



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

August 4, 2017

Fiscal 2018 (1Q) : Consolidated Highlights

1

Record-high level

Net sales: ¥76.0 billion (up 2.1% year on year)

Up thanks to healthy sales of water heaters, especially in United States

Operating income: ¥ 6.4 billion

(down 1.0%; operating margin: 8.5%)

Down due to increase in sales promotion costs overseas, despite higher operating income in Japan

Ordinary income: ¥ 7.0 billion

(up 8.9%; ordinary income ratio: 9.3%)

Up due to decline in foreign exchange loss

Record-high level

Net income attributable to owners of the parent company: **¥ 4.5 billion**

(up 17.5%; return on sales: 6.0%)

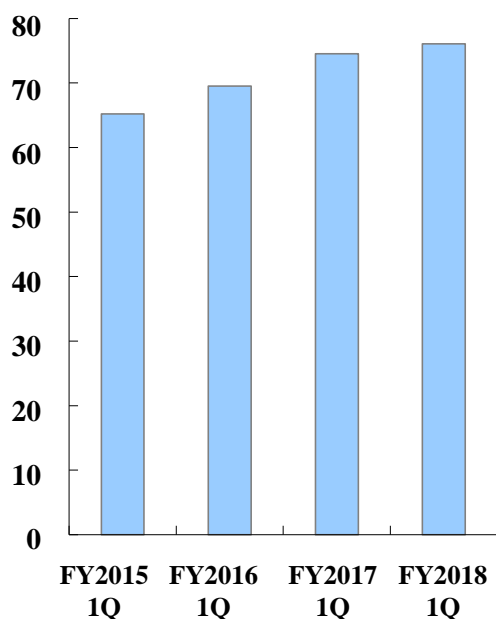
Up thanks to increase in ordinary income

Started the final year of medium-term business plan (Evolution and Succession 2017) generally according to plan despite decline in operating income

Consolidated Financial Results (1Q)

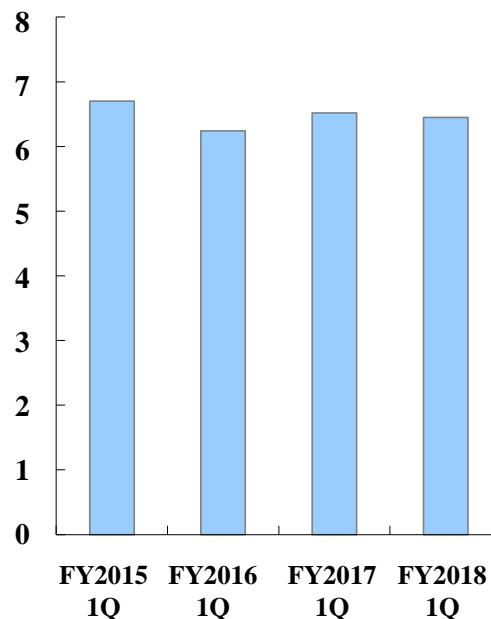
Net Sales

[Billions of Yen]



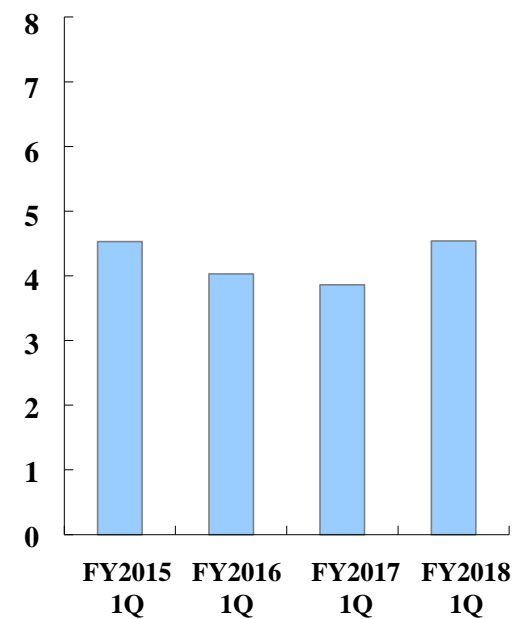
Operating Income

[Billions of Yen]



