

Financial Results of Fiscal 2020, ended March 31, 2020

May 8, 2020

Rinnai Corporation

Rinnai

Fiscal 2020: Consolidated Performance Overview

Net sales: ¥340.4 billion (down 2.2% year on year, down 4.4% comparing to the target)
Slight decrease in domestic sales; overall sales down due to forex impact in first half, despite overseas recovery in second half

Operating income: ¥34.4 billion (up 11.5% year on year, up 7.6% comparing to the target)
Increase driven significantly by higher domestic income, despite revenue decrease; 1.2-point improvement in operating margin [operating income to net sales ratio: 10.1%]

Ordinary income: ¥35.6 billion (up 7.1% year on year, up 4.9% comparing to the target)
Increase due to higher operating income [ordinary income to net sales ratio: 10.5%]

Net income attributable to owners of the parent company: **¥21.5 billion**
(up 5.3% year on year, up 2.7% comparing to the target)
Up thanks to increase in ordinary income [net income to net sales ratio: 6.3%]

* “Comparing to the target” indicates the comparison to the performance forecast announced on May 9, 2019.

- Improved earnings, especially in Japan, in second year of medium-term business plan “G-shift 2020”
- Achieved final-year target for operating income ahead of schedule, despite not reaching target for net sales

Fiscal 2020 in Review

Japan

Progressive improvement in earnings thanks to original products and cost reductions, despite difficult market environment

- Gas appliance industry: Downward recoil in sales of some products (following demand rush ahead of consumption tax hike); accelerated price competition
- Achieved income growth in excess of sales growth thanks to rigorous cost reduction activities, as well as growth in sales of unique products (centered on gas clothes dryers) and mid-level and high-end built-in hobs (stovetops)
- Spread of COVID-19 infections led to reduction in sales activities (including suspension of exhibitions), but overall downward impact on performance only slight, thanks to solid replacement demand

Overseas

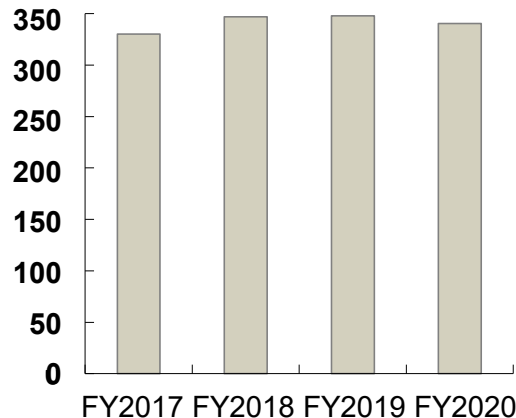
No change in growth trajectory, although some countries and regions leveled off

- United States: Higher sales of tankless water heaters; increase in ratio of high-efficiency models sold
- China: Increase in sales of water heaters (mainly via Internet); entered recovery trend after May
- Difficult market conditions in South Korea and Indonesia; Australian business significantly impacted by local currency depreciation, despite growth of mainstay products and electrical equipment

Fiscal 2020: Consolidated Financial Results

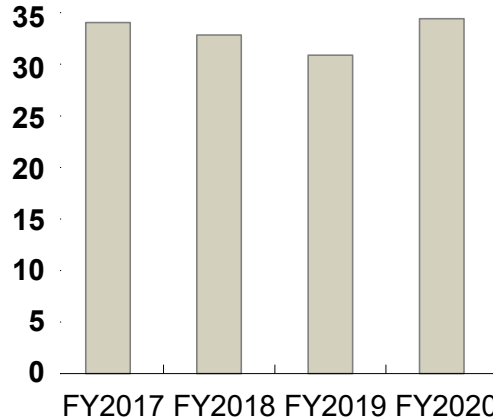
Net Sales

[Billions of Yen]



