



**Financial Results for First Three Quarters of
Fiscal 2018, ending March 31, 2018**

February 7, 2018

Fiscal 2017 (3Q) : Consolidated Highlights

1

Record-high level

Net sales: ¥ 254.6 billion (up 4.7% year on year)

Boosted by healthy sales of water heaters, especially in U.S. and China

Operating income: ¥ 24.8 billion

(down 4.5%; operating margin: 9.8%)

Down due to increasing raw materials prices and sluggish domestic sales of mainstay products

Ordinary income: ¥ 26.3 billion

(down 3.7%; ordinary income ratio: 10.3%)

Down due to decline in operating income, despite lower foreign exchange loss

Net income attributable to owners of the parent company: ¥ 16.6 billion

(down 2.1%; return on sales: 6.6%)

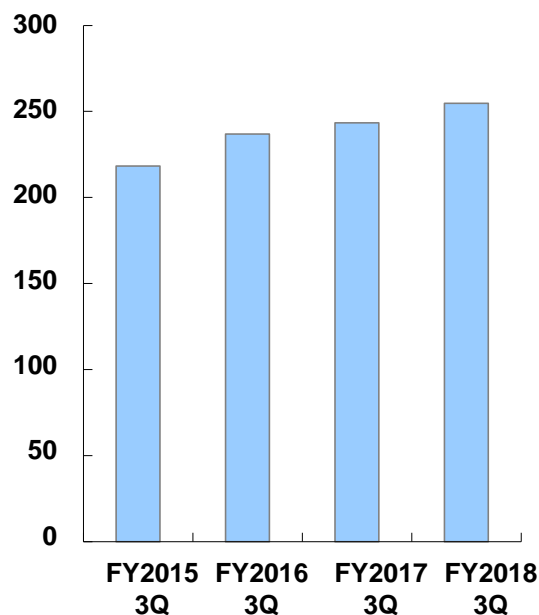
Down due to decrease in ordinary income, despite lower income taxes

In the final year of our medium-term business plan, entitled Evolution and Succession 2017, we reported higher revenue but lower income in the peak domestic demand period, despite healthy overseas sales. The earnings situation will remain challenging.

Consolidated Financial Results (3Q)

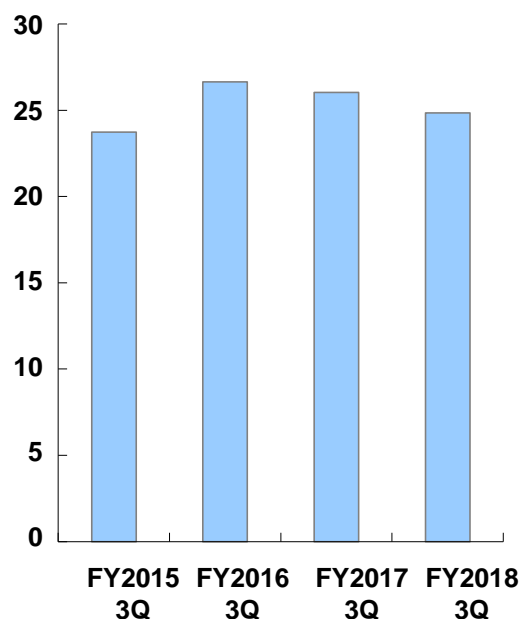
Net Sales

[Billions of yen]



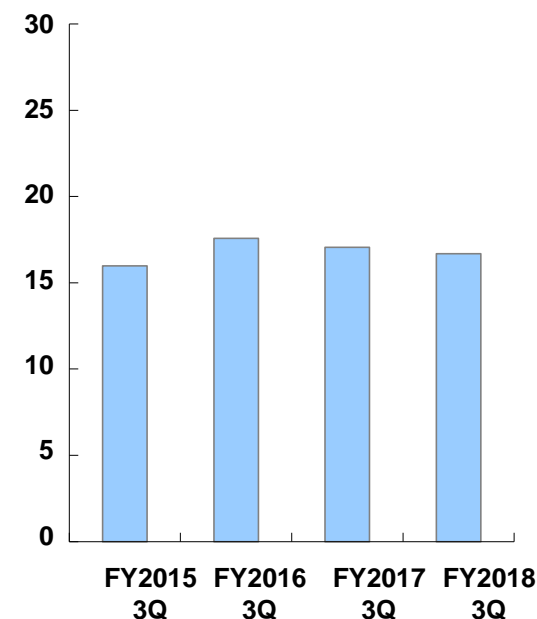
Operating Income

[Billions of yen]



