



**Financial Results for First Two Quarter
of Fiscal 2019, ending March 31, 2019**

November 7, 2018

Fiscal 2019 (2Q) : Consolidated Highlights

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Record-high level

Net sales: ¥ 162.7 billion (up 1.9% year on year ; vs target: down 0.2 %)

Revenue up thanks to healthy overseas performances, especially in China and United States

Operating income: ¥12.3 billion

(down 11.4 % year on year; vs target: down 17.7%)

[operating income to net sales ratio: 7.6%]

Down due mainly to sluggish sales of high-value-added products in Japan

Ordinary income: ¥14.1 billion

(down 5.7% year on year; vs target: down 10.5%)

[ordinary income to net sales ratio: 8.7%]

Down due to lower operating income, despite increase in foreign exchange gain

Net income attributable to owners of the parent company: ¥8.8 billion

(down 6.7% year on year; vs target: down 9.3%)

[net income to net sales ratio: 5.4%]

Down due to decrease in ordinary income

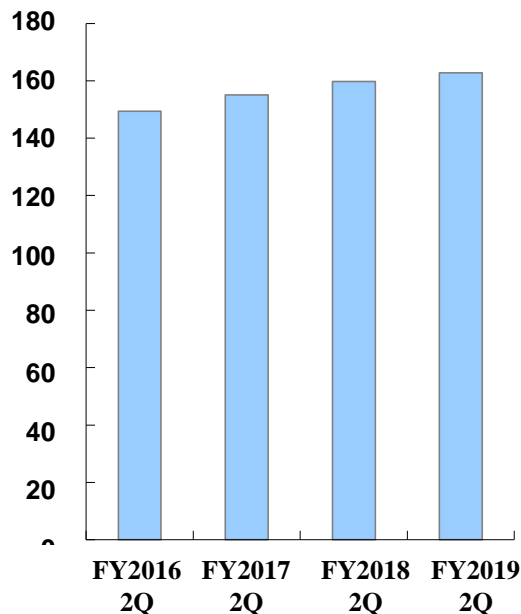
Failed to achieve targets for first half of new medium-term business plan, G-shift 2020.

For the period, we achieved record-high net sales (generally as forecast), but profits fell below projections.

Consolidated Financial Results (2Q)

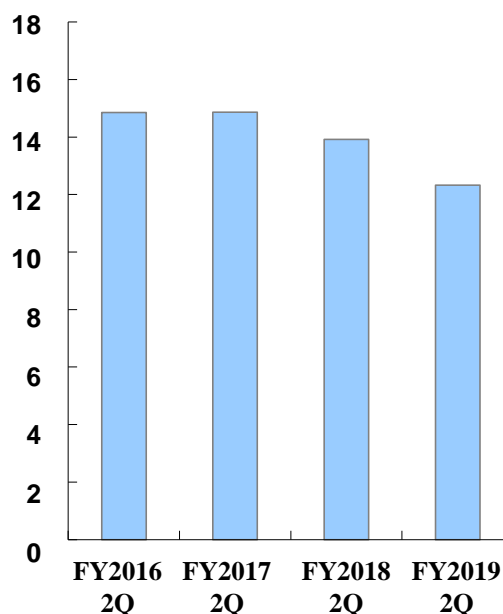
Net Sales

[Billions of yen]



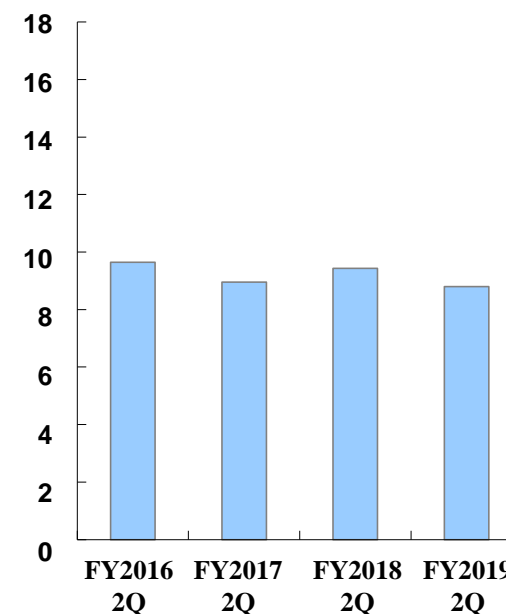
Operating Income

[Billions of yen]



