



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

February 6, 2015

Fiscal 2015 (3Q) : Consolidated Highlights

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Net sales: ¥ 218.2 billion (up 4.4% year on year)

Revenue driven by healthy overseas sales and inclusion of Rinnai Indonesia in consolidation

Operating income: ¥ 23.7 billion (down 2.7%)

Impacted by lower revenue in Japan, despite increased overseas sales

Ordinary income: ¥ 25.8 billion (down 3.7%)

Non-operating income unable to compensate for lower operating income in Japan

Net income: ¥ 15.9 billion (down 5.9%)

Decline due to lower ordinary income and higher minority interests, despite decrease in income taxes

- Achieved the initial targets of Jump Up 2014 (medium-term business plan) one year ahead of schedule. However, we will probably not achieve fiscal 2015 targets due to unprecedented decline in domestic demand. We have revised our full-year performance forecasts.

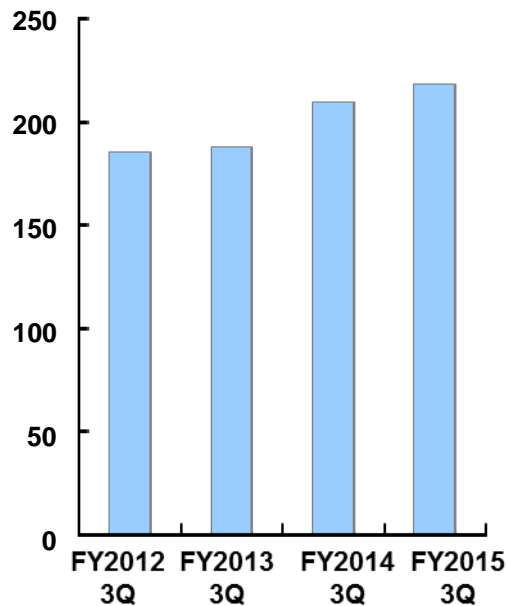
Rinnai Indonesia became consolidated subsidiary

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

Consolidated Financial Results (3Q)

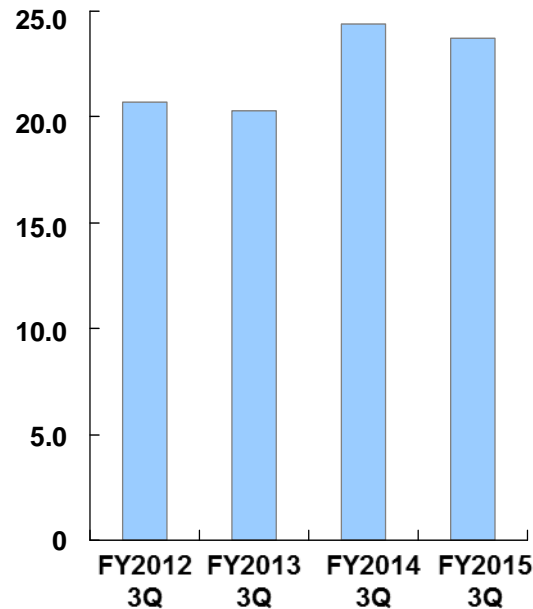
Net Sales

[Billions of yen]



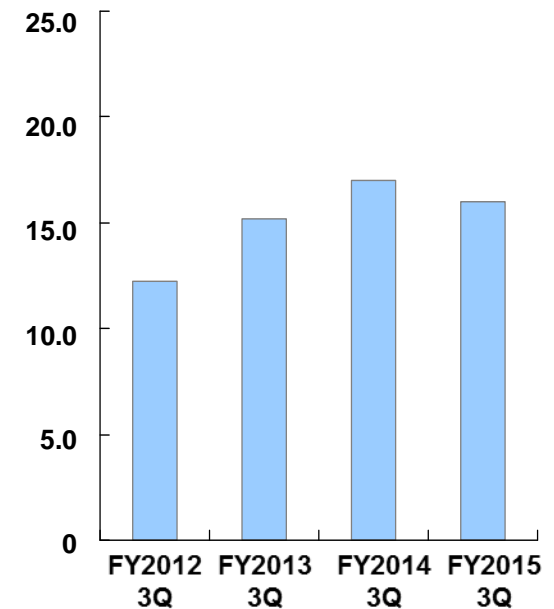
Operating Income

[Billions of yen]



