

# Financial Results for First Two Quarters of Fiscal 2021, ending March 31, 2021

November 6, 2020

Rinnai Corporation

**Rinnai**

# Fiscal 2021 (2Q) : Consolidated Performance Overview

**Net sales: ¥ 148.9 billion** (down 7.1% year on year ; vs target: down 0.7 %)

Sales down due to impact of COVID-19 but showing signs of recovery

**Operating income: ¥12.9 billion** (down 2.1 % year on year; vs target: up 12.7%)

[operating income to net sales ratio: 8.7%]

Income greatly affected by decline in sales, but scope of decline down thanks to ongoing cost-cutting activities

**Ordinary income: ¥13.9 billion** (up 0.5 % year on year; vs target: up 16.0 %)

[ordinary income to net sales ratio: 9.3%]

Increased due to decreasing foreign exchange loss despite decrease in operating income

**Net income attributable to owners of the parent company: ¥10.0 billion**

(up 25.5 % year on year; vs target: up 11.4 %) [net income to net sales ratio: 6.7%]

Increase thanks to gain on sales of investment securities (reported as extraordinary income)

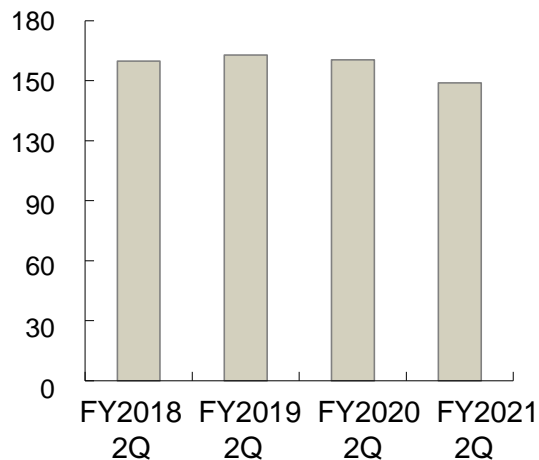
**Record-high level**

- Signs of recovery trend despite difficult social environment in final year of the medium-term business plan, “G-Shift 2020”
- In addition to solid U.S. performance, income in Japan exceeded expectations and ended well above our target.

# Fiscal 2021 (2Q) : Consolidated Financial Results

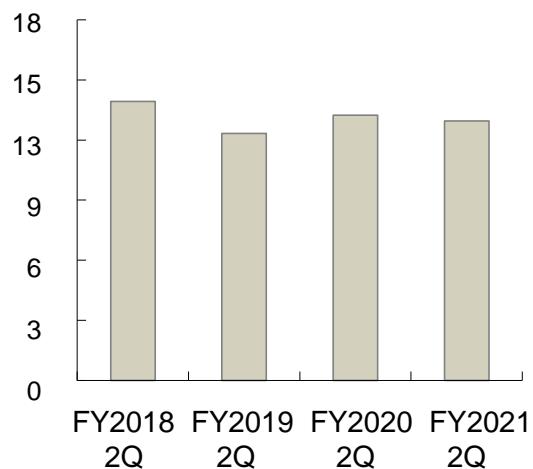
## Net Sales

[Billions of Yen]



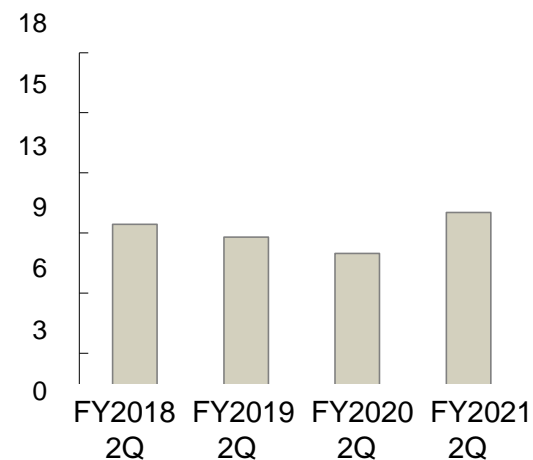
## Operating Income

[Billions of Yen]



## Attributable to owners of the parent company Net Income

[Billions of Yen]



- Record-high net income with clear signs of recovery, especially in terms of profits

