



Rinnai

**Financial Results for First Quarter of
Fiscal 2013, ending March 31, 2013**

August 3, 2012

Fiscal 2013 (1Q) : Consolidated Highlights

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Net sales: ¥53.03 billion (down 2.1% year-on-year)

Negatively impacted by end of Australian government subsidies for heaters in schools, as well as foreign exchange factors

Operating income: ¥4.29 billion (down 13.5%)

Decline due to lower revenue generated by domestic and overseas subsidiaries

Ordinary income: ¥4.76 billion (down 15.6%)

Decrease in line with lower operating income

Net income: ¥3.19 billion (up 36.0%)

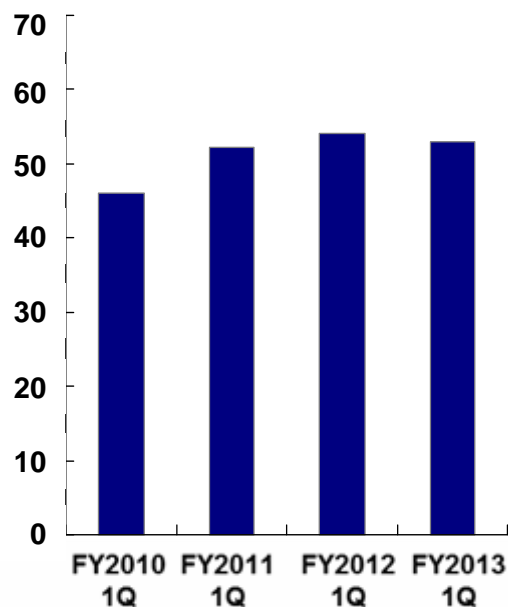
Boosted by loss on valuation of securities in previous corresponding period

- Both revenue and earnings down (but within expectations) compared with previous corresponding period, which saw temporary special demand
- Recovery trend overseas expected in short term

Consolidated Financial Results (1Q)

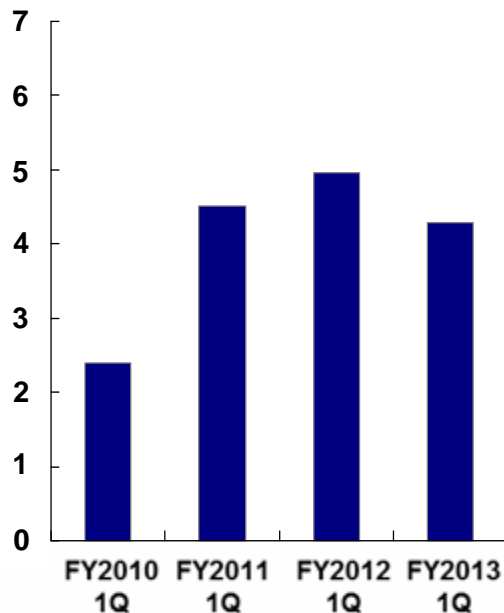
Net Sales

[Billions of yen]



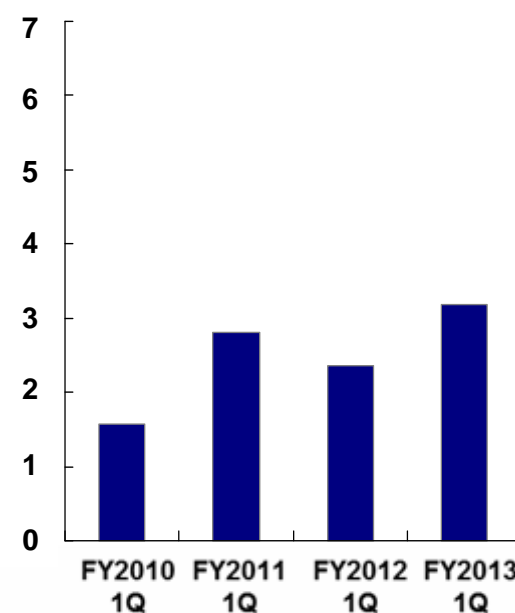
Operating Income

[Billions of yen]