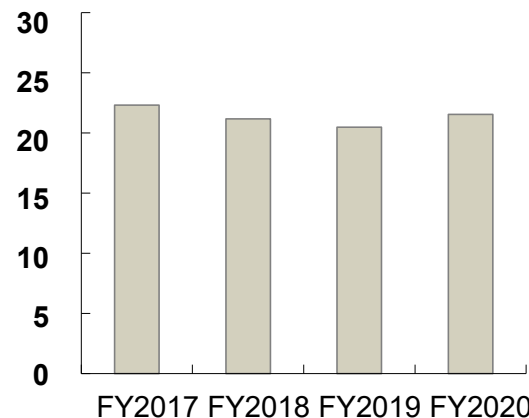
Operating Income

[Billions of Yen]



Attributable to owners of the parent company Net Income

[Billions of Yen]



- Slight year-on-year decrease due to lower overseas sales and FOREX impact, despite posting record-high domestic sales
- Major recovery in domestic income (thanks to cost reductions and the like), compensating for lower earnings overseas

Fiscal 2020: Net Sales by Product

[Billions of yen]	Fiscal 2019		Fiscal 2020		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	202.63	58.2%	196.12	57.6%	-6.50	-3.2%
Kitchen appliances	88.32	25.4%	86.19	25.3%	-2.12	-2.4%
Air conditioning appliances	19.64	5.6%	18.90	5.6%	-0.74	-3.8%
Commercial-use equipment	8.45	2.4%	8.55	2.5%	+0.10	+1.2%
Others	28.97	8.3%	30.68	9.0%	+1.71	+5.9%
Total	348.02	100.0%	340.46	100.0%	-7.56	-2.2%

Fiscal 2020: Consolidated Sales/Income Results

[Billions of yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	340.46	-2.2%	34.42	+11.5%	10.1%	+1.2P



[Billions of yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	207.80	+0.9%	17.35	+18.9%	8.4%	+1.3P
Domestic	101.93	-16.6%	3.24	+18.2%	3.2%	+0.9P
Overseas	171.40	-2.5%	12.24	-10.2%	7.1%	-0.6P
Total	481.15	-4.5%	32.85	+6.0%	6.8%	+0.7P

* Early retirement payments in South Korea had ¥844 million negative impact on operating income (recorded as extraordinary loss at time of consolidation)

Rinnai (non-consolidated basis), Fiscal 2020 Results

Performance

Fiscal 2020 net sales: 207.8 billion (+0.9% YOY)

- Gas clothes dryers and built-in stoves performed well
- Rigorous cost reduction activities contributed to increase in operating income



Built-in hobs
(stovetops)



Gas clothes dryers

[Billions of Yen]				[Sales Volume]	YOY Change
	Fiscal 2019	Fiscal 2020	YOY Change		
Net Sales	206.01	207.80	+0.9%	Water heater with heating systems (including hybrid water heater)	+1.5% (-9.6%)
Operating Income	14.60	17.35	+18.9%	Water heater with bath-filling systems	-2.9%
				Built-in hobs (stovetops)	+0.4%
				Gas clothes dryers (domestic only)	+36.9%

Rinnai (non-consolidated basis)

Overall performance driven by major sales growth for high-end built-in hobs (stovetops) and gas clothes dryers

- Growth in sales of mid-level and high-end built-in hobs (stovetops), despite recoil in sales of some kitchen appliances
- Gas clothes dryers: Unit sales **+36.9% YOY**; sales in value terms **+46.2% YOY** (both domestic)

New product



DELICIA (3V dry cell type)

- Launched in August 2019
- “The Cocotte” enables anhydrous and low-temperature cooking



