



**Financial Results for First Quarter of
Fiscal 2016, ending March 31, 2016**

August 4, 2015

Fiscal 2016 (1Q) : Consolidated Highlights

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Net sales: ¥69.5 billion (up 6.6% year on year)

Increase due to healthy overseas sales and forex factors; domestic demand also recovering

Operating income: ¥6.7 billion (up 0.4%; operating margin: 9.7%)

Record-high figure, boosted by higher overseas sales, despite decrease in domestic sales

Ordinary income: ¥7.3 billion (down 0.3%; ordinary income margin: 10.5%)

Slight decrease due to other expenses (net of other income), despite higher operating income

Net income attributable to owners of the parent company:

¥4.3 billion (down 3.6%; return on sales: 6.3%)

Decrease due to lower ordinary income and increase in net income attributable to non-controlling interests

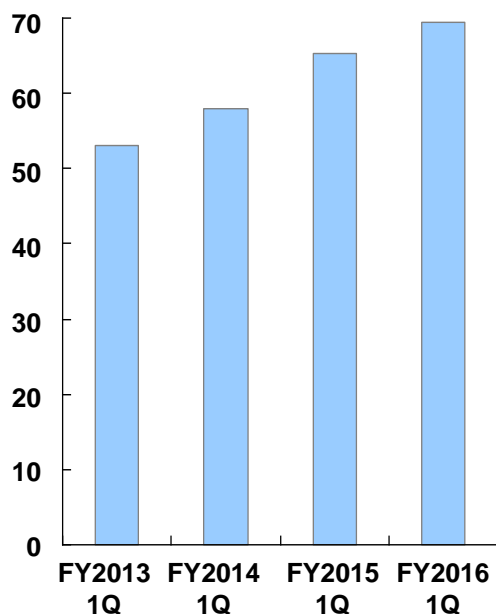
* Domestic market remains difficult, as predicted; performance should improve from 2Q

* Smooth start to new medium-term business plan, Evolution and Succession 2017

Consolidated Financial Results (1Q)

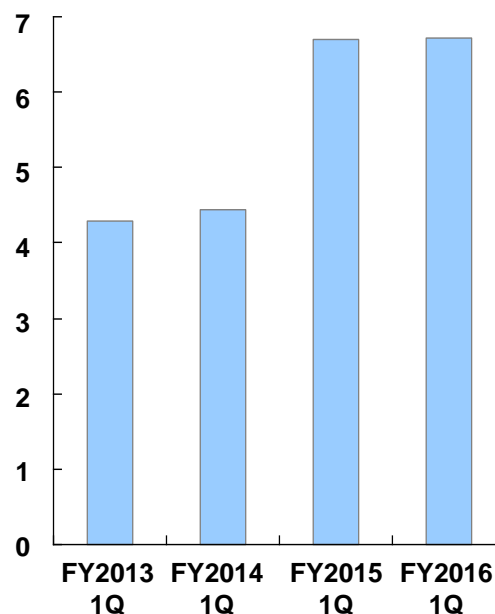
Net Sales

[Billions of yen]



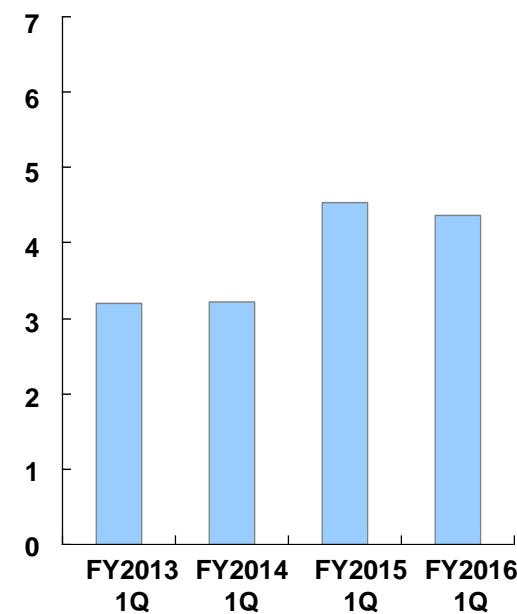
Operating Income

[Billions of yen]



Net income attributable to owners of the parent company

[Billions of yen]