Net Income

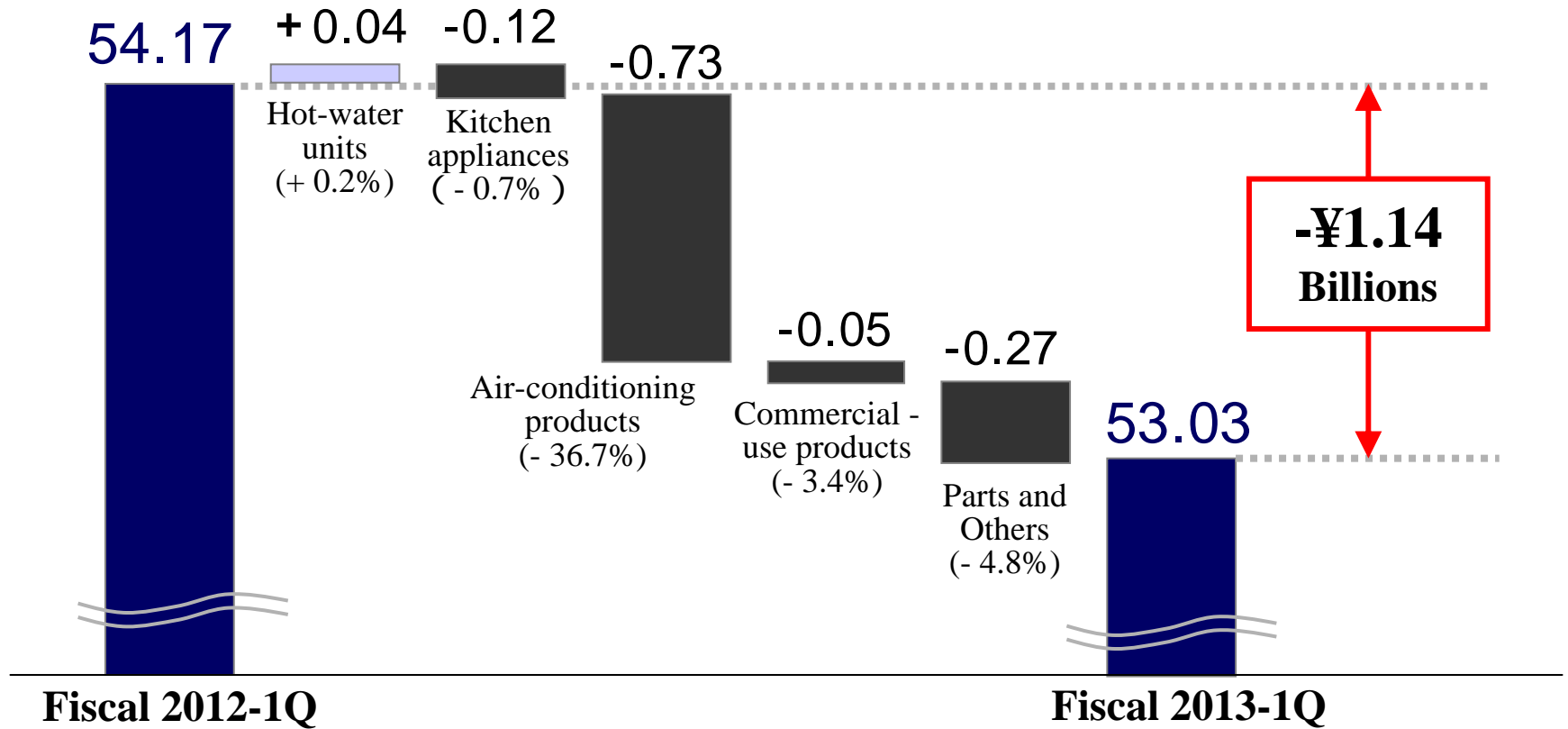
[Billions of yen]



- Both net sales and operating income down but remain at high levels and continue on growth trajectory

Fiscal 2013 (1Q): Consolidated Net Sales by Products 3

[Billions of yen]



- Air conditioning products: Revenue down due to end of Australian government subsidies for heaters in schools
- Hot-water units: Slight sales increase due to sluggish growth in North America; solid performances (slight increases) in Japan and Australia

Fiscal 2013 (1Q): Consolidated Sales/Income Results

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[Billions of yen]

	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	53.03	-2.1%	4.29	-13.5%	8.1%	-1.1P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	39.71	-0.5%	3.12	+0.8%	7.9%	+0.1P
Domestic	21.20	-7.6%	0.32	-48.2%	1.5%	-1.2P
Overseas	16.98	-5.4%	0.95	-40.4%	5.6%	-3.3P
Total	77.90	-3.6%	4.40	-17.3%	5.7%	-0.9P

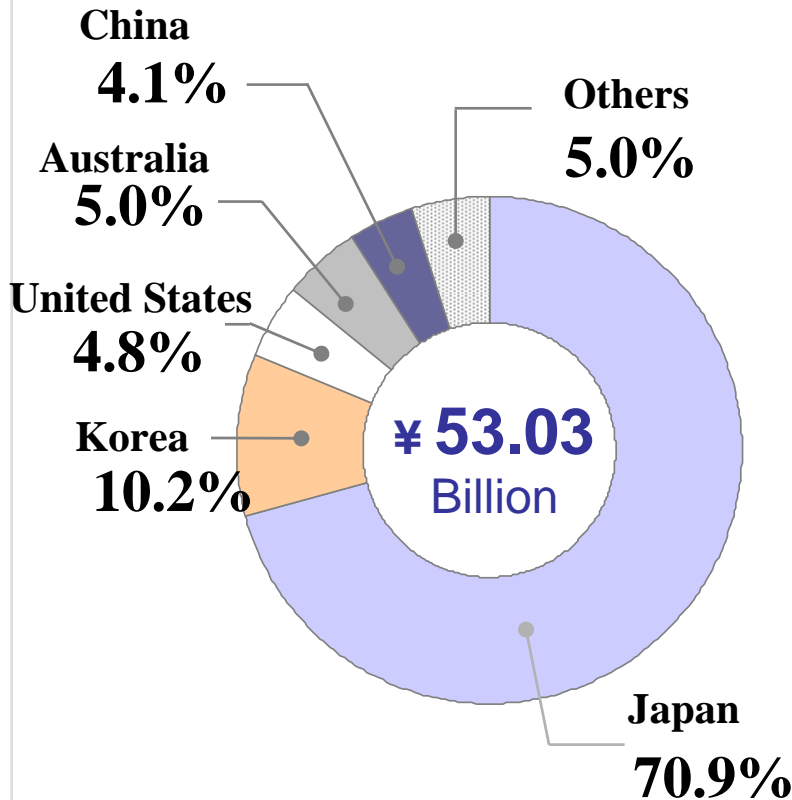
Overseas Consolidated Subsidiaries: FX Impact (reference) 5

