



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

**November 5, 2013**

# Fiscal 2014 (2Q) : Consolidated Highlights

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## **Net sales: ¥127.3 billion (up 11.5% year-on-year)**

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

## **Operating income: ¥12.4 billion (up 17.0%)**

Increase due to higher revenue in Japan, China, and United States; surpassed the ¥12 billion level announced in forecast

## **Ordinary income: ¥13.7 billion (up 19.8%)**

Boosted by improved operating income and foreign exchange gain

## **Net income: ¥8.6 billion (up 15.6%)**

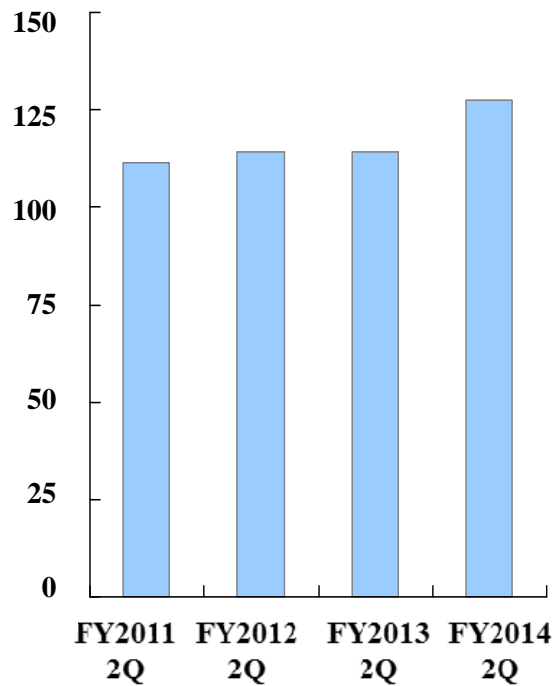
Increase due to higher ordinary income

- Both domestic and overseas sales firm, reaching levels announced in forecasts for first half of fiscal year
- Solid progress in second year of medium-term business plan, Jump Up 2104

# Consolidated Financial Results (2Q)

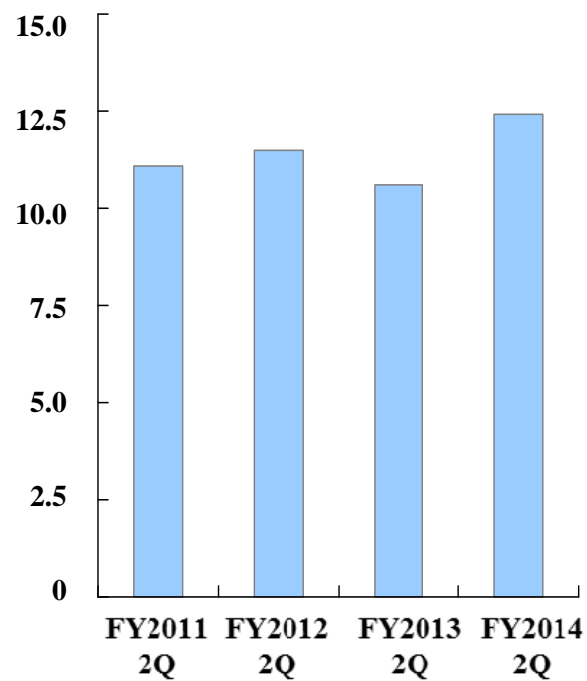
## Net Sales

[Billions of Yen]



