



**Financial Results for First Quarter of  
Fiscal 2017, ending March 31, 2017**

August 4, 2016

# Fiscal 2017 (1Q) : Consolidated Highlights

1

**Net sales: ¥74.5 billion** (up 7.2% year on year)

Buoyed by healthy local-currency sales despite foreign exchange factors; domestic sales also solid

**Operating income: ¥6.5 billion** (up 4.4%; operating margin: 8.8%)

Boosted by steady sales, lower raw materials prices, and new products

**Ordinary income: ¥6.5 billion** (down 4.5%; ordinary income margin: 8.7%)

Caused by foreign exchange loss despite improved operating income

**Net income attributable to owners of the parent company:**  
**¥3.8 billion** (down 4.1%; return on sales: 5.2%)

Down due to ordinary income decline

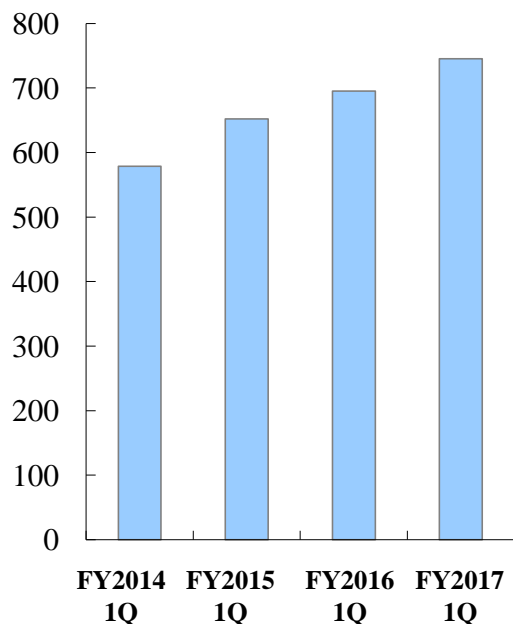
- **Gastar Co., Ltd. became consolidated subsidiary, effective current fiscal year**
- **Performance in second year of medium-term business plan (Evolution and Succession 2017) within expectations**

Note: Following confirmation of provisional accounting treatment in the third quarter of fiscal 2016, ended March 31, 2016, associated with the acquisition of Brivis Climate Systems Pty Ltd, the financial statements for first quarter of fiscal 2016 have been revised retrospectively.

# Consolidated Financial Results (1Q)

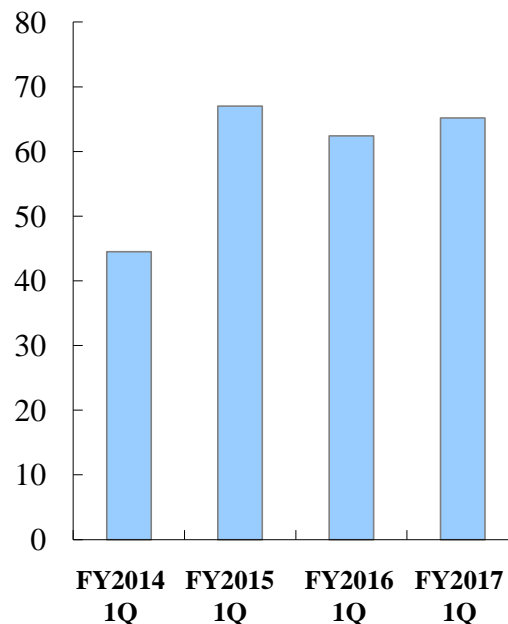
## Net Sales

[Billions of yen]



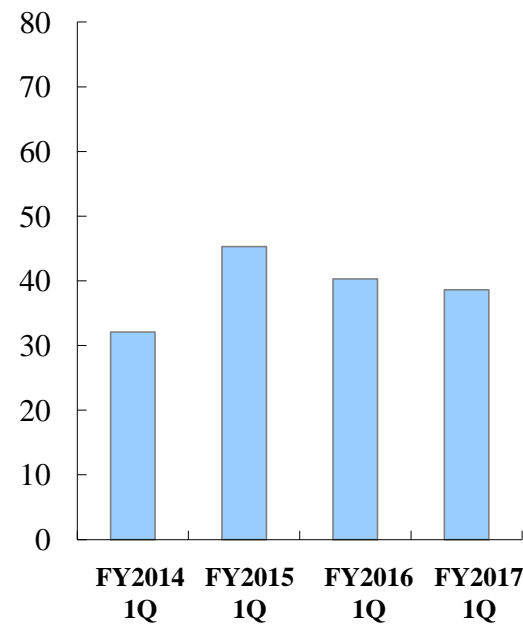
## Operating Income

[Billions of yen]



