



**Financial Results for First Quarter of  
Fiscal 2015, ending March 31, 2015**

August 4, 2014

# Fiscal 2015 (1Q) : Consolidated Highlights

1

**Net sales: ¥65.2 billion (up 12.7% year on year)**

Revenue driven by healthy overseas sales

**Operating income: ¥6.7 billion (up 50.4%)**

Substantial increase owing to improved earnings in China and South Korea, as well as consolidation of Rinnai Indonesia

**Ordinary income: ¥7.32 billion (up 40.1%)**

Buoyed by improved operating income despite foreign exchange loss and decline in equity in earnings of affiliates

**Net income: ¥4.5 billion (up 41.1%)**

Increase due to higher ordinary income

- Operating income ratio: 10.3%; ordinary income ratio: 11.2%; return on sales (net income ratio): 7.0% (all high levels)
- Solid start to final year of Jump Up 2014 (medium-term business plan)

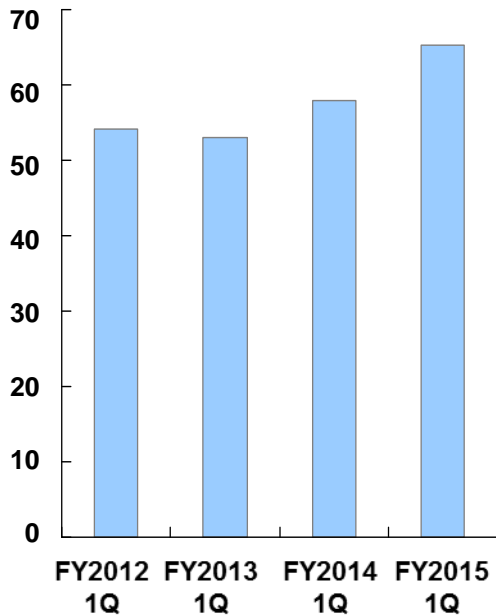
**Rinnai Indonesia became consolidated subsidiary**

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

# Consolidated Financial Results (1Q)

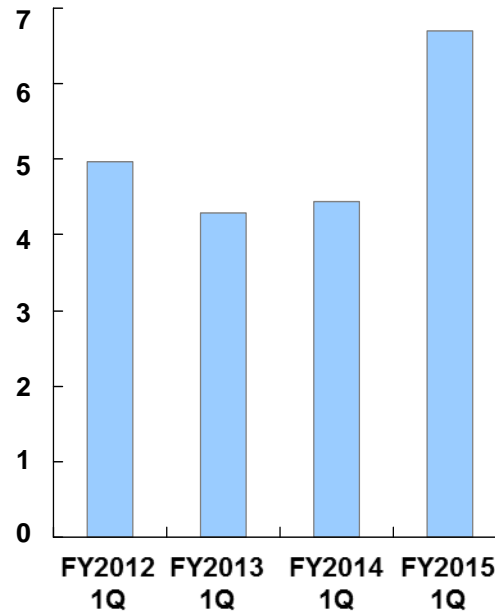
## Net Sales

[Billions of yen]



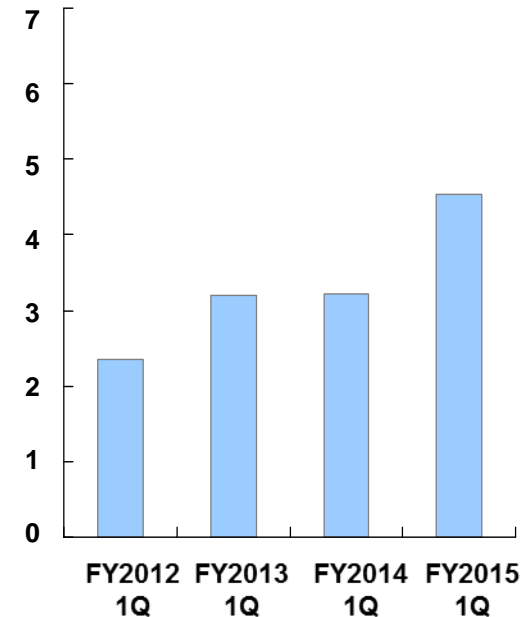
## Operating Income

[Billions of yen]



