

# Consolidated Financial Results for Fiscal 2019

(April 1, 2018 - March 31, 2019)

May 9, 2019

## Listed Company Name: Rinnai Corporation

Listings: First sections of the Tokyo and Nagoya Stock Exchanges (Securities Code: 5947)

Website: <https://www.rinnai.co.jp>

Representative: Hiroyasu Naito, President

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Date of the General Meeting of Shareholders: June 26, 2019

Anticipated date to begin distributing dividends: June 27, 2019

Anticipated date for releasing annual securities report: June 26, 2019

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, 2019

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

(¥ millions /%)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income Attributable to Owners of the Parent Company (% change)
<b>Fiscal 2019</b>	<b>348,022 (+0.3)</b>	<b>30,879 (-6.0)</b>	<b>33,318 (-2.8)</b>	<b>20,480 (-3.4)</b>
Fiscal 2018	347,071 (+5.1)	32,849 (-3.5)	34,286 (-2.8)	21,194 (-5.1)

Note: Comprehensive income:

Year ended March 31, 2019: ¥17,230 million (-40.5%)

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

	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 (%)
<b>Fiscal 2019</b>	<b>398.45</b>	—	<b>7.0</b>	<b>7.8</b>	<b>8.9</b>
Fiscal 2018	410.41	—	7.6	8.3	9.5

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

Year ended March 31, 2019: ¥- million Year ended March 31, 2018: ¥- million

### (2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
<b>Fiscal 2019</b>	<b>430,885</b>	<b>320,696</b>	<b>69.4</b>	<b>5,819.80</b>
Fiscal 2018	422,422	307,965	68.0	5,589.17

(Reference) Equity capital: Year ended March 31, 2019; ¥299,136 million

Year ended March 31, 2018; ¥287,283 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
<b>Fiscal 2019</b>	<b>29,479</b>	<b>(7,288)</b>	<b>(6,150)</b>	<b>116,133</b>
Fiscal 2018	29,914	(12,190)	(11,725)	101,697

## 2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year- End (¥)	Full Year (¥)
Fiscal 2018	—	44.00	—	46.00	90.00
<b>Fiscal 2019</b>	<b>—</b>	<b>46.00</b>	<b>—</b>	<b>48.00</b>	<b>94.00</b>
Fiscal 2020 (anticipated)	—	48.00	—	48.00	96.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2018	4,626	21.9	1.7
<b>Fiscal 2019</b>	<b>4,831</b>	<b>23.6</b>	<b>1.6</b>
Fiscal 2020 (anticipated)		23.5	

## 3. Forecast for the Fiscal Year Ending March 31, 2020

(April 1, 2019, to March 31, 2020)

(¥ 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	164,000 (+0.8)	11,500 (-6.8)	12,100 (-14.5)	7,700 (-12.5)	149.81
Full year	356,000 (+2.3)	32,000 (+3.6)	34,000 (+2.0)	21,000 (+2.5)	408.56

(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, 2019: 51,616,463 shares  
Year ended March 31, 2018: 51,616,463 shares
  - (b) Number of treasury stock at fiscal year-end  
Year ended March 31, 2019: 216,771 shares  
Year ended March 31, 2018: 216,404 shares
  - (c) Average number of shares during the term  
Year ended March 31, 2019: 51,399,853 shares  
Year ended March 31, 2018: 51,641,776 shares

## References: Summary of Nonconsolidated Results

### 1. Nonconsolidated Performance for the Year Ended March 31, 2019

(April 1, 2018 to March 31, 2019; 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)
<b>Fiscal 2019</b>	<b>206,015 (+2.0)</b>	<b>14,602 (-5.0)</b>	<b>19,026 (+3.0)</b>	<b>14,175 (+2.3)</b>
Fiscal 2018	201,936 (+1.5)	15,378 (-18.3)	18,466 (-14.2)	13,850 (-14.6)

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

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
<b>Fiscal 2019</b>	<b>275.78</b>	<b>—</b>
Fiscal 2018	268.20	—

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

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
<b>Fiscal 2019</b>	<b>259,682</b>	<b>210,865</b>	<b>81.2</b>	<b>4,102.46</b>
Fiscal 2018	252,558	202,365	80.1	3,937.07

(Reference) Equity capital: Year ended March 31, 2019; ¥210,865 million

Year ended March 31, 2018; ¥202,365 million

\* This report is exempt from an 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 2020” on page 6 of this report.