## Net income attributable to owners of the parent company

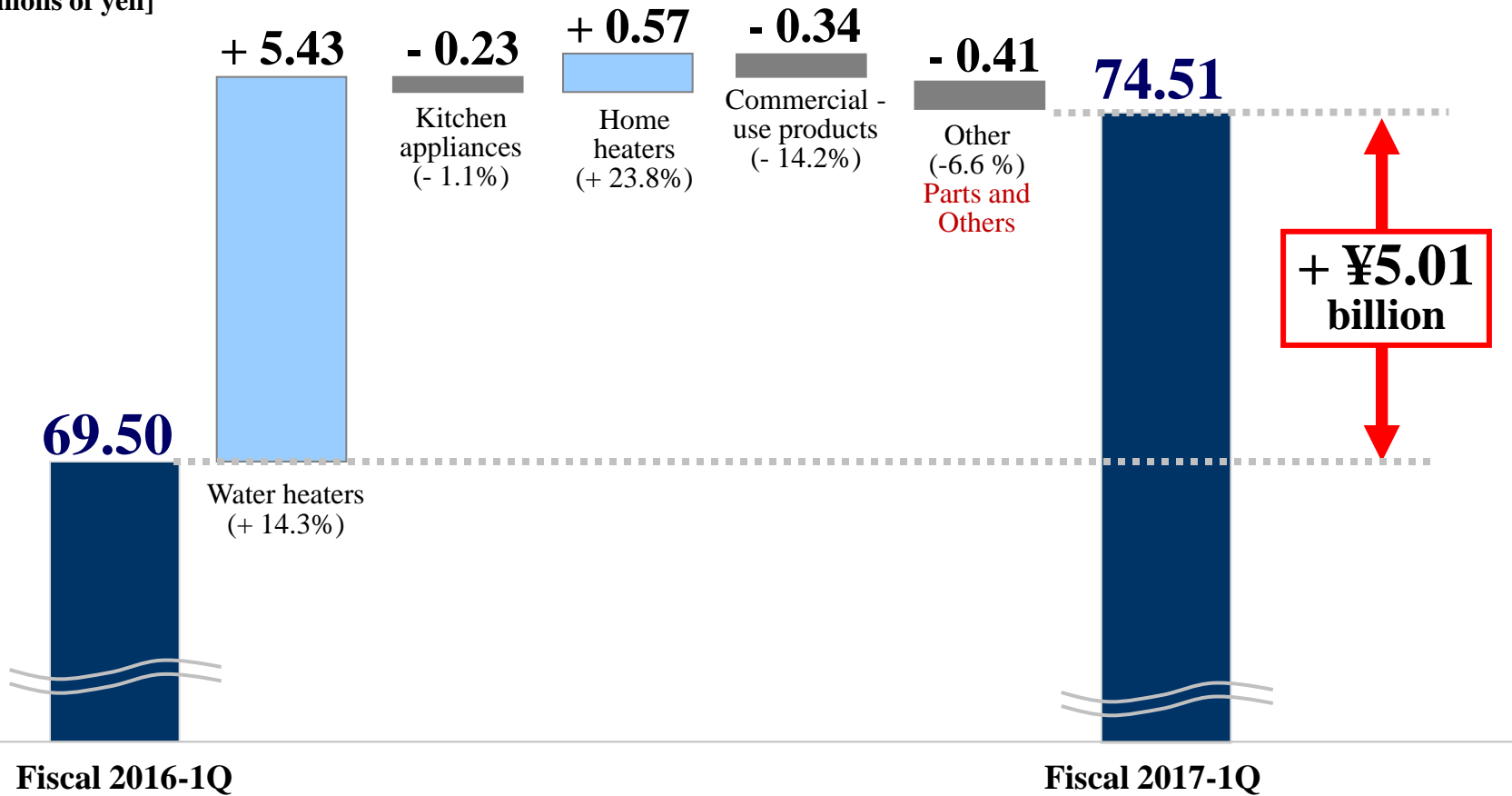
[Billions of yen]



- Despite a record-high figure for net sales, income languished due to growth in low-priced products and rising fixed costs
- Profit margins currently in a recovery trend, with stable real growth continuing

# Fiscal 2017 (1Q): Consolidated Net Sales by Products 3

[Billions of yen]



- **Water heaters: Healthy overseas sales; higher unit sales in Japan owing to increased housing starts**
- **Kitchen appliances: Sales down due to foreign exchange factors despite steady sales in Japan and overseas**

# Fiscal 2017 (1Q): Consolidated Sales/Income Results 4

[Billions of yen]

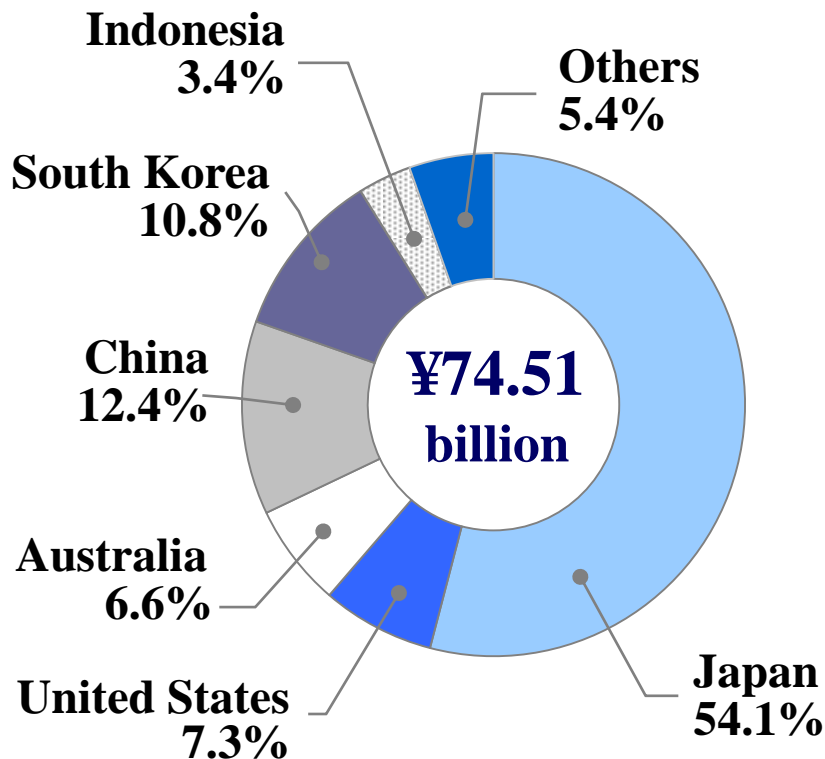
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
<b>Consolidated</b>	<b>74.51</b>	<b>+ 7.2%</b>	<b>6.52</b>	<b>+ 4.4%</b>	<b>8.8%</b>	<b>- 0.2P</b>



