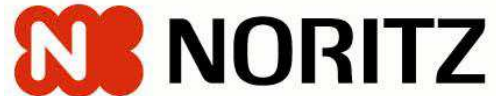


Ticker Code:5943

新しい幸せを、わかすこと。



Closing briefing material for the fiscal year ended December 31, 2012

February 12, 2013

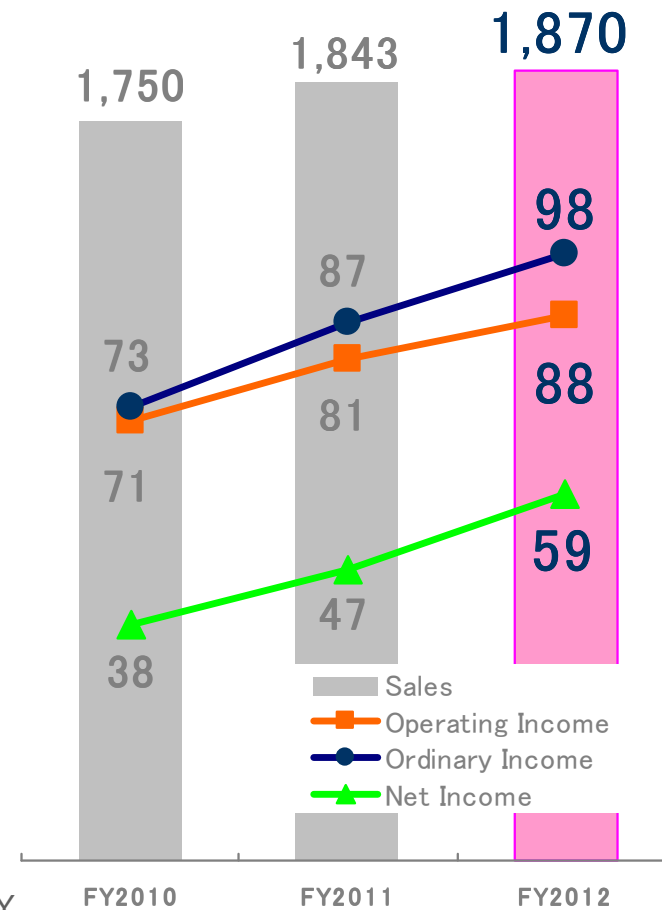
The outlook on our future performance provided in this document has been produced by ourselves independently based on data made available as of now and involves risks and uncertain factors. As such, no guarantee is given towards the achievement of the figures in the forecast.

FY Dec 2012: results of operation

Renewed record high profit by actively introducing new products

[Unit: 100mn JPY]

■ Sales	:	187.0 bil yen (up 1.5%)
■ Operating Income	:	8.8 bil yen (up 8.0%)
■ Ordinary Income	:	9.8 bil yen (up 12.7%)
■ Net Income	:	5.9 bil yen (up 24.6%)
■ ROE	:	6.7%
■ ROA	:	3.8%



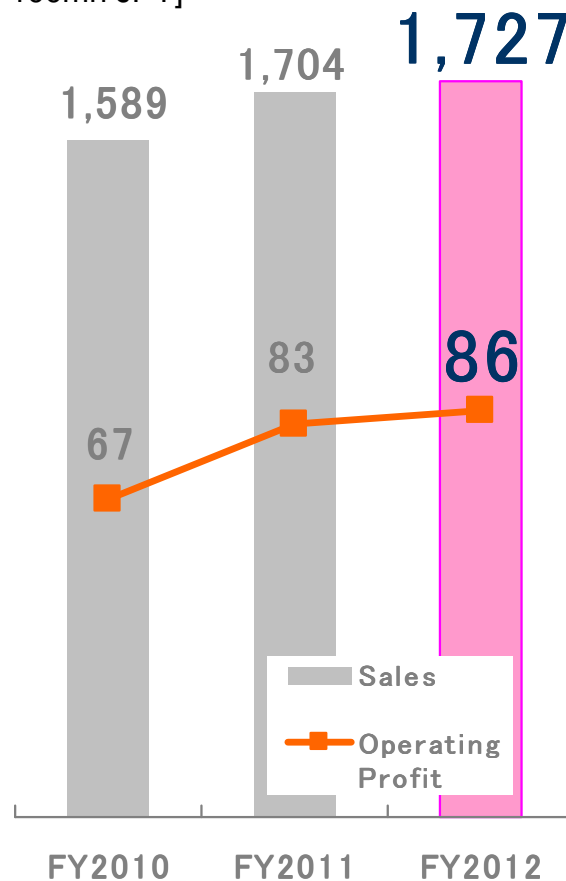
* Annual average exchange rate 1USD:80.11JPY / 1RMB:12.72JPY

