

リンナイ株式会社

自己株式取得の株主提案

提案内容：500億円、発行済株式総数の約10%の自己株式取得の実施

2023年5月

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優良事業

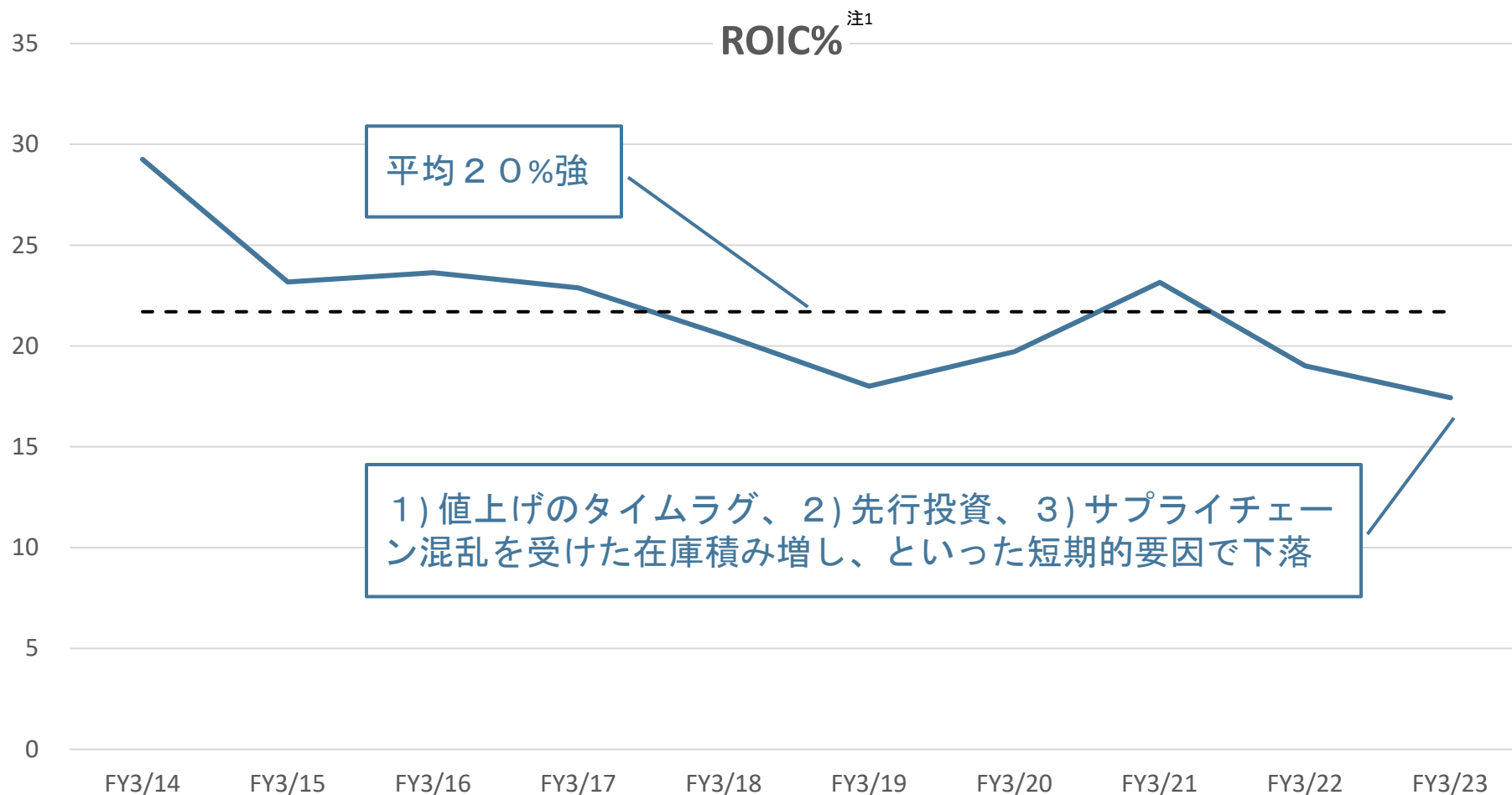
安定事業

- 売上の8割は更新需要
- 安全面での規制による高い参入障壁
- 主要製品群・地域での高いシェア
- 連単ともに創業以来黒字

成長事業

- エネルギー効率・利便性を軸に世界的な成長を計画