Net income attributable to owners of the parent company

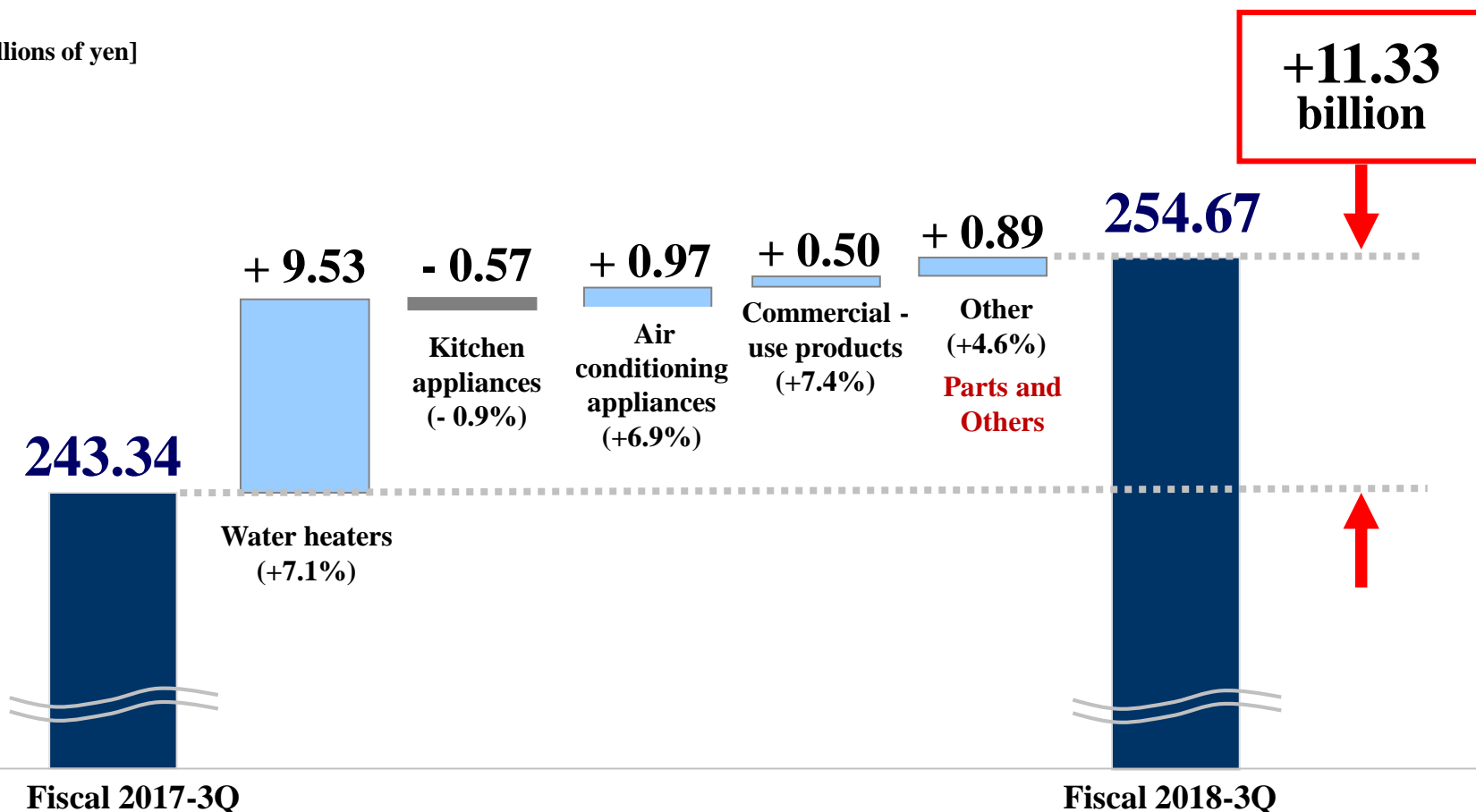
[Billions of yen]



- Net sales up year on year for eighth consecutive period; record high for three-quarter period
- In the past three years, net sales up 16.7% and operating income up 4.8%

Fiscal 2018 (3Q): Consolidated Net Sales by Products ₃

[Billions of yen]



