

Rinnai

**Financial Results of Fiscal 2014,
ended March 31, 2014**

May 9, 2014

Fiscal 2014: Consolidated Highlights

1

Net sales: ¥286.9 billion (up 14.0% year-on-year)

Revenue boosted by better-than-expected sales increase in Japan, stable sales overseas, and foreign exchange factors

Operating income: ¥34.0 billion (up 29.1%)

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

Ordinary income: ¥36.9 billion (up 27.0%)

Boosted by improved operating income, as well as equity method income, interest and dividend

Net income: ¥23.2 billion (up 20.0%)

Increase due to higher ordinary income

- Maintained high profitability: operating margin of 11.9%, ordinary margin of 12.9%, and return on sales of 8.1%

- Achieved targets of medium-term business plan, Jump Up 2104, one year ahead of schedule

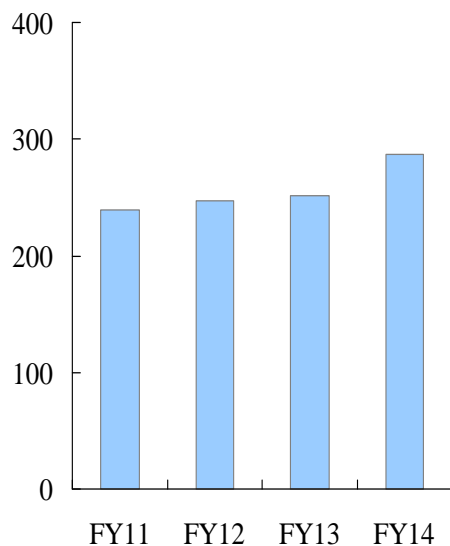
Rinnai Indonesia became consolidated subsidiary

(included in Balance Sheets from fiscal 2014, to be included in Statements of Income from fiscal 2015)

Consolidated Financial Results

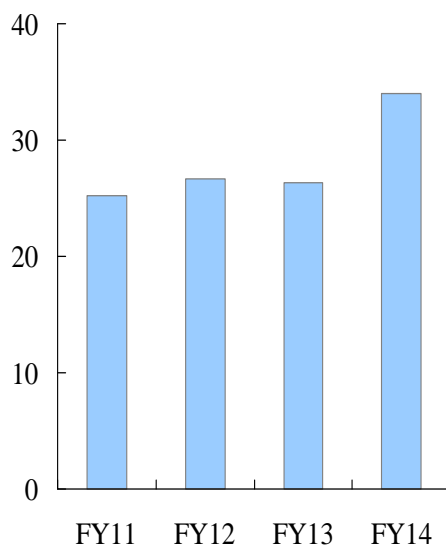
Net Sales

[Billions of Yen]



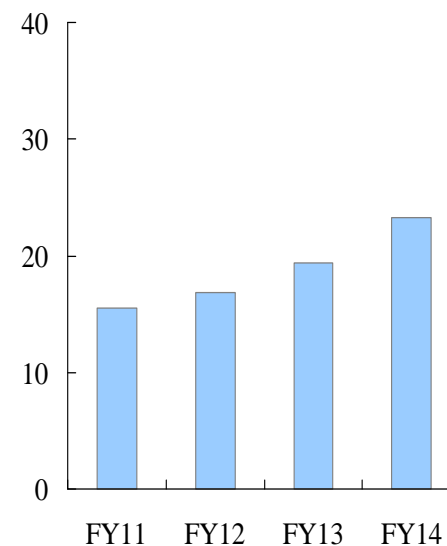
Operating Income

[Billions of Yen]



