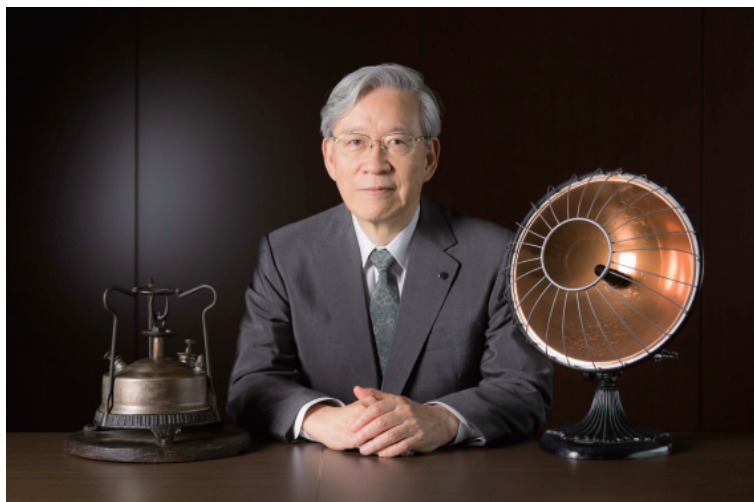




Shareholders' Report Vol. 53 71th Interim Term
(April 1 to September 30, 2020)

Rinnai



With products at the time of incorporation

The current fiscal year is the final year of the Rinnai Group's medium-term business plan, "G-shift 2020," which started in April 2018. Under the plan (with the slogans "heat and lifestyles" and "health and lifestyles"), we are seeking to create unique products and services by incorporating new technologies into our core technologies, in addition to supplying existing offerings.

In two-quarter period under review, we posted a year-on-year decline in net sales due to the impact of COVID-19 on economic activities. During the period, we made relentless Groupwide efforts to cut basic costs while striving to increase sales of high-value-added products. However, these actions failed to compensate for a decrease in gross profit stemming from the fall in net sales, leading to a decline in operating income. More details of our financial performance are given later in this report. The Company declared a regular interim cash dividend of ¥50.00 per share, plus a commemorative dividend of ¥5.00, bringing total interim dividends to ¥55.00 per share.

On September 1, 2020, we celebrated the 100th anniversary of our founding. One hundred years ago, our founders, Hidejiro Naito and Kanekichi Hayashi, introduced a pressurized kerosene gas stove. Since then, we have grown into a corporate group with around ¥350 billion in annual net sales and continued to post steady results since our public listing. We would like to express our sincere gratitude for the support and cooperation of our customers, business partners, and other stakeholders.

As the spread of COVID-19 is changing the nature of society and corporations, Rinnai will continue providing products and services that are needed by people in their daily lives and anticipate changes in the business environment, reflecting our commitment to helping realize comfortable lifestyles for customers and a sustainable society. Everyone at Rinnai will continue working together under our slogan, "Quality is our destiny," keeping in mind that improving our skills and accumulating know-how through our daily work will lead to our success 100 years from now. We look forward to your ongoing support and cooperation.

December 2020



100th Anniv.

Hiroyasu Naito
President

Performance Highlights

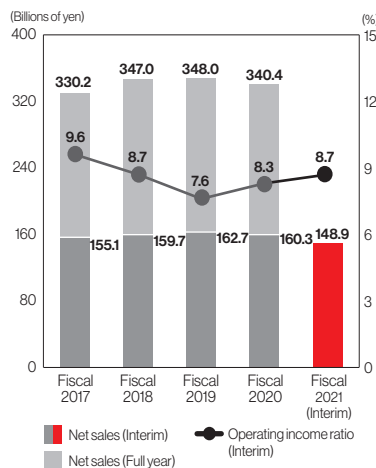
- Net sales **down for the second consecutive year** due to the spread of COVID-19.
- Record-high figure** for net income attributable to owners of the parent company thanks to a gain on sales of investment securities.
- Interim cash dividend of ¥55.00 per share (¥50.00 regular dividend, plus ¥5.00 commemorative dividend), for **11th consecutive year of interim dividend increases**.