## Net Income

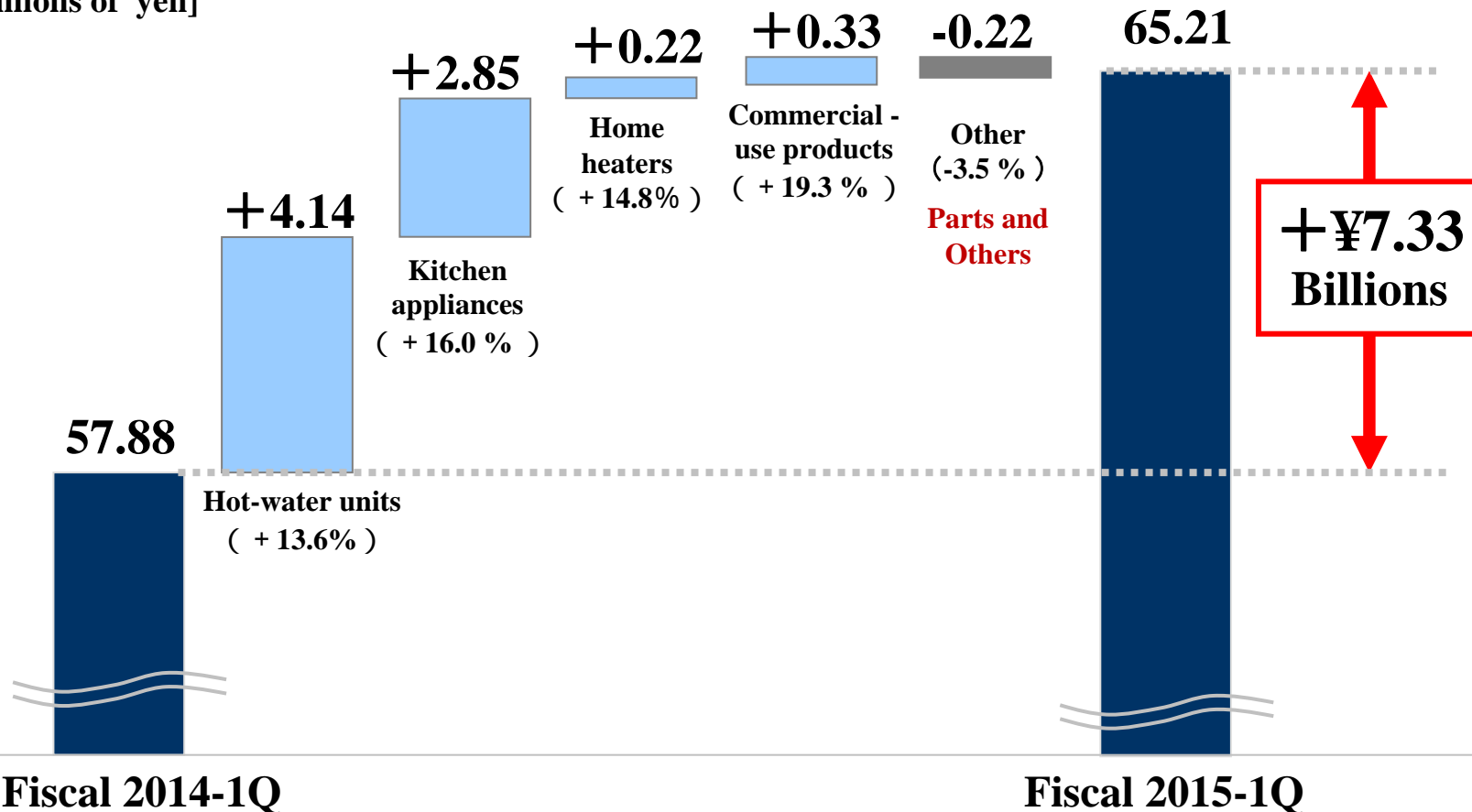
[Billions of yen]



- Continuation of steady growth in real terms; no change in revenue/earnings growth trends
- Record-high figures for net sales, operating income, ordinary income, and net income

# Fiscal 2015 (1Q): Consolidated Net Sales by Products <sub>3</sub>

[Billions of yen]



- Water heaters: Healthy sales in China, United States, and South Korea; higher sales in Japan thanks to ongoing shift to high-value-added products
- Kitchen appliances: Significant increase in sales of tabletop cookers due to consolidation of Rinnai Indonesia

# Fiscal 2015 (1Q): Consolidated Sales/Income Results 4

[Billions of yen]