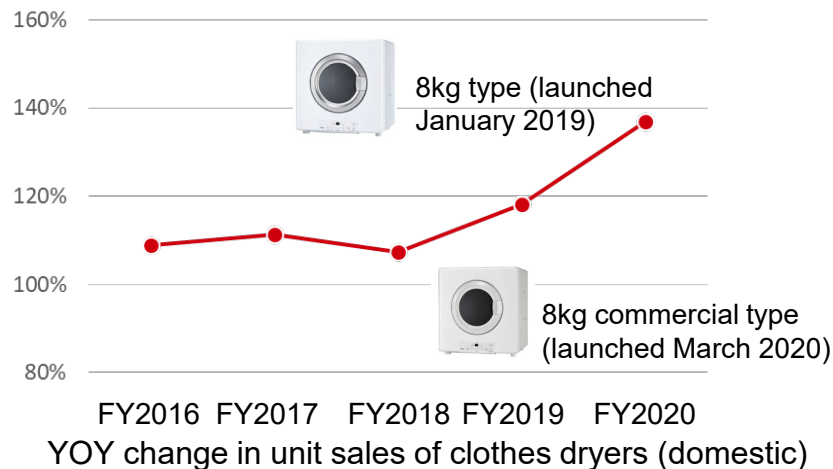
The Cocotte



LISSE



Mytone



Rinnai America, Fiscal 2020 Results

Performance

Established:1974

Record-high

Fiscal 2020 net sales: 33.13 billion (+9.0% YOY)

Major progress, with more than 300,000 water heaters sold

- Growth in unit sales of high-efficiency models (+16.2% YOY)
- Higher sales and cost reductions led to significant increase in operating income (+36.3% YOY)



SENSEI™

SENSEI series,
high-efficiency
tankless water heaters

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change (yen)	YOY Change (local currency)
Net Sales	30.39	33.13	+9.0%	+10.2%
Operating Income	1.49	2.03	+36.3%	+37.8%

[Sales Volume]	YOY Change
Tankless water heaters	+8.5%
High-efficiency models of total	+16.2%

Rinnai America, Fiscal 2020 Results

Greater recognition and increased sales of tankless gas water heaters

- Held “Try Rinnai Tour,” in which seven large vans equipped with tankless water heaters traveled across the nation (April–October 2019)
- Mobilized wholesalers and installers (about 10,000 people) and enhanced recognition of SENSEI series (which can handle multiple installation configurations), leading to significant increase in unit sales



PR campaign featuring large vans equipped with tankless water heaters

Released Japan-made combination boilers (July 2019)

- Deployed Rinnai’s strengths (in fluid control and heat utilization technology) to launch combination boilers with improved water heating performance

Main features:

1. Can heat both home and water simultaneously
2. Meticulous hot water temperature control



Combination boiler (I Series)

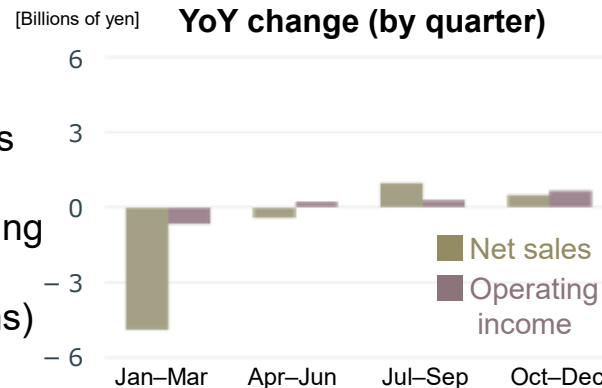
Shanghai Rinnai, Fiscal 2020 Results

Performance

Established: 1993

Business recovering since May 2019 despite year-on-year sales decline in first quarter

- First quarter sales decline due to recoil in special demand for boilers in rural areas (following high demand in previous year)
- Water heater sales increased from May, with full-year sales exceeding previous-year level
- Significant growth in **Internet-based sales (+18% YOY in value terms)**
- Recovery in sales led to upturn in operating income



[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change (yen)	YOY Change (local currency)
Net Sales	47.51	43.62	-8.2%	-3.3%
Operating Income	5.08	5.59	+9.9%	+15.8%