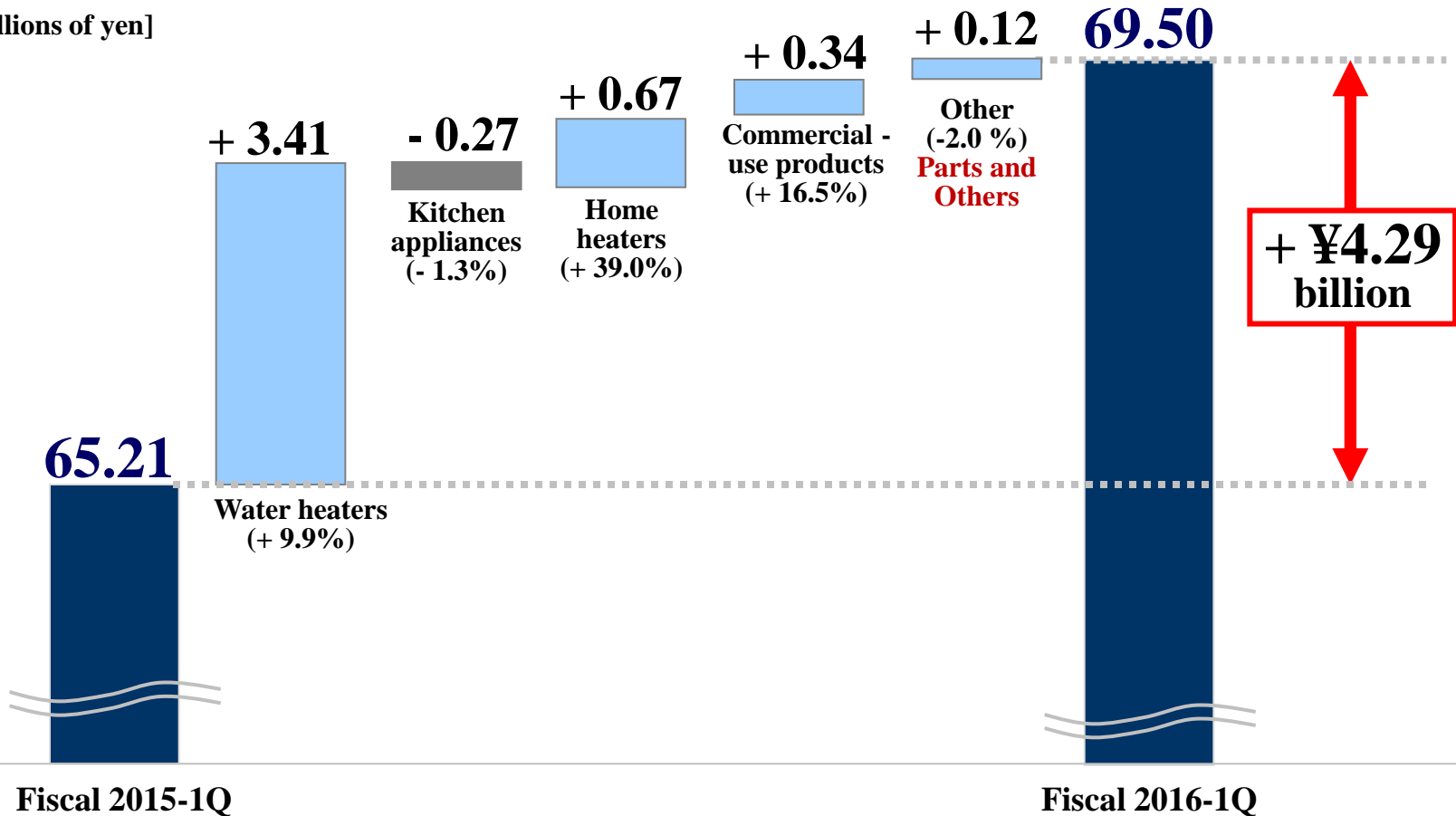


*** Record-high figures for net sales and operating income**

*** Steady continuation of real growth; no change to overall upward trend for revenue and earnings**

Fiscal 2016 (1Q): Consolidated Net Sales by Products 3

[Billions of yen]



- * **Water heaters:** Healthy sales in Australia; steady shift in Japan toward highly functional products
- * **Kitchen appliances:** Lower sales in 1Q as predicted; weak sales in South Korea and Indonesia

Fiscal 2016 (1Q): Consolidated Sales/Income Results 4

[Billions of yen]