Net income attributable to owners of the parent company

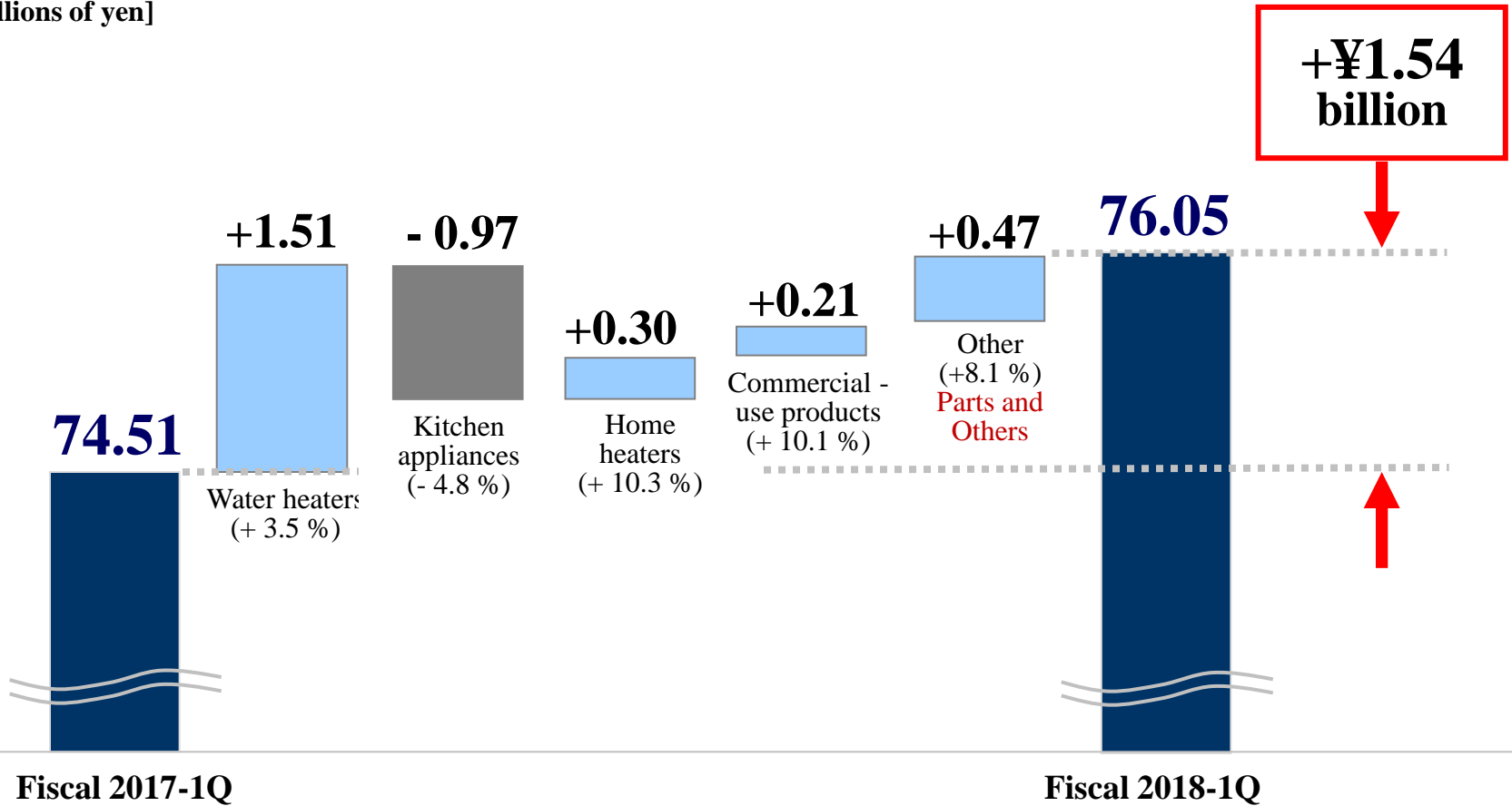
[Billions of Yen]



