



**Financial Results for First Three Quarters of
Fiscal 2014, ending March 31, 2014**

February 7, 2014

Net sales: ¥208.9 billion (up 11.3% year-on-year)

Revenue boosted by sales recovery overseas and foreign exchange factors, as well as healthy domestic sales

Operating income: ¥24.4 billion (up 20.2%)

Increase due to higher revenue in Japan, China, and United States, and cost-cutting efforts

Ordinary income: ¥26.8 billion (up 20.8%)

Boosted by improved operating income, as well as equity method income and foreign exchange gains

Net income: ¥16.9 billion (up 11.8%)

Increase due to higher ordinary income

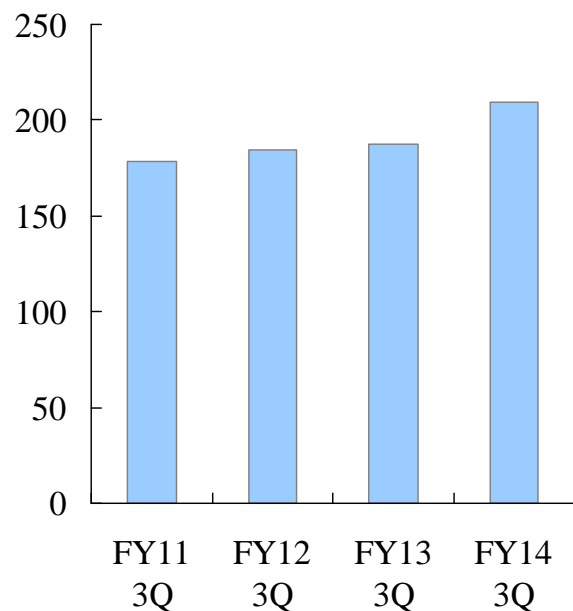
-Maintained high profitability: operating margin of 11.7%, ordinary margin of 12.8%, and return on sales of 8.1%

-Solid progress in second year of medium-term business plan, Jump Up 2104

Consolidated Financial Results (3Q)

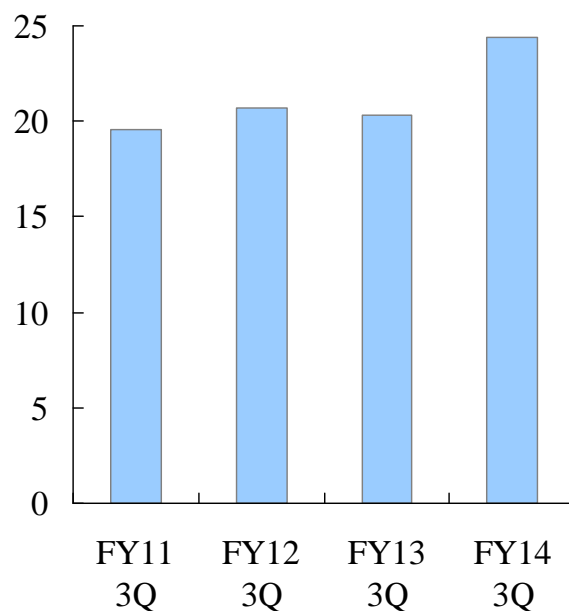
Net Sales

[Billions of Yen]



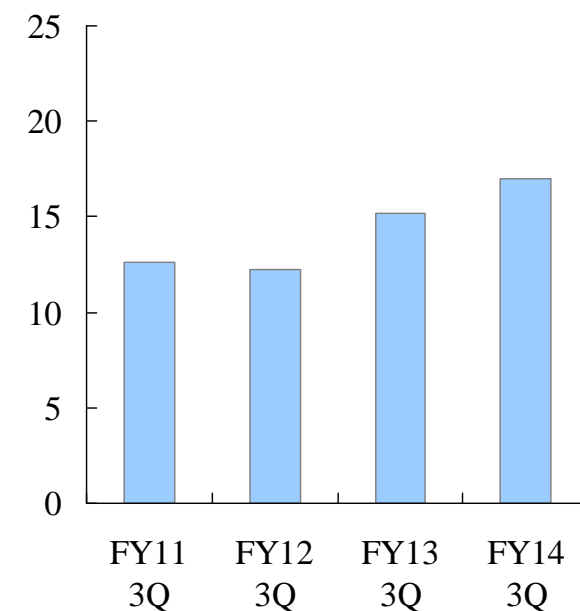
Operating Income

[Billions of Yen]