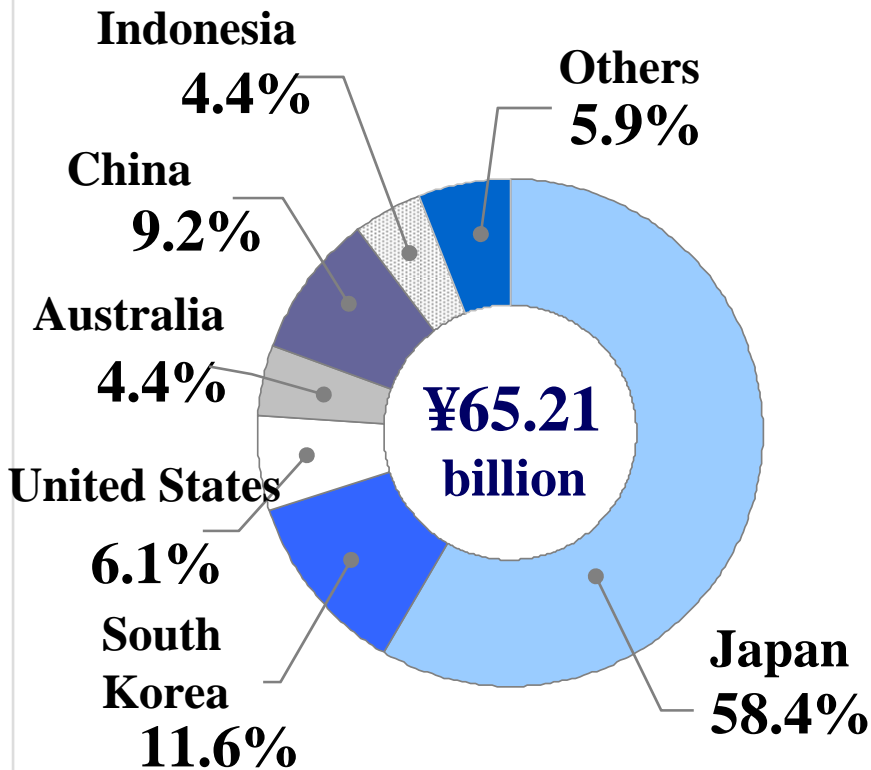
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
<b>Consolidated</b>	<b>65.21</b>	<b>+12.7%</b>	<b>6.70</b>	<b>+50.4%</b>	<b>10.3%</b>	<b>+2.6P</b>



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
<b>Rinnai</b>	<b>41.91</b>	<b>+0.6%</b>	<b>3.86</b>	<b>+8.7%</b>	<b>9.2%</b>	<b>+0.7P</b>
<b>Domestic</b>	<b>23.63</b>	<b>+8.2%</b>	<b>0.61</b>	<b>+71.1%</b>	<b>2.6%</b>	<b>+1.0P</b>
<b>Overseas</b>	<b>29.02</b>	<b>+39.4%</b>	<b>2.19</b>	<b>+301.3%</b>	<b>7.6%</b>	<b>+4.9P</b>
<b>Total</b>	<b>94.57</b>	<b>+12.1%</b>	<b>6.67</b>	<b>+49.5%</b>	<b>7.1%</b>	<b>+1.8P</b>

# Consolidated Net Sales by Geographical Segment

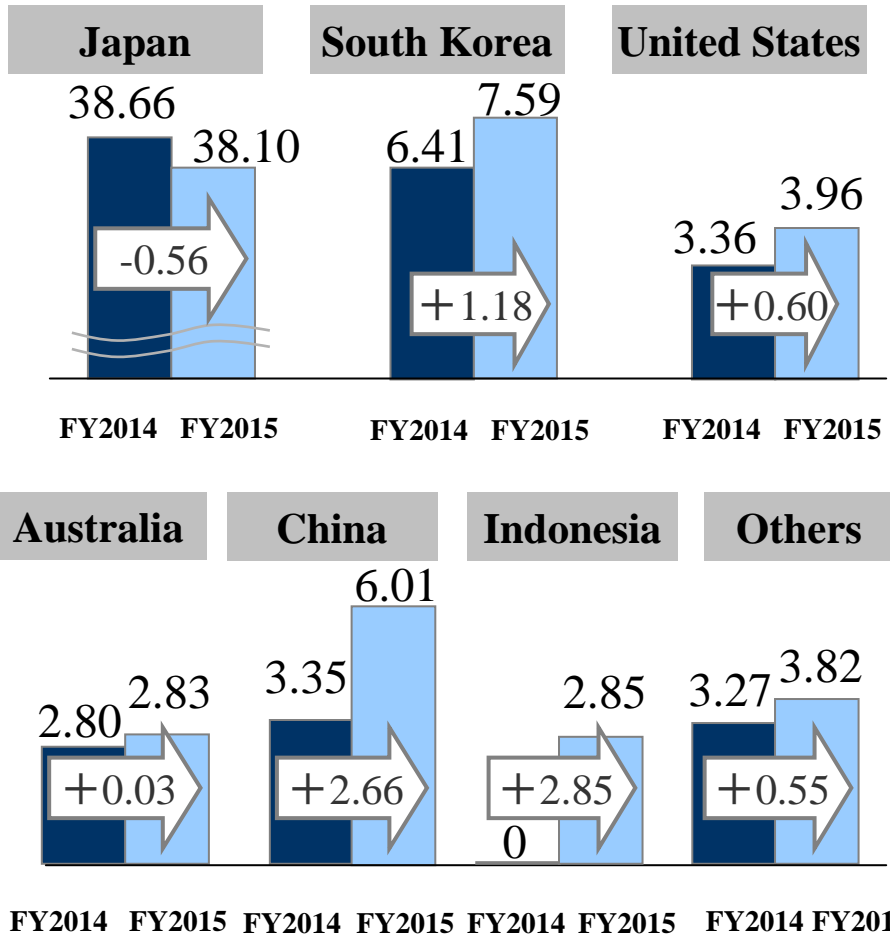
## Fiscal 2015-1Q Consolidated Net Sales