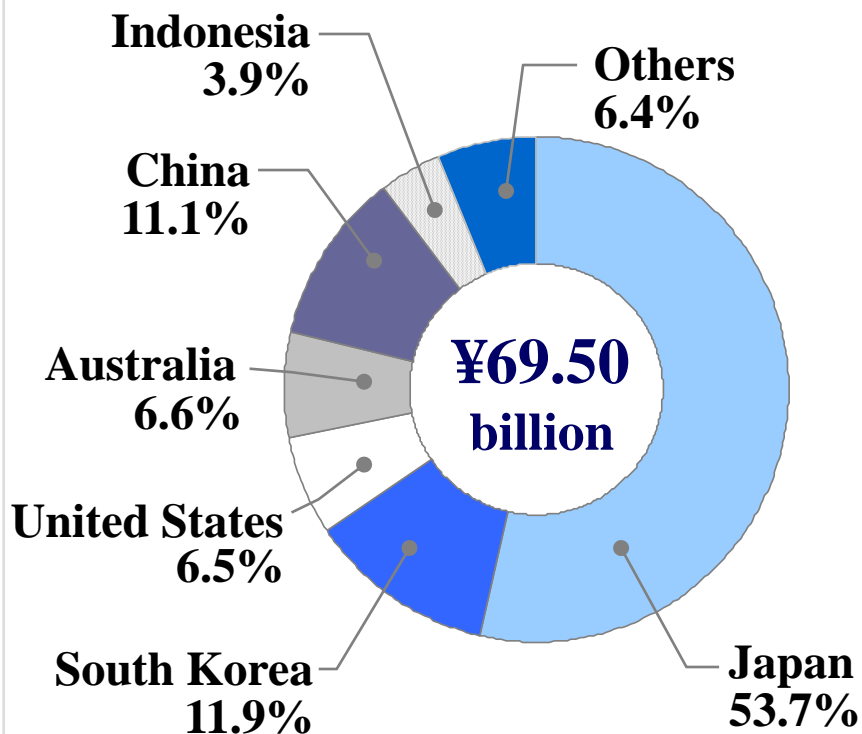
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	69.50	+ 6.6%	6.72	+ 0.4%	9.7%	- 0.6P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	42.57	+ 1.6%	3.53	- 8.7%	8.3%	- 0.9P
Domestic	21.51	- 8.9%	0.39	- 35.0%	1.8%	- 0.7P
Overseas	34.28	+ 18.1%	2.70	+ 23.2%	7.9%	+ 0.3P
Total	98.37	+ 4.0%	6.63	- 0.6%	6.7%	- 0.3P

Consolidated Net Sales by Geographical Segment

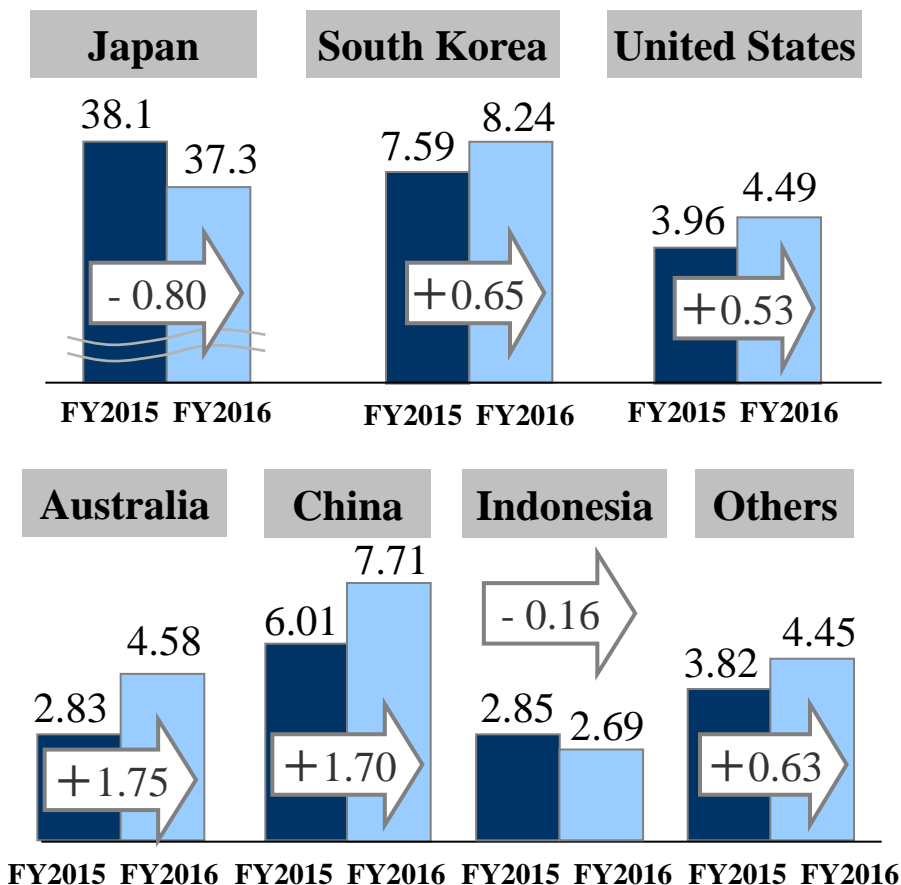
Fiscal 2016-1Q Consolidated Net Sales



Composition of Others :
Local group companies in Taiwan, Thailand,
New Zealand, Brazil, Vietnam and etc.