*Below shows difference between actual Fiscal 2013 local-currency results and results if previous year's exchange rates were used

(FX impact: ¥ millions Rate: ¥)	FX impact	Currency	FY2012-1Q avg. rate	FY2013-1Q avg. rate	FY2013 assumed rate	Composition of overseas sales
Rinnai Australia	(4)	AUD	83.345	83.223	83.000	17.1%
Rinnai New Zealand	7	NZD	62.700	64.518	65.000	1.6%
Rinnai America	(93)	USD	82.120	79.248	79.000	16.5%
Rinnai Korea	(239)	KRW	0.073	0.070	0.070	32.9%
Shanghai Rinnai	18	RMB	12.468	12.573	12.000	13.9%
Rinnai Hong Kong	(1)	HKD	10.543	10.208	10.000	0.2%
Rinnai Taiwan	(40)	NTD	2.803	2.668	2.700	5.1%
Rinnai Vietnam	(14)	VND	0.004	0.004	0.004	1.2%
Rinnai Thailand	(29)	THB	2.690	2.563	2.600	3.8%
Rinnai Brazil HT	(87)	BRL	49.569	44.426	44.000	4.9%
Others	(18)					2.8%
Total	(500)					100.0%

Consolidated Net Sales by Geographical Segment

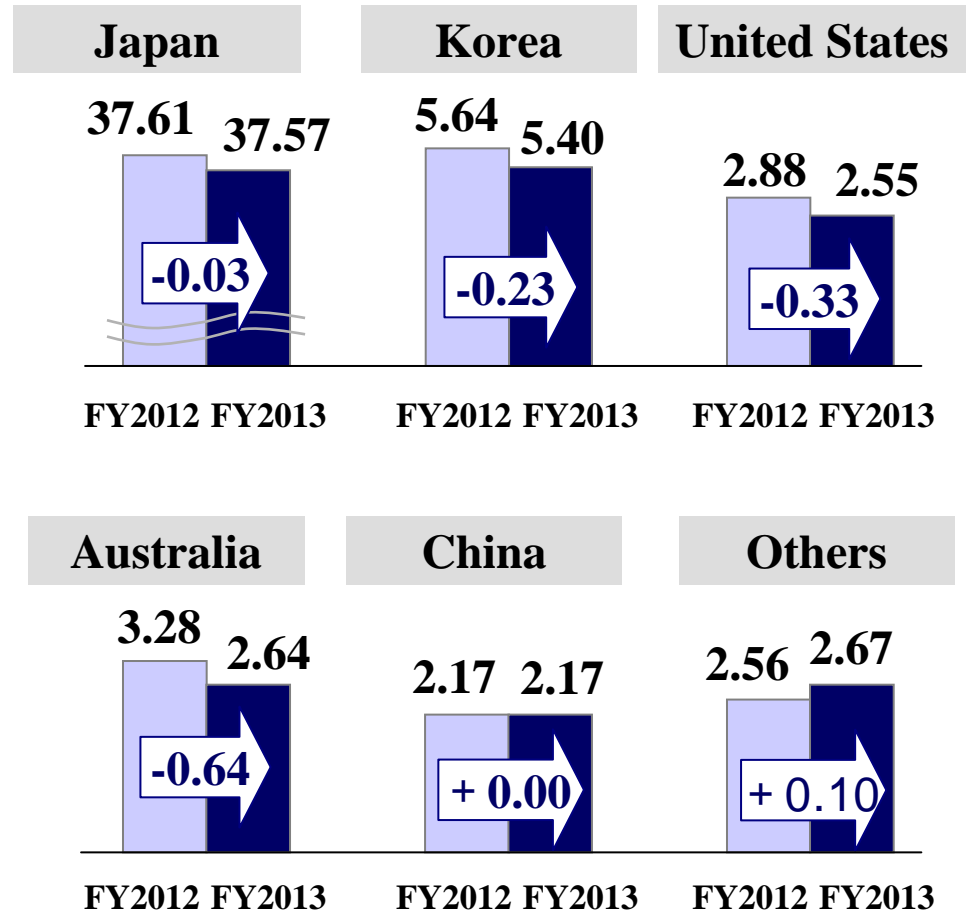
Fiscal 2013-1Q Consolidated Net Sales



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

YOY Change by Geographical Segment

[Billions of yen]



Sales by Business Segment (Hot-water units)

[Billions of yen]	Fiscal 2012 1Q	Fiscal 2013 1Q	YOY Change
Japan	17.59	17.58	+0.0%
Korea	2.45	2.56	+4.2%
United States	2.68	2.35	-12.4%
Australia	1.63	1.74	+6.6%
China	1.82	1.84	+1.1%
Others	1.16	1.31	+13.2%
Total	27.35	27.40	+0.2%