Net Income

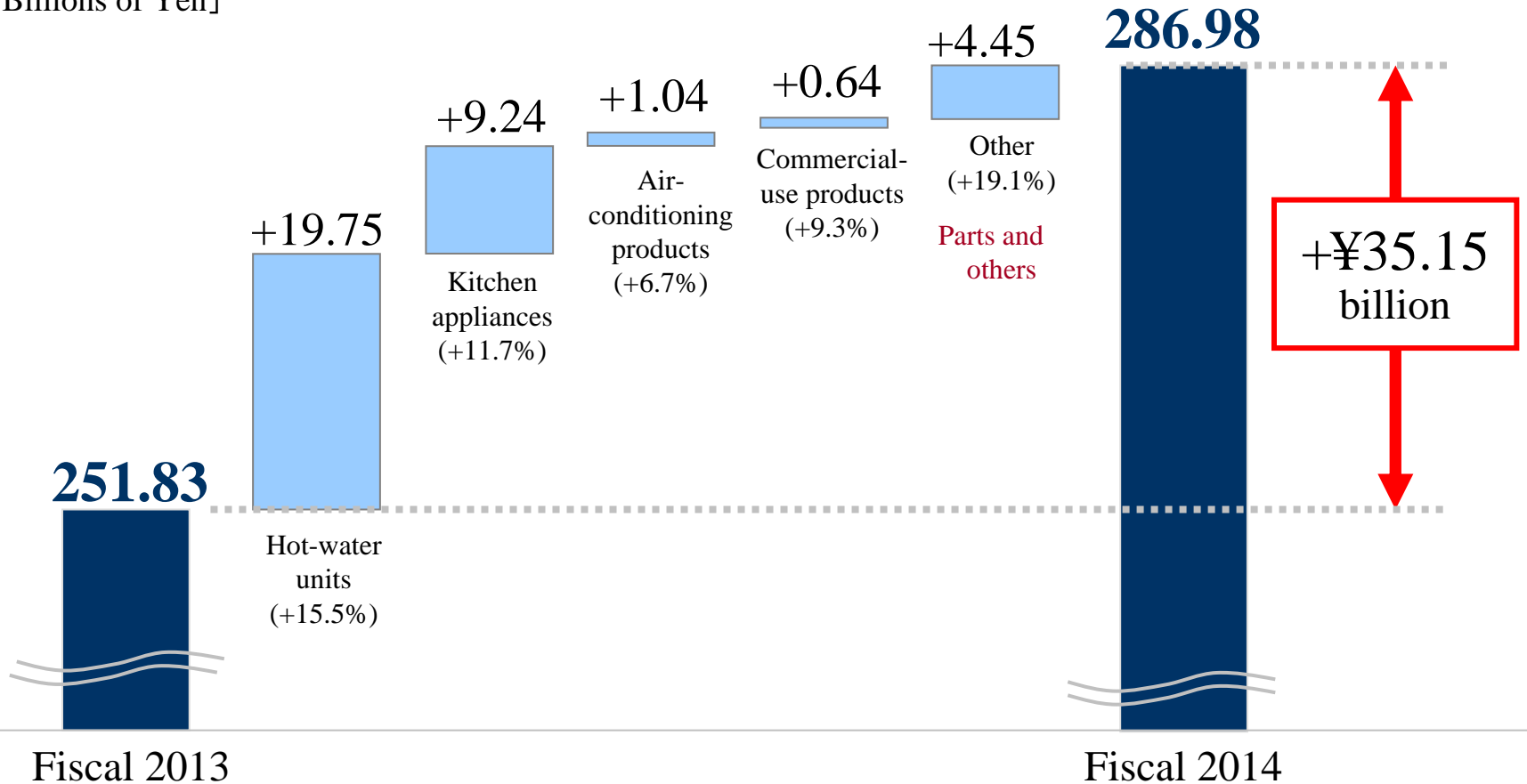
[Billions of Yen]



- 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: Consolidated Net Sales by Products

[Billions of Yen]



- Kitchen appliances: Domestic sales driven by increase in demand during 4th quarter ahead of consumption tax hike
- Sales up in all product segments thanks to shift to high-value-added products in Japan and growth overseas

Fiscal 2014: Consolidated Sales/Income Results

[Billions of Yen]