Forecast for the Fiscal Year Ending March 31, 2021

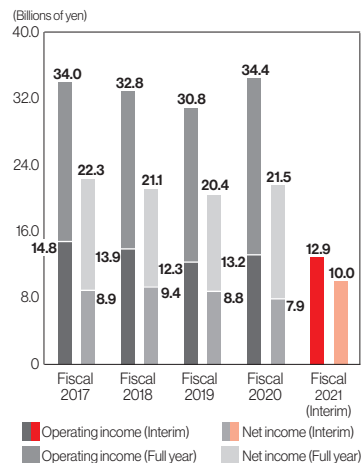
(Announced on August 6, 2020)

Net Sales	¥325 billion
Operating Income	¥32 billion
Ordinary Income	¥33 billion
Net income attributable to owners of the parent company	¥21.5 billion

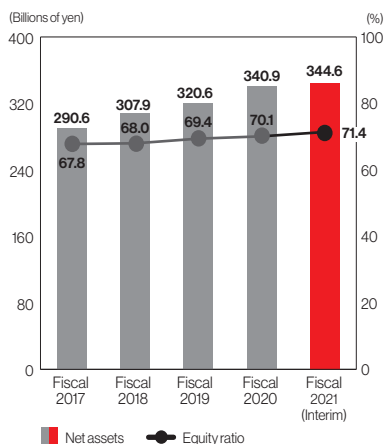
Net sales, operating income ratio



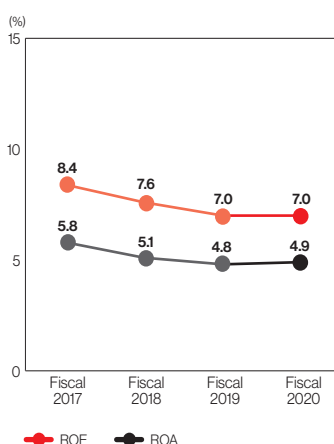
Operating income, net income attributable to owners of the parent company



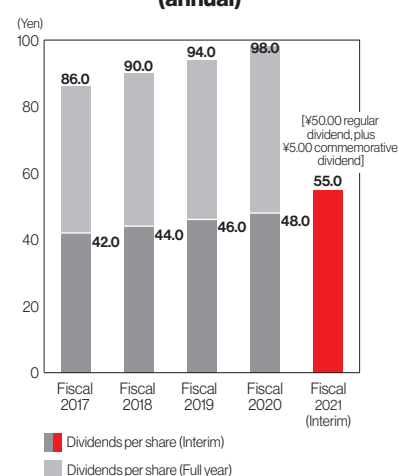
Net assets, equity ratio



ROE, ROA



Dividends per share (annual)





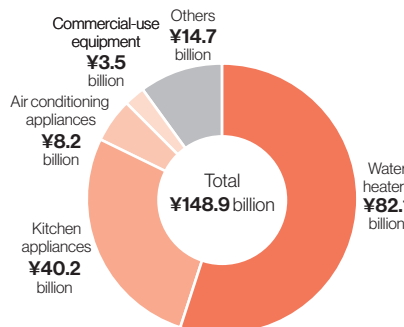
Consolidated Business Results

(First Two Quarters of the Fiscal Year ending March 2021)

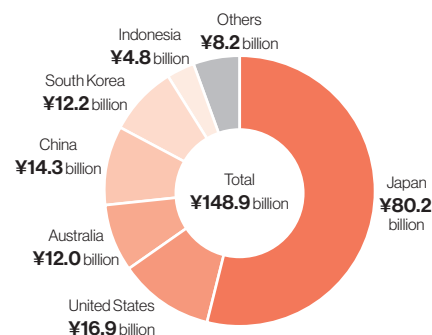
Highlights by Product Segment

- **Sales of water heaters down**, because sales in the United States and Australia were strong, but sales in Japanese and China were **down** **year on year**.

