



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

November 4, 2016

# Fiscal 2017 (2Q) : Consolidated Highlights

1

**Net sales: ¥155.1 billion** (up 3.8% year on year; vs target: down ¥0.8 billion)

Buoyed by healthy overseas local-currency sales and consolidation of Gastar, despite foreign exchange factors

**Operating income: ¥14.8 billion**

(up 0.1% year on year; vs target: down ¥0.3 billion)

[operating income to net sales ratio: 9.6%]

Boosted by cost improvements and higher overseas sales

**Ordinary income: ¥15.0 billion**

(down 4.4% year on year; vs target: down ¥0.6 billion)

[ordinary income to net sales ratio: 9.7%]

Caused by foreign exchange loss despite improved operating income

**Net income attributable to owners of the parent company: ¥8.9 billion**

(down 7.2% year on year; vs target: down ¥0.74 billion)

[net income to net sales ratio: 5.8%]

Down due to ordinary income decline

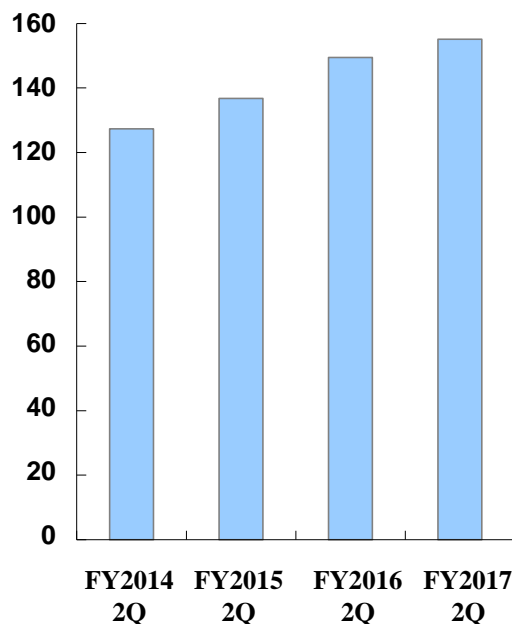
**Performance in second (middle) year of medium-term business plan (Evolution and Succession 2017): New record-high figures for net sales and operating income, despite not reaching the plan's 2Q targets**

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

# Consolidated Financial Results (2Q)

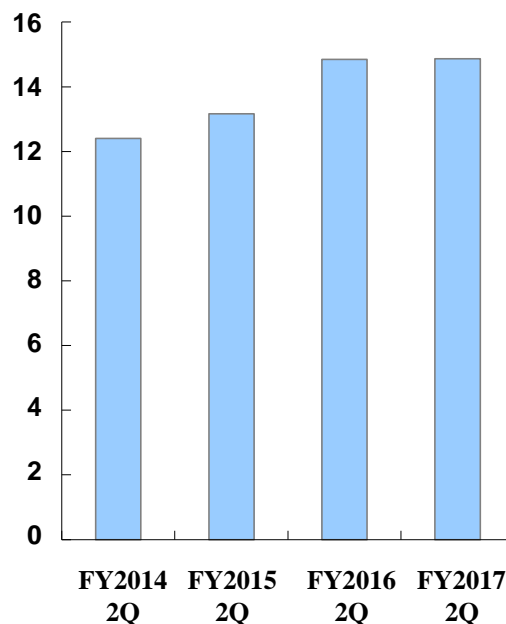
## Net Sales

[Billions of yen]



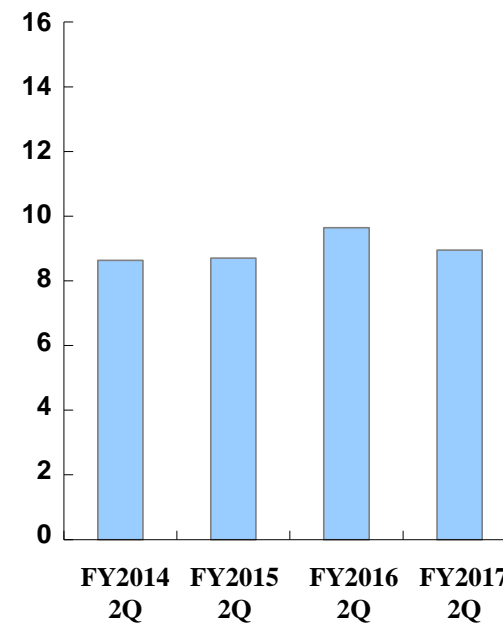
## Operating Income

[Billions of yen]



