

Consolidated Financial Results for Fiscal 2017

(April 1, 2016 - March 31, 2017)

May 9, 2017

Listed Company Name: Rinnai Corporation

Listings: First sections of the Tokyo and Nagoya Stock Exchanges (Securities Code: 5947)

Website: <http://www.rinnai.co.jp>

Representative: Hiroyasu Naito, President

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Date of the General Meeting of Shareholders: June 28, 2017

Anticipated date to begin distributing dividends: June 29, 2017

Anticipated date for releasing annual securities report: June 28, 2017

Supplemental information sheets of financial results: Yes

Information meeting of financial results: Yes (for analysts and institutional investors)

1. Performance for the Year Ended March 31, 2017

(April 1, 2016 to March 31, 2017; Amounts less than one million yen are omitted)

(1) Consolidated Operating Results (Years ended March 31)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)
Fiscal 2017	330,256 (+3.2)	34,056 (-1.6)	35,280 (-1.5)	22,322 (-1.7)
Fiscal 2016	319,935 (+8.4)	34,593 (+12.4)	35,807 (+8.7)	22,710 (+10.0)

Note: Comprehensive income:

Year ended March 31, 2017: ¥23,135 million (+78.6%)

Year ended March 31, 2016: ¥12,952 million (-63.2%)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)	Ratio of Net Income to Equity Capital (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Operating Income to Net Sales (%)
Fiscal 2017	429.27	—	8.4	9.1	10.3
Fiscal 2016	436.71	—	9.0	9.8	10.8

References: Equity in earnings of companies accounted for using the equity method:

Year ended March 31, 2017: ¥- million Year ended March 31, 2016: ¥- million

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2017	404,325	290,638	67.5	5,245.62
Fiscal 2016	370,246	271,709	69.2	4,924.24

(Reference) Equity capital: Year ended March 31, 2017; ¥272,778 million

Year ended March 31, 2016; ¥256,073 million

(3) Consolidated Cash Flows (Years ended March 31)

(¥ millions)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Fiscal 2017	39,554	(17,732)	(5,217)	95,297
Fiscal 2016	36,066	(17,770)	(6,554)	79,600

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
Fiscal 2016	—	40.00	—	42.00	82.00
Fiscal 2017	—	42.00	—	44.00	86.00
Fiscal 2018 (anticipated)	—	44.00	—	46.00	90.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2016	4,264	18.8	1.7
Fiscal 2017	4,472	20.0	1.7
Fiscal 2018 (anticipated)		19.5	

3. Forecast for the Fiscal Year Ending March 31, 2018

(April 1, 2017, to March 31, 2018)

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)	Net Income per Share (¥)
Two-quarter total	160,000 (+3.2)	15,500 (+4.2)	16,000 (+6.6)	9,700 (+8.4)	186.53
Full year	340,000 (+3.0)	37,000 (+8.6)	38,000 (+7.7)	24,000 (+7.5)	461.53

(Percentage figures in columns indicate increase or decrease from the previous term.)

* Notes

(1) Changes in scope of consolidation of major subsidiaries during the period: Yes

Newly included one company, (Company name: Gastar Co., Ltd.): Excluded — (Company name: —)

(2) Changes in accounting policies; changes in accounting estimates; retrospective restatement

(a) Changes due to revision of accounting standard: Yes

(b) Other changes than (a): None

(c) Changes in the rules for the accounting estimates: None

(d) Retrospective restatement: None

Note: For more information, please refer to “IV. Consolidated Financial Statements, IV. Consolidated Financial Statements and Main Notes, 5. Notes to Consolidated Financial (Change of accounting policy)” on page 15 of this report.

(3) Number of Outstanding Shares (Common Stock)

(a) Number of outstanding shares at fiscal year-end (including treasury stock)

Year ended March 31, 2017: 52,216,463 shares

Year ended March 31, 2016: 52,216,463 shares

(b) Number of treasury stock at fiscal year-end

Year ended March 31, 2017: 215,317 shares

Year ended March 31, 2016: 213,899 shares

(c) Average number of shares during the term

Year ended March 31, 2017: 52,002,013 shares

Year ended March 31, 2016: 52,003,314 shares

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2017

(April 1, 2016 to March 31, 2017; Amounts less than one million yen are omitted)