Net sales by product

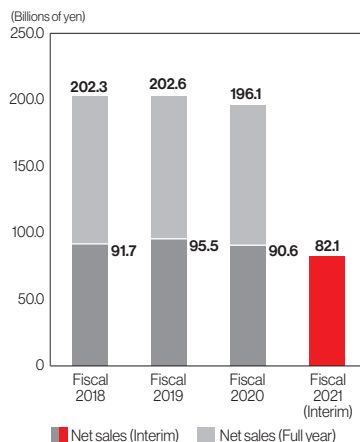


Net sales by region

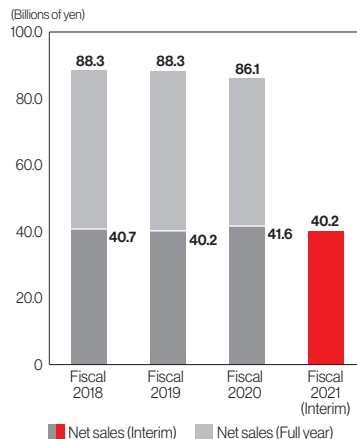


Product segment	Principal products
Water heaters	Tankless water heater with basic functions, bath-filling systems, heating systems, and hybrid water heater with heating systems
Kitchen appliances	Tabletop cookers, built-in hobs (stovetops), ovens, dishwashers, range hoods and rice cookers
Air conditioning appliances	Fan heaters, fanned flue heaters and infrared heaters
Commercial-use equipment	Commercial-use ceramics griller, ranges and rice cookers
Others	Clothes dryers, infrared burners and components

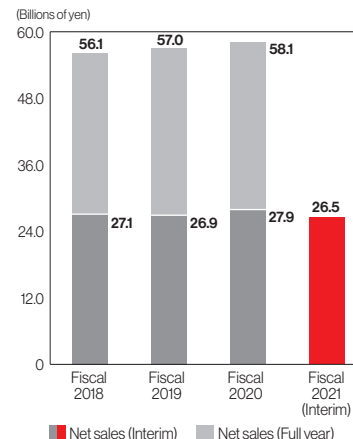
Sales of water heaters



Sales of kitchen appliances



Sales of air conditioning appliances, commercial-use equipment, and others

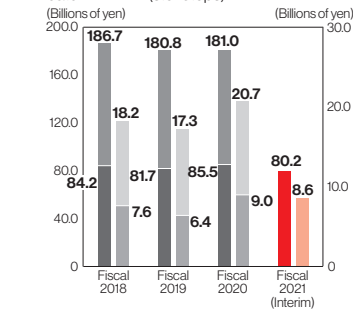


Highlights by Regional Segment

Japan



Eco Jozu highly efficient water heater
Range hood Built-in hobs (stovetops)
Cloth dryers



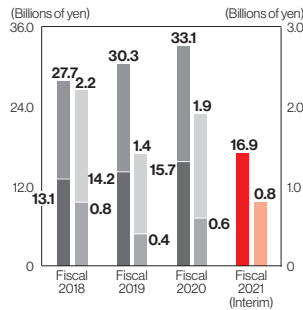
Despite growth in sales of gas clothes dryers and dishwasher/dryers, **sales and income declined** compared with the previous year, when there was a rush in demand ahead of the consumption tax hike.

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

United States



Tankless water heater
Gas fan-forced heater



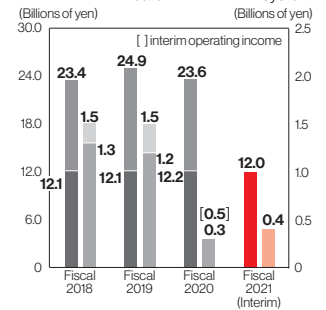
Strong stay-at-home demand stemming from COVID-19 led to steady replacement sales of highly convenient tankless gas water heaters, resulting in **higher sales and income**.

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

Australia



Tankless water heater
Electric tank-based water heater
Duct-type air-conditioning and heating system



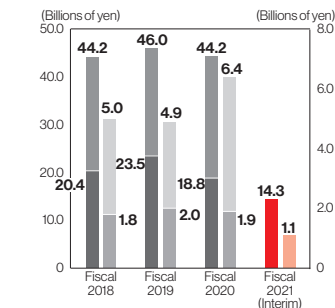
Sales down due to foreign exchange factors despite healthy local-currency sales, and **income down** due to higher purchasing costs stemming from depreciation of the local currency.