## Net income attributable to owners of the parent company

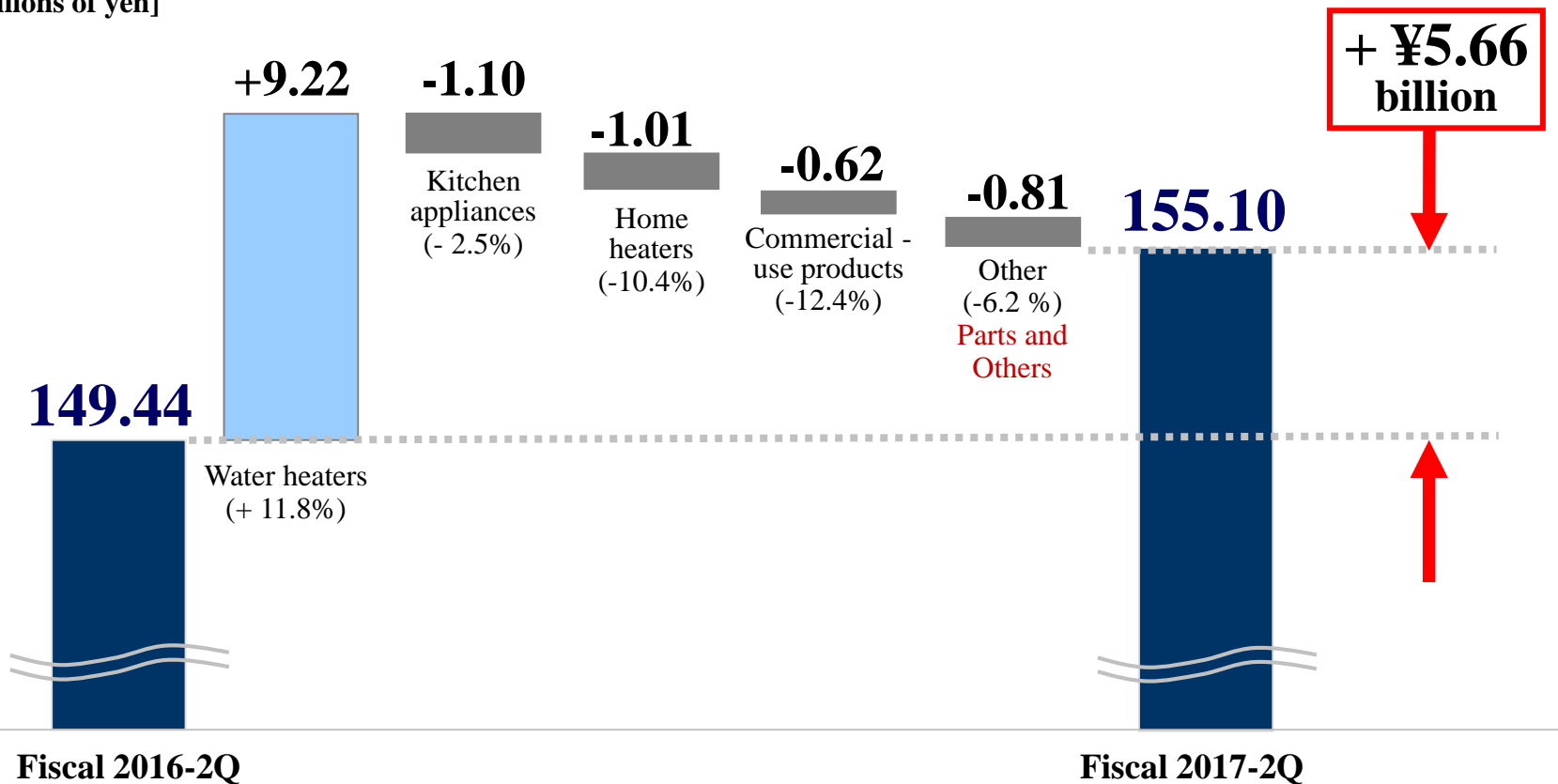
[Billions of yen]