(1) Nonconsolidated Operating Results (Years ended March 31) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
Fiscal 2017	198,870 (+0.6)	18,814 (-6.8)	21,512 (-2.0)	16,215 (+3.9)
Fiscal 2016	197,592 (+3.7)	20,191 (+8.1)	21,946 (-0.6)	15,602 (+1.7)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2017	311.82	—
Fiscal 2016	300.02	—

(2) Nonconsolidated Financial Position (at March 31) (¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2017	248,802	197,402	79.3	3,796.11
Fiscal 2016	237,141	184,824	77.9	3,554.15

(Reference) Equity capital: Year ended March 31, 2017; ¥197,402 million

Year ended March 31, 2016; ¥184,824 million

* This report is exempt from a auditing process.

* Note on appropriate use of performance forecasts, and other specified notes

Performance forecasts contained in this document are based on information currently available and certain judgments deemed by the Corporation to be reasonable. No intent is implied of promise by the Corporation to achieve such forward-looking statements. Actual results may differ significantly from such forecasts due to various factors. For more information, please refer to

“1. Fiscal Year in Review, (4) Outlook for the Year Ending March 2018” on page 6 of this report.

*Supplemental information sheets of financial results are posted on the Corporation’s website on Tuesday, May 9, 2017.

I. Performance and Financial Position

(1) Fiscal Year in Review

In the fiscal year under review, the world economy was characterized by heightened uncertainty amid ongoing economic slowdown in China and other emerging Asian nations, as well as the decision of the United Kingdom to exit the European Union. In the United States, moreover, concerns about policies of the new administration could not be allayed, making the outlook difficult to predict. Meanwhile, moderate economic growth continued in Japan, reflecting improvements in employment and worker income conditions and a turnaround in personal consumption.

The domestic housing appliance industry was buoyed by an increase in new housing starts stemming from various government measures to support residential purchases, as well as lower home loan interest rates. Replacement demand for reliable housing appliances also firmed.

Under these conditions, the Rinnai Group ended the second year of its medium-term business plan, entitled Evolution and Succession 2017, which began in April 2015. Under the plan, we sought to ensure the “succession” of our corporate culture and spirit attained through our history, while emphasizing “evolution” of our business model so we can create new products and services that benefit society.

With respect to revenue, we reported a year-on-year increase in net sales thanks to healthy sales of water heaters in China and the United States, as well as the addition of Gastar Co., Ltd., which became a consolidated subsidiary. This was despite the impact of the yen’s appreciation. On the earnings side, we posted a decrease in operating income due to a rise in the sales ratio for low-priced products in Japan, as well as depressed unit sales of kitchen appliances and home heaters.

As a result, consolidated net sales for the year amounted to ¥330,256 million, up 3.2% from the previous year. Operating income slipped 1.6%, to ¥34,056 million, and ordinary income was down 1.5%, to ¥35,280 million. Net income attributable to owners of the parent declined 1.7%, to ¥22,322 million.

Our results by geographical segment were as follows:

Japan

In Japan, we enjoyed an increase in sales of standalone water heaters amid growth in the home rental market. We also benefited from healthy sales of dishwasher/dryers thanks to enhancement of our lineup for the replacement market, as well as firm sales of gas clothes dryers—a distinctive Rinnai strength—and our *ECO ONE* hybrid water heaters with heating systems. Accordingly, sales in Japan rose 5.7% year on year, to ¥189,036 million. However, an increase in sales of low-priced products led to a decline in the sales ratio for high-value-added products. As a result, operating income declined 3.1%, to ¥22,305 million.

United States

In the United States, we saw a shift away from conventional tank-based water heaters toward high-efficiency gas tankless water heaters, due to stricter minimum heat efficiency standards enforced by the Department of Energy. As a result, sales in the United States rose 4.0%, to ¥23,504 million. Due to an increase in procurement costs stemming from the yen’s appreciation, however, operating income declined 8.6%, to ¥1,661 million.

Australia

In Australia, we enjoyed steady business expansion thanks to growth in storage-type (tank-based)

water heaters and air conditioning systems of Brivis Climate Systems Pty Ltd, which became a consolidated subsidiary in the previous fiscal year. Sales in local-currency terms increased as a result. Due to the yen's appreciation, however, sales in Australia declined 7.0%, to ¥21,468 million. Operating income grew 8.8%, to ¥1,249 million, thanks to a year-on-year decrease in expenses associated with the acquisition of Brivis Climate Systems.