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

China



Tankless water heater
Built-in hobs (stovetops)
Range hood



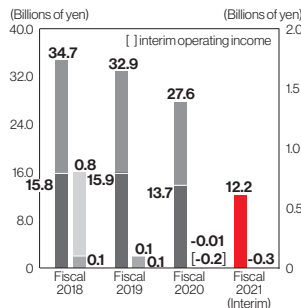
Despite recovery, especially in online sales, following the lifting of economic restrictions related to COVID-19, the major revenue decline at the beginning of the period led to **decreases in sales and income**.

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

South Korea



Tabletop cooker
Gas boiler
Commercial-use steam oven



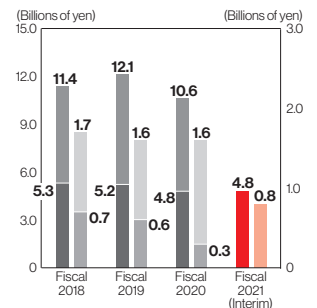
Sales of both gas and electric stoves increased thanks to emergency disaster relief funds from the government to address COVID-19, but intensifying competition in the market for high-efficiency boilers due to stricter environmental regulations led to **lower sales and an operating loss**.

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)

Indonesia



Tabletop cooker
Built-in hobs (stovetops)



Despite healthy local-currency sales, we reported a **sales decline**, but solid demand for high-priced built-in stoves and range hoods led to an **increase in income**.

■ Net sales (Interim) ■ Operating income (Interim)
■ Net sales (Full year) ■ Operating income (Full year)



Rinnai's 100th Anniversary: Flames of Passion Passed Down through the Years



100th Anniv.

Connected in passion
for the next 100 year

“Supporting people’s lives through heat.”

Our two founders, Hidejiro Naito and Kanekichi Hayashi, imitated what they saw and developed their own Rinnai-type kerosene gas stove. The passion driving that challenge was the starting point for our company.

Foundation **September 1, 1920**



Rinnai-type kerosene gas stove

At that time, wood-based charcoal, which is solid, was the dominant fuel used in household kitchen appliances, and kerosene was unknown. Nevertheless, our two founders decided to launch their product, believing that kerosene would eventually replace charcoal.



Rinnai-type kerosene gas stove catalog

Rinnai-type kerosene gas stove (extract from catalog)

- Improved living starts in the kitchen
- Saves fuel, which accounts for the bulk of everyday living expenses
- Structurally different from conventional products
- Improved manufacturing efficiency
- Contribution to society

It seems there was a social need for improved cooking environments even then.



In 1920, the Rinnai-type kerosene gas stove was given utility model registration (under the name of the "Kerosene Gas Cooker") as a revolutionary product that converts kerosene into gas and burns it.



Hidejiro Naito



Kanekichi Hayashi

Development secrets: (1)

The inspiration for development was a blue flame the founders saw in a store.

One day in November 1918, childhood friends Hidejiro Naito and Kanekichi Hayashi, who were working for Nagoya Gas (now Toho Gas), found imported pressurized kerosene stoves with a rare blue flame at an imagawayaki (Japanese-style pancake) shop in Aichi-cho (now Nakamura-ku, Nagoya City). They were so keen to make their own stoves that they convinced the shop owner to give them one. Using the stove as a prototype, they worked relentlessly on development and came up with the Rinnai-type kerosene gas stove.

As times change, so will living cultures and people's lifestyles. Rinnai will continue embracing the challenge of realizing healthy and comfortable lives for people, inheriting the passion of its forebears who crafted its history.

Year 100 **September 1, 2020**

**DELICIA 100V model
(full model change)**



DELICIA

**+R RECIPE
Smartphone recipe app launched**



+R RECIPE
プラスアールレシピ



Free download on App Store and Google Play

Meeting various social needs

- **"The Cocotte" is a versatile pot that can be used both in the griller or on the stove.**
Allows you to enjoy restaurant-level meals at home and add fun to your stay-at-home experience.
- **Easy and convenient automatic cooking function with full array of recipes (around 400).**
Lets the stove control the heating, so nobody can fail. Also helpful for making regular daily meals.