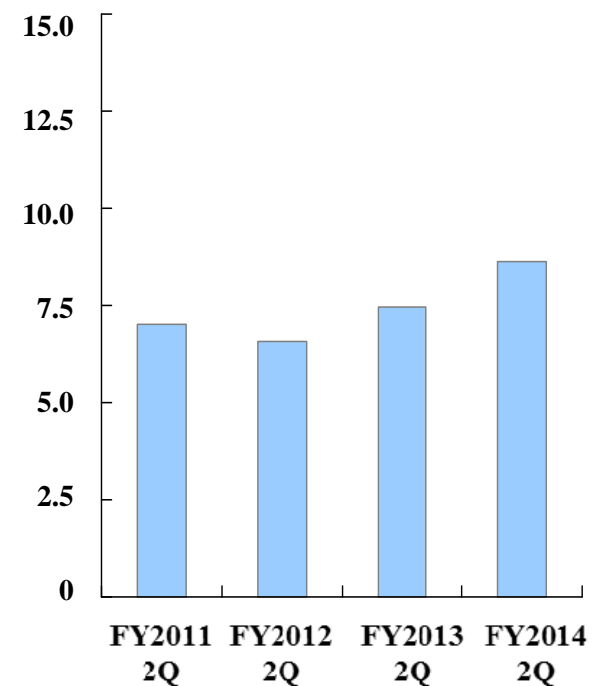
## Operating Income

[Billions of Yen]



## Net Income

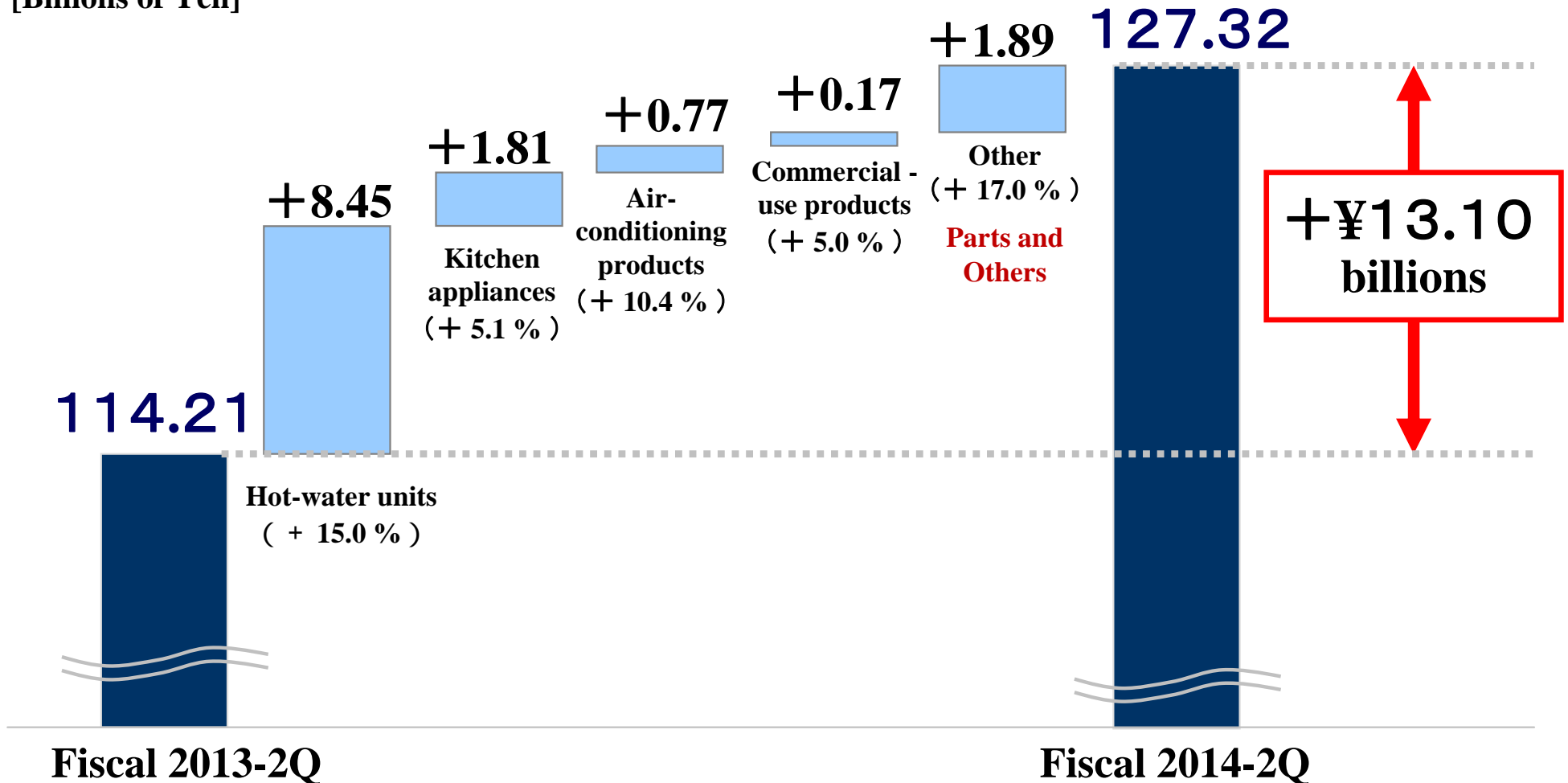
[Billions of Yen]



