

Consolidated Financial Results for Fiscal 2018

(April 1, 2017 - March 31, 2018)

May 9, 2018

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 27, 2018

Anticipated date to begin distributing dividends: June 28, 2018

Anticipated date for releasing annual securities report: June 27, 2018

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, 2018

(April 1, 2017 to March 31, 2018; 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 2018	347,071 (+5.1)	32,849 (-3.5)	34,286 (-2.8)	21,194 (-5.1)
Fiscal 2017	330,256 (+3.2)	34,056 (-1.6)	35,280 (-1.5)	22,322 (-1.7)

(¥ millions /%)

Note: Comprehensive income:

Year ended March 31, 2018: ¥28,943 million (+25.1%)

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

	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 2018	410.41	—	7.6	8.3	9.5
Fiscal 2017	429.27	—	8.4	9.1	10.3

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

Year ended March 31, 2018: ¥- million Year ended March 31, 2017: ¥- million

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2018	424,740	307,965	67.6	5,589.17
Fiscal 2017	404,325	290,638	67.5	5,245.62

(Reference) Equity capital: Year ended March 31, 2018; ¥287,283 million

Year ended March 31, 2017; ¥272,778 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 2018	29,914	(12,190)	(11,725)	101,697
Fiscal 2017	39,554	(17,732)	(5,217)	95,297

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
Fiscal 2017	—	42.00	—	44.00	86.00
Fiscal 2018	—	44.00	—	46.00	90.00
Fiscal 2019 (anticipated)	—	46.00	—	46.00	92.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2017	4,472	20.0	1.7
Fiscal 2018	4,626	21.9	1.7
Fiscal 2019 (anticipated)		20.6	

3. Forecast for the Fiscal Year Ending March 31, 2019

(April 1, 2018, to March 31, 2019)

(¥ 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	163,000 (+2.0)	15,000 (+7.7)	15,800 (+5.3)	9,700 (+2.8)	188.72
Full year	360,000 (+3.7)	36,000 (+9.6)	37,300 (+8.8)	23,000 (+8.5)	447.47

(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: **None**

Newly included one company — (Company name: —): Excluded — (Company name: —)

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

(a) Changes due to revision of accounting standard: **None**

(b) Other changes than (a): **None**

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

(d) Retrospective restatement: **None**

(3) Number of Outstanding Shares (Common Stock)

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

Year ended March 31, 2018: 51,616,463 shares

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

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

Year ended March 31, 2018: 216,404 shares

Year ended March 31, 2017: 215,317 shares

(c) Average number of shares during the term

Year ended March 31, 2018: 51,641,776 shares

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

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2018

(April 1, 2017 to March 31, 2018; 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 2018	201,936 (+1.5)	15,378 (-18.3)	18,466 (-14.2)	13,850 (-14.6)
Fiscal 2017	198,870 (+0.6)	18,814 (-6.8)	21,512 (-2.0)	16,215 (+3.9)

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

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2018	268.20	—
Fiscal 2017	311.82	—

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

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2018	254,186	202,365	79.6	3,937.07
Fiscal 2017	248,802	197,402	79.3	3,796.11

(Reference) Equity capital: Year ended March 31, 2018; ¥202,365 million

Year ended March 31, 2017; ¥197,402 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 “I. Performance and Financial Position, (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 Wednesday, May 9, 2018.

I. Performance and Financial Position

(1) Fiscal Year in Review

In the fiscal year under review (April 1, 2017–March 31, 2018), the world economy performed favorably overall, reflecting moderate economic recovery in the United States and Europe, as well as a high rate of economic growth in China. In Japan, as well, the economy continued recovering, buoyed by improved corporate earnings and a turnaround in personal consumption.

Although new housing starts were affected by slowdowns in newly built owned and rental homes, the domestic housing appliance industry was steady, benefiting firm replacement demand for housing appliances.

Under these conditions, the Rinnai Group completed the final 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, 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 the United States and China. On the earnings side, however, the Group posted a year-on-year decline in operating income. This was due to surging prices of raw materials, as well as sluggish domestic sales of high-value-added products and inspection costs associated with bathroom heater/dryers.

As a result, consolidated net sales for the year amounted to ¥347,071 million, up 5.1% from the previous year. Operating income declined 3.5% year on year, to ¥32,849 million, and ordinary income slipped 2.8%, to ¥34,286 million. Net income attributable to owners of the parent company was down 5.1%, to ¥21,194 million.