Net Income

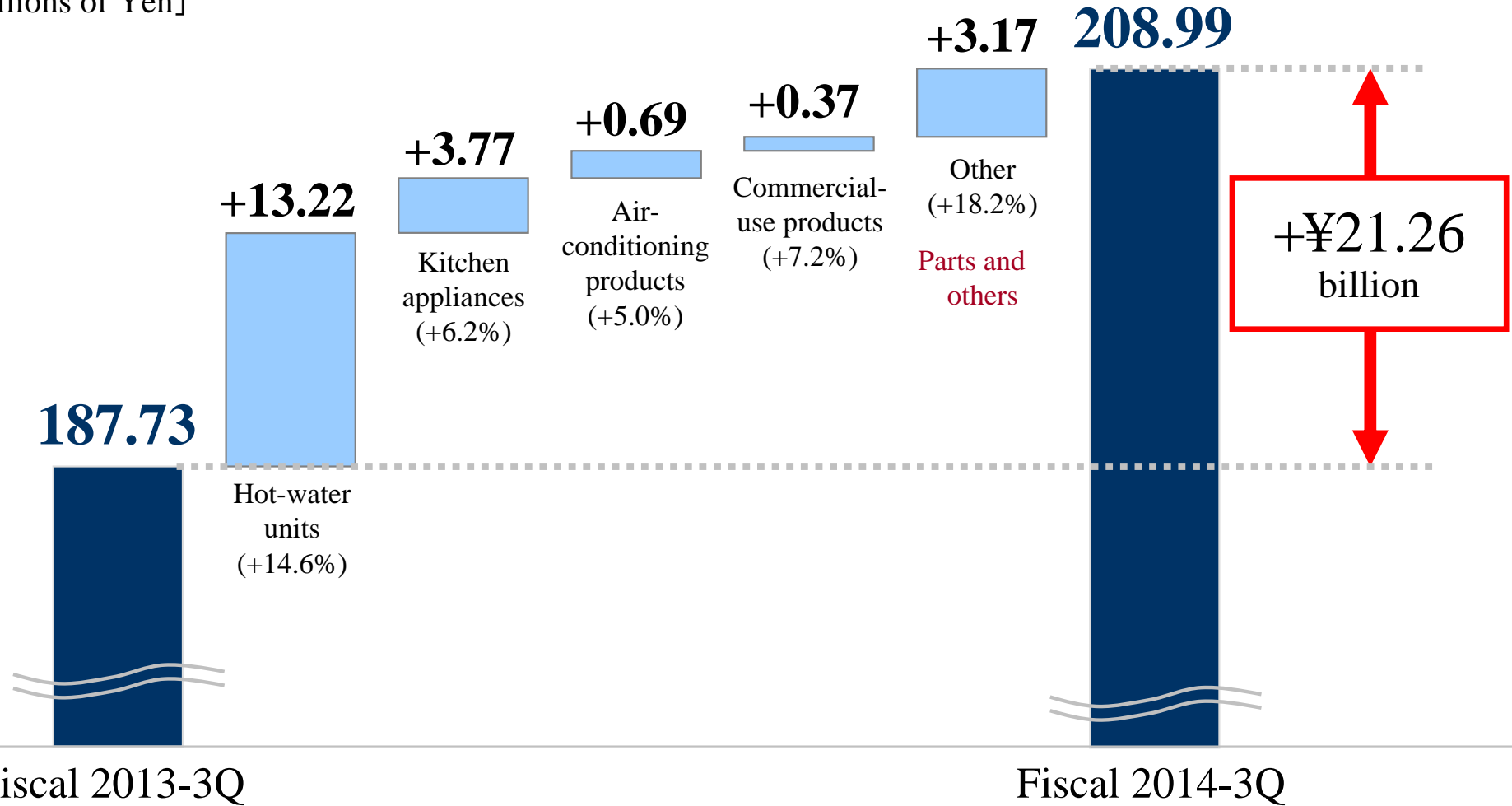
[Billions of Yen]



- Stable growth both in Japan and overseas; maintained record-high figures for revenue and earnings
- Record-high figures for net sales, operating income, ordinary income, and net income

Fiscal 2014 (3Q): Consolidated Net Sales by Products

[Billions of Yen]



- Hot-water units: Sales driven by growth in domestic sales of hot-water/heating systems, as well as higher sales in North America and China
- Sales up in all product segments thanks to shift to high-value-added products in Japan and growth overseas

Fiscal 2014 (3Q): Consolidated Sales/Income Results

[Billions of Yen]

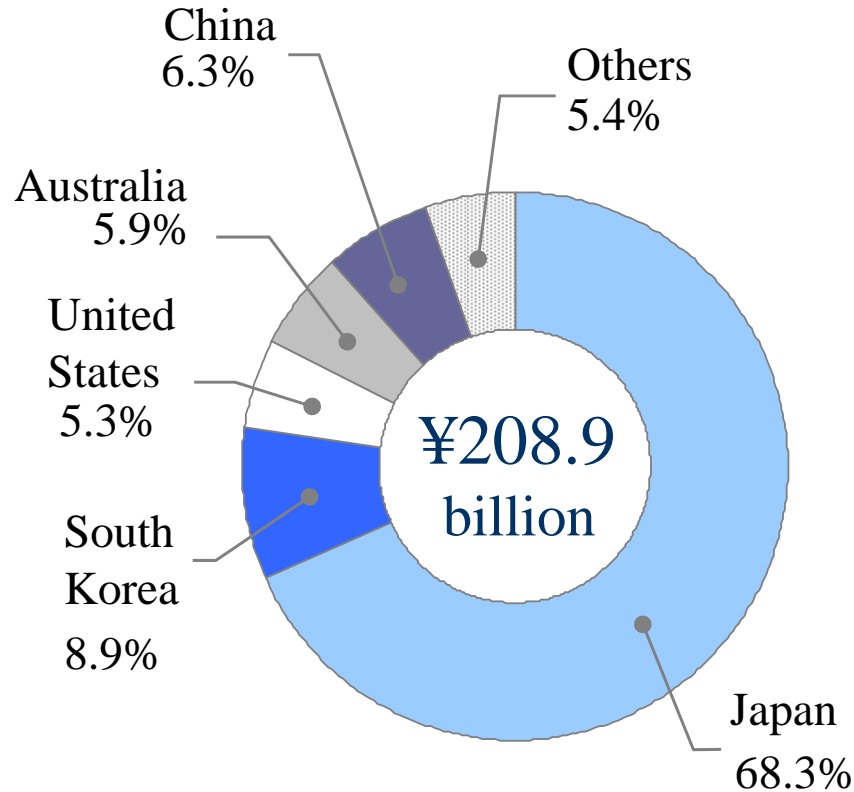
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	208.99	+11.3%	24.40	+20.2%	11.7%	+0.9P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	149.92	+5.7%	16.95	+24.3%	11.3%	+1.7P
Domestic	75.95	+5.4%	2.17	+7.6%	2.9%	+0.1P
Overseas	71.24	+28.7%	5.15	+13.7%	7.2%	-1.0P
Total	297.12	+10.4%	24.28	+20.2%	8.2%	+0.7P

