



**Financial Results for First Three Quarters
of Fiscal 2019, ending March 31, 2019**

February 8, 2019

Fiscal 2019 (3Q) : Consolidated Highlights

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Record-high level

Net sales: ¥ 256.9 billion (up 0.9% year on year)

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

Operating income: ¥22.1 billion

(down 10.8 % year on year) [operating income to net sales ratio: 8.6%]

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

Ordinary income: ¥24.1 billion

(down 8.3% year on year) [ordinary income to net sales ratio: 9.4%]

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

Net income attributable to owners of the parent company: ¥15.0 billion

(down 10.0% year on year) [net income to net sales ratio: 5.8%]

Down due to decrease in ordinary income

Performance forecasts revised as operating income unable to recover in peak domestic demand period

● **Japan: Slower decline in earnings but income increase not achieved**

- Gas appliance sector performed below expectations due to continued price competition in the market
- Improved added value by switching to new products and stepping up cost-reduction efforts
- Fell short of expectations in peak demand period due to sluggish sales of high-value-added products

● **Overseas: Slowdown in growth rate; increased upfront investments led to greater income decline**

- **United States:** No income growth due to increased sales promotion expenses despite ongoing revenue growth
- **China:** Recovery in sales of water heaters despite slowdown in boiler sales
- **South Korea:** Actively introduced new products, but market contraction led to intensified price competition

● **Performance forecasts revised as operating income unable to recover in peak domestic demand period**

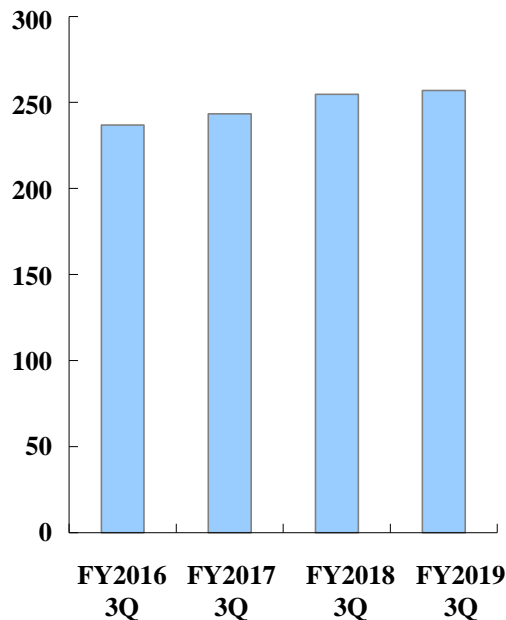
- No change to a long-term growth trajectory, but stepping up investments in business transformation

Consolidated Financial Results (3Q)

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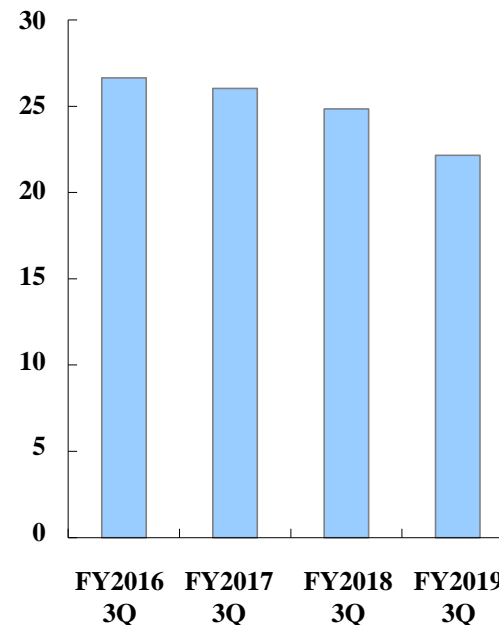
Net Sales

[Billions of yen]