- Record-high figures for net sales, operating income, ordinary income, and net income; continued growth in real terms
- Maintained high operating margin, at 9.7%

# Fiscal 2014 (2Q): Consolidated Net Sales by Products <sup>3</sup>

[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
- Kitchen appliances: Sales up thanks to shift to high-value-added products in Japan and increased unit prices in South Korea

# Fiscal 2014 (2Q): Consolidated Sales/Income Results

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[Billions of Yen]

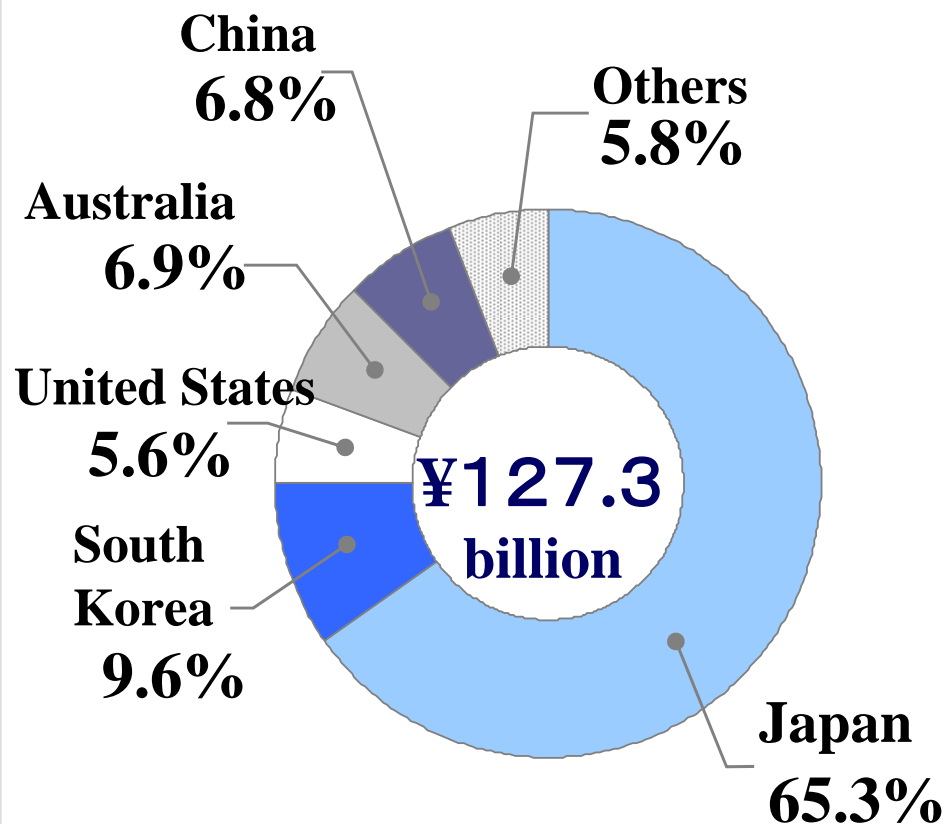
|                     | Net Sales     | YOY Change    | Operating Income | YOY Change    | Operating Margin | YOY Change   |
|---------------------|---------------|---------------|------------------|---------------|------------------|--------------|
| <b>Consolidated</b> | <b>127.32</b> | <b>+11.5%</b> | <b>12.4</b>      | <b>+17.0%</b> | <b>9.7%</b>      | <b>+0.5P</b> |