Consolidated Net Sales by Geographical Segment

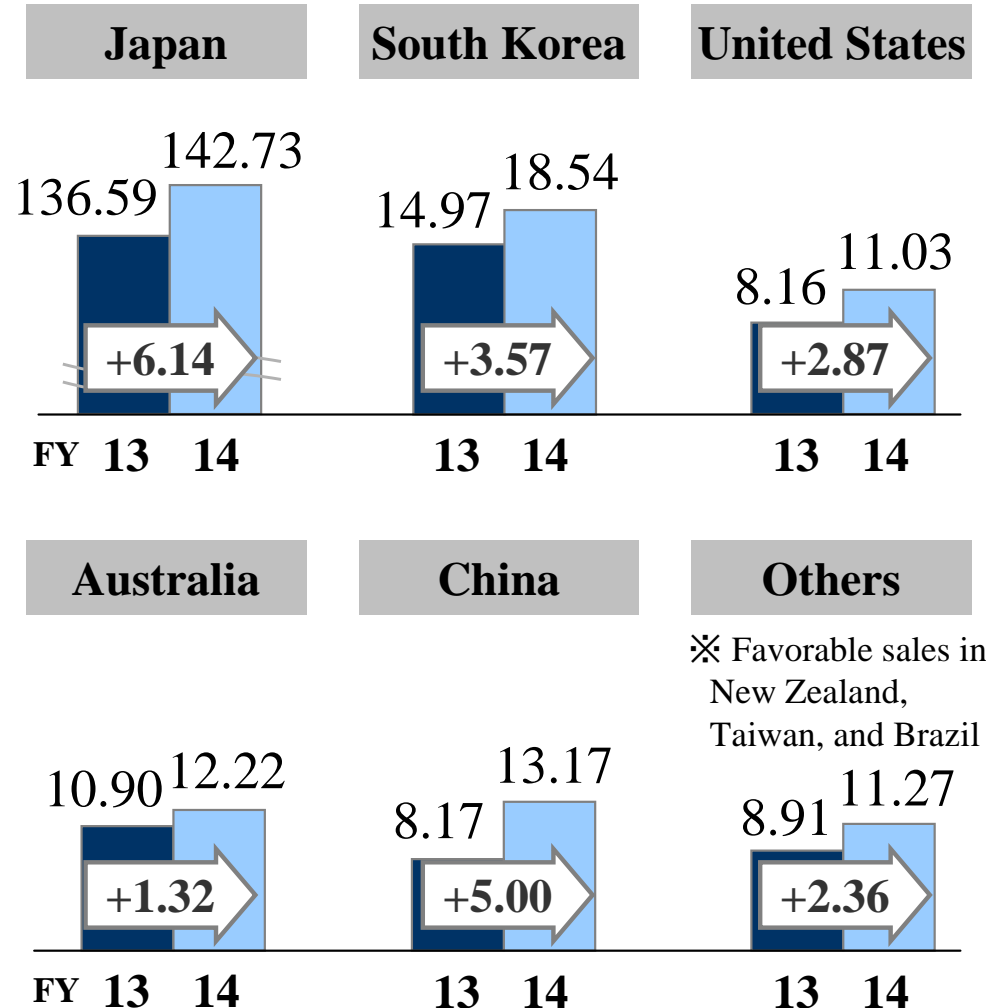
Fiscal 2014-3Q Consolidated Net Sales



Composition of Others:
Local group companies in Taiwan, Thailand, Vietnam,
New Zealand, Brazil and etc.

YOY Change by Geographical Segment

[Billions of Yen]

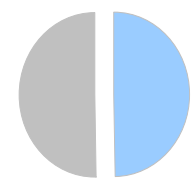


※ Favorable sales in
New Zealand,
Taiwan, and Brazil

Sales by Business Segment (Hot-water units)

[Billions of Yen]	Fiscal 2013 3Q	Fiscal 2014 3Q	YOY Change
Japan	60.21	64.24	+6.7%
South Korea	6.36	6.85	+7.9%
United States	7.45	10.14	+36.1%
Australia	5.64	6.12	+8.4%
China	6.72	10.67	+58.8%
Others	4.04	5.61	+39.0%
Total	90.44	103.67	+14.6%

Composition ratio : 49.6%



Japan



United States



Australia

- Domestic sales benefited from accelerated shift to high-value-added products, such as hot-water/heating systems
- Healthy local sales in United States thanks to economic recovery, and in China thanks to improved living standards
- Weak sales in South Korea and Australia due to economic deterioration

Sales by Business Segment (Kitchen appliances)

[Billions of Yen]	Fiscal 2013 3Q	Fiscal 2014 3Q	YOY Change
Japan	53.08	54.18	+2.1%
South Korea	4.05	5.40	+33.4%
China	1.26	2.00	+58.5%
Others	2.19	2.78	+26.9%
Total	60.60	64.37	+6.2%

Composition ratio : 30.8%



Japan



South Korea



China

- Japan: Growth in sales of built-in stoves and range hoods amid increasing popularity of system-based kitchens
- South Korea: Sales up due to increased unit prices stemming from law mandating sensors on burners to prevent overheating
- China: Firm demand for stoves and range hoods owing to expanded gas infrastructure and improved living standards

Sales by Business Segment (Air-conditioning products)

[Billions of Yen]	Fiscal 2013 3Q	Fiscal 2014 3Q	YOY Change
Japan	9.04	8.75	-3.2%
South Korea	0.07	0.13	+91.8%
United States	0.63	0.80	+25.9%
Australia	3.81	4.39	+15.2%
Others	0.43	0.61	+41.2%
Total	14.01	14.70	+5.0%