China

In China, the number of gas appliance users continued to increase thanks to expansion of gas infrastructure in regional cities. This, together with enlargement of our sales network, resulted in healthy sales of water heaters. Moreover, rising living standards led to the continued trend towards larger-capacity, higher-performance water heaters, which also bolstered sales. Consequently, sales in China increased 12.5%, to ¥35,962 million, and operating income rose 15.4%, to ¥3,069 million.

South Korea

In South Korea, we enjoyed healthy sales of boilers thanks to increased construction of small-scale multiple-dwelling projects and growing replacement demand. We also posted higher sales of gas clothes dryers due to acclaim for their fast-drying capability. Local-currency sales increased year on year as a result. Due to the yen's appreciation, however, sales in South Korea slipped 4.2%, to ¥32,455 million. Operating income fell 38.6%, to ¥920 million.

Indonesia

In Indonesia, sales of tabletop cookers increased year on year, leading to a rise in overall local-currency sales. Due to the yen's appreciation, however, sales in yen terms decreased 2.7% year on year, to ¥10,737 million. Operating income jumped 44.0%, to ¥1,901 million, thanks to cost-related improvements.

References 1: Net sales by product

(¥ millions)

	Year ended March 31, 2016 (April 1, 2015, to March 31, 2016)		Year ended March 31, 2017 (April 1, 2016, to March 31, 2017)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	169,623	53.0	188,202	57.0	18,579	11.0
Kitchen appliances	93,340	29.2	88,456	26.8	(4,883)	(5.2)
Home heaters	19,463	6.1	17,952	5.4	(1,510)	(7.8)
Commercial-use equipment	10,041	3.1	9,122	2.8	(919)	(9.2)
Others	27,466	8.6	26,521	8.0	(944)	(3.4)
Total	319,935	100.0	330,256	100.0	10,320	3.2

References 2: Overseas sales

(¥ millions)

	Year ended March 31, 2016 (April 1, 2015, to March 31, 2016)			Year ended March 31, 2017 (April 1, 2016, to March 31, 2017)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	95,128	55,282	150,411	95,351	54,442	149,794
II. Consolidated net sales	—	—	319,935	—	—	330,256
III. Composition ratio of overseas sales to consolidated net sales	29.7%	17.3%	47.0%	28.9%	16.5%	45.4%

Note: Overseas sales of the above indicate sales of the Corporations in overseas countries or regions.

(2) Financial Position

As of March 31, 2017, the Rinnai Group had total assets of ¥404,325 million, up ¥34,078 million from a year earlier. This rise stemmed mainly from an increase in cash and deposits.

Total liabilities rose ¥15,149 million, to ¥113,686 million, due largely to an increase in notes and accounts payable.

Net assets were up ¥18,929 million, to ¥290,638 million, boosted by net income attributable to owners of the parent company.

As a result, the equity ratio at fiscal year-end was 67.5%.

(3) Cash Flows

Cash and cash equivalents at March 31, 2017, stood at ¥95,297 million, up ¥15,697 million, or 19.7%, from a year earlier.

Net cash provided by operating activities amounted to ¥39,554 million, up 9.7% from the previous year. Main factors included the secured operating income and a cash decrease due to income taxes paid.

Net cash used in investing activities totaled ¥17,732 million, down 0.2% from the previous year. Main factors were purchases of tangible fixed assets.

Net cash used in financing activities was ¥5,217 million, down 20.4% from the previous year. The main component was dividends paid.

(4) Outlook for the Year Ending March 2018

In the fiscal year ending March 2018, we expect the world economy to maintain its moderate expansion tone, but we predict that economic growth in China and other Asian nations will continue slowing. In Japan, there are causes for concern, such as weak growth in household and population numbers, as well as fluctuating materials prices and foreign exchange factors. Nevertheless, we look forward to certain levels of demand, including in the replacement market.