\*Supplemental information sheets of financial results are posted on the Corporation’s website on Thursday, May 9, 2019.

## **I. Performance and Financial Position**

### **(1) Fiscal Year in Review**

In the fiscal year under review (April 1, 2018–March 31, 2019), the world economy assumed a sense of uncertainty, reflecting a slowdown in economic growth in China and trade issues centered on the United States and China. This was despite moderate economic recovery in the United States and Europe. In Japan, the economy continued recovering, buoyed by improved corporate earnings and a turnaround in personal consumption.

In the domestic housing industry, there were signs of a turnaround in the new housing starts. However, conditions in the housing appliance industry remained weak in the absence of robust replacement demand.

Under these circumstances, the Rinnai Group promoted its new medium-term business plan, “G-shift 2020,” which started in April 2018. Under the plan (with the slogans “heat and lifestyles” and “health and lifestyles”), we will strive to help improve living standards in the global market. In addition to existing offerings, in the period under review we embraced new initiatives aimed at creating unique products and services by incorporating new technologies into our core technologies.

With respect to revenue, we reported a year-on-year increase in net sales thanks to healthy sales in China, the United States, and other overseas markets. On the earnings side, we posted a year-on-year decline in operating income due to weak performances of high-value-added products in Japan, as well as an increase in sales promotion costs overseas.

As a result, consolidated net sales for the year amounted to ¥348,022 million, up 0.3% from the previous year. Operating income declined 6.0%, to ¥30,879 million, and ordinary income slipped 2.8%, to ¥33,318 million. Net income attributable to owners of the parent company decreased 3.4%, to ¥20,480 million.

Our results by geographical segment were as follows:

#### ***Japan***

In Japan, revenue declined due to weak sales of mainstay water heaters with heating systems, bathwater heaters, and built-in hobs (stovetops), as well as intensified competition with other companies for water heaters in general. Accordingly, sales in Japan were down 3.2% year on year, to ¥180,821 million, and operating income declined 4.6%, to ¥17,390 million.

#### ***United States***

In the United States, where the market for housing appliances was steady, we posted healthy sales of highly convenient tankless water heaters, as well as growth in sales of

new high-efficiency models. As a result, sales in the United States increased 9.6%, to ¥30,390 million. However, we incurred sales promotion expenses aimed at popularizing new products, as well as an increase in costs associated with the start of local production. Accordingly, operating income fell 32.5%, to ¥1,491 million.

### ***Australia***

Despite a decrease in sales of open heaters (fan heaters) due to a warm winter, in Australia we enjoyed growth in sales of mainstay water heaters and air conditioners, as well as an increase in replacement demand for fan-forced room heaters, spurred by the government. As a result, sales in Australia rose 6.1%, to ¥24,921 million. Due to an increase in costs associated with expansion of local production, however, operating income declined 4.5%, to ¥1,509 million.

### ***China***

In China, we reported a 3.9% increase in sales, to ¥46,009 million, thanks mainly to recovery in sales of water heaters. Due to higher sales promotion costs incurred in addressing the harsh competitive environment, however, operating income decreased 1.1%, to ¥4,989 million.

### ***South Korea***

In South Korea, construction of small-scale condominium buildings, previously a growth area, reached full circle, leading to a decline in demand for housing equipment that previously benefited from such construction. This led to year-on-year decreases in mainstay boilers, while competition in the gas cooker market also intensified. Accordingly, sales in South Korea declined 5.1%, to ¥32,953 million. Operating income fell 86.2%, to ¥112 million, due to lower sales of high-efficiency boilers and other high value-added products.

### ***Indonesia***

In Indonesia, we increased our market share for tabletop stoves due to management instability among our competitors, and we enjoyed higher year-on-year sales of built-in hobs (stovetops). As a result, sales in Indonesia rose 5.7%, to ¥12,136 million. However, operating income decreased 6.3% to ¥1,686 million, impacted by foreign exchange factors stemming from the yen's appreciation.