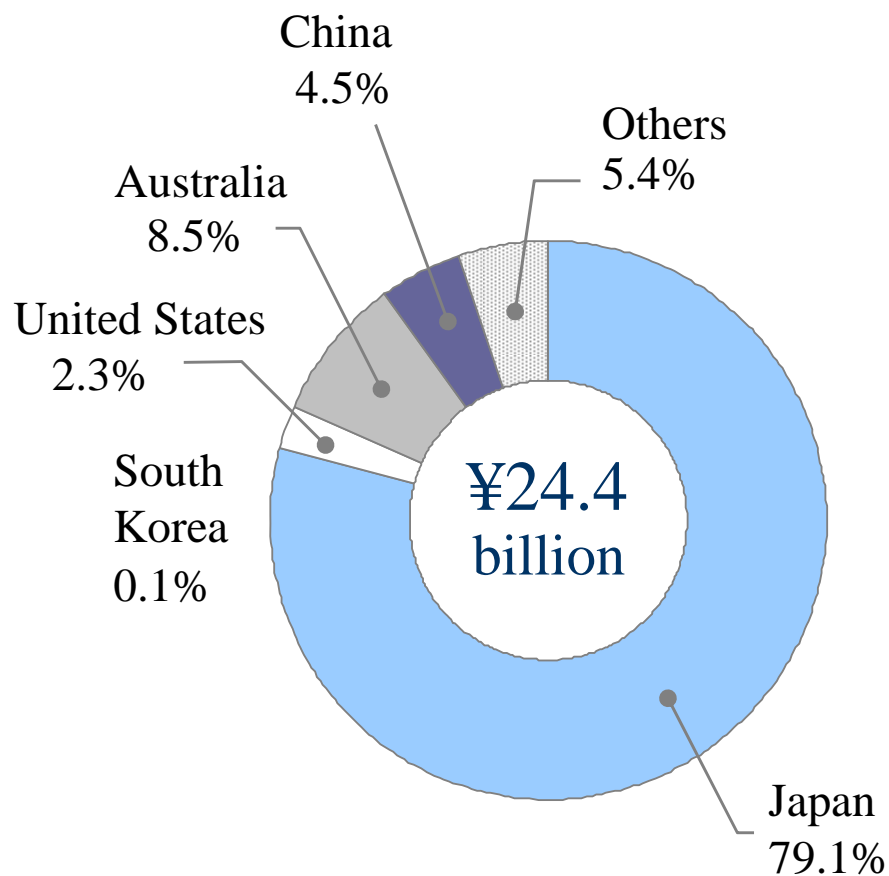
Composition ratio : 7.0%



- Japan: High demand for gas heaters following end of peak electricity-reduction sentiment; sales maintained at high level (21.9% increase over 3Q of fiscal 2011)
- Australia: Weak sales due to warm winter

Consolidated Operating Income by Geographical Segment

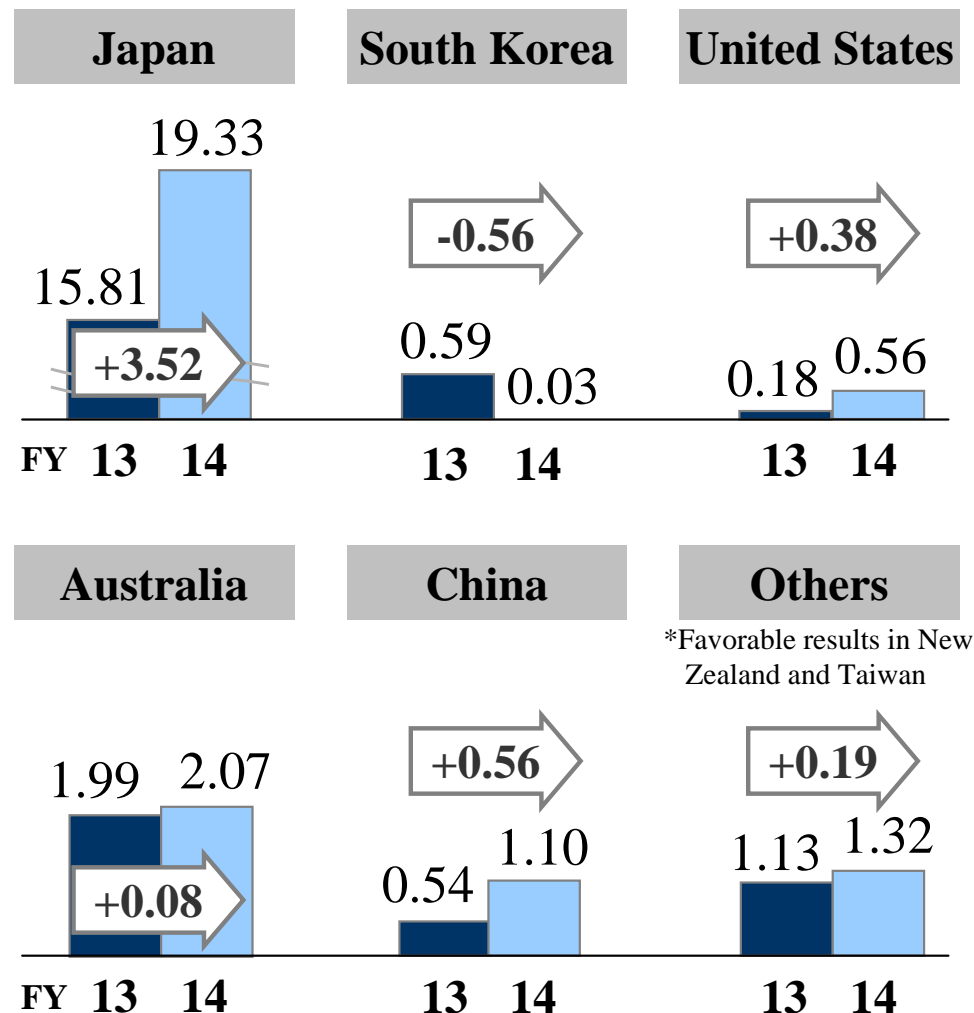
Fiscal 2014-3Q Consolidated Operating Income



Composition of Others:
Local group companies in Taiwan, Thailand, Vietnam, New Zealand, Brazil and etc.