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
<b>Rinnai</b>	<b>43.24</b>	<b>+ 1.6%</b>	<b>2.87</b>	<b>- 18.7%</b>	<b>6.6%</b>	<b>- 1.7P</b>
<b>Domestic</b>	<b>27.80</b>	<b>+ 29.2%</b>	<b>0.65</b>	<b>+ 64.8%</b>	<b>2.4%</b>	<b>+ 0.5P</b>
<b>Overseas</b>	<b>36.37</b>	<b>+ 6.1%</b>	<b>2.88</b>	<b>+ 33.2%</b>	<b>7.9%</b>	<b>+ 1.6P</b>
<b>Total</b>	<b>107.42</b>	<b>+ 9.2%</b>	<b>6.41</b>	<b>+ 5.2%</b>	<b>6.0%</b>	<b>- 0.2P</b>

# Consolidated Net Sales by Geographical Segment

## Fiscal 2017-1Q Consolidated Net Sales

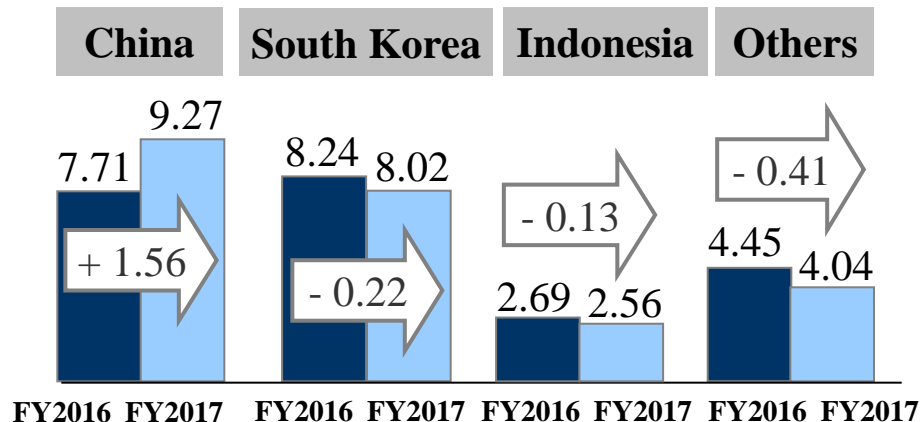
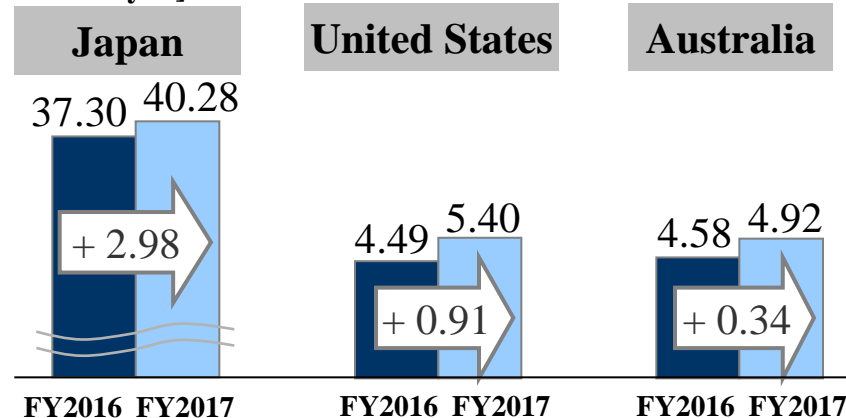


Composition of Others :

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

## YOY Change by Geographical Segment

[Billions of yen]



# Sales by Business Segment (Water Heaters)

[Billions of yen]

	Fiscal 2016 1Q	Fiscal 2017 1Q	YOY Change
<b>Japan</b>	18.70	21.93	+ 17.3%
<b>United States</b>	4.11	5.08	+ 23.5%
<b>Australia</b>	2.30	2.05	- 11.1%
<b>China</b>	6.81	8.36	+ 22.7%
<b>South Korea</b>	3.76	3.97	+ 5.4%
<b>Others</b>	2.24	1.98	- 11.5%
<b>Total</b>	<b>37.94</b>	<b>43.38</b>	<b>+ 14.3%</b>

