

Consolidated Financial Results

First Three Quarters of the Fiscal Year Ending March 2013

(April 1–December 31, 2012)

February 7, 2013

Listed Company Name: Rinnai Corporation

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

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Scheduled date for release of quarterly securities report: February 12, 2013

Anticipated date to begin distributing dividends: —

Supplemental information sheets of quarterly results: None

Information meeting of quarterly results: None

I. Performance in the First Three Quarters of the Fiscal Year Ending March 31, 2013

(April 1–December 31, 2012; amounts less than one million yen are omitted)

(1) Consolidated Operating Results

(¥ millions; %)

	Net Sales	Operating Income	Ordinary Income	Net Income
Three Quarters to Dec. 2012	¥187,739 [+1.6%]	¥20,307 [-1.9%]	¥22,186 [-0.5%]	¥15,206 [+24.6%]
Three Quarters to Dec. 2011	184,773 [+3.5%]	20,692 [+5.9%]	22,296 [+8.2%]	12,208 [-3.2%]

(Reference)

Comprehensive Income: First three quarters of the year ending March 31, 2013; ¥16,246 million (+ 63.5%)

First three quarters of the year ended March 31, 2012; ¥9,933 million (- 9.0%)

Note: Percentage figures in parentheses indicate increase or decrease from the previous term.

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
Three Quarters to Dec. 2012	¥309.97	—
Three Quarters to Dec. 2011	248.84	—

(2) Consolidated Financial Position

(¥ millions; %)

	Total Assets	Net Assets	Equity Ratio (%)
December 31, 2012	¥247,421	¥168,068	66.1%
March 31, 2012	238,853	154,737	63.1

(Reference) Equity capital: Three quarters of the year ending March 31, 2013; ¥163,453 million

Year ended March 31, 2012; ¥150,618 million

II. Dividends

(Basis date)	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
March 2012	—	¥28.00	—	¥28.00	¥56.00
March 2013	—	30.00	—		
March 2013 (anticipated)				30.00	60.00

Note: Revision of dividend forecast in period under review: None

III. Forecast for the Fiscal Year Ending March 31, 2013 (Consolidated)

(April 1, 2012, to March 31, 2013)

(¥ millions/%)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (¥)
Full year	¥257,000 [+4.2%]	¥28,000 [+5.1%]	¥29,000 [+0.3%]	¥19,000 [+13.0%]	¥387.29

Note: Percentage figures in parentheses indicate increase or decrease from the previous fiscal year.

Note: Revision of fiscal year forecast in period under review: None

IV. Other

4. Other

(1) Changes in scope of consolidation of major subsidiaries during the period: None

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

(2) Application of special accounting method for quarterly consolidated financial reporting:

None

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

(a) Changes due to revision of accounting standard: Yes

(b) Other changes than (a): None

(c) Changes in the rules for the accounting estimates: Yes

(d) Retrospective restatement: None

Note: It is in accordance with Article 10, the fifth item of “Policies of Terms, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.” For more information, please refer to “2. Summary (Other) Information, (3) Changes in Accounting Policies; Changes in Accounting Estimates; Retrospective Restatements” on page 5 of this report.

(4) Number of Outstanding Shares (Common Stock)

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

December 31, 2012: 54,216,463 shares

March 31, 2012: 54,216,463 shares

(b) Number of treasury stock shares at term-end

December 31, 2012: 5,157,865 shares

March 31, 2012: 5,157,204 shares

(c) Average number of shares during the term

First three quarters of the fiscal year ending March 2013: 49,058,980 shares

First three quarters of the fiscal year ended March 2012: 49,060,032 shares

* Implementation status of quarterly review process

This report is exempt from a quarterly review process under the Financial Instruments and Exchange Act (FIEA). At the time of this report’s release, the review process of the Corporation’s consolidated quarterly financial statements under the FIEA was not completed.

* Note on appropriate use of performance forecasts

Performance forecasts contained in this document are based on information currently available and certain judgments deemed by the Corporation to be reasonable. Actual results may differ significantly from such forecasts due to various factors. For more information, please refer to “(3) Consolidated Performance Forecasts” on page 5 of this report.

