

Rinnai

Business Outlook
Promoting Our Medium-Term Business Plan,
“Evolution and Succession 2017”

November 5, 2015

Changing Business Conditions

Japan

- * **Change in distribution structure due to deregulation of electricity and gas markets; expanding business opportunities**
- * **Progress in total management of energy generation and energy consumption**
- * **Number of households to decline after peaking in 2019; demand for conventional-style housing to shrink**

Overseas (advanced nations)

- * **Acceleration of environmental measures; rising consumer awareness about the environment and saving energy**
- * **Diversification of energy; advances in environmental supply chain management**

Overseas (emerging nations)

- * **Increasing demand for household equipment and appliances due to rising incomes**
- * **More and more households using heating appliances due to expanding energy infrastructure**

Promoting Medium-Term Business Plan

2015 ~ 2017 Medium-Term Business Plan, “Evolution and Succession 2017”

Challenges for evolution

- 1 Respond to changing environment
- 2 Pursue core priorities aimed at evolution
- 3 Reform business model

Stages of business model evolution

Target advances in system-based products

Strengthen non-gas appliances

Form global technical alliances

Tap new fields in living-related areas

Succession of Rinnai Spirit

- 1 Commitment to “heat and lifestyles”
▶ Use heat to provide exceptional living scenarios that are comfortable, safe, and environmentally friendly
- 2 “Quality is our destiny”
▶ Pursue core technologies and manufacturing processes that highlight commitment to quality
- 3 Contribute to local communities
▶ Forge close regional ties through local production and sales, especially for Rinnai Group members

**Make major advances toward 2020 (Rinnai’s centenary year)
as a comprehensive manufacturer of heat and energy appliances**