Net Income

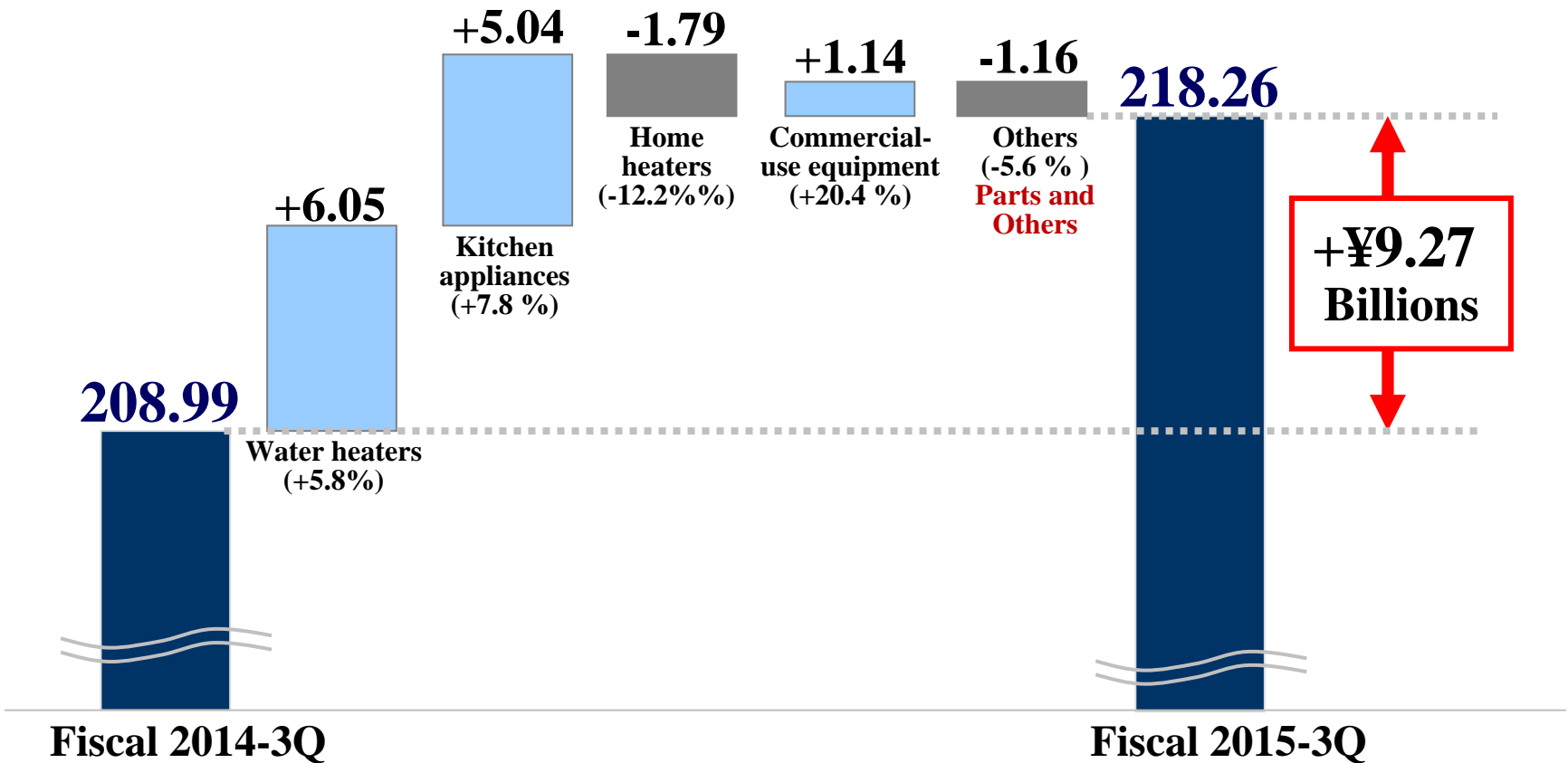
[Billions of yen]



- Year-on-year increase in net sales for fifth consecutive period, to record-high cumulative three quarter figure
- Maintained high income margins; ongoing stable growth trend

Fiscal 2015 (3Q): Consolidated Net Sales by Products ₃

[Billions of yen]



- **Water heaters:** Healthy sales in China and South Korea; weak sales in Japan due to lack of growth in busy period
- **Kitchen appliances:** Significant increase in sales of tabletop cookers due to consolidation of Rinnai Indonesia

Fiscal 2015 (3Q): Consolidated Sales/Income Results 4

[Billions of yen]

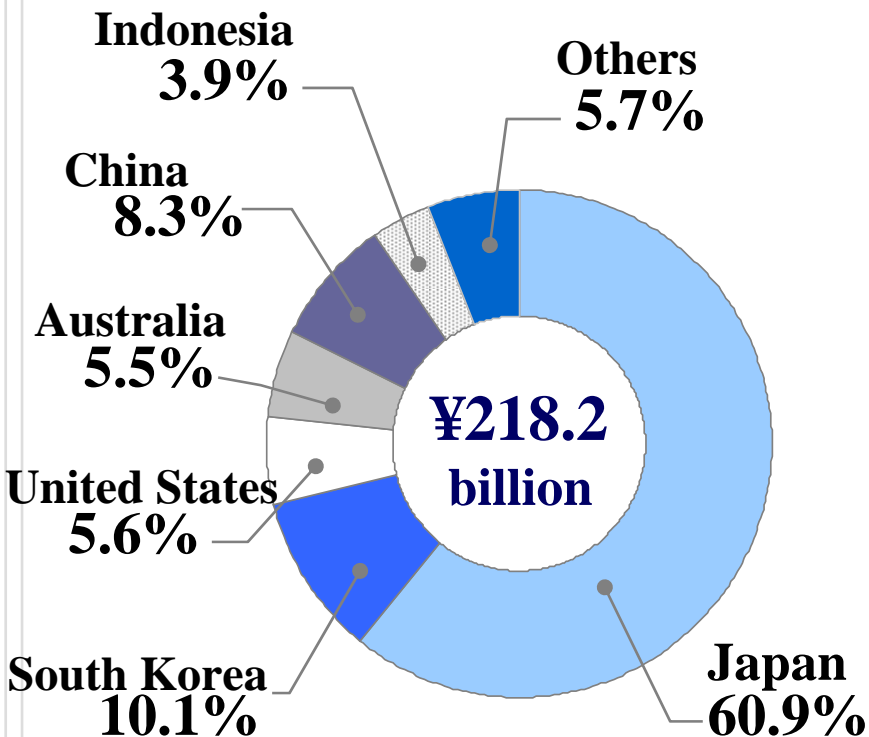
	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	218.26	+4.4%	23.73	-2.7%	10.9%	-0.8P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	142.64	-4.9%	14.78	-12.8%	10.4%	-0.9P
Domestic	76.09	+0.2%	2.20	+1.4%	2.9%	+0.0P
Overseas	91.20	+28.0%	6.97	+35.4%	7.6%	+0.4P
Total	309.94	+4.3%	23.96	-1.3%	7.7%	-0.4P

