



# Business Outlook

**Rinnai**

May 11, 2011

## Medium-Term Business Plan, “Reform and Breakthrough” (Apr. 2009 – Mar. 2012)

Fiscal 2010

Fiscal 2011

Fiscal 2012

**Reinforce operating foundation through core reforms that envisage economic stagnation.**

**Make global breakthroughs as a comprehensive heat-energy appliance manufacturer amid emerging environmental and energy-saving trends and growth of emerging countries.**

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

**Inheriting the “Rinnai Way”(Spirit)**

“Heat and life” “Quality is our destiny” “Contributing to local

Heat appliances are fundamental to our everyday lives

## Kitchen appliances



## Air-conditioning products



## Hot-water units



## Commercial-use products

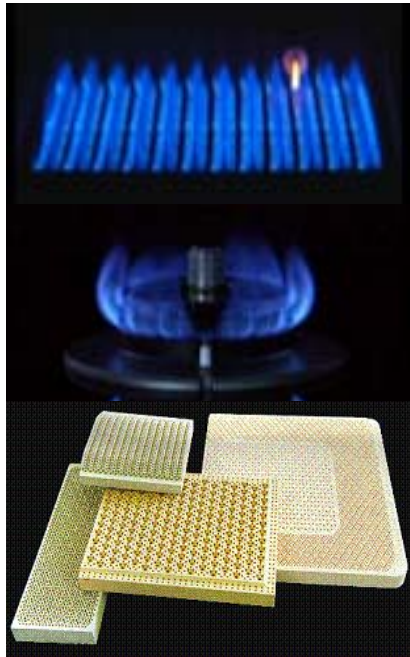


**We develop and supply high-quality heating appliances optimized for the lifestyles, climate, and energy resources of each country.**

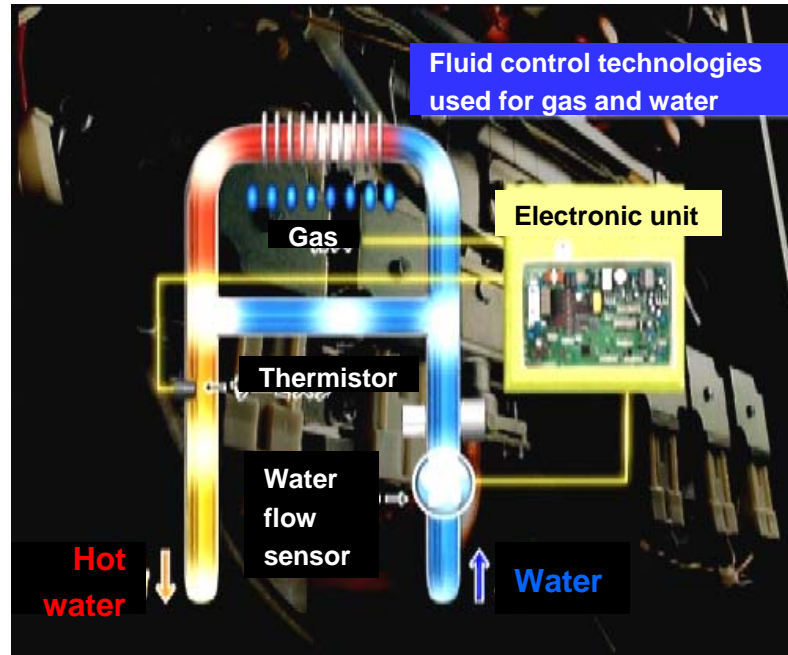
# Commitment to Quality = Commitment to Core Technology **Rinnai**

Motivated by an uncompromising commitment to quality, Rinnai develops and produces core components in-house in line with its commitment to key technologies for creating and controlling heat.

## Combustion control

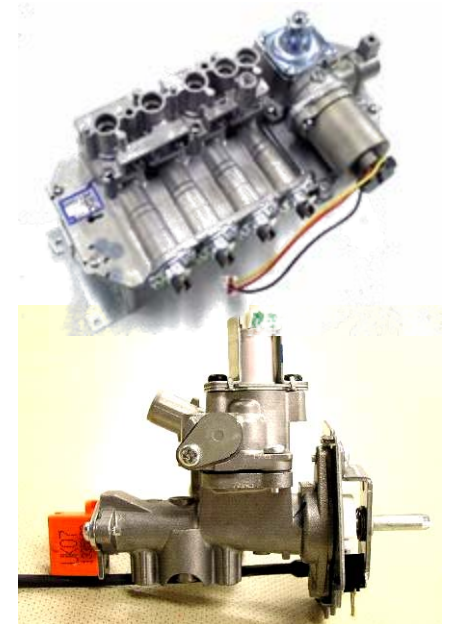


## Heat exchange



## Temperature control

## Fluid control



We use sensors and electronic units to achieve precise heat control, we pursue total safety and zero defects.



# Commitment to Quality

= Commitment to Manufacturing Products

**Rinnai**

Rinnai's commitment to manufacturing core components that affect quality is reflected in its integrated production system, which encompasses everything from raw materials to assembly of the final product.