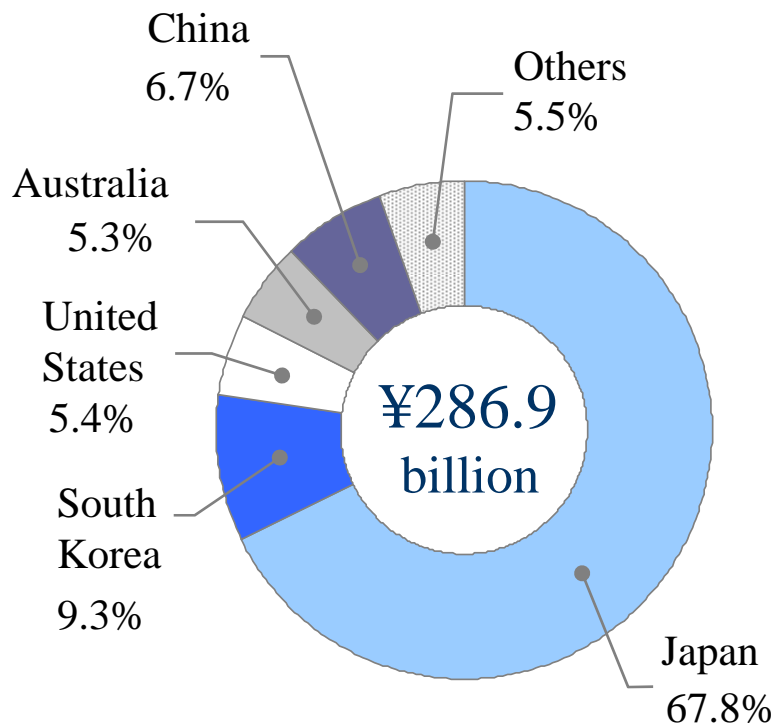
| | Net Sales | YOY Change | Operating Income | YOY Change | Operating Margin | YOY Change |
|---------------------|-----------|------------|------------------|------------|------------------|------------|
| Consolidated | 286.98 | +14.0% | 34.01 | +29.1% | 11.9% | +1.4P |



| | Net Sales | YOY Change | Operating Income | YOY Change | Operating Margin | YOY Change |
|-----------------|-----------|------------|------------------|------------|------------------|------------|
| Rinnai | 205.59 | +9.0% | 24.27 | +34.4% | 11.8% | +2.2P |
| Domestic | 105.11 | +8.6% | 2.77 | +15.5% | 2.6% | +0.2P |
| Overseas | 99.15 | +28.6% | 7.25 | +21.7% | 7.3% | -0.4P |
| Total | 409.86 | +13.1% | 34.30 | +29.8% | 8.4% | +1.1P |

Consolidated Net Sales by Geographical Segment

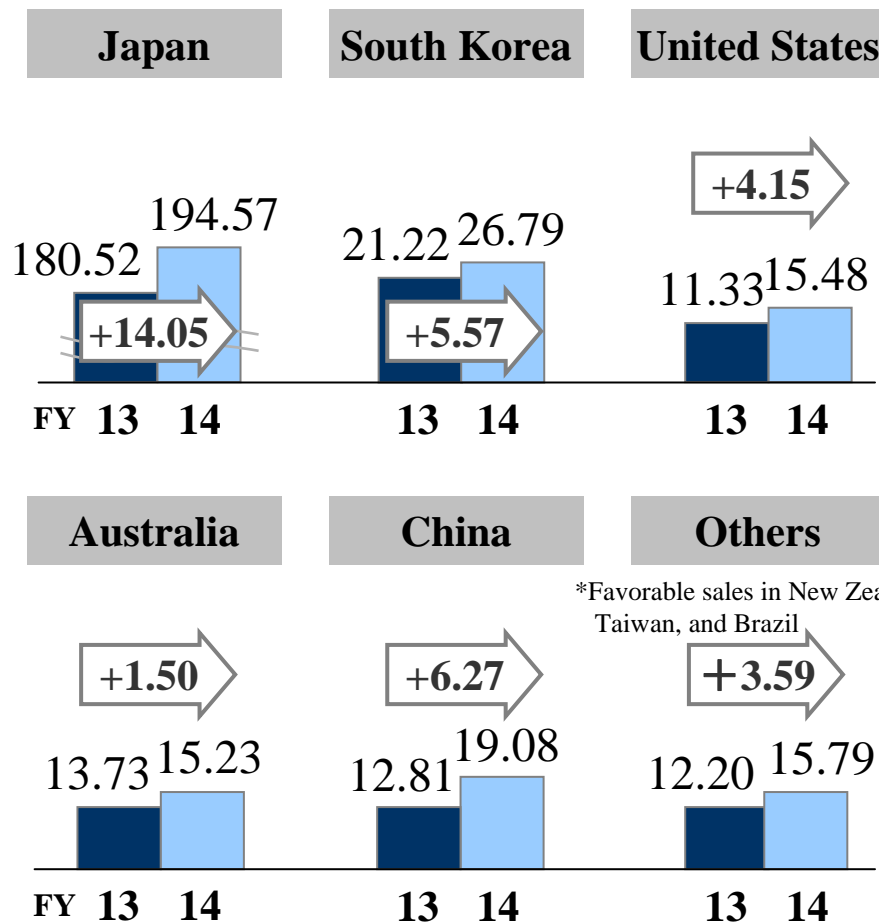
Fiscal 2014 Consolidated Net Sales



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

YOY Change by Geographical Segment

[Billions of Yen]