Composition ratio : 58.2%



Japan



United States



China

- **Japan:** Growth in single-function models, especially for rental properties, due to increased housing starts
- **Sales in United States** buoyed by introduction of tax rebate system; healthy sales in China due to rising living standards
- **Australia:** Sales of tankless systems down, but demand for storage-type water heaters steady

# Sales by Business Segment (Kitchen Appliances)

[Billions of yen]

	Fiscal 2016 1Q	Fiscal 2017 1Q	YOY Change
<b>Japan</b>	13.52	13.69	+ 1.3%
<b>China</b>	0.71	0.73	+ 2.3%
<b>South Korea</b>	2.26	2.02	- 10.7%
<b>Indonesia</b>	2.49	2.36	- 5.1%
<b>Others</b>	1.39	1.34	- 3.6%
<b>Total</b>	<b>20.38</b>	<b>20.15</b>	<b>- 1.1%</b>

Composition ratio : 27.0%



Japan



South Korea



Indonesia

- **Japan:** Ongoing shift to built-in hobs (stovetops); sales of system-based range hoods and dishwashers also steady
- **South Korea:** Increase in unit sales of cookers, but overall sales down due to price competition and foreign exchange factors
- **Indonesia:** Recovery in sales of tabletop cookers, but sales down due to foreign exchange factors



# Sales by Business Segment (Home Heaters)

[Billions of yen]	Fiscal 2016 1Q	Fiscal 2017 1Q	YOY Change
<b>Japan</b>	0.47	0.58	+ 23.0%
<b>United States</b>	0.24	0.23	- 4.7%
<b>Australia</b>	1.54	2.05	+ 33.3%
<b>South Korea</b>	0.02	0.00	- 71.8%
<b>Others</b>	0.13	0.11	- 15.2%
<b>Total</b>	<b>2.41</b>	<b>2.99</b>	<b>+ 23.8%</b>

Composition ratio : 4.0%



Japan

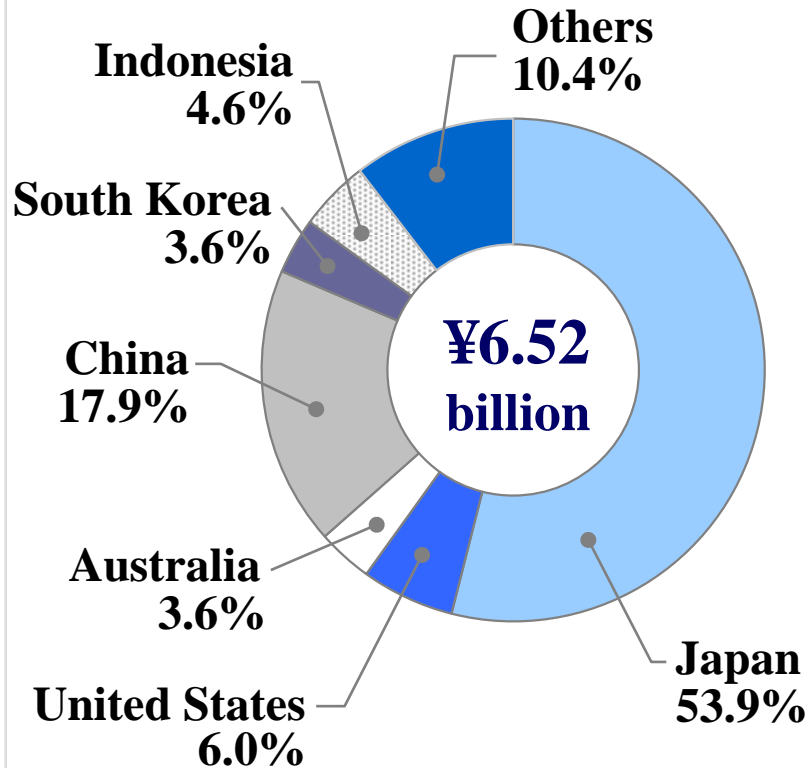


Australia

- **Australia:** Healthy sales of room heating/cooling systems and ducted air-con systems
- **Other regions:** No particular news due to being off-season