Our results by geographical segment were as follows:

Japan

In Japan, our performance was affected by contraction of the market for tabletop cookers and a decrease in sales of built-in hobs (stovetops) due to intensified competition, as well as lower sales of water heaters via some sales channels. Accordingly, sales in Japan edged down 1.2% year on year, to ¥186,779 million, and operating income declined 18.3%, to ¥18,228 million.

United States

In the United States, where the market for housing appliances remained steady, sales of highly convenient tankless water heaters were healthy, and we posted sales growth for high-efficiency models. As a result, sales in the United States increased 18.0%, to ¥27,738 million, and operating income climbed 32.9%, to ¥2,207 million.

Australia

In Australia, we enjoyed healthy sales of mainstay tankless water heaters, as well as higher sales of ducted heating/cooling systems and air conditioners. As a result, sales in Australia rose 9.4%, to ¥23,479 million, and operating income grew 26.5%, to ¥1,580 million.

China

In China, we posted steady sales of water heaters thanks to expansion of gas infrastructure and rising living standards. Sales of boilers also increased, due to government environmental policies promoting a shift in fuel from coal to gas in cold regions. Consequently, sales in China increased 23.2%, to ¥44,294 million, and operating income jumped 64.4%, to ¥5,045 million.

South Korea

In South Korea, we enjoyed healthy sales of boilers owing to a rise in the number of newly built small-scale condominium buildings, as well as higher replacement demand. As a result, sales climbed 7.0%, to ¥34,739 million. However, operating income declined 11.9%, to ¥811 million, due to intensified competition in the tabletop cooker market and surging raw materials costs.

Indonesia

In Indonesia, a gradual increase in replacement demand led to recovery in sales of tabletop cookers. Accordingly, sales in rose 7.0% year on year, to ¥11,486 million. Due to surging raw materials costs, however, operating income declined 5.4%, to ¥1,799 million.

References 1: Net sales by product

(¥ millions)

	Year ended March 31, 2017 (April 1, 2016, to March 31, 2017)		Year ended March 31, 2018 (April 1, 2017, to March 31, 2018)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	188,202	57.0	202,387	58.3	14,184	7.5
Kitchen appliances	88,456	26.8	88,364	25.5	(91)	(0.1)
Air conditioning appliances	17,952	5.4	19,084	5.5	1,131	6.3
Commercial-use equipment	9,122	2.8	9,499	2.7	377	4.1
Others	26,521	8.0	27,735	8.0	1,213	4.6
Total	330,256	100.0	347,071	100.0	16,815	5.1

References 2: Overseas sales

(¥ millions)

	Year ended March 31, 2017 (April 1, 2016, to March 31, 2017)			Year ended March 31, 2018 (April 1, 2017, to March 31, 2018)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	95,351	54,442	149,794	107,669	61,795	169,464
II. Consolidated net sales	—	—	330,256	—	—	347,071
III. Composition ratio of overseas sales to consolidated net sales	28.9%	16.5%	45.4%	31.0%	17.8%	48.8%

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

(2) Financial Position

As of March 31, 2018, the Rinnai Group had total assets of ¥424,740 million, up ¥20,415 million from a year earlier. This rise stemmed mainly from an increase in cash and deposits.

Total liabilities rose ¥3,088 million, to ¥116,775 million, due largely to an increase in notes and accounts payable.

Net assets were up ¥17,326 million, to ¥307,965 million, boosted by net income attributable to owners of the parent company.

As a result, the equity ratio at fiscal year-end was 67.6%.

(3) Cash Flows

Cash and cash equivalents at March 31, 2018, stood at ¥101,697 million, up ¥6,400 million, or 6.7%, from a year earlier.

Net cash provided by operating activities amounted to ¥29,914 million, down 24.4% 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 ¥12,190 million, down 31.3% from the previous year. Main factors were purchases of tangible fixed assets.

Net cash used in financing activities was ¥11,725 million, up 124.7% from the previous year. Main factors were acquisition of treasury stocks.

(4) Outlook for the Year Ending March 2019

In the fiscal year ending March 2019, we expect the world economy to maintain its moderate recovery tone. In Japan, as well, we forecast economic growth backed by turnarounds in personal consumption and employment conditions in the wake of improved corporate performances.