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

## YOY Change by Geographical Segment

[Billions of yen]



# Sales by Business Segment (Water Heaters)

[Billions of yen]	Fiscal 2014 1Q	Fiscal 2015 1Q	YOY Change
<b>Japan</b>	18.68	18.64	-0.2%
<b>South Korea</b>	2.40	3.26	+36.2%
<b>United States</b>	3.12	3.64	+16.5%
<b>Australia</b>	1.77	1.71	-3.2%
<b>China</b>	2.80	5.21	+85.9%
<b>Others</b>	1.60	2.05	+28.0%
<b>Total</b>	<b>30.39</b>	<b>34.53</b>	<b>+13.6%</b>

Composition ratio : 53.0%



- Japan: Ongoing shift to high-value-added products, including water heaters with heating systems
- Healthy local sales in United States amid economic recovery, and in China due improved living standards
- South Korea: Growth in sales of boilers (core products used in floor heating)

# Sales by Business Segment (Kitchen Appliances)

Composition ratio : 31.7%

[Billions of yen]	Fiscal 2014 1Q	Fiscal 2015 1Q	YOY Change
<b>Japan</b>	14.70	14.09	-4.1%
<b>South Korea</b>	1.84	2.24	+21.9%
<b>China</b>	0.40	0.66	+63.2%
<b>Indonesia</b>	-	2.65	-
<b>Others</b>	0.85	0.98	+16.2%
<b>Total</b>	<b>17.80</b>	<b>20.65</b>	<b>+16.0%</b>



Japan



South Korea



Indonesia

- Japan: Sales down especially in retail chain stores due to strong impact of consumption tax hike
- South Korea: Sales up, boosted by high unit prices due to law mandating sensors on each burner
- Indonesia: Added to results from current fiscal year (mainly tabletop cookers)



# Sales by Business Segment (Home Heaters)

[Billions of yen]	Fiscal 2014 1Q	Fiscal 2015 1Q	YOY Change
<b>Japan</b>	0.59	0.59	-0.1%
<b>South Korea</b>	0.01	0.05	+185.5%
<b>United States</b>	0.19	0.30	+54.0%
<b>Australia</b>	0.62	0.65	+5.4%
<b>Others</b>	0.07	0.12	+60.4%
<b>Total</b>	<b>1.51</b>	<b>1.74</b>	<b>+14.8%</b>

Composition ratio : 2.7%



Japan

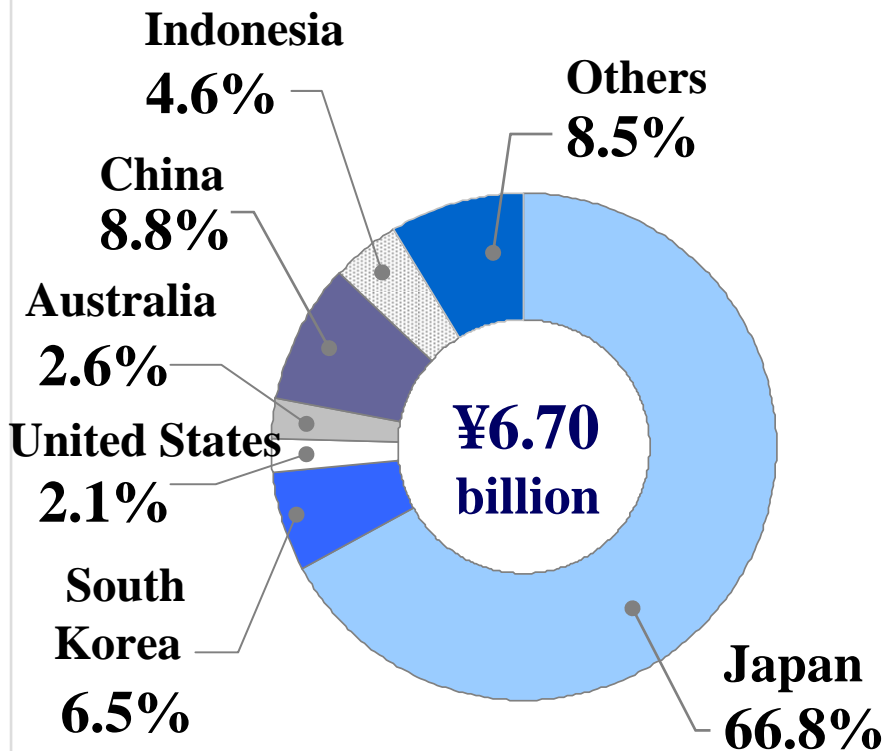


Australia

- United States: Growth in sales of fan-forced heaters due to cold snap at end of 2013
- Australia: Growth in sales of fireplaces
- Japan: Nothing major to report (due to off season)