- 国内でも製品の高付加価値化が今後功奏の見込み

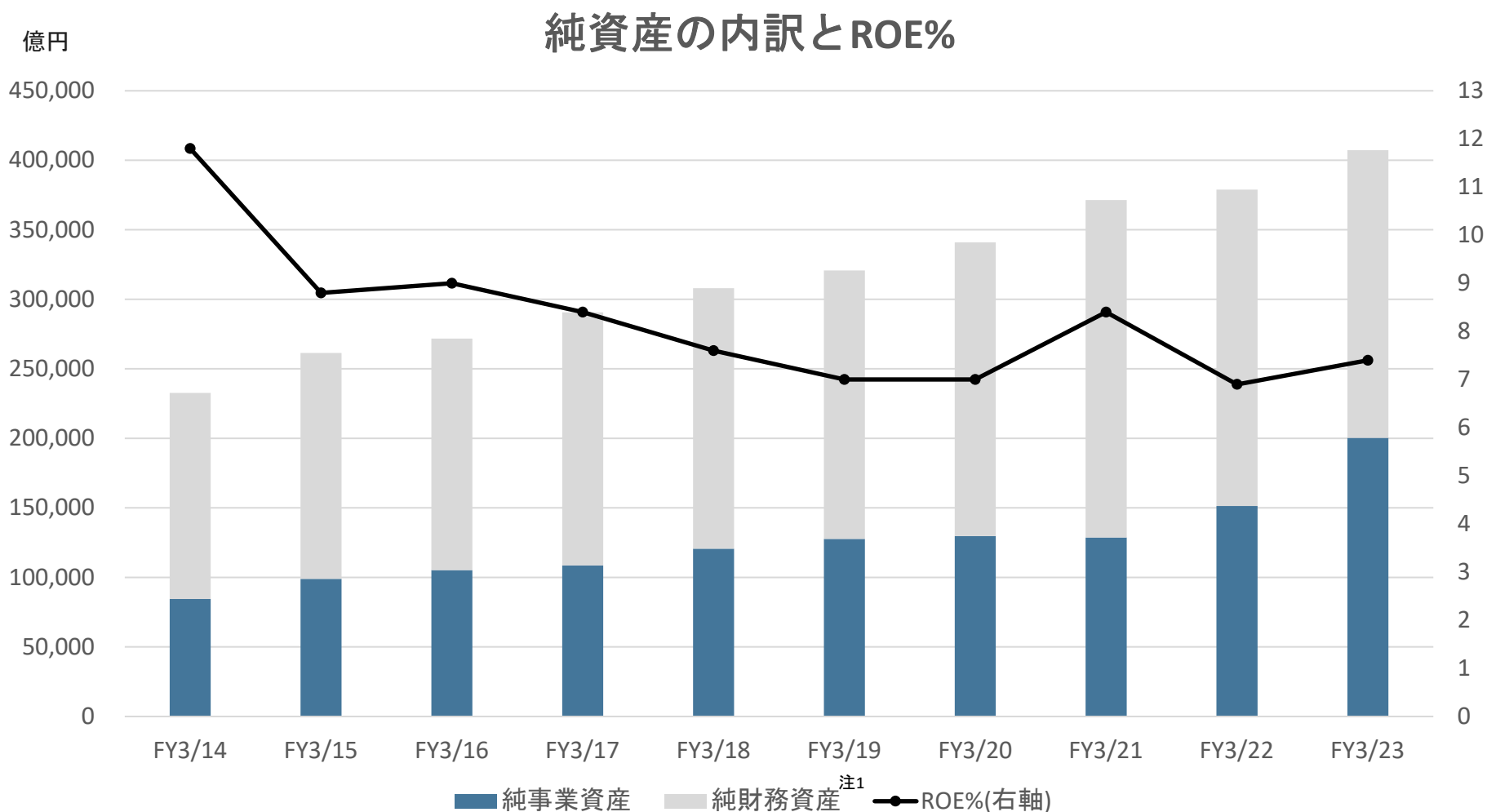
高い現金創出力



出所：有価証券報告書、ブルームバーグ

注記1) 会社発表値との差の主因は、1) 投下資本（純事業資産）の計算で使用する負債額を算定する上で、会社が買掛金のみしか考慮していないのに対し、弊社はその他の流動負債・固定負債も考慮している事、及び、2) NOPATの計算で使用する税率に、会社が法定実効税率を使用しているのに対し、弊社は実効税率を使用している事。