Net income attributable to owners of the parent company

[Billions of yen]



- Net sales up year on year for sixth consecutive period; record high
- Income sluggish despite remaining at certain level

Fiscal 2018 (2Q): Net Sales by Product

[Billions of Yen]	Fiscal 2018		Fiscal 2019		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	91.77	57.5%	95.58	58.7%	+3.80	+4.1%
Kitchen appliances	40.77	25.5%	40.23	24.7%	- 0.53	- 1.3%
Air conditioning appliances	9.39	5.9%	8.69	5.3%	- 0.69	- 7.4%
Commercial-use equipment	4.81	3.0%	4.09	2.5%	- 0.72	- 15.0%
Others	12.98	8.1%	14.13	8.7%	+1.15	+8.9%
Total	159.75	100.0%	162.75	100.0%	+2.99	+1.9%

Fiscal 2019 (2Q): Consolidated Sales/Income Results 4

[Billions of yen]

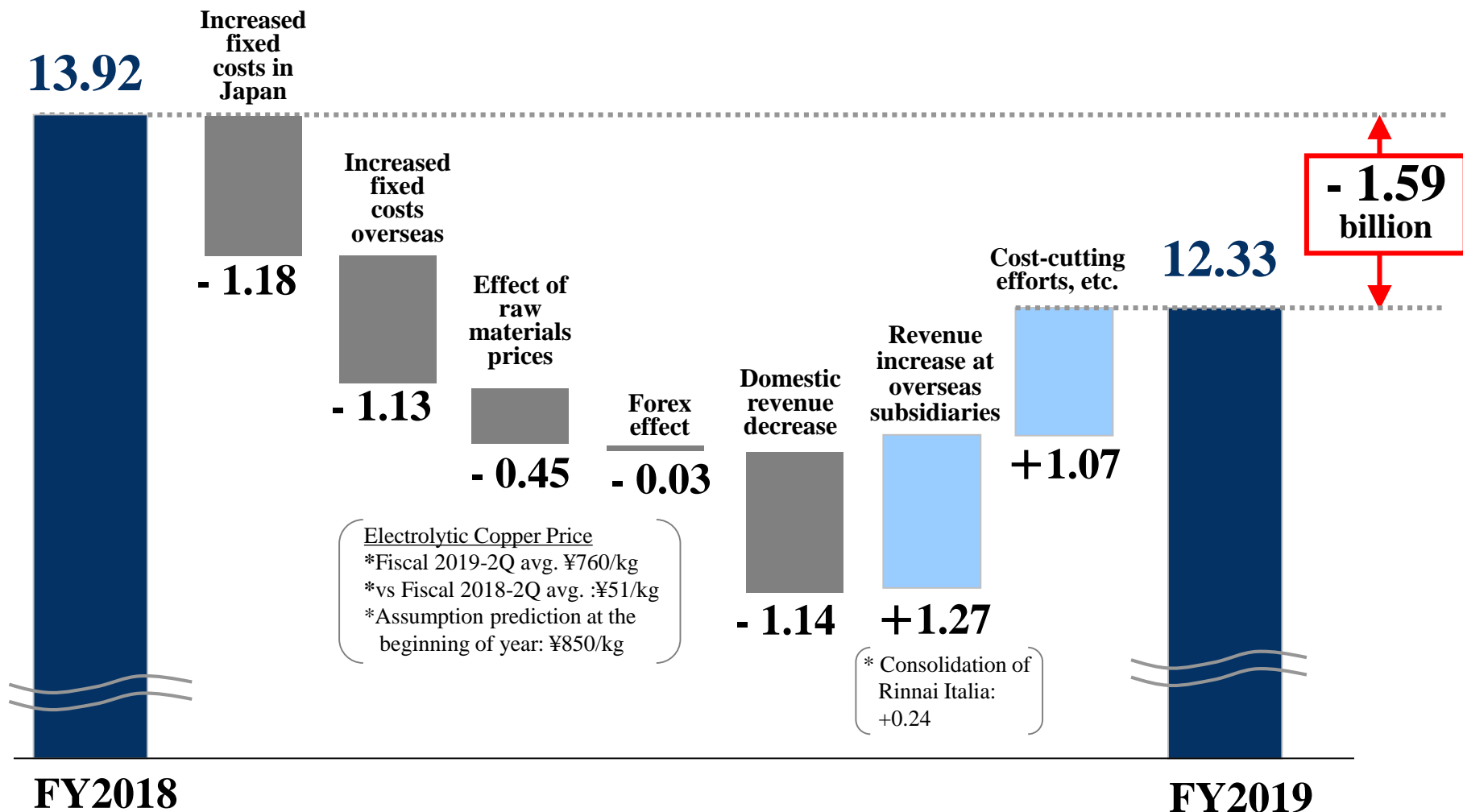
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	162.75	+ 1.9%	12.33	- 11.4%	7.6%	- 1.1P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	95.81	+ 3.5%	5.44	- 18.1%	5.7%	- 1.5P
Domestic	57.93	+ 1.3%	1.08	- 1.4%	1.9%	- 0.0P
Overseas	85.08	+ 6.5%	6.22	- 3.4%	7.3%	- 0.7P
Total	238.82	+ 4.0%	12.75	- 10.1%	5.3%	- 0.8P