Composition ratio

51.7%



Japan United States



Australia

- Japan: Healthy sales owing to increased sales ratio for *Eco Jozu* products
- North America: Volume sales growth prevented by delayed economic recovery

Sales by Business Segment (Kitchen appliances)

[Billions of yen]	Fiscal 2012 1Q	Fiscal 2013 1Q	YOY Change
Japan	14.87	14.87	+0.0%
Korea	1.43	1.34	-6.4%
China	0.25	0.31	+26.5%
Others	0.78	0.68	-12.7%
Total	17.35	17.23	-0.7%

Composition ratio

32.5%



Japan



Korea



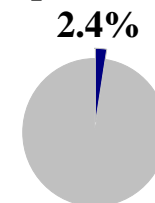
China

- Japan: Sales of tabletop stoves down but sales of built-in stoves and range hoods up
- South Korea: Stove sales down due to intensified market competition

Sales by Business Segment (Air-conditioning products)

[Billions of yen]	Fiscal 2012 1Q	Fiscal 2013 1Q	YOY Change
Japan	0.50	0.46	-8.1%
Korea	0.06	0.01	-71.8%
United States	0.18	0.19	+3.6%
Australia	1.14	0.50	-56.3%
Others	0.08	0.07	-6.9%
Total	1.99	1.26	-36.7%

Composition ratio



Japan

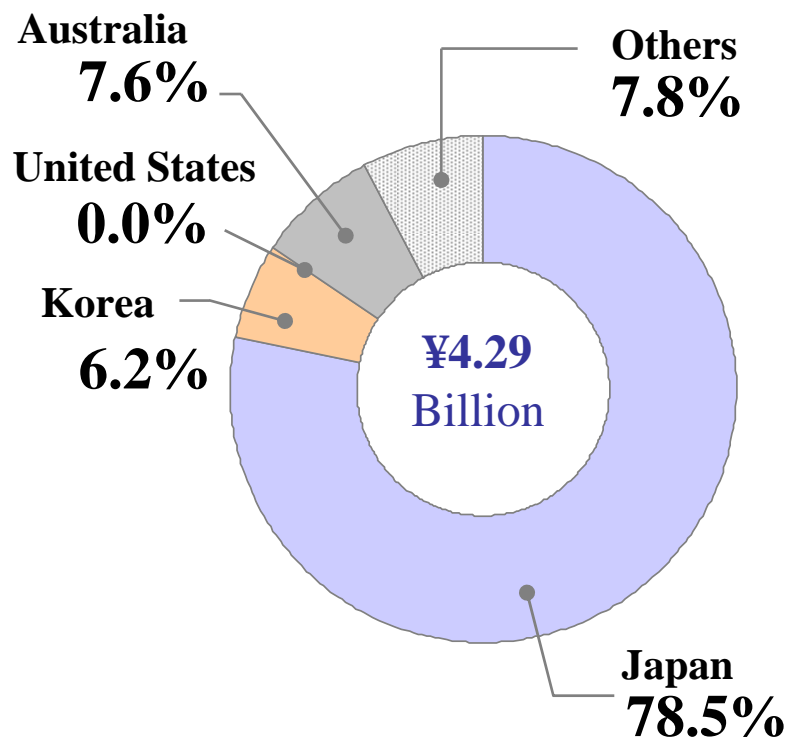


Australia

- Japan: Continued shift to gas heaters amid heightened electricity-reduction sentiment (16.9% increase compared with 1Q of fiscal 2011)
- Australia: Sales down due to end of government subsidies