1. Consolidated Performance

(1) Operating Results

In the three-quarter period under review (April 1–December 31, 2012), the Japanese economy benefited from a moderate recovery in demand on the back of post-disaster restoration. Some bright signs also appeared, including a shift to a weaker yen and higher stock prices, buoyed by a sense of anticipation toward the new government administration. However, the world economy remained in a state of turmoil, characterized by the prolonged debt crisis in Europe and a slowdown in growth in China and other emerging nations.

The domestic housing industry moved steadily, underpinned by a modest increase in housing starts, as well as solid replacement demand for home appliances amid heightened concern about the environment and energy conservation.

Under these conditions, the Rinnai Group embarked on its new medium-term business plan, entitled Jump Up 2014, covering the three-year period from April 2012 to March 2015. Under the plan, we advanced our global business activities, with the aims of contributing to people's lives and protecting the global environment. Here, we served as a comprehensive manufacturer of heating appliances that cares about the environment and energy conservation.

With respect to revenue, domestic sales were steady thanks to expansion of the gas appliance market on the back of energy-reduction sentiment, as well as solid demand for high-end appliances, reflecting a trend toward system-based bathrooms and kitchens. Overseas, in Australia there was a recoil in sales compared with the previous year, when we enjoyed special demand for heaters in schools. Although the situation has not yet returned to normal, total Group sales increased, driven by higher sales in Japan.

On the earnings side, an increase in the sales ratio of high-value-added products, especially in Japan, enabled us to secure a certain level of profit. However, operating income and ordinary income declined year-on-year, due to lower sales in North America and Australia, as well as expenses incurred from inspecting and repairing faulty dishwasher in Japan.

As a result, consolidated net sales for the period amounted to ¥187,739 million, up 1.6% from the previous corresponding period. Operating income declined 1.9%, to ¥20,307 million, and ordinary income edged down 0.5%, to ¥22,186 million. Net income jumped 24.6%, to ¥15,206 million. This was due to a year-on-year decline in loss on valuation of investment securities, as well as a gain on sales of property, plant, and equipment.

Our results by geographical segment were as follows:

Japan

In Japan, there has been growing interest in gas appliances in the wake of heightened energy-reduction sentiment among consumers, sparked by electricity shortages. Against this background, we have noted a steady shift in demand from standalone products, such as tabletop stoves and dedicated hot-water units, to more advanced system-based offerings, like built-in stoves and hot-water/heating systems. This, together with steady sales of newer products for the Group, such as hybrid hot-water systems and range hoods, boosted domestic revenue for the period. Sales in Japan rose 3.8%, to ¥136,599 million. During the period, we incurred expenses from inspecting and repairing faulty

dishwasher, which had a negative impact in earnings. Buoyed by increased sales of high-value-added products, however, operating income was up 0.8%, to ¥15,815 million.

South Korea

In South Korea, sales of hot-water units were firm, thanks to a solid market for boilers heading into a period of strong replacement demand. However, the market for kitchen appliances continued to shrink. Accordingly, sales in South Korea declined 5.4%, to ¥14,970 million. Owing to cost-cutting efforts in such areas as sales and promotional expenses, however, operating income jumped 32.0%, to ¥596 million.

North America

Despite a recovery trend in the local economy, the hot-water unit market in North America remained weak, both for tank-based and tankless systems. The Group has enjoyed steady sales of tankless systems despite market contraction, but this did not compensate for delayed recovery in the first half of the fiscal year. As a result, sales in North America declined 3.8%, to ¥8,169 million, and operating income fell 28.9%, to ¥184 million.

Australia

Sales of gas hot-water units in Australia have continued to grow thanks to restrictions on the installation of electric storage-type systems, imposed by the government in line with its environmental policies. With respect to air-conditioning and heating units, in the first half of the year there was a major recoil in sales of heaters for schools, which enjoyed special demand in the previous fiscal year. The situation recovered somewhat in the third quarter, but this did not compensate for negative year-on-year growth in the first two quarters. Consequently, sales in Australia declined 11.6%, to ¥10,906 million, and operating income fell 32.5%, to ¥1,998 million.

China

Sales of gas appliances in China increased thanks to expansion of gas infrastructure, reflecting economic growth in various interior regional cities. Sales in China rose 4.6%, to ¥8,176 million. Moreover, cost-cutting efforts and a year-on-year decline in raw materials prices led to a 227.3% jump in operating income, to ¥546 million.