YOY Change by Geographical Segment

[Billions of Yen]

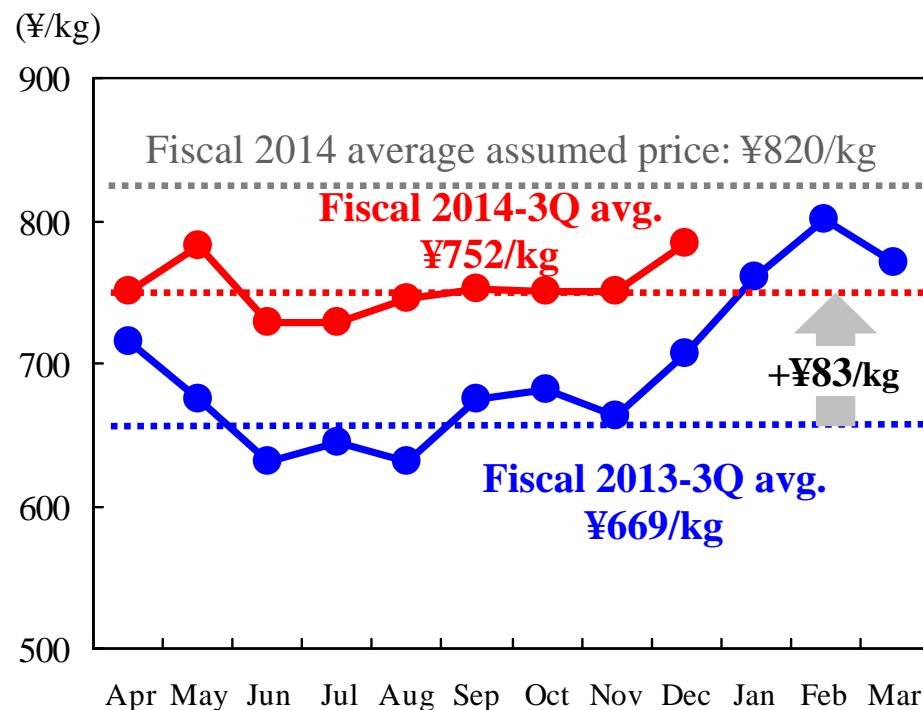


Electrolytic Copper

- Fiscal 2014 average assumed price: ¥820/kg
- Prices trending lower than assumed price

	Fiscal 2013 3Q avg.	Fiscal 2014 3Q avg.	YOY change
Average price	669	752	+12.4%

Used in: Hot-Water units (Heat exchangers, etc.)

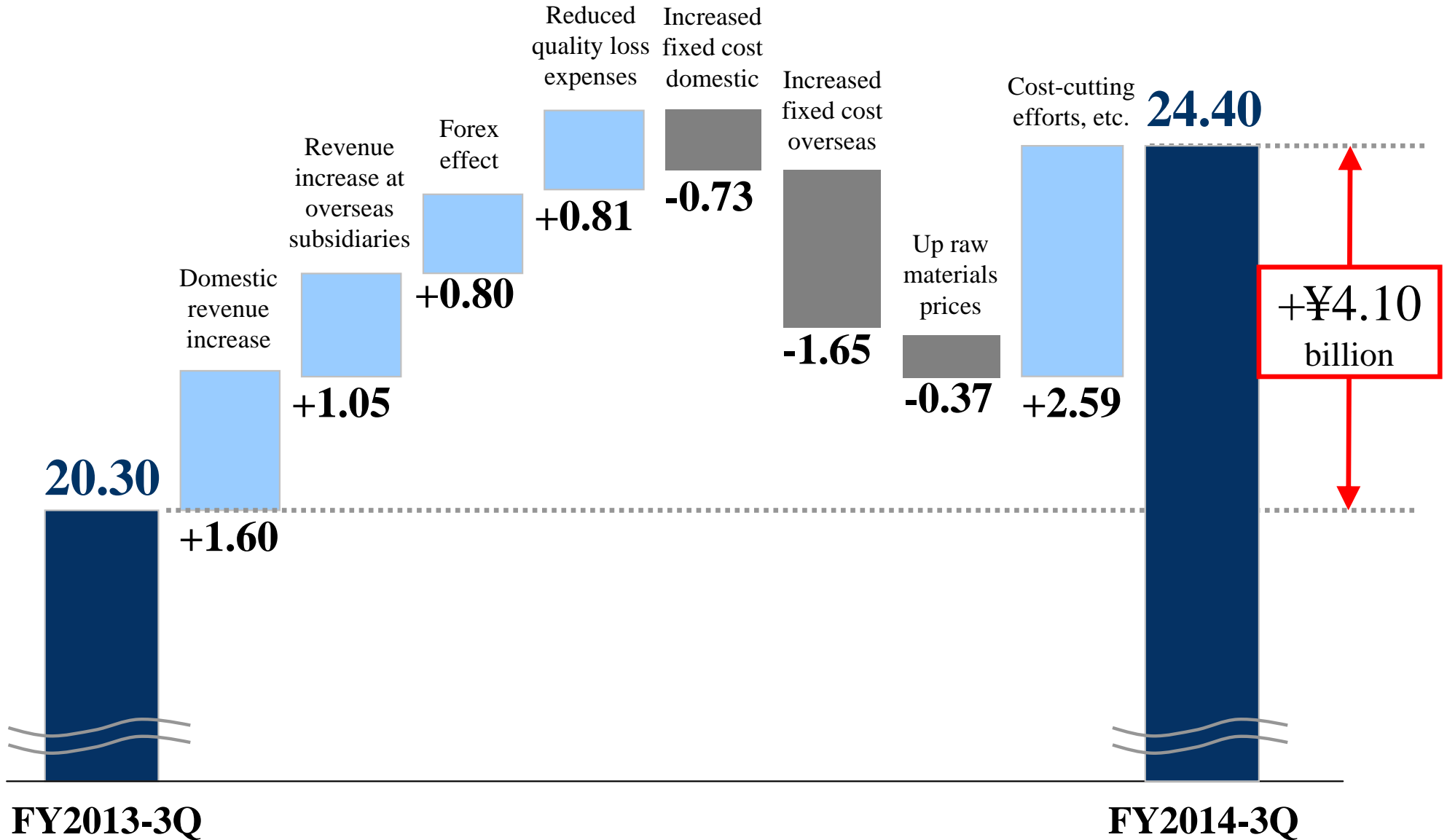


Steel

- Iron and steel prices trending on a par with Fiscal 2013 prices

Fiscal 2014 (3Q): Consolidated Operating Income

[Billions of Yen]