Consolidated Operating Income by Geographical Segment

Fiscal 2013-1Q Consolidated Operating Income

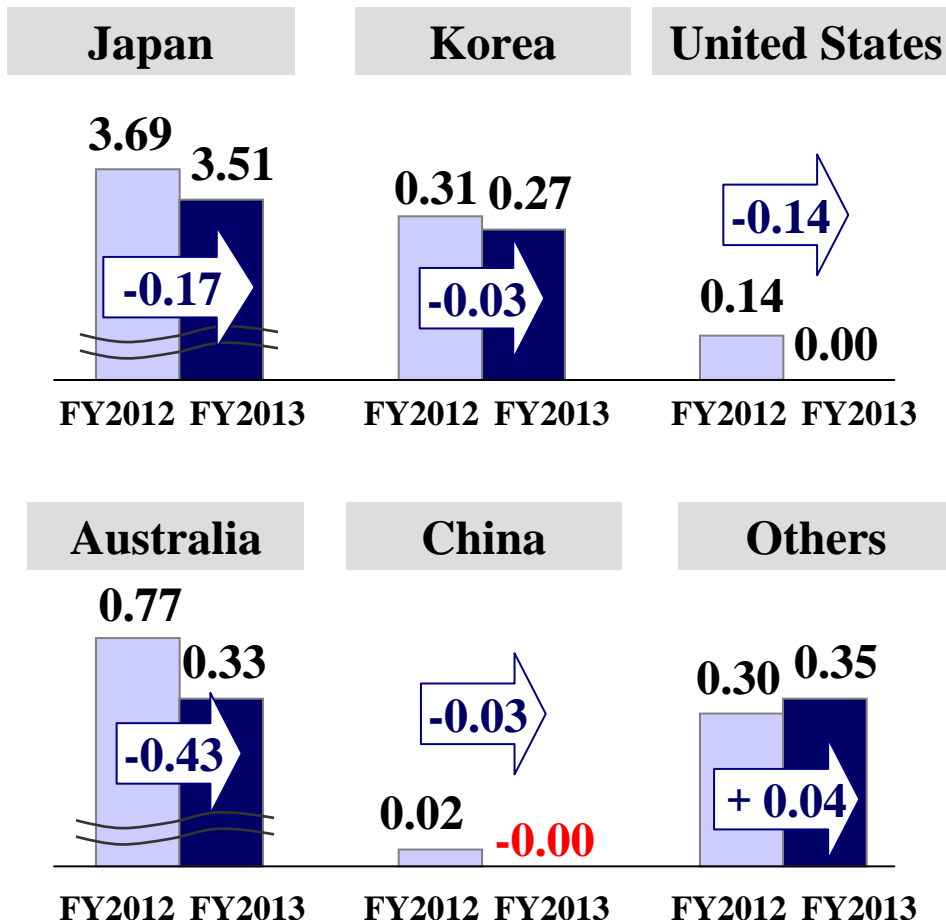


Note: The amount of China (¥500 million of operating loss) was excluded from the above chart.

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

YOY Change by Geographical Segment

[Billions of yen]

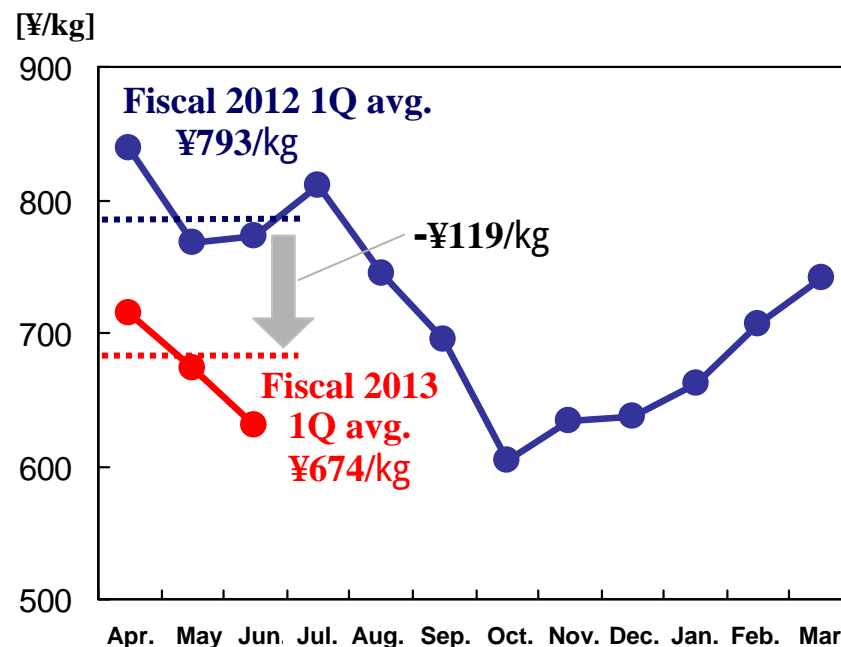


Electrolytic Copper

- Fiscal 2013 average assumed price: ¥780/kg
- Prices trending lower than assumed price