Integrated production

Just-in-time production and supply

In-house production

Streamlined production



- \* We undertake exhaustive quality control by manufacturing core units and components within the Rinnai Group.
- \* We also undertake the in-house development, improvement, and maintenance of key production equipment, molds, and information systems.

**Using our own production and logistics systems,  
we deploy just-in-time production and supply  
and individuals controls for each and every item we make.**

## Basic Policy: Local Production and Sales

Manufacturing and sales companies (10 countries) and Sales Companies (7 countries) in 16 Countries  
 (\*The following chart indicates principal companies)



**Rinnai receives strong worldwide acclaim  
 for the quality of the products.**

## Positive factors

- Reassessment of electricity and gas energy balance due to nuclear accident in Japan
- Slow-down in “all-electric home” demand amid power shortages
- Japan: Healthy replacement demand and rising number of households
- Emerging nations: Growing heat appliance demand due to rising living standards and populations
- Industrialized nations: Growth in high-efficiency appliances due to expedited environmental and energy-saving measures by governments

## Negative factors

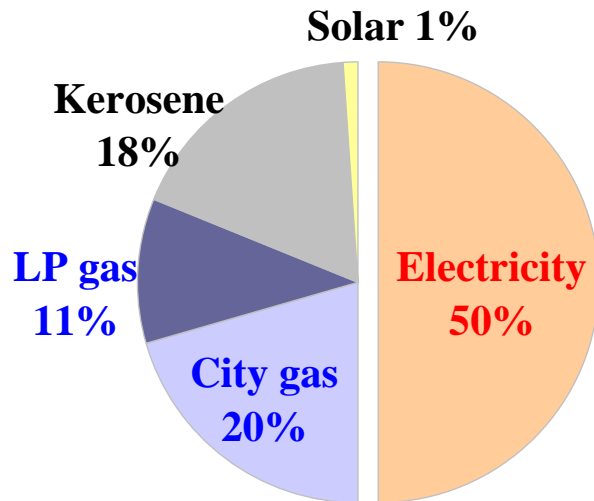
- Rising prices of raw materials (electrolytic copper assumed 860yen/kg; steel materials also rising)
- Exported products impacted by strong yen
- Unstable supply chain for housing materials due to earthquake



- **Domestic demand firm; overseas demand expected to continue growing**
- **Cost-cutting to help improve profitability despite rising raw materials prices**

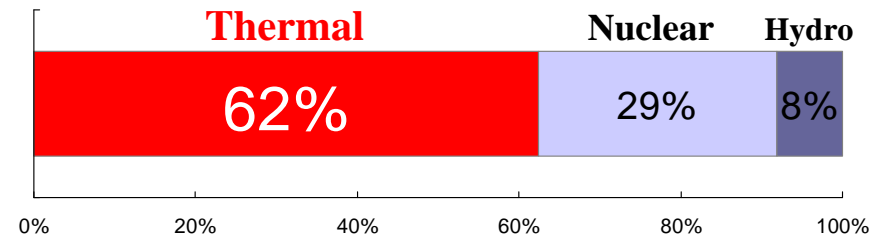
## Environmental impact of home energy usage

### Home energy sources



Source: Prepared by Rinnai based on "Energy White Paper 2010"  
(Agency for Natural Resources and Energy,  
Ministry of Economy, Trade and Industry)