Under these conditions, the Rinnai Group will work to increase recognition of its brand and products in China, the United States, and other overseas markets by emphasizing the comfort and environmental performance of its water heaters.

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 further strengthen sales of highly distinctive products, such as gas clothes dryers, dishwasher/dryers, and range hoods. We will also enhance our consulting capabilities for new lifestyle scenarios and distinguish our business by proposing combinations of built-in hobs (stovetops) and other existing products.

For the year ending March 2019, we forecast consolidated net sales of ¥360.0 billion (up 3.7% year on year), operating income of ¥36.0 billion (up 9.6%), ordinary income of ¥37.3 billion (up 8.8%), and net income attributable to owners of the parent company of ¥23.0 billion (up 8.5%).

II. Medium-Term Business Plan

A look at the future of the world economy shows that emerging nations will continue enjoying rising incomes and living standards, as well as renewed growth in demand for abundant and comfortable lifestyles. In industrialized nations, moreover, there will be ongoing demand for more advanced housing appliances that help address social issues with respect to safe living, the environment, and energy efficiency. Meanwhile, Japan has a low-birthrate, aging society with decreasing population and households, and the outlook shows the gradual emergence of growth-slowness indicators, such as declining personal consumption and workforce.

Under these circumstances, the Rinnai Group formulated its new medium-term business plan, entitled “G-shift 2020.” Under the plan, which began in April 2018, we will help improve the living standards of people around the world with the keywords of “heat and living” and “health and living.” In addition to providing existing products and services, we will create unique offerings by incorporating new technologies into our own core technologies and advancing their applications. In addition, we will shift and optimally allocate managerial resources to a new organizational structure while implementing our “Five Groupwide Themes” and “Three Process Reforms,” which will lead to sustained growth over the next 10 and 20 years.

< Five Group-Wide Theme >

- 1. Branding**
- 2. Formulate and share long-term roadmap**
- 3. Expand business domains**
- 4. Optimally allocate business resources**
- 5. Improve business efficiency and management quality**

< Three Process Reforms >

- 1. Product planning process**
- 2. Overseas business operational process**
- 3. Just-in-time production process**