**References 1: Net sales by product**

(¥ millions)

	Year ended March 31, 2018 (April 1, 2017, to March 31, 2018)		Year ended March 31, 2019 (April 1, 2018, to March 31, 2019)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	202,387	58.3	202,630	58.2	242	0.1
Kitchen appliances	88,364	25.5	88,322	25.4	(42)	(0.0)
Air conditioning appliances	19,084	5.5	19,642	5.6	558	2.9
Commercial-use equipment	9,499	2.7	8,452	2.4	(1,046)	(11.0)
Others	27,735	8.0	28,974	8.3	1,238	4.5
Total	347,071	100.0	348,022	100.0	950	0.3

**References 2: Overseas sales**

(¥ millions)

	Year ended March 31, 2018 (April 1, 2017, to March 31, 2018)			Year ended March 31, 2019 (April 1, 2018, to March 31, 2019)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	107,669	61,795	169,464	108,744	66,757	175,502
II. Consolidated net sales	—	—	347,071	—	—	348,022
III. Composition ratio of overseas sales to consolidated net sales	31.0%	17.8%	48.8%	31.2%	19.2%	50.4%

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

**(2) Financial Position**

As of March 31, 2019, the Rinnai Group had total assets of ¥430,885 million, up ¥8,462 million from a year earlier. This rise stemmed mainly from an increase in cash and deposits.

Total liabilities fell ¥4,268 million, to ¥110,188 million, due to a decrease in notes and accounts payable.

Net assets were up ¥12,730 million, to ¥320,696 million, boosted by net income attributable to owners of the parent company.

As a result, the equity ratio at fiscal year-end was 69.4%.

**(3) Cash Flows**

Cash and cash equivalents at March 31, 2019, stood at ¥116,133 million, up ¥14,435 million, or 14.2%, from a year earlier.

Net cash provided by operating activities amounted to ¥29,479 million, down 1.5% 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 ¥7,288 million, down 40.2% from the previous year. Main factors were purchases of tangible fixed assets.

Net cash used in financing activities was ¥6,150 million, down 47.5% from the previous year. Main factors were payment of dividends.

**(4) Outlook for the Year Ending March 2020**

In the fiscal year ending March 2020, the outlook remains uncertain amid trade issues between the United States and China, as well as concerns about economic slowdown in

China and elsewhere. In Japan, meanwhile, there are signs that the trend of improvement in corporate earnings is faltering.

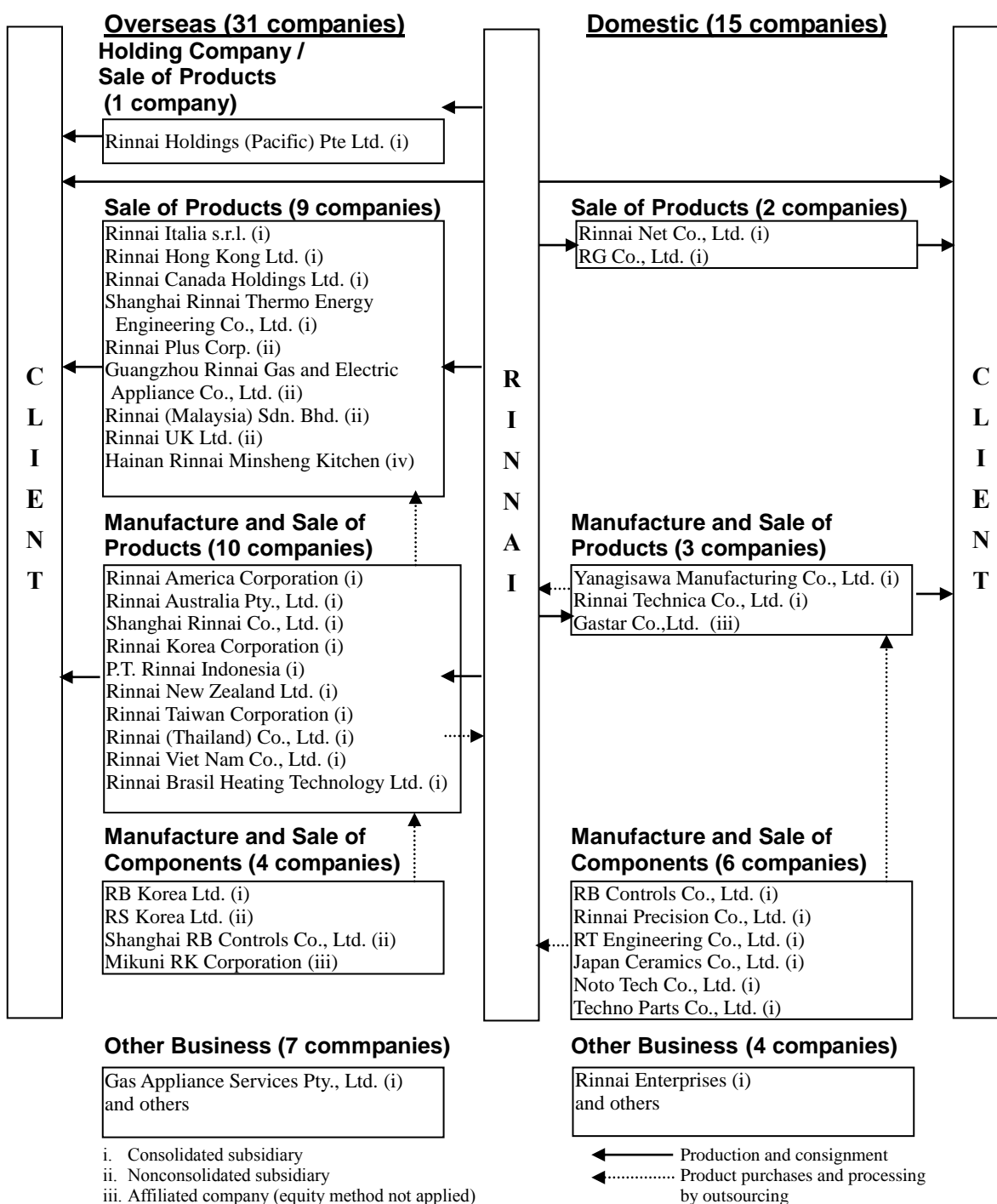
Under these conditions, and with the aim of increasing its value as a global brand, the Rinnai Group has renewed its corporate logo and redesigned the basic design elements of its visual identity (VI), which expresses its brand's worldview. The new logo and VI system will be rolled out sequentially from April 1, 2019.

