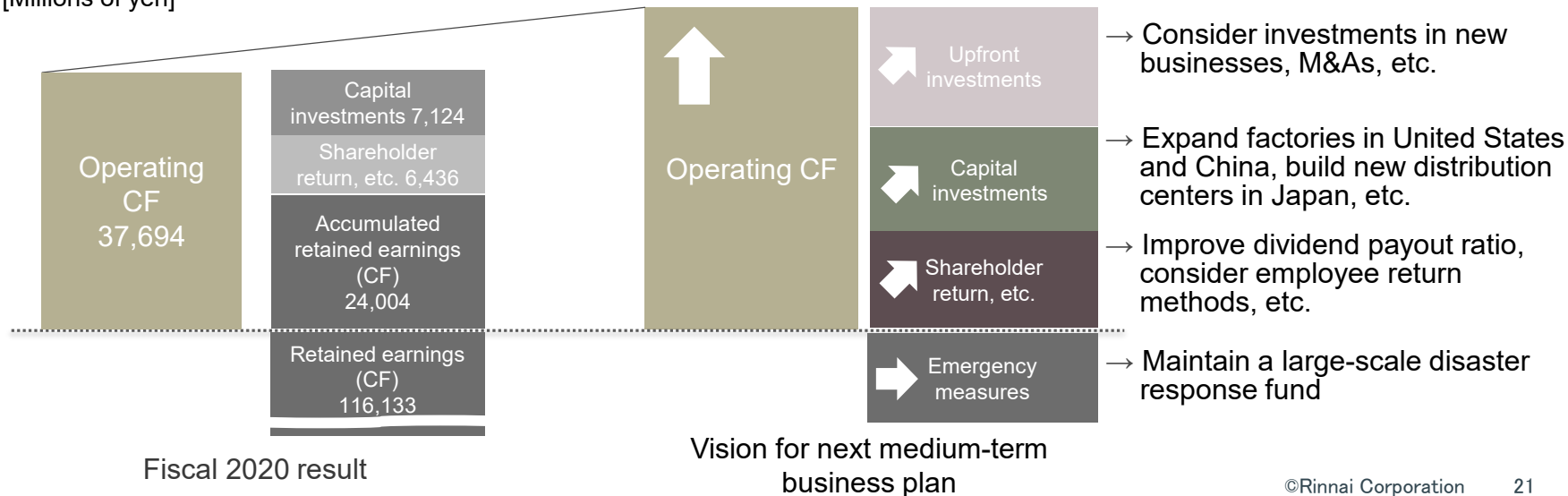
Fiscal 2020 result

Capital Strategy (Next Medium-Term Business Plan)

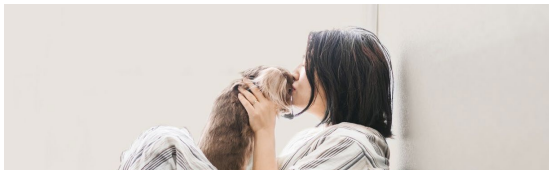
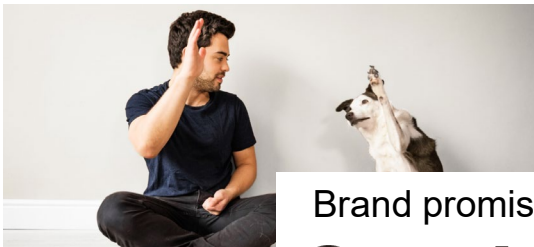
We will reinforce our financial management capabilities to maintain a controlled balance between “planting seeds for the future” and “providing returns to shareholders/employees”

- Establish financial strategy enhancement measures (set new management indicators)
- Expand future-oriented investments (into new businesses, M&As, etc.)

[Millions of yen]

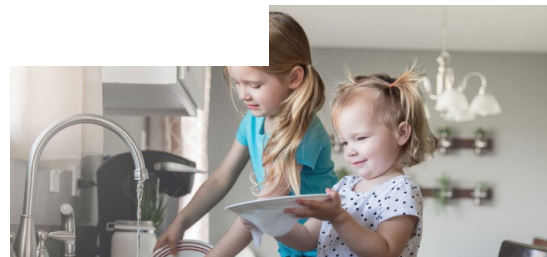
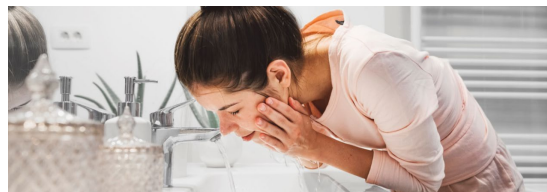


The Next 100 Years



Brand promise (Rinnai's Corporate Mission)

Creating a healthier way of living



We will celebrate the 100th anniversary of our founding in September 2020.
Under our brand promise to customers—"Creating a healthier way of living"—
we will continue working to improve the lives of people around the world.

To this end, we will adopt a new theme, called "health and lifestyles," to complement "heat and lifestyles,"
which embodies our commitment since our founding.

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.