Three Types of Hot-Water Units

Single-function units

Bath-filling units

Hot-water/heating units



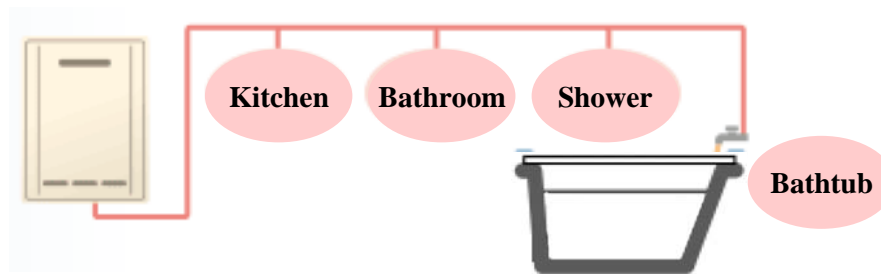
Shift from low-end to high-end models



Yukko

Yukko
(Rinnai series name)

Retail price:
¥180,000–¥220,000



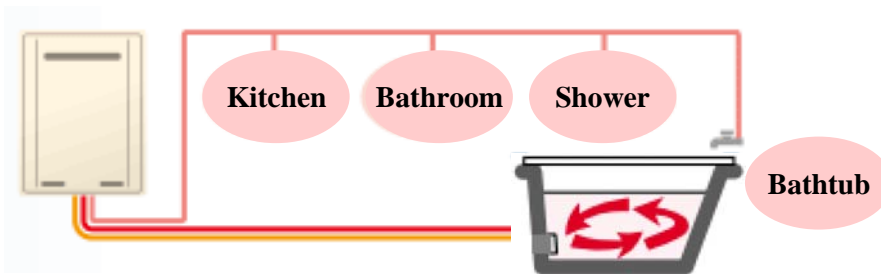
Supplies hot water to kitchen and bathroom, and fills bath with hot water



Yukko-UF

Yukko-UF
(Rinnai series name)

Retail price:
¥350,000–¥400,000

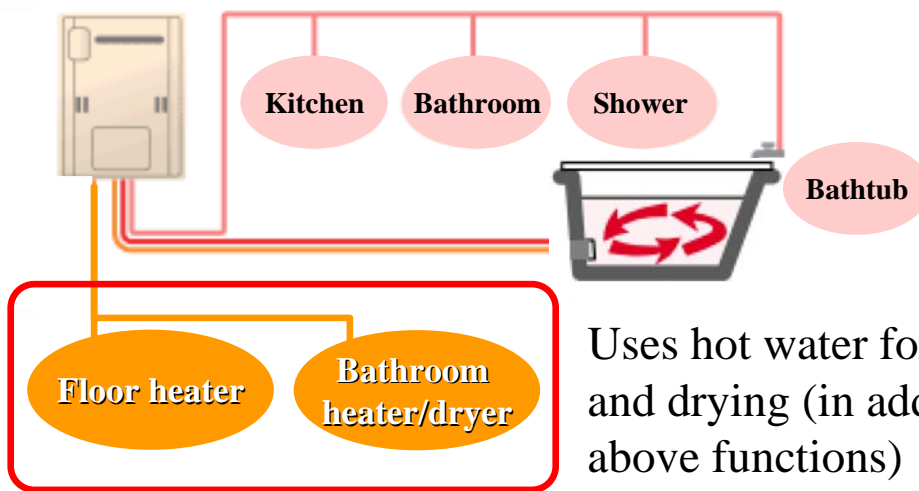


Reheats bath water (in addition to the above functions)



Retail price:
¥450,000–¥500,000

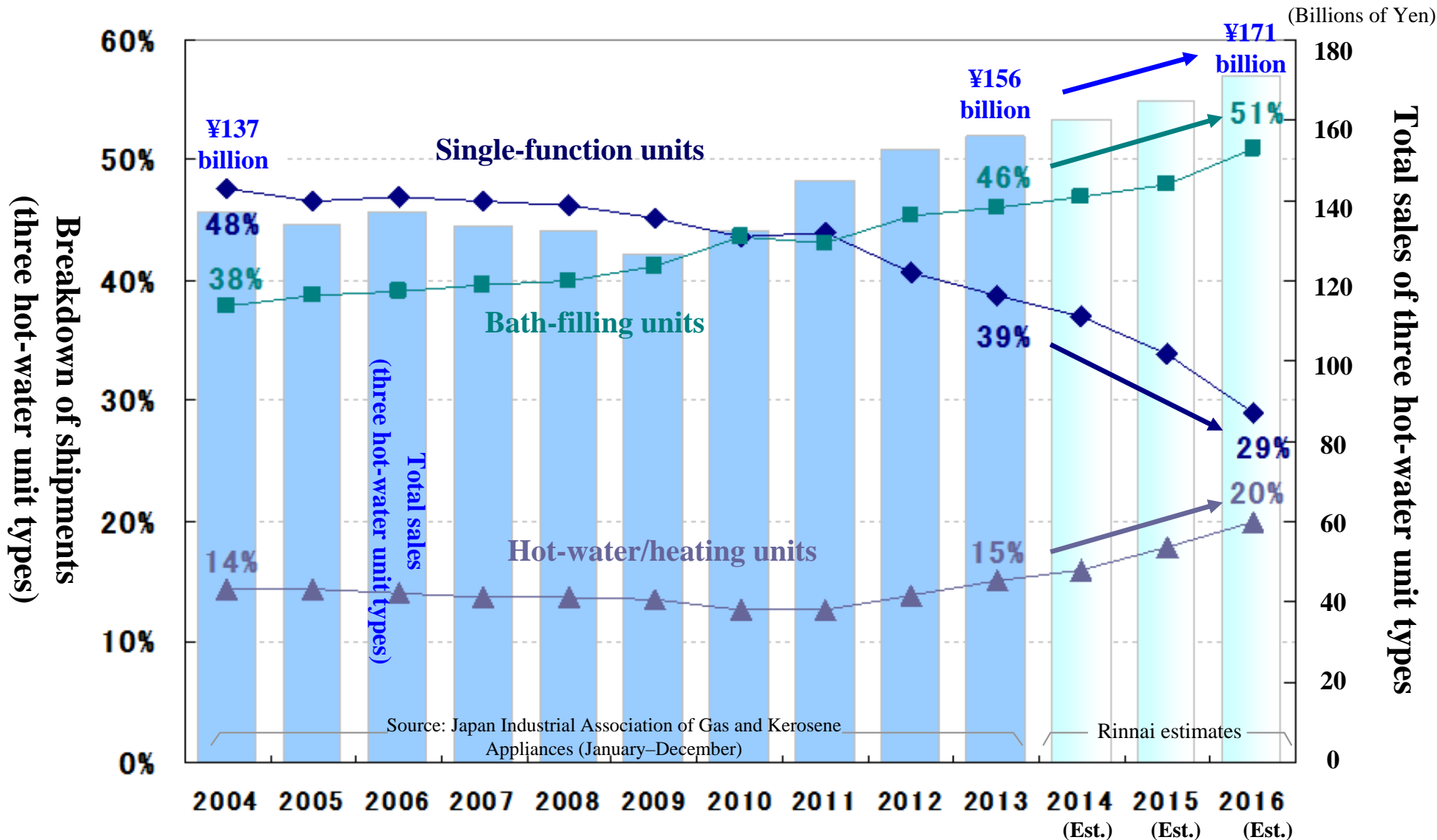
Bathroom heater/dryers:
¥150,000–¥250,000
Floor heaters:
¥400,000–¥600,000