# Consolidated Operating Income by Geographical Segment 9

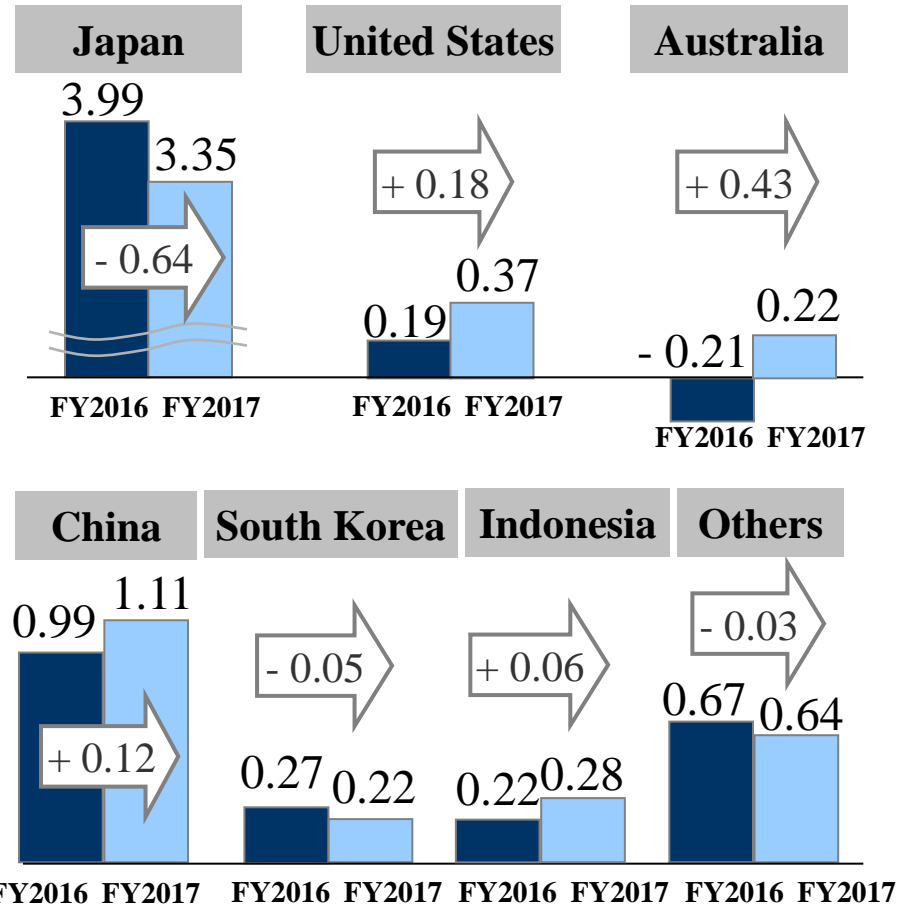
## Fiscal 2017-1Q Consolidated Operating Income



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

## YOY Change by Geographical Segment

[Billions of yen]

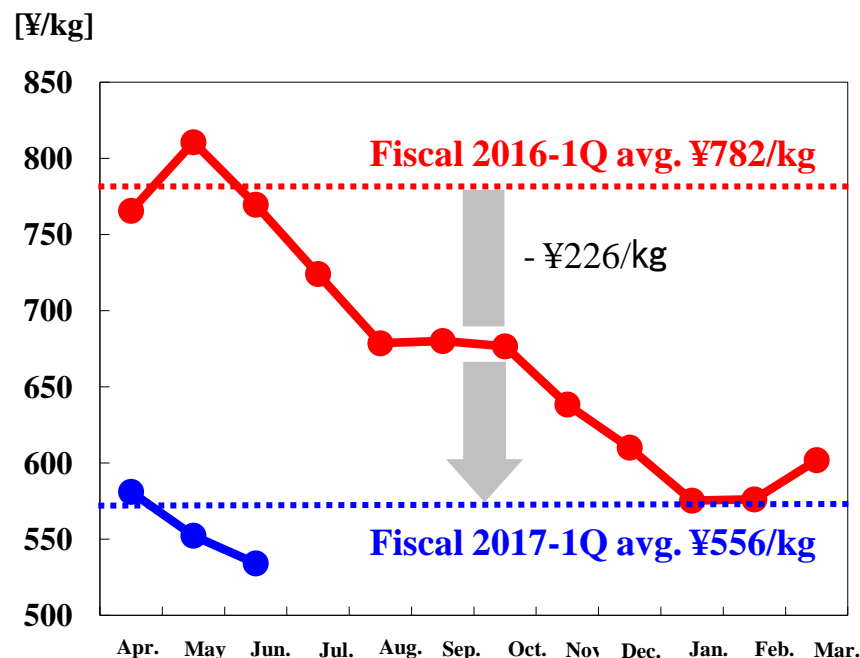


## Electrolytic Copper

Electrolytic copper prices on downtrend, remaining below previous-year levels (Initial forecast: ¥650/kg)

[¥/kg]	Fiscal 2016 1Q avg.	Fiscal 2017 1Q avg.	YOY change
<b>Avg. price</b>	<b>782</b>	<b>556</b>	<b>- 28.9%</b>