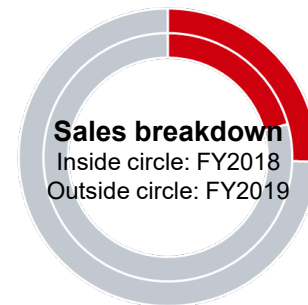
[Sales Volume]	YOY Change
Water heaters	+1.3%
Stoves	-0.6%
Range hoods	+17.5%
Boilers	-23.4%

Shanghai Rinnai, Fiscal 2020 Results

Stepped up Internet sales

Enjoyed growth in Internet-based sales, mainly to local manufacturers, despite sluggish sales at physical stores in Chinese water heater market

Shanghai Rinnai also posted growth in Internet-based sales thanks to stepped-up sales promotion (sales events held on June 18, November 11, etc.), increased brand recognition (having tapped Tier 3 and 4 cities), and word of mouth.

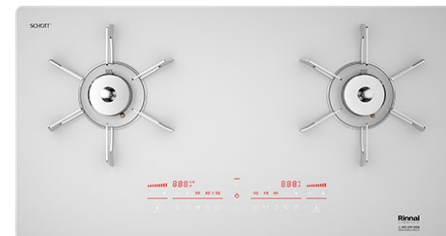


5-point YoY increase in Internet-based sales

Strengthened lineup of high-grade/ultrahigh-grade stoves

Flagship products to enhance brand value

- Equipped with a sensors to improve safety and convenience
 - High-quality gas stove with glass top plate and touch operation
- ⇒ Strengthened PR via TV programs and other media and hands-on experiences using real devices



Ultrahigh-end stoves feature full-touch operation

Rinnai Australia, Fiscal 2020 Results

Performance

Established:1971

Decrease in sales (due to forex impact) and operating income (due to higher purchasing costs), but healthy sales of non-gas products (electric tank-based water heaters and room air conditioners); sales up and operating income down in local-currency terms



Tankless water heaters



Electric tank-based water heaters

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change (yen)	YOY Change (local currency)
Net Sales	25.03	23.76	-5.1%	+3.0%
Operating Income	1.72	0.59	-65.5%	-62.6%

[Sales Volume]	YOY Change
Tankless water heaters	+0.9%
Electric tank-based water heaters	+8.8%
Duct-type air-conditioning and heating systems	+0.2%
Room air conditioners	+59.6%

Other Consolidated Subsidiaries, Fiscal 2020 Results

Rinnai Korea

Performance

Established:1974

Decrease in sales and operating loss incurred due to shrinking market and intensifying competition stemming from economic downturn

* Early retirement payments (totaling ¥844 million) were reported as an operating expense (reported as extraordinary loss in consolidated statements)

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change (yen)	YOY Change (local currency)	[Sales Volume]	YOY Change
					Boilers	- 11.1%
Net Sales	32.80	27.53	-16.1%	-10.4%	Gas stoves	- 21.0%
Operating Income	0.10	-1.38	-	-	IH cooking heaters	- 10.5%