YOY Change by Geographical Segment

[Billions of yen]



Sales by Business Segment (Water Heaters)

[Billions of yen]	Fiscal 2015 1Q	Fiscal 2016 1Q	YOY Change
Japan	18.64	18.70	+ 0.3%
South Korea	3.26	3.76	+ 15.3%
United States	3.64	4.11	+ 13.0%
Australia	1.71	2.30	+ 34.6%
China	5.21	6.81	+ 30.7%
Others	2.05	2.24	+ 8.8%
Total	34.53	37.94	+ 9.9%

Composition ratio : 54.6%



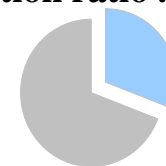
- * **Japan: Steady growth due to continued shift toward highly functional products**
- * **Australia: Boosted by economic recovery**
- * **China: Healthy local sales thanks to rising living standards**
- * **United States: Shipments delayed in 1Q by labor strikes at ports; sales to accelerate from 2Q**

Sales by Business Segment (Kitchen Appliances)

[Billions of yen]

	Fiscal 2015 1Q	Fiscal 2016 1Q	YOY Change
Japan	14.09	13.52	- 4.1%
South Korea	2.24	2.26	+ 0.8%
China	0.66	0.71	+ 8.3%
Indonesia	2.65	2.49	- 6.2%
Others	0.99	1.39	+ 40.3%
Total	20.65	20.38	- 1.3%

Composition ratio : 29.3%



Japan



South Korea



Indonesia

- * **Japan:** Currently recovering despite longer-than-expected consumption weakness
- * **South Korea:** Intensified price competition in reaction to mandating of sensors on burners; onslaught from electric cookers
- * **Indonesia:** Transitioning to replacement market; economic weakness restraining shift to high-value-added products

Sales by Business Segment (Home Heaters)

[Billions of yen]	Fiscal 2015 1Q	Fiscal 2016 1Q	YOY Change
Japan	0.59	0.47	- 19.9%
South Korea	0.05	0.02	- 60.1%
United States	0.30	0.24	- 20.5%
Australia	0.65	1.54	+ 134.2%
Others	0.12	0.13	+ 8.3%
Total	1.74	2.41	+ 39.0%

Composition ratio : 3.5%



Japan



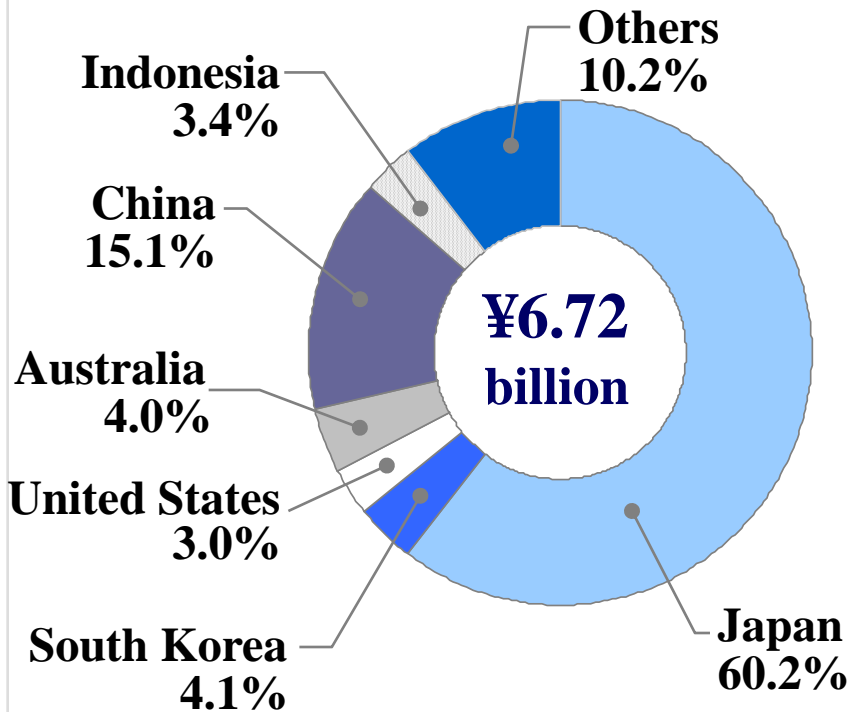
Australia

* **Australia:** Increase in sales thanks to acquisition of Brivis Climate Systems