# Consolidated Operating Income by Geographical Segment <sup>9</sup>

## Fiscal 2015-1Q Consolidated Operating Income

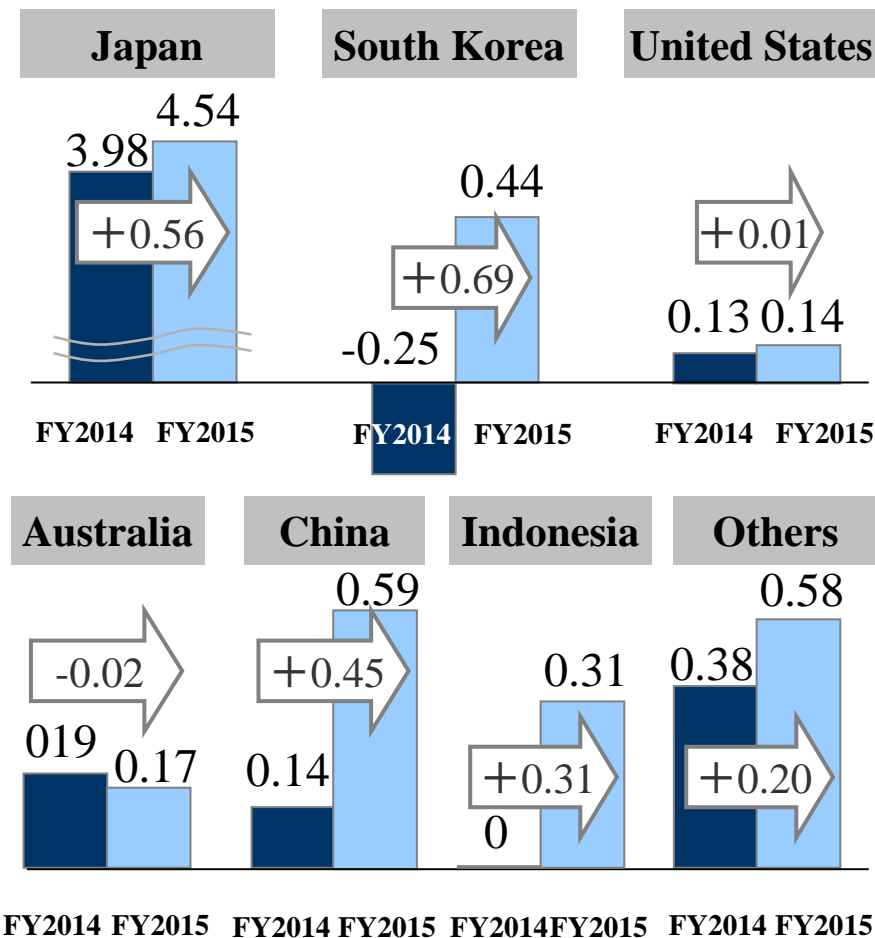


### Composition of Others :

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

## YOY Change by Geographical Segment

[Billions of yen]

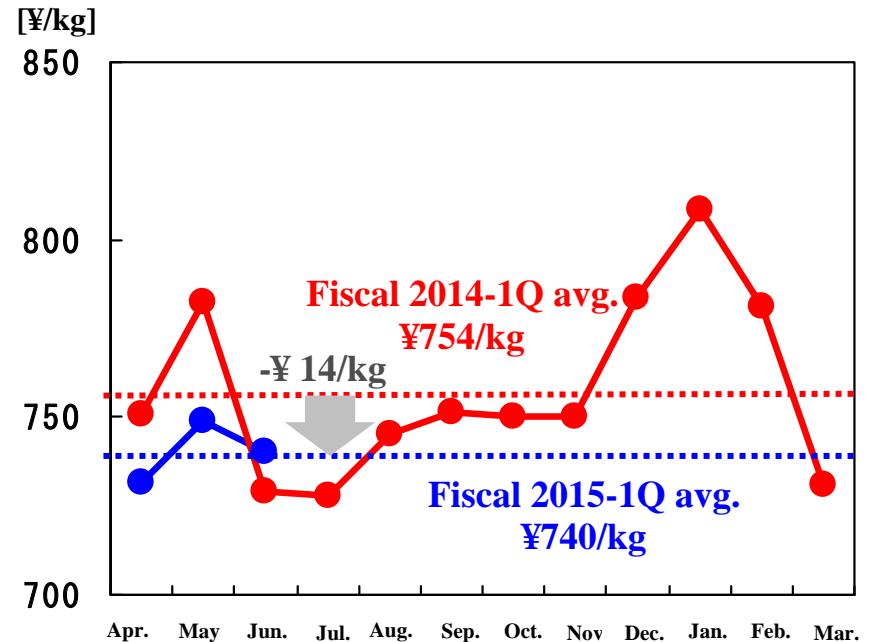


## Electrolytic Copper

-Fiscal 2015 average assumed price: ¥820/kg  
 -Prices trending lower than assumed price