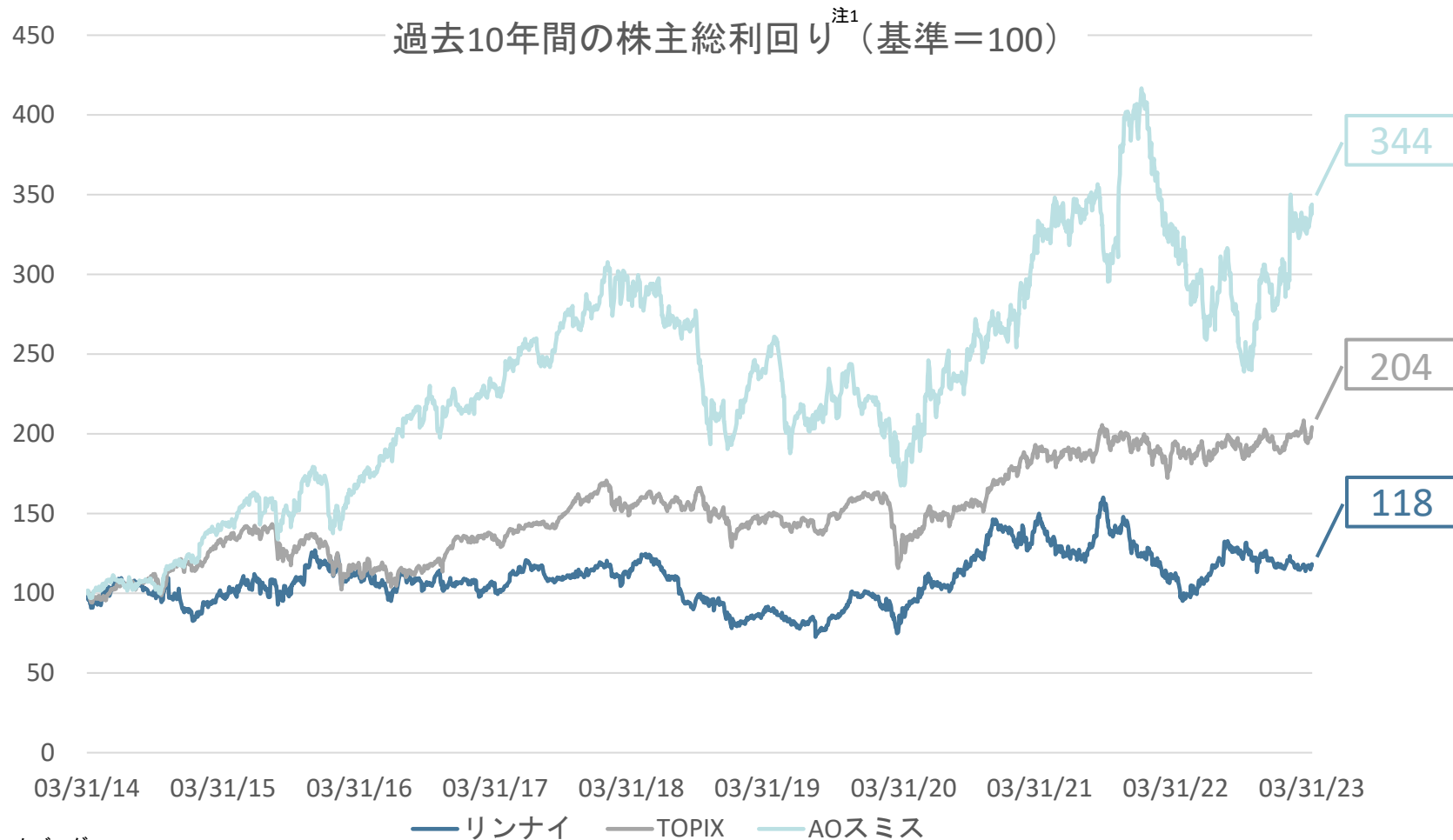
不稼働の金融資産の蓄積によりROEは低迷



出所：有価証券報告書、ブルームバーグ

注記1) 純財務資産は、現金・有価証券・投資有価証券（持分法投資除く）の合計から、有利子負債を減算して算出。

TSR（株主総利回り）は競合やTOPIXに大きく劣後



出所：ブルームバーグ

注記1) 株式投資により得られた収益（配当とキャピタルゲイン）を投資額（株価）で割った比率。

現状の株価水準は割安

	PBR ^{*1}	ROE% ^{*2}	EV/EBITDA ^{*1}	ROIC% ^{*2}
リンナイ	1.3x	8.2	4.9x	21.7
AOスミス	5.8x	19.7	13.3x	26.6

出所：有価証券報告書、AOスミス年次報告書、ブルームバーグ

注記1) 2023年3月31日時点

注記2) 直近10年平均

事業面での機会損失を生む事なく資本効率改善が可能

潤沢な 財務資産

- 21年5月発表の中計では、現純資産の約過半に匹敵する1,800億円を必要現金水準としているが、月商3カ月分の厚い運転資金に加え、地震保険にも加入せず天災発生への備え700億円を積む前提となっており、極めて過大
- 安定事業の為、成長投資の為の資金は将来キャッシュフローで調達可能
- 無借金の為、必要に応じて借入れ可能

資本政策の 抜本的な見直し が必要

- 直近にROE目標8%を発表したが、8%は当社の過去10年平均を下回る水準である上、そもそも約20%のROICを稼ぐ当社にとって、目標と呼べる水準ではない
- 直近に発行済株式数の2.7%を取得する為の自己株買い（100億円）を発表したが、24/3期の会社計画ROEが7.6%である事から、2.7%の自己株買いでは現時点で目標としているROE8%すら未達の見込み

Rinnai Corporation

Shareholder Proposal for Share Buyback

Proposal Detail: Share Buyback of JPY 50 Billion, or Approximately 10% of
Outstanding Shares