- **Water heaters: Higher sales thanks to healthy overseas demand**
- **Kitchen appliances: Revenue down due to lower domestic sales of stoves, despite increase in overseas sales**

Fiscal 2018 (3Q): Consolidated Sales/Income Results 4

[Billions of yen]

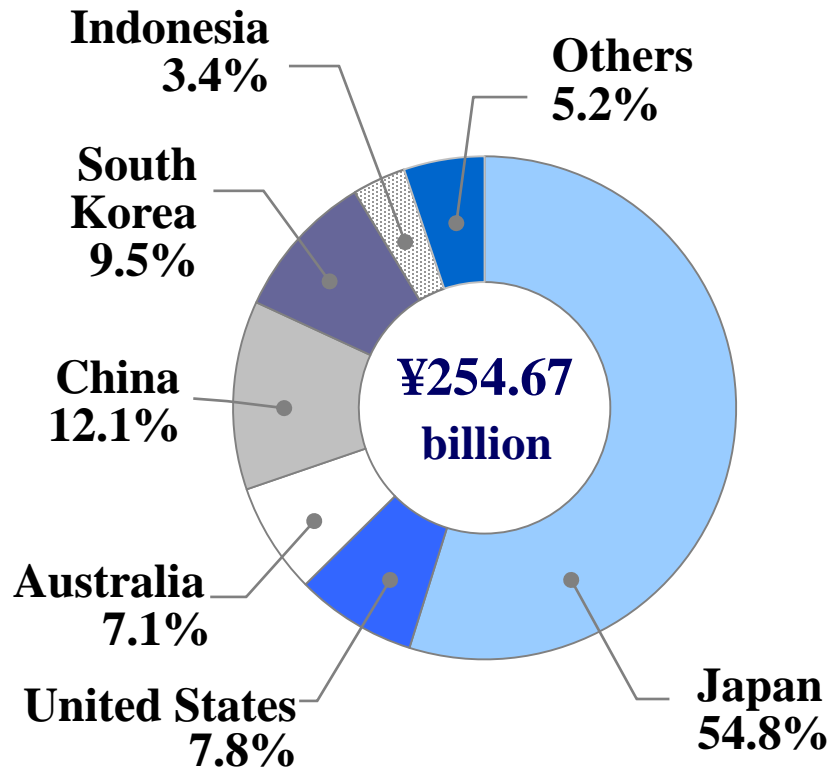
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	254.67	+ 4.7%	24.86	- 4.5%	9.8%	- 0.9P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	150.99	+ 1.9%	13.04	- 5.9%	8.6%	- 0.7P
Domestic	93.01	+ 1.1%	2.18	- 28.6%	2.4%	- 1.0P
Overseas	121.79	+ 11.9%	9.80	+4.5%	8.0%	- 0.6P
Total	365.80	+ 4.8%	25.03	- 4.8%	6.8%	- 0.7P