P.T. Rinnai Indonesia

Performance

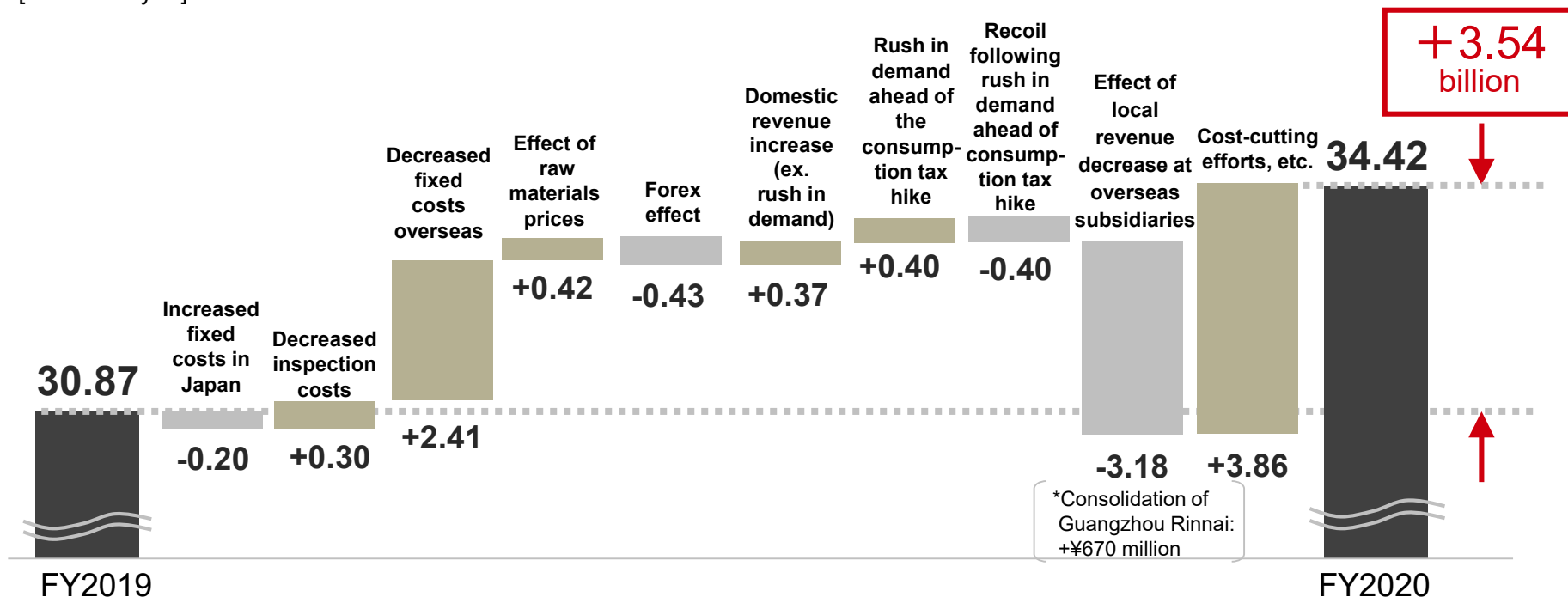
Established:1988

Lack of strength in market for mainstay tabletop stoves led to decreases in sales and operating income, despite recovery in sales of high-priced built-in stoves

[Billions of Yen]	Fiscal 2019	Fiscal 2020	YOY Change (yen)	YOY Change (local currency)	[Sales Volume]	YOY Change
					Table-top cookers	- 17.5%
Net Sales	12.84	11.26	-12.3%	-11.6%	Built-in hobs (Stovetops)	- 0.8%
Operating Income	1.82	1.60	-12.5%	-11.8%		