MAY 2023

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Good Business

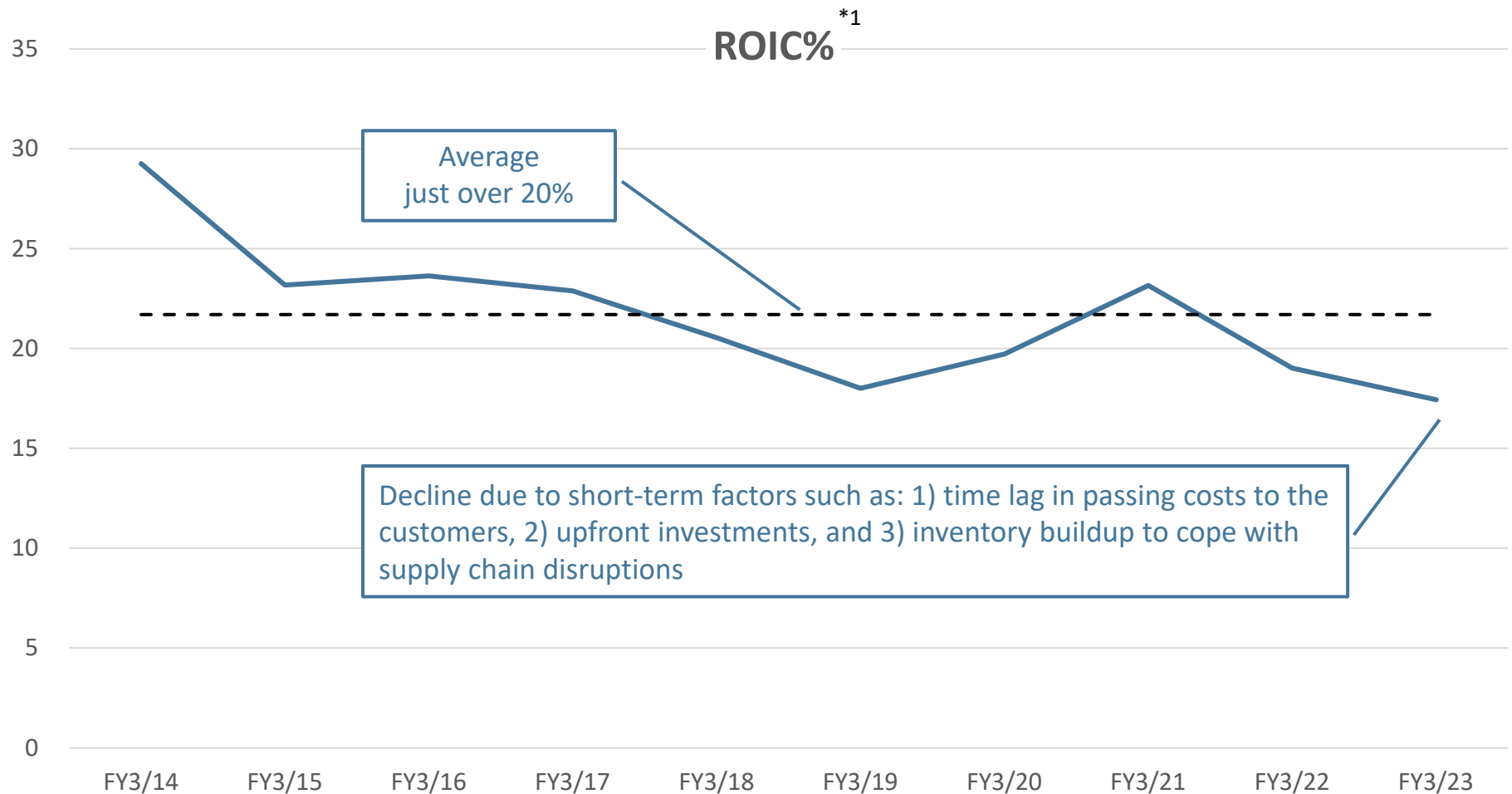
STABLE

- 80% of sales generated from renewal demand
- High barriers to entry due to safety regulations
- High market share in major product groups and regions
- Never recorded a loss on both a consolidated and a stand-alone basis since its foundation

GROWING

- Global growth planned with energy efficiency and convenience as drivers
- High value-added products are expected to contribute to the growth in the domestic market as well