Consolidated Net Sales by Geographical Segment

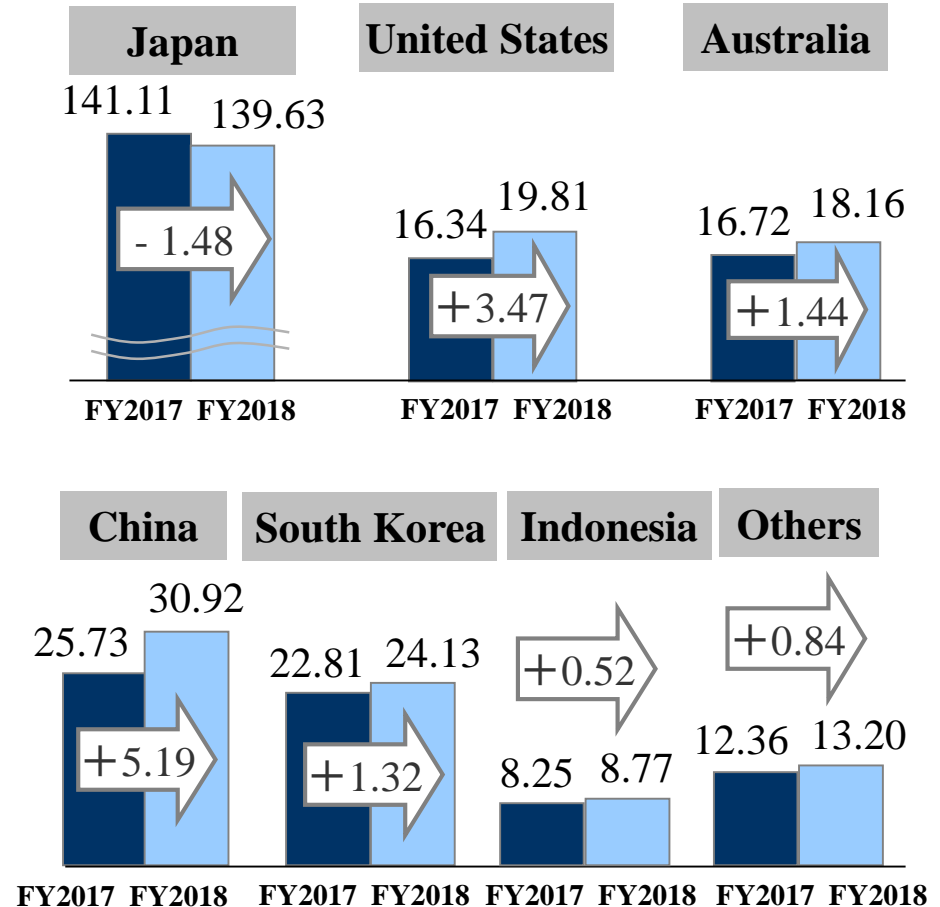
Fiscal 2018-3Q Consolidated Net Sales



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 2017 3Q	Fiscal 2018 3Q	YOY Change
Japan	74.28	72.96	- 1.8%
United States	14.92	18.20	+22.0%
Australia	6.65	7.17	+7.9%
China	22.17	27.64	+24.7%
South Korea	10.73	11.83	+10.3%
Others	6.26	6.74	+7.7%
Total	135.05	144.58	+7.1%

Composition ratio : 56.8%

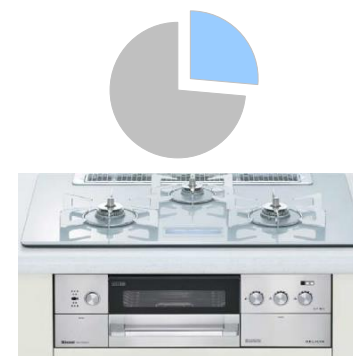


- **Japan:** Lower sales of water heaters via some sales channels, despite higher sales of hybrid water heaters
- **United States:** Strong sales of tankless water heaters reflecting healthy market for housing appliances
- **China:** Higher sales of water heaters amid rising living standards; boiler sales boosted by environmental policies

Sales by Business Segment (Kitchen Appliances)

Composition ratio : 26.4%

[Billions of yen]	Fiscal 2017 3Q	Fiscal 2018 3Q	YOY Change
Japan	47.91	46.45	- 3.0%
China	2.92	2.63	- 10.0%
South Korea	5.79	6.51	+12.4%
Indonesia	7.50	7.87	+5.0%
Others	3.67	3.75	+2.2%
Total	67.81	67.23	- 0.9%



Japan



South Korea



Indonesia

- **Japan:** Healthy sales of dishwasher/dryers (replacement demand) and range hoods, but lower overall revenue due to reduced sales of stoves
- **South Korea:** Increase in unit sales despite intensified price competition for tabletop cookers
- **Indonesia:** Increase in sales thanks to higher unit sales of tabletop cookers stemming from emergence of replacement demand

Sales by Business Segment (Air Conditioning Appliances)⁸

[Billions of Yen]

	Fiscal 2017 3Q	Fiscal 2018 3Q	YOY Change
Japan	5.11	5.63	+10.1%
United States	1.11	1.21	+8.5%
Australia	7.27	7.56	+4.0%
South Korea	0.02	0.02	- 7.0%
Others	0.58	0.66	+12.1%
Total	14.12	15.09	+6.9%