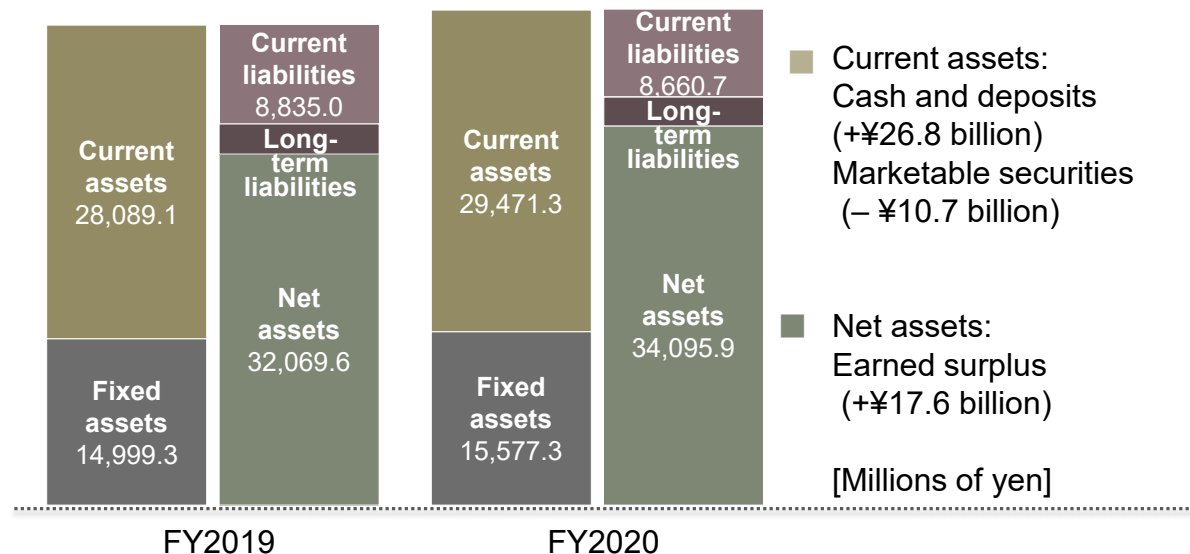
Fiscal 2020: Consolidated Operating Income Analysis

[Billions of yen]



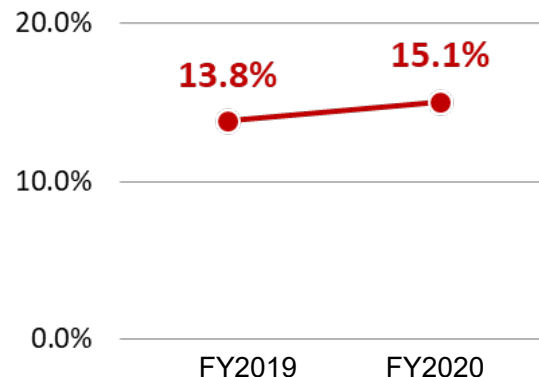
Fiscal 2020: Consolidated Balance Sheets and ROIC

- Current assets up ¥13.8 billion thanks mainly to increase in cash and deposits
- Liabilities down ¥0.6 billion due to a decrease in notes and accounts payable;
net assets up ¥20.2 billion
- Consolidated ROIC: 15.1% (1.2-point YoY improvement)



Consolidated ROIC (return on invested capital)

$ROIC = NOPLAT \div \text{invested capital}$
 * Invested capital is the average of the current term and the previous term



ESG Initiatives

Key CSR Issues (Materiality)

Environmental initiatives

Key issues: Energy consumption and CO₂ emissions

Main target: Help reduce CO₂ emissions when using our products



CO₂ reduction in Fiscal 2020:
2,601,000 tons (+2.4% YoY)



Received “Excellence Award” at the Environment-Friendly Human Resource Company Awards 2019 (sponsored by Ministry of the Environment) for second consecutive year (in recognition of our environmental protection activities, presidential award system, etc.)

Initiatives for safety and security

Key issue: Improvements in consumer safety and product quality

Main target: Preventing occurrence of defects that result in product recalls

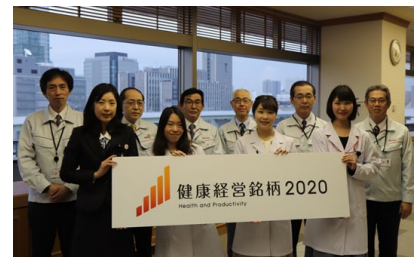


Fiscal 2020 result:
Number of recalls: 0



Included in 2020 Health & Productivity Stock Selection (4th time)

Rinnai was included the 2020 Health & Productivity Stock Selection (sponsored by Ministry of Economy, Trade and Industry and Tokyo Stock Exchange) for the fourth time, in recognition of the Company's efforts to promote the health of employees (three-pronged approach involving health insurance union, employee union, and the Company)



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.