Workshop at time of incorporation
(Hidejiro Naito's home)

Development secrets: (2)

They worked by hand on development, using their home as the workplace.

The Company was incorporated on September 1, 1920 as Rinnai & Co. (Rinnai is a combination and abbreviation of the two founder's surnames). However, there were only a few employees at that time, including the founders, so Hidejiro Naito's home was used as the workshop and sales base for research and trial production. Also, very few tools and equipment were available for making kerosene gas stoves, so they were only able to make one or two units per day, all by hand. Such working conditions would be unimaginable today.

Micro Bubble Bath Unit: Winner of 2020 Good Design Award



Rinnai's Micro Bubble Bus Unit won a 2020 Good Design Award (sponsored by the Japan Institute of Design Promotion). Released in April 2020, the Micro Bubble Bus Unit is a reflection of Rinnai's "health and lifestyles" commitment. Its uses advanced technology to create micro-bubbles (fine bubbles with diameters of about 1–100 μm) to gently remove dirt from the skin surface and maintain body warmth for longer. This year, we received high evaluation for the compact integration of the micro-bubble bath into the main body of the water heater, as well as the improved design of the micro-bubble circulation hardware.

Joint anniversary event held by Rinnai Shanghai and two other entities at the Japanese Consulate in Shanghai



In June 2020, Rinnai Shanghai and two other entities held a joint anniversary event at the Japanese Consulate in Shanghai. The three-way event was organized by the Hokuren Agricultural Cooperative Association (celebrating its 101st anniversary), HARIO Co., Ltd. (99th anniversary), and Rinnai (100th anniversary), making it a "300th anniversary event." At the event, we engaged in several collaborative projects, including cooking yumepirika (refined rice from Hokkaido) in a pot made by HARIO using a Rinnai stove.

Water heaters and other products donated by Rinnai Brazil to local communities where COVID-19 is spreading



As COVID-19 infections continue to spread around the world, in May 2020 Rinnai Brazil donated two Rinnai water heaters to the University Hospital of Campo Grande, where COVID-19 patients in Campo Grande (state of Mato Grosso do Sul in the nation's central west) are hospitalized. We also worked with a major LP gas company to install LP gas water heaters in temporary showers and changing rooms made using shipping containers. In addition, in June we donated 80 sets of food items to the needy, support groups for people living on the streets, orphanages, and elder care facilities.

**Consolidated Balance Sheets** (Millions of yen)

Current Term (As of September 30, 2020)

Previous Term (As of March 31, 2020)

	Current Term	Previous Term
Assets		
Current assets	295,567	294,713
Fixed assets	152,183	155,773
Property, plant and equipment	84,325	84,633
Intangible fixed assets	3,190	3,480
Investments and advances	64,667	67,659
Total assets	447,751	450,486
Liabilities		
Current liabilities	80,561	86,607
Long-term liabilities	22,527	22,919
Total liabilities	103,088	109,527
NET ASSETS:		
Shareholders' equity:	314,501	307,153
Common stock	6,459	6,459
Capital surplus	8,648	8,756
Earned surplus	301,267	293,807
Treasury stock	(1,873)	(1,870)
Other comprehensive income:	5,120	8,461
Minority interests	25,040	25,343
Total net assets	344,662	340,959
Total liabilities and net assets	447,751	450,486

Consolidated Statements of Income (Millions of yen)

Current Term (From April 1, 2020, to September 30, 2020)

Previous Term (From April 1, 2019, to September 30, 2019)

	Current Term	Previous Term
Net sales	148,945	160,361
Cost of sales	100,568	108,508
Gross profit	48,377	51,853
Selling, general and administrative expenses	35,419	38,613
Operating income	12,957	13,240
Other income	1,124	1,188
Other expenses	161	578
Ordinary income	13,920	13,849
Extraordinary income	1,445	–
Extraordinary loss	–	712
Income before income taxes	15,365	13,137
Income taxes	4,107	3,835
Net income	11,258	9,301
Net income attributable to non-controlling interests	1,228	1,310
Net income attributable to owners of the parent company	10,029	7,990

Consolidated Statements of Cash Flows (Millions of yen)

Current Term (From April 1, 2020, to September 30, 2020)