Uses hot water for heating and drying (in addition to the above functions)

Changing Composition of Hot-Water Unit Sales

Gas appliance industry (Japan): Sales and Shipments of three hot-water unit types



Sales of high-end models expected to continue increasing, reflecting growing share of such models in overall shipments

Gas hot-water/heating system delivers comfortable living using single heat source to provide hot water and room heating



(Ceiling type)

Bathroom heater/dryer



(Wall-mounted type)



Fan convector



Panel heater



Floor heating

High energy-saving heater that does not pollute indoor air

Heating



Heats room to prevent “heat shock” (sudden change in blood pressure)

Drying



Uses bathroom as clothes dryer



ECO ONE
Heat source

(Hybrid hot-water/heating system)



Flooring



Tatami type



Simple hot-water mat

Kitchen Appliances for Safer Lifestyles

Si sensor stove
20 million units
sold!

**Temperature sensors now
minimum standard for stoves**

Equipping stoves with Si sensors since 2008
Industry shipments have now surpassed 20 million units!

Major decline in fires
caused by stoves
Market proliferation: 47%
(Rinnai estimate)



Tabletop stoves



Built-in stoves



Range hoods

Promoting sets combining
built-in stoves and range hoods
(Share of sets in overall
stove sales: 14%)

Built-in stoves linked with range hoods

Range hoods automatically turn on/off
because linked to built-in stove ignition



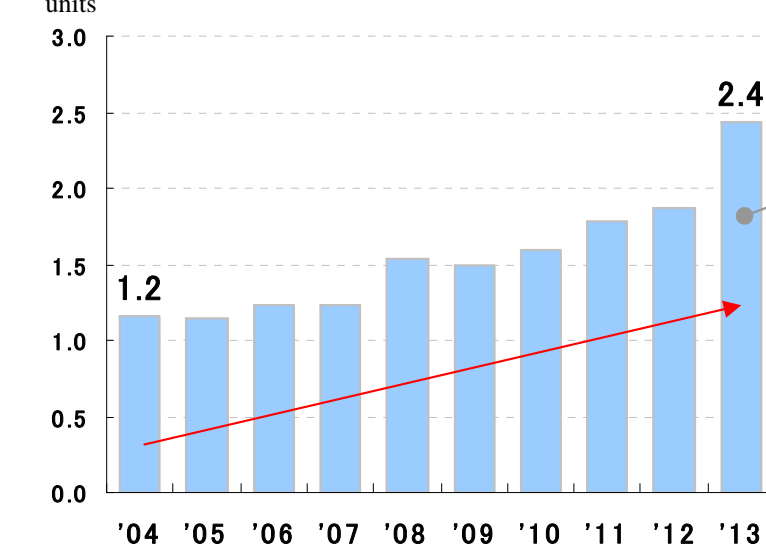


**Speedy
Kanta-kun**

Launched
June 2013

Retail price: ¥138,000
(5kg type; excludes consumption tax)

Sales of Clothes Dryers (Source: Rinnai; Apr.–Dec.)

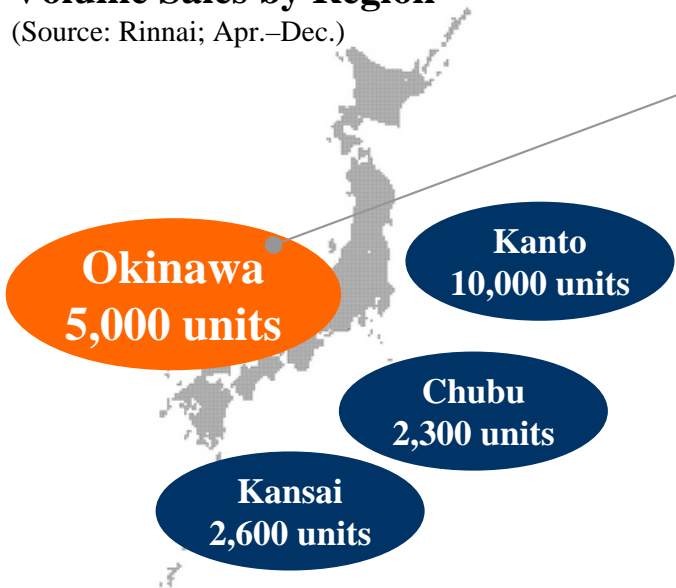


**Effect of launch of
Speedy Kanta-kun
in June 2013**
(First full-model change
in 13 years)

Unit sales of clothes dryers now at record-high levels (3rd quarter)

Volume Sales by Region

(Source: Rinnai; Apr.–Dec.)