### Power generation breakdown



Thermal power generation to increase after earthquake

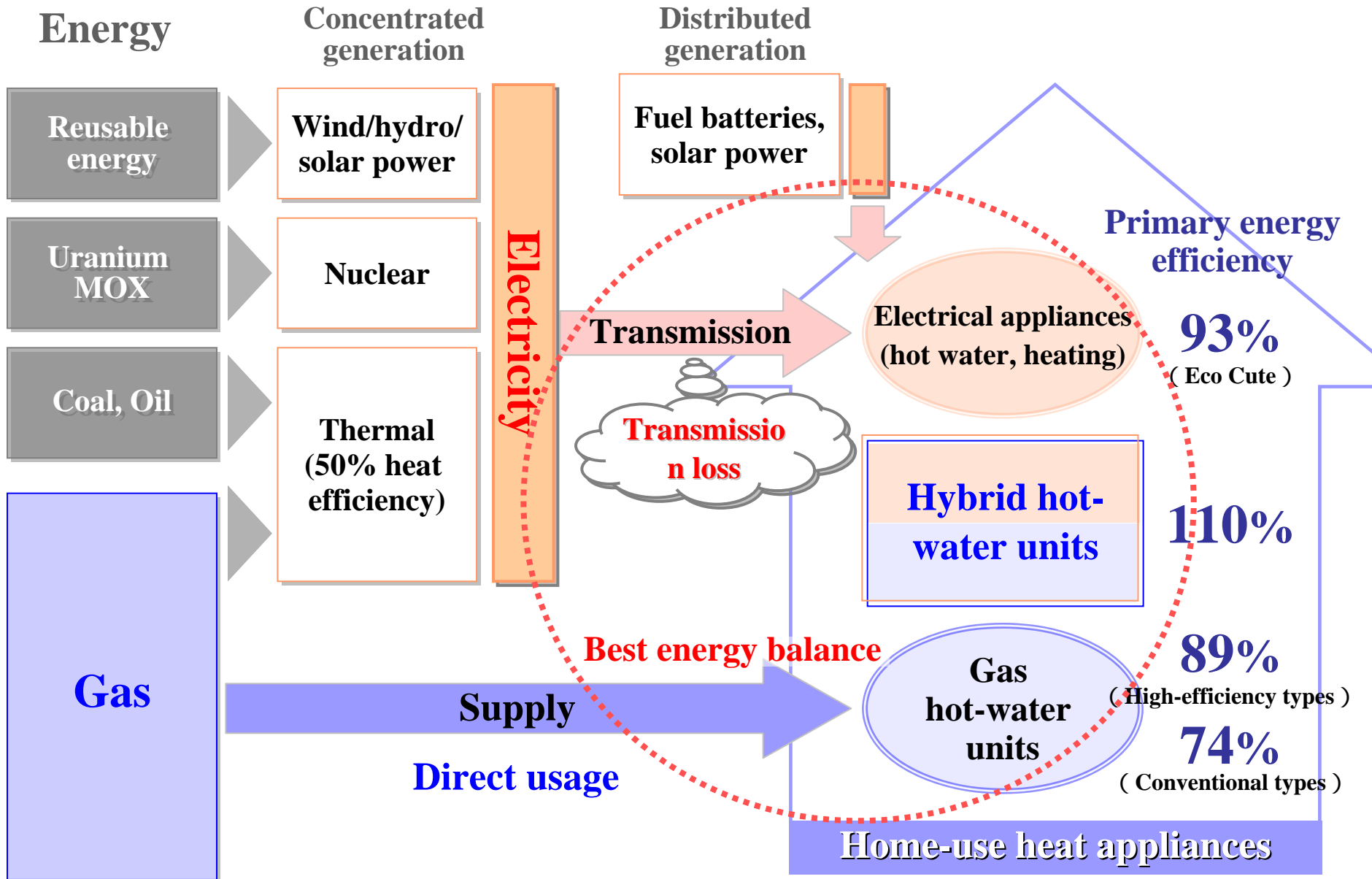
### Thermal power generation

- Fuel: Coal, LNG, oil
- Energy loss during generation: 60%
- CO<sub>2</sub> emissions: 30% of national total

**If electricity demand increases, CO<sub>2</sub> emissions will rise further due to dependence on thermal power generation**



# How Rinnai Helps Save Energy and Reduce CO<sub>2</sub> Emissions **Rinnai**



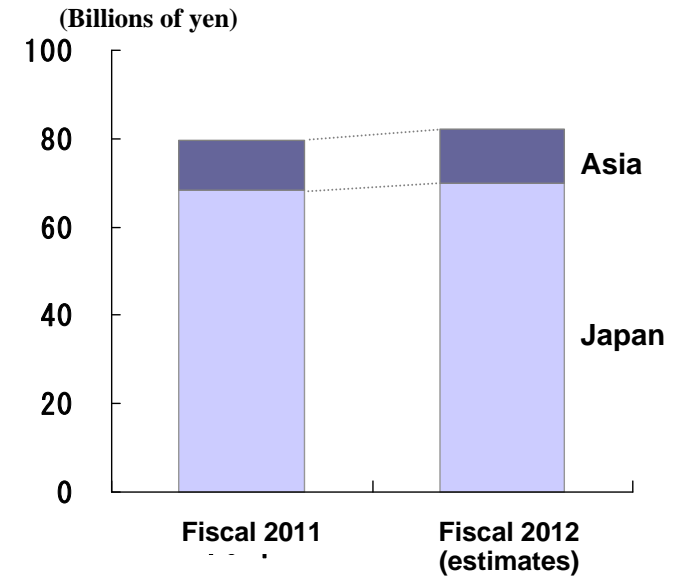
## 《Consolidated》

(Billions of yen)		Fiscal 2010	Fiscal 2011		Fiscal 2012
		Results	Revised forecasts	Results	Plan
Net Sales		226.1	240.0	239.4	248.0
Break down	Domestic	154.6	167.0	159.4	162.0
	Overseas	71.4	73.0	79.9	86.0
	(overseas ratio)	31.6%	30.4%	33.4%	34.7%
Operating income		20.3	24.5	25.2	27.0
Operating income ratio		9.0%	10.2%	10.5%	10.9%

**Fiscal 2012: Targeting increases in both sales and income**  
 (based on assumption of sustained growth in Japan and overseas)

(Billions of yen)	Fiscal 2011 results	Fiscal 2012 estimates	YOY change
Japan	68.4	69.9	+ 2.2%
Asia	11.1	12.1	+ 8.4%
Total	79.6	82.0	+ 3.0%