# Fiscal 2021 (2Q): Net Sales by Product

[Billions of Yen]	Fiscal 2019 2Q		Fiscal 2020 2Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	90.68	56.6%	82.16	55.2%	-8.51	-9.4%
Kitchen appliances	41.67	26.0%	40.23	27.0%	-1.44	-3.5%
Air conditioning appliances	9.37	5.8%	8.24	5.5%	-1.13	-12.1%
Commercial-use equipment	3.96	2.5%	3.56	2.4%	-0.39	-3.2%
Others	14.65	9.1%	14.73	9.9%	+0.07	+0.5%
Total	160.36	100.0%	148.94	100.0%	-11.41	-7.1%

# Fiscal 2021 (2Q): Consolidated Sales/Income Results

[Billions of Yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	148.94	-7.1%	12.95	-2.1%	8.7%	+0.4P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	92.97	-6.4%	7.50	-4.6%	8.1%	+0.1P
Domestic	45.49	-6.9%	1.11	-3.5%	2.5%	+0.1P
Overseas	73.14	-8.7%	3.86	-2.9%	5.3%	+0.3P
Total	211.62	-7.3%	12.49	-4.0%	5.9%	+0.2P

# Impact of spread of COVID-19

## Japan

### Stay-at-home demand helped sales recover from declines stemming from state of emergency declarations

- Strong results in June and July thanks to return to normal purchasing behavior after lifting of emergency declaration and strong stay-at-home demand
- Solid replacement demand despite the cancellation of many promotional events
- Parts supply and production remain unaffected elsewhere

