Rinnai

Business Outlook

May 10, 2013

Medium-Term Business Plan

Medium-Term Business Plan "Jump UP 2014"
(From April 1, 2012 to March 31, 2015)

Aims

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

- **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	Raise product quality in pursuit of zero defects
2	Raise versatility through reforms of development, production, and sales processes
3	Raise organizational strength 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%

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Medium-Term Business Plan, Targets

《Consolidated》

[Billions of yen]

		Actual	Medium-Term Business Plan "Jump UP 2014"			
		Fiscal 2012	Fiscal 2013 Target	Fiscal 2013 Actual	Fiscal 2014 Target	Fiscal 2015 Target
Net Sales		246.6	257.0	251.8	268.0	280.0
Breakdown	Domestic	168.2	172.0	172.9	176.0	180.0
	Overseas	78.4	85.0	78.9	92.0	100.0
Operating Income		26.6	28.0	26.3	30.0	33.0
Operating Margin		10.8%	10.9%	10.5%	11.2%	11.8%

"Jump Up" to the next generation by following a medium-to-long-term growth trajectory

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Comprehensive Heat and Energy Appliance Strategies

Gas equipment

Production bases:
Japan, Asia, Oceania, etc.

Electrical equipment

Production bases:
New Zealand
Southeast Asia
China
South Korea
Japan (range hoods, washing machines)

Solar equipment

Production bases:
Australia
Brazil

Hybrid equipment

Production bases:
Australia (solar + gas)
Brazil (solar + gas)
Japan (heat pump + gas)

Supplying heat appliances tailored the energy circumstances of each nation (80 countries around the world)

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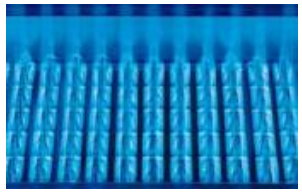
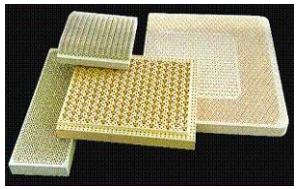
“Quality is Our Destiny”: Our Commitment to Quality and Safety

In-house development of core technologies related to heat

Burners


Heat exchangers

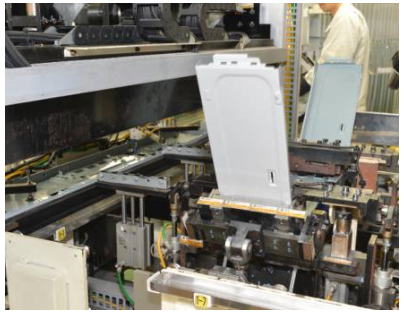
Electronic units

Gas valves


Water valves

In-house manufacture of key units and components: Integrated production system, from processing to assembly

Press work



Sheet-metal processing

Cutting work

Assembly

Key components are made in-house in pursuit of zero defects

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ECO ONE Hot-Water Units: No 1. *1 in Energy-Saving

Reducing carbon emissions efficiently: Hot-water units featuring world's first*2 "electricity + gas" hybrid technologies

Hot-water units: Primary energy consumption compared with energy-saving standards (Gj)

Energy-saving standards New regional classification	Major cities	Hybrid hot-water unit (Instant-heating unit using both heat pump and gas) (100-liter type)	Reduction ratio	*Eco Cute* (Electric heat pump type) (JIS3.3)	Reduction ratio	*Eco Jozu* (Residual heat-recovering gas type) (JIS90.5%)	Reduction ratio	Standard for hot-water units
Type 3 Region	Morioka-city Karuizawa-machi	20.1	30%	24.2	16%	26.7	7%	28.7
Type 4 Region	Sendai-city Nagano-city	19.1	31%	23.0	17%	25.9	7%	27.8
Type 5 Region	Niigata-city Saitama-city	17.5	37%	21.2	24%	24.4	12%	27.9
Type 6 Region	Tokyo 23wards Nagoya-city Osaka-city	15.2	40%	17.9	29%	22.1	13%	25.2
Type 7 Region	Kouchi-city Kagoshima-city	13.4	41%	15.4	32%	20.0	12%	22.8

***1.** Single hybrid series (100-liter type; RTU-R1000 used for tank unit) as of February 2013. Calculation results of hot-water unit primary energy consumption based on Program to decide energy-saving performances of residences (conducted by Building Research Institute in cooperation with National Institute for Land and Infrastructure Management).

***2**. Household-use hot-water/heating system (combining heat pump and high-efficiency hot-water water) launched April 23, 2012.