	Fiscal 2014 1Q avg.	Fiscal 2015 1Q avg.	YOY change
<b>Avg. price</b>	<b>754</b>	<b>740</b>	<b>-1.9%</b>

Used in: Water heaters (Heat exchangers, etc.)

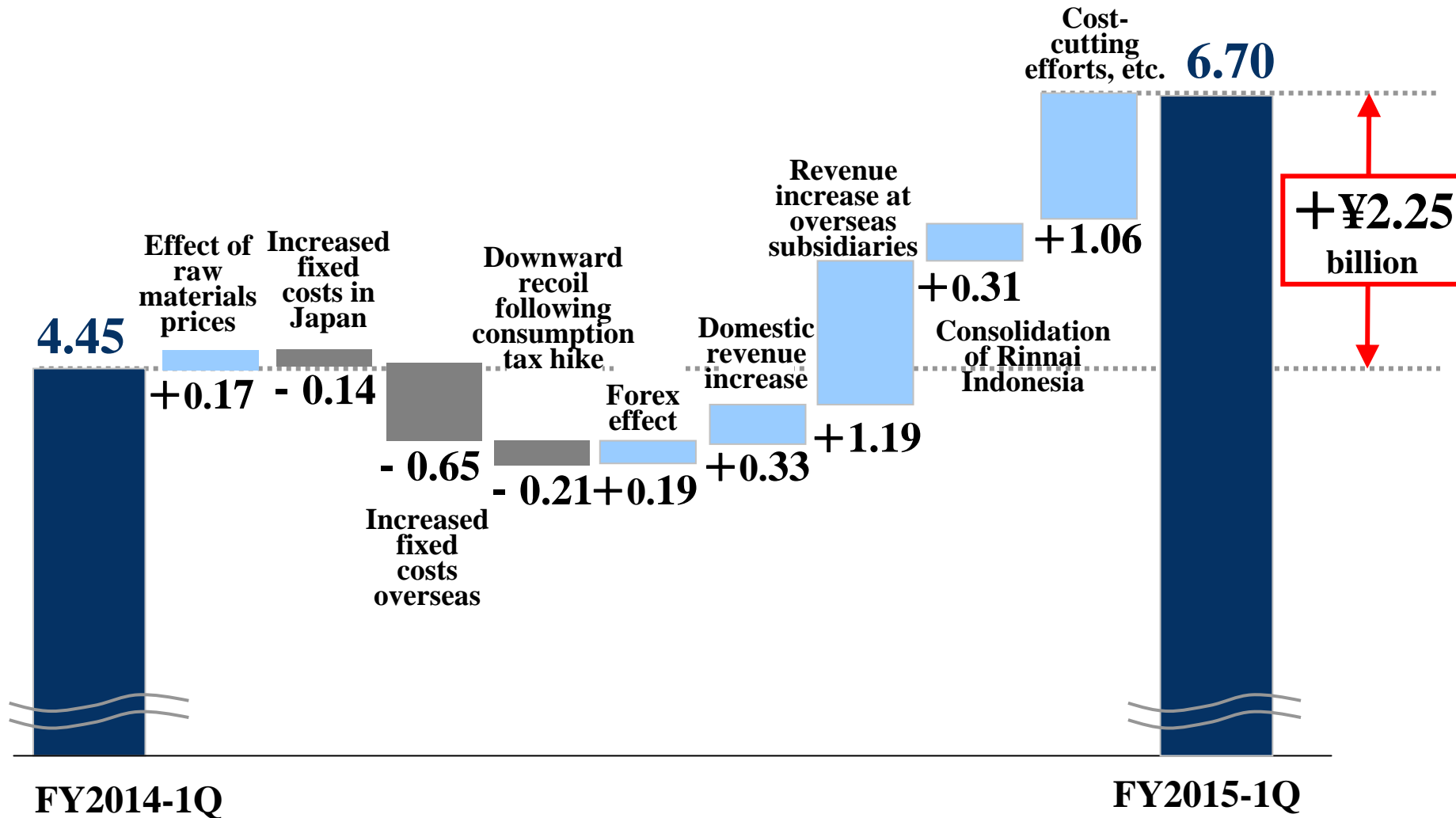


## Steel

• Iron and steel prices trending on a par with Fiscal 2014 prices

# Fiscal 2015 (1Q): Consolidated Operating Income

[Billions of yen]