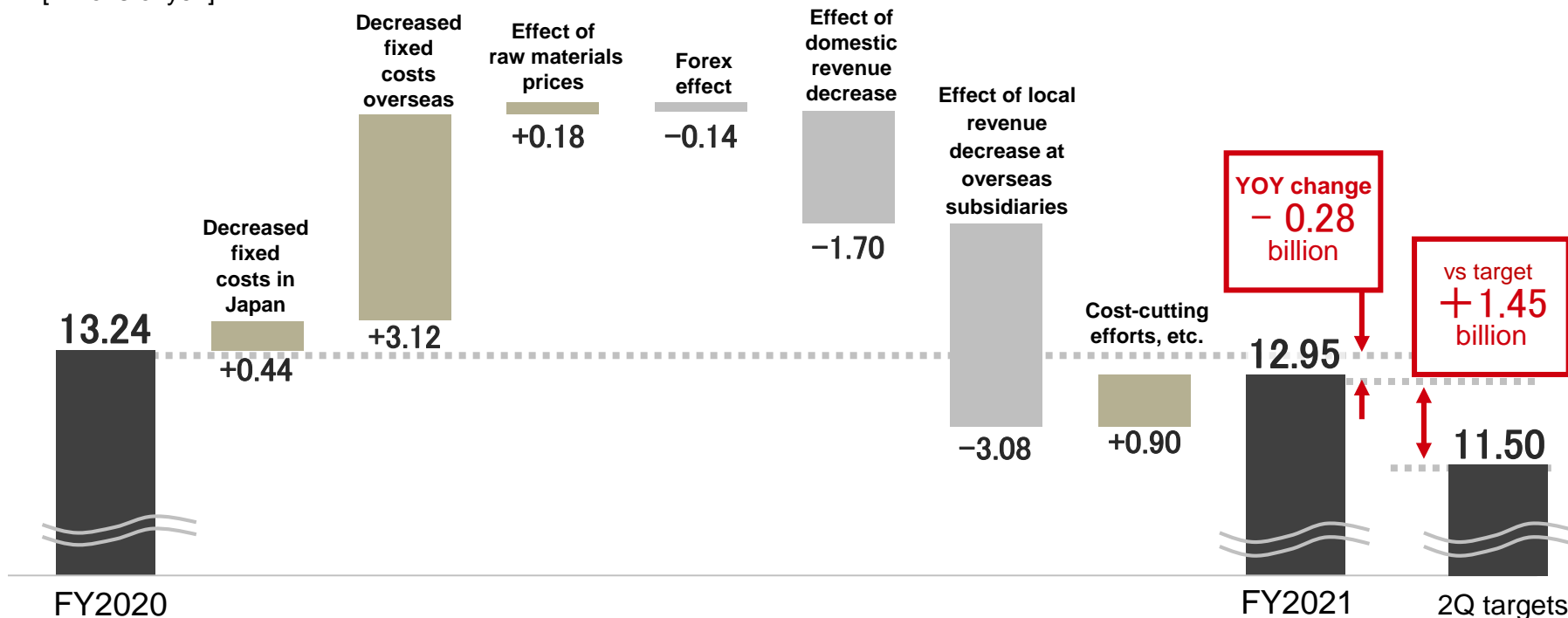
## Overseas

### Demand went down as infections spread, but is recovering thanks to stay-at-home demand

- United States: Sales in northeast recovered in June from earlier declines, with growth boosted by remodeling and replacement demand from stay-at-home households
- China: Recovery trend driven by Internet sales
- Other regions: Temporary decline due to COVID-19 but gradually recovering; higher sales of kitchen appliances thanks partly to subsidies in South Korea and elsewhere

# Fiscal 2021 (2Q): Consolidated Operating Income Analysis

[Billions of yen]



# Rinnai (non-consolidated basis), Fiscal 2021 (2Q) Results

## Performance

Fiscal 2021 (2Q) net sales **¥92.97 billion**

- Decline in sales due to COVID-19 and demand rush in previous year, but boosted slightly by stay-at-home demand
- Continued increases in sales of high-value-added products and cost reductions, resulting in limit income decline
- Sales of gas clothes dryers and dishwasher/dryers remained healthy

[Billions of Yen]	Fiscal 2020 2Q	Fiscal 2021 2Q	YOY Change
Net Sales	99.33	92.97	– 6.4%
Operating Income	7.87	7.50	– 4.6%



Gas clothes dryers



Dishwasher/dryers

[Sales Volume in Japan]

Water heater with heating systems  
(hybrid water heater)

YOY  
Change

– 6.9%  
(– 7.3%)

Water heater with bath-filling systems of total

– 8.7%

Built-in hobs (stovetops)

– 7.0%

Gas clothes dryers

+ 32.7%

Dishwashers

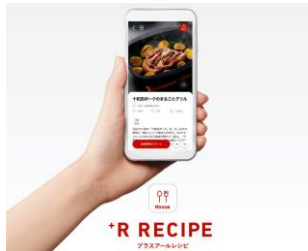
+ 1.8%



# New Way of Life with New Stove

**New DELICIA 100V model launched September 1, and new recipe app (+R RECIPE) launched same day**

- +R RECIPE app (featuring around 500 recipes) supports automatic cooking and reduces housework
- Supports growing demand for home-cooked and contributes to healthy daily living



## Examples of automatic cooking recipes

Rice with sea bream



Anhydrous  
rolled cabbage



Baked sweet potato



Bread



Anhydrous  
keema curry



Chicken salad



Grilled fish



Toast



# Micro Bubble Unit for Daily Bathing: Offering Surprises and Excitement

Benefits of hot bathing\*1,  
washing, moisturizing, relaxing,  
and luxury feeling verified through  
joint research\*2

Amazing Bath Time

\*1 Research by Toho Gas Co., Ltd. and Nihon Fukushi University

\*2 Joint verification studies conducted by Rinnai and Professor Shinya Hayasaka of Tokyo City University

※CM image photo

# Micro Bubble Bath Unit: Received Good Design Prize 2020

Awarded for the design of the micro bubble unit built into the water heater and the improved design of the circulation fitting.



Circulation fitting



# Commercial Gas Clothes Dryers: Upgraded Lineup

► Popular among residential users, our gas clothes dryers are now developed for commercial use.



Commercial electric clothes dryer  
*Kanta-kun*

## Time savings beneficial to business

### Comparison of drying times

*Kanta-kun*

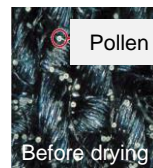
Commercial  
electric  
clothes  
dryer

5kg load: Approx. 130 minutes

5kg load:  
Approx. 52  
minutes

- Gas clothes dryer (*Kanta-kun*): Rinnai testing (Rinnai Corporation)
- Commercial electric clothes dryer: 4.5kg load (60Hz: Approx. 130 minutes; 50Hz: Approx. 150 minutes)

## Benefits of the power of gas



Reduces allergens in pollen

※Allergenic substances: Proteins contained in pollen

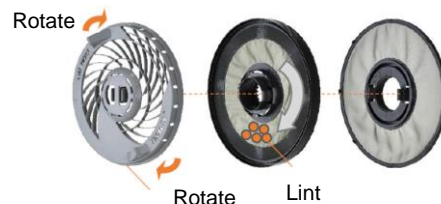


Removes fine hairs from towels

## ► Functions enhanced specifically for commercial users

- Highly durable fan belt delivers **three-fold durability** compared with residential models
- **Self-cleaning filter** reduces cleaning frequency