With respect to products, in overseas markets we will emphasize the comfort and environmental friendliness of our water heaters, while promoting increased recognition of our brand and offerings. 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 strengthen sales of highly distinctive products, such as gas clothes dryers, dishwasher/dryers, and range hoods. We will also offer various other products and services. These include an app that enables automatic cooking on *Delicia*-brand stoves, the *Docodemo* Rinnai app that allow users to operate water heaters from outside the home, and other *Rakukaji+* features that support people's lifestyles.

For the year ending March 2020, we forecast consolidated net sales of ¥356.0 billion (up 2.3% year on year), operating income of ¥32.0 billion (up 3.6%), ordinary income of ¥34.0 billion (up 2.0%), and net income attributable to owners of the parent company of ¥21.0 billion (up 2.5%).

## II. 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 35 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.



## III. 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.



## IV. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

(¥ millions)

	At March 31, 2018 (Year ended March 31, 2018)	At March 31, 2019 (Year ended March 31, 2019)
	Amount	Amount
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	124,771	140,264
Notes and accounts receivable	66,341	67,687
Electronically Recorded Monetary Claims	8,858	9,290
Marketable securities	17,920	17,126
Products	27,330	28,988
Raw materials and stores	16,014	16,728
Other	3,438	2,281
Less allowance for doubtful accounts	(1,213)	(1,476)
<b>Total current assets</b>	<b>263,462</b>	<b>280,891</b>
<b>Fixed assets</b>		
Property, plant and equipment		
Buildings and structures	69,430	71,878
Accumulated depreciation	(35,918)	(37,306)
Buildings and structures (net)	33,511	34,571
Machinery and vehicles	61,268	61,574
Accumulated depreciation	(43,156)	(44,076)
Machinery and vehicles (net)	18,111	17,497
Tools and fixtures	39,304	38,647
Accumulated depreciation	(33,768)	(33,185)
Tools and fixtures (net)	5,536	5,461
Land	23,346	22,795
Lease assets	435	317
Accumulated depreciation	(245)	(181)
Lease assets (net)	189	135
Construction in progress	2,719	2,392
<b>Total property, plant and equipment</b>	<b>83,415</b>	<b>82,854</b>
Intangible fixed assets	6,350	5,743
Investments and advances		
Investments in securities	46,067	36,912
Net defined benefit assets	17,390	18,960
Deferred income taxes	3,194	3,277
Other	2,611	2,303
Less allowance for doubtful accounts	(68)	(58)
<b>Total investments and advances</b>	<b>69,194</b>	<b>61,395</b>
<b>Total fixed assets</b>	<b>158,960</b>	<b>149,993</b>
<b>Total assets</b>	<b>422,422</b>	<b>430,885</b>