Sales by Business Segment (Hot-water units)

| [Billions of Yen] | Fiscal 2013 | Fiscal 2014 | YOY Change |
|----------------------|-------------|-------------|------------|
| Japan | 83.23 | 90.61 | +8.9% |
| South Korea | 9.43 | 10.71 | +13.6% |
| United States | 10.16 | 14.01 | +37.9% |
| Australia | 7.79 | 8.23 | +5.7% |
| China | 10.46 | 15.43 | +47.6% |
| Others | 6.03 | 7.86 | +30.3% |
| Total | 127.12 | 146.88 | +15.5% |

Composition ratio : 51.2%



- 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)

Composition ratio : 30.7%

| [Billions of Yen] | Fiscal 2013 | Fiscal 2014 | YOY Change |
|--------------------|-------------|-------------|------------|
| Japan | 68.14 | 73.25 | +7.5% |
| South Korea | 5.48 | 7.66 | +39.7% |
| China | 2.02 | 2.88 | +42.9% |
| Others | 3.12 | 4.21 | +35.0% |
| Total | 78.78 | 88.03 | +11.7% |



Japan



South Korea



China

- Japan: Growth in sales of built-in stoves; recovery in demand for tabletop stoves ahead of consumption tax hike
- 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 | Fiscal 2014 | YOY Change |
|----------------------|-------------|-------------|------------|
| Japan | 9.82 | 9.58 | -2.4% |
| South Korea | 0.32 | 0.34 | +7.5% |
| United States | 1.01 | 1.35 | +33.3% |
| Australia | 4.03 | 4.74 | +17.7% |
| Others | 0.46 | 0.68 | +45.4% |
| Total | 15.66 | 16.71 | +6.7% |

Composition ratio : 5.8%



Japan

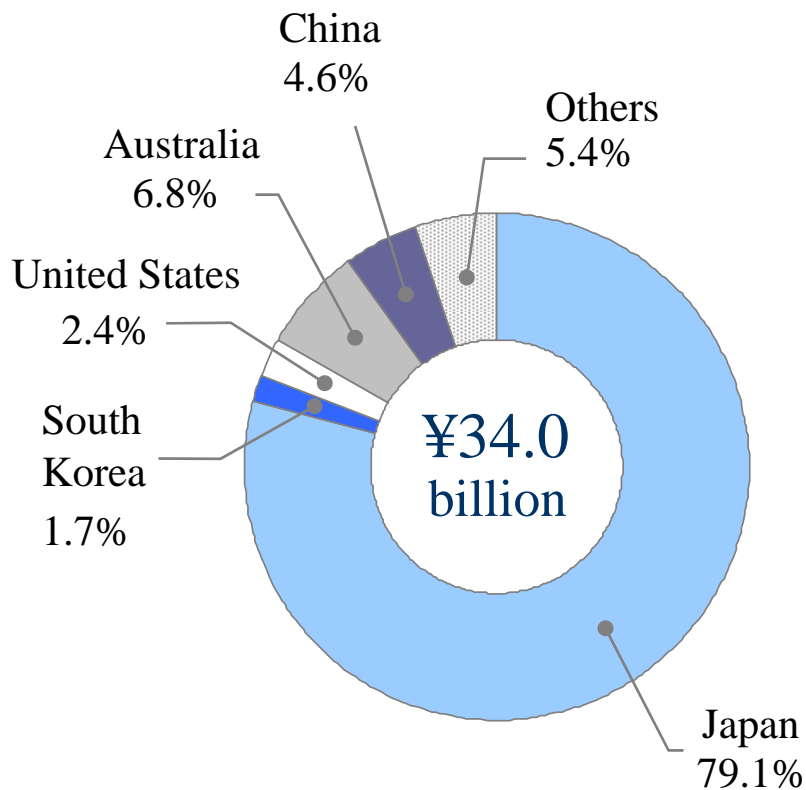


Australia

- Japan: High demand for gas heaters following end of peak electricity-reduction sentiment; sales maintained at high level (17.7% increase over fiscal 2011)
- Australia: Weak sales due to warm winter