	Fiscal 2013 1Q avg.	Fiscal 2012 1Q avg.	YOY change
Avg. price	¥674	¥793	-15.0%

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



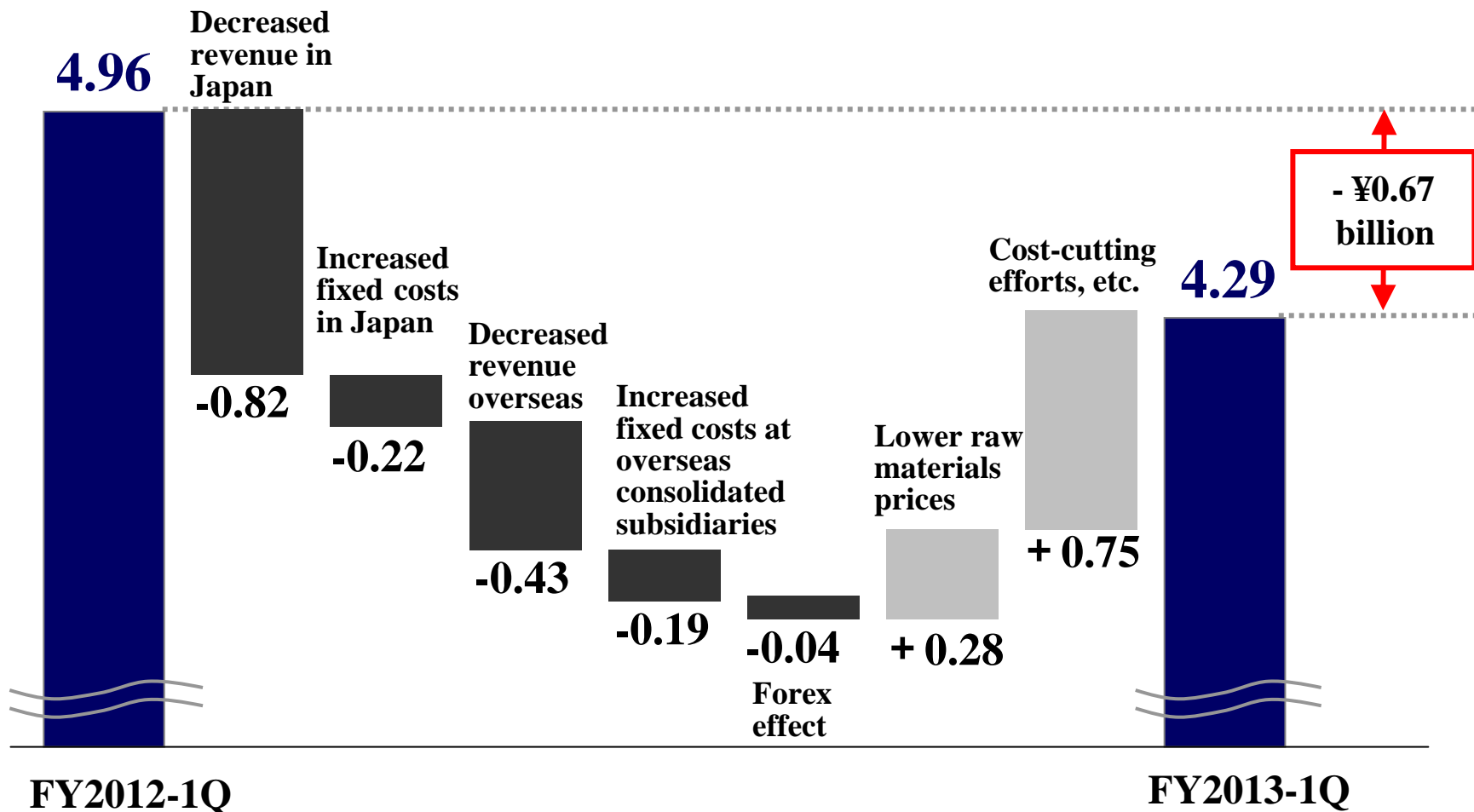
Steel

- Iron and steel prices slightly lower than previous fiscal year

Fiscal 2013 (1Q): Consolidated Operating Income

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[Billions of yen]



Positive factors

- Growing sales ratio for high-value-added products, such as *Eco Jozu* and built-in stoves
- Expanding sales of new offerings, such as hybrid hot-water systems and range hoods
- Raw materials prices trending at lower-than-expected levels
- Ongoing shift in demand to gas equipment due to sluggish growth in demand for all-electric appliances
- Healthy housing starts in Japan: Positive impact on home appliances (both new and replacement demand)
- Market conditions overseas appear bright, with U.S., Chinese, and other economies on

