

**Rinnai**

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**Financial Results of Fiscal 2018,  
ended March 31, 2018**

**May 9, 2018**

# Fiscal 2018: Consolidated Performance Overview

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**Net sales: ¥ 347.0 billion**

Record-high level

(up 5.1% year on year)

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

**Operating income: ¥ 32.8 billion**

(down 3.5% YOY ; operating margin: 9.5%)

Down due to surging raw materials prices, lower domestic sales of mainstay products, and incurrence of product inspection costs

**Ordinary income: ¥ 34.2 billion**

(down 2.8 % YOY ; ordinary income ratio: 9.9%)

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

**Net income attributable to owners of the parent company: ¥ 21.1 billion**

(down 5.1% YOY ; return on sales: 6.1%)

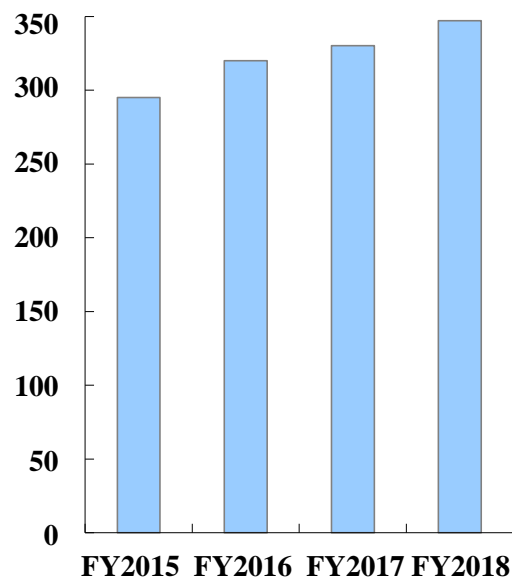
Down due to decrease in ordinary income, and increase in profit attributable to non-controlling interests

- Fiscal 2018 was the final year of our medium-term business plan, “Evolution and Succession 2017.” In the third quarter, we revised our performance forecasts. Although we achieved our revised net sales forecast thanks to healthy overseas sales, operating income ended up lower than expected.

# Consolidated Financial Results

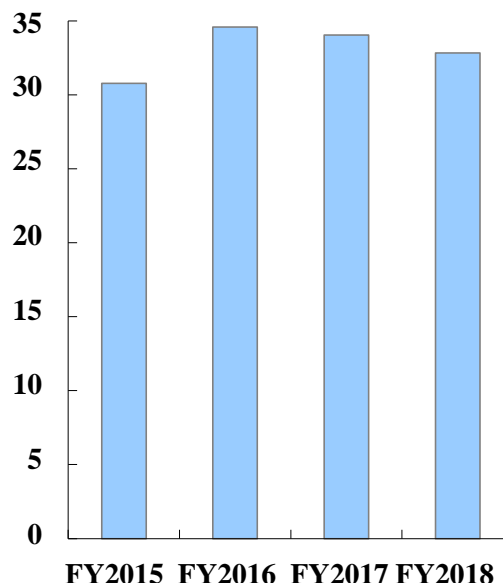
## Net Sales

[Billions of Yen]



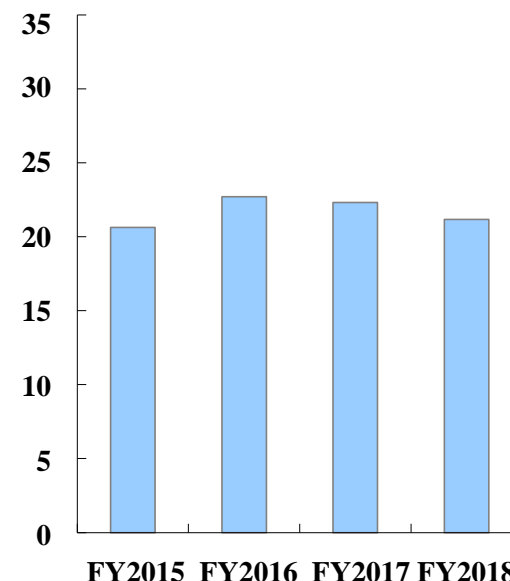
## Operating Income

[Billions of Yen]