- Year-on-year increases in net sales and operating income for fourth consecutive period
- Profits margins maintained at high levels, with stable real growth continuing

# Fiscal 2017 (2Q): Consolidated Net Sales by Products 3

[Billions of yen]



- **Water heaters:** Major increase in sales, with healthy sales maintained in Japan and overseas
- **Kitchen appliances:** Sales down due to lower sales of tabletop cookers and foreign exchange factors, despite healthy overseas sales

# Fiscal 2017 (2Q): Consolidated Sales/Income Results 4

[Billions of yen]

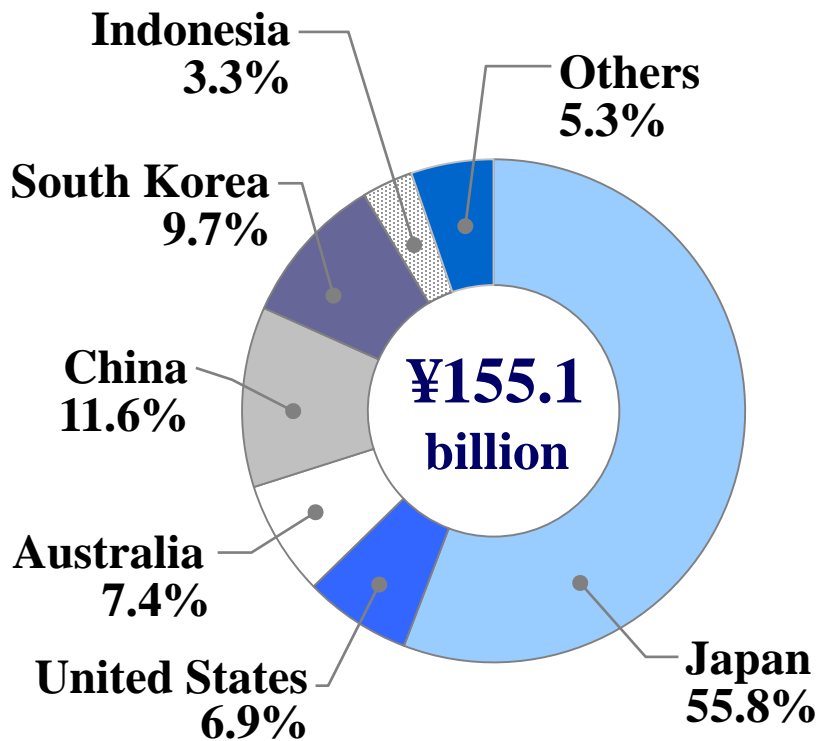
|                     | Net Sales     | YOY Change    | Operating Income | YOY Change    | Operating Margin | YOY Change    |
|---------------------|---------------|---------------|------------------|---------------|------------------|---------------|
| <b>Consolidated</b> | <b>155.10</b> | <b>+ 3.8%</b> | <b>14.87</b>     | <b>+ 0.1%</b> | <b>9.6%</b>      | <b>- 0.3P</b> |



|                 | Net Sales     | YOY Change     | Operating Income | YOY Change     | Operating Margin | YOY Change    |
|-----------------|---------------|----------------|------------------|----------------|------------------|---------------|
| <b>Rinnai</b>   | <b>91.22</b>  | <b>- 0.4%</b>  | <b>7.13</b>      | <b>- 12.1%</b> | <b>7.8%</b>      | <b>- 1.0P</b> |
| <b>Domestic</b> | <b>56.53</b>  | <b>+ 25.7%</b> | <b>1.32</b>      | <b>+ 23.7%</b> | <b>2.3%</b>      | <b>- 0.0P</b> |
| <b>Overseas</b> | <b>72.84</b>  | <b>+ 0.6%</b>  | <b>6.50</b>      | <b>+ 16.7%</b> | <b>8.9%</b>      | <b>+ 1.2P</b> |
| <b>Total</b>    | <b>220.60</b> | <b>+ 5.5%</b>  | <b>14.97</b>     | <b>+ 1.4%</b>  | <b>6.8%</b>      | <b>- 0.3P</b> |

