

Rinnai

Business Outlook

Medium-Term Business Plan, “Jump Up 2014”

November 5, 2014

Contributing to the Environment and Saving Energy through Commitment to Heat and Comfortable Lifestyles.

Gas equipment

Production bases:

Japan, Asia, Oceania, etc.



Built-in-hobs



Rice cooker



Water heaters



Fan heater



Tabletop cookers



Clothes dryer



Fires

Electrical equipment

Production bases:

New Zealand

ASEAN

China

Japan

(range hoods, dishwashers)



Range hood



Water heaters



Dishwasher

Solar equipment

Production bases:

Australia

Brazil



Solar hot-water panel

Hybrid equipment

Production bases:

Australia (solar + gas)

Brazil (solar + gas)

Japan (heat pump + gas)



Hybrid water heater with heating system



Solar system

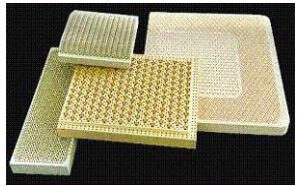
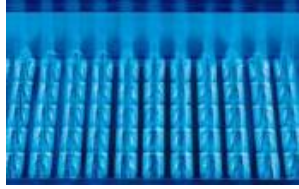
Providing heat appliances, centered on household use products, matched to the living cultures and energy circumstances of each country (80 nations worldwide)

Basic Philosophy of Product Manufacturing: Relentless Pursuit of Quality and Safety

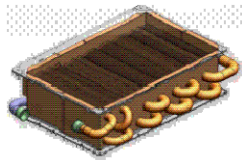
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Basic management philosophy: “Quality is our destiny”

In-house development of core technologies related to heat



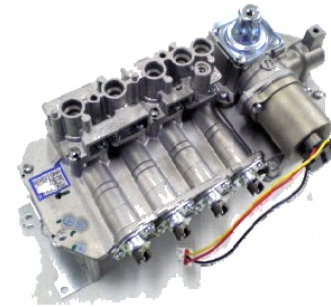
Burners



Heat exchangers



Electronic units



Gas valves

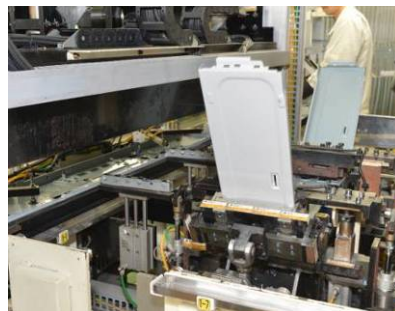


Water valves

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



Press work



Sheet-metal processing



Cutting work



Assembly

Units/components deemed important for quality reasons are developed in-house
and manufactured within the Group

Rinnai

Medium-Term Business Plan (April 2012–March 2015) ₃

《Consolidated》

[Billions of Yen]		Medium-Term Business Plan “Jump UP 2014”			
		Fiscal 2014 Actual	Fiscal 2015 (Interim) Actual	Fiscal 2015 (Interim) Target	Fiscal 2015 Target *
Net Sales		286.9	136.7	142.0	313.0
Breakdown	Domestic	186.0	76.2	85.0	188.0
	Overseas	100.9	60.5	57.0	125.0
Operating Income		34.0	13.1	14.5	36.5
Operating Margin		11.9%	9.6%	10.2%	11.7%