## Net Sales



### Japan



### China



### ASEAN

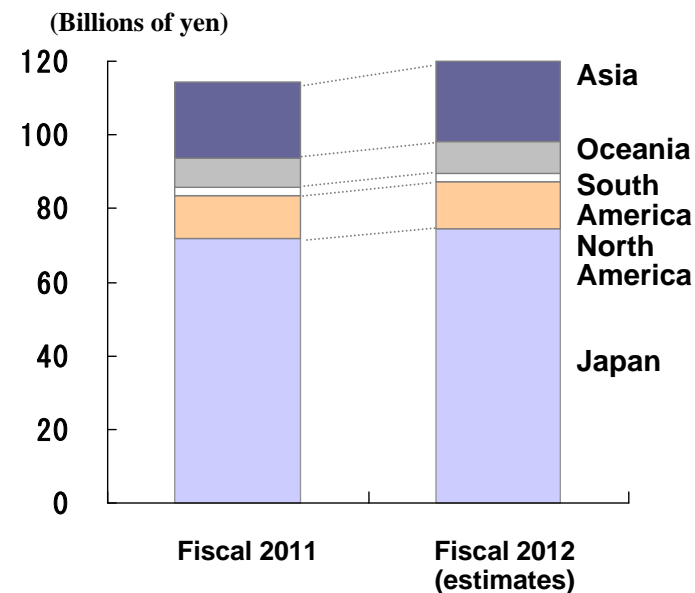


### Korea



(Billions of yen)	Fiscal 2011 results	Fiscal 2012 estimates	YOY change
Japan	71.9	74.4	+ 3.5%
North America	11.7	12.7	+ 9.9%
South America	2.3	2.6	+ 14.0%
Oceania	7.8	8.5	+ 8.1%
Asia	20.6	21.9	+ 6.0%
<b>Total</b>	<b>114.5</b>	<b>120.0</b>	<b>+ 4.8%</b>

## Net Sales



Japan

America

Australia

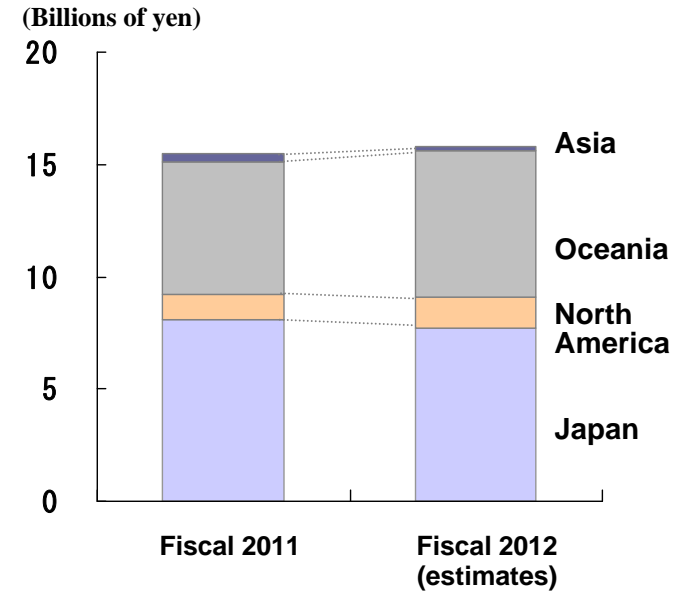
Korea

China



(Billions of yen)	Fiscal 2011 results	Fiscal 2012 estimates	YOY change
Japan	8.1	7.7	- 4.7%
North America	1.1	1.4	+ 26.6%
Oceania	5.9	6.5	+ 8.7%
Asia	0.4	0.2	- 35.2%
<b>Total</b>	<b>15.7</b>	<b>16.0</b>	<b>+ 1.6%</b>

## Net Sales



Japan



North America



Australia



New Zealand



# Product Trends in Japan



# Lineup of Built-in Stoves

High-end

DELICIA Series  
**DELICIA**



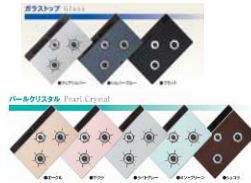
DELICIA  
**GRILLER**



*Udea* ユーディア

Mid-range

Mytone Plus  
**Mytone+**



General market

Mytone  
**Mytone**



Metal  
メタル  
**Metal**



## New DELICIA

おいしいという名のガスコンロ。

# DELICIA

- Heat-resistant glass top
- Burner eliminates smoke and odors
- Enhanced ease of cleaning inside grill
- Illuminated panel
- 1.5 times capacity of Dutch oven



## Spill catcher-less type standard across all grades



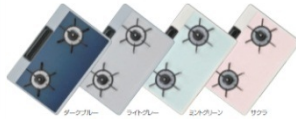
### Glass top



### Pearl Crystal

(Enameled type)

### Pearl Crystal



### Metal top

(Fluorine top-coat)



60cm-width type

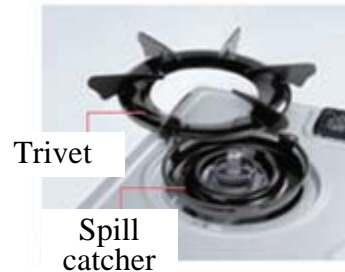
### 56cm-width type for general market price range



Fluorine-coated, compact 56cm  
(Water-type, single-side burning grill)