- Record-high figures for net sales and net income attributable to owners of the parent company
- Operating income remained at high level despite year-on-year decline

Fiscal 2018 (1Q): Consolidated Net Sales by Products

[Billions of yen]



- **Water heaters: Higher sales thanks to healthy sales overseas**
- **Kitchen appliances: Sales down due to lower sales of stoves in Japan and sluggish sales overseas**

Fiscal 2018(1Q): Consolidated Sales/Income Results 4

[Billions of Yen]

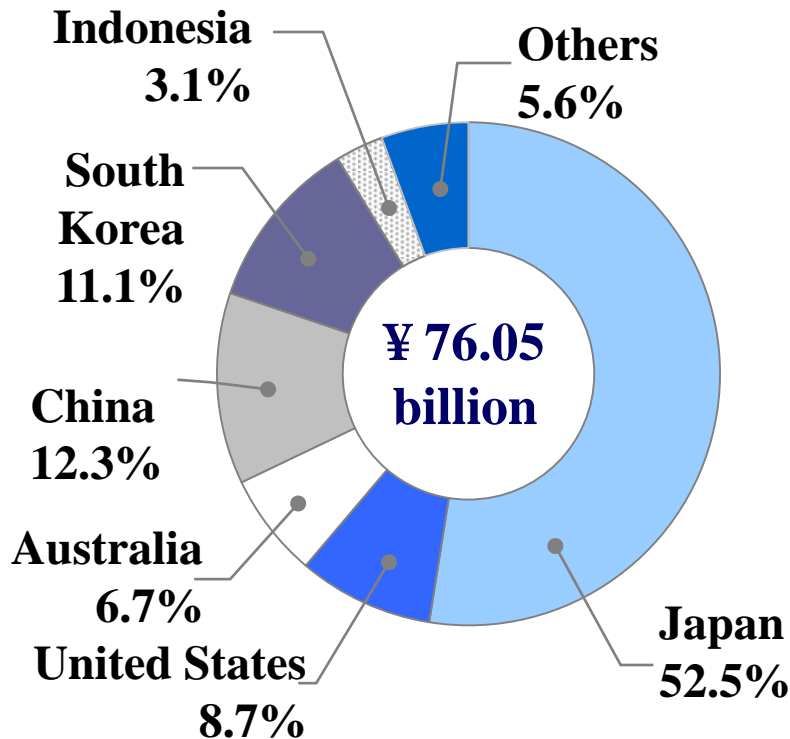
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	76.05	+2.1%	6.45	-1.0%	8.5%	-0.3P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	44.38	+2.6%	3.15	+10.0%	7.1%	+0.5P
Domestic	28.07	+1.0%	0.57	-12.9%	2.0%	-0.3P
Overseas	38.08	+4.7%	2.63	-8.9%	6.9%	-1.0P
Total	110.53	+2.9%	6.35	-0.8%	5.8%	-0.2P