## Attributable to owners of the parent company Net Income

[Billions of Yen]



- Net sales up year on year for eighth consecutive period; record high
- In the past three years, net sales up 17.6% and operating income up 6.7%

# Fiscal 2018: Net Sales by Product

[Billions of Yen]	Fiscal 2017		Fiscal 2018		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
<b>Water heaters</b>	188.20	57.0%	202.38	58.3%	+14.18	+7.5%
<b>Kitchen appliances</b>	88.45	26.8%	88.36	25.5%	- 0.09	- 0.1%
<b>Air conditioning appliances</b>	17.95	5.4%	19.08	5.5%	+1.13	+6.3%
<b>Commercial-use equipment</b>	9.12	2.8%	9.49	2.7%	+0.37	+4.1%
<b>Others</b>	26.52	8.0%	27.73	8.0%	+1.21	+4.6%
<b>Total</b>	330.25	100.0%	347.07	100.0%	+16.81	+5.1%

# Fiscal 2018: Consolidated Sales/Income Results

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[Billions of Yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
<b>Consolidated</b>	<b>347.07</b>	<b>+5.1%</b>	<b>32.84</b>	<b>-3.5%</b>	<b>9.5%</b>	<b>-0.8P</b>



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
<b>Rinnai</b>	<b>201.93</b>	<b>+1.5%</b>	<b>15.37</b>	<b>-18.3%</b>	<b>7.6%</b>	<b>-1.8P</b>
<b>Domestic</b>	<b>125.53</b>	<b>+0.6%</b>	<b>2.74</b>	<b>-24.2%</b>	<b>2.2%</b>	<b>-0.7P</b>
<b>Overseas</b>	<b>169.12</b>	<b>+12.8%</b>	<b>14.76</b>	<b>+18.6%</b>	<b>8.7%</b>	<b>+0.4P</b>
<b>Total</b>	<b>496.59</b>	<b>+4.9%</b>	<b>32.89</b>	<b>-5.7%</b>	<b>6.6%</b>	<b>-0.7P</b>

# Fiscal 2018: Net Sales by Region

[Billions of Yen]	Net Sales			Operating Income		
	Fiscal 2017	Fiscal 2018	YOY Change	Fiscal 2017	Fiscal 2018	YOY Change
<b>Japan</b>	189.03	186.77	-1.2%	22.30	18.22	-18.3%
<b>United States</b>	23.50	27.73	+18.0%	1.66	2.20	+32.9%
<b>Australia</b>	21.46	23.47	+9.4%	1.24	1.58	+26.5%
<b>China</b>	35.96	44.29	+23.2%	3.06	5.04	+64.4%
<b>South Korea</b>	32.45	34.73	+7.0%	0.92	0.81	-11.9%
<b>Indonesia</b>	10.73	11.48	+7.0%	1.90	1.79	-5.4%
<b>Others</b>	17.09	18.55	+8.6%	2.71	2.87	+6.1%
<b>Total</b>	<b>330.25</b>	<b>347.07</b>	<b>+5.1%</b>	<b>34.05</b>	<b>32.84</b>	<b>-3.5%</b>

## Performance

[Billions of Yen]	Fiscal 2017	Fiscal 2018	YOY Change
<b>Net Sales</b>	<b>198.87</b>	<b>201.93</b>	<b>+1.5%</b>
<b>Operating Income</b>	<b>18.81</b>	<b>15.37</b>	<b>-18.3%</b>