### Smooth fluorine coating Spill catcher-less type

Absence of spill catch  
makes cleaning easier

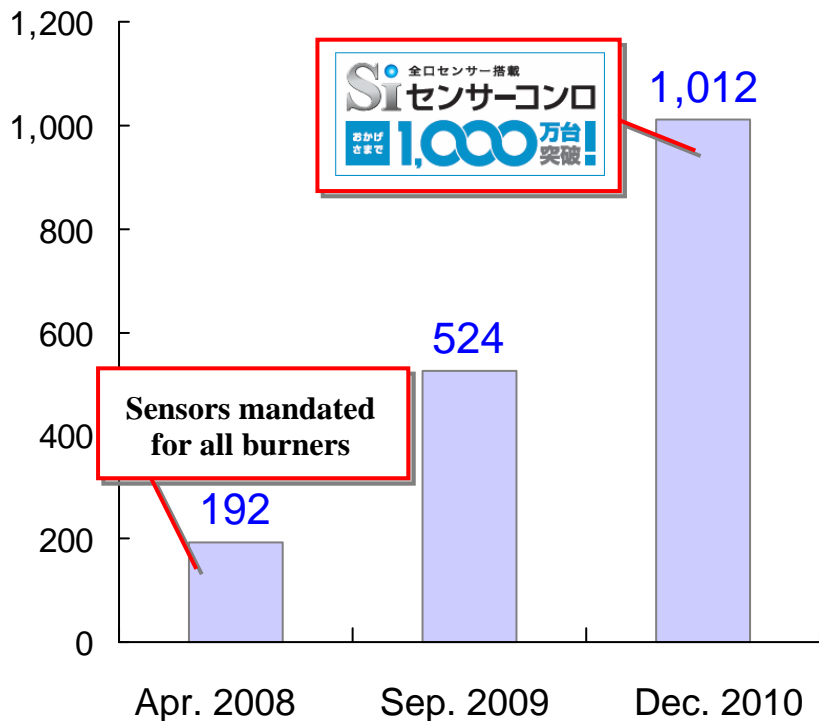


## Thanks for Proliferation of Silicon Sensor Stoves

Due to legislation in 2008, cumulative industrywide shipments have topped 10 million units! Improved safety of gas stoves has led to decrease in fires.

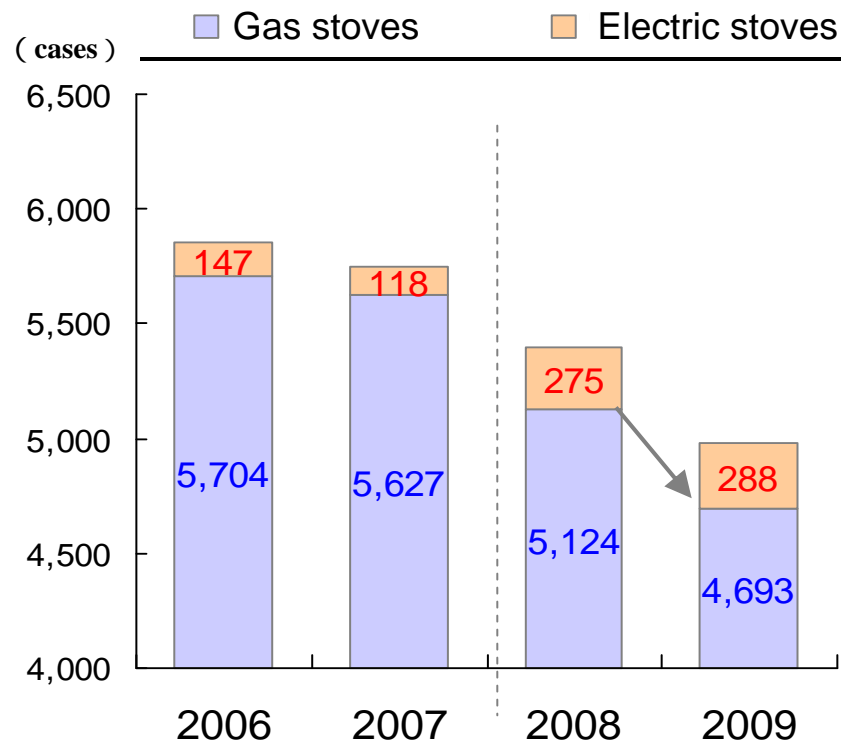
### Si-sensor Stoves: Cumulative shipments

( 10 thousand units )



Source: Japan Industrial Association of Gas and Kerosene Appliances (materials compiled by Rinnai)

### Fires Caused by Stoves (gas, electricity)



Source: Firefighting White Paper 2008-2010, Fire and Disaster Management Agency, Ministry of Internal Affairs and Communications (materials compiled by Rinnai)

【Launched on April 1, 2011】

Plasmacluster Mark and Plasmacluster are trademarks of Sharp Corporation.



## Dishwasher/dryers with advanced functions: Plasma cluster technology and sodium bicarbonate wash mode

キッチンが、  
また進化する。



Plasma cluster operation keeps dishes clean

Double-disinfection steam wash greatly boosts disinfectant effect!