Consolidated Operating Income by Geographical Segment

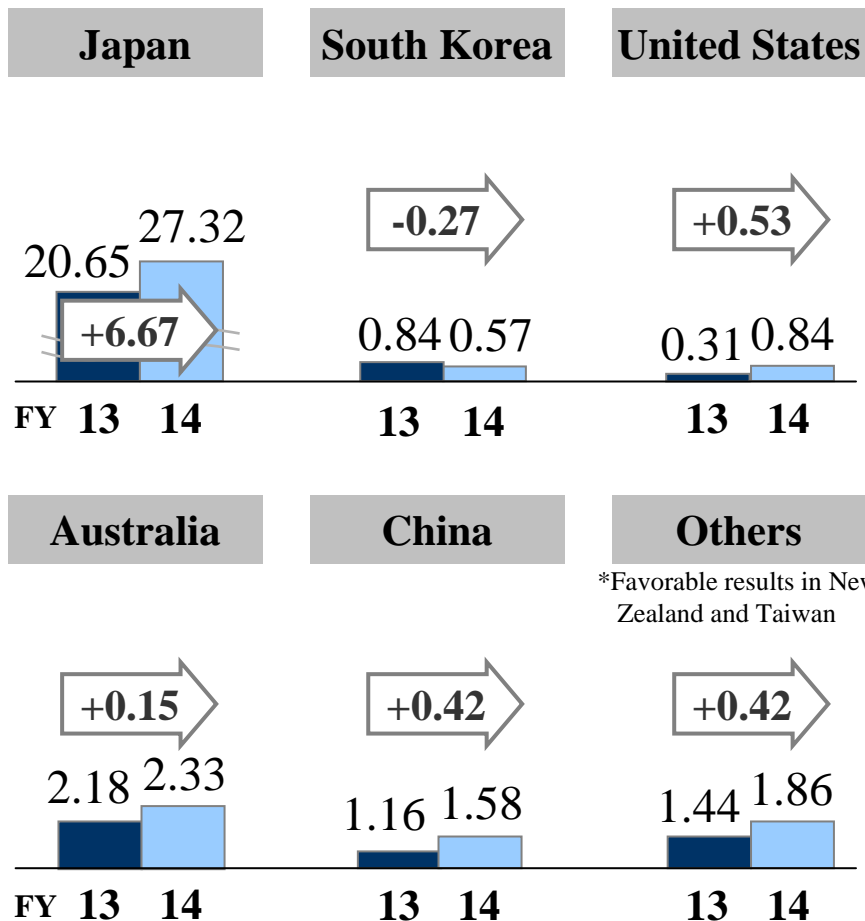
Fiscal 2014 Consolidated Operating Income



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

YOY Change by Geographical Segment

[Billions of Yen]

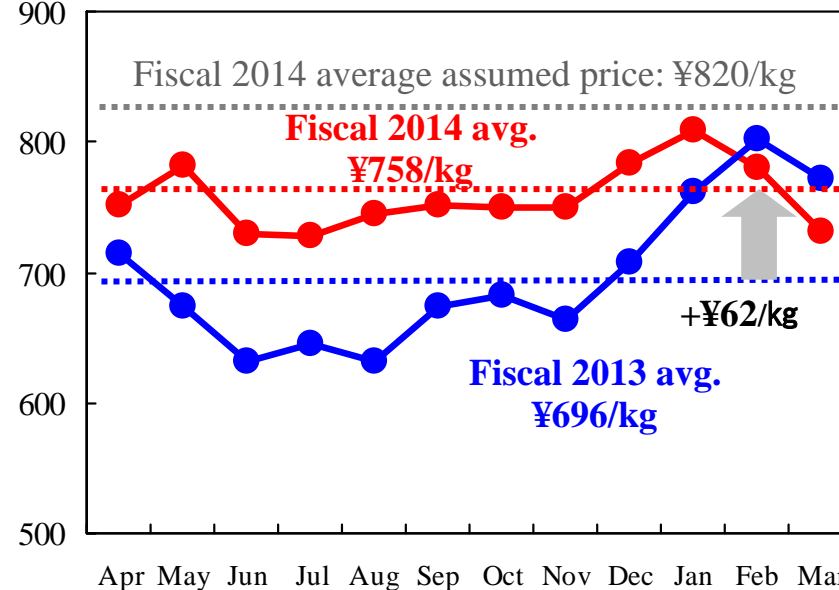


Electrolytic Copper

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

(¥/kg)

| | Fiscal 2013 Avg. | Fiscal 2014 Avg. | YOY change |
|----------------------|------------------|------------------|------------|
| Average price | 696 | 758 | +8.8% |