# Consolidated Net Sales by Geographical Segment

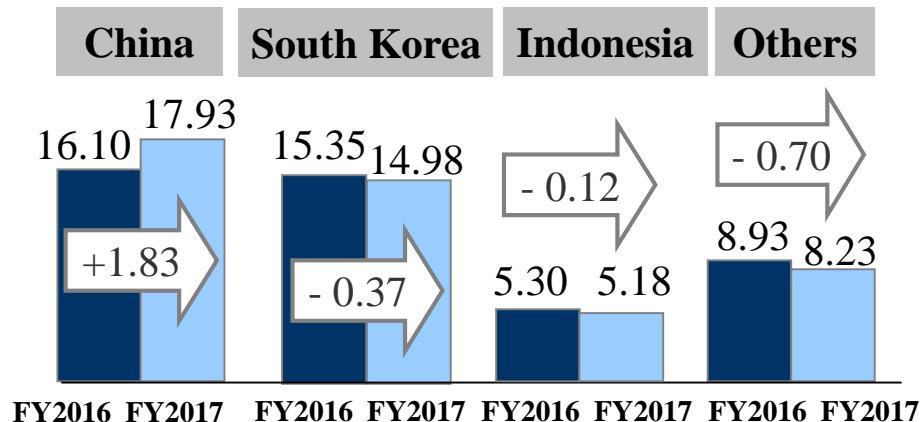
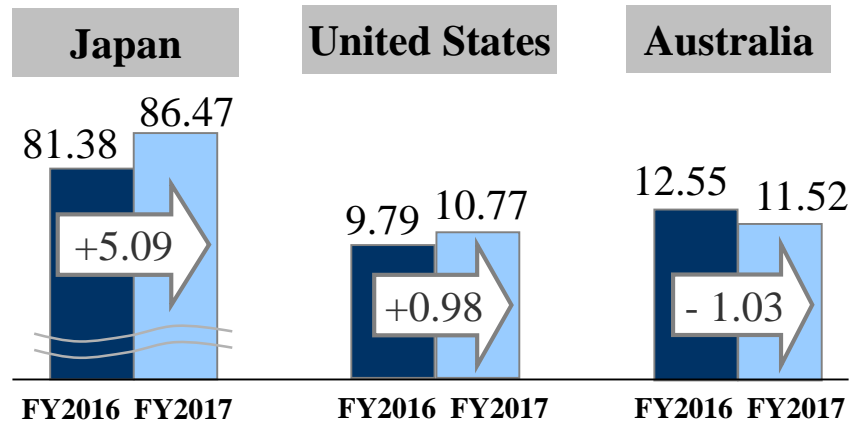
## Fiscal 2017-2Q Consolidated Net Sales



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 2Q | Fiscal 2017 2Q | YOY Change    |
|----------------------|----------------|----------------|---------------|
| <b>Japan</b>         | 39.06          | 46.11          | +18.0%        |
| <b>United States</b> | 8.99           | 10.09          | +12.3%        |
| <b>Australia</b>     | 5.04           | 4.24           | -15.9%        |
| <b>China</b>         | 13.92          | 15.61          | +12.1%        |
| <b>South Korea</b>   | 6.66           | 7.15           | +7.4%         |
| <b>Others</b>        | 4.36           | 4.06           | -6.7%         |
| <b>Total</b>         | <b>78.05</b>   | <b>87.28</b>   | <b>+11.8%</b> |

Composition ratio : 56.3%



- **Japan:** Growth in single-function models, especially for rental properties, due to increased housing starts
- **Sales in United States** buoyed by healthy economy and environmental measures; 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 2Q | Fiscal 2017 2Q | YOY Change   |
|--------------------|----------------|----------------|--------------|
| <b>Japan</b>       | 29.38          | 29.28          | -0.3%        |
| <b>China</b>       | 1.87           | 1.93           | +2.9%        |
| <b>South Korea</b> | 4.47           | 3.75           | -16.1%       |
| <b>Indonesia</b>   | 4.88           | 4.74           | -2.7%        |
| <b>Others</b>      | 2.69           | 2.48           | -7.8%        |
| <b>Total</b>       | <b>43.31</b>   | <b>42.21</b>   | <b>-2.5%</b> |