|                 | Net Sales     | YOY Change    | Operating Income | YOY Change    | Operating Margin | YOY Change   |
|-----------------|---------------|---------------|------------------|---------------|------------------|--------------|
| <b>Rinnai</b>   | <b>88.93</b>  | <b>+5.5%</b>  | <b>8.33</b>      | <b>+27.7%</b> | <b>9.4%</b>      | <b>+1.6P</b> |
| <b>Domestic</b> | <b>44.97</b>  | <b>+3.8%</b>  | <b>0.62</b>      | <b>-16.1%</b> | <b>1.4%</b>      | <b>-0.3P</b> |
| <b>Overseas</b> | <b>47.36</b>  | <b>+27.7%</b> | <b>3.46</b>      | <b>+6.5%</b>  | <b>7.3%</b>      | <b>-1.5P</b> |
| <b>Total</b>    | <b>181.28</b> | <b>+10.1%</b> | <b>12.42</b>     | <b>+18.1%</b> | <b>6.9%</b>      | <b>+0.5P</b> |

# Consolidated Net Sales by Geographical Segment

## Fiscal 2014-2Q Consolidated Net Sales

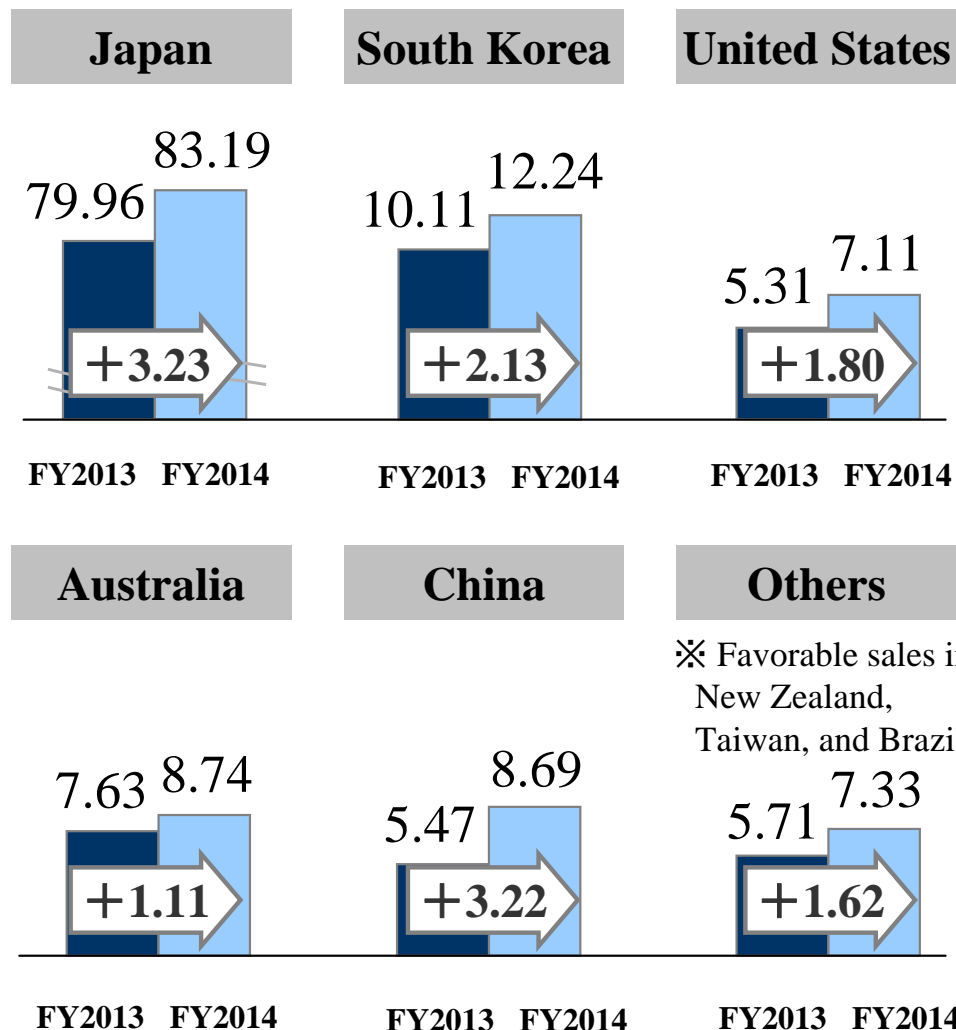


Composition of Others :

Local group companies in Taiwan, Thailand, New Zealand, Brazil, Vietnam 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 2Q | Fiscal 2014 2Q | YOY Change    |
|----------------------|----------------|----------------|---------------|
| <b>Japan</b>         | 36.17          | 38.62          | +6.8%         |
| <b>South Korea</b>   | 4.36           | 4.55           | +4.2%         |
| <b>United States</b> | 4.90           | 6.65           | +35.6%        |
| <b>Australia</b>     | 3.72           | 4.25           | +14.1%        |