Previous Term (From April 1, 2019, to September 30, 2019)

	Current Term	Previous Term
Cash flows provided by operating activities	12,948	8,586
Cash flows provided by investing activities	(4,498)	4,827
Cash flows provided by financing activities	(3,936)	(3,460)
Cash and cash equivalents at end of term	143,550	125,725

Directory (As of September 30, 2020)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,459,746,974
Head office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802 TEL: +81-52-361-8211
Number of employees	10,422 (Consolidated) 3,697 (Nonconsolidated)

Domestic Network (As of September 30, 2020)

Factories and related centers Technology Development Center, Production Technology Center, Integrated Logistics Center, East Japan Logistics Center, Parts Center, Oguchi Factory, Seto Factory, Akatsuki Factory

Branches Tohoku, Kanto, Chubu, Kansai, Kyushu

Domestic sales offices Hokkaido, Kita-Tohoku, Sendai, Niigata, Tokyo, Kita-Kanto, Higashi-Kanto, Minami-Kanto, Tokai, Shizuoka, Hokuriku, Nagano, Osaka, Keiji, Hyogo, Chugoku, Shikoku, Fukuoka

Domestic satellite offices (90 offices)

Other domestic offices 11 Training Centers, Customer Center

Corporate Officers (As of September 30, 2020)

Chairman	Kenji Hayashi	Managing Executive Officers	Kinji Mori	Standing Audit & Supervisory Board Members	Haruhiko Ishikawa
President and Executive Officer	Hiroyasu Naito	Executive Officers	Hideyuki Shiraki		Katsuhiko Shinji
Director and Executive Vice President	Tsunenori Narita		Chuji Nakashima	Audit & Supervisory Board Members	Masaaki Matsuoka
Director and Senior Managing Executive Officers	Masao Kosugi		Hirohisa Ooi		Ippei Watanabe
	Yuji Kondo		Terumasa Kaneko		
Directors	Nobuyuki Matsui		Kazuhiko Matsumoto		
	Takashi Kamio		Masanori Shimizu		
			Kazuto Inoue		
			Kenichi Ebata		
			Katsunori Tanioka		
			Takuya Ogawa		
			Hiroyuki Hoyano		
			Fuminobu Ishikawa		
			Kenji Endo		

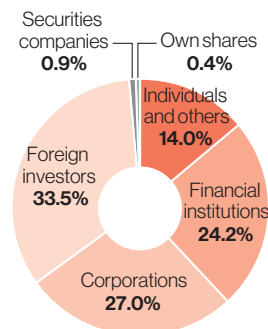
Notes: 1. Nobuyuki Matsui and Takashi Kamio (Directors) serve as an outside director.
2. Masaaki Matsuoka and Ippei Watanabe (Audit & Supervisory Board Members) serve as an outside auditor.

Share Composition (As of September 30, 2020)

Number of shares

Authorized:	200,000,000
Outstanding:	51,616,463 (Including treasury stock)
Number of shareholders:	3,744

Composition of shareholders



Rinnai Group (As of September 30, 2020)

14 Domestic Subsidiaries

Manufacture and Sale of Products

- Yanagisawa Manufacturing Co., Ltd.
- Rinnai Technica Co., Ltd.
- Gastar Co., Ltd.

Sale of Products

- Rinnai Net Co., Ltd.

Manufacture and Sale of Components

- RB Controls Co., Ltd.
- Rinnai Precision Co., Ltd.
- RT Engineering Co., Ltd.
- Japan Ceramics Co., Ltd.
- Noto Tech Co., Ltd.
- Techno Parts Co., Ltd.

Other Business

- Rinnai Enterprises
- Other three companies

34 Overseas Subsidiaries and Affiliates

Holding Company/Sale of Products

- Rinnai Holdings (Pacific) Pte Ltd.

Manufacture and Sale of Products

- Rinnai America Corporation
- Rinnai Australia Pty., Ltd.
- Shanghai Rinnai Co., Ltd.
- Rinnai Korea Corporation
- P.T. Rinnai Indonesia
- Rinnai New Zealand Ltd.
- Rinnai Taiwan Corporation
- Rinnai (Thailand) Co., Ltd.
- Rinnai Viet Nam Co., Ltd.
- Rinnai Brasil Heating Technology Ltd.
- Rinnai Manufacturing Malaysia Sdn. Bhd.