Fiscal 2019 (2Q): Consolidated Operating Income

[Billions of yen]



Status and Directions for Major Markets

Rinnai (non-consolidated basis), Fiscal 2019 (2Q) Results 7

Performance

[Billions of Yen]	Fiscal 2018 2Q	Fiscal 2019 2Q	YOY Change
Net Sales	92.58	95.81	+3.5%
Operating Income	6.64	5.44	- 18.1%

Main Products (Domestic Sales)

[Sales Volume]	YOY Change
Water heater with heating system * (including hybrid water heater)	+25.3% (+1.1%)
Water heater with bath-filling system	- 1.0%
Built-in hobs (stovetops)	- 4.4%



Hybrid Water Heater with Heating Systems



Water heater with bath-filling system



Built-in hobs (stovetops)



Gas clothes dryer



Dishwasher/dryers



Range hood

* Total domestic sales in the Rinnai Group decreased 1.6% year on year.

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Rinnai America, Fiscal 2019 (2Q) Results

Performance

Established:1974

[Billions of Yen]	Fiscal 2018 2Q	Fiscal 2019 2Q	YOY Change	YOY Change (local currency basis)
Net Sales	13.19	14.20	+7.6%	+11.2%
Operating Income	0.80	0.40	- 49.4%	- 47.7%

*Down due to sales promotion costs, local production setup costs, and others

Main Products

[Sales Volume]

YOY Change

Tankless water heaters

+13.2%

SENSEI™



Tankless water heater



Commercial-use water heater



Fanned flue heater

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Rinnai Australia, Fiscal 2019 (2Q) Results

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Performance

Established:1971

[Billions of Yen]	Fiscal 2018 2Q	Fiscal 2019 2Q	YOY Change	YOY Change (local currency basis)
Net Sales	12.18	12.21	+0.3%	+1.6%
Operating Income	1.42	1.33	- 6.5%	- 5.3%

*Room heater sales down due to warm winter, resulting in poorer product mix and lower income

Main Products

[Sales Volume]	YOY Change
Tankless water heaters	- 0.0%
Electric tank-based water heater	+24.5%
Duct-type air-conditioning and heating system	+1.9%

Duct-type air-conditioning and heating system



Tankless water heaters



Electric tank-based water heater

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Shanghai Rinnai, Fiscal 2019 (2Q) Results

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Performance

Established:1993

[Billions of Yen]	Fiscal 2018 2Q	Fiscal 2019 2Q	YOY Change	YOY Change (local currency basis)
Net Sales	21.15	24.18	+14.3%	+10.1%
Operating Income	1.94	2.13	+10.0%	+6.0%

Main Products

[Sales Volume]	YOY Change
Water heaters	- 6.2%
Stoves	+33.7%
Range hood	+16.5%
Boilers	+70.0%



Boilers



Built-in hobs (stovetops)



Gas water heater



Range hood

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Rinnai Korea, Fiscal 2019 (2Q) Results

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Performance

Established:1974

[Billions of Yen]	Fiscal 2018 2Q	Fiscal 2019 2Q	YOY Change	YOY Change (local currency basis)
Net Sales	16.01	15.91	- 0.6%	- 3.2%
Operating Income	0.00	0.07	+873.3%	+847.4%

Main Products

[Sales Volume]	YOY Change
Boilers	- 1.1%
Gas stoves	+1.0%
IH cooking heater	+10.7%