Consolidated Performance Targets for Year Ending March 2021

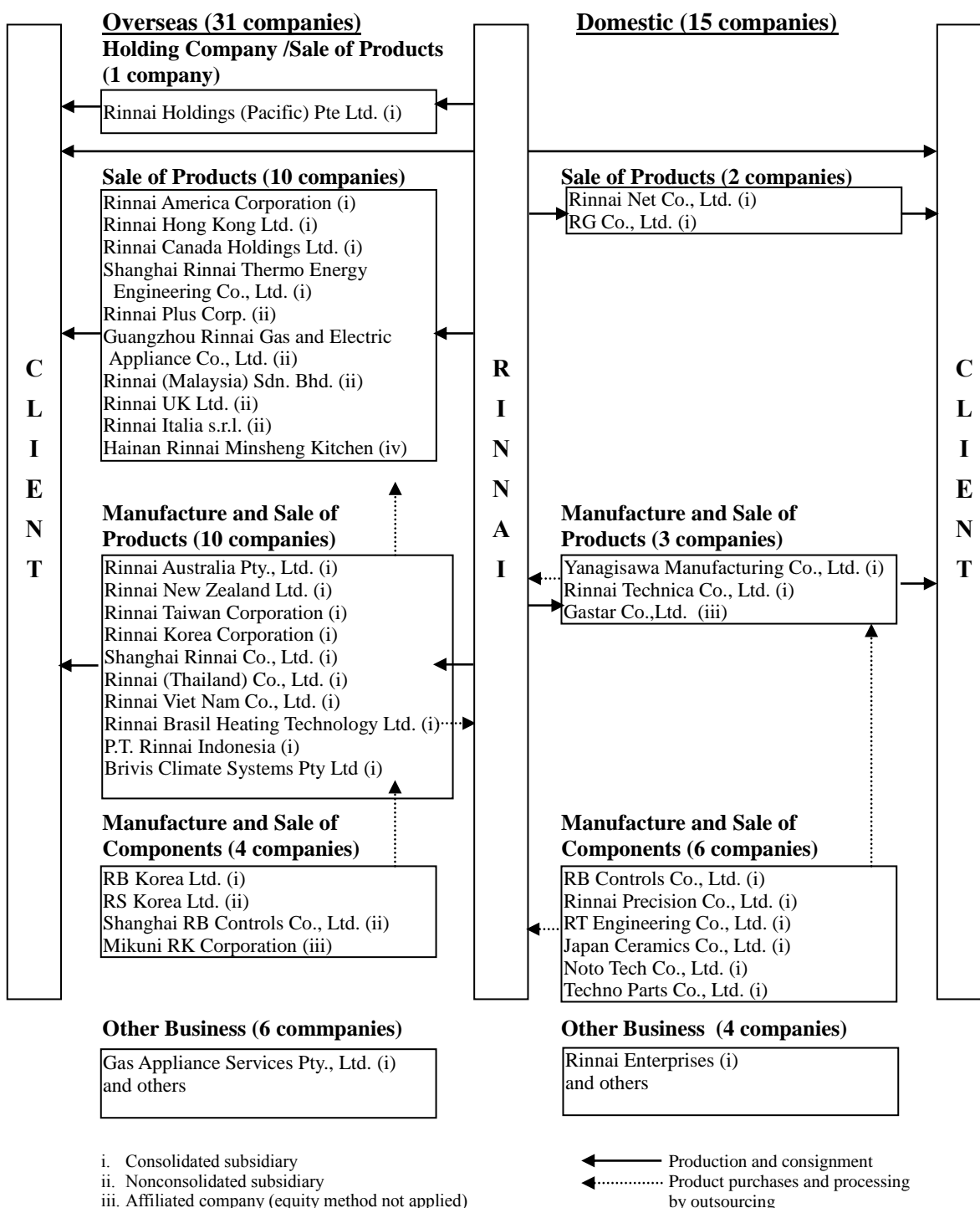
Net sales: ¥410.0 billion

Operating income: ¥42.0 billion

Operating income to net sales ratio: 10.2%

III. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 44 subsidiaries, and two affiliated companies, for a total of 47 companies. These include 34 consolidated subsidiaries. The Group is primarily engaged in the manufacture and sale of heating appliances, and related businesses. The Group's structure and business flow are shown below.



IV. 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.

V. Consolidated Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

	At March 31, 2017 (Year ended March 31, 2017)	At March 31, 2018 (Year ended March 31, 2018)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	115,225	124,771
Notes and accounts receivable	62,547	66,341
Electronically Recorded Monetary Claims	7,540	8,858
Marketable securities	8,563	17,920
Products	24,839	27,330
Raw materials and stores	13,963	16,014
Deferred tax assets	3,581	3,516
Other	2,391	3,438
Less allowance for doubtful accounts	(982)	(1,213)
Total current assets	237,671	266,978
Fixed assets		
Property, plant and equipment		
Buildings and structures	61,500	69,430
Accumulated depreciation	(34,010)	(35,918)
Buildings and structures (net)	27,489	33,511
Machinery and vehicles	54,568	61,268
Accumulated depreciation	(41,029)	(43,156)
Machinery and vehicles (net)	13,539	18,111
Tools and fixtures	36,522	39,304
Accumulated depreciation	(31,654)	(33,768)
Tools and fixtures (net)	4,868	5,536
Land	22,939	23,346
Lease assets	506	435
Accumulated depreciation	(262)	(245)
Lease assets (net)	243	189
Construction in progress	9,094	2,719
Total property, plant and equipment	78,175	83,415
Intangible fixed assets	6,853	6,350
Investments and advances		
Investments in securities	59,725	46,067
Net defined benefit assets	17,234	17,390
Deferred income taxes	1,620	1,995
Other	3,426	2,611
Less allowance for doubtful accounts	(382)	(68)
Total investments and advances	81,624	67,995
Total fixed assets	166,653	157,761
Total assets	404,325	424,740

(¥ millions)

	At March 31, 2017 (Year ended March 31, 2017)	At March 31, 2018 (Year ended March 31, 2018)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	22,205	22,953
Electronically recorded obligations	33,891	32,771
Other payables	13,169	14,265
Accrued consumption taxes	1,421	761
Accrued income taxes	6,012	4,843
Accrued employee's bonuses	4,290	4,676
Allowance for product guarantee	3,952	4,602
Other	6,624	8,031
Total current liabilities	91,568	92,905
Long-term liabilities		
Deferred tax liabilities	7,452	8,707
Allowance for environmental measures	2,255	2,255
Net defined benefit liabilities	9,484	10,466
Other	2,926	2,441
Total long-term liabilities	22,118	23,869
Total liabilities	113,686	116,775
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,756	8,756
Earned surplus	247,327	258,814
Treasury stock	(1,007)	(1,860)
Total shareholders' equity	261,536	272,170
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	4,883	6,583
Foreign exchange translation adjustment	3,047	4,682
Remeasurements of defined benefit plans	3,310	3,846
Total other accumulated comprehensive income	11,241	15,112
Non-controlling interests	17,860	20,682
Total net assets	290,638	307,965
Total liabilities and net assets	404,325	424,740