Composition ratio : 5.9%



Japan

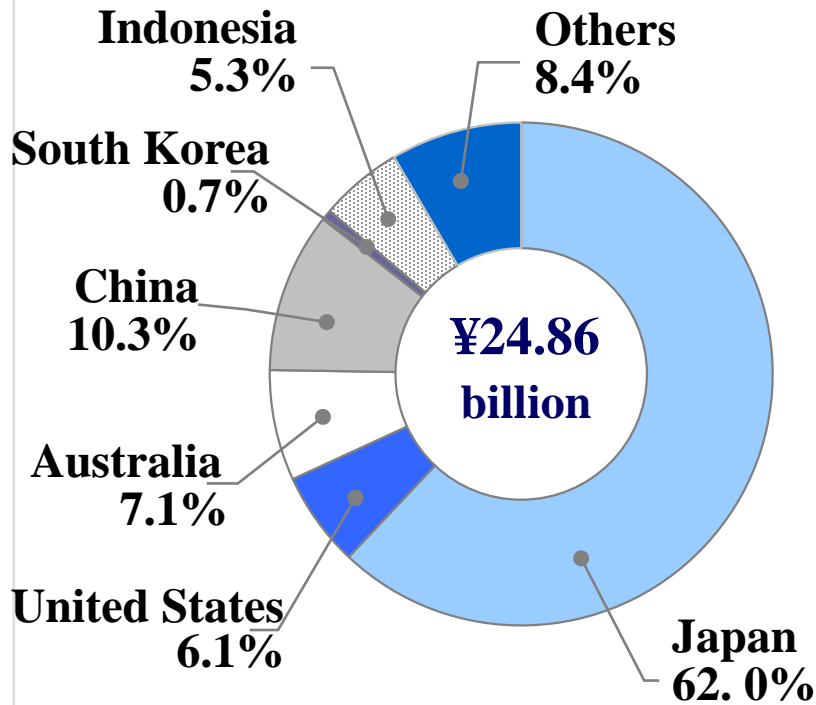


Australia

- **Australia:** Higher sales of ducted heating/cooling systems and air conditioners
- **Japan:** Increase in sales owing to higher unit sales of mainstay fan heaters

Consolidated Operating Income by Geographical Segment 9

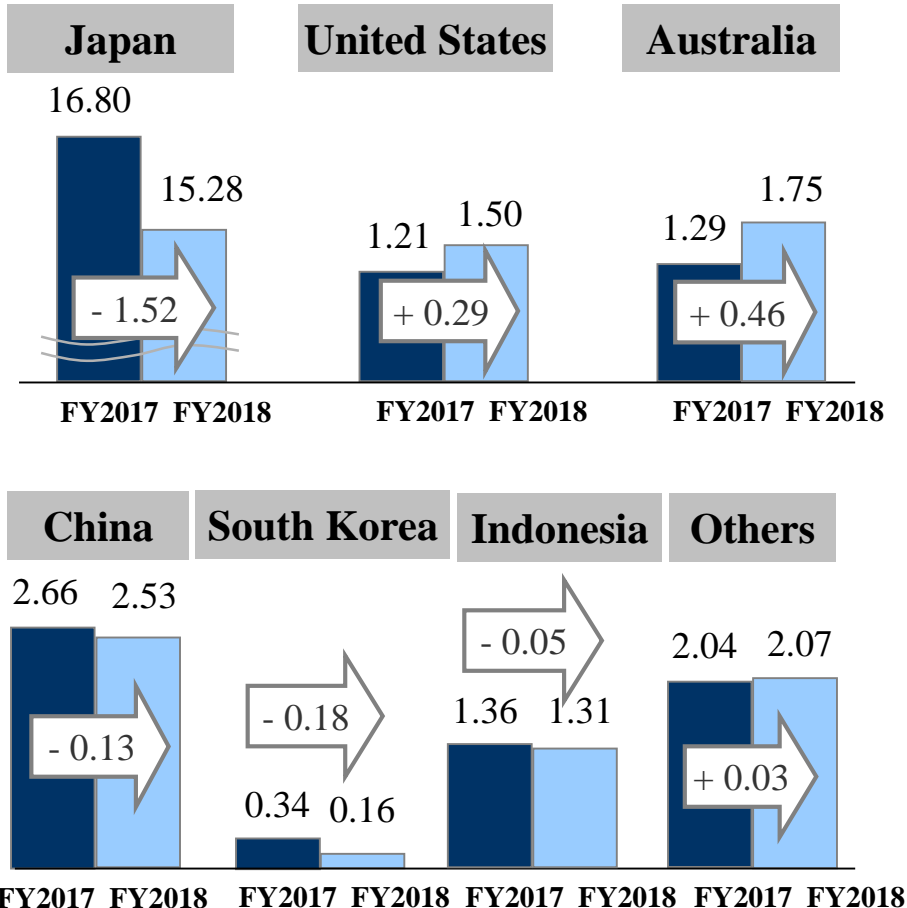
Fiscal 2018-3Q Consolidated Operating Income