Gas stoves



IH cooking heater



Boilers



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

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Performance

Established: 1988

[Billions of Yen]	Fiscal 2018 2Q	Fiscal 2019 2Q	YOY Change	YOY Change (local currency basis)
Net Sales	5.65	5.52	- 2.2%	+4.2%
Operating Income	0.87	0.69	- 20.8%	- 15.6%

*Sales down due to foreign exchange factors; operating income down due to increase in materials costs

Main Products

[Sales Volume]	YOY Change
Table-top cookers	- 0.5%
Built-in hobs (Stovetops)	+37.2%



Table-top cookers



Range hood



Built-in hobs (stovetops)

DELICIA series of high-end built-in hobs: Now even more user-friendly



More relaxed living with Rinnai

DELICIA

* Includes *Cocotte Dutch Oven* and *Cocotte Plate* for broader cooking horizons



Retail price: ¥280,000–¥342,000
Launched: August 21, 2018



Cocotte Dutch Oven

(* Sold separately with some models)



Cocotte Plate

*Send recipe from smartphone to cooker for automatic cooking

DELICIA app



- More than 200 recipes
 - Reached 35,000 users
- (* as of July 2018)

Expanded lineup of *Kanta-kun* gas clothes dryers

ほゆい
乾太くん



Retail price: ¥128,000 (5kg model)
¥98,000 (3kg model)
Launched: October 1, 2018

*Appealing design with soft styling and clean-look coloring

*“Drum Disinfect” mode disinfects the drum interior at high temperature before drying

*Powerful warm air (unique to gas) removes dry-air odors that cause bacteria



Full model change of popular *Mytone* Built-in hobs (stovetops)

Mytone



Retail price: ¥145,000–¥174,000
Launched: August 1, 2018

Includes Cocotte Plate for delicious direct-flame cooking without soiling the grill (Sold separately with some models)

*More beautiful, more stylish design

*“Earthquake Stop” function automatically switches cooker off in event of earthquake
(* Magnitude 4 or higher earthquakes)



Release of HOWARO stoves: Sold only online

HOWARO



Retail price: ¥22,545
Launched: September 4, 2018

- *All-white body color
- *Choice of 4 knob colors
- *Can accommodate cooking plate
(*Sold separately)
- *Easier to clean
(top plate and grill)

HOWARO C plus



Retail price: ¥51,800
Launched: October 10, 2018

- *Top-end HOWARO model
- *Stainless steel grids
- *Compatible with Cocotte Plate (*Included)
- *Includes timer and rice cooking function

Our bathtub fillers and floor heaters now compatible with smart speakers

Fill bathtub
ON/OFF
Reheat bathwater
ON/OFF



Floor heater
ON/OFF

***Bathtub fillers and floor heaters controlled by voice commands**



With the Dokodemo Rinnai app
(Service launched: October 2017)



(Service launched: October 2018)

Can be used with:
Google Assistant speakers (such as Google Home)
Amazon Alexa speakers (such as Amazon Echo)

