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# **Business Outlook**

## **Medium-Term Business Plan, “Evolution and Succession 2017” Progress Report**

**November 7, 2017**

# Medium-Term Business Plan: Progress Report

1

## “Evolution and Succession 2017 (From April 2015 to March 2018)”

### Challenges for evolution

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

### Keys to business model advancement

More advanced system-based products

Stronger non-gas offerings

Global technological interaction

Tapping new lifestyle-related fields

### Succession of Rinnai Spirit

- 1 **Key Theme**  
“Heat and comfortable lifestyles”  
Use heat to provide comfortable, secure, environmentally friendly living
- 2 “Quality is our destiny”  
Pursue core technologies and manufacturing reflecting commitment to quality
- 3 **Contributing to local communities**  
Take root in local-production-and-sales regions, centered on local Rinnai bases

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

# Changing Medium-Term Business Environment

2

## Japan

- Full liberalization of retail electricity and gas sectors
- Promotion of environmental and energy-saving policies (ZEH, low-carbon housing certification, etc.)
- Household numbers have peaked out
- Aging population; increase in single-person households

## Overseas (emerging nations)

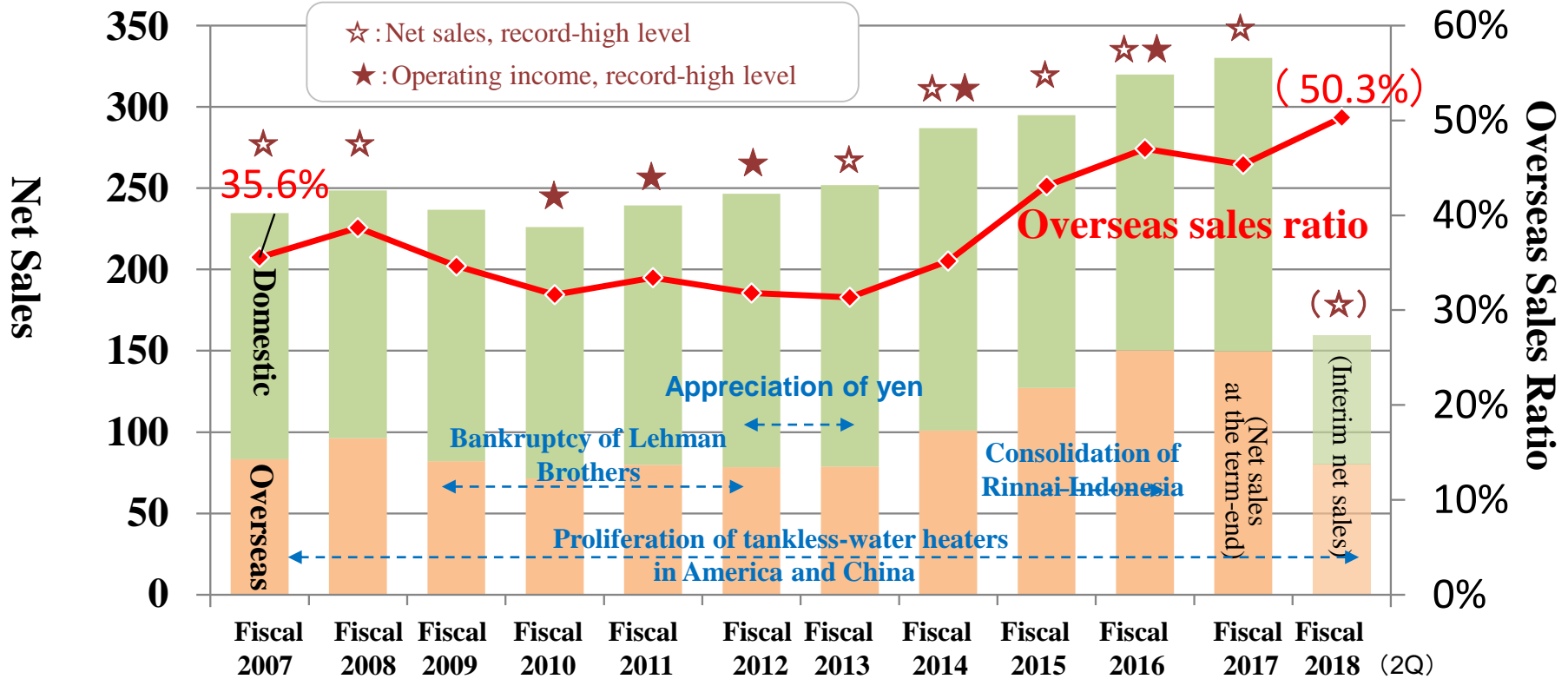
- Electricity shortages; increasing use of gas
- Emphasis on environmental protection
- Rising worker incomes and living standards
- Increasing populations and household numbers

## Overseas (advanced nations)

- Energy diversification (combinations and conversion of fuel sources)
- Tightening environmental and policies and restrictions (driven by EU; emphasis on renewables)
- Rising awareness about the environment, energy efficiency, and safety