* **Others:** No specific trend to report because off season

Consolidated Operating Income by Geographical Segment 9

Fiscal 2016-1Q Consolidated Operating Income

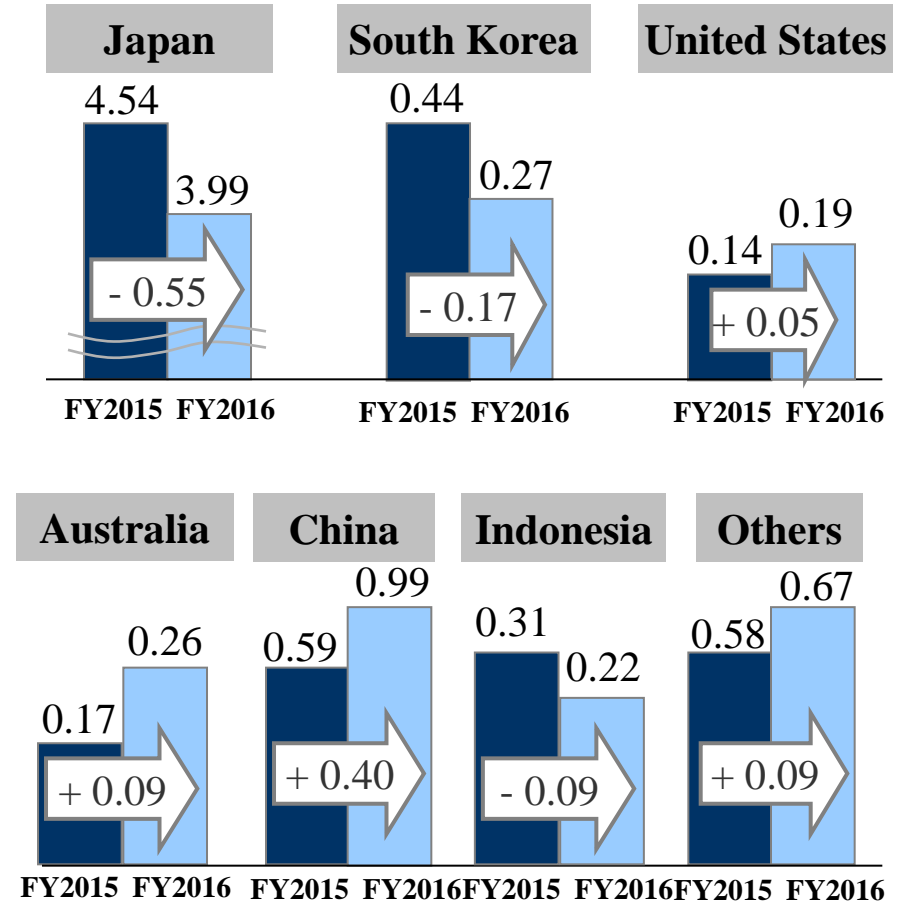


Composition of Others :

Local group companies in Taiwan, Thailand, Vietnam, New Zealand, Brazil and etc.

YOY Change by Geographical Segment

[Billions of yen]