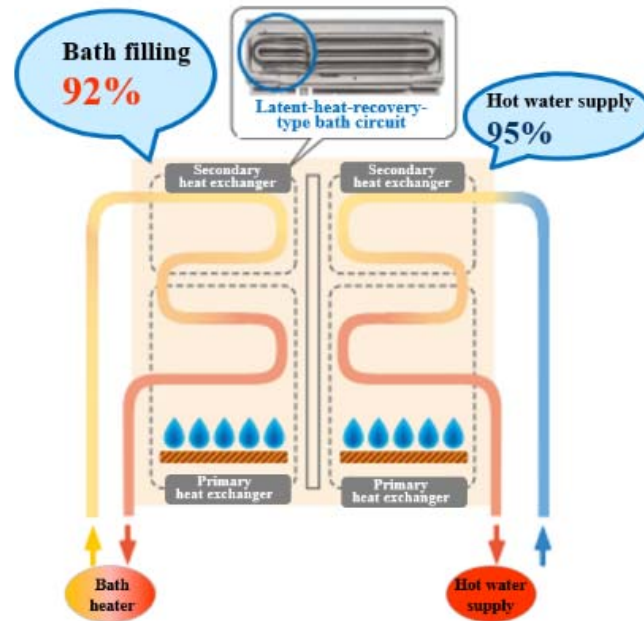


# New Bath-Filling System



**RUF-E2405**  
(Launched April 2014)

## Bathwater heating efficiency of 92%

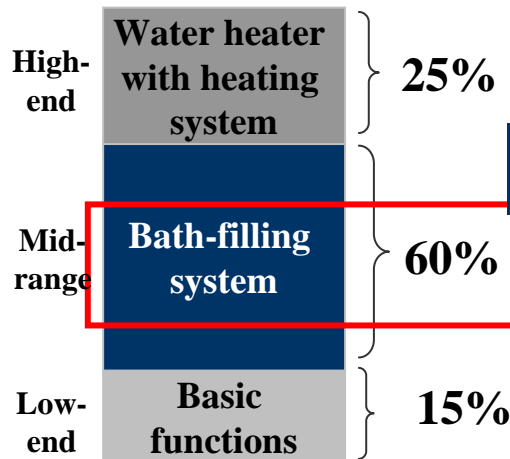


“Double Eco” status reached thanks to high-efficiency water heater plus highly efficient bath-filling



**“R-Quality” campaign**  
Emphasizing appeal of Japanese-made products  
Specially selected Japanese-made gifts to purchasers of the E Series

### Breakdown of water heaters



## Lighter and easier to install



Light weight  
27.5kg

**Lightest\* bath-filling water heater in the industry thanks to “zero base design”**

\* As of April 2014

# Promoting ECO ONE: Hybrid Water Heater with Heating System



**ECO ONE**



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



Detached house type



Condominium type

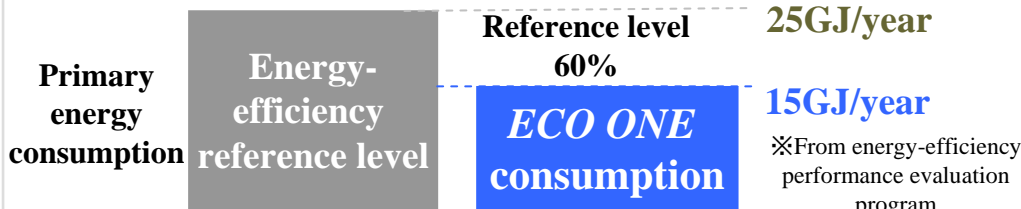
Increased variations (for detached houses, condominiums, etc.); extensive track record for whole-building installation in condominiums

## ● Toward a low-carbon society

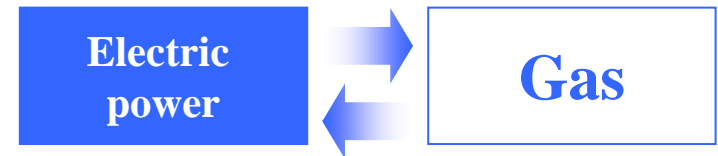
Review of energy-efficiency standards in October 2013:  
Evaluation standards for primary energy consumption now consistent

## ● Toward deregulation of electricity and gas

From 2016: Revisions to be made allowing deregulation of electricity and gas sales



Featuring low primary energy consumption, *ECO ONE* is the best



Utilizing both electricity and gas to achieve optimal energy mix, *ECO ONE* is the best