## Self-cleaning filter



Rotating brushes behind the filter  
collect lint from the filter

# Commercial Gas Clothes Dryers: Upgraded Lineup

► Model with built-in coin-timer can be used in a wider range of industries

		Standard	Large-capacity	Main applications		
Regular type	Released					
		5kg	8kg	* Image photo	* Image photo	* Image photo
Built-in coin timer	Launched October 20					
		6kg	9kg	* Image photo	* Image photo	

# Hybrid water heater with heating system for cold climates

~To be launched in April 2021~

- ▶ Cooling of 2–3rooms, whole-house heating, and hot water supply in one system
- ▶ Optimal combination of electricity and gas reduces heating costs



# Rinnai America, Fiscal 2021 (2Q) Results

Performance

Established:1974

## Fiscal 2021 (2Q) net sales ¥16.95 billion

- Growing demand for tankless water heaters (both high-efficiency and mass-market type)
- Home renovations and subsidized water heater replacements driven by stay-at-home demand



**SENSEI™**  
SENSEI series,  
high-efficiency  
tankless water heaters

[Billions of Yen]	Fiscal 2020 2Q	Fiscal 2021 2Q	YOY Change (yen)	YOY Change (local currency)
Net Sales	15.76	16.95	+7.6%	+9.2%
Operating Income	0.68	0.84	+23.4%	+25.3%

[Sales Volume]	YOY Change
Tankless water heaters	+12.0%
High-efficiency models of total	+7.5%

# Rinnai America, Fiscal 2021 (2Q) Results

## ● Subsidized high-efficiency water heaters and boilers

Subsidy program for the replacement of existing equipment with energy-efficient models started in February 2020. (Subsidized models: Sold January 2018–December 2020)

Subsidies for models with ENERGY STAR rating  
High-efficiency water heaters: US\$300; Boilers: US\$150



All boilers sold by Rinnai America have ENERGY STAR ratings

## ● Limited impact of COVID-19 pandemic

Sales in the northeast were impacted by the pandemic, but the situation calmed down in June and the overall market for tankless water heaters grew more than 11% year on year.



# Shanghai Rinnai, Fiscal 2021 (2Q) Results

Performance

Established: 1993

## Fiscal 2021 (2Q) net sales ¥14.37 billion

- **Market conditions turned around in the second quarter and have since continued recovering steadily**
  - Particularly noticeable recovery in Internet sales compared with sales at physical stores
- **Performance driven by Internet sales, which reduced the margin of declines in sales and income**
  - Internet sales: +98% YoY (Jan–June 2020, cumulative)



Gas water heaters



Boilers



Table-top cookers

[Billions of Yen]	Fiscal 2020 2Q	Fiscal 2021 2Q	YOY Change (yen)	YOY Change (local currency)
Net Sales	18.84	14.37	−23.7%	−19.5%
Operating Income	1.69	0.84	−50.0%	−47.3%

[Sales Volume]	YOY Change
Water heaters	−21.5%
Table-top cookers	−27.1%
Range hoods	+2.5%
Boilers	−24.1%

# Shanghai Rinnai, Fiscal 2021 (2Q) Results

## ● Top rank in water heater category of “618 Sale” (large-scale e-commerce event)

- Achieved top sales ranking for the second consecutive year in the water heater category of “618 Sale,” a major e-commerce event that coincides with China’s “Singles Day” campaign. Our kitchen appliances also benefited from live sales promotions, with growth in sales of high-end stoves with sensors. Achieving the top position has helped increase Rinnai brand recognition, and sales have remained strong since the event.

Products selling well on the Internet  
(Left: Water heaters; Right: Stoves with sensors)



## ● Enhanced brand proliferation and marketing strategies

- We opened an experiential showroom in Chengdu (Sichuan Province), our fifth in China
- We partnered with a major cabinet manufacturer to expand exposure in shopping malls and the like
- We strengthened marketing by emphasizing difference in performance (a Rinnai strength) and streamlining our product lineup

Opening ceremony in Chengdu



## ● Rinnai Shanghai and two other companies held a joint event at the Japanese Consulate in Shanghai (June 16)

- Together with the Hokuren Agricultural Cooperative Association and HARIO Co., Ltd., we held “300th Anniversary Event” at the Japanese Consulate in Shanghai.
- Through this unique three-way collaboration, we showcased Japanese companies and culture.