Consolidated Net Sales by Geographical Segment

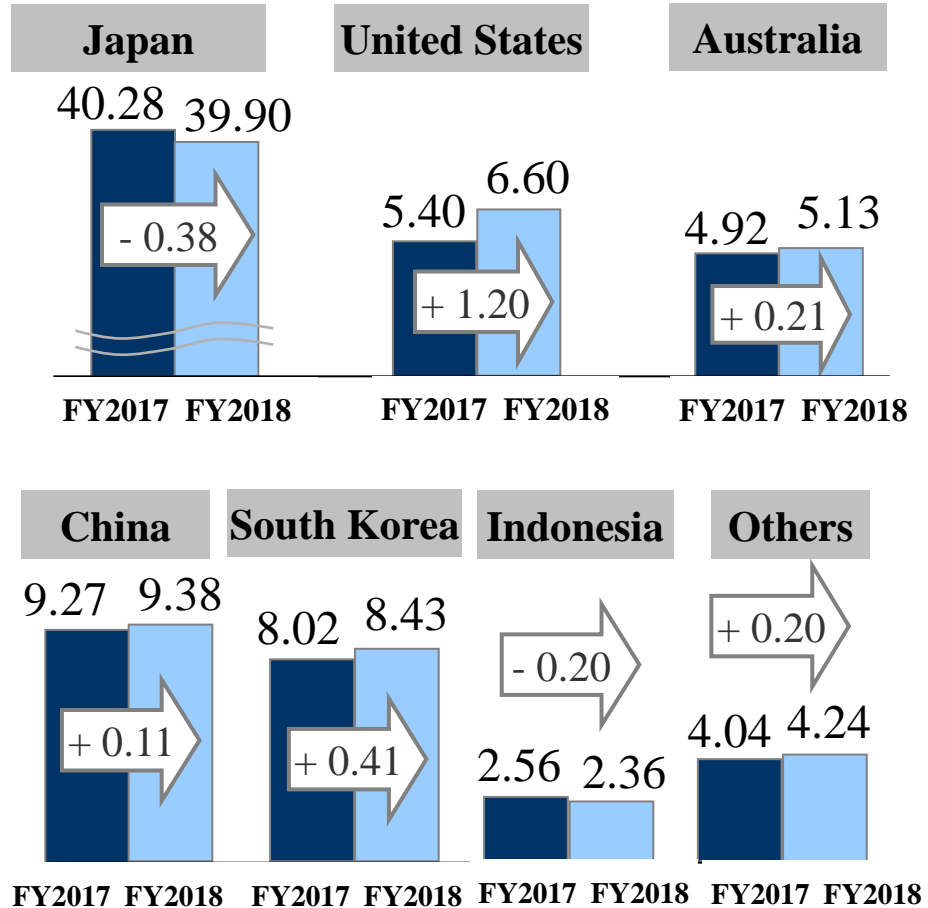
Fiscal 2018-1Q Consolidated Net Sales



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

YOY Change by Geographical Segment

[Billions of Yen]



Sales by Business Segment (Water Heaters)

[Billions of yen]	Fiscal 2017 1Q	Fiscal 2018 1Q	YOY Change
Japan	21.93	21.81	- 0.6%
United States	5.08	6.06	+ 19.3%
Australia	2.05	2.04	- 0.4%
China	8.36	8.51	+ 1.8%
South Korea	3.97	4.29	+ 8.2%
Others	1.98	2.16	+ 9.1%
Total	43.38	44.89	+ 3.5%

Composition ratio : 59.0%



- **Japan:** Continued growth thanks to healthy demand for water heaters with heating system, despite a temporary decline stemming from partial distribution inventory adjustments
- **United States:** Healthy sales of tankless water heaters amid steady demand in market for housing equipment
- **South Korea:** Increase in sales thanks for solid demand for high-efficiency boilers

Sales by Business Segment (Kitchen Appliances)

Composition ratio : 25.2%

[Billions of yen]	Fiscal 2017 1Q	Fiscal 2018 1Q	YOY Change
Japan	13.69	13.10	- 4.3%
China	0.73	0.62	- 14.7%
South Korea	2.02	2.05	+ 1.9%
Indonesia	2.36	2.08	- 11.7%
Others	1.34	1.29	- 3.3%
Total	20.15	19.17	- 4.8%

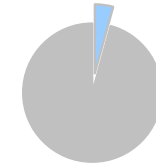


- **Japan:** Healthy sales of dishwasher/dryers (replacement demand) and range hoods, but lower overall revenue due to reduced sales of tabletop cookers
- **South Korea:** Increase in unit sales despite intensified price competition for stoves
- **Indonesia:** Lower sales of tabletop cookers due to depressed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

Sales by Business Segment (Home Heaters)

[Billions of yen]	Fiscal 2017 1Q	Fiscal 2018 1Q	YOY Change
Japan	0.58	0.61	+4.4%
United States	0.23	0.36	+57.7%
Australia	2.05	2.15	+4.8%
South Korea	0.00	0.00	- 0.4%
Others	0.11	0.16	+44.0%
Total	2.99	3.30	+10.3%