(For references 1)

Sales Composition by Business Segment

(¥ millions; %)

	Three Quarters to Dec. 31, 2011		Three Quarters to Dec. 31, 2012		Change		Year to March 31, 2012	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Hot-water units	¥ 86,316	46.7%	¥ 90,445	48.2%	¥4,129	4.8%	¥121,028	49.1%
Kitchen appliances	61,197	33.1	60,600	32.3	(596)	(1.0)	78,792	31.9
Air-conditioning and heating units	14,867	8.0	14,010	7.5	(856)	(5.8)	16,681	6.8
Commercial-use equipment	5,201	2.8	5,221	2.8	20	0.4	6,846	2.8
Others	17,190	9.3	17,460	9.3	269	1.6	23,286	9.4
Total	¥184,773	100.0%	¥187,739	100.0%	¥2,966	1.6%	¥246,636	100.0%

(For references 2)

Overseas Sales

(¥ millions; %)

	Three Quarters to Dec. 31, 2011			Three Quarters to Dec. 31, 2012		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥32,090	¥26,081	¥58,172	¥32,379	¥24,661	¥57,040
II. Consolidated net sales	—	—	184,773	—	—	187,739
III. Composition ratio of overseas sales to consolidated net sales	17.4%	14.1%	31.5%	17.2%	13.1%	30.4%

Note: Above indicates sales of the Corporation and consolidated subsidiaries in overseas countries or regions.

(2) Financial Position

As of December 31, 2012, the Rinnai Group had total assets of ¥247,421 million, up ¥8,567 million from March 31, 2012. Total liabilities declined ¥4,762 million, to ¥79,353 million. Net assets rose ¥13,330 million, to ¥168,068 million. The equity ratio at the end of the period was 66.1%.

(3) Consolidated Performance Forecasts

Rinnai has not changed its forecasts for the full-year period ending March 31, 2013. (Those forecasts were detailed in “Consolidated Financial Results for Fiscal 2012,” released on May 11, 2012.)

2. Summary (Other) Information

(1) Changes in Major Subsidiaries during Period

Not applicable.

(2) Application of Specific Accounting Treatment

Not applicable.

(3) Changes in Accounting Policies; Changes in Accounting Estimates; Retrospective Restatements

(Change in accounting policy for situations when a change in accounting estimate is difficult to distinguish)

Pursuant to an amendment to the Corporation Tax Act, the Company and its domestic

consolidated subsidiaries, effective the first quarter of the fiscal year ending March 31, 2013, have changed the depreciation method for property, plant and equipment purchased on/after April 1, 2012. That method now conforms to the amended Act. The aforementioned change had a minimal effect on operating income, ordinary income, and income before income taxes in the three-quarter period under review.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2012 (Fiscal 2012)	At December 31, 2012 (Three Quarters of Fiscal 2013)
ASSETS:		
Current assets		
Cash and deposits	¥ 34,596	¥ 38,550
Notes and accounts receivable	56,776	63,311
Marketable securities	35,651	31,841
Products	14,530	16,189
Raw materials and stores	9,402	9,775
Other	5,803	4,111
Less allowance for doubtful accounts	(461)	(451)
Total current assets	156,300	163,327
Fixed assets		
Property, plant and equipment	43,040	40,565
Intangible fixed assets	1,489	1,501
Investments and advances		
Investments in securities	26,966	29,979
Other	11,476	12,475
Less allowance for doubtful accounts	(419)	(427)
Total investments and advances	38,023	42,027
Total fixed assets	82,553	84,093
Total assets	¥238,853	¥247,421

(¥ millions)