Collaborative event



# Rinnai Australia, Fiscal 2021 (2Q) Results

Performance

Established:1971

## Fiscal 2021 (2Q) net sales ¥12.06 billion

- Local-currency sales up 5.7% year on year thanks to healthy sales of both tankless and electric tank-based water heaters
- Income down due to higher purchasing costs caused by the weak local currency



Tankless  
water heaters



Electric tank-based  
water heaters

[Billions of Yen]	Fiscal 2020 2Q	Fiscal 2021 2Q	YOY Change (yen)	YOY Change (local currency)
Net Sales	12.36	12.06	-2.4%	+5.7%
Operating Income	0.64	0.44	-30.6%	-24.9%

[Sales Volume]	YOY Change
Tankless water heaters	+9.7%
Electric tank-based water heaters	+7.3%
Duct-type air-conditioning and heating systems	+8.5%
Room heaters	-16.5%

# Other Consolidated Subsidiaries, Fiscal 2021 (2Q) Results

## Rinnai Korea

## Performance

Established:1974

- Despite a recovery in sales of stoves thanks to emergency assistance related to the COVID-19 pandemic, we reported lower sales and an operating loss due to intensified competition for high-efficiency boilers stemming from tighter environmental regulations.

[Billions of Yen]	Fiscal 2020 2Q	Fiscal 2021 2Q	YOY Change (yen)	YOY Change (local currency)	[Sales Volume]	YOY Change
<b>Net Sales</b>	13.51	11.93	-11.7%	-5.4%	<b>Boilers</b>	-13.6%
<b>Operating Income</b>	-1.03	-0.41	-	-	<b>Gas stoves</b>	-0.1%
					<b>IH cooking heaters</b>	+0.4%