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

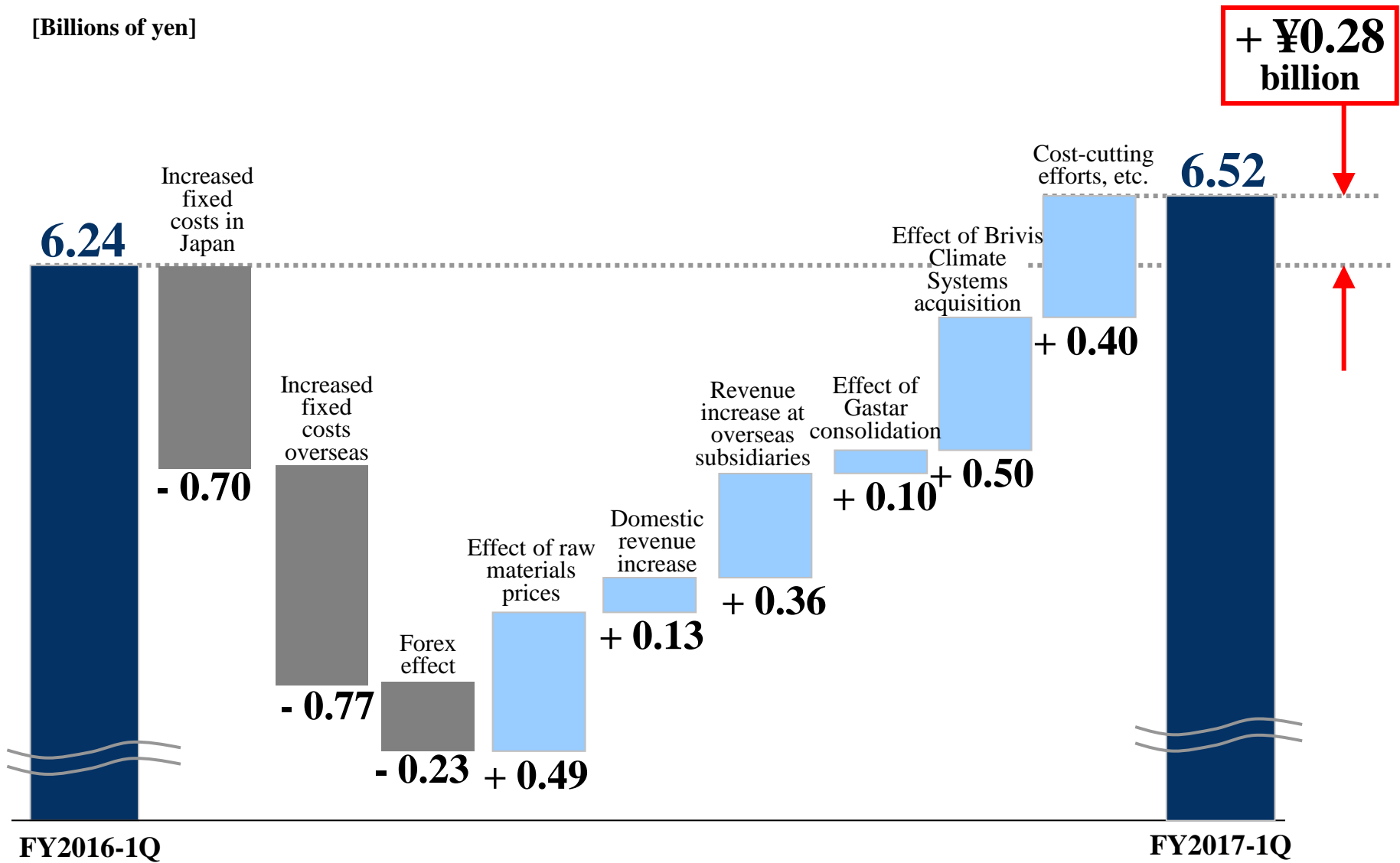


## Steel

Steel prices at below previous-year level

# Fiscal 2017 (1Q): Consolidated Operating Income

[Billions of yen]



# Third-Generation Series of *ECO ONE*

## ECO ONE



### *ECO ONE E Series*

Retail price: ¥ 650,000 ~ ¥ 910,000

Launch: May 2016

### Diverse installation variations

Can be installed in cramped spaces or varied according to home layout



Wall-mounted



Under window

## Third-generation *ECO ONE* is even more advanced

### Water heater operation from anywhere in the house



Operation screen

MBC-302VC remote control set compatible with wireless LAN, allowing operation via smartphone



Activate bath-filling and water reheating from any room

### Water heating remote control connected to home energy management system (HEMS)

Storage battery



HEMS controller

Wireless router



Remote control



HEMS manufacturer-specific application



\* Requires development of dedicated application by HEMS manufacturer

### Hot water supply even if power is cut off

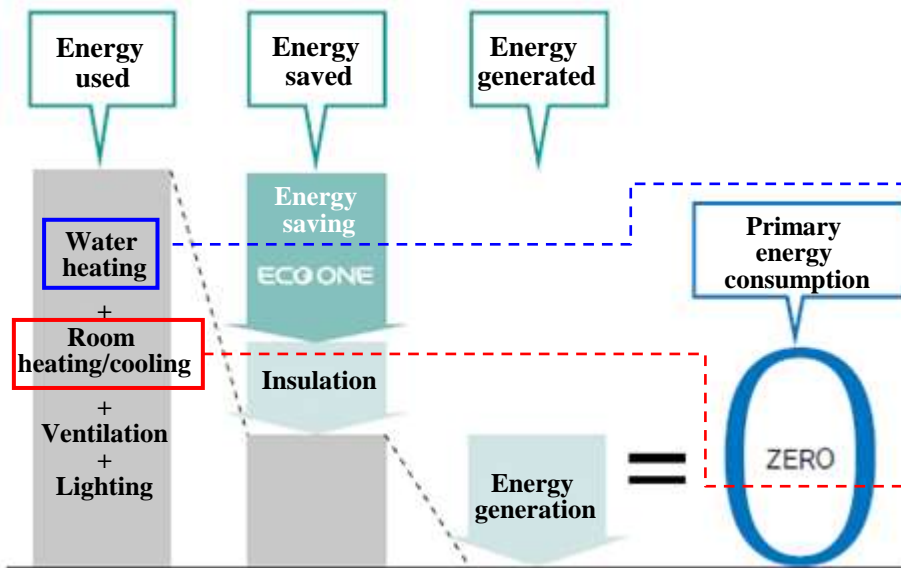


Even when electricity and/or gas supply interrupted...