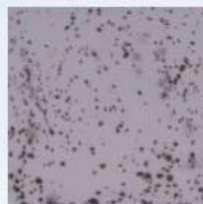
Sodium bicarbonate wash mode: Natural materials give peace of mind

Fitted with tower washer for low-temperature wash course

“Operation Status Lamp” keeps you informed of operation status

### Mold suppression effect

Natural state



Fungus spreads to 50–100% of total surface area

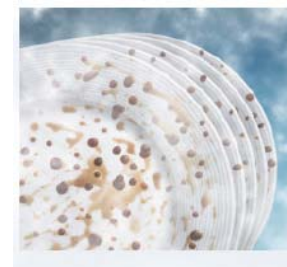
Plasma cluster ion



Fungus spreads to 0–25% of total surface area



### Steam clean



(Image photos only)

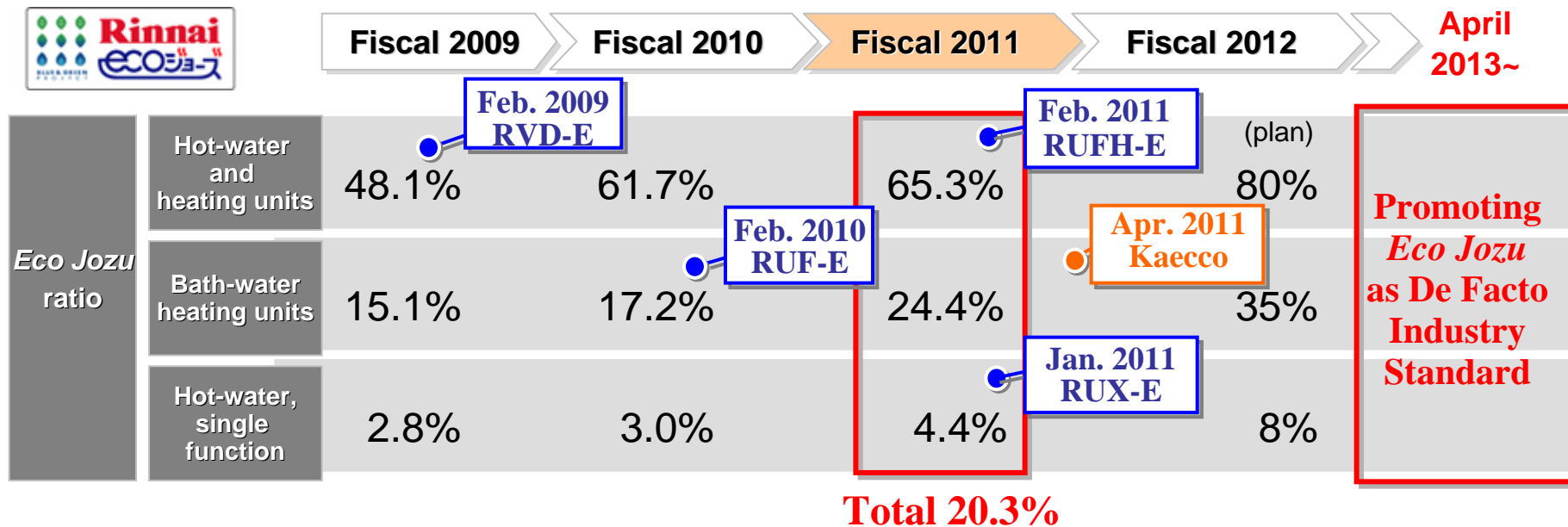
## Voluntary Industry Standard



**Introduction of high efficiency in all hot-water units**  
**Complete changeover to *Eco Jozu* by the end of March 2013**

## Rinnai Initiative

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



## Eco Jozu E Series: 5<sup>th</sup> series

【Launched on April 21, 2011】

Replacement-type *Eco Jozu* for multiple dwellings: Drain discharge easier than ever, for eco-friendly, comfortable bathing experiences even in multiple dwelling buildings



Drain discharge switching unit negates need for drainpipe modification in existing PS

## Arrival of new RUF-TE Series

**Simple-construction “drain discharge switchover system”**  
(Uses reheating the bath pipes to deliver bathwater to bathroom drain)

**92% bathwater heat efficiency (highest in the industry <sup>\*1</sup>)**

<sup>\*1</sup> As of April 2011 (according to Rinnai’s research)

**Lightweight**

(thanks to newly developed heat exchanger and new-style DC pump)

**“Eco Signal” keeps bathwater at optimal level**

**Easy to install with wide range of option settings**



# “Electricity” + “Gas” Hybrid Hot-Water Unit

**Rinnai**

## Rinnai proposition:

“Environmentally friendly living, available right now”

High heat efficiency (360% max.)  
Energy from the air  
**Heat pump**



Powerful and speedy  
Energy from gas  
**Eco Jozu**



**Energy-saving**

Primary energy efficiency  
**110%**

**Eco-friendly**

Max. CO<sub>2</sub> emission  
**40% reduction**

**Economic**

Cost vs previous models  
**Less than 1/2**

**Comfortable**

Compatible with warm-water heating systems  
(floor/bathroom heating, etc.)