Composition ratio : 4.3%



Japan

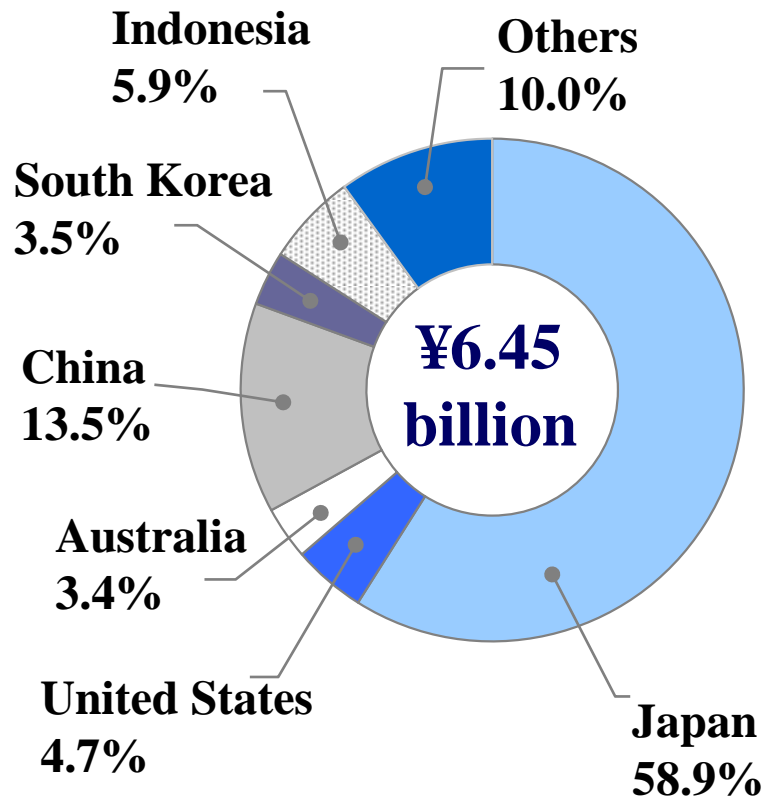


Australia

- **Australia: Increased sales of duct-type air-conditioning and heating system and air conditioners**
- **Other regions: Off-season, so nothing significant to report**

Consolidated Operating Income by Geographical Segment 9

Fiscal 2018-1Q Consolidated Operating Income

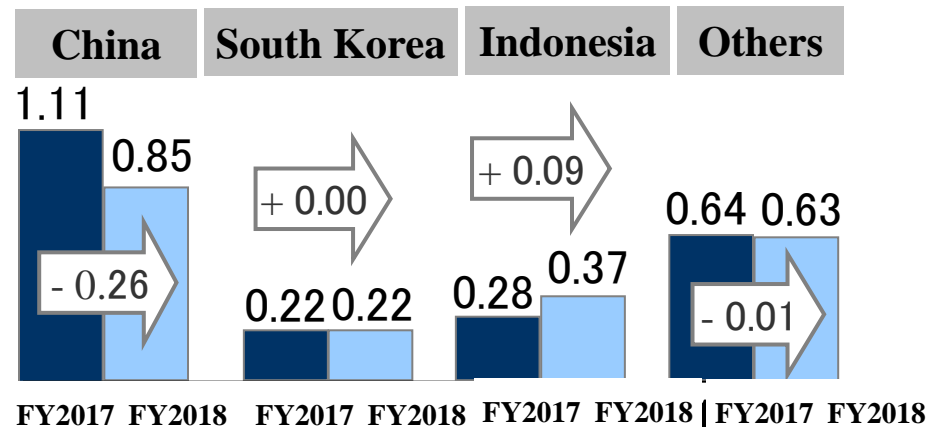
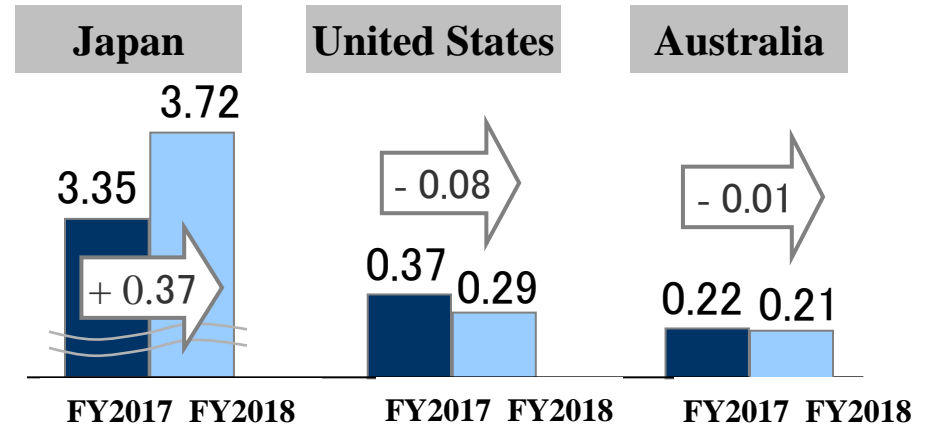