Consolidated Net Sales by Geographical Segment

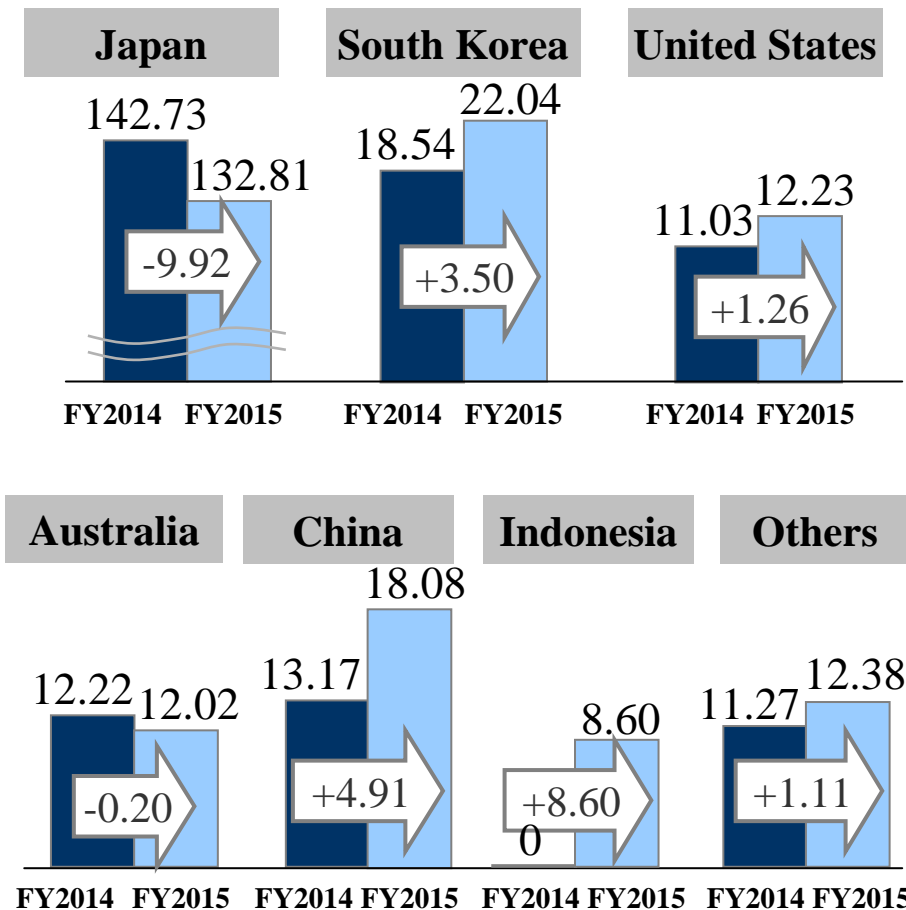
Fiscal 2015-3Q Consolidated Net Sales



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

YOY Change by Geographical Segment

[Billions of yen]



Sales by Business Segment (Water Heaters)

[Billions of yen]	Fiscal 2014 3Q	Fiscal 2015 3Q	YOY Change
Japan	64.24	61.49	-4.3%
South Korea	6.85	8.93	+30.3%
United States	10.14	11.00	+8.4%
Australia	6.12	6.51	+6.3%
China	10.67	15.17	+42.2%
Others	5.61	6.60	+17.6%
Total	103.67	109.73	+5.8%

Composition ratio : 50.3%



- **Japan:** Intensified competition for 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:** Increased sales of high-efficiency boilers for floor heating, especially in housing projects

Sales by Business Segment (Kitchen Appliances)

Composition ratio : 31.8%



[Billions of yen]	Fiscal 2014 3Q	Fiscal 2015 3Q	YOY Change
Japan	54.18	48.90	-9.7%
South Korea	5.40	6.98	+29.2%
China	2.00	2.41	+20.8%
Indonesia	-	8.01	-
Others	2.78	3.09	+11.1%
Total	64.37	69.42	+7.8%



Japan



South Korea



Indonesia

- **Japan:** Consumption tax hike caused decline in sales, especially of tabletop cookers
- **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 3Q	Fiscal 2015 3Q	YOY Change
Japan	8.75	7.34	-16.2%
South Korea	0.13	0.07	-45.7%
United States	0.80	1.16	+45.9%
Australia	4.39	3.69	-16.8%
Others	0.61	0.63	+2.1%
Total	14.70	12.91	-12.2%