FY Dec 2012: results of operation / segment

Domestic business records an increase both in sales and profit, while overseas business move into the black

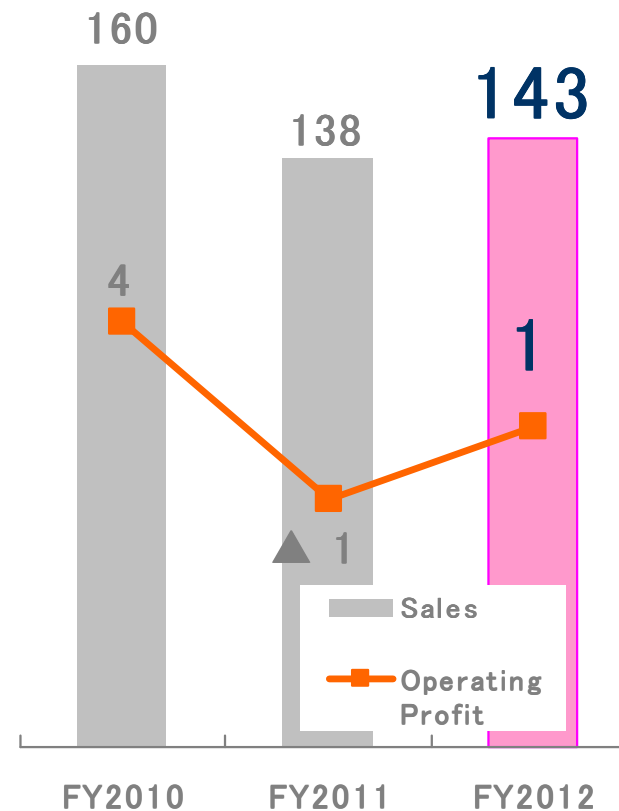
■ Domestic business

[Unit: 100mn JPY]



■ Overseas business

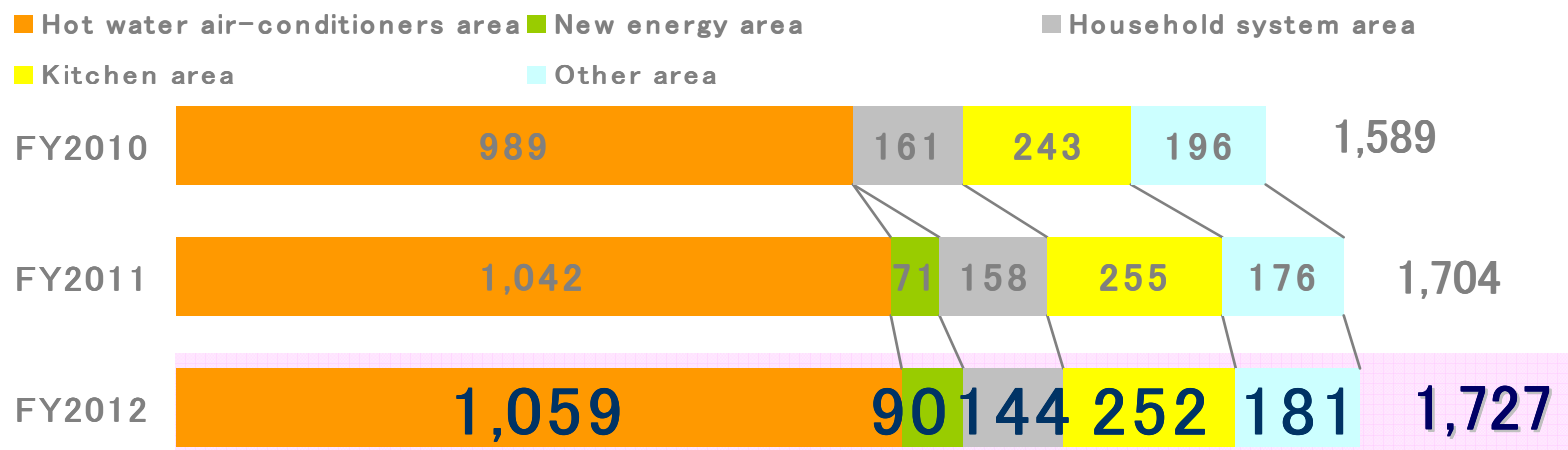
[Unit: 100mn JPY]