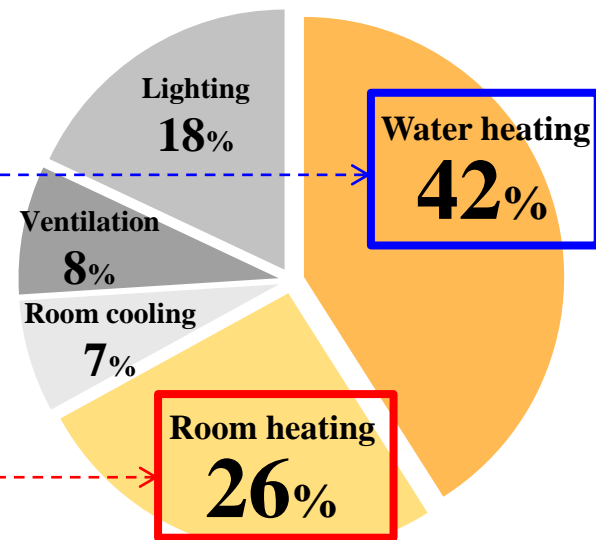
Hot water accessible

# ECO ONE's Contribution to Energy Efficiency

## Unique and exceptional contribution to Zero Energy Home (ZEH) realization



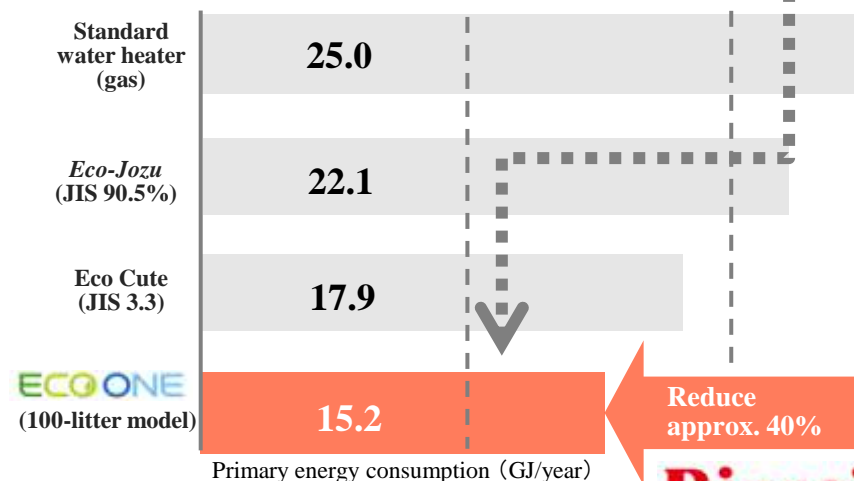
Zero Energy Home (ZEH): Features reduced primary energy consumption due to improved thermal insulation and introduction of energy-efficient equipment that, in combination with solar and other power generation equipment, results in “zero” net energy consumed.



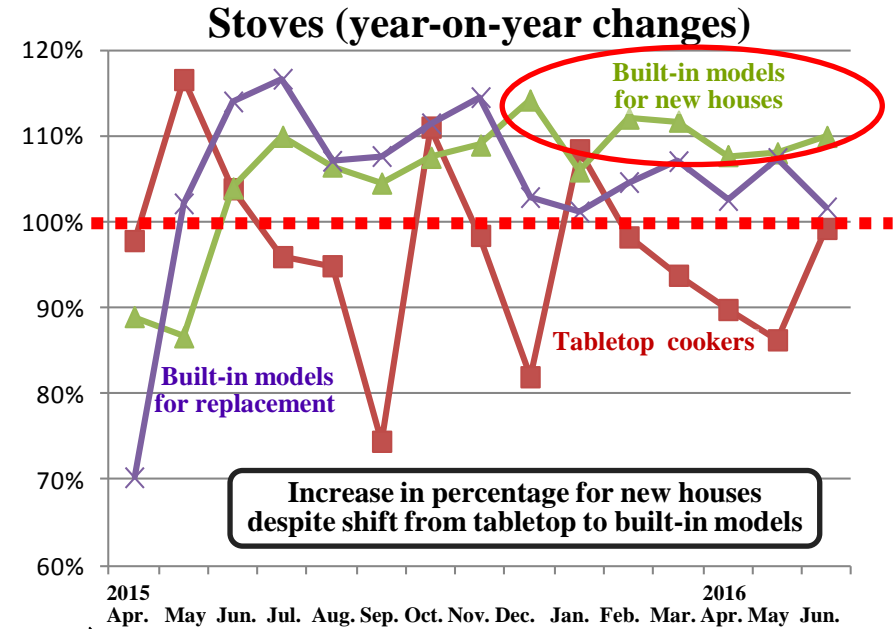
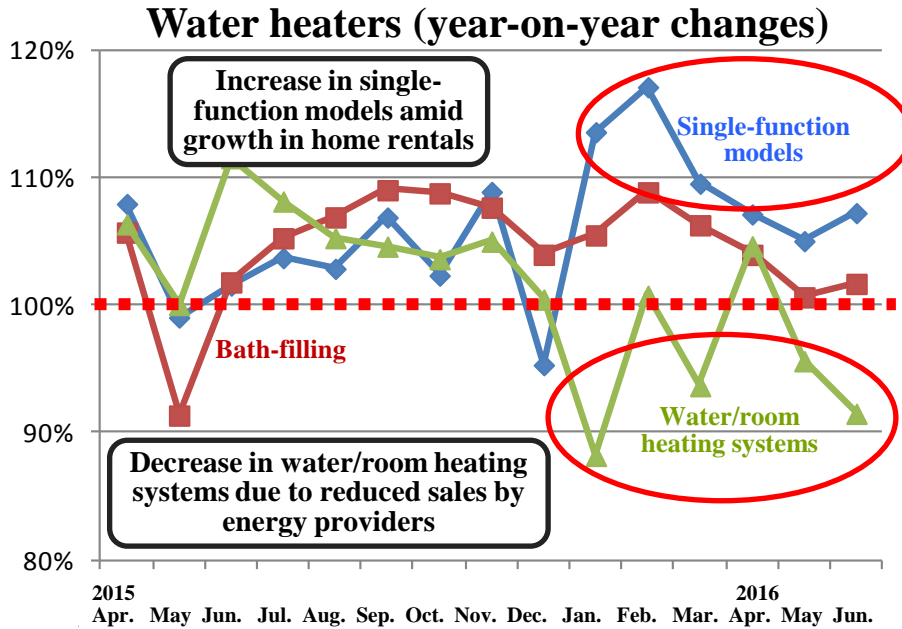
Equipment-specific energy consumption breakdown based on 2016 Energy Efficiency Standards (six regions).