Sale of Products

- Rinnai Italia S.r.l.
- Rinnai Hong Kong Ltd.
- Rinnai Canada Holdings Ltd.

- Shanghai Rinnai Thermo Energy Engineering Co., Ltd.
- Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.
- Rinnai Plus Corp.
- Rinnai (Malaysia) Sdn. Bhd.
- Rinnai UK Ltd.
- Rinnai Trading B.V.
- Central Heating New Zealand Ltd.
- Hainan Rinnai Minsheng Kitchen Appliances Sales Co., Ltd.

Manufacture and Sale of Components

- RB Korea Ltd.
- Shanghai RB Controls Co., Ltd.
- RS Korea Ltd.
- Mikuni RK Corporation

Other Business

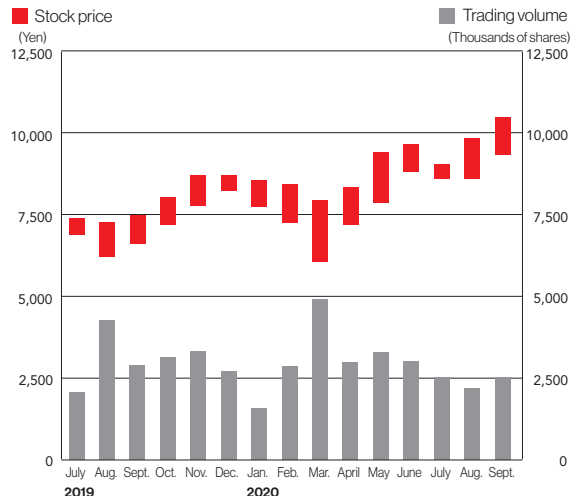
- Gas Appliance Services Pty., Ltd.
- Other six companies

- Consolidated subsidiary ● Nonconsolidated subsidiary
- Affiliated company (equity method applied) ■ Affiliated company (equity method not applied)

Major Shareholders (As of September 30, 2020)

Name	Shares held (Thousands)
Naito Co., Ltd.	6,215
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,638
Yoshikane Shoji Co., Ltd.	3,002
Kenji Hayashi	2,454
Custody Bank of Japan, Ltd. (Trust Account)	2,304
MISAKI ENGAGEMENT MASTER FUND	1,287
BNY MAS AGT/CLTS 10 PERCENT	1,080
Custody Bank of Japan, Ltd. (Trust Account 9)	945
Custody Bank of Japan, Ltd. (Trust Account 5)	801
Tokyo Gas Company, Limited	784

Stock Price Range





Financial year

From April 1 to March 31

Annual meeting of shareholders

Every June

Dates of record

Annual meeting of shareholders,

year-end dividend: March 31

Interim dividend: September 30

Minimum trading unit

100 shares

Public notice

Public notices by the Company will be announced online.

<https://www.rinnai.co.jp/>

However, if due to accident or some other unavoidable reason that prevents the Company from completing an online announcement should arise, a public notice will be made by posting in the *Nihon Keizai Shimbun*.

Transfer agent

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005

Special account administrator

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005

Mailing and contact

Sumitomo Mitsui Trust Bank, Limited

Stock Transfer Agency Department

8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063

(Telephone)

Freedial 0120-782-031(9:00 am-17:00 pm on weekdays)

Transfer administration offices:

Sumitomo Mitsui Trust Bank, Limited

Head office, and branches throughout Japan

Stock Listings:

Tokyo Stock Exchange, First Section

Nagoya Stock Exchange, First Section

Inquiries Pertaining to Share-Related Procedures

1. Non-Payment of Dividends

Please contact the transfer agent (Sumitomo Mitsui Trust Bank, Limited; contact details above).

2. Change of address, purchases (or increases in purchases) of fractional shares, designation of dividend payment method, etc.

(1) Shareholders with account at a securities company

Please contact the securities company handling your account.

(2) Shareholders with a special account opened due to absence of account at a securities company

Please contact Sumitomo Mitsui Trust Bank, Limited