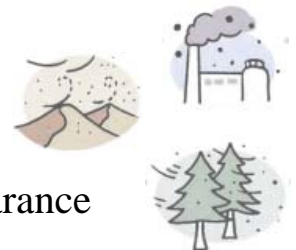
Strong sales in Okinawa

Reasons:

- Sea breezes, salt incursion
- High annual rainfall
- Many two-income households (robbery countermeasure)
- High temperature and humidity levels

Other conceivable reasons for purchase

- Small particulate matter (PM2.5)
- Sand/dust
- Pollen
- Radiation
- Visual appearance



Received top prize in fiscal 2013 Energy Conservation Awards
(host: The Energy Conservation Center, Japan), Product/Business Model Division

Received METI*1 Award

(“Energy Conservation Grand Prize”; top prize in Energy Conservation Awards)



Energy Conservation Awards ceremony

- No. 1 hot-water system in Japan for primary energy efficiency (125%)*2
- Improved hot-water efficiency (heats water at low temperatures)
- Hot-water usage monitoring allows optimal operation according to scene
- Gas hot-water unit works as backup (so hot water never runs out)

*2: Comparison of primary energy consumption for hot-water system with low-carbon standards for certifying structures

*1: Minister of Economy, Trade and Industry of Japan

Lineup to suit diversity of households



Integrated (tank/hot-water unit) type



Separated type

- Configurations for both detached houses and condominiums
- Variations to suit specific lifestyles (full-scale heating, bath-filling, etc.)
- Combine with solar electricity system to raise power sales quantity
- Suited to social infrastructure in the “smart home” era

**ECO ONE genuine energy-saving product:
Key to realizing low-carbon society**

Capital expenditures: Results and plan

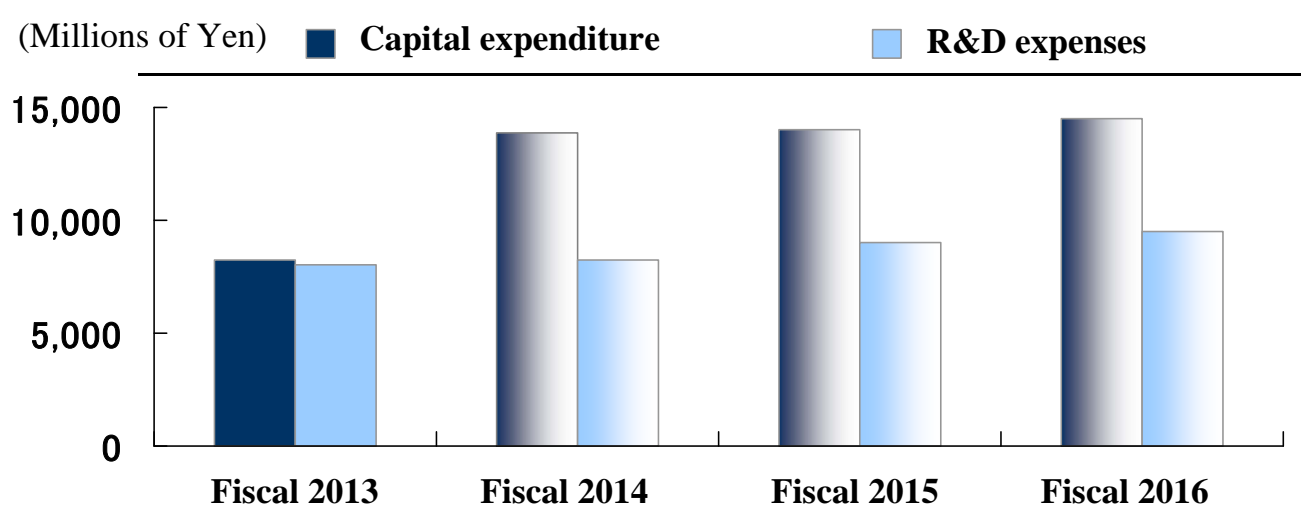
(Millions of Yen)

	Fiscal 2013 (full year, actual)	Fiscal 2014 (full year, plan)	Fiscal 2014 3Q (actual)
Capital expenditure	8,222	13,900	7,911
Depreciation and amortization	8,805	8,700	5,965
R&D expenses	8,060	8,300	6,234

Main investments

- Akatsuki Plant:
Rationalization facilities
- Manufacturing-related:
Building extensions
- Sales operations:
Relocation and expansion
- New head office in Australia
Etc.

Future capital expenditure plan



Plan to make consistent annual investments of ¥14 billion to ¥15 billion over medium term

Japan (reinforce system with next-generation technological innovation)

Manufacturing

Leverage new plants to innovate Groupwide product manufacturing



Akatsuki Plant

Integrated production of bathroom heater/dryers
Operational since May 2013

- Establish system with capacity of 30,000 *ECO ONE* units
- Build system for rational, integrated manufacture of system-based offerings, a pillar of future growth



ECO ONE Hybrid hot-water/heating system



Bathroom heater/dryer

Product development

- Expand and upgrade R&D facilities
- Reinforce Production Technology Center system



Production Technology Center

Sales

- Expand and upgrade space for sales activities (Hokkaido, Hokuriku, Kanto, Kansai, Chubu, etc.)
- Strengthen and upgrade distribution and service systems



Tsukuba Training Center

Overseas (strategic investments in growth-driver businesses)

- Expand and upgrade capacity of production facilities in Asia (China, Indonesia, Vietnam, Thailand, etc.)
- Make strategic investments in markets earmarked as next growth regions (Southeast Asia, Europe, etc.)

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.