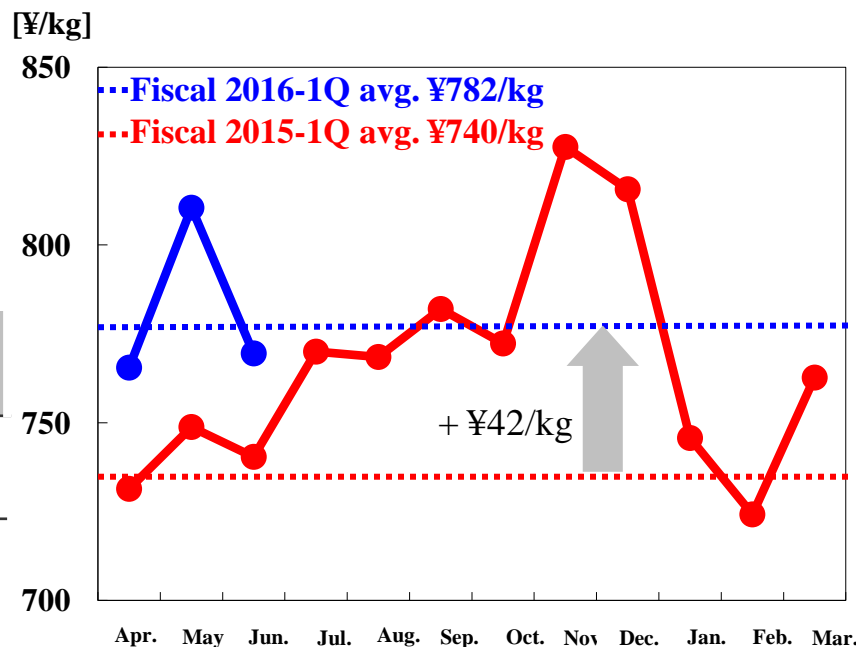


Electrolytic Copper

* Higher than last year but expected to remain below initial forecast of ¥800/kg

[¥/kg]	Fiscal 2015 1Q avg.	Fiscal 2016 1Q avg.	YOY change
Avg. price	740	782	+5.6%

Used in: Water heaters (Heat exchangers, etc.)