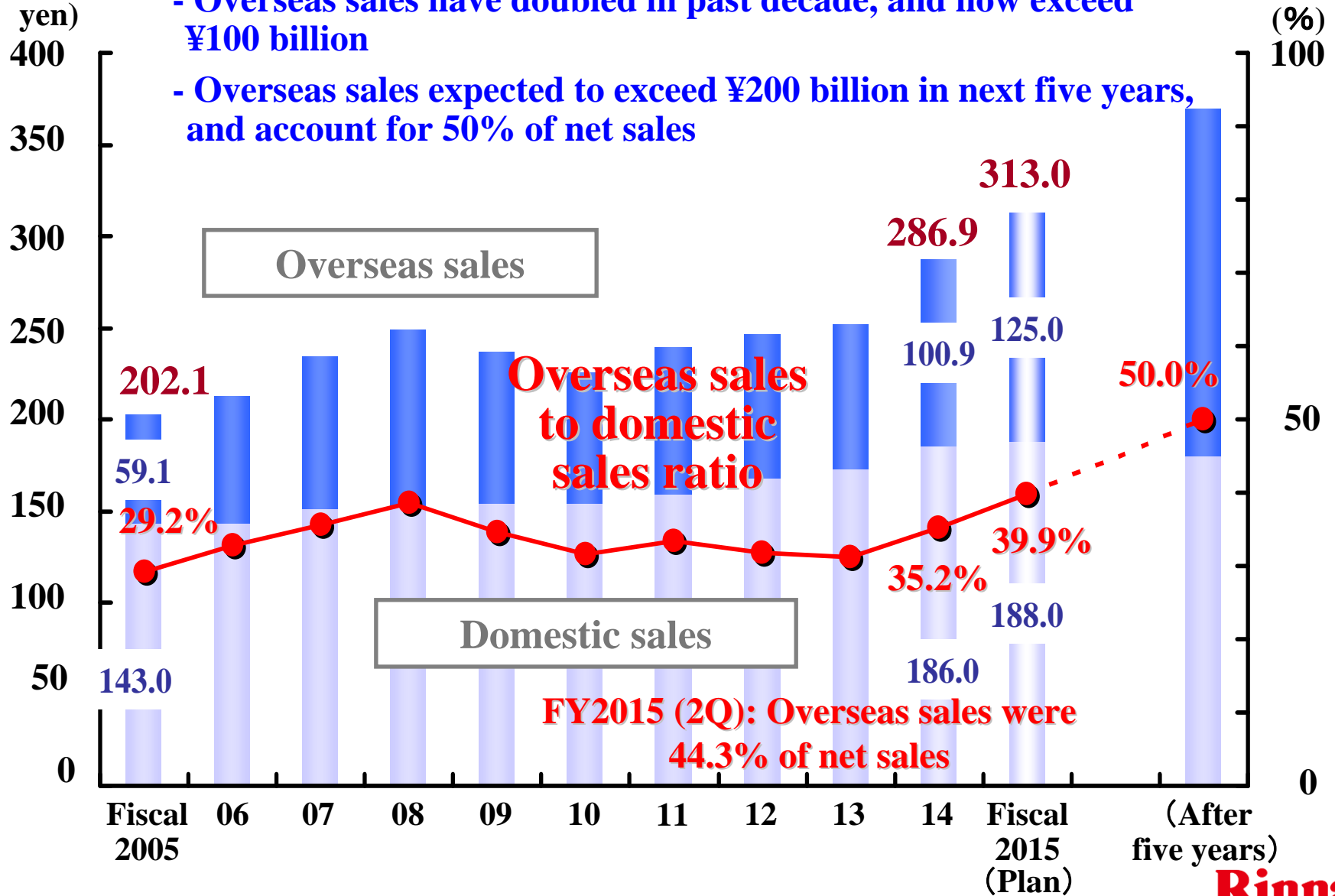
* Including Rinnai Indonesia amounts in Fiscal 2015

**Final year of medium-term business plan:
No change in full-year forecasts**

Overseas Sales

(Billions of yen)

- Overseas sales have doubled in past decade, and now exceed ¥100 billion
- Overseas sales expected to exceed ¥200 billion in next five years, and account for 50% of net sales