Composition of Others :

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

YOY Change by Geographical Segment

[Billions of yen]

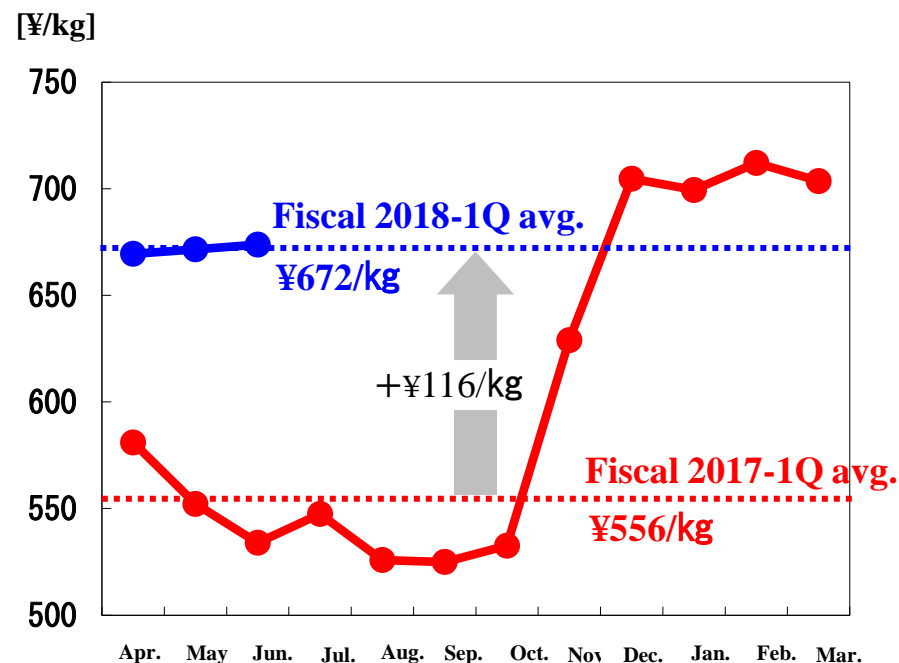


Electrolytic Copper

Electrolytic copper price: Below initial forecasts of ¥715/kg but higher than previous year
(Initial forecast: ¥715/kg)

[¥/kg]	Fiscal 2017 1Q avg.	Fiscal 2018 1Q avg.	YOY change
Avg. price	556	672	+20.9%