**Optimal product with “best energy balance”**

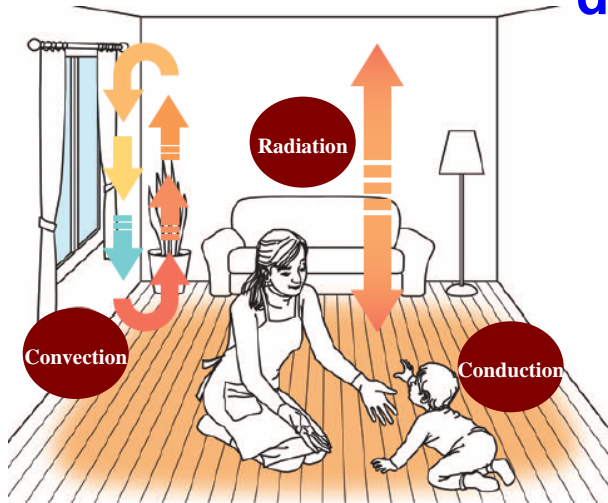
Extend Lineup with addition of models to give full-scale heating in cold regions  
(launched in April 2011)

In addition to general market models,  
we have rolled out systems for full-scale heating in cold regions

	Combined heater-tank model	Separated heater-tank model	
	10,000 kcal heating capacity model	10,000 kcal heating capacity model	15,000 kcal heating capacity model
General market	<p>ハイブリッド給湯器 エコワン ECO ONE</p>	<p>設置台は別売です。</p>	<p>設置台は別売です。</p>
Cold region model	<p>ハイブリッド給湯暖房機 エコワン ECO ONE</p> <p>World-first hybrid hot-water/heating system High heat efficiency (270% for hot water; 200% for room heating) Average of 10 panel radiators can be connected together Monitor unveiled in November 2010 (launched in April 2011)</p>		

# Comfortable Room Heating Using Warm Water **Rinnai**

## Combination of radiation, conduction, and convection heating delivers all-round warmth



**Radiation:** Warms core of body via far infrared rays  
(Far infrared rays reflect off walls and ceiling to spread around the room)

**Conduction:** Mainly warms the feet  
(Prevents warmth being limited to space near the ceiling.)

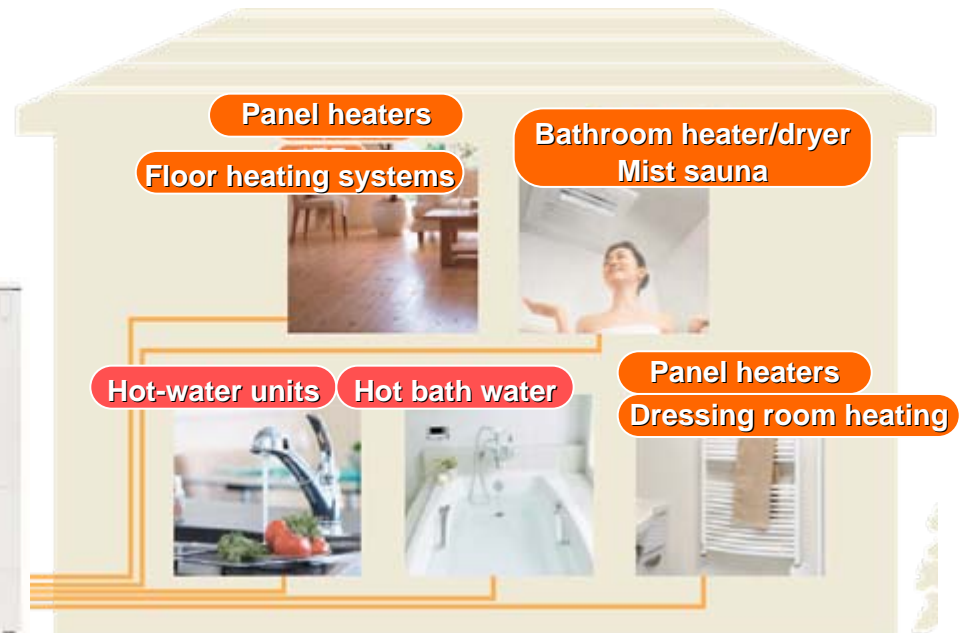
**Convection:** Helps elimination heat discrepancies in rooms  
(Cool air gets warmed at floor level, leading to natural air circulation.)

### Smart and comfortable with hybrid

If you use comfortable floor heating, then an efficient hybrid hot-water system is best.