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

YOY Change by Geographical Segment

[Billions of yen]

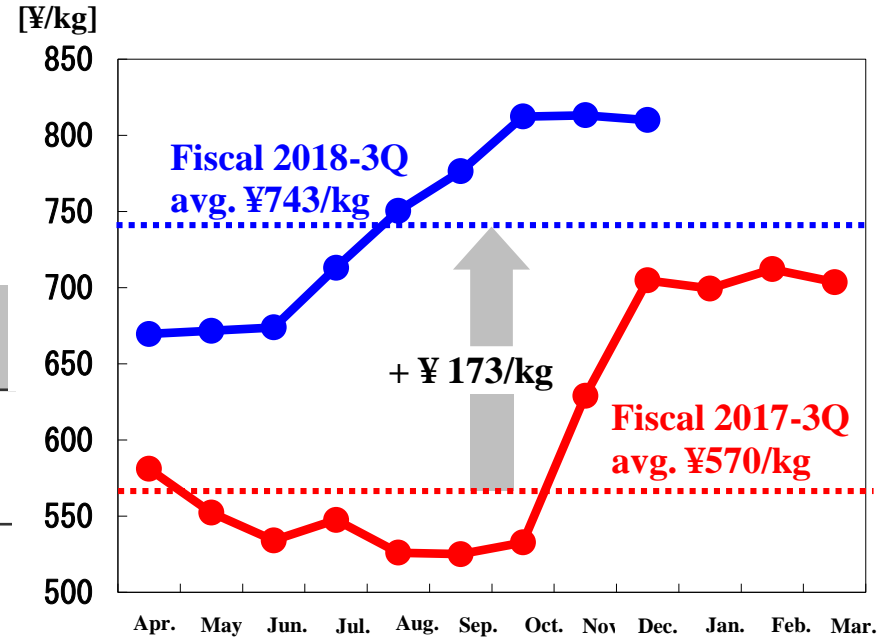


Electrolytic Copper

▪ Copper prices moved higher than our initial forecast of ¥715/kilogram

[¥/kg]	Fiscal 2017 3Q avg.	Fiscal 2018 3Q avg.	YOY change
Avg. price	570	743	+30.4%