- Above figures taken from Program to decide energy-saving performances of residences (conducted by Building Research Institute in cooperation with National Institute for Land and Infrastructure Management)
- Floor area: 120m^2
- Hot-water units used as standard:
  Type 3–4 regions: Petroleum hot-water system (81.3% JIS efficiency)
  Type 5–7 regions: Gas hot-water system (78.2% JIS efficiency)
- "Reduction ratio" refers to comparison with hot-water units used as standard

ECO ONE reduces primary energy consumption by around 30–40% compared with recognized energy-saving standards for low-carbon buildings

Advantages of "low-carbon building" designation

- Increase in maximum deductions allowed, resulting in lower taxes on housing loans
- Access to "Flat 35S" housing loans (long-term fixed-rate housing loans with reduced interest rate for certain initial period)

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ECO ONE Comfort and Peace of Mind at All Times

Cost and comfort	Morning	Daytime	Night

ECO ONE Electricity savings throughout the day; housework not concentrated on morning or evening, so effortless

Clothes dry in the bathroom even on rainy days

Lots of hot water that never runs out

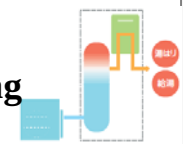
Floor heating add extra powerful touch

Solar and *ECO ONE*

Combining these two helps reduce day-round electricity use, thus increasing the amount sold back to the grid

Learning function

Learn about past hot-water consumption patterns, resulting in more efficient hot-water use reflecting lifestyles of various households



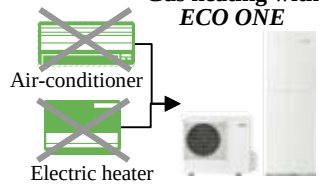
Compact, with multiple installation variations

The system is compact and can be installed to match the space available
(Can even be installed in salt-affected areas and multi-dwelling buildings)

Contributes to electricity reduction

Gas is used to compensate for electricity's shortfalls, resulting in more efficient energy usage lower electricity consumption

Not electric heating but… Gas heating with *ECO ONE*



ECO ONE **Cumulative sales now above 10,000 units! (March 2103)**

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Optimal Hot-Water-Type Heating Systems

Single heating unit controls everything from hot water to room heating: Gas hot-water/heating system provides more comfortable lifestyles

Bathroom heater/dryer

Fan convector

Panel heater

Floor heating

Utaseyu bath

Mist sauna

Micro Air Bubble Bath

ECO ONE

Heating unit

Hybrid hot-water/heating system

Future applications in home energy management system (HEM) networks

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Eco Jozu Product Lineup Now Complete

**With the *Eco Jozu* lineup now complete,
we will promote the proliferation and expansion of
environmentally friendly products!**

Hot-water/heating units

Compact hot-water/heating units

Bathtub-filling units

Slim-design bathtub-filling units

Single-function hot-water units

Slim-design single-function hot-water units

Standalone single-function hot-water units

Interior FF single-function hot-water units
(Interior installation; forced air-supply/exhaust type)

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Built-in Stoves and Range Hoods

Built-in stoves

DELICIA　DELICIA GRILLER　Udea ユーディア　Udea ef ユーディア・エフ　Verie　SAFULL セイフル

With growing popularity of system kitchens,
demand for built-in stoves will also expand in the future

Range hoods

Stove

\+

Range hood

Increasing sales of range hoods functionally linked to built-in stoves,
reflecting appreciation by consumers

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Kitchen Appliances that Support Cooking

Gas rice cookers

Launched Oct. 2012

Delicious “oven cooking” taste thanks to direct gas flame and powerful heat

Gas stoves with “rice cooking” function

Even if there’s no gas outlet in the kitchen

Rice cooking function

Tabletop stoves

Launched Apr. 2013

Limited Internet-only version of the popular *HOWARO* series, for people desiring white-colored cookers that are simple to operate

Original earthenware pots

Launched May 2013

Original product jointly developed by Vermicular (maker of earthenware pots that don’t require water for cooking) and Rinnai
(Limited edition available only via Internet)

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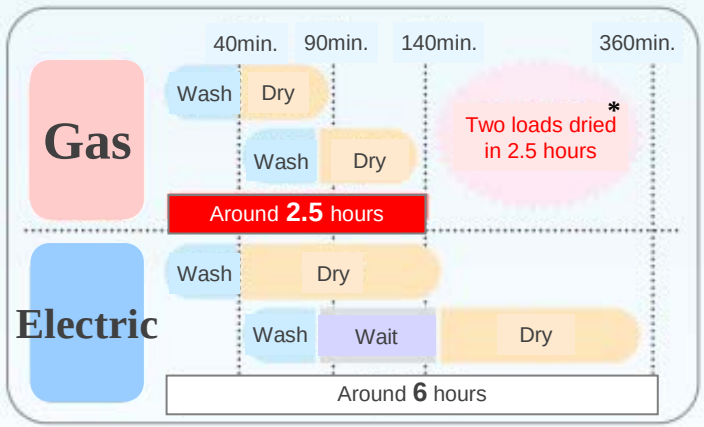
Gas Clothes Dryer