FY Dec 2012: results of operation / segment

Domestic business: sales by product area

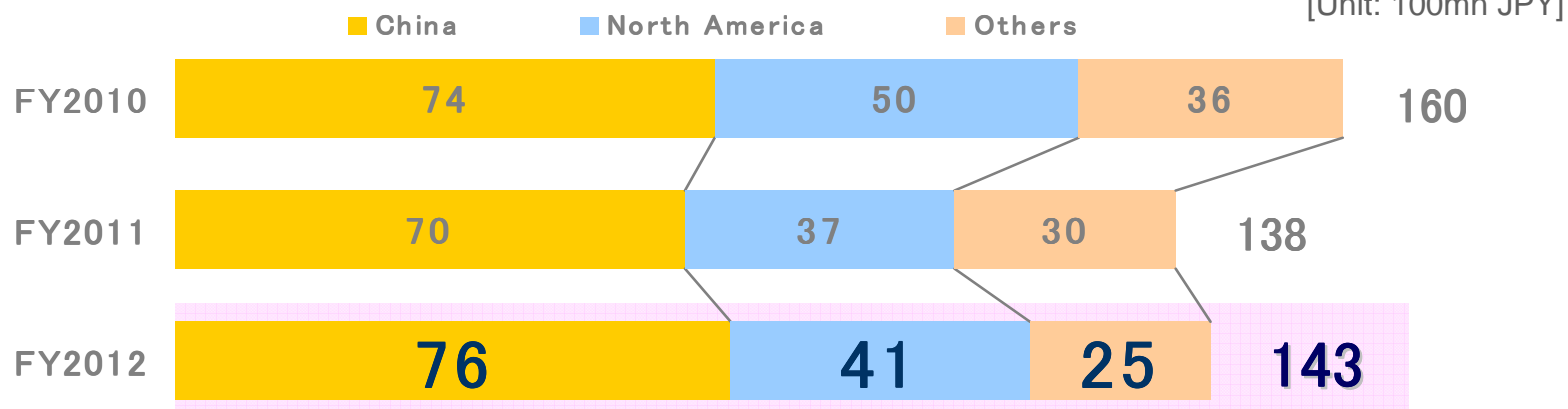
[Unit: 100mn JPY]