(¥ millions)

	At March 31, 2018 (Year ended March 31, 2018)	At March 31, 2019 (Year ended March 31, 2019)
	Amount	Amount
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable	22,953	20,446
Electronically recorded obligations	32,771	32,057
Other payables	14,265	14,860
Accrued consumption taxes	761	2,228
Accrued income taxes	4,843	4,863
Accrued employee's bonuses	4,676	4,540
Allowance for product guarantee	4,602	3,947
Other	8,031	5,405
Total current liabilities	92,905	88,350
<b>Long-term liabilities</b>		
Deferred tax liabilities	6,389	6,746
Allowance for environmental measures	2,255	2,255
Net defined benefit liabilities	10,466	10,401
Other	2,441	2,435
Total long-term liabilities	21,551	21,838
Total liabilities	114,457	110,188
<b>NET ASSETS:</b>		
<b>Shareholders' equity:</b>		
Common stock	6,459	6,459
Capital surplus	8,756	8,756
Earned surplus	258,814	276,143
Treasury stock	(1,860)	(1,864)
Total shareholders' equity	272,170	289,495
<b>Other accumulated comprehensive income:</b>		
Unrealized gain on marketable securities	6,583	5,599
Foreign exchange translation adjustment	4,682	(488)
Remeasurements of defined benefit plans	3,846	4,529
Total other accumulated comprehensive income	15,112	9,640
<b>Non-controlling interests</b>	20,682	21,560
<b>Total net assets</b>	307,965	320,696
<b>Total liabilities and net assets</b>	422,422	430,885

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

### Consolidated Statements of Income

(¥ millions)

	Fiscal 2018 (April 1, 2017, to March 31, 2018)	Fiscal 2019 (April 1, 2018, to March 31, 2019)
	Amount	Amount
<b>Net sales</b>	347,071	348,022
<b>Cost of Sales</b>	234,996	235,915
<b>Gross Profit</b>	112,074	112,106
<b>Selling, general and administrative expenses</b>		
Transportation and packing	8,290	8,645
Advertising	4,100	4,508
Sales promotion	9,715	10,235
Transfer to allowance for product guarantee	4,508	4,058
Salary and bonuses	24,932	25,642
Transfer to allowance for employee's bonuses	2,440	2,163
Retirement benefit expenses	1,176	826
Depreciation	1,792	1,976
Other	22,268	23,169
<b>Total selling, general and administrative expenses</b>	79,225	81,227
<b>Operating income</b>	32,849	30,879
<b>Other income:</b>		
Interest income	952	888
Dividends received	509	508
Foreign exchange income	—	318
Other	698	1,086
<b>Total other income</b>	2,160	2,801
<b>Other expenses:</b>		
Foreign exchange loss	220	—
Loss on retirement of fixed assets	280	256
Other	223	105
<b>Total other expenses</b>	723	362
<b>Ordinary income</b>	34,286	33,318
<b>Extraordinary income:</b>		
Insurance income	293	—
Subsidy income	762	69
<b>Total extraordinary income</b>	1,056	69
<b>Extraordinary losses:</b>		
Loss on reduction of fixed assets	762	69
Loss on devaluation of investments in securities	—	153
<b>Total extraordinary losses</b>	762	222
<b>Income before income taxes</b>	34,580	33,164
<b>Income taxes:</b>		
Current	9,708	8,799
Deferred	96	363
<b>Total income taxes</b>	9,805	9,162
<b>Net income</b>	24,775	24,001
<b>Net income attributable to non-controlling interests</b>	3,581	3,521
<b>Net income attributable to owners of the parent company</b>	21,194	20,480

**Consolidated Statements of Comprehensive Income**

(¥ millions)