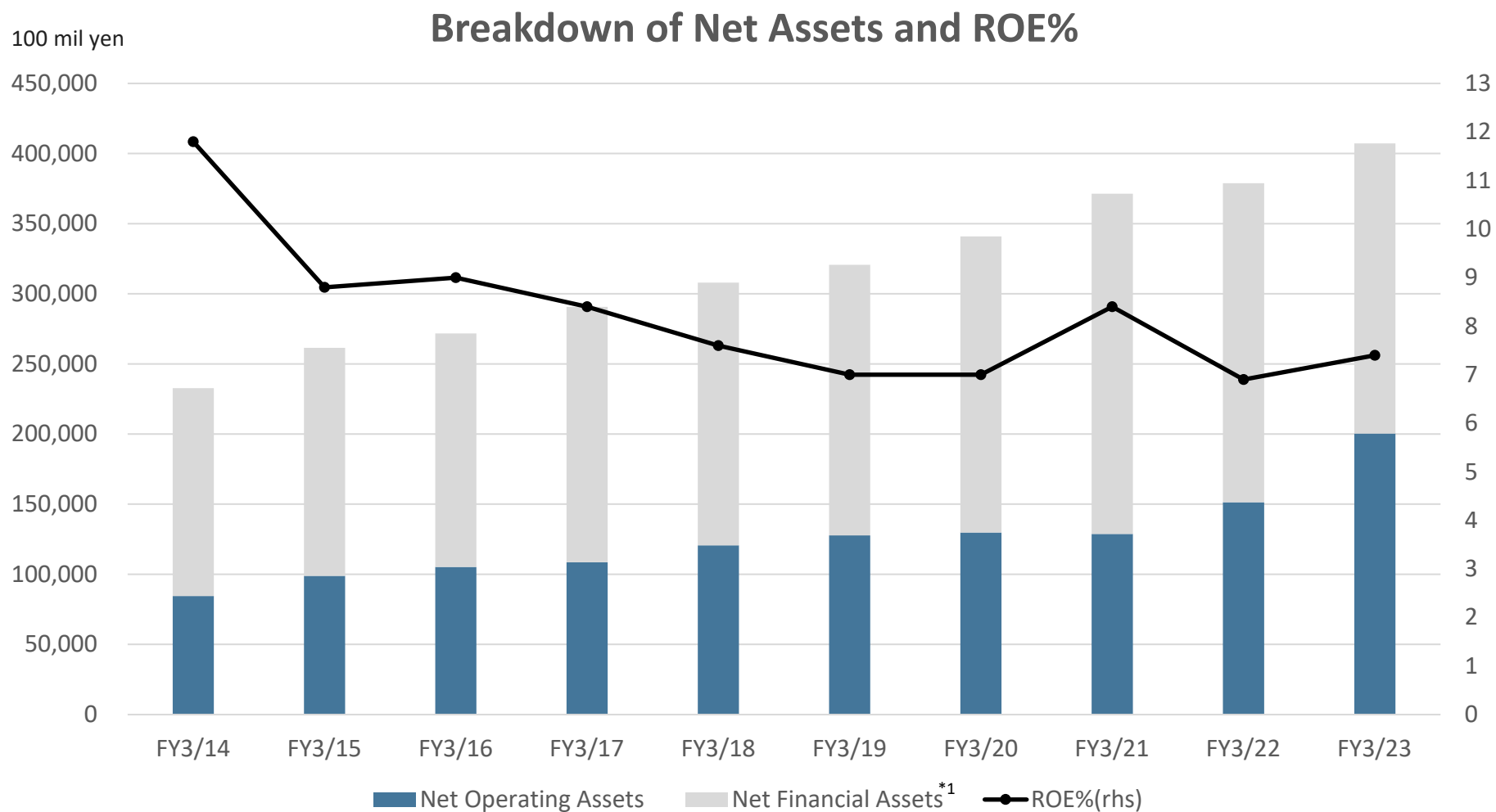
High Cash Generation Capability



Source: Annual reports, Bloomberg

Note 1: The main reasons for the difference between the company's figures and ours are: 1) the company only considers accounts payable in calculating the amount of liabilities used in the calculation of invested capital (net operating assets), while we consider other current liabilities and long-term liabilities as well, and 2) the company uses statutory tax rate for the tax rate used in the calculation of NOPAT, while we use effective tax rate.