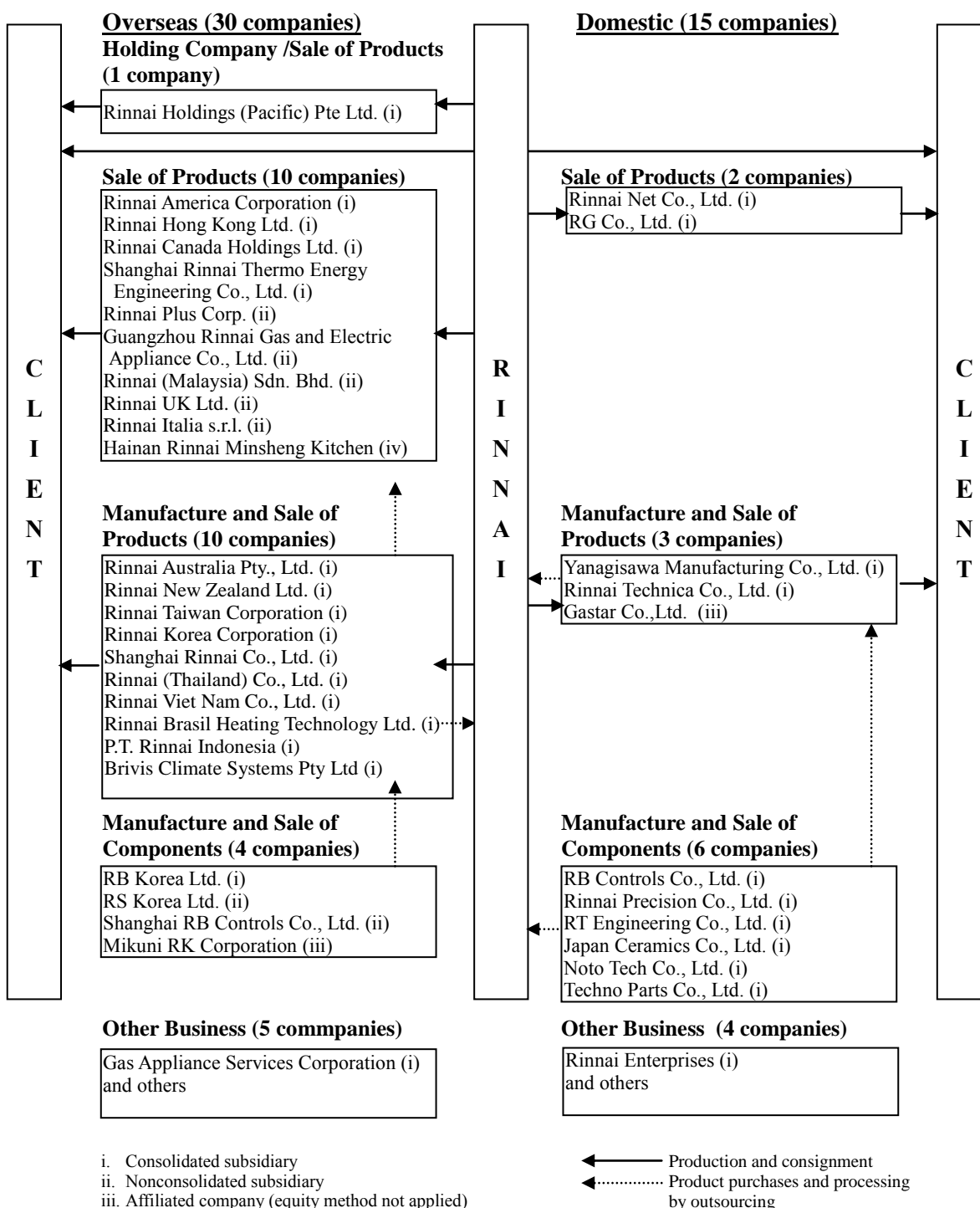
Under these conditions, the Rinnai Group will continue implementing its medium-term business plan, entitled Evolution and Succession 2017. Under the plan, we will emphasize “succession” of the “Rinnai Spirit” to deliver stable business continuity, while ensuring “evolution” in accordance with the challenges of the new era. At the same time, we will reform our business model while keeping ahead of various changes in the operating environment, with the aims of creating new products and services that benefit society and establishing the Rinnai brand as a comprehensive manufacturer of heat and energy appliances.