ハイブリッド熱源 エコワン  
**ECO ONE**



# Hybrid Hot-Water Units: Eligible for “Home Eco Points” **Rinnai**

**ECO ONE hybrid hot-water unit: Meets “Top Runner” standard thanks to exceptional energy-saving performance!**

**Eligible for new  
“Home Eco Points”!**

Interest reduction gives  
greater savings  
**Flat 35S**  
(20-year interest reduction type)  
**eligible**

**“Top Runner” standard equivalent**

**“Next-generation energy-saving standard”  
Home insulation performance**

**Air-con, hot water, etc.  
Equipment energy-  
saving performance**



## Main points recognized

- 1 Primary energy efficiency up 20% vs previous high-efficiency gas units**
- 2 More than 100% primary energy efficiency nationwide (except Hokkaido)**
- 3 Top class in terms of CO<sub>2</sub> emission reduction**
- 4 Meets CY2013 home energy-saving standards even if floor heating adopted**

**Introduction of hybrid unit contributes greatly to recognition as energy-saving home**

**“Suzuchu” products: Gas kitchen appliances that minimize radiation heat**

**Cool, comfortable cooking with “Suzuchu (cool kitchen appliances)” series**



**Kitchen unit: Commercial-use kitchen system**

**Helping create high-efficiency kitchen spaces**

**Targeting performance focusing on flexibility**

Space-saving

More efficient

Easier to clean

Stylish

Easier to install

Freedom of variation

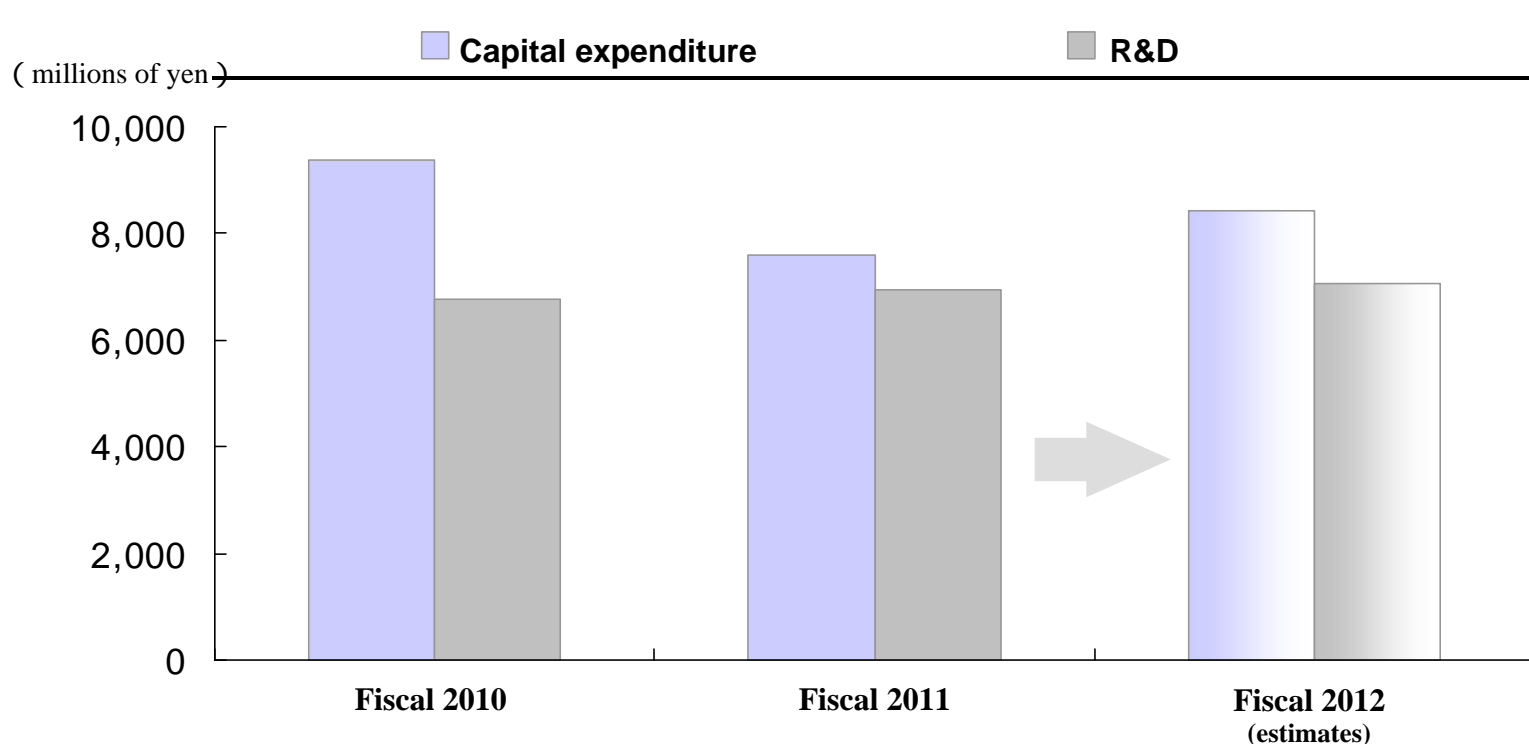


【Scheduled for August launch】

# Capital Expenditure Plan




# Consolidated Capital Expenditure Plan



## Investment aims

**Japan:** Expand facilities to increase productivity of core products (*Eco Jozu*, etc.)  
Extend facilities to address upgraded lineup of hybrid hot-water units

**Overseas:** Strengthen production systems to address rising demand and living standards in newly emerging nations ;  
Improve in-house manufacturing technologies and product quality levels at local overseas production facilities



**Rinnai will continue improving the lives of  
people around the world  
and contributing to the future of the planet  
by offering superior appliances  
with a focus on safety, peace of mind, comfort,  
and the environment.**

**Rinnai**

EXPERIENCE OUR INNOVATION

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