Medium-Term Business Plan (April 2015-March 2018) 3

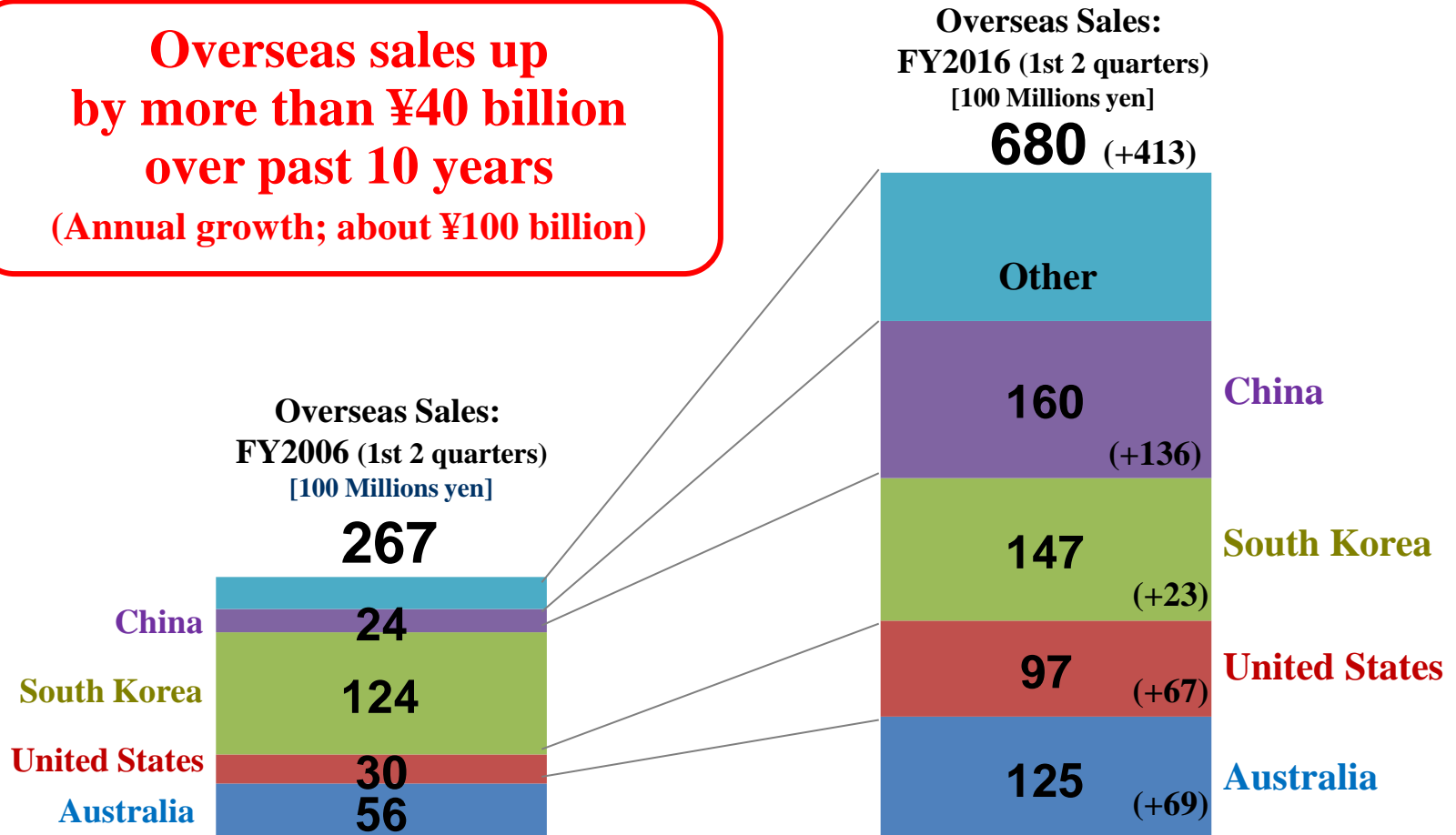
《Consolidated》

		Actual	Medium-Term Business Plan “Evolution and Succession 2017”				
		Fiscal 2015	Fiscal 2016 Target	Fiscal 2017 Target	Fiscal 2018 Target	Comparison to Fiscal 2015	YOY Changes
[Billions of Yen]							
Net Sales		295.0	318.0	337.0	350.0	118.6%	55.0
Breakdown	Domestic	167.8	175.0	182.0	182.0	108.5%	14.2
	Overseas	127.2	143.0	155.0	168.0	132.1%	40.8
	(Overseas sales ratio)	43.1%	45.0%	46.0%	48.0%	—	4.9p
Operating Income		30.7	34.0	37.0	39.0	126.7%	8.3
Operating Margin		10.4%	10.7%	11.0%	11.1%	—	0.7p

Accelerating Overseas Business

※Overseas sales excluded the intersegment-sales.

**Overseas sales up
by more than ¥40 billion
over past 10 years**
 (Annual growth; about ¥100 billion)



Fiscal 2006 (First two quarters)
 “Era dominated by South Korea”

Fiscal 2016 (First two quarters)
 “Era of four strong nations:
 China, South Korea, Australia,
 United States”

Hybrid Water Heater with Heating System **ECO ONE** 5

Third generation **ECO ONE** to be launched in fiscal 2016

April 2015
Single, one-body, heat supply



More energy efficient!
Primary energy efficiency of 138%

More environmentally friendly!
R32 used as refrigerant for heat pump

Easier to install!
Flexible layout possible, including horizontal installation

December 2015
Single, split-system, heat supply (and bath)
50 liter (low height type)

New



Low height model with 50-liter tank is even more compact
(*100-liter model also available)

New lineup based on R32 heat pumps

July 2015
Single, split-system, bath

New



September 2015
Single, split-system, heat supply

Tank and water heater separated, allowing installation in narrow spaces

October 2015
Double, split-system, heat supply

New



Double hybrid type offering floor heating in addition to existing water heating
Major reduction in floor heating costs

**Received Good Design award in fiscal 2016
in recognition of styling and ease of installation**



Eco-Jozu Series

Gas water heater with bath-filling system

Gas water heater with heating system

Multi-dwelling buildings

Detached houses (replacement)

Launched; April 2014

Launched; December 2014

Launched; July 2015

RUF-E Series



RUFH-E Series



RDV-E Series



Lightest in industry

27.5 kg

*RUF-E2405AW ; as of June 2014; Rinnai estimates

34.0 kg

*RUFH-E2405AW2-3; as of December 2014; Rinnai estimates; when used with standard-size (H 750mm) Eco Jozu water heater