Composition ratio : 5.9%



Japan

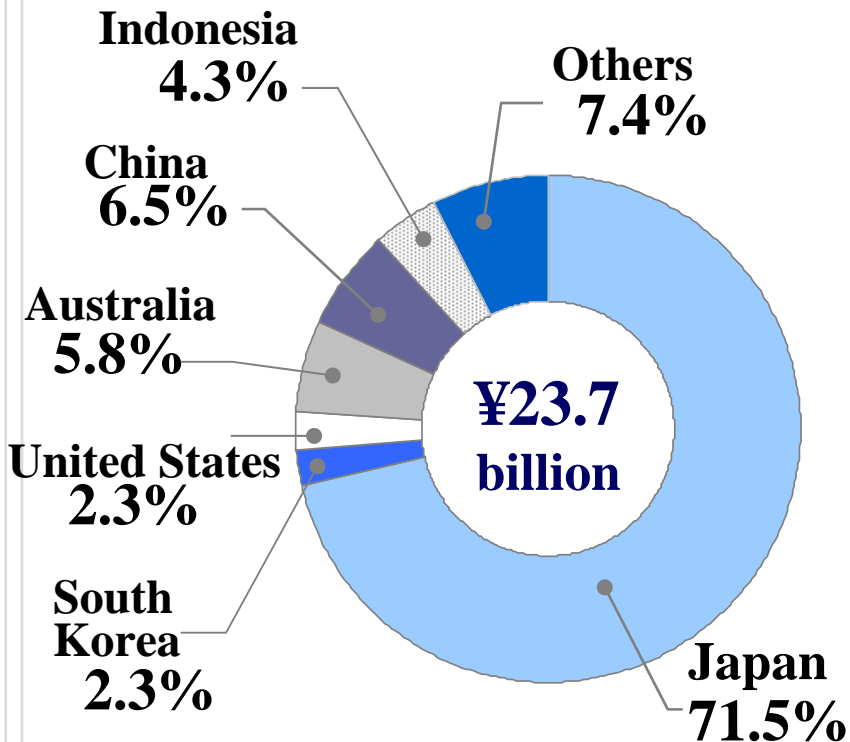


Australia

- **United States:** Growth in unit sales of fan-forced heaters due to cold snap at beginning of 2014
- **Australia:** Decline in sales of heaters due to record-breaking warm winter
- **Japan:** Decline in unit sales of mainstay fan heaters

Consolidated Operating Income by Geographical Segment

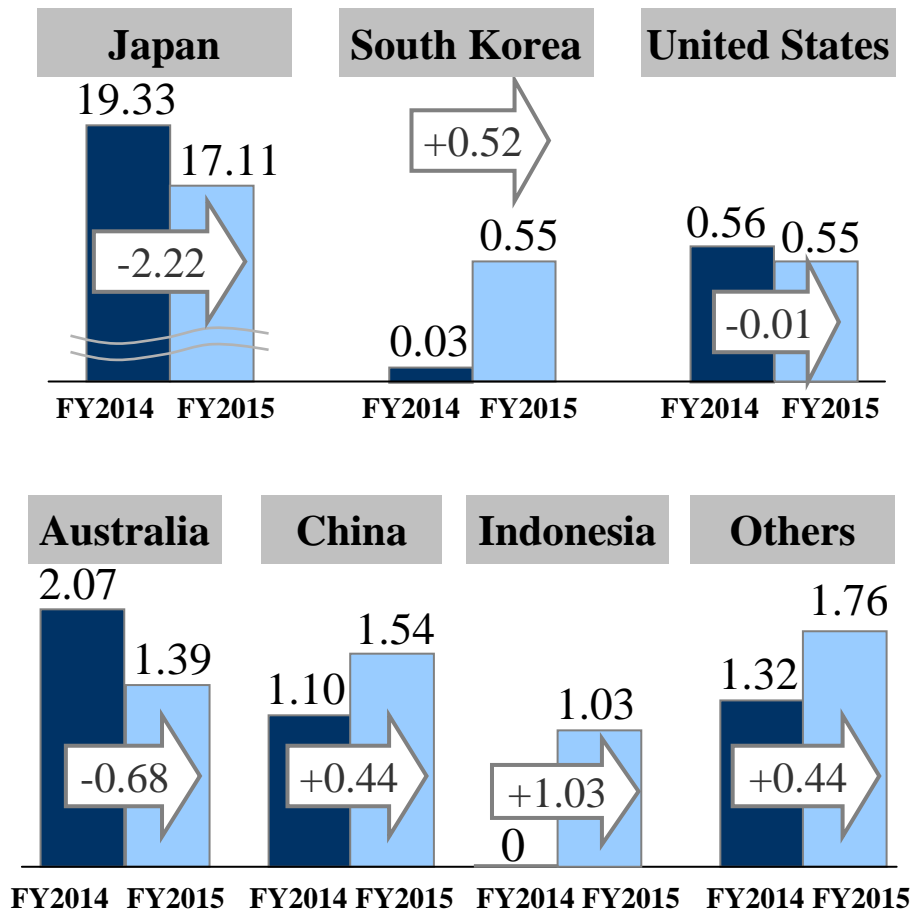
Fiscal 2015-3Q Consolidated Operating Income



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

YOY Change by Geographical Segment

[Billions of yen]

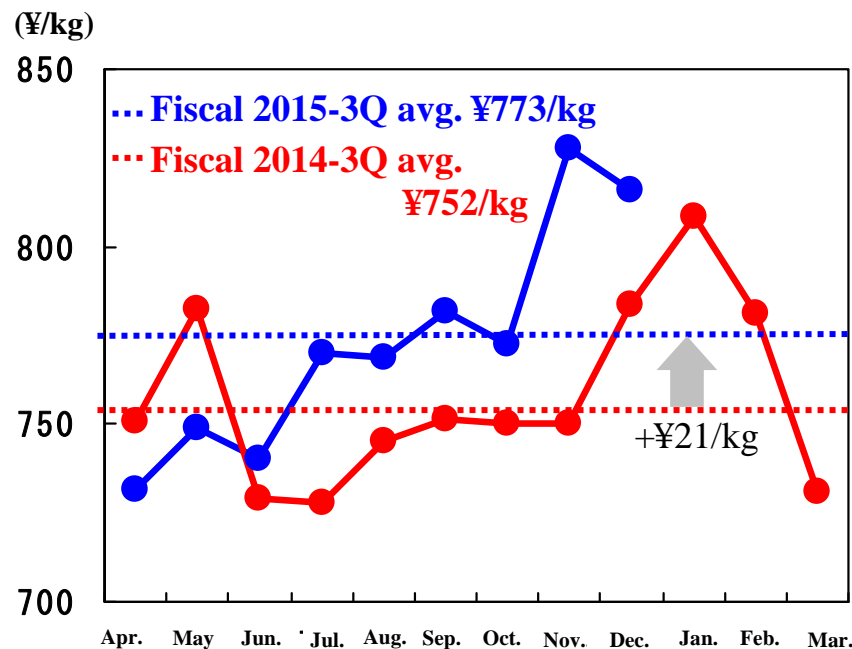


Electrolytic Copper

- Higher than last year but expected to remain below initial forecast of ¥820/kg

[yen]	Fiscal 2014 3Q avg.	Fiscal 2015 3Q avg.	YOY change
Avg. price	752	773	+2.7%