	Fiscal 2018 (April 1, 2017, to March 31, 2018)	Fiscal 2019 (April 1, 2018, to March 31, 2019)
	Amount	Amount
Net income	24,775	24,001
Other comprehensive income		
Unrealized gain on marketable securities	1,702	(985)
Foreign exchange translation adjustment	1,937	(6,488)
Remeasurements of defined benefit plans	528	703
Total other comprehensive income	4,168	(6,771)
Comprehensive income	28,943	17,230
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	25,065	15,007
Non-controlling interest	3,878	2,222

### 3. Consolidated Statements of Shareholders' Equity

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

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
<b>Balance at the beginning of current term</b>	6,459	8,756	247,327	(1,007)	261,536
<b>Net changes during the current term</b>					
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 the scope of consolidation					—
Net other changes than shareholders' equity during the current term					—
<b>Total net changes during the current term</b>	—	—	11,487	(853)	10,633
<b>Balance at the end of current term</b>	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		
<b>Balance at the beginning of current term</b>	4,883	3,047	3,310	11,241	17,860	290,638
<b>Net changes during the current term</b>						
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 the scope of consolidation						—
Net other changes than shareholders' equity during the current term	1,700	1,635	536	3,871	2,821	6,693
<b>Total net changes during the current term</b>	1,700	1,635	536	3,871	2,821	17,326
<b>Balance at the end of current term</b>	6,583	4,682	3,846	15,112	20,682	307,965

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

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
<b>Balance at the beginning of current term</b>	6,459	8,756	258,814	(1,860)	272,170
<b>Net changes during the current term</b>					
Dividends paid			(4,728)		(4,728)
Net income attributable to owners of the parent company			20,480		20,480
Acquisition of treasury stock				(3)	(3)
Retirement of treasury stock					—
Transfer from earned surplus to capital surplus					—
Change in the scope of consolidation			1,576		1,576
Net other changes than shareholders' equity during the current term					
<b>Total net changes during the current term</b>	—	—	17,328	(3)	17,324
<b>Balance at the end of current term</b>	6,459	8,756	276,143	(1,864)	289,495

	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		
<b>Balance at the beginning of current term</b>	6,583	4,682	3,846	15,112	20,682	307,965
<b>Net changes during the current term</b>						
Dividends paid						(4,728)
Net income attributable to owners of the parent company						20,480
Acquisition of treasury stock						(3)
Retirement of treasury stock						—
Transfer from earned surplus to capital surplus						—
Change in the scope of consolidation						1,576
Net other changes than shareholders' equity during the current term	(984)	(5,171)	683	(5,472)	878	(4,594)
<b>Total net changes during the current term</b>	(984)	(5,171)	683	(5,472)	878	12,730
<b>Balance at the end of current term</b>	5,599	(488)	4,529	9,640	21,560	320,696

#### 4. Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2018 (April 1, 2017, to March 31, 2018)	Fiscal 2019 (April 1, 2018, to March 31, 2019)
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes	34,580	33,164
Depreciation and amortization	11,292	11,876
(Increase) decrease in net defined benefit assets	429	(706)
Increase (decrease) in net defined benefit liabilities	929	260
Interest and dividends income	(1,462)	(1,396)
Decrease (increase) in trade receivables	(4,333)	(2,749)
Decrease (increase) in inventories	(3,864)	(4,004)
Increase (decrease) in trade payables	(913)	(2,640)
Increase (decrease) in accrued consumption taxes	(299)	1,573
Increase (decrease) in other liability	2,196	(850)
Other	619	1,884
Subtotal	39,174	36,410
Interest and dividends received	1,443	1,386
Subsidy income received	127	450
Interest paid	(7)	(2)
Income taxes paid	(10,823)	(8,765)
Net cash provided by operating activities	29,914	29,479
<b>Cash flows from investing activities</b>		
Transfers to time deposits	(39,218)	(42,960)
Withdrawals from time deposits	36,551	41,515
Purchases of securities	(707)	(597)
Proceeds from redemption of securities	816	753
Purchases of tangible fixed assets	(15,796)	(14,157)
Proceeds from sales of tangible fixed assets	162	351
Purchases of intangible fixed assets	(647)	(915)
Purchases of investments in securities	(1,738)	(7,629)
Proceeds from sales/and redemption of investments in securities	8,211	16,631
Other	175	(278)
Net cash used in investing activities	(12,190)	(7,288)
<b>Cash flows from financing activities</b>		
Acquisition of treasury stock	(6,011)	(3)
Dividends paid	(4,548)	(4,729)
Dividends paid to non-controlling interests	(1,056)	(1,344)
Other	(108)	(73)
Net cash used in financing activities	(11,725)	(6,150)
Effect of exchange rate fluctuations on cash and cash equivalents	402	(1,626)
Net increase (decrease) in cash and cash equivalents	6,400	14,413
Cash and cash equivalents at beginning of year	95,297	101,697
Increase in cash and cash equivalents due to newly consolidation	—	21
Cash and cash equivalents at end of year	101,697	116,133

## 5. Notes to Consolidated Financial Statements

### **Notes regarding the assumption of a going concern**

There are no relevant items.