## P.T. Rinnai Indonesia

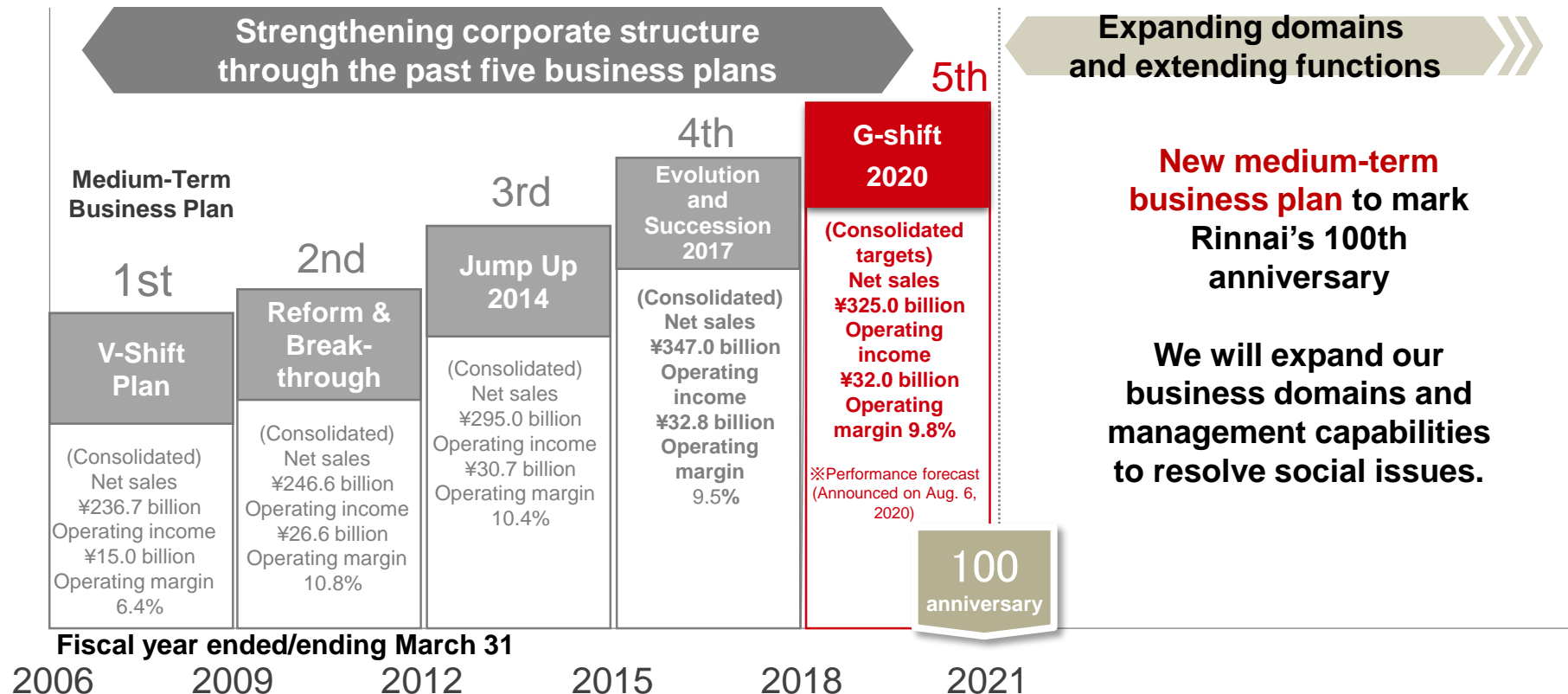
## Performance

Established:1988

- Increase in local-currency sales despite impact of restrictions on economic activities on sales of stoves
- Healthy sales of built-in hobs (stovetops) and range hoods led to a significant increase in income

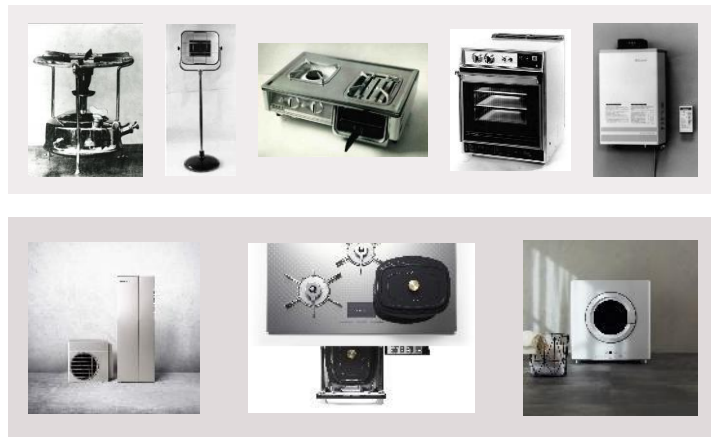
[Billions of Yen]	Fiscal 2020 2Q	Fiscal 2021 2Q	YOY Change (yen)	YOY Change (local currency)	[Sales Volume]	YOY Change
<b>Net Sales</b>	5.06	5.01	-1.0%	+2.6%	<b>Table-top cookers</b>	+1.0%
<b>Operating Income</b>	0.37	0.85	+124.8%	+133.0%	<b>Built-in hobs (Stovetops)</b>	+11.8%

# Positioning of Medium-Term Business Plan



# Business Direction

1920 Rinnai & Co. >>> 2020 **Rinnai**



A century of adapting to changing times and environments by providing the best thermal equipment for each country and region.

Changing environment

World

Increased competition, advances in information technology, climate change, COVID-19 responses

Japan

Market contraction, all-electric home trend, changes in orientation and mindset

## Business direction in the next era

Definition of value provided

Identify social issues that only Rinnai can resolve

Expand business domains

Accelerate overseas expansion:  
“Heat and lifestyles” + “Health and lifestyles”

Make aggressive growth-oriented investments

Upfront investment in the future, and focused investment in intangible assets

Management evolution

Further strengthen earnings structure and optimize resource allocation

Leveraging our cultivated strengths to increase corporate value:  
New medium-term business plan to be announced in May 2021

# ESG Initiatives

## Rinnai Report 2020 (Integrated Report) released



Rinnai Report 2020  
(Integrated Report)

In addition to our existing CSR report, which focuses on the disclosure of non-financial information, we have enhanced our management strategy content with an emphasis on ESG indicators. To this end, we published a new integrated report, called **Rinnai Report 2020**, which introduces the links between ESG and management to a wide range of stakeholders.