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

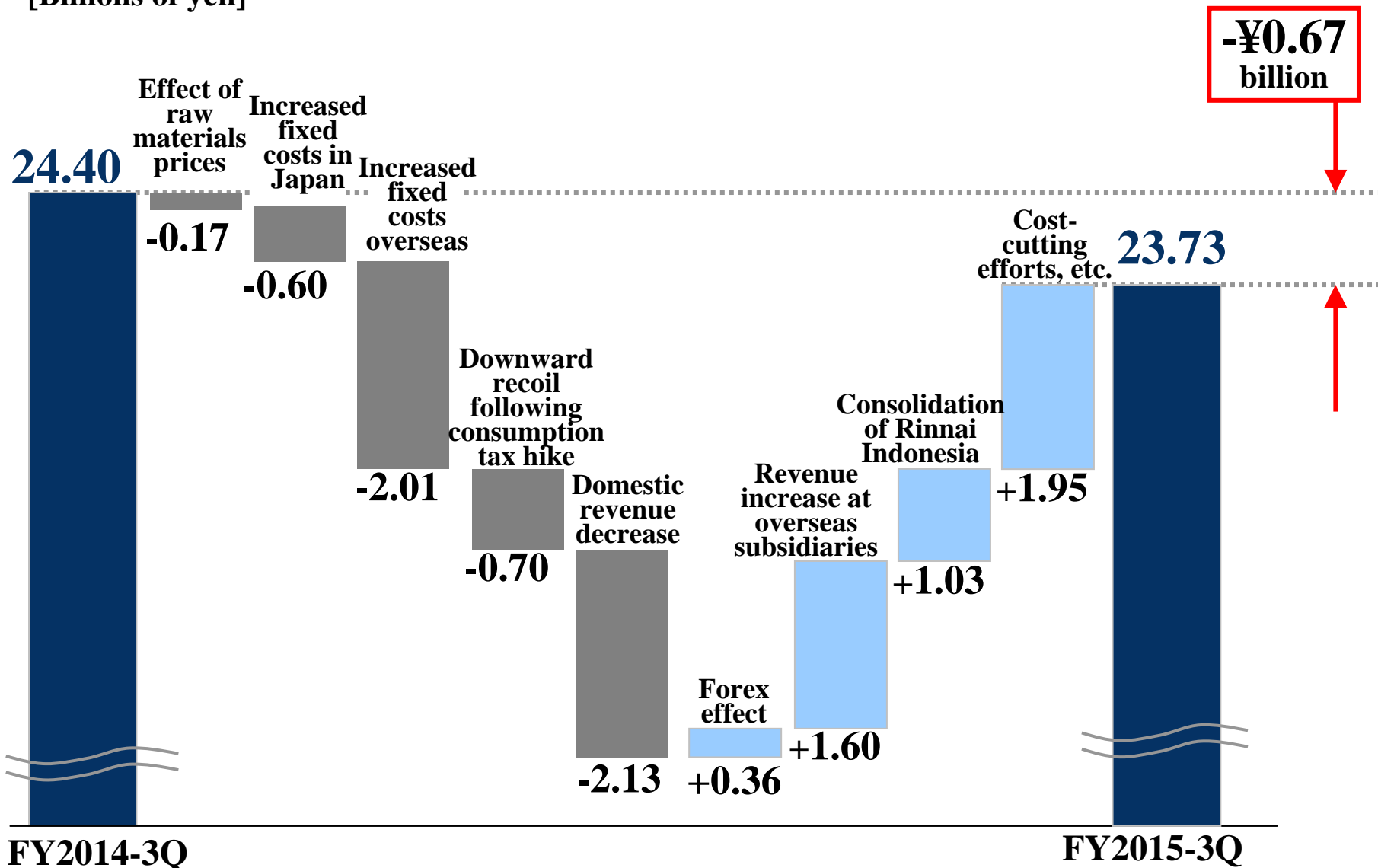


Steel

- Iron/steel prices expected to remain at previous-year levels, despite requests for price hikes

Fiscal 2015 (3Q): Consolidated Operating Income

[Billions of yen]



Fiscal 2015 Revised Performance Forecasts (Full Year) 12

(Billions of yen)	Net Sales	Operating Income	Ordinary Income	Net Income
Previous forecast (A)	313.0	36.5	37.8	23.8
Revised forecast (B)	295.0	30.5	33.0	20.2
Difference (A-B)	-18.0	-6.0	-4.8	-3.6
Change (%)	- 5.8%	-16.4%	-12.7%	-15.1%
Year ended March 31, 2014 (actual)	286.9	34.0	36.9	23.2
YOY Change (%)	+2.8%	-10.3%	-10.6%	-13.1%

- Full-year performance forecasts revised downwards due to lower-than-expected demand in Japan

**New model
ECO ONE**

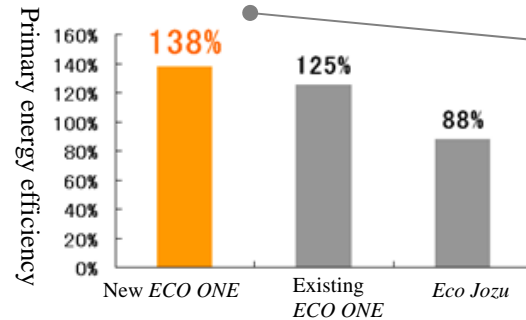
Single hybrid
17.4kW heating capacity
System price: ¥800,000 (pretax)
Launch: April 2015



◆ Easier to install

- Exceptionally easy to install, requiring less work time
 - Shorter assembly time for tank unit assembly owing to lower number of screws
 - Test operation automated, so less time for hot water supply trial run
- Allows for flexible layouts
 - Configuration can be changed, enabling installation in narrow spaces

◆ Hot water supply: 138%^{※1} primary energy^{※2} efficiency achieved!