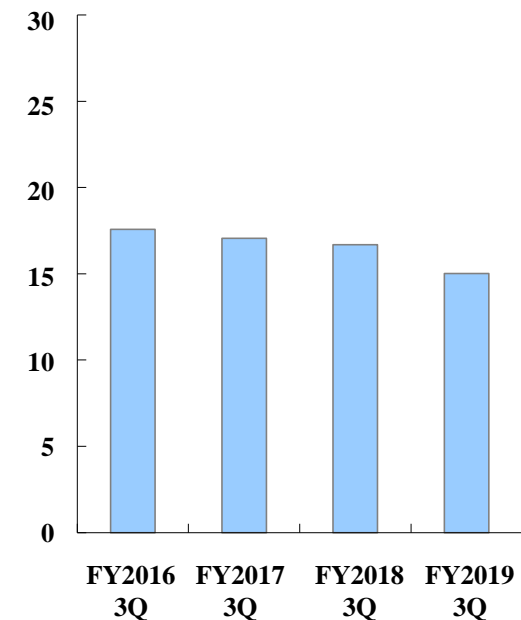
Operating Income

[Billions of yen]



Net income attributable to owners of the parent company

[Billions of yen]



- **Net sales: Year-on-year increase for the ninth consecutive quarter, reaching record-high figure for the third quarter**
- **Income sluggish despite remaining at certain level**

Fiscal 2019 (3Q): Net Sales by Product

[Billions of Yen]	Fiscal 2018		Fiscal 2019		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	144.58	56.8%	147.37	57.4%	+2.79	+1.9%
Kitchen appliances	67.23	26.4%	67.38	26.2%	+0.15	+0.2%
Air conditioning appliances	15.09	5.9%	14.96	5.8%	- 0.12	- 0.8%
Commercial-use equipment	7.23	2.8%	6.15	2.4%	- 1.07	- 14.9%
Others	20.51	8.1%	21.00	8.2%	+0.49	+2.4%
Total	254.67	100.0%	256.90	100.0%	+2.22	+0.9%

Fiscal 2019 (3Q): Consolidated Sales/Income Results 5

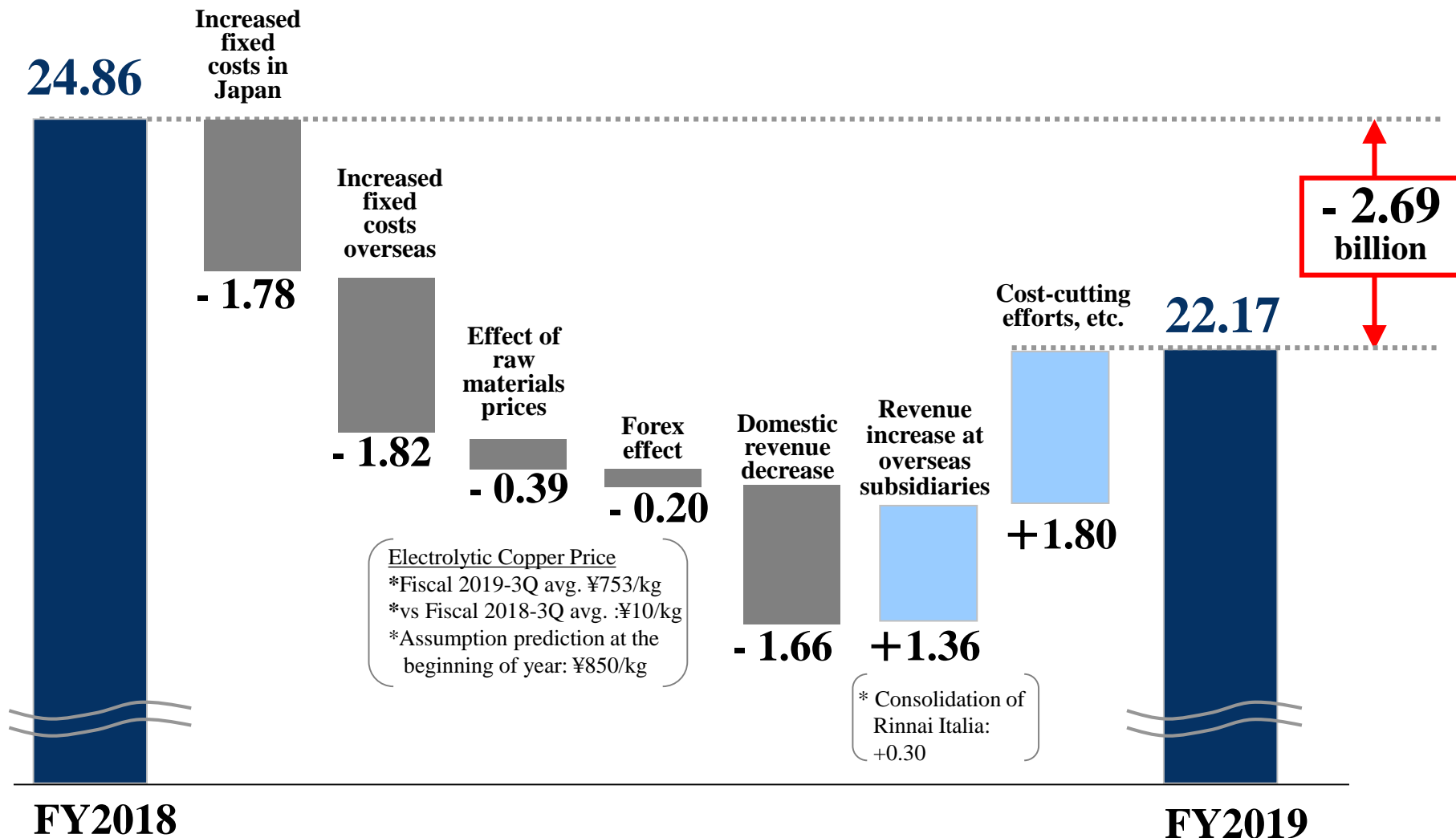
[Billions of yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	256.90	+0.9%	22.17	- 10.8%	8.6%	- 1.1P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	155.17	+ 2.8%	11.58	- 11.2%	7.5%	- 1.2P
Domestic	92.19	- 0.9%	2.53	+15.9%	2.8%	+0.4P
Overseas	127.17	+ 4.4%	8.64	- 11.8%	6.8%	- 1.2P
Total	374.54	+ 2.4%	22.77	- 9.0%	6.1%	- 0.8P