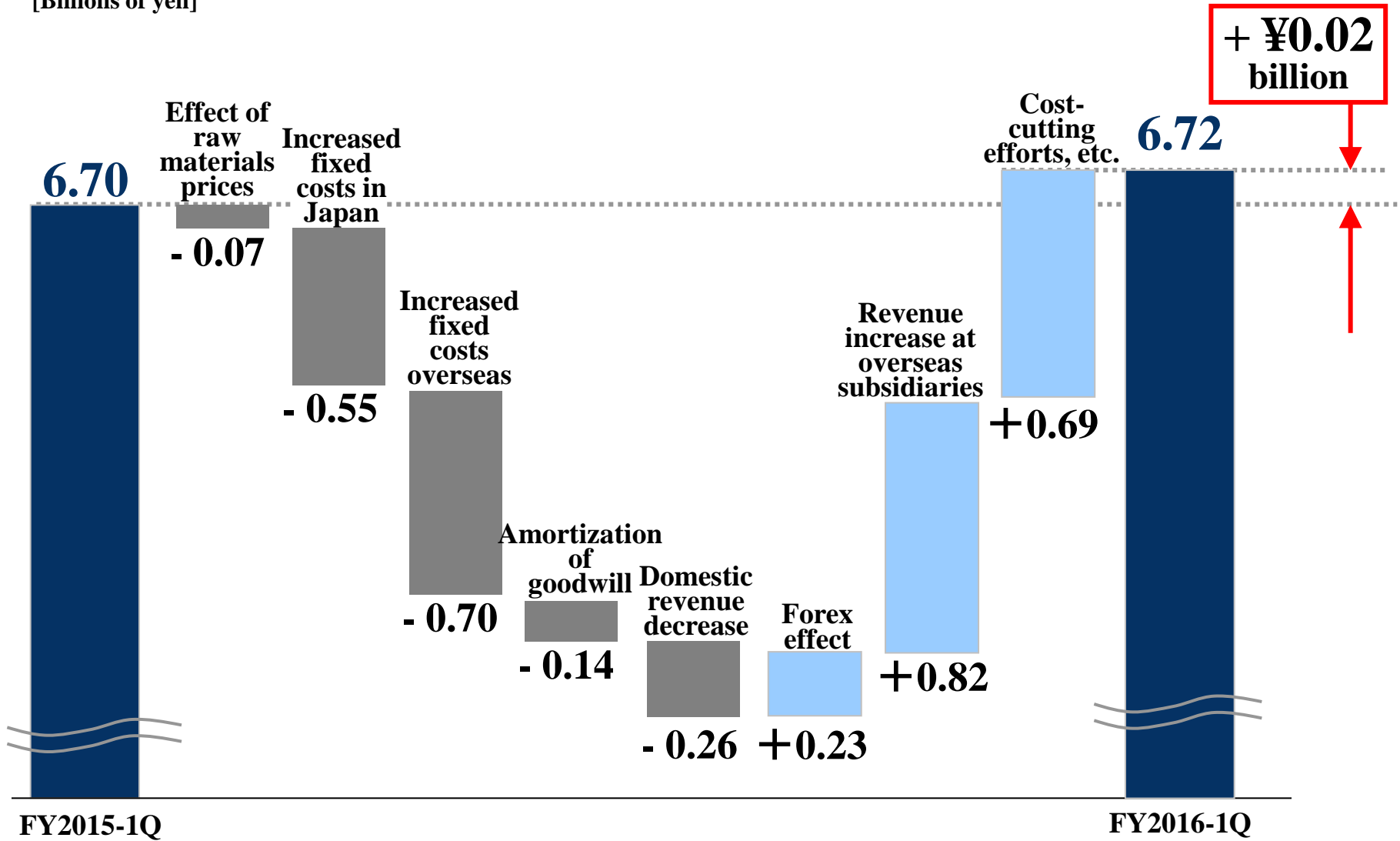


Steel

* Iron/steel prices have remained low since previous year, except for one period

Fiscal 2016 (1Q): Consolidated Operating Income

[Billions of yen]



Hybrid Water Heater with Heating System; ECO ONE 12

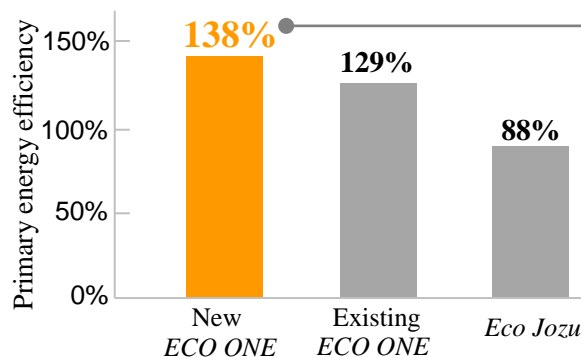


Single-body type (water heater and tank combined)
(for detached houses)
Launched April 2015

Greater variations

New Separate type (water heater and tank split)
(for condominiums)
Launch July 2015

***Water heating primary energy efficiency*¹ of 138%*² achieved!**



High energy saving effect with primary energy efficiency at top world-class levels

*1 Ratio of hot water produced vis-à-vis primary energy consumed

*2 Efficiency when using hot water (excludes room heating)
Standards determined by housing construction companies, Institute for Building Environment and Energy Conservation (six zones)

***Separate type can be installed in narrow spaces**

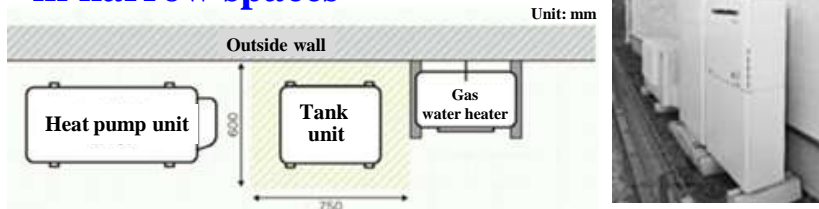
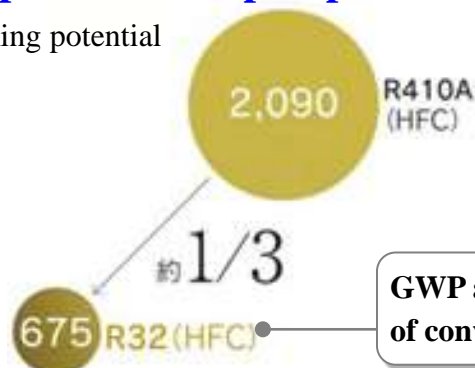


Image of separated installation (water heater and tank split)

***R32 adopted for heat pump coolant**

Global warming potential (GWP)



GWP around one-third of conventional R410A

HFC coolant: Hydrofluorocarbon (Freon alternative)

Fiscal 2015

**High-efficiency model
for large-sized bathtubs launched**



Eco Jozu

**Gas bath water heater
RUF-E Series
Launched April 2014**

Fiscal 2016

**Water heater with heating system
(of similar size) launched**



New

Eco Jozu

**Gas water heater with
heating system
RVD-E Series
Launched July 2015**

Strategic products with zero-based design

Lowest weight in industry

Water heater with bath-filling system: 27.5kg

*RUF-E2405AW, as of June 2015 Rinnai
(based on Rinnai research)

Water heater with heating system: 31.0kg

*RVD-E2405AW2-1, as of June 2015 Rinnai
(based on Rinnai research)

Lighter weight means easier to install

- * Burner and other individual components made more compact
- * We have reduced the weight of existing *Eco Jozu* products, and made them lighter than current non-*Eco Jozu* products
- * Smooth installation (one person can fix main body to wall); reduced burden on outside wall