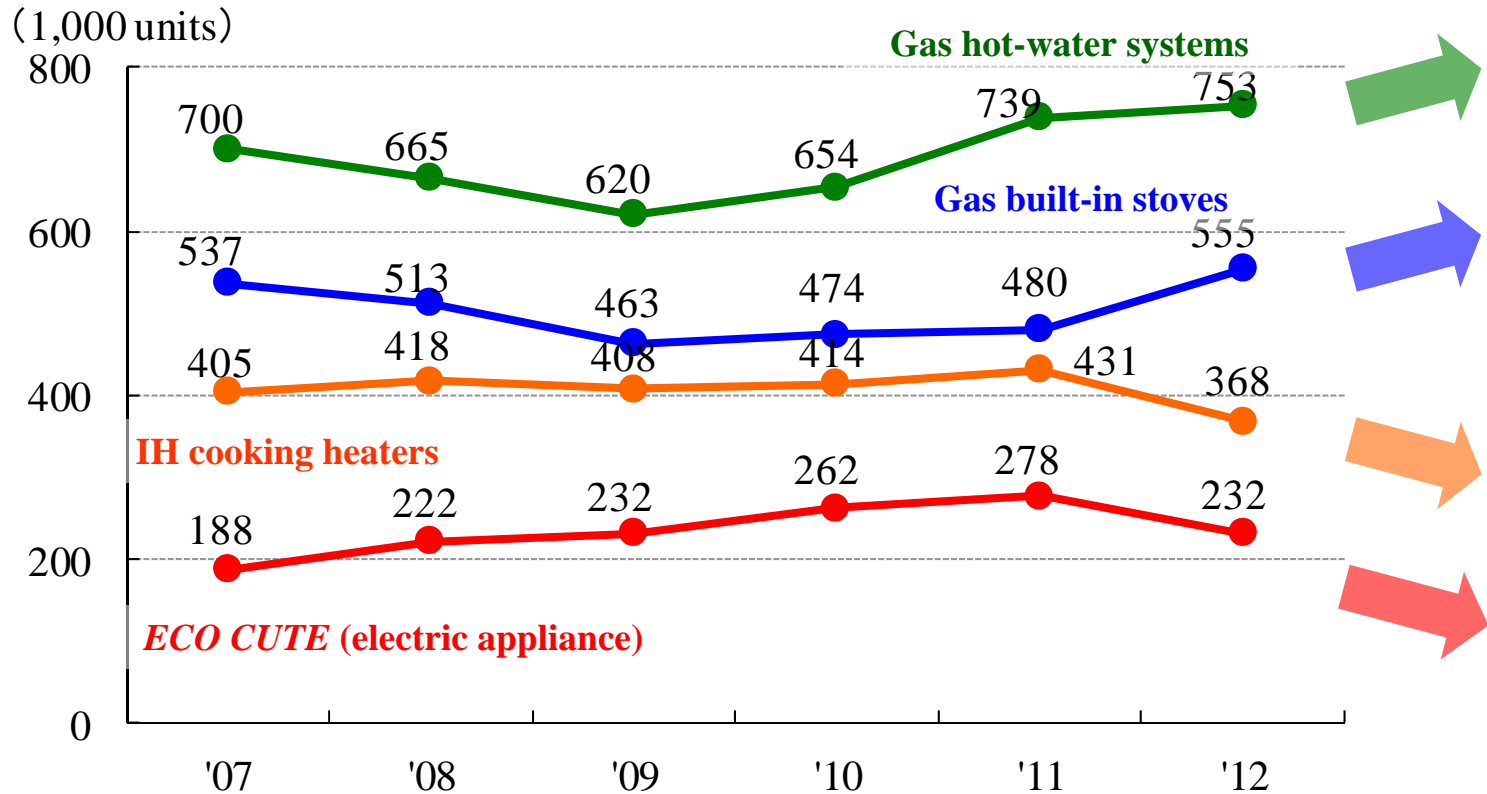
Reasons for concern

- Intensified competition in electrical mass- merchandiser sales channel
- Growing impact of foreign exchange factors

2Q and beyond: Performance recovery buoyed by earnings growth

Sales Trends for Gas Appliances vs All-Electric Appliances

Industry Sales Units (January–June 2012; cumulative)



Progressive shift in demand from all-electric to gas appliances

* Sources: Compiled by Rinnai using data from Japan Industrial Association of Gas and Kerosene Appliances and The Japan Electrical Manufacturers' Association (JEMA)

* Gas hot-water units consist of hot-water/heating systems (including dedicated space heating systems) and bath filling/heating systems (forced circulation type)

EWR Series (combining built-in stove and range hood): Universal design and easy to clean



Built-on stove: *Udea éf*



- Heat OFF mechanism
- Flat gridiron
- Wider display of grill operation section



September 2012 launch
(scheduled)
















Range hood: EWR Series

- Newly designed single-unit clean panel
- Easier to clean thanks to low installation height and sloping design
- Improved synchronization with stove operation
- Use of LED lighting reduces electricity cost by ¥1,800 per year



Our Selection of Built-In Stoves

New series featuring Rinnai's original "care functions"

<p>Rinnai's original functions</p>				
	<p>DELICIA</p>	<p>Verie</p>	<p><i>Udea^{ユーディアエフ} ef[®]</i></p>	<p>Mytone</p>
<p>Smoke elimination function</p>				
<p>Heat OFF mechanism</p>				
<p>Easy-to-clean griller</p>				

September 2012 launch

August 2012 launch



Our Selection of Tabletop Stoves

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Easier to use thanks to improved design and operability



アソシエ
Ancie



ガラス
Glass



パールクリスタル
Pearl Crystal



メタル
Metal

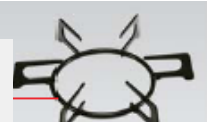
August
2012
launch

- “No pot” detection function
- Heat OFF function
- “Flat & Clean” design
- Easy-to-clean griller



- No spill-tray type

Slim linear look



Slim linear look
Removable
burner rings



- Burner ring built into top panel



ECO ONE: Hybrid Hot-Water/Heating System

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Hybrid operation offering both hot-water and space heating functions

Launch of new-model ECO ONE double hybrid series

“Double Hybrid” (hot-water/heating system) enhanced energy-saving and comfort of the entire house !

ハイブリッド給湯・暖房システム

ECO ONE



■ Energy-saving:

Hot water primary energy efficiency of **125%**

■ Economical

Around **60%** reduction in hot-water energy costs compared with previous gas hot-water units

■ Space heating function


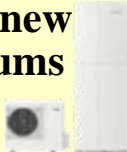






Around **40%** reduction in energy costs thanks to hybrid configuration that includes floor heating

July 2012 launch

Rinnai

Upgrading the Eco One Lineup

Diverse variations, from double hybrid to brand-new condominiums

	<p>Double hybrid Hot-water/heating system</p>	<p>July launch</p> <p>For brand-new condominiums 100 liter</p> 	<p>July launch</p> <p>For brand-new condominiums 100 liter (higher heating capacity)</p>
	<p>Single hybrid Hot-water/heating system</p>	<p>April launch</p> <p>For detached houses 100 liter; 50 liter</p> 	<p>April launch</p> <p>For brand-new condominiums 100 liter; 50 liter</p> 
	<p>Hybrid Bathtub filling unit (No floor heating system)</p>	<p>April launch</p> <p>For detached houses 50 liter</p> 	