Composition ratio : 27.2%



Japan



South Korea



Indonesia

- **Japan:** Sales down due to lower sales of tabletop cookers, despite healthy sales of built-in hobs (stovetops) and replacement dishwashers
- **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 2Q | Fiscal 2017 2Q | YOY Change    |
|----------------------|----------------|----------------|---------------|
| <b>Japan</b>         | 3.20           | 2.57           | -19.7%        |
| <b>United States</b> | 0.56           | 0.45           | -20.1%        |
| <b>Australia</b>     | 5.51           | 5.28           | -4.0%         |
| <b>South Korea</b>   | 0.01           | 0.00           | -58.4%        |
| <b>Others</b>        | 0.45           | 0.41           | -7.3%         |
| <b>Total</b>         | <b>9.75</b>    | <b>8.74</b>    | <b>-10.4%</b> |

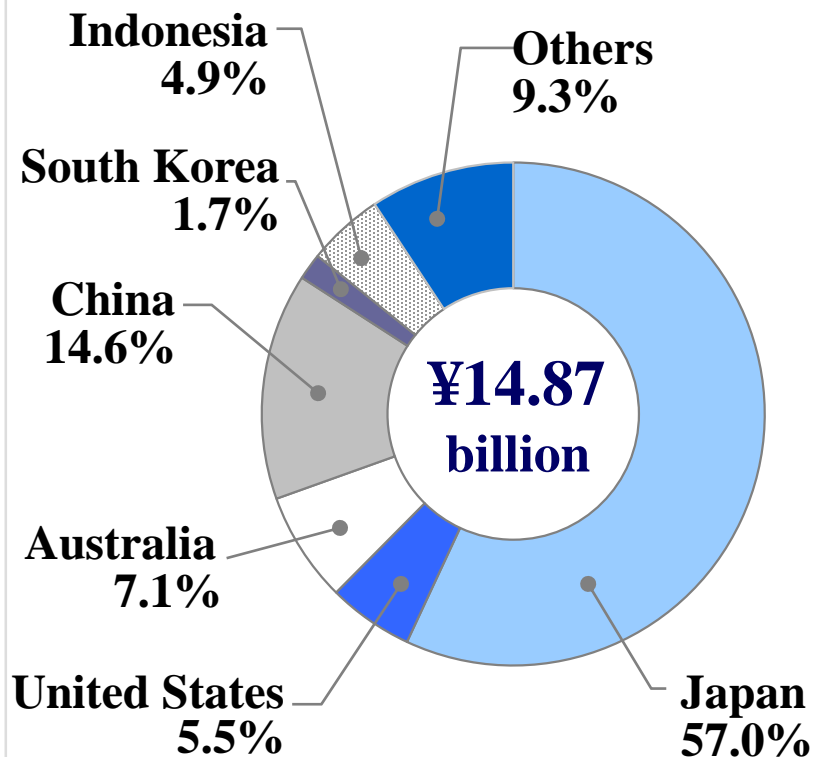
Composition ratio : 5.6%



- **Australia:** Impacted by warm winter and foreign exchange factors, despite healthy sales of ducted air-con systems
- **Japan:** Decline in early orders of mainstay fan heaters