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

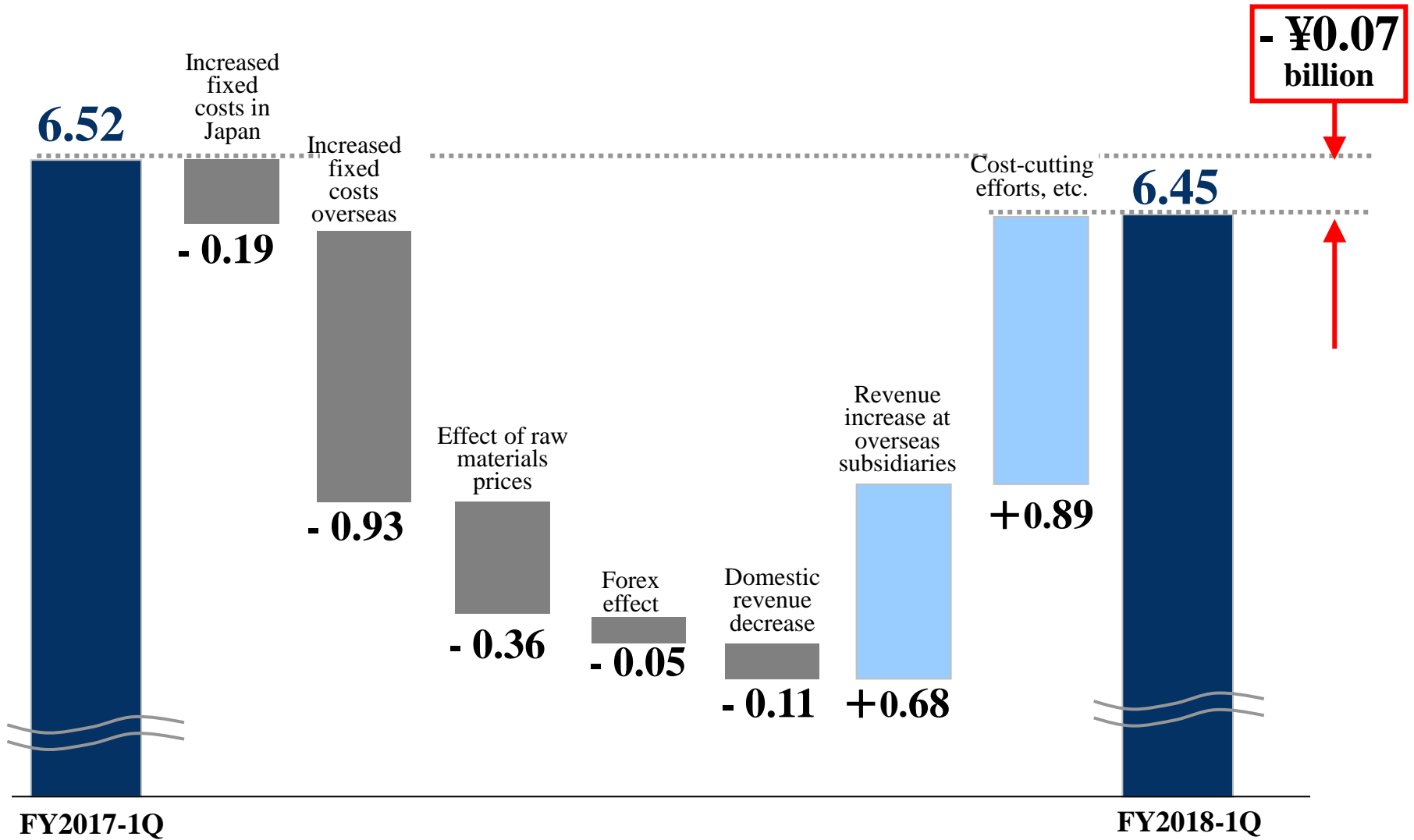


Steel

Steel prices higher than previous year

Fiscal 2018 (1Q): Consolidated Operating Income

[Billions of yen]



Built-In Hobs (Stovetops): Enhanced Lineup



	DELICIA	New LiSse	New Mytone	New Udea	New BEIZ
Cocotte	<input type="radio"/> attachment	-	-	-	-
Cocotte Dutch oven	<input type="radio"/> option	-	-	-	-
New Cocotte Plate	<input type="radio"/> option	<input type="radio"/> attachment	<input type="radio"/> attachment	<input type="radio"/> attachment	<input type="radio"/> option

*Without attachment at some kind types

Rinnai's Cocotte Series

Since their introduction three years ago, our Cocotte and Cocotte Dutch Ovens have been warmly received by many customers. After reading around 9,000 reviews, we recently launched the new Cocotte Plate, which enables even more diverse grilling options to be enjoyed. Rinnai's Cocotte Series makes your "kitchen life" even more comfortable.