Annual production of 300,000 units by 2014, enabling mass production benefits

Promoting *Eco Jozu* as the De Facto Industry Standard

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Voluntary Industry Standard

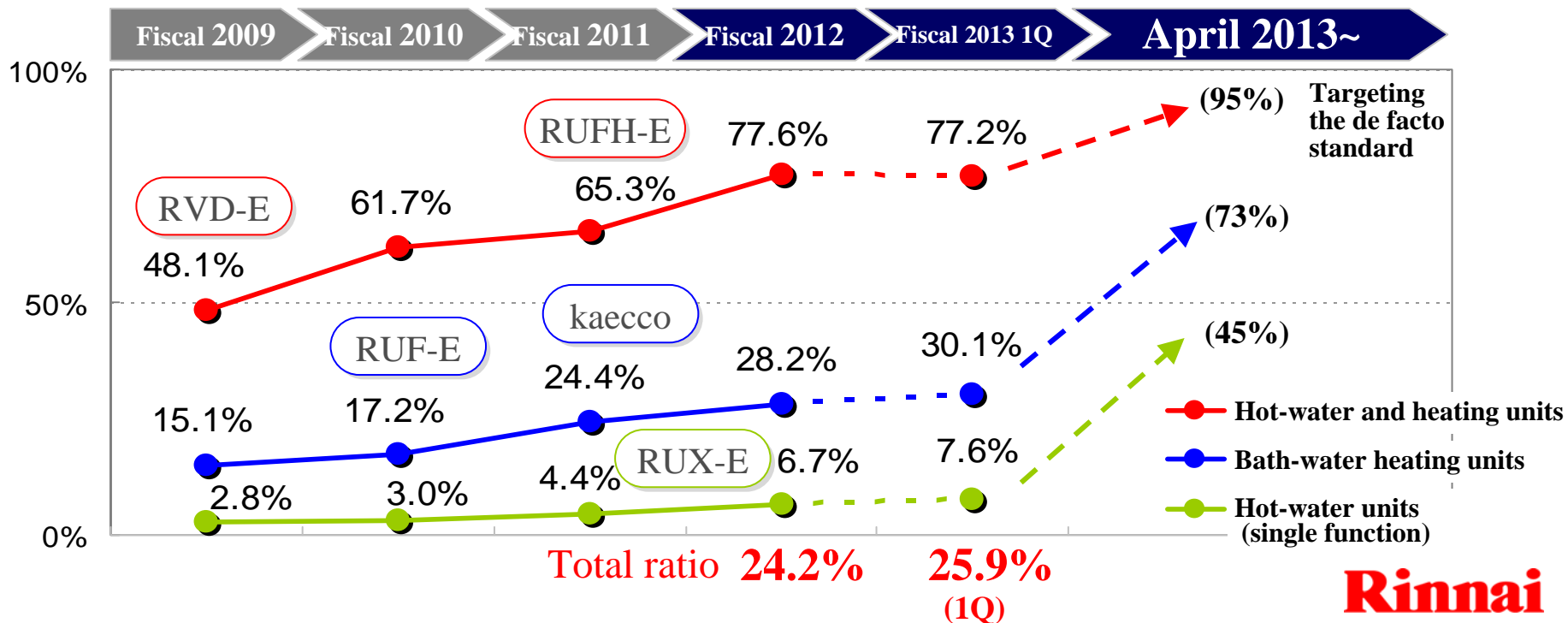
Introduction of high efficiency in all hot-water units

Complete changeover to *Eco Jozu* by the end of March 2013



Eco Jozu Ratio at Rinnai

Introduction of “E” Series and expansion of lineup contribute to establishing *Eco Jozu* as de facto industry standard





瀬戸暁工場

- **Location:** Akatsuki-machi, Seto City, Aichi Prefecture (within Akatsuki Industrial Zone)
- **Land area:** 33,333m²
- **Floor space:** 8,440m² (3-story building)
- **Main products:** *Eco Jozu*, *ECO ONE*, etc.
- **Investment:** ¥3.5 billion (land, buildings, equipment, etc.)
- **Starting operations:** October 2012 (scheduled)

Investment objectives

- **Upgrade production capacity to prepare for growing demand for *Eco Jozu* products**
- **(Expand Groupwide annual capacity from 300,000 units to 700,000 units in fiscal 2015 (March 2015))**
- **Expand/upgrade production system for *ECO ONE* hybrid hot-water/heating systems**

Medium-Term Business Plan “Jump UP 2014”

(From April 1, 2012 to March 31, 2015)

Contribute to people’s lives worldwide and the global environment as a comprehensive heat-energy appliance manufacturer

Aims

- ▶ **Product vision:** Comprehensive heating appliance manufacturer that delivers environmentally responsible products
- ▶ **Regional vision:** Global company that improves the lifestyles of people all over the world
- ▶ **Business vision:** Company with a unique business model that attracts people and business partners

“Three Jump Up” Priorities

- | | |
|---|--|
| 1 | <u>Raise product quality</u> in pursuit of zero defects |
| 2 | <u>Raise versatility</u> through reforms of development, production, and sales processes |
| 3 | <u>Raise organizational strength</u> through human resource development and Groupwide interaction |

Fiscal 2015 Targets

Net Sales	280 billion yen
Operating income	33 billion yen
Operating income ratio	11.8%

Rinnai

EXPERIENCE OUR INNOVATION

Performance forecasts and other future-oriented predictions contained in these materials are based on the Corporation's judgments using available information. Actual results may differ from such forecasts and predictions due to changing future circumstances.