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

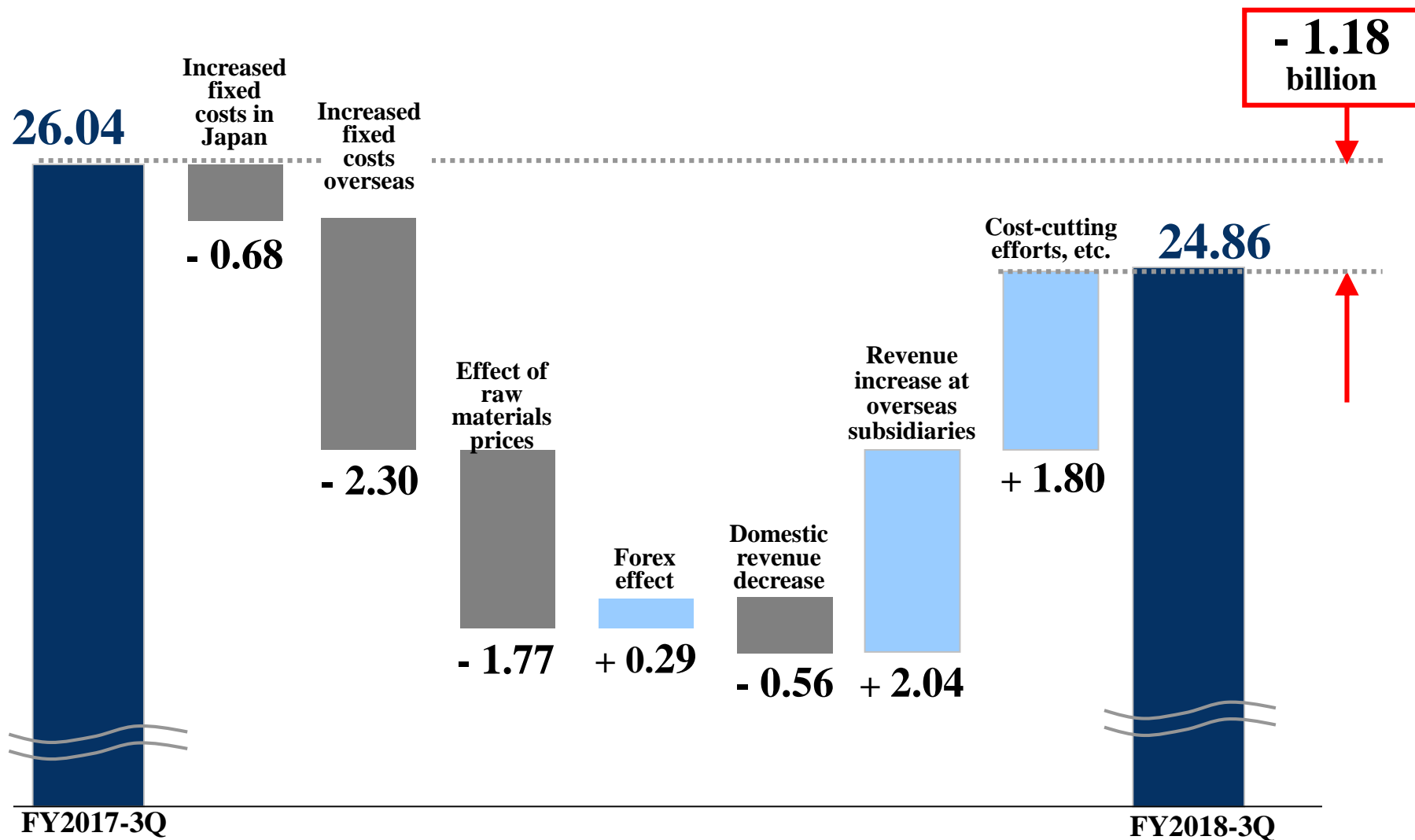


Steel

- Steel prices at higher levels than previous year

Fiscal 2018 (3Q): Consolidated Operating Income

[Billions of yen]



Revision of Consolidated Performance Forecasts for Fiscal 2018

12

[Billions of yen]

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company
Previous forecast (A)	340.0	37.0	38.0	24.0
Revised forecast (B)	345.0	34.0	35.5	22.3
Difference (B - A)	5.0	-3.0	-2.5	-1.7
Change (%)	1.5%	-8.1%	-6.6%	-7.1%
Year ended March 31, 2017 (actual)	330.2	34.0	35.2	22.3
(For references) YOY change	+4.5%	-0.2%	+0.6%	-0.1%

Despite healthy overseas results, we revised our full-year performance forecasts due to sluggish domestic sales of mainstay products in the peak demand period, as well as higher-than-expected prices of raw materials.

Built-In Hobs (Stovetops)

LiSSe

Price range:
¥210,000–
¥220,000



Mytone

Price range:
¥140,000–
¥170,000



 **EASY CLEAN**  **SMOKE OFF**

Wide burners with broad-ranging flames, from strong to weak; left and right burners fitted with temperature control function

Rinnai-only
CLEAN TEC



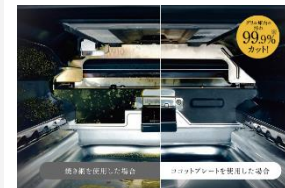
Highly popular Cocotte Plate



Features
of
Cocotte
Plate



1
*Direct flame
can reach*
So tastes great!



2
Doesn't spit oil
So it's clean!



3
Large size
So it cooks evenly!

if DESIGN AWARD 2018

GOOD DESIGN AWARD 2017 BEST 100



G:

G:101

Half of new custom-built houses to be Zero Energy Houses (ZEHs) by 2020!



April 2010
First generation
Primary Energy Efficiency
112%



April 2012
Second generation
Primary Energy Efficiency
129%



Primary Energy Efficiency
129%



April 2015
Third generation
Primary Energy Efficiency
138%



August 2017



Price range:
¥750,000–
¥950,000

Primary Energy Efficiency
156%

Japan

Residential

はやい
乾太くん
Hayai Kanta-kun

Commercial



[RDT-52S]
5kg type
RRP: ¥138,000

Reduces
housework

Clean
drying

Can dry clothes in around one-third of the time compared with electric models



[RDTC-53S]
5kg type
RRP: ¥143,000

Enhanced
efficiency

Higher
durability

Developed with high durability for facilities with high-frequency washing and drying