Good Design Award received

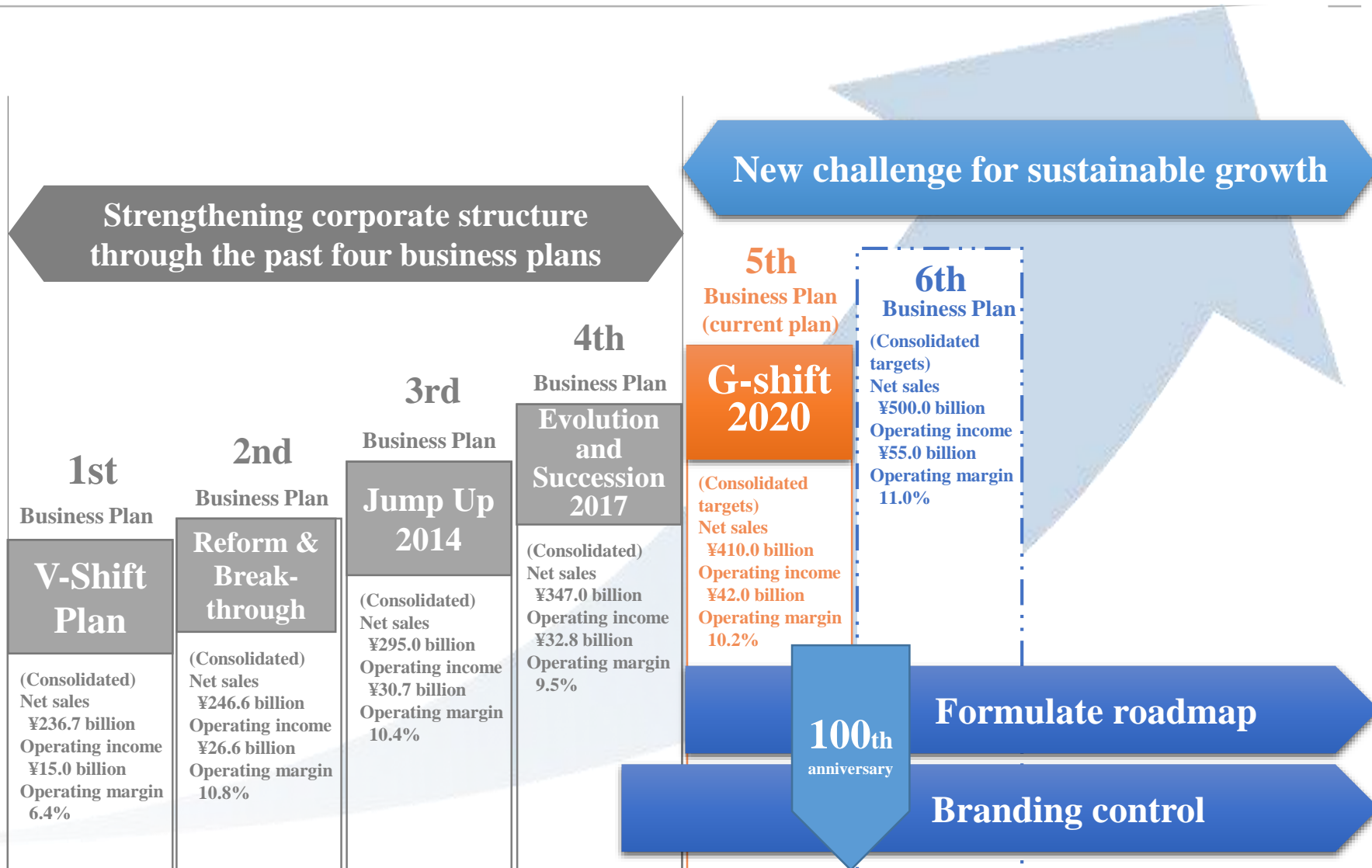
Rinnai's RB-2CG/RB-3CG series of gas built-in hobs for the Southeast Asian market won a 2018 Good Design Award



**GOOD DESIGN
AWARD 2018**



Positioning of Medium-Term Business Plan “G-shift 2020”



Fiscal year ended/ending March 31

2006 2009 2012 2015 2018 2021 2024 2027 2031

Global Markets

“Heat and Lifestyles”

‘Health and Lifestyles’

~ We shall help improve people’s living standards ~

Contribute to the environment through our core business activities (products and services)

Develop and provide original products and services

Combustion and heat utilization technologies

Electronic control technologies

Fluid control technologies

New technologies

~ Recognize core technologies that represent our strengths ~

Renewable energy

Electricity

Gas

Air

Water

Rinnai Group companies shall share and closely coordinate information

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Global

Global shift means deploying the Group’s network to promote strategies and focus on developing Rinnai as a world-renowned brand

G-shift 2020

Generation shift means shifting to a new generation that breaks away from common sense while inheriting traditions cultivated for 100 years

Governance shift means building management frameworks suited to the times and organizational structures that encourage growth