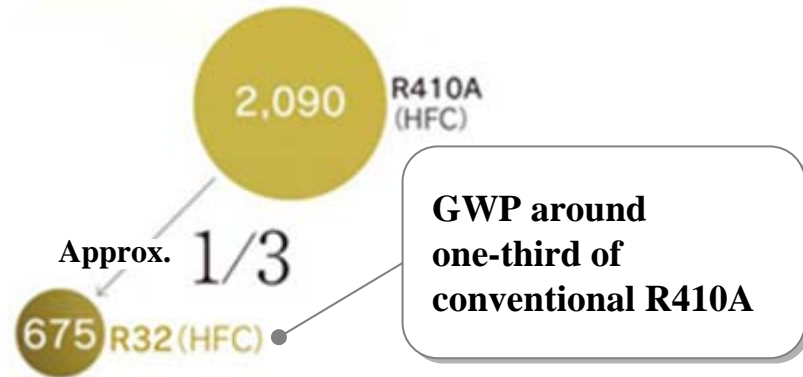


Industry's highest primary energy efficiency delivers exceptional energy-saving performance

*1 Ratio of hot water produced vis-à-vis primary energy consumed
*2 Standards determined by housing construction companies, Institute for Building Environment and Energy Conservation (six zones)

◆ R32 adopted for heat pump coolant

Global warming potential (GWP)



GWP around one-third of conventional R410A

HFC coolant: Hydrofluorocarbon (Freon alternative)

Bathroom Heater/Dryer

Perfect for bathrooms in cold climates
Room heater provides peace of mind when entering bath



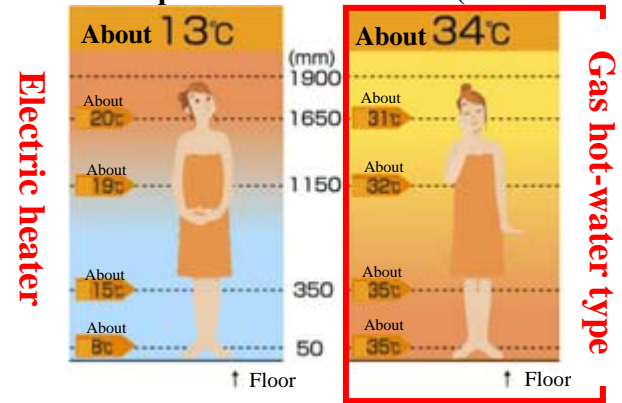
Ceiling-embedded type



Wall-mounted type

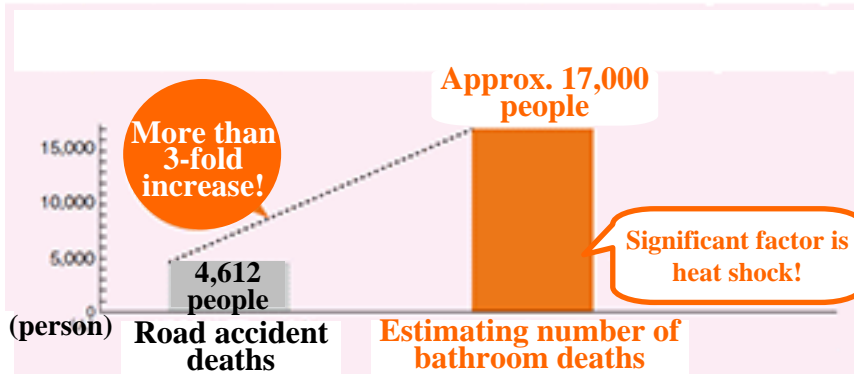
◆ Swiftly raises bathroom temperature

Bathroom temperature distribution (after 15 minutes)



Test conditions: Unit bath 1616 type; outside temperature 5°; averaged at 650mm or less from floor (tests done by Toho Gas Co., Ltd.)

◆ Helps prevent heat shock by alleviating bathroom coldness



Road accidents deaths vs bathroom deaths (2011)

(Source: Tokyo Metropolitan Institute of Gerontology)

◆ Post-bath drying prevents bathroom mold and odors



Models with Plasmacluster Ion function also eliminate mold bacteria in the bathroom air.

* The Plasmacluster Ion logo and name (in Japanese and English) are registered trademarks of Sharp Corporation.

◆ Dries clothes properly even on rainy days



Dries clothes in one-quarter of the time (compared with bathrooms heated by electric heaters), and reduces utility cost.