Overseas

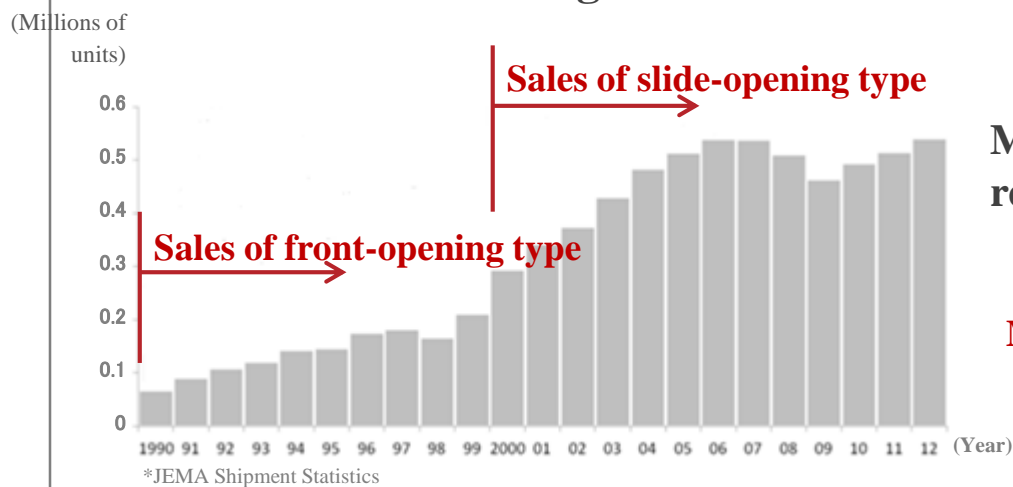


[RDT-62-RK-W]

Widely rolled out around the world, including in South Korea, China, and Italy

Dishwasher/Dryers

Market background: Sales of built-in dishwasher/dryers

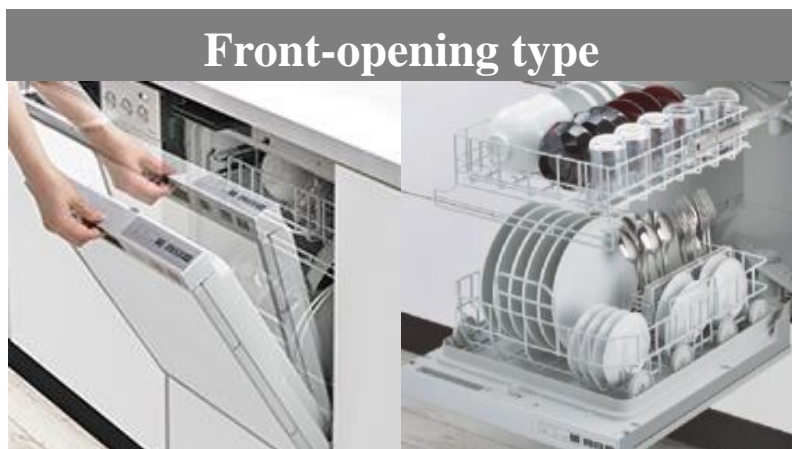


Market growing since around 1990;
replace demand period has arrived

Market replacement stock

More than
2 million
units

We have a range of new products according to people's desired specifications



Price range: ¥190,000–¥200,000



Price range: ¥130,000–¥190,000

“Rinnai Easy Housework” Concept



Gas stoves essential for delicious cooking



Clothes dryers for surprisingly fluffy clothes



Dishwashers that handle family-of-four dishes all at once



Water heaters deliver hot water that is essential to life

Making housework easier.
That will help you relax.



Automatic and remote operation
via smartphone



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

- Akatsuki Factory: Increase ECO ONE production; consolidate production of air conditioning appliances
- Oguchi Factory: Expansion of facility; renewal of welfare building
- Seto Factory: Renewal of welfare wing
- Affiliated companies:
Construct offices and welfare wings

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 sales office, Minami-Kanto sales office, etc.)
- Strengthen service system
- Build distribution center



East Japan Logistics Center
(Atsugi City, Kanagawa Prefecture)

Overseas (strategic investments in new growth drivers)

- Reinforce/expand production bases in line with demand growth (construct factories and expand land sites in United States, China, South Korea, Brazil, 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.