31.0 kg

*RVD-E2405AW2-1; as of June 2015; Rinnai estimates

Commercial-Use Gas Water Heaters



Commercial-use
gas water heater
Eco-Jozu
RUXC-SE5000MW

-Retail price : ¥550,000
-Launch : April 2016

Reliability

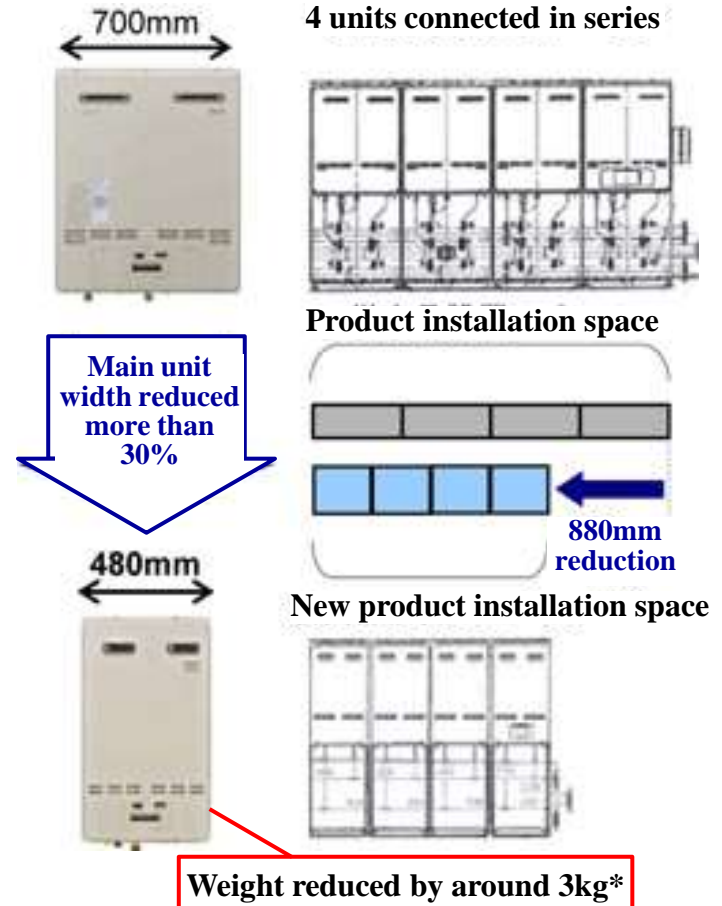
Compatible with 24-hour remote surveillance systems
Uses communication lines to monitor water heater's
operational status 24 hours a day

Environmental performance

95% heat efficiency highest in industry
NOx emission density of 50ppm

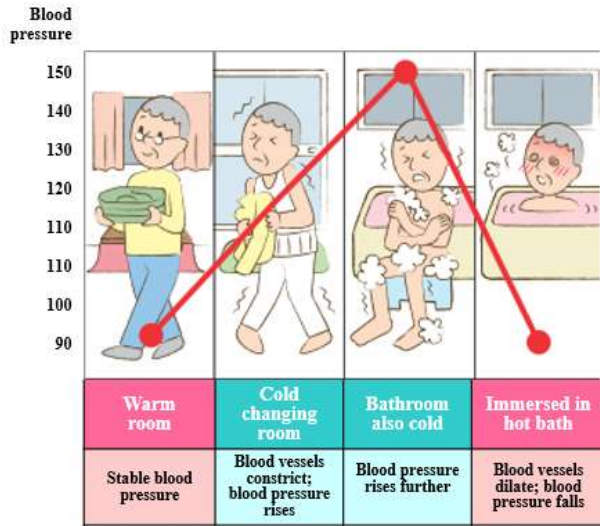
Ease of installation

30%+ reduction in width of main unit*
(* Compared with existing RUXC-E5000 series)



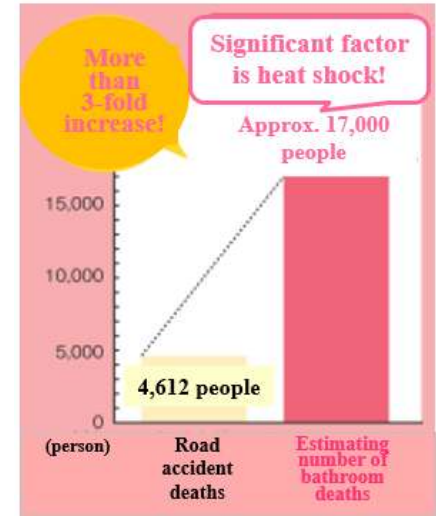
Quickly heats bathroom to prevent heat shock

Sudden temperature changes cause heat shock Around 17,000 people per year die from bathroom accidents



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.