# Consolidated Operating Income by Geographical Segment 9

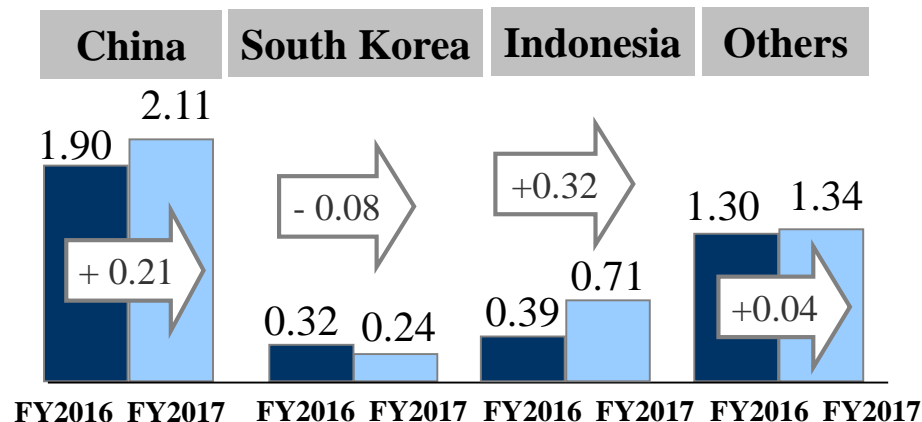
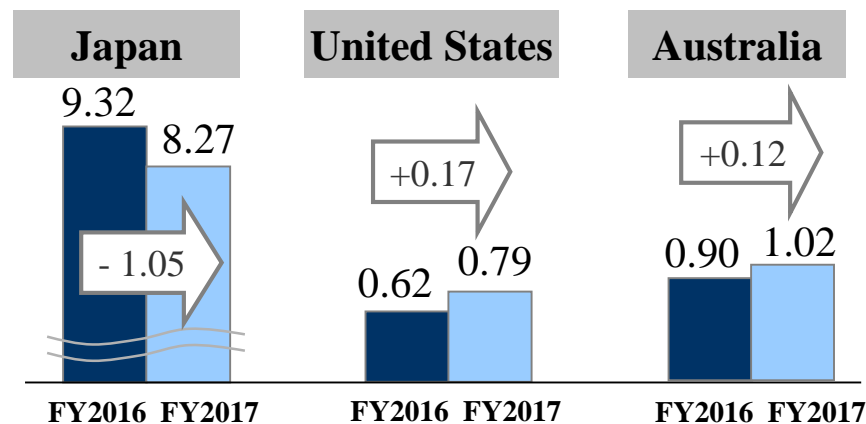
## Fiscal 2017-2Q Consolidated Operating Income



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

## YOY Change by Geographical Segment

[Billions of yen]

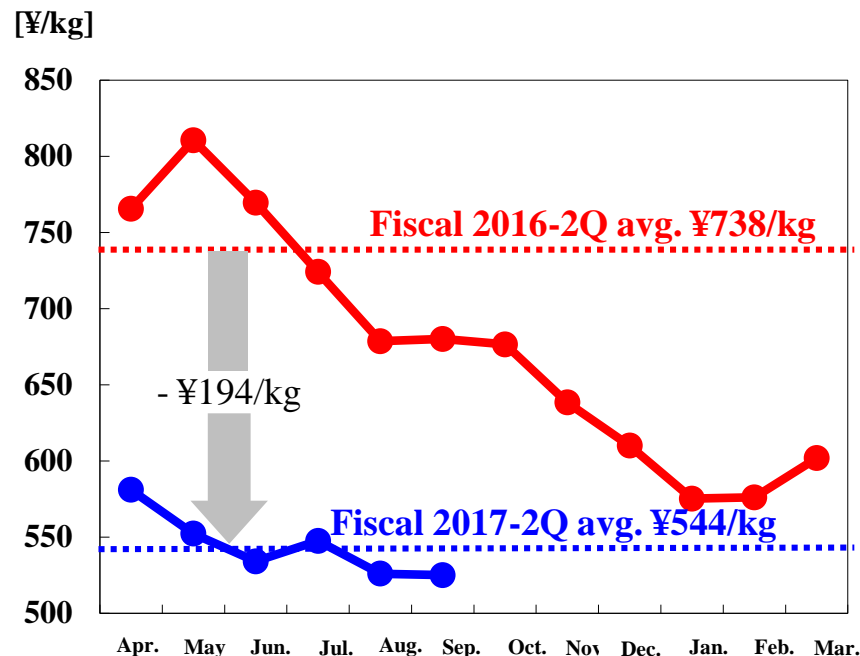


## Electrolytic Copper

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

| [¥/kg]            | Fiscal 2016<br>2Q avg. | Fiscal 2017<br>2Q avg. | YOY change     |
|-------------------|------------------------|------------------------|----------------|
| <b>Avg. price</b> | <b>738</b>             | <b>544</b>             | <b>- 26.3%</b> |