	At March 31, 2012 (Fiscal 2012)	At December 31, 2012 (Three Quarters of Fiscal 2013)
LIABILITIES:		
Current liabilities		
Notes and accounts payable	¥43,895	¥ 44,884
Short-term debt	4,254	2,527
Accrued income taxes	6,064	3,297
Accrued employee's bonuses	3,131	1,119
Other allowances	1,857	2,088
Other	13,554	13,939
Total current liabilities	72,757	67,856
Long-term liabilities		
Long-term debt	3,325	3,299
Accrued employees' retirement benefits	4,554	4,370
Other allowances	61	38
Other	3,417	3,789
Total long-term liabilities	11,358	11,497
Total liabilities	84,116	79,353
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,720	8,720
Earned surplus	162,014	174,375
Treasury stock	(23,471)	(23,475)
Total shareholders' equity	153,722	166,080
Other comprehensive income:		
Unrealized gain on marketable securities	518	764
Foreign exchange translation adjustment	(3,622)	(3,391)
Total other comprehensive income	(3,103)	(2,626)
Minority interests	4,119	4,615
Total net assets	154,737	168,068
Total liabilities and net assets	¥238,853	¥247,421

(2) Consolidated Statements of Income

(¥ millions)

	Three Quarters of Fiscal 2012 (From April 1 to December 31, 2011)	Three Quarters of Fiscal 2013 (From April 1 to December 31, 2012)
Net sales	¥184,773	¥187,739
Cost of sales	127,999	130,414
Gross profit	56,773	57,325
Selling, general and administrative expenses	36,080	37,017
Operating income	20,692	20,307
Other income:		
Interest income	750	636
Equity in earnings of affiliates	706	645
Other	653	900
Total other income	2,111	2,183
Other expenses:		
Interest expenses	230	191
Foreign exchange loss	152	—
Loss on retirement of fixed assets	95	92
Other	30	20
Total other expenses	507	304
Ordinary income	22,296	22,186
Extraordinary income:		
Gain on sales of investment securities	—	938
Total extraordinary income	—	938
Extraordinary losses:		
Loss on devaluation of investments in securities	1,555	158
Total extraordinary expenses	1,555	158
Income before income taxes	20,741	22,967
Income taxes (current)	6,775	6,076
Income taxes (deferred)	1,489	1,154
Total income taxes	8,265	7,231
Income before minority interest	12,475	15,735
Minority interests	267	529
Net income	¥ 12,208	¥ 15,206

Consolidated Statements of Comprehensive Income

(¥ millions)

	Three Quarters of Fiscal 2012 (From April 1 to December 31, 2011)	Three Quarters of Fiscal 2013 (From April 1 to December 31, 2012)
Income before minority interest	¥12,475	¥15,735
Other comprehensive income		
Unrealized gain on marketable securities	87	246
Foreign exchange translation adjustment	(2,510)	445
Equity portion of affiliated companies accounted for under the equity method	(118)	(180)
Total other comprehensive income	(2,541)	511
Comprehensive income	9,933	16,246
(Composition)		
Comprehensive income related to shareholders of parent company	9,844	15,683
Comprehensive income related to minority shareholders	89	562

(3) Assumptions for Going Concern

Not applicable.

(4) Major Changes in Shareholders' Equity

Not applicable.

(5) Segment Information

First Three Quarters of the Fiscal Year Ending March 31, 2012 **(From April 1 to December 31, 2011)**

(¥ millions)

	Reportable Segments						Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China	Total			
Sales									
Outside clients	¥131,643	¥15,831	¥8,491	¥12,337	¥7,819	¥176,123	¥8,649	¥ -	¥184,773
Intersegment	12,782	266	-	0	1,041	14,091	1,499	(15,591)	-
Total	144,426	16,098	8,491	12,338	8,861	190,215	10,148	(15,591)	184,773
Income (loss)	15,694	452	260	2,961	166	19,535	1,080	77	20,692

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. "Adjustments" is the intersegment transactions to eliminate.

3. "Income (loss)" is adjusted from operating income on Consolidated Statement of Income.

First Three Quarters of the Fiscal Year Ending March 31, 2013 **(From April 1 to December 31, 2012)**

(¥ millions)

	Reportable Segments						Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China	Total			
Sales									
Outside clients	¥136,599	¥14,970	¥8,169	¥10,906	¥8,176	¥178,822	¥8,916	¥ -	¥187,739
Intersegment	12,041	341	-	16	1,108	13,507	1,710	(15,217)	-
Total	148,640	15,311	8,169	10,922	9,285	192,329	10,627	(15,217)	187,739
Income (loss)	15,815	596	184	1,998	546	19,142	1,137	28	20,307

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. "Adjustments" is the intersegment transactions to eliminate.

3. "Income (loss)" is adjusted from operating income on Consolidated Statement of Income.