Made in Rinnai: The Cocotte Series is made at Rinnai's integrated production facilities and satisfies the Company's strict quality standards



Cocotte Plate

Cocotte Plate adds joy to everyday cooking
 The new Cocotte Plate makes cooking easier and more fun. Enjoy a broad array of delicious grilling options, from fish to toast and non-fried food.

Rinnai's wave configuration
 Designed to promote run-off of excess oil/fat

Grilling is more delicious, convenient, and simple thanks to Rinnai's Cocotte Plate



Built-In Hobs (Stovetops): Features Unique to Rinnai

Rinnai-only

CLEAN TEC

I want everyday cooking to be more fun! But simplicity is also crucial.

Rinnai is committed to ease of operation.

So we incorporated our original clean technologies.

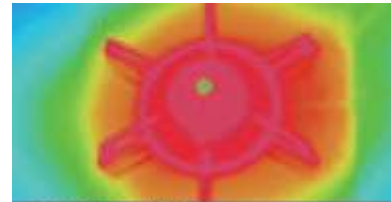
A simple wipe even for soiled surfaces



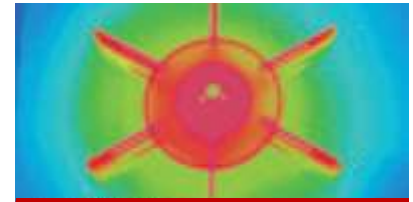
EASY CLEAN

Thanks to EASY CLEAN, even boiled-over mess will not stick.

Surface temperature:
69°C down



Without EASY CLEAN



With EASY CLEAN

Major reduction in odors and smoke



SMOKE OFF

Rinnai-only SMOKE OFF for stress-free cooking

Odors: **99% cut**,
Smoke: **81% cut**



Without SMOKE OFF



With SMOKE OFF

No mess, even if grilling every day



COCOTTE

99.9% cut in oil spills despite direct flame

Oil spills, **99.9% cut**



Using grill net



Using Cocotte Plate

ECO ONE Hybrid Water Heater with Heating System₁₄

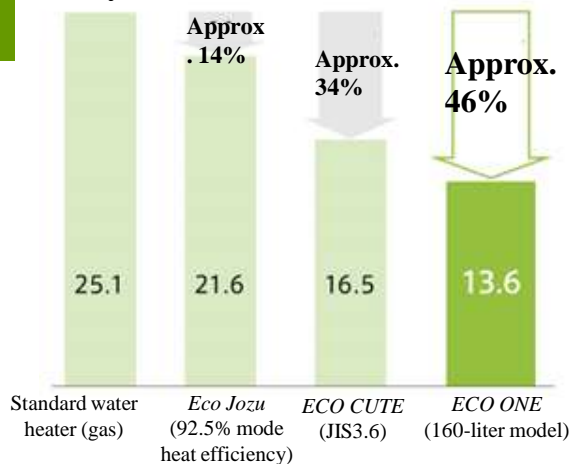


Enhanced energy-saving performance

Industry's highest primary energy efficiency for water heaters: **156%***

* Rinnai Corporation research (as of May 2017)

Water heater primary energy consumption (GJ/year)



More advanced equipment control

Remote operation possible using Smartphone

* Service to begin in October 2017
* Requires dedicated remote control device



The Gas Fan Heater

NEW *Harmo*

Can be used anywhere in the house; comfortable at bedtime

Stylish fan heater: First in industry* to use the power of gas and electricity for warming

* Rinnai Corporation research (as of May 2017)

Gas + electricity

Incorporates an electric motor into a gas fan heater to deliver the benefits of both heat sources

Mobility

Can be carried anywhere in the house, including kitchen and hallway



NEW *Wiz*



Gas fan heater with air purifying function. Multifunctional model with improved energy-saving performance thanks to better circulation.

Air purification

Removes airborne dust and dirt to PM2.5 level

Circulation effect

Gas consumption reduced by around 20% thanks to circulation effect

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:
New factory to increase *ECO ONE* production
- Oguchi Factory: Factory expanded, renewal of welfare wing
- 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



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 United State, China, South Korea, Australia, etc.)
- Expand market and strengthen sales bases in newly tapped markets (Middle East (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.