| <b>China</b>         | 4.44           | 7.03           | +58.2%        |
| <b>Others</b>        | 2.67           | 3.62           | +35.6%        |
| <b>Total</b>         | <b>56.29</b>   | <b>64.74</b>   | <b>+15.0%</b> |

Composition ratio : 50.9%



- 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 : 29.6%

| [Billions of Yen] | Fiscal 2013 2Q | Fiscal 2014 2Q | YOY Change   |
|-------------------|----------------|----------------|--------------|
| Japan             | 30.93          | 31.05          | +0.4%        |
| South Korea       | 2.69           | 3.44           | +27.6%       |
| China             | 0.74           | 1.33           | +78.8%       |
| Others            | 1.43           | 1.80           | +25.3%       |
| <b>Total</b>      | <b>35.82</b>   | <b>37.63</b>   | <b>+5.1%</b> |



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) 8

| [Billions of Yen]    | Fiscal 2013 2Q | Fiscal 2014 2Q | YOY Change    |
|----------------------|----------------|----------------|---------------|
| <b>Japan</b>         | 3.73           | 3.99           | +7.0%         |
| <b>South Korea</b>   | 0.02           | 0.02           | -13.8%        |
| <b>United States</b> | 0.37           | 0.39           | +5.7%         |
| <b>Australia</b>     | 2.99           | 3.38           | +13.2%        |
| <b>Others</b>        | 0.29           | 0.39           | +33.4%        |
| <b>Total</b>         | <b>7.41</b>    | <b>8.18</b>    | <b>+10.4%</b> |