## Main Products (Domestic Sales)

[Sales Volume]	YOY Change
<b>Water heater with heating system (including hybrid water heater)</b>	<b>+5.0%</b> <b>(+4.9%)</b>
<b>Water heater with bath-filling system</b>	<b>-0.8%</b>
<b>Built-in hobs (stovetops)</b>	<b>-4.6%</b>



Hybrid Water Heater with Heating Systems



Water heater with bath-filling system



Built-in hobs (stovetops)



Gas clothes dryer



Dishwasher/dryers



Akatsuki Factory (Seto-Shi, Aichi)

## Performance

Established:1974

[Billions of Yen]	Fiscal 2017	Fiscal 2018	YOY Change	Local currency basis YOY Change
Net Sales	23.50	27.73	+18.0%	+15.8%
Operating Income	1.66	2.20	+32.9%	+30.4%

## Main Products

[Sales Volume]

YOY Change

Tankless water heaters

+17.1%



Tankless water heaters



Commercial-use water heaters



Fan-forced heaters



## Performance

Established:1971

[Billions of Yen]	Fiscal 2017	Fiscal 2018	YOY Change	Local currency basis YOY Change
Net Sales	21.51	23.58	+9.6%	+4.0%
Operating Income	1.46	1.80	+23.4%	+17.1%

## Main Products

[Sales Volume]

YOY Change

Tankless water heaters

+7.3%

Electric tank-based water heater

- 1.2%

Duct-type air-conditioning and heating system

+2.8%



Tankless water heaters



Electric tank-based water heater



Duct-type air-conditioning and heating system



Electric tank-based water heater plant (Victoria, Australia)



Brivis Climate Systems (Victoria, Australia)

## Performance

Established:1993

[Billions of Yen]	Fiscal 2017	Fiscal 2018	YOY Change	Local currency basis YOY Change
<b>Net Sales</b>	<b>37.44</b>	<b>45.96</b>	<b>+22.8%</b>	<b>+22.2%</b>
<b>Operating Income</b>	<b>3.13</b>	<b>5.13</b>	<b>+63.7%</b>	<b>+62.9%</b>

## Main Products

[Sales Volume]	YOY Change
<b>Water heaters</b>	<b>+8.9%</b>
<b>Stoves</b>	<b>- 10.4%</b>
<b>Range hood</b>	<b>- 7.7%</b>
<b>Boilers</b>	<b>+126.2%</b>



Boilers



Built-in hobs  
(stovetops)



Gas water heater



Range hood

## Performance

Established:1974

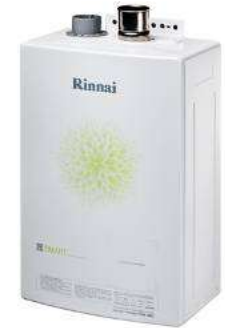
[Billions of Yen]	Fiscal 2017	Fiscal 2018	YOY Change	Local currency basis YOY Change
Net Sales	32.25	34.90	+8.2%	+3.1%
Operating Income	1.23	0.72	- 41.0%	- 43.8%

## Main Products

[Sales Volume]	YOY Change
Boilers	+13.4%
Gas stoves	+6.4%



Gas stoves



Boilers



Received "Brand Power" award (19th consecutive year)



Received "Korea's Most Admired Companies" (11th consecutive year)

## Performance

Established: 1988

[Billions of Yen]	Fiscal 2017	Fiscal 2018	YOY Change	Local currency basis YOY Change
<b>Net Sales</b>	<b>11.32</b>	<b>12.04</b>	<b>+6.3%</b>	<b>+4.4%</b>
<b>Operating Income</b>	<b>2.05</b>	<b>1.95</b>	<b>- 4.8%</b>	<b>- 6.5%</b>

## Main Products

[Sales Volume]	YOY Change
<b>Table-top cookers</b>	<b>+1.6%</b>
<b>Built-in hobs (Stovetops)</b>	<b>+18.2%</b>



Table-top cookers



Built-in hobs (stovetops)



Received  
"Best Brand Award"