In Japan, we will step up sales of products with exceptional environmental and energy-efficiency performances. These include our *ECO ONE* hybrid water heaters with heating systems that use electricity and gas separately and efficiently, as well as our *Eco Jozu* series of high-efficiency water heaters. In addition, we will enhance our planning and consulting capabilities for system-based offerings, such as integrated water and room heaters (and their peripherals) that deploy hot water in multifaceted ways, as well as stoves and range hoods for a built-in kitchen. Overseas, we will expand sales in response to growing demand for heating equipment, including for gas water heaters in China and the United States and kitchen appliances in Asian nations.

For the year ending March 2018, we forecast consolidated net sales of ¥340.0 billion (up 3.0% year-on-year), operating income of ¥37.0 billion (up 8.6%), ordinary income of ¥38.0 billion (up 7.7%), and net income attributable to owners of the parent company of ¥24.0 billion (up 7.5%).

II. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 43 subsidiaries, and two affiliated companies, for a total of 46 companies. These include 33 consolidated subsidiaries. The Group is primarily engaged in the manufacture and sale of gas appliances, and related businesses. The Group's structure and business flow are shown below.



III. Basic Policy Regarding Selection of Accounting Standard

The Rinnai Group has prepared these consolidated financial statements based on to the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), except for Chapters 7 and 8. With respect to application of international accounting standards, the Group's policy is to respond appropriately after considering various circumstances in Japan and overseas.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

	At March 31, 2016 (Year ended March 31, 2016)	At March 31, 2017 (Year ended March 31, 2017)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	100,528	115,225
Notes and accounts receivable	61,282	62,547
Electronically Recorded Monetary Claims	4,926	7,540
Marketable securities	8,036	8,563
Products	23,461	24,839
Raw materials and stores	12,608	13,963
Deferred tax assets	3,488	3,581
Other	2,748	2,391
Less allowance for doubtful accounts	(600)	(982)
Total current assets	216,480	237,671
Fixed assets		
Property, plant and equipment		
Buildings and structures	47,135	61,500
Accumulated depreciation	(26,850)	(34,010)
Buildings and structures (net)	20,285	27,489
Machinery and vehicles	50,622	54,568
Accumulated depreciation	(37,546)	(41,029)
Machinery and vehicles (net)	13,076	13,539
Tools and fixtures	33,748	36,522
Accumulated depreciation	(28,851)	(31,654)
Tools and fixtures (net)	4,896	4,868
Land	17,061	22,939
Lease assets	391	506
Accumulated depreciation	(205)	(262)
Lease assets (net)	186	243
Construction in progress	7,793	9,094
Total property, plant and equipment	63,299	78,175
Intangible fixed assets	5,887	6,853
Investments and advances		
Investments in securities	64,133	59,725
Net defined benefit assets	16,603	17,234
Deferred income taxes	988	1,620
Other	3,261	3,426
Less allowance for doubtful accounts	(406)	(382)
Total investments and advances	84,579	81,624
Total fixed assets	153,766	166,653
Total assets	370,246	404,325

(¥ millions)

	At March 31, 2016 (Year ended March 31, 2016)	At March 31, 2017 (Year ended March 31, 2017)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	23,163	22,205
Electronically recorded obligations	28,155	33,891
Other payables	11,409	13,169
Accrued consumption taxes	1,412	1,421
Accrued income taxes	5,053	6,012
Accrued employee's bonuses	4,025	4,290
Allowance for product guarantee	3,436	3,952
Other	6,073	6,624
Total current liabilities	82,730	91,568
Long-term liabilities		
Deferred tax liabilities	6,058	7,452
Allowance for environmental measures	—	2,255
Net defined benefit liabilities	6,349	9,484
Other	3,398	2,926
Total long-term liabilities	15,806	22,118
Total liabilities	98,537	113,686
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,719	8,756
Earned surplus	229,372	247,327
Treasury stock	(993)	(1,007)
Total shareholders' equity	243,558	261,536
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	4,066	4,883
Foreign exchange translation adjustment	5,288	3,047
Remeasurements of defined benefit plans	3,160	3,310
Total other accumulated comprehensive income	12,515	11,241
Non-controlling interests	15,636	17,860
Total net assets	271,709	290,638
Total liabilities and net assets	370,246	404,325

**2. Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**
Consolidated Statements of Income

(¥ millions)