As a true energy-saving product, **ECO ONE** symbolizes “social infrastructure”

# Bathroom Heater/Dryers for Safer Living

Using hot water to make bathrooms warm and comfortable



- Bathroom heating
- Clothes drying
- Mist sauna
- Cool air blowing
- Bathroom drying
- Ventilation

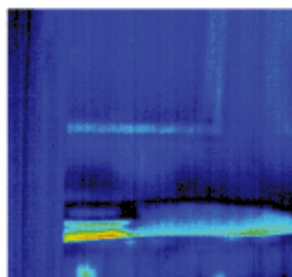


Ceiling type Wall-mounted type  
**Bathroom heater/dryer**

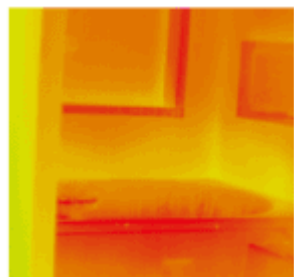
## Preventing “heat shock” when taking a bath during winter

Helps prevent “heat shock” by quickly heating the bathroom

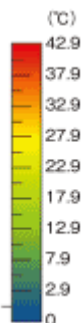
### ● Bathroom temperature comparison



Before heating



After heating



Rinnai’s bathroom heater/dryer heats room to **34 degrees in just 15 minutes**

**Number of deaths in bathrooms exceeds deaths through road accidents by around three times**

Prevents incidents caused by heat shock, such as cerebral infarction and cardiac infarction

### ● Road accidents deaths vs bathroom deaths (2011)



\* Source: Tokyo Metropolitan Institute of Gerontology



# Built-In Cookers: Model Changes

High-end

Mid-range

Mass market



**DELICIA**

**DELICIA  
GRILLER**

**Verie**

**Mytone**

Minor change  
August 20 launch

Minor change  
September 1 launch

Full model change  
September 22 launch

**Mid-range renewal;  
improved design and  
functionality**



Cocotte Dutch oven



Cocotte



Grilling plate

**New grilling container for more diversified  
cooking options**



**LiSSe**



**Push-in knobs for  
flatter appearance**



**Grilling plate for diversified cooking options (non-fried  
dishes, toast, etc.)**



# New Range Hood

Launch in August



**OGR Series**  
¥190,000–¥240,000



Industry first (as of July 2013)  
Fitted with “Oil Smasher” unit



Hydrophilic disk  
washes away  
oil/dirt with water



Connected to built-in hobs  
Turns on/off with built-in hob  
Range hood starts and stops automatically



Oil collection ratio  
**90%**

Oil collection ratio  
of disk: 90%

Circular disk (located between straightening vane and fan) rotates at high speed to pulverize oil particles contained in smoke, thus reducing amount of oil left inside the range hood to 10% that of conventional models.

# Tabletop Cookers: Model Change

High-end

Mid-range

Mass market

Existing models



**RT62WH: ¥63,800**  
 Double-sided grilling without grill water  
 One-piece burner ring and top plate



**RT62MH: ¥58,800**  
 One-sided grilling without grill water



**RT61GH: ¥43,800**  
 One-sided grilling with grill water

One-piece burner ring and top plate

Making grill waterless

New models

August 20 launch

**RT63WH: ¥63,800**

August 20 launch

**RT64JH: ¥43,800**



“One-piece top”

Industry first  
 (As of December 2013)



Waterless grill

Making grill waterless  
 reduces price

One-piece burner ring and top plate prevents penetrating of boil-over spillage

# Capital Expenditure Status

## Japan: solidifying our foundation for the next round of technological reforms

### Manufacturing and development



Bathroom heater/dryer



Akatsuki Factory

### Medium- and long-term reconstruction of production system

- Expand production of high-value-added items; modernize product manufacturing
- Strengthen processing systems at manufacturing affiliates

### Sales and distribution

- Relocate and expand Hokuriku Branch
- Purchase land for Hokkaido Branch
- Centralize distribution of components



- Relocation and expansion of Hokuriku Branch

### 【Akatsuki Factory】

- Streamline production of bathroom heater/dryers
- Automate production of components for high-efficiency water heaters

### 【Oguchi, Seto, Asahi Factories】

- Step up in-house manufacture of new products; introduce production rationalization equipment

## Overseas: strengthen local infrastructure to meet growing demand

- **China:** New Shanghai Factory under construction (to open in September 2015)
- **Australia:** New Melbourne headquarters opened in May 2014
- **South Korea:** Expand and upgrade processing facilities

## Capital expenditure (actual)

(Millions of Yen)

	Fiscal 2015 1Q (actual)	YOY Change
Capital expenditure	3,456	+1,100
Depreciation and amortization	1,884	+146
R&D expenses	2,128	+117

# 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.**