Built-in Hobs (Stovetops)

High-end

Middle range

Mass market



DELICIA

New

Launched August 2015

New type bundled with Cocotte Dutch Oven

DELICIA GRILLER

Launched September 2014

LiSSe

Launched September 2014

Mytone

New

Launched August 2015



Cocotte Dutch Oven facilitates healthy cooking



Toast mode



Rewarming



Non-fried cooking



Timer-based cooking

Grill plate enables diversified cooking



New cap-less burners make cleaning easier



Sleek, slim ignition buttons



Cocotte Dutch Oven recipe book to be launched in September 2015

OGR Series First in industry with “Oil Smasher” function*1



*1 Among domestic exhaust range hoods (according to Fuji Industrial Co., Ltd.),
as of November 2013

Blocks oil from entering the range hood interior
No need to clean range hood interior or fan*2

*2 One-year grime buildup on existing models equivalent to 10
years for OGR Series

Launched
August 2014



Slim hood design and use of LED lighting LGR series

- * Sloping front design with 35mm hood
- * Use of LED line lights saves energy
- * Filter not required

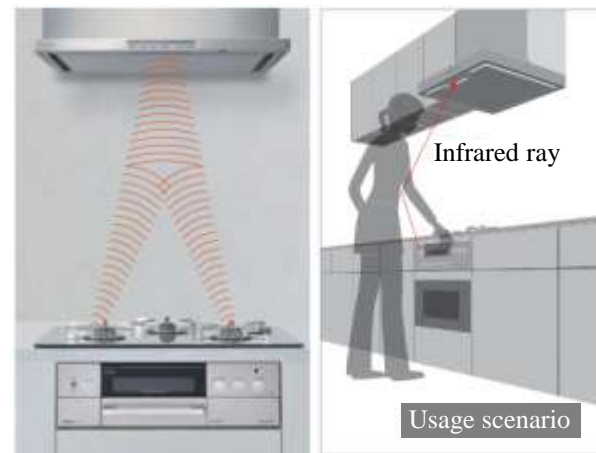
New

Launched
August 2015



Range hood operation synchronized with built-in hobs (stovetops)

Operation of the range hood (start/stop,
lights on/off) and the cooker are
automatically synchronized



**Switches linked so no worry about
forgetting to turn off**

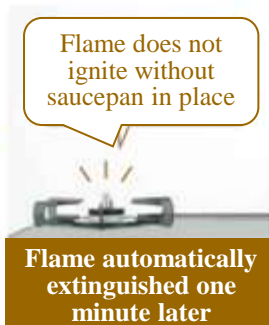
Tabletop Cookers *LAKUCIE*



All products in **LAKUCIE** and **LAKUCIE PRIME** Series can accommodate grill plates
(Some high-end model come with grill plate included)

Detects saucepan removal

Automatically lowers the heat when the saucepan is removed, then automatically extinguishes the flame one minute later if left unchanged. Blue flame is difficult to see, so gives peace of mind to the elderly.



Earthquake-sensing shut-down

Automatically extinguishes the flame if earthquake of intensity 4 degrees or higher is detected.



Double-temperature cooking no problem

Both burners have a function that automatically adjusts the desired temperature, so two dishes (where heat up/down is difficult) can be prepared simultaneously.



↑ Allows simultaneous cooking (photo is sample only) ↑

Japan (investments to expedite advancement of business model)

Manufacturing

Build streamlined production framework for system-based products, centered on *ECO ONE*



New wing at Akatsuki Factory



ECO ONE



Bathroom heater/dryer

- Construct new wing of Akatsuki Factory
- Renovate facilities at Oguchi Factory
- Establishment, reconstruction, etc. of manufacturing affiliate



New building and welfare wing at Rinnai Technica Co., Ltd.

Product development

- Expand/upgrade R&D facilities
- Strengthen production technology development system
(Develop molds, equipment, new products)

Sales/Marketing

- Expand floor space of sales bases
(Hokkaido, Chubu, South Kanto, etc.)
- Strengthen service system
- Build new distribution center



Hokkaido branch

Overseas (strategic investments in new growth drivers)

- Strengthen core bases of global technology network (Australia, South Korea, China, Indonesia, etc.)
- Reinforce hub bases for tapping new markets (Italy, Middle East (Dubai), Brazil)
- Strengthen sales/production systems in line with growth (United States, Taiwan, New Zealand, Vietnam, etc.)

Rinnai

EXPERIENCE OUR INNOVATION

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.