Operating Environment for Heat Appliance Business

5

Background	Japan	Overseas (advanced nations)	Overseas (emerging nations)
	<ul style="list-style-type: none">- Liberalization of energy sector- New energy basic plan	<ul style="list-style-type: none">- Environmental and energy-saving measures implemented to stimulate economies	<ul style="list-style-type: none">- Growing populations- Rising living standards
	<ul style="list-style-type: none">- Energy-efficient equipment mandated- Realize low-carbon society	<ul style="list-style-type: none">- Gas in abundant supply and growing in use- Diversification of energy sources	<ul style="list-style-type: none">- Electricity shortages; proliferation of gas- Emphasis on environmental protection

Rising number of households worldwide using heat appliances

Proliferation and systemization of safe, high-efficiency heat appliances

**Heat appliance business: Growth sector over long term
Rinnai will contribute to society through “heat”**

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	<u>Raise product quality</u> in pursuit of zero defects
2	<u>Raise versatility</u> through reforms of development, production, and sales processes
3	<u>Raise organizational strength</u> through human resource development and Groupwide interaction

Fiscal 2015 Targets

Net Sales	313.0 billion yen
Operating income	36.5 billion yen
Operating income ratio	11.7%

New Bath-Filling System



RUF-E2405
(Launched April 2014)



The new E Series of next-generation-quality models, developed by harnessing Rinnai's comprehensive strengths. In our relentless pursuit of quality, we will earn the trust and meet the needs of customers.



Bathwater heating efficiency of 92%

Lighter and easier to install

Highest performance level in the industry

**Lightest in the industry,
at 27.5kg***

The new E Series provides the highest level of heat efficiency of Eco Jozu: 95% for water heating, and 92% for bath-filling

* RUF-E2405AW (based on Rinnai estimates, as of June 2014)

**11%
lighter**

Improved bath-circulation efficiency and use of DC pump: Double energy-saving benefits of both electricity and gas!

- Reduced size of burner and other individual components
- 11% lighter than previous Eco Jozu models (around same weight as current non-Eco Jozu models)
- Smooth installation (one person can attach the main unit to a wall); reduced burden on outside walls

When using the bathwater twice (reheating for second use)

Low running cost of around ¥2,950 per year!

CO₂ emissions: Reduced by around 44kg per year!

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



Hot water supply:
Primary energy efficiency
top level in industry

125%

Hot water supply: Primary energy efficiency comparison

Eco Jozu
(JIS 90.5%)

22.1 GJ

ECO CUTE
(JIS 3.3)