Comfortable bathing with Mist Sauna function



This function wraps your entire body with mist to make you sweat. It also has esthetic and rejuvenation benefits.

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.

“Waterfall” massage for extra relaxation



“Spherical drops” promote fatigue recovery and relaxation (result of research into optimal conditions, such as speed, hot water quantity, and rhythmic feel)

Gas Clothes Dryers

はやい
乾太くん



**Hayai Kanta-kun
RTD-52S**
Retail price: ¥138,000

Reduced household work time

Powerful warm air from gas dries 5kg load in around 52 minutes

Drying time comparison

Around
one-third vs
electric dryers



And room not clouded by moist
air, even if installed indoors

乾太くん

Approx. 52 min.

Fully automatic
electric clothes
dryer

Approx. 169 min.

* Conditions: 5kg actual load (50% cotton; 50% synthetic fibers); 70% dehydration rate; drum-type washer/dryer used for electric model; LPG used for gas model; Rinnai estimates

Clean drying

Peace of mind even during flower-blooming season and air pollution;
Kanta-kun excels all year round

Rain

Pollen

PM2.5

Yellow dust

No indoor-drying odors, yet retains same antibacterial benefits as outdoor drying

Built-In Hobs (stovetops)

High-end

Mid-range

Mass market



DELICIA

Bundled with Cocotte
Launched: August 21, 2015

**DELICIA
GRILLER**

LiSSe

Mytone

Launched: August 3, 2015

Special container used in grilling unit



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.



Cocotte-cooking recipe book
launched September 7
(includes 100 recipes)

Scope of grilling broadened by special container and recipe book

Tabletop Cookers

Tabletop cookers launched with updated design; easier to operate



LAKUCIE PRIME

New

LAKUCIE Prime
RTS65AWG35R2N-DB

-Retail price: ¥128,000

-Launched: August 3, 2015

LAKUCIE

New

LAKUCIE

RTS65AWK14R-C

-Retail price: ¥ 89,800

-Launched: August 3, 2015



Grill function spreads the joy of cooking

- * Auto-grill function for automatic grilling of fish
- * Compatible with Grill Plate (popular with Delicia and Lisse built-on cookers)

Easy to use; designed to blend with kitchen

- * Simple design with flat horizontal surface blends beautifully in kitchen
- * Often-used ignition switch places at top; improved operability with operation button slanted at 30-degree angle

Acclaimed functionality makes cooking and cleaning easier

- * Double-temperature function allows temperature adjustment of both left and right burners (LAKUCIE Prime only)
- * Automatic cooking function allows food to be cooking automatically
- * “Heat Off” function reduces temperature of top plate, making cleaning easier



Grill plate

Japan (investments to expedite advancement of business model)

Manufacturing

Build streamlined production framework for system-based products, centered on *ECO ONE*



Akatsuki Factory



ECO-ONE



Bathroom heater/dryer

- Construct new wing of Akatsuki Factory
- Renovate facilities at Oguchi Factory
- Establishment, reconstruction, etc. of manufacturing affiliate



New building and welfare wing at Rinnai Technica Co., Ltd.

Product development

- Expand/upgrade R&D facilities
- Strengthen production technology development system (Develop molds, equipment, new products)

Sales/marketing

- Expand floor space of sales bases (Hokkaido, Chubu, South Kanto, etc.)
- Strengthen service system
- Build new distribution center



Hokkaido branch

Overseas (strategic investments in new growth drivers)

- Strengthen core bases of global technology network (Australia, South Korea, China, Indonesia, etc.)
- Reinforce hub bases for tapping new markets (Italy, Middle East, Brazil, etc.)
- Strengthen sales/production systems in line with growth (United States, Taiwan, New Zealand, Vietnam, etc.)

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.