	Fiscal 2016 (April 1, 2015, to March 31, 2016)	Fiscal 2017 (April 1, 2016, to March 31, 2017)
	Amount	Amount
Net sales	319,935	330,256
Cost of Sales	216,454	221,355
Gross Profit	103,480	108,900
Selling, general and administrative expenses		
Transportation and packing	7,532	7,788
Advertising	3,962	4,073
Sales promotion	7,813	9,267
After-sales service	1,243	433
Transfer to allowance for product guarantee	3,203	3,725
Salary and bonuses	22,391	23,622
Transfer to allowance for employee's bonuses	1,906	2,018
Retirement benefit expenses	376	960
Depreciation	1,389	1,681
Other	19,066	21,274
Total selling, general and administrative expenses	68,886	74,844
Operating income	34,593	34,056
Other income:		
Interest income	1,151	939
Dividends received	340	466
Other	592	805
Total other income	2,084	2,210
Other expenses:		
Interest expenses	40	32
Foreign exchange loss	437	287
Loss on retirement of fixed assets	191	345
Other	202	320
Total other expenses	870	986
Ordinary income	35,807	35,280
Extraordinary income:		
Gain on sales of fixed assets	271	—
Compensation income for expropriation	—	253
Total extraordinary income	271	253
Extraordinary losses:		
Loss on step acquisitions	—	137
Loss on disaster	—	393
Loss on reduction of fixed assets	182	—
Total extraordinary losses	182	530
Income before income taxes	35,896	35,003
Income taxes:		
Current	9,481	10,161
Deferred	1,384	(301)
Total income taxes	10,866	9,859
Net income	25,030	25,143
Net income attributable to non-controlling interests	2,319	2,821
Net income attributable to owners of the parent company	22,710	22,322

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2016 (April 1, 2015, to March 31, 2016)	Fiscal 2017 (April 1, 2016, to March 31, 2017)
	Amount	Amount
Net income	25,030	25,143
Other comprehensive income		
Unrealized gain on marketable securities	(1,861)	831
Foreign exchange translation adjustment	(5,790)	(2,969)
Remeasurements of defined benefit plans	(4,426)	129
Total other comprehensive income	(12,078)	(2,008)
Comprehensive income	12,952	23,135
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	11,664	21,051
Non-controlling interest	1,287	2,083

3. Consolidated Statements of Shareholders' Equity

Fiscal 2016 (April 1, 2015, to March 31, 2016)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,719	208,866	(979)	223,065
Net changes during the current term					
Dividends paid			(4,056)		(4,056)
Net income attributable to owners of the parent company			22,710		22,710
Acquisition of treasury stock				(14)	(14)
Change of scope of equity method			1,852		1,852
Change in treasury shares of parent arising from transactions with non-controlling shareholders					
Net other changes than shareholders' equity during the current term					
Total net changes during the current term	—	—	20,506	(14)	20,492
Balance at the end of current term	6,459	8,719	229,372	(993)	243,558

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	5,921	10,046	7,591	23,559	14,789	261,414
Net changes during the current term						
Dividends paid						(4,056)
Net income attributable to owners of the parent company						22,710
Acquisition of treasury stock						(14)
Change of scope of equity method						1,852
Change in treasury shares of parent arising from transactions with non-controlling shareholders						—
Net other changes than shareholders' equity during the current term	(1,854)	(4,757)	(4,431)	(11,044)	(846)	(10,197)
Total net changes during the current term	(1,854)	(4,757)	(4,431)	(11,044)	(846)	10,294
Balance at the end of current term	4,066	5,288	3,160	12,515	15,636	271,709

Fiscal 2017 (April 1, 2016, to March 31, 2017)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,719	229,372	(993)	243,558
Net changes during the current term					
Dividends paid			(4,368)		(4,368)
Net income attributable to owners of the parent company			22,322		22,322
Acquisition of treasury stock				(13)	(13)
Change of scope of equity method					—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		37			37
Net other changes than shareholders' equity during the current term					—
Total net changes during the current term	—	37	17,954	(13)	17,978
Balance at the end of current term	6,459	8,756	247,327	(1,007)	261,536