### **Changes in presentation methods**

#### ***Changes with Application of “Partial Amendment of Accounting Standards for Tax Effect Accounting”***

Effective the period under review, the Corporation has applied “Partial Amendment of Accounting Standards for Tax Effect Accounting” (ASBJ Standard No. 28, February 16, 2018). As a result of this change, “Deferred tax assets” are now listed under “Investment and other assets” and “Deferred tax liabilities” are listed under “Long-term liabilities.”

As a consequence, of the ¥3,516 million in “Deferred tax assets” in the balance sheets (listed under “Current assets”) as of March 31, 2018, ¥1,198 million is now included in “Deferred income taxes” (listed under “Investment and advances”), amounting to ¥3,194 million. The remaining ¥2,318 million is offset against “Deferred tax liabilities” (listed under “Long-term liabilities”), amounting to ¥6,389 million.

### **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, 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	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.

**Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)**

(¥ 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	180,821	30,390	24,921	46,009	32,953	12,136	327,232	20,789	—	348,022
Intersegment sales	35,012	—	111	1,667	1,089	703	38,585	2,639	(41,225)	—
<b>Total</b>	<b>215,834</b>	<b>30,390</b>	<b>25,033</b>	<b>47,676</b>	<b>34,042</b>	<b>12,840</b>	<b>365,817</b>	<b>23,429</b>	<b>(41,225)</b>	<b>348,022</b>
Segment Income (loss)	17,390	1,491	1,509	4,989	112	1,686	27,179	3,344	354	30,879
Segment Assets	323,137	14,126	21,253	35,212	20,127	11,948	425,806	27,394	(22,314)	430,885
Others										
Depreciation	8,207	146	381	980	1,292	362	11,371	504	—	11,876
Amortization of goodwill	129	—	223	—	—	142	495	—	—	495
Increase in property, plant and equipment and intangible fixed assets (Note 5)	8,902	1,891	233	1,584	852	167	13,632	777	—	14,409

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" do not include increase due to newly consolidation

## **Per Share Data**

	Fiscal 2018 (April 1, 2017, to March 31, 2018)	Fiscal 2019 (April 1, 2018, to March 31, 2019)
1. Net assets per share	¥5,589.17	¥5,819.80
2. Net income per share	¥410.41	¥398.45

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 2018 (April 1, 2017, to March 31, 2018)	Fiscal 2019 (April 1, 2018, to March 31, 2019)
Net assets	¥307,965 million	¥320,696 million
Deduction from net assets	¥20,682 million	¥21,560 million
[Non-controlling interest]	[¥20,682 million]	[¥21,560 million]
Net assets at year-end related to common shares	¥287,283 million	¥299,136 million
Number of common shares at year-end used in calculations	51,400,059 shares	51,399,692 shares

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

	Fiscal 2018 (April 1, 2017, to March 31, 2018)	Fiscal 2019 (April 1, 2018, to March 31, 2019)
Net income	¥21,194 million	¥20,480 million
Amount not attribute to common shares	— million	— million
Net income attributable to owners of the parent company related to common shares	¥21,194 million	¥20,480 million
Average number of shares during the term	51,641,776 shares	51,399,853 shares

## **Subsequent Events**

There are no relevant items.

## **V. Other**

### **Director Changes**

#### (1) Representative Director Changes

There are no relevant items.

#### (2) Other Director Changes

— A new Audit & Supervisory Board Member candidate

Katsuhiko Shinji (Currently, Overseas Business Headquarters of Rinnai Corporation),  
Standing Audit & Supervisory Board Member

— A retiring Audit & Supervisory Board Member

Takashi Sonoda, Standing Audit & Supervisory Board Member

#### (3) Effective Date of Appointment and Retirement

June 26, 2019