Composition ratio : 6.4%



Japan

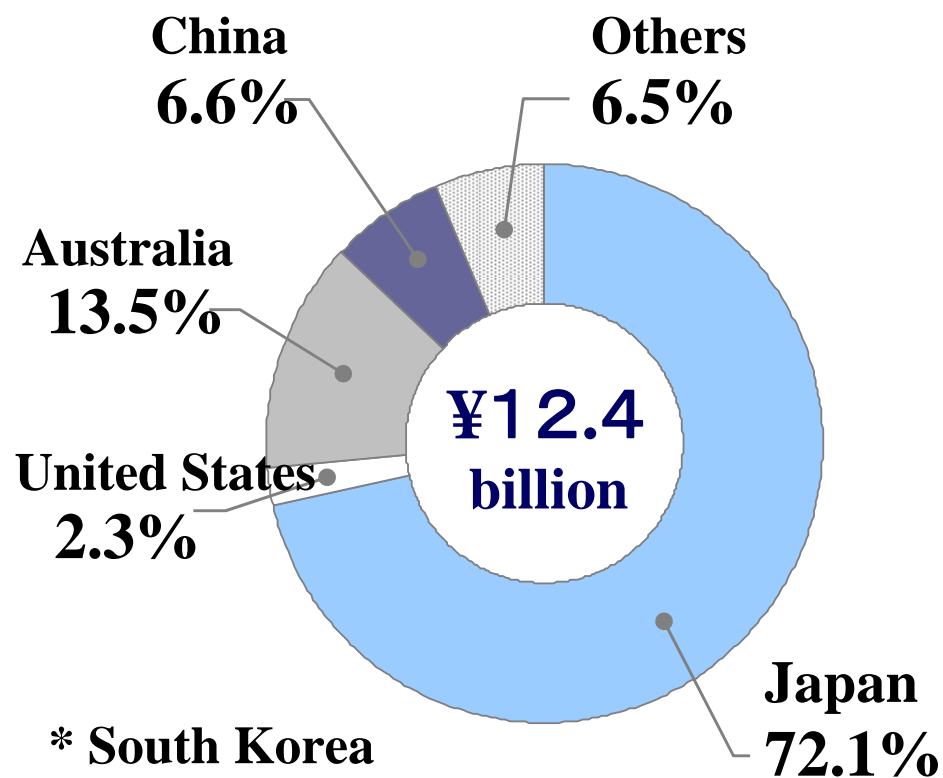


Australia

- Japan: Continued shift to gas heaters amid heightened electricity-reduction sentiment
- Australia: Sales down in volume terms due to warm winter, but up in value terms due to foreign exchange factors

# Consolidated Operating Income by Geographical Segment 9

## Fiscal 2014-2Q Consolidated Operating Income



\* South Korea

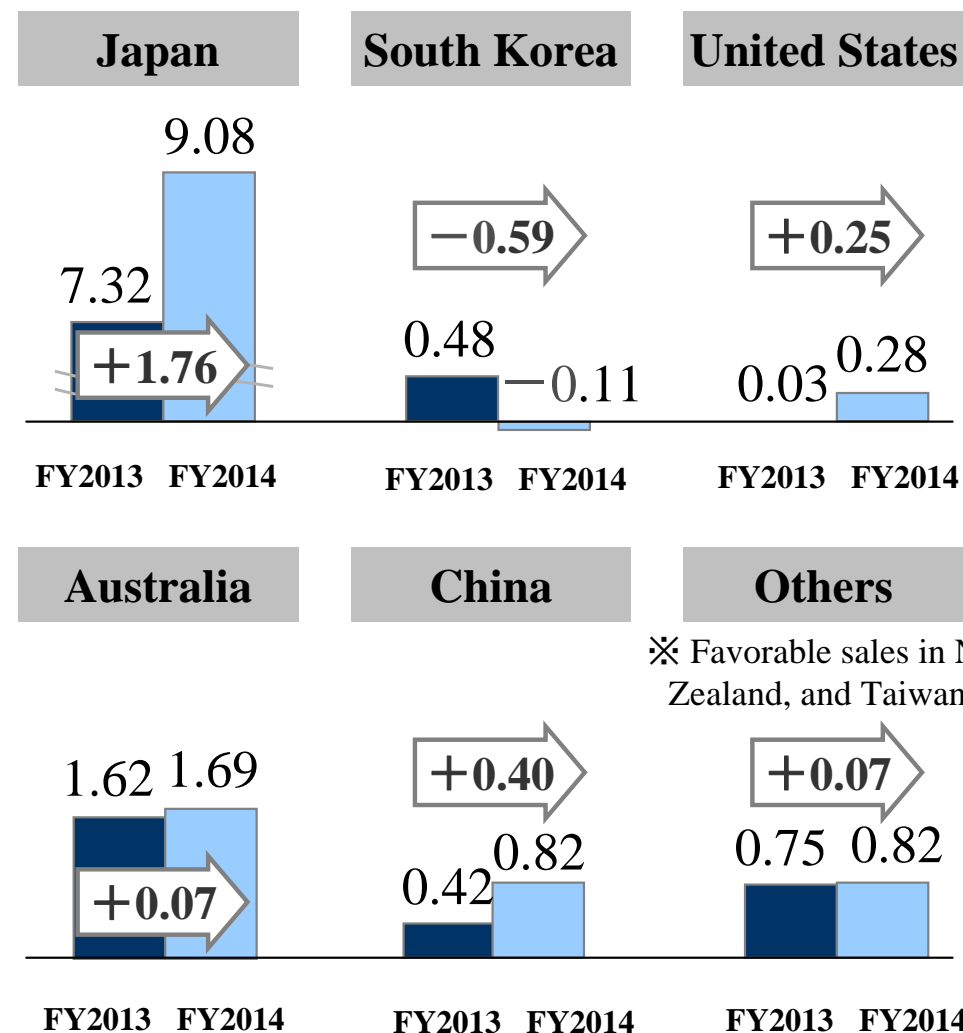
¥110 million of operating loss  
(by temporary factors)