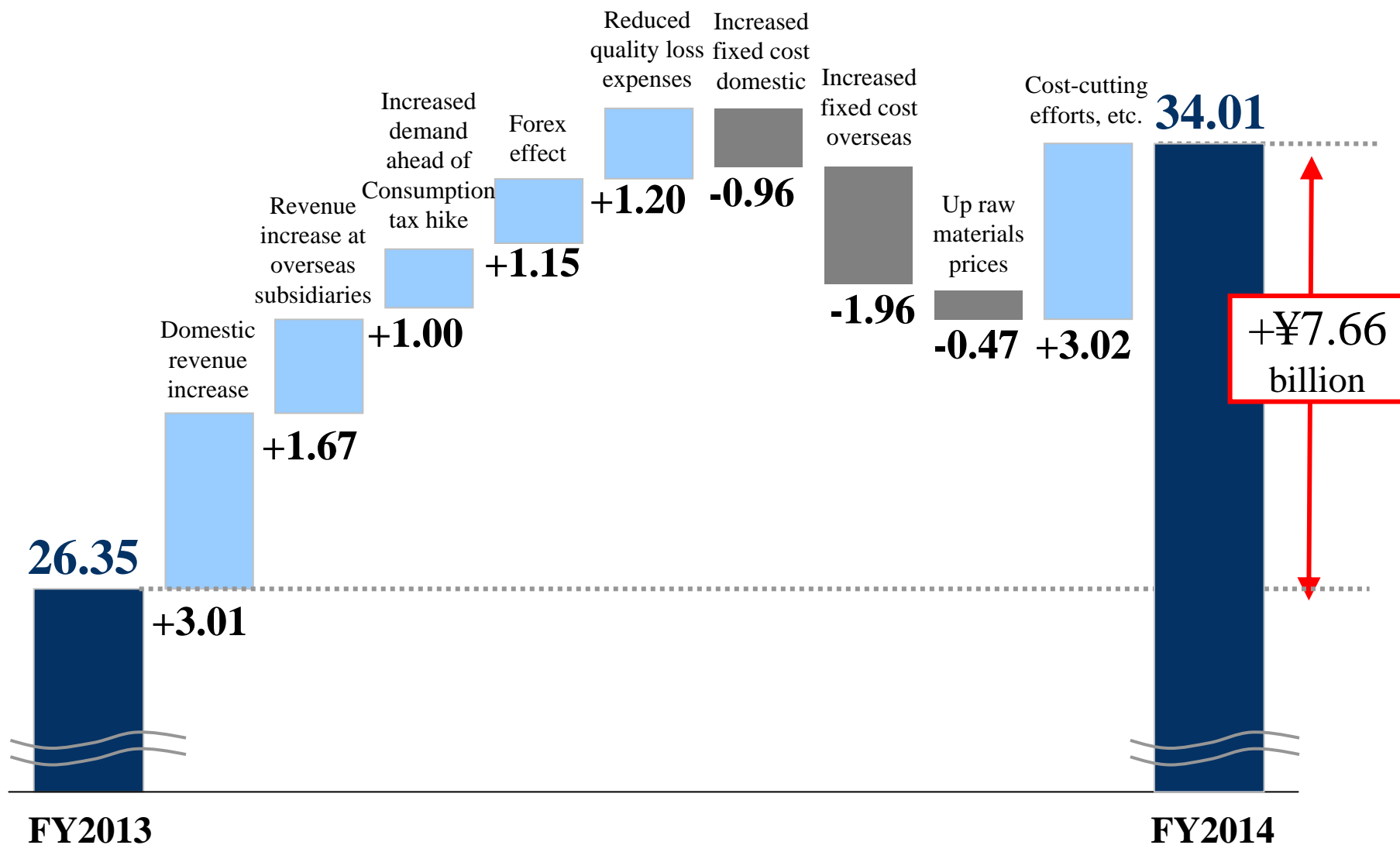
Used in: Hot-Water units (Heat exchangers, etc.)

Steel

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

Fiscal 2014: Consolidated Operating Income

[Billions of Yen]



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.