# Medium-Term Business Plan and Overseas Sales Ratio<sub>3</sub>

(Billions of Yen)



- “V-Shift Plan”**  
 Transition to value-added-oriented management
- “Reform & Breakthrough”**  
 Strengthen product lineup and functions  
 (SI sensor, Eco Jozu, and others)
- “Jump UP 2014”**  
 Build growth foundation and expand overseas business
- “Evolution and Succession 2017”**  
 Shift to high-end appliances and reinforce global operations

**Overseas sales have grown in tandem with these four medium-term business plans**

# Built-In Hobs (stovetops)



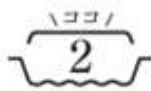
Wide range of grilling containers for built-in hobs following DELICIA



Cocotte Plate features



**Direct flame**  
**So delicious!**



**No oil splatter**  
**So clean!**



**Big size**  
**So cooks evenly!**

**Added colors**  
(from October 2017)



※Stove attachments are black color

# Built-in Hobs (Rinnai Features)



## EASY CLEAN



## SMOKE OFF



Spills gone with one simple wipe.



Surface doesn't get too hot, so spills don't stick.

Surface temperature: 69% down

Rinnai's unique **CLEAN TEC**



Rinnai's unique "Smoke Off" function eliminates stress.



Major reductions in odors and smoke.

Odors: 99% cut  
Smoke: 81% cut

Rinnai's unique **CLEAN TEC**

Rinnai's unique

**CLEAN TEC**



**G:**

**G:101**



# Hybrid Water Heater with Heating Systems: **ECO ONE** 7

Unparalleled energy efficiency and comfort.

**ECO ONE:**  
Combining gas and electricity

GAS X ELECTRICS  
**G X E**



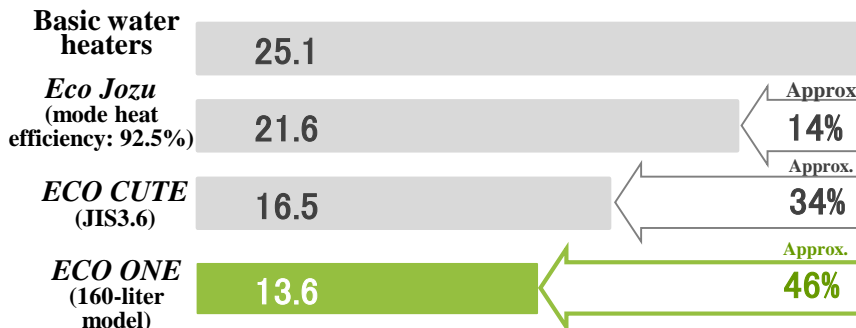
Fine-tuned  
**Energy-saving performance**

Industry's highest water heater primary energy efficiency  
**156%\***

\* Rinnai research, as of May 2017

More advanced  
**Equipment control**

## Water heater: Primary energy consumption (GJ/year)



Remote operation via smartphone

\* Requires dedicated remote control



**Rinnai**



## The Gas Fan Heater

Advanced gas fan heater  
for further comfort

**NEW** *Harmo*

Can be used anywhere in the home, and comfortable even when sleeping. Stylish fan heater—Japan's first\* to combine the power of gas and electricity to warm the air.

\* Rinnai research, as of May 2017

Gas  
x  
electricity

By combining a gas fan heater with an electric heater, it highlights the advantages of both.

Portable

Can be carried and placed anywhere in the home, such as kitchen and hallway.



**NEW** *Wiz*



Gas fan heater equipped with an air purifier. Multifunctional model that use the effect of circulation to enhance energy savings.

Air purification

Purifies to PM2.5 level, while removing fine dust and grime from the air

Circulation effect

Around 20% reduction in gas consumption thanks to energy savings and circulation effect. I have no idea what this means.

## 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

- **Akatsuki Factory:**  
New factory to increase *ECO ONE* production
- **Oguchi Factory:**  
Expansion of facility; renewal of welfare building
- **Seto Factory:** Renewal of welfare wing
- **Affiliated companies:**  
Construct offices and welfare wings

### Product development

- **Invest in new product development**  
(*ECO ONE*, water heaters in US market, Clothes dryers, Dish washer, etc.)
- **Strengthen production technology development system** (Develop molds, equipment)

### Sales/marketing

- **Strengthen functions of sales bases** (Chubu sales office, Minami-Kanto sales office, etc.)
- **Strengthen service system**
- **Build distribution center**



Chubu Branch

## Overseas (strategic investments in new growth drivers)

- **Reinforce/expand production bases in line with demand growth** (construct factories and expand land sites in United States, China, South Korea, Australia, etc.)
- **Expand market and strengthen sales bases in newly tapped markets** (Dubai, United States, China, etc.)
- **Improve production capacity; step up in-house manufacturing and facility streamlining** (capital expenditures in Indonesia, China, South Korea, 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.**