Composition of Others :

Local group companies in Taiwan, Thailand, Vietnam, New Zealand, Brazil and etc.

## YOY Change by Geographical Segment

[Billions of Yen]

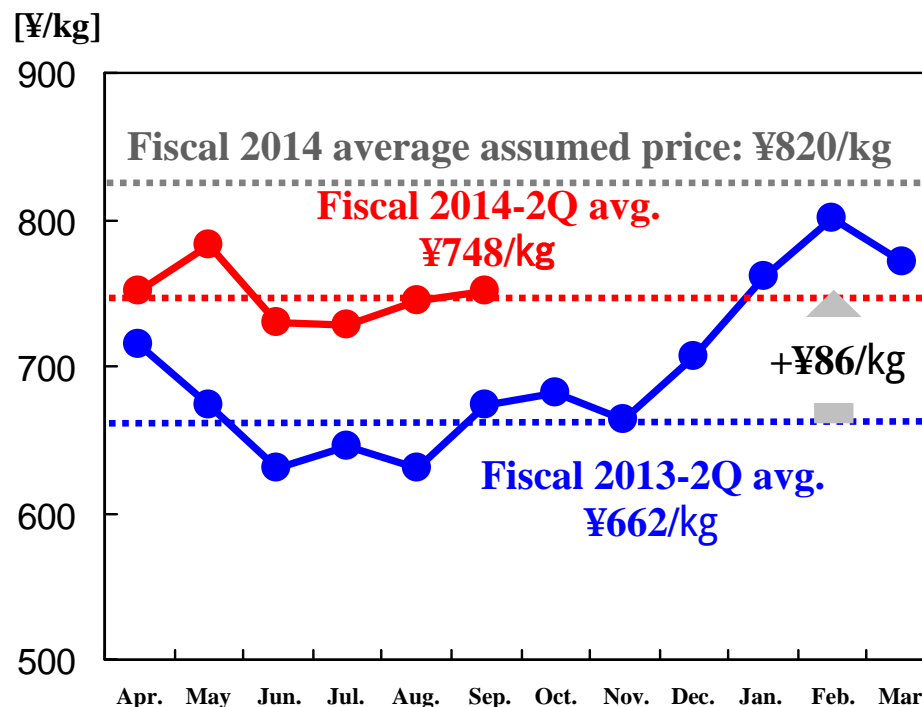


## Electrolytic Copper

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

|                   | Fiscal 2013 2Q avg. | Fiscal 2014 2Q avg. | YOY change |
|-------------------|---------------------|---------------------|------------|
| <b>Avg. price</b> | 662                 | 748                 | +13.0%     |