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

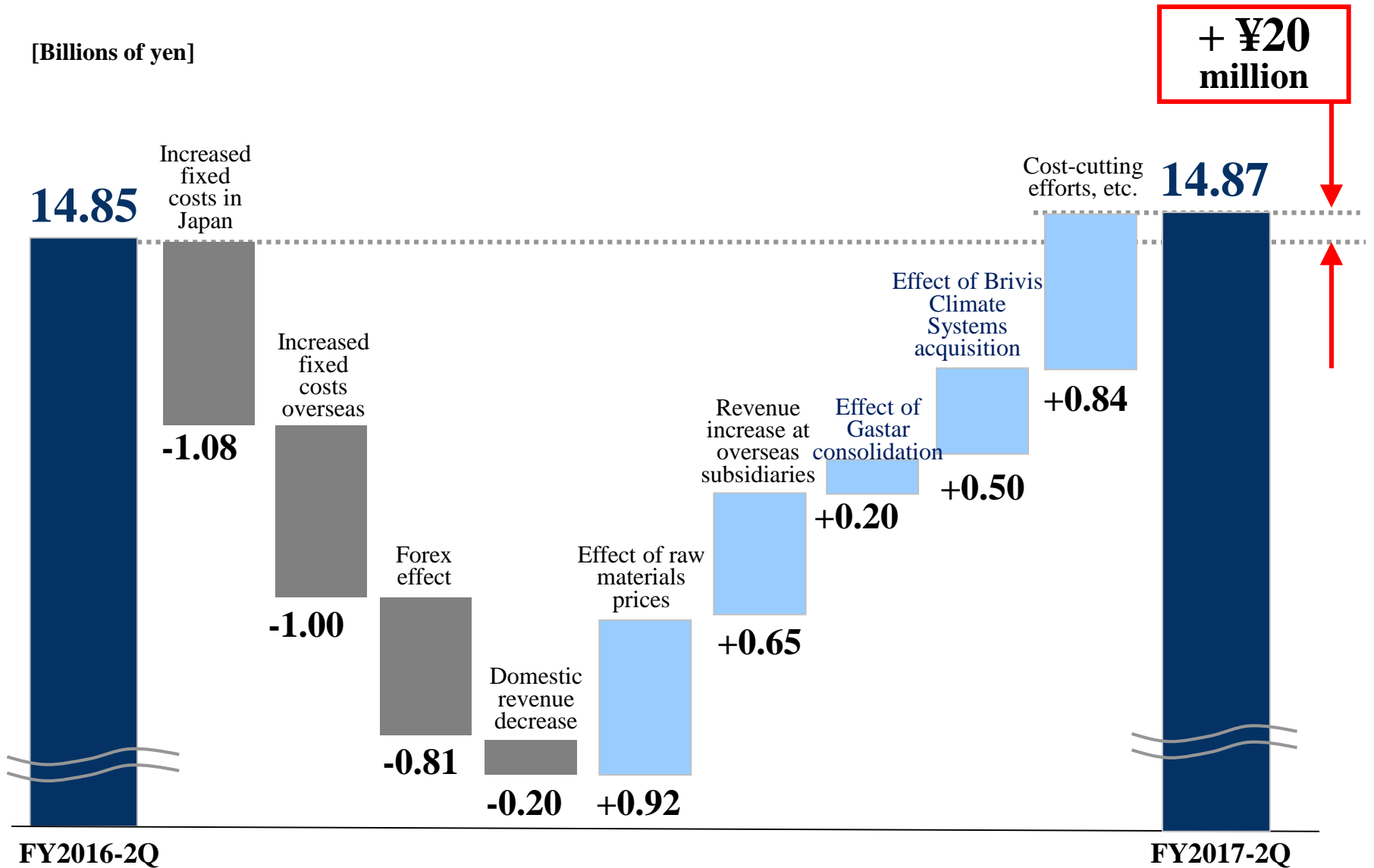


## Steel

Steel prices at below previous-year level

# Fiscal 2017 (2Q): Consolidated Operating Income

[Billions of yen]



# 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.**