## East Japan Logistics Center



**East Japan Logistics Center started operations in February 2018. (in Atsugi City, Kanagawa Prefecture)**

- **Responding to the recent trend: the logistics sector has experienced manpower shortages and tightening regulations, as well as increasing shipment volumes due to growing sales of system-based products.**
- **Complements our existing integrated logistics center (in Komaki City, Aichi Prefecture), which covers western Japan. With two logistics centers in eastern and western locations, we can now ensure next-day delivery nationwide.**

## iF Design Award



**Rinnai recently received an iF Design Award 2018 for its G:101 domino-type gas built-in hob (stovetop).**

**The iF Design Awards are hosted by iF International Forum Design, an independent German design organization with an unparalleled history in the world.**

## Health and Productivity Index



**Rinnai was included in the Health and Productivity Index 2018 (3rd consecutive year)**

### **Health and Productivity Index:**

Selected companies are those deemed to be exceptional in strategically practicing “health-oriented management” of employees and others from an operational perspective.

(Started in 2015; organized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)

## Representative sponsor of Japanese badminton team

**Rinnai confirmed as “Silver Sponsor” of Nippon Badminton Association (NBA) Japanese team**

### **Background of sponsorship agreement**

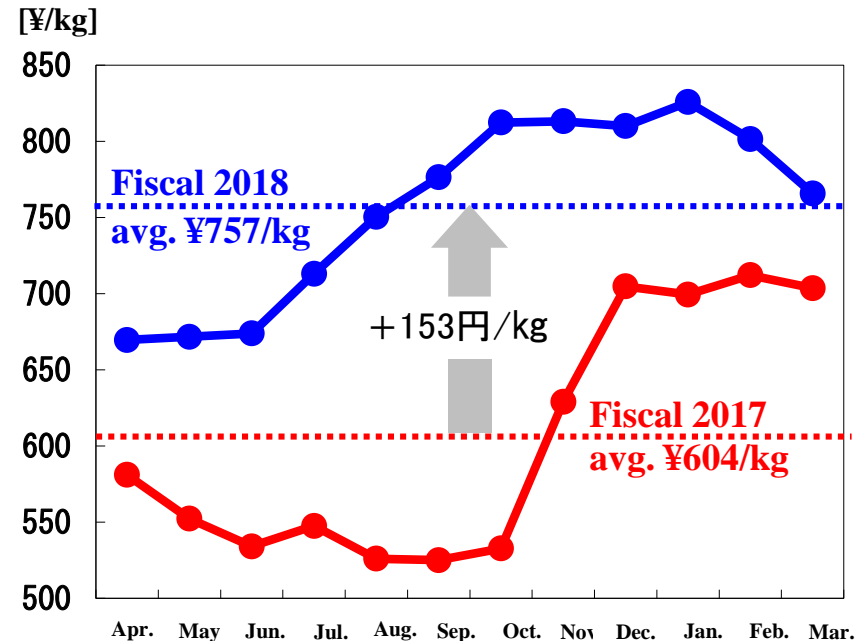
- Overseas, badminton is especially popular in Asia (China, Malaysia, Indonesia, Singapore, etc.)
- The NBA has 280,000 registered members in Japan
- The Japanese badminton teams is expected to become more active in the lead-up to the Tokyo Olympics in 2020

## Electrolytic Copper

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

[¥/kg]	Fiscal 2017 avg.	Fiscal 2018 avg.	YOY change
<b>Avg. price</b>	<b>604</b>	<b>757</b>	<b>+25.3%</b>