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

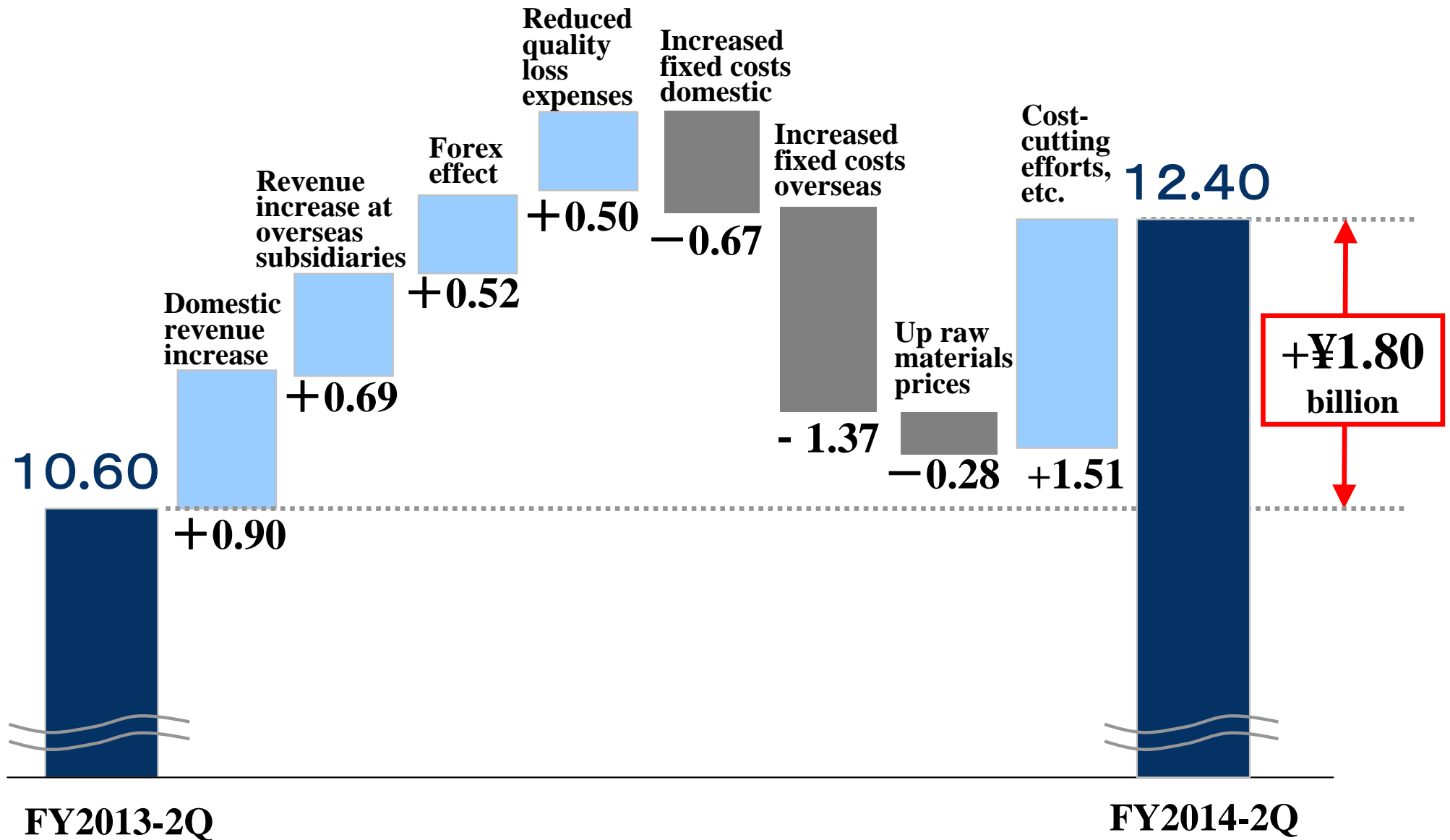


## Steel

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

# Fiscal 2014 (2Q): 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.**