Room Heater (Fan Convector)

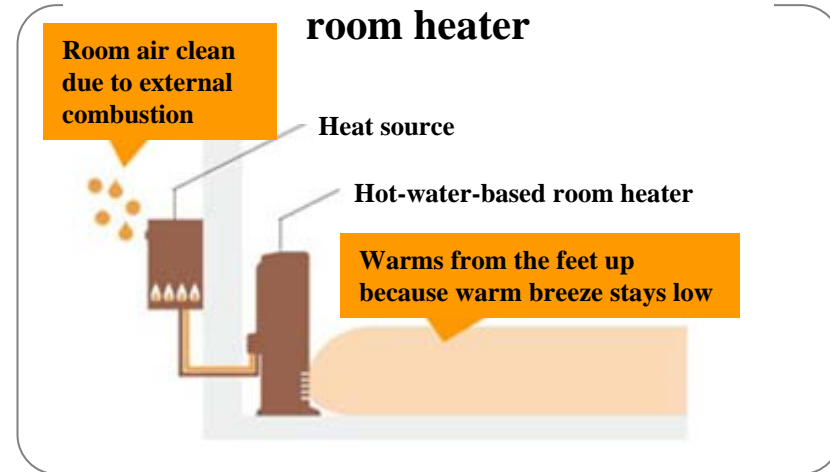
New product



Room Hotto
ルームほっと

RFM-Y60EA
RRP: ¥96,000 (pretax)
Launch: April 2015

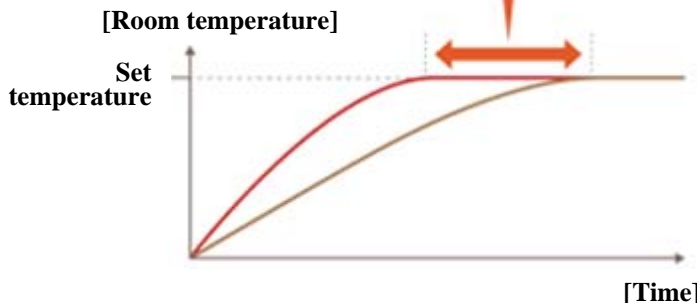
Heating using hot-water-based room heater



◆ Warms the room up quickly (“Fast Warm” mode)

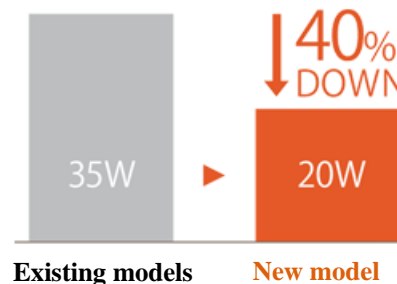
- Better warming capacity than conventional products (5.1kW→5.6kW)
- “Fast Warm” mode warms room instantly to set temperature after switching on

Swift room heating thanks to “Fast Warm” mode

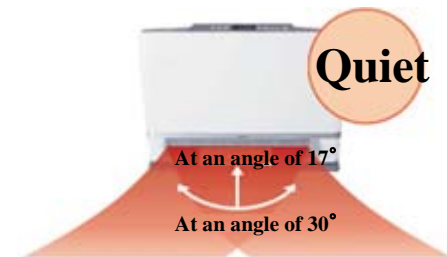


◆ Reduced power consumption and operating noise

- Uses a highly energy-efficient DC unit for the fan motor, reducing power consumption by 40% compared with existing models



- Quieter than existing models (“Strong” mode: 42db → 40db)



Water Heater with Heating System

New product



Eco-Jozu

Gas water heater with heating system

RUFH-E2405AW2-3

Recommended retail price:
¥426,000 (pretax)

Launched: December 2014

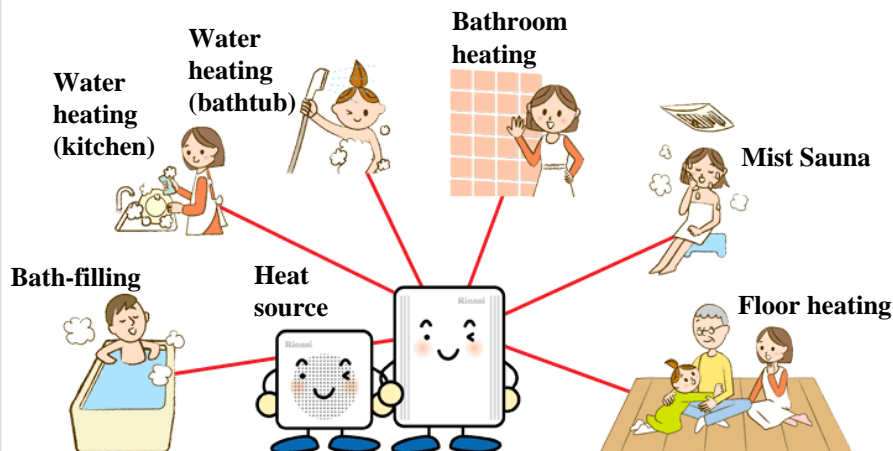
◆ **Lowest weight* in industry achieved***
Individual components (including burner) made more compact, thus reducing overall weight by 12%, or 4.5kg, compared with existing model (38.5kg)

* According to research by Rinnai Corporation as of December 2014, for *Eco Jozu* water heater with heating system of standard size (height 750mm)

◆ **Delivers highest levels of heat efficiency in industry**

95% for water heating; 87% for room heating

◆ **Heating system can be expanded in various ways**



◆ **Relentless pursuit of quality**



Rinnai harnessed its comprehensive strengths to develop the new E Series, which represents the next generation in quality. In our relentless pursuit of quality, we will earn the trust and meet the needs of customers.



Built-In Hobs (stovetops)

High-end



DELICIA

Launched:
August 2014



**DELICIA
GRILLER**

Launched:
September 2014

Mid-range



LiSse

Launched:
September 2014



Practically all respondents in our gift campaign selected the Cocotte (selected with coupon tickets)

New vessels compatible with our cookers



Grill plate

Substitutes as a gridiron to simplify reheating of cooked food; non-fry cooking, making toast, etc.