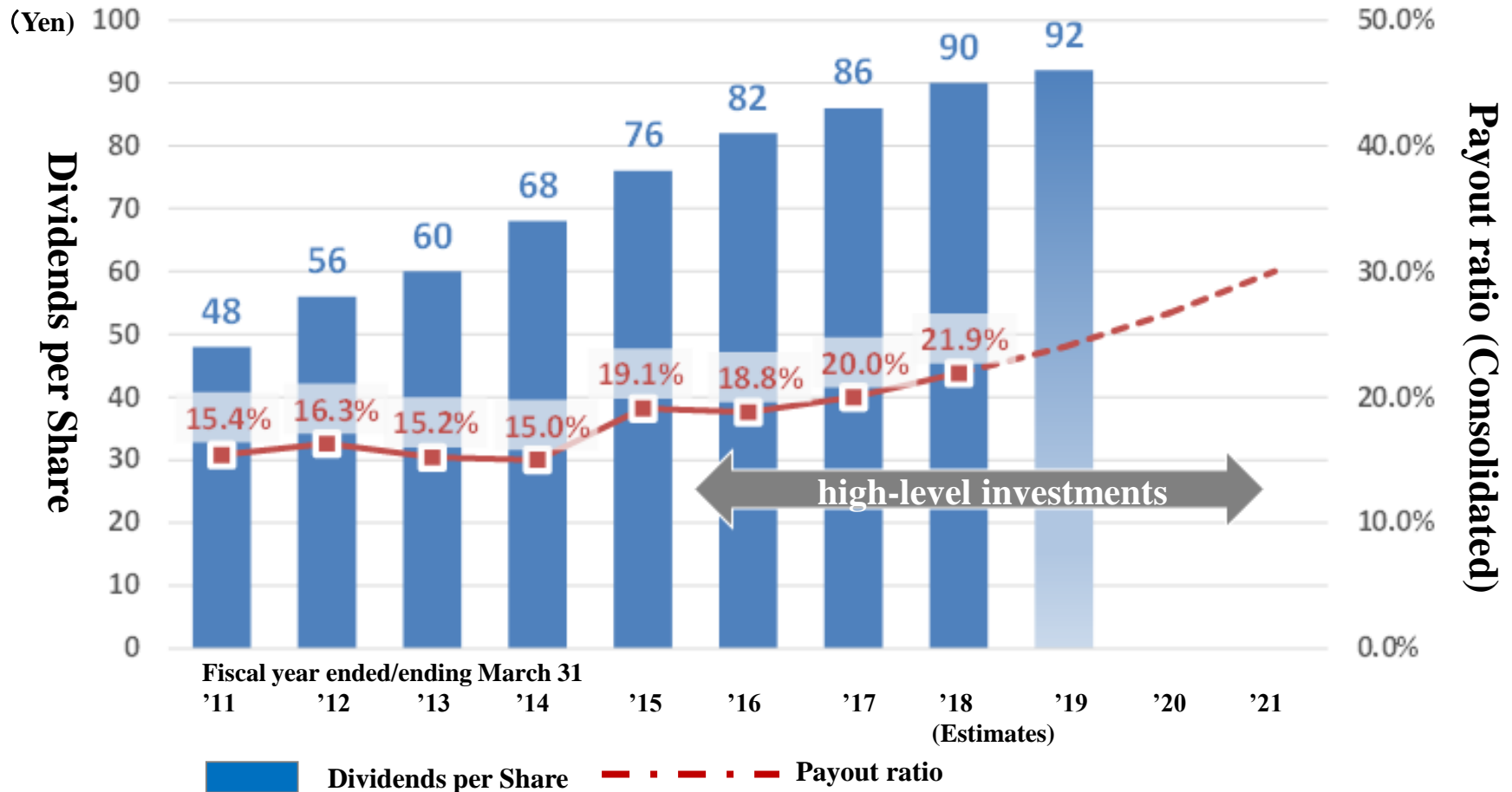
Generation

Governance

Medium-Term Business Plan (April 2018–March 2021)₁₉

《Consolidated》		Actual	Medium-Term Business Plan “G - shift 2020”				
		Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Comparing to fiscal 2018	Increase/decrease from fiscal 2018
[Billions of Yen]							
Net Sales		347.0	360.0	388.0	410.0	118.1%	62.9
Breakdown	Domestic	177.6	180.0	183.0	185.0	104.2%	7.3
	Overseas	169.4	180.0	205.0	225.0	132.8%	55.5
	(Overseas sales ratio)	48.8%	50.0%	52.8%	54.9%	—	6.1p
Operating Income		32.8	36.0	39.0	42.0	127.9%	9.1
Operating Margin		9.5%	10.0%	10.1%	10.2%	—	0.8p

Policy on Return to Shareholders



***Year-on-year dividend increases to continue; the 17th consecutive period of year-on-year dividend increases in fiscal 2019**

***Payout ratio increased to be considered after high-level investments taper off**

***Ample cash and deposits to be maintained to cover investment costs and risk (Debt repayment, income compensation, restoration costs)**

Rinnai

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.