**Only Rinnai** With double hybrid, Rinnai can realize the Zero Energy Home (ZEH) even if hot water and floor heating systems are included.

ECO ONE is being increasingly adopted by home builders promoting the ZEH concept



# Changing Domestic Market



Trend

- \*Increase in rental housing due to tax reduction measures
  - Growth in both low-priced single-function water heaters and built-in hobs (stovetops)
  - Shift to high-end models curbed
- \*Energy providers putting effort into electric power sales, reducing their priority on gas equipment
  - Lack of growth in industry sales for some products; outlook for demand season uncertain

Improve product mix and cost by stepping up launches of new high-end models



# New DELICIA Series of Built-In Hobs (Stovetops)



**Built-in hobs DELICIA series**  
Retail price: ¥270,000~ ¥ 330,000  
Launch: August 1, 2016

**TV Tokyo (broadcaster)**  
Introduced in “Trend Tamago”  
section of “World Business  
Satellite” program

**Broadcast on June 28, 2016**

**\*Permits automatic cooking of five standard meal types**  
**Arrival of “Stove Auto Menu”**



Grilled dumplings

Hamburg steak

Simmer fish

Stewed taro

Egg custard

**\*Arrival of DELICIA-only applications and cooking support functions (including automatic flame control) together with numerous recipes suggestions and automatic cooking**



Use smartphone application to find recipes and receive point-form cooking advice



Instruction sent from smartphone to stove automatically adjusts flame up/down



**\*Lighter-weight Cocotte and increased capacity of Cocotte Dutch Oven provide greater convenience**

**22% reduction in Cocotte weight**



**22% increase in Cocotte Dutch Oven capacity**



# Enhanced Lineup of Dishwasher/Dryers

## Sales of built-in dishwasher/dryers



### Market background

We launched front-opening models around 1990 and slide-out drawer models around 2000. Demand for replacement emerges after 10–20 years. Our current lineup includes both types (five models in total) according to consumer familiarity, all equipped with new functions.

### Front-opening type



The front door opens outwards. Large capacity is a major feature.

### Slide-out drawer type



Drawer slides out. No need to bend down when placing items in the unit, which is a good feature.

### Launch of five models

#### Front-opening type

(1) Large capacity that can also handle cookware

#### Slide-out drawer type

(2) Wide 60cm model

(3) High-grade model with silver ion coating

(4) Slim-design model

(5) 60cm-deep kitchen-compatible model

## Japan (investments to expedite advancement of business model)

### Manufacturing

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



Akatsuki Factory



*ECO-ONE*



Bathroom heater/dryer

- Construct new wing of Akatsuki Factory
- Purchase land for reconstruction of Oguchi Factory
- Renewal of welfare wing of Seto Factory
- Construct offices and welfare wings at affiliated companies

### Product development

- Invest in new product development (*ECO ONE*, water heaters in US market, Clothes dryers, Dish washer, etc.)
- Strengthen production technology development system (Develop molds, equipment)

### Sales/marketing

- Strengthen functions of sales bases (Chubu Branch, Minami-Kanto sales office, etc.)
- Strengthen service system
- Build distribution center



Chubu Branch

## Overseas (strategic investments in new growth drivers)

- Reinforce/expand production bases in line with demand growth (construct factories and expand land sites in China, South Korea, Australia, etc.)
- Expand market and strengthen sales bases in newly tapped markets (Dubai, United States, China, etc.)
- Improve production capacity; step up in-house manufacturing and facility streamlining (capital expenditures in Indonesia, China, South Korea, 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.**