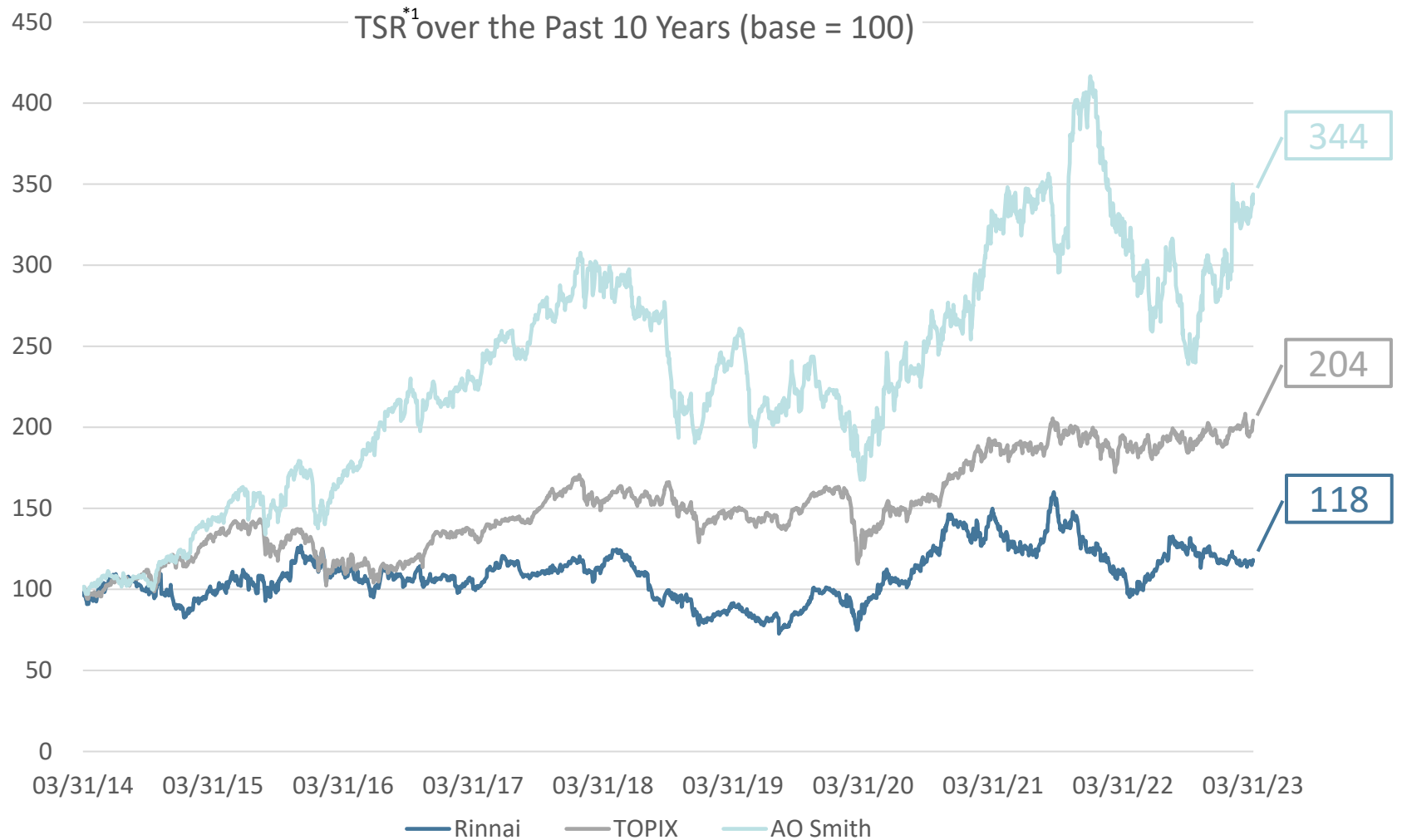
Low ROE Due To Accumulation Of Underutilized Financial Assets



Source: Annual reports, Bloomberg

Note 1: Net financial assets are calculated by subtracting interest-bearing debt from the sum of cash, short-term investments, and long-term investments (excluding equity method investments).

Total Shareholder Return (TSR) Significantly Underperforms Competitors And TOPIX



Source: Bloomberg

Note 1: The ratio of the return (dividends and capital gains) earned on a stock investment divided by the amount invested (stock price).

The Current Share Price Is Undervalued

	PBR^{*1}	ROE%^{*2}	EV/EBITDA^{*1}	ROIC%^{*2}
Rinnai	1.3x	8.2	4.9x	21.7
AO Smith	5.8x	19.7	13.3x	26.6

Source: Annual reports, Bloomberg

Note 1: as of March 31, 2023

Note 2: average over the past 10 years

Feasible To Improve Capital Efficiency Without Creating Opportunity Losses On The Business Side

Ample Financial Assets

- The mid-term plan announced in May 2021 sets the required cash level at 180 billion yen, which is equivalent to about half of the current net assets. However, such a figure is extremely excessive, as it is based on the assumption that the company would need 70 billion yen to prepare for natural disasters, despite not purchasing earthquake insurance, in addition to a large amount of working capital equivalent to three months of sales
- Rinnai has a stable business and future cash flows can be used to fund growth investments
- Rinnai is debt free and can utilize borrowing as needed

Fundamental Review of Capital Policy is Necessary

- Rinnai recently announced an ROE target of 8%, which is below the company's 10-year average and is not an appropriate target for a company that earns ROIC of approximately 20%
- Rinnai recently announced a share buyback (10 billion yen) to acquire 2.7% of outstanding shares, but given that the company's planned ROE for FY3/24 is 7.6% it is unlikely that the company will be able to achieve its current target of 8% ROE with 2.7% share buybacks