Fiscal 2019 (3Q): Consolidated Operating Income

[Billions of yen]



FY2018

FY2019

Revision of Consolidated Performance Forecasts for Fiscal 2019

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	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company
[Billions of yen]				
Previous forecast (A)	360.0	36.0	37.3	23.0
Revised forecast (B)	350.0	30.0	32.2	20.0
Difference (B – A)	-10.0	-6.0	-5.1	-3.0
Change (%)	-2.8%	-16.7%	-13.7%	-13.0%
Year ended March 31, 2018 (actual)	347.0	32.8	34.2	21.1
(For references) YOY change	+0.8%	- 8.7%	- 6.1%	- 5.6%

Despite continued overseas growth, we revised our performance forecasts due to sluggish sales of mainstay products in Japan and South Korea, as well as increased sales promotion expenses overseas

Rinnai (non-consolidated basis), Fiscal 2019 (3Q) Results 8

Performance

[Billions of Yen]	Fiscal 2018 3Q	Fiscal 2019 3Q	YOY Change
Net Sales	150.99	155.17	+2.8%
Operating Income	13.04	11.58	-11.2%

* New product introductions and stronger cost-reduction efforts helped slow the income decline, but income increase not achieved

Main Products (Domestic Sales)

[Sales Volume]

Water heater with heating systems*
(including hybrid water heater)

YOY Change

+22.9%
(+1.9%)



Hybrid water heater with heating systems



Gas clothes dryers



Water heater with bath-filling systems



Dishwashers /dryers



Built-in hobs (stovetops)



Range hoods

* Total domestic sales in the Rinnai Group decreased 2.5% year on year.

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Rinnai America, Fiscal 2019 (3Q) Results

Performance

Established:1974

[Billions of Yen]	Fiscal 2018 3Q	Fiscal 2019 3Q	YOY Change	YOY Change (local currency basis)
Net Sales	19.81	21.47	+8.4%	+10.6%
Operating Income	1.50	0.57	- 61.5%	- 60.7%

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

Main Products

[Sales Volume]

YOY Change

Tankless water heaters

+12.4%

SENSEI™



Tankless water heaters



Commercial-use water heaters



Fanned flue heaters

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Rinnai Australia, Fiscal 2019 (3Q) Results

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Performance

Established:1971

[Billions of Yen]	Fiscal 2018 3Q	Fiscal 2019 3Q	YOY Change	YOY Change (local currency basis)
Net Sales	18.26	18.95	+3.8%	+7.1%
Operating Income	1.92	1.86	-2.9%	+0.3%

*Income growth in local-currency terms thanks to healthy sales of water heaters, air conditioners, etc.