## External evaluations of our CSR activities



FTSE4Good



FTSE Blossom  
Japan

Rinnai was selected for inclusion in two leading ESG indexes:  
FTSE4Good Index Series and FTSE Blossom Japan Index



Sompo Sustainability Index

Selected for inclusion in the  
SOMPO Sustainability Index  
for 2020 by SOMPO Asset  
Management Co., Ltd.

# Enhanced Branding

## Logo renewal

**Rinnai**

Image of creating more relaxed, friendly,  
and healthier lives

## Brand Promise formulated

### **Creating a healthier way of living**

Rinnai creates healthy and comfortable lifestyles

Unified product promotion activities to convey the healthy and comfortable lifestyles that Rinnai aims to deliver



Clothes dryer



Micro bubble bath unit

We will accelerate the proliferation of our brand image by conveying a unified world-view message in order to fulfill our Brand Promise and create a global brand image.

We will display brand image advertisements at airports, railway stations, and other transportation facilities to further proliferate the Rinnai brand.



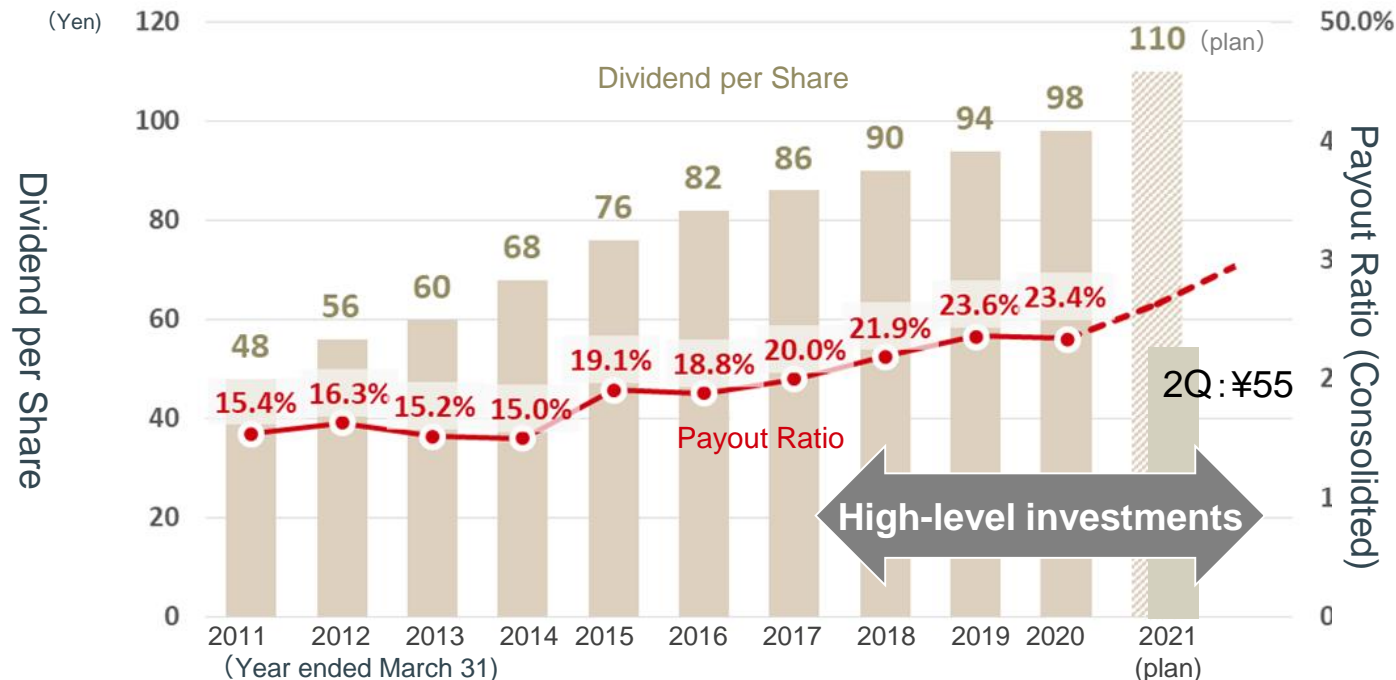
Haneda Airport



Kansai International Airport



# Shareholder Return Policy



- Continued year-on-year dividend increases: We paid an increased interim dividend for the 11th consecutive year plus a ¥5.00 dividend to commemorate the 100th anniversary of our founding.
- We will consider raising the dividend payout ratio after our high-level investments have settled down.

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.