17.9 GJ

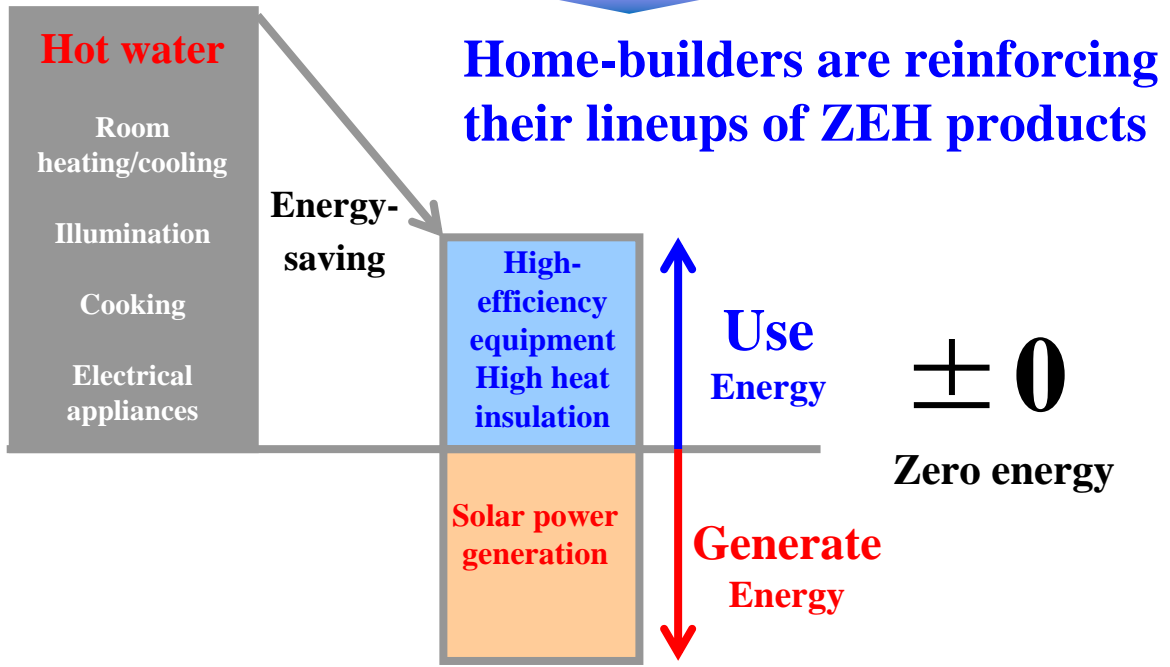
ECO ONE

15.2 GJ

* Residential Energy Efficiency Program (National Institute for Land and Infrastructure Management, Ministry of Land, Infrastructure and Transport)
* 6 regions based on 2014 energy efficiency standards

Zero Energy House (ZEH)

Home-builders are reinforcing their lineups of ZEH products

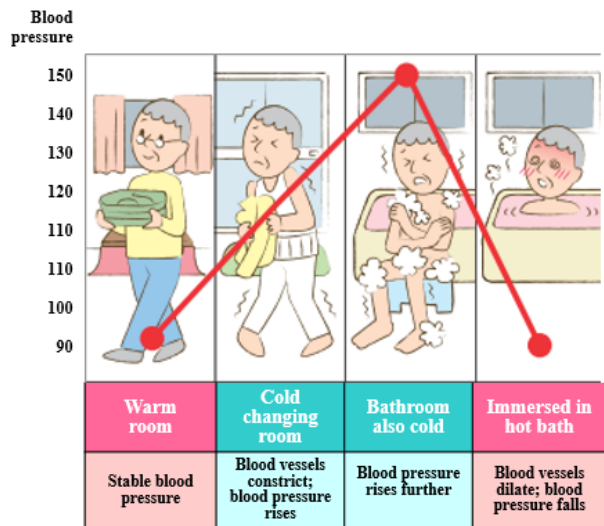


Offering top-class energy efficiency, *ECO ONE* is a strong contender for **achieving Zero Energy Houses**

Safe and Comfortable Bathroom Heater/Dryer

Quickly heats bathroom to prevent heat shock

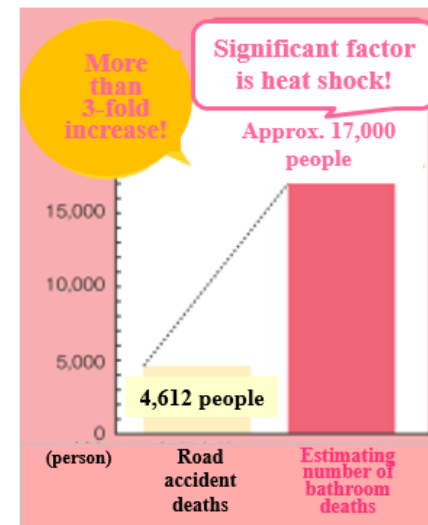
● Sudden temperature changes cause heat shock



● 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.

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.

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.