Main Products

[Sales Volume]	YOY Change
Tankless water heaters	+3.6%
Electric tank-based water heaters	+29.1%
Duct-type air-conditioning and heating systems	+1.7%

Tankless water heaters



Duct-type air-conditioning and heating systems



Electric tank-based water heaters

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Shanghai Rinnai, Fiscal 2019 (3Q) Results

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Performance

Established:1993

[Billions of Yen]	Fiscal 2018 3Q	Fiscal 2019 3Q	YOY Change	YOY Change (local currency basis)
Net Sales	32.17	34.10	+6.0%	+4.0%
Operating Income	2.65	2.71	+2.2%	+0.3%

*Water heaters on recovery path despite slowdown in sales of boilers

Main Products

[Sales Volume]	YOY Change
Water heaters	- 4.4%
Stoves	+25.3%
Range hoods	+14.4%
Boilers	+7.2%



Boilers



Built-in hobs (stovetops)



Gas water heaters



Range hoods

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Rinnai Korea, Fiscal 2019 (3Q) Results

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Performance

Established:1974

[Billions of Yen]	Fiscal 2018 3Q	Fiscal 2019 3Q	YOY Change	YOY Change (local currency basis)
Net Sales	24.32	22.84	- 6.1%	- 8.4%
Operating Income	0.09	- 0.34	—	—

*Actively introduced new products, but market contraction led to intensified price competition

Main Products

[Sales Volume]	YOY Change
Boilers	- 8.5%
Gas stoves	- 10.3%
IH cooking heaters	+13.9%



Gas stoves



IH cooking heaters



Boilers



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

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Performance

Established:1988

[Billions of Yen]	Fiscal 2018 3Q	Fiscal 2019 3Q	YOY Change	YOY Change (local currency basis)
Net Sales	9.24	10.00	+8.2%	+16.1%
Operating Income	1.42	1.38	- 2.9%	+4.1%

*Income growth in local-currency terms thanks to healthy sales of tabletop stoves

Main Products

[Sales Volume]	YOY Change
Table-top cookers	+11.8%
Built-in hobs (Stovetops)	+33.9%



Table-top cookers



Range hoods



Built-in hobs (stovetops)

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



More relaxed living with Rinnai

DELICIA



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

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



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: Launch date :
8kg model: ¥158,000 January 10, 2019

5kg model: ¥128,000
3kg model: ¥98,000 } 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



Expanded lineup of drop-in stoves



- ✓ Grill-less type with ignition knobs on top-plate
- ✓ Stainless steel provides excellent durability and resistance to rust
- ✓ Lineup includes popular glass-like enamel top-plate



Retail price: ¥88,000 (2 burners);
¥139,000 (4 burners)
Launch date: February 1, 2019

Launch of “Deep slide open-type” dishwasher/dryer



- ✓ Large capacity “deep type” design allows dishes and cooking appliances to be washed together (Fry pans, bowls, etc.)
- ✓ Multi-features:
 - “Eco Gear” function automatically conserves water and saves energy
 - Silver ion coating; baking soda course
 - Plasmacluster* technology eliminates mold and odors



Retail price: ¥197,000
Launch date: March 1, 2019

* “Plasmacluster” is a registered trademark of Sharp Corporation.

Rinnai

Our bathtub fillers and floor heaters now compatible with smart speakers



(Service launched: October 2018)

✓ Open the dedicated Dokodemo Rinnai app^(note) to fill bathtub or switch floor heater on/off



(note) Dokodemo Rinnai app
(Service launched: October 2017)

Can be used with:

*Google Assistant speakers (such as Google Home) and Amazon Alexa speakers (such as Amazon Echo)
(Service launched: October 2018)

*LINE Clova (Service launched: December 2018)

Environmental award received

In the Product Leader Section of the COOL CHOICE LEADERS AWARD 2018 (hosted by Japan's Ministry of the Environment), Rinnai received the Minister of the Environment Award in recognition of its development of ECO ONE hybrid water heaters.



ECO ONE



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.