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

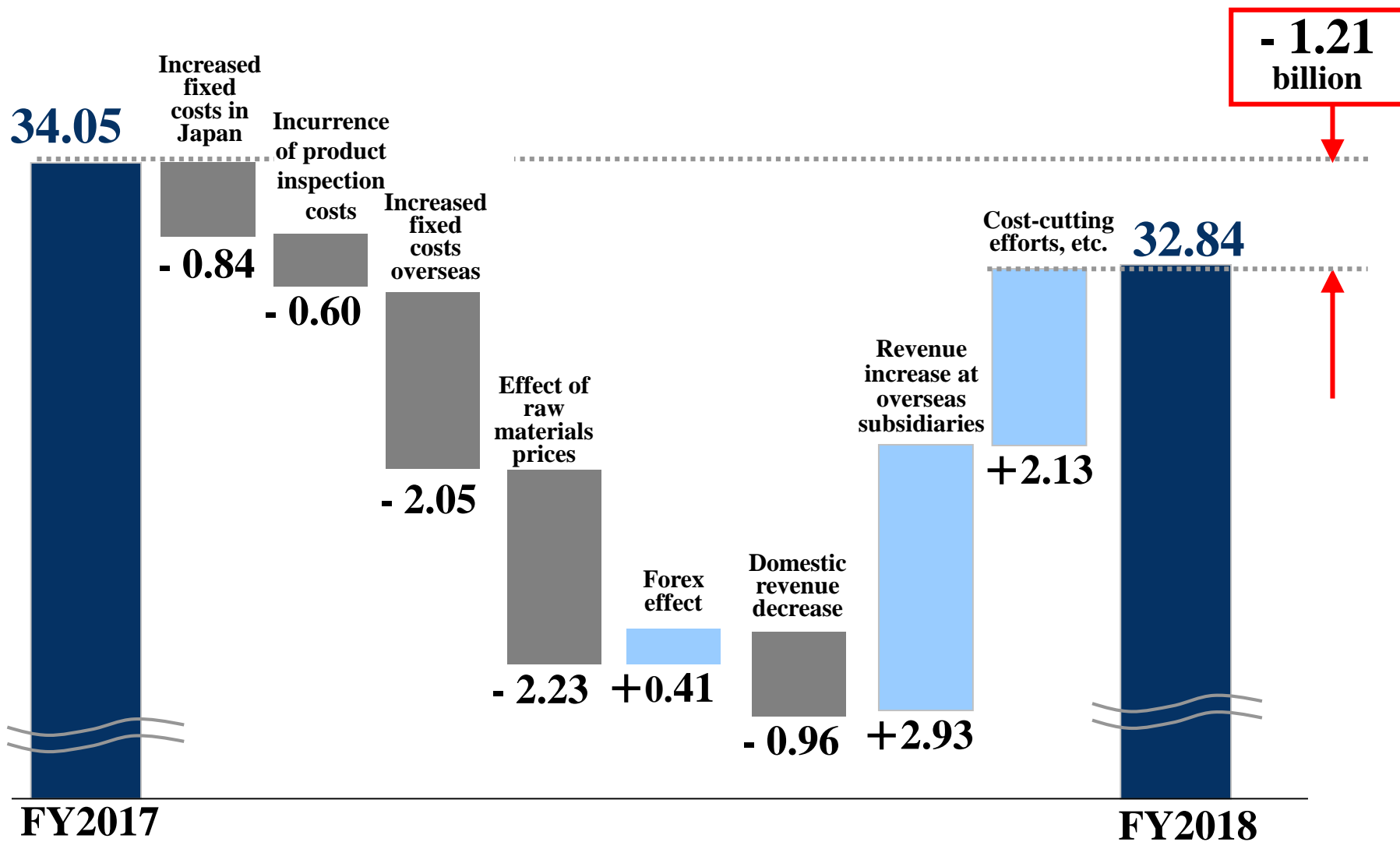


## Steel

- Steel prices at higher levels than previous year

# Fiscal 2018: Consolidated Operating Income

[Billions of yen]





# Rinnai

EXPERIENCE OUR INNOVATION

**Performance forecasts and other future-oriented predictions contained in these materials are based on the Company's judgments using available information. Actual results may differ from such forecasts and predictions due to changing future circumstances.**