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	4,066	5,288	3,160	12,515	15,636	271,709
Net changes during the current term						
Dividends paid						(4,368)
Net income attributable to owners of the parent company						22,322
Acquisition of treasury stock						(13)
Change of scope of equity method						—
Change in treasury shares of parent arising from transactions with non-controlling shareholders						37
Net other changes than shareholders' equity during the current term	817	(2,240)	150	(1,273)	2,224	950
Total net changes during the current term	817	(2,240)	150	(1,273)	2,224	18,929
Balance at the end of current term	4,883	3,047	3,310	11,241	17,860	290,638

4. Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2016 (April 1, 2015, to March 31, 2016)	Fiscal 2017 (April 1, 2016, to March 31, 2017)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	35,896	35,003
Depreciation and amortization	10,211	10,174
Compensation for expropriation	—	(253)
(Increase) decrease in net defined benefit assets	(2,420)	(468)
Increase (decrease) in net defined benefit liabilities	450	639
Interest and dividends income	(1,491)	(1,405)
Decrease (increase) in trade receivables	(3,094)	1,172
Decrease (increase) in inventories	(2,036)	(2,353)
Increase (decrease) in trade payables	3,980	1,253
Increase (decrease) in other liability	1,428	601
Other	815	3,349
Subtotal	43,740	47,713
Interest and dividends received	1,535	1,422
Proceeds from compensation for expropriation	—	253
Interest paid	(40)	(32)
Income taxes paid	(9,169)	(9,803)
Net cash provided by operating activities	36,066	39,554
Cash flows from investing activities		
Transfers to time deposits	(39,534)	(35,638)
Withdrawals from time deposits	43,965	38,208
Purchases of securities	(516)	(865)
Proceeds from redemption of securities	1,852	612
Purchases of tangible fixed assets	(17,327)	(20,778)
Proceeds from sales of tangible fixed assets	481	251
Purchases of intangible fixed assets	(616)	(672)
Purchases of investments in securities	(4,228)	(5,944)
Proceeds from sales/and redemption of investments in securities	4,654	5,620
Acquisition of subsidiary shares due to the change of scope of consolidation	(4,543)	—
Proceeds from acquisition of subsidiary shares due to the change of scope of consolidation	—	1,644
Acquisition of affiliated company's shares	(1,876)	—
Other	(81)	(170)
Net cash used in investing activities	(17,770)	(17,732)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(1,929)	—
Dividends paid	(4,056)	(4,368)
Other	(567)	(849)
Net cash used in financing activities	(6,554)	(5,217)
Effect of exchange rate fluctuations on cash and cash equivalents	(1,481)	(906)
Net increase (decrease) in cash and cash equivalents	10,259	15,697
Cash and cash equivalents at beginning of year	69,340	79,600
Cash and cash equivalents at end of year	79,600	95,297

5. Notes to Consolidated Financial Statements

Notes regarding the assumption of a going concern

There are no relevant items.

(Change of accounting policy)

(Application of “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016”)

In accordance with an amendment to Japan’s Corporation Tax Act, the Corporation has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, June 17, 2016), effective the year under review. Accordingly, the Corporation has changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

The effect of this change on the Corporation’s Consolidated Financial Statements is negligible.

Segment Information

(1) Summary of Reportable Segments

With respect to its business segments, Rinnai is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance.

The Rinnai Group is engaged mainly in the production and sales of heat appliances. The Corporation (parent company) and domestic subsidiaries are in charge of business activities in Japan, while overseas subsidiaries in South Korea, United States, and elsewhere are in charge of business activities in the respective regions. Local subsidiaries operate as independently managed units. With respect to products handled, they advance their operations based on their comprehensive strategies for their specific regions.

Accordingly, the reportable segments of the Corporation, which are geographic segments based on its production and sales system, consist of six regions: Japan, United States, Australia, China, South Korea, and Indonesia.

(2) Calculation Methods of Sales, Income, Assets, and Other Items by Reportable Segment

Accounting treatments of the reportable segments of the Corporation are much the same in the accounting treatments of Consolidated Financial Statements.

Income of the reportable segment indicates figures based on operating income.