“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)

New Products: Built-In Hobs and Cooking Vessels

High-end



DELICIA
August 20 launch



DELICIA GRILLER
September 1 launch

Mid-range



LiSSE
September 22 launch

**Mid-range renewal;
improved design and
functionality**

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

New Range Hood

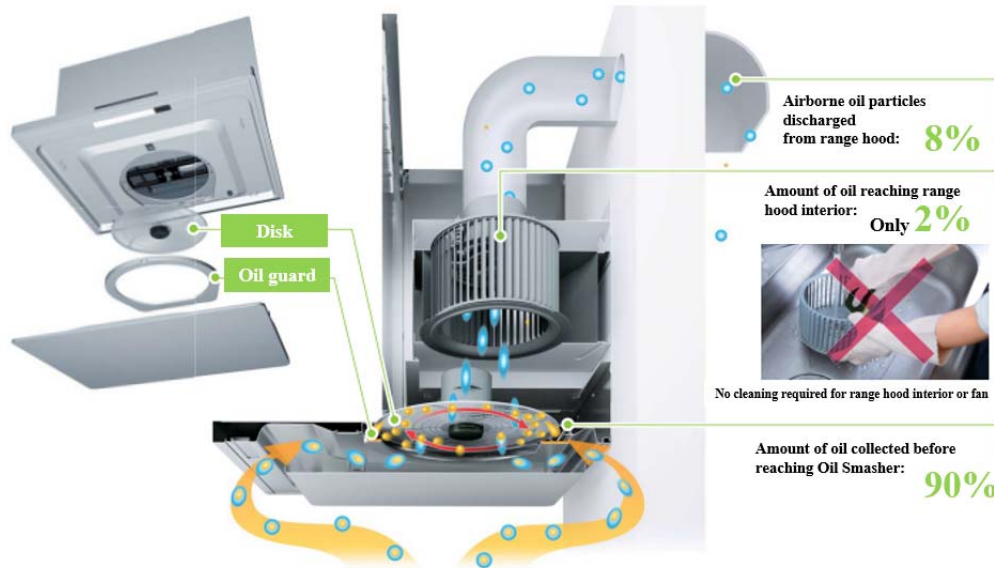
Industry first ^(*1) Fitted with “Oil Smasher” unit, OGR Series

*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

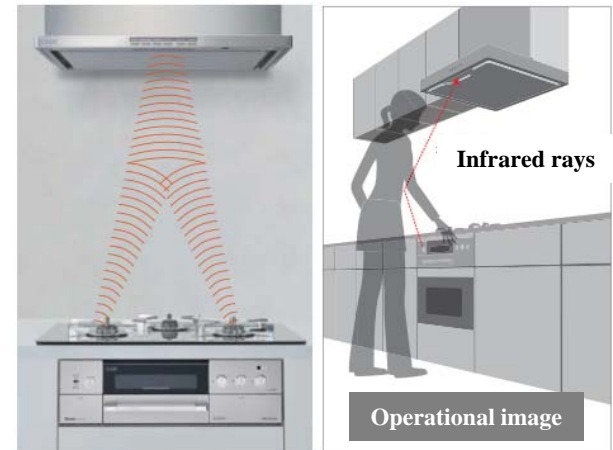
*2: One year of grime buildup in existing models equates to 10 years of grime in OGR Series.



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



New Products: Tabletop Cookers



Crystal coat



Gray



Crystal coat



Cream beige



Dark stone gray

Grill

Waterless / Double-side grilling

RT-63WH Series

Recommended retail price: ¥63,800

Grill

Waterless / Single-side grilling

RT-64JH Series

Recommended retail price: ¥43,800



Top plate

Burner ring

One-piece top

First in industry!
(As of December 2013)



Easy
to clean

Waterless grill

Waterless grilling
made possible
at low prices

Burner rings and top plate combined in single unit to prevent spillover intrusion and make cleaner easier

New cooking products with enhanced functions and no price changes

Received Good Design Award

Five Rinnai products received design awards in 2014



**GOOD DESIGN
AWARD**



**Gas hob
*DELICIA GRILLER***



**Gas hob
*LiSse Series***



**Built-in dishwasher/dryer
*RKWR-F402C Series***



**Floor heating remote
control
*FC-09DR Series***



**Gas hob
*MY HOB Series***

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 Hokuriku 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 2Q (actual)	YOY Change
Capital expenditure	6,907	+1,820
Depreciation and amortization	4,094	+371
R&D expenses	4,181	+191

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.