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

(¥ millions)

	Fiscal 2017 (April 1, 2016, to March 31, 2017)	Fiscal 2018 (April 1, 2017, to March 31, 2018)
	Amount	Amount
Net sales	330,256	347,071
Cost of Sales	221,355	234,996
Gross Profit	108,900	112,074
Selling, general and administrative expenses		
Transportation and packing	7,788	8,290
Advertising	4,073	4,100
Sales promotion	9,267	9,715
Transfer to allowance for product guarantee	3,725	4,508
Salary and bonuses	23,622	24,932
Transfer to allowance for employee's bonuses	2,018	2,440
Retirement benefit expenses	960	1,176
Depreciation	1,681	1,792
Other	21,707	22,268
Total selling, general and administrative expenses	74,844	79,225
Operating income	34,056	32,849
Other income:		
Interest income	939	952
Dividends received	466	509
Other	805	698
Total other income	2,210	2,160
Other expenses:		
Foreign exchange loss	287	220
Loss on retirement of fixed assets	345	280
Other	352	223
Total other expenses	986	723
Ordinary income	35,280	34,286
Extraordinary income:		
Insurance income	—	293
Subsidy income	—	762
Compensation income for expropriation	253	—
Total extraordinary income	253	1,056
Extraordinary losses:		
Loss on reduction of fixed assets	—	762
Loss on step acquisitions	137	—
Loss on disaster	393	—
Total extraordinary losses	530	762
Income before income taxes	35,003	34,580
Income taxes:		
Current	10,161	9,708
Deferred	(301)	96
Total income taxes	9,859	9,805
Net income	25,143	24,775
Net income attributable to non-controlling interests	2,821	3,581
Net income attributable to owners of the parent company	22,322	21,194

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2017 (April 1, 2016, to March 31, 2017)	Fiscal 2018 (April 1, 2017, to March 31, 2018)
	Amount	Amount
Net income	25,143	24,775
Other comprehensive income		
Unrealized gain on marketable securities	831	1,702
Foreign exchange translation adjustment	(2,969)	1,937
Remeasurements of defined benefit plans	129	528
Total other comprehensive income	(2,008)	4,168
Comprehensive income	23,135	28,943
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	21,051	25,065
Non-controlling interest	2,083	3,878

3. Consolidated Statements of Shareholders' Equity

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)
Retirement of treasury stock					—
Transfer from earned surplus to capital surplus					—
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)
Retirement of treasury stock						—
Transfer from earned surplus to capital surplus						—
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

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

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,756	247,327	(1,007)	261,536
Net changes during the current term					
Dividends paid			(4,549)		(4,549)
Net income attributable to owners of the parent company			21,194		21,194
Acquisition of treasury stock				(6,010)	(6,010)
Retirement of treasury stock		(5,157)		5,157	—
Transfer from earned surplus to capital surplus		5,157	(5,157)		—
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	—	—	11,487	(853)	10,633
Balance at the end of current term	6,459	8,756	258,814	(1,860)	272,170

	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	4,883	3,047	3,310	11,241	17,860	290,638
Net changes during the current term						
Dividends paid						(4,549)
Net income attributable to owners of the parent company						21,194
Acquisition of treasury stock						(6,010)
Retirement of treasury stock						—
Transfer from earned surplus to capital surplus						—
Change in treasury shares of parent arising from transactions with non-controlling shareholders						—
Net other changes than shareholders' equity during the current term	1,700	1,635	536	3,871	2,821	6,693
Total net changes during the current term	1,700	1,635	536	3,871	2,821	17,326
Balance at the end of current term	6,583	4,682	3,846	15,112	20,682	307,965

4. Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2017 (April 1, 2016, to March 31, 2017)	Fiscal 2018 (April 1, 2017, to March 31, 2018)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	35,003	34,580
Depreciation and amortization	10,174	11,292
Compensation for expropriation	(253)	—
(Increase) decrease in net defined benefit assets	(468)	429
Increase (decrease) in net defined benefit liabilities	639	929
Interest and dividends income	(1,405)	(1,462)
Decrease (increase) in trade receivables	1,172	(4,333)
Decrease (increase) in inventories	(2,353)	(3,864)
Increase (decrease) in trade payables	1,253	(913)
Increase (decrease) in other liability	601	2,196
Other	3,349	320
Subtotal	47,713	39,174
Interest and dividends received	1,422	1,443
Proceeds from compensation for expropriation	253	—
Subsidy income received	—	127
Interest paid	(32)	(7)
Income taxes paid	(9,803)	(10,823)
Net cash provided by operating activities	39,554	29,914
Cash flows from investing activities		
Transfers to time deposits	(35,638)	(39,218)
Withdrawals from time deposits	38,208	36,551
Purchases of securities	(865)	(707)
Proceeds from redemption of securities	612	816
Purchases of tangible fixed assets	(20,778)	(15,796)
Proceeds from sales of tangible fixed assets	251	162
Purchases of intangible fixed assets	(672)	(647)
Purchases of investments in securities	(5,944)	(1,738)
Proceeds from sales/and redemption of investments in securities	5,620	8,211
Proceeds from acquisition of subsidiary shares due to the change of scope of consolidation	1,644	—
Other	(170)	175
Net cash used in investing activities	(17,732)	(12,190)
Cash flows from financing activities		
Acquisition of treasury stock	(13)	(6,011)
Dividends paid	(4,368)	(4,548)
Dividends paid to non-controlling interests	(700)	(1,056)
Other	(135)	(108)
Net cash used in financing activities	(5,217)	(11,725)
Effect of exchange rate fluctuations on cash and cash equivalents	(906)	402
Net increase (decrease) in cash and cash equivalents	15,697	6,400
Cash and cash equivalents at beginning of year	79,600	95,297
Cash and cash equivalents at end of year	95,297	101,697

5. Notes to Consolidated Financial Statements

Notes regarding the assumption of a going concern

There are no relevant items.

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 United States, Australia, 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, 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										
Sales to outside customers	189,036	23,504	21,468	35,962	32,455	10,737	313,165	17,090	—	330,256
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.

Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(¥ 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										
Sales to outside customers	186,779	27,738	23,479	44,294	34,739	11,486	328,518	18,553	—	347,071
Intersegment sales	32,163	—	105	1,833	1,352	555	36,009	2,688	(38,698)	—
Total	218,943	27,738	23,585	46,127	36,091	12,041	364,528	21,241	(38,698)	347,071
Segment Income (loss)	18,228	2,207	1,580	5,045	811	1,799	29,673	2,878	297	32,849
Segment Assets	317,815	13,627	22,150	33,929	21,698	12,236	421,458	24,787	(21,505)	424,740
Others										
Depreciation	7,777	77	402	849	1,289	414	10,810	481	—	11,292
Amortization of goodwill	129	—	226	—	—	153	509	—	—	509
Increase in property, plant and equipment and intangible fixed assets (Note 5)	12,419	280	482	1,173	1,394	243	15,992	760	—	16,752

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.

Per Share Data

	Fiscal 2017 (April 1, 2016, to March 31, 2017)	Fiscal 2018 (April 1, 2017, to March 31, 2018)
1. Net assets per share	¥5,245.62	¥5,589.17
2. Net income per share	¥429.27	¥410.41

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 2017 (April 1, 2016, to March 31, 2017)	Fiscal 2018 (April 1, 2017, to March 31, 2018)
Net assets	¥290,638 million	¥307,965 million
Deduction from net assets	¥17,860 million	¥20,682 million
[Non-controlling interest]	[¥17,860 million]	[¥20,682 million]
Net assets at year-end related to common shares	¥272,778 million	¥287,283 million
Number of common shares at year-end used in calculations	52,001,146 shares	51,400,059 shares

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

	Fiscal 2017 (April 1, 2016, to March 31, 2017)	Fiscal 2018 (April 1, 2017, to March 31, 2018)
Net income	¥22,322 million	¥21,194 million
Amount not attribute to common shares	— million	— million
Net income attributable to owners of the parent company related to common shares	¥22,322 million	¥21,194 million
Average number of shares during the term	52,002,013 shares	51,641,776 shares

Subsequent Events

There are no relevant items.