(3) Sales and Income Assets, and Other Items by Reportable Segment

Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(¥ millions)

	Reportable Segments							Others (Note 1)	Adjustments (Note 2, 3)	Amounts in Consolidated Statements of Income (Note 4)
	Japan	United States	Australia	China	South Korea	Indonesia	Total			
Net sales										
(1) Sales to outside customers	178,781	22,602	23,092	31,966	33,888	11,038	301,368	18,567	—	319,935
(2) Intersegment sales	28,192	—	45	2,130	1,032	602	32,003	2,892	(34,895)	—
Total	206,973	22,602	23,137	34,096	34,920	11,640	333,372	21,459	(34,895)	319,935
Segment Income (loss)	23,007	1,817	1,148	2,659	1,499	1,320	31,452	2,799	341	34,593
Segment Assets	286,111	11,417	19,185	23,845	18,466	11,616	370,642	20,529	(20,925)	370,246
Others										
Depreciation	7,225	46	369	433	1,200	508	9,783	428	—	10,211
Amortization of goodwill	—	—	219	—	—	165	385	—	—	385
Investments in company to which equity method applied	4,729	—	—	—	—	—	4,729	—	—	4,729
Increase in property, plant and equipment and intangible fixed assets (Note 5)	10,038	92	2,069	2,980	1,851	143	17,175	379	—	17,555

Notes: 1. “Others” include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. “Adjustments” of income (loss) refers to intersegment transactions to eliminate.

3. “Adjustments” of assets refers to intersegment transactions to eliminate.

4. “Income (loss)” is adjusted from operating income in Consolidated Statements of Income.

5. “Increase in property, plant and equipment and intangible fixed assets” does not include increase due to new consolidations.

Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(¥ millions)

	Reportable Segments							Others (Note 1)	Adjustments (Note 2, 3)	Amounts in Consolidated Statements of Income (Note 4)
	Japan	United States	Australia	China	South Korea	Indonesia	Total			
Net sales										
(1) Sales to outside customers	189,036	23,504	21,468	35,962	32,455	10,737	313,165	17,090	—	330,256
(2) Intersegment sales	30,379	—	46	1,724	1,449	589	34,189	2,736	(36,926)	—
Total	219,416	23,504	21,515	37,686	33,904	11,327	347,354	19,827	(36,926)	330,256
Segment Income (loss)	22,305	1,661	1,249	3,069	920	1,901	31,108	2,712	234	34,056
Segment Assets	312,561	12,186	19,737	27,611	18,668	12,226	402,992	22,505	(21,172)	404,325
Others										
Depreciation	7,131	57	356	602	1,162	430	9,741	432	—	10,174
Amortization of goodwill	129	—	215	—	—	150	495	—	—	495
Investments in company to which equity method applied	—	—	—	—	—	—	—	—	—	—
Increase in property, plant and equipment and intangible fixed assets (Note 5)	13,525	113	1,134	2,917	2,832	166	20,689	647	—	21,337

Notes: 1. “Others” include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. “Adjustments” of income (loss) refers to intersegment transactions to eliminate.

3. “Adjustments” of assets refers to intersegment transactions to eliminate.

4. “Income (loss)” is adjusted from operating income in Consolidated Statements of Income.

5. “Increase in property, plant and equipment and intangible fixed assets” does not include increase due to new consolidations.

Per Share Data

	Fiscal 2016 (April 1, 2015, to March 31, 2016)	Fiscal 2017 (April 1, 2016, to March 31, 2017)
1. Net assets per share	¥4,924.24	¥5,245.62
2. Net income per share	¥436.71	¥429.27

Notes: 1. Fully diluted net income per share is not indicated because there is no residual equity.

2. Net assets per share are calculated based on the following amounts.

	Fiscal 2016 (April 1, 2015, to March 31, 2016)	Fiscal 2017 (April 1, 2016, to March 31, 2017)
Net assets	¥271,709 million	¥290,638 million
Deduction from net assets	¥15,636 million	¥17,860 million
[Non-controlling interest]	[¥15,636 million]	[¥17,860 million]
Net assets at year-end related to common shares	¥256,073 million	¥272,778 million
Number of common shares at year-end used in calculations	52,002,564 shares	52,001,146 shares

3. Net income per share is calculated based on the following amounts.

	Fiscal 2016 (April 1, 2015, to March 31, 2016)	Fiscal 2017 (April 1, 2016, to March 31, 2017)
Net income	¥22,710 million	¥22,322 million
Amount not attribute to common shares	— million	— million
Net income attributable to owners of the parent company related to common shares	¥22,710 million	¥22,322 million
Average number of shares during the term	52,003,314 shares	52,002,013 shares

Subsequent Events

There are no relevant items.