Power of gas leaves clothes soft and full

- Dried clothes remain soft and full even on rainy days
- Quiet and fast drying, perfect for night-time
- Comfortable drying even in allergy season

Features of gas clothes dryer

- Dries in about half the time taken using electric models



* 5.0kg load using RDT-51SA gas clothes dryer

- Soft and full results thanks to gas hot-wind drying

Towel dried using gas clothes dryer

Towel dried from external hanging

New product
Due for launch soon

New model equipped with Plasmacluster Ion technology
(Reduces static electricity)

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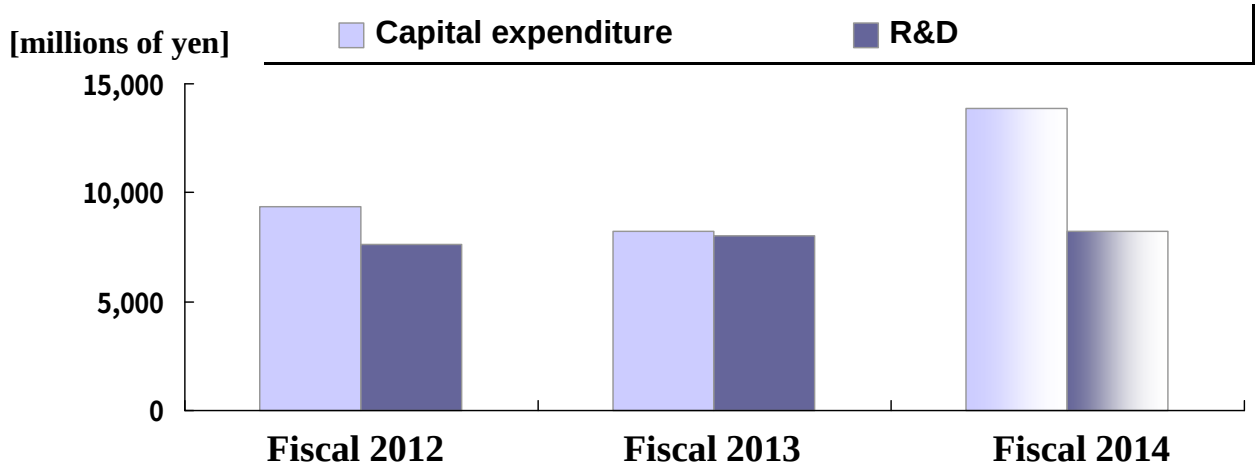
Consolidated Capital Expenditure Plan



Investment Aims

Japan

- Rebuild production system (reform to create large-scale production system able to swiftly address needs of the times)
- Increase production capacity for long-term growth products, such as hybrid hot-water units and hot-water/heating systems
- Control costs of new product development and core products (new built-in stoves, *Eco Jozu*, etc.)
- Strengthen and upgrade sales operations and service system (Kanto, Kansai, Hokkaido, etc.)

Overseas

- Strengthen and extend production plants according to growing demand for heating products on emerging nations (China, Thailand, etc.)
- Invest in molding equipment for new product introductions and equipment to rationalize production (for adding sensors to stoves in South Korea, for example)

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Rebuild Production System in Japan

Target increased production capacity and efficiency by promoting centralization of production, including for *Eco Jozu* (high-efficiency gas hot-water units slated for demand growth in the future), *ECO ONE* (hybrid hot-water/heating system), hot-water/heating system terminal products, and built-in stoves

Akatsuki Plant in operation

- Name changed from “Seto Akatsuki Plant” to “Akatsuki Plant”
- Production of bathroom heater/dryers shifted to Akatsuki Plant (from May 2103)
- Staged expansion of production of key Eco Jozu components and hybrid hot-water/heating systems

Production and parts center shifted from Aichi Plant

- Staged shift of kitchen appliance production to Oguchi Plant (Production terminated)
- Relocation of parts center (for storage and shipping of key parts)
- Change of name to “Rinnai Parts Center” (from July 2013)

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EXPERIENCE OUR INNOVATION

Performance forecasts and other future-oriented predictions contained this 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.