Cocotte Dutch Oven

Lighter-weight Cocotte Dutch Oven enables full-scale grilling



Cocotte

Delicious direct-flame grilling; perfect not only for grilled fish but also non-fry cooking, meat patties, etc.

New cooking vessels allow simple preparation of diverse meal options

Range Hood

Industry first ^(*1) Fitted with “Oil Smasher” unit, OGR Series

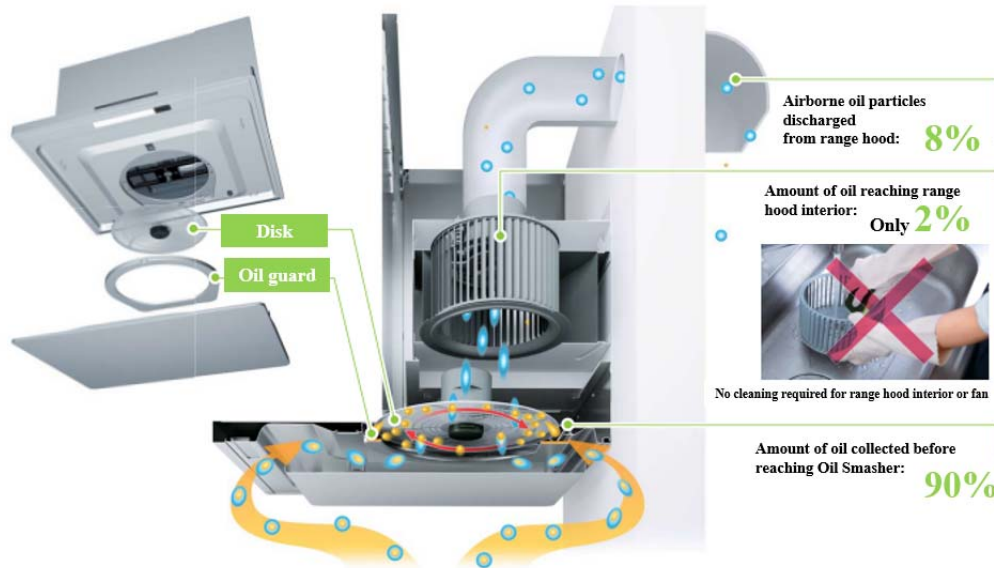
*1: Among domestic exhaust range hoods (according to Fuji Industrial Co., Ltd.), as of November 2013

Easy to clean

Blocks entry of oil into range hood interior
No cleaning required^(*2) for range hood interior or fan



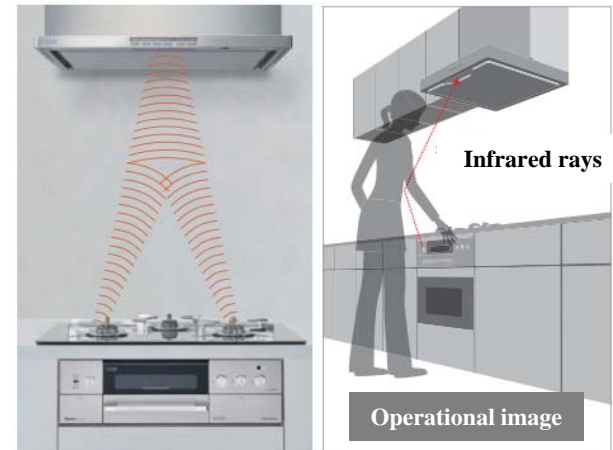
*2: One year of grime buildup in existing models equates to 10 years of grime in OGR Series.



75% reduction in cleaning time
70% reduction in water required for cleaning

Range hood linked with cooking hob

Range hood operation (start, stop, illuminate) automatically synchronized with hob operation (flame on/off)



Switches linked,
failure to turn not a problem



Tabletop Cookers

One-Piece Top Series
ワンピーストップ



RT63WH5T
Recommended retail price:
¥63,800 (pretax)

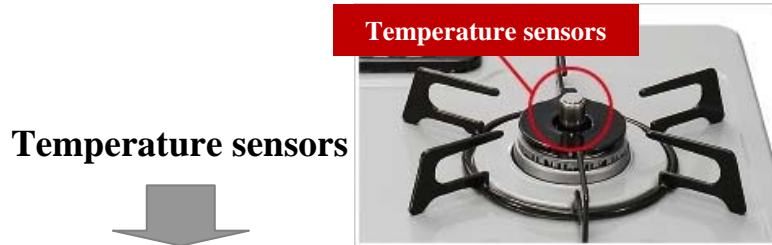
◆ Easy to maintain; always clean

Difficulty for spills to accumulate (sloping design)

Spills shut out
Burner ring
No gaps! Top plate

Conventional stoves
Wide gap!

◆ Temperature sensors (Si sensors) fitted to all burners



Temperature sensors



- Automatically shuts off flame if user forgets
- Prevents overheating and fires from tempura oil
- Shuts off flame when food starts burning

◆ Easy and enjoyable cooking



Easy to clean

Water-less grill
(Grill can be used without using water)



Automatic timer shuts off flame



Automatic rice cooking

Capital Expenditure Status

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

Manufacturing and development



Bathroom heater/dryer



Akatsuki Factory

【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

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 Kansai Branch

Overseas: strengthen local infrastructure to meet growing demand

- **China:** New Shanghai Factory under construction (completion 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 (plan)	Fiscal 2015 Three quarters (actual)	YOY Change
Capital expenditure	16,400	10,114	+2,203
Depreciation and amortization	9,700	6,633	+668
R&D expenses	8,700	6,455	+220

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.