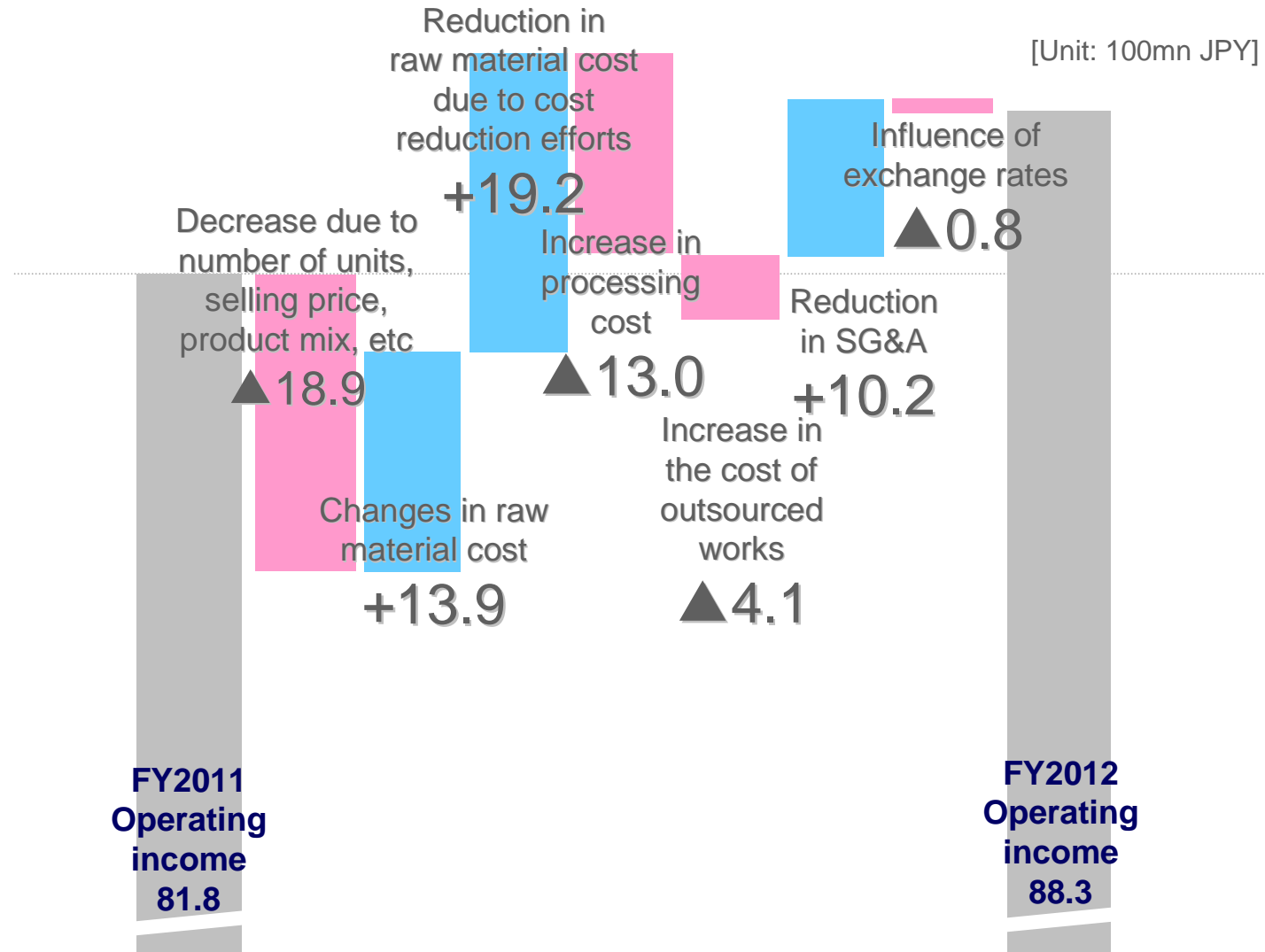
※New energy area for 2010 are included in hot water air-conditioners area

Overseas business: sales by region


[Unit: 100mn JPY]



FY Dec 2012: operating income / factors behind the increase in profit



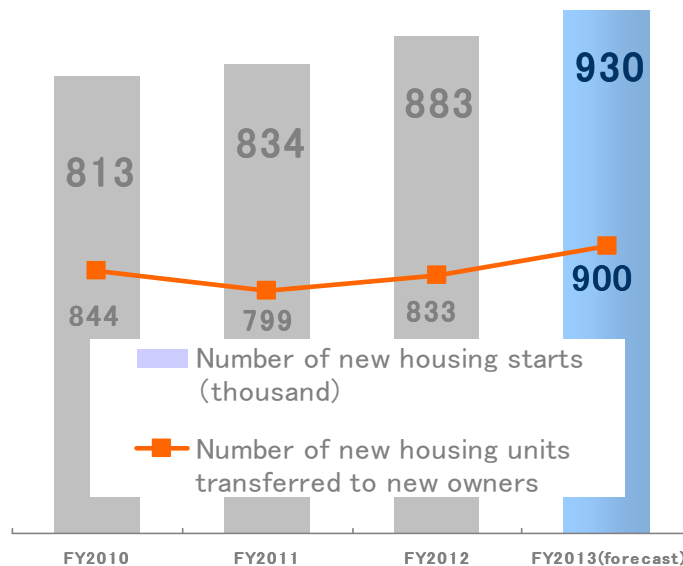
* Cost of outsourced works is the cost for installation of products handled



**Forecast for financial and
Business performance
for the fiscal year ending
December 31, 2013**

Housing industry

Economic environment expected to recover, demand for gas and kerosene appliances and renewable energy to remain strong



- New housing improved (outlook for 2013 is in the 930 thousands)
- Growth of the used house market and home renovation market
- Larger preferential treatment for energy-saving homes
- Concern over increase in raw material cost for materials and parts, etc

Gas and kerosene appliances

- “ECO-Jozu” becoming a de facto standard
- Continued trend of conversion into gas appliances (water heaters, stoves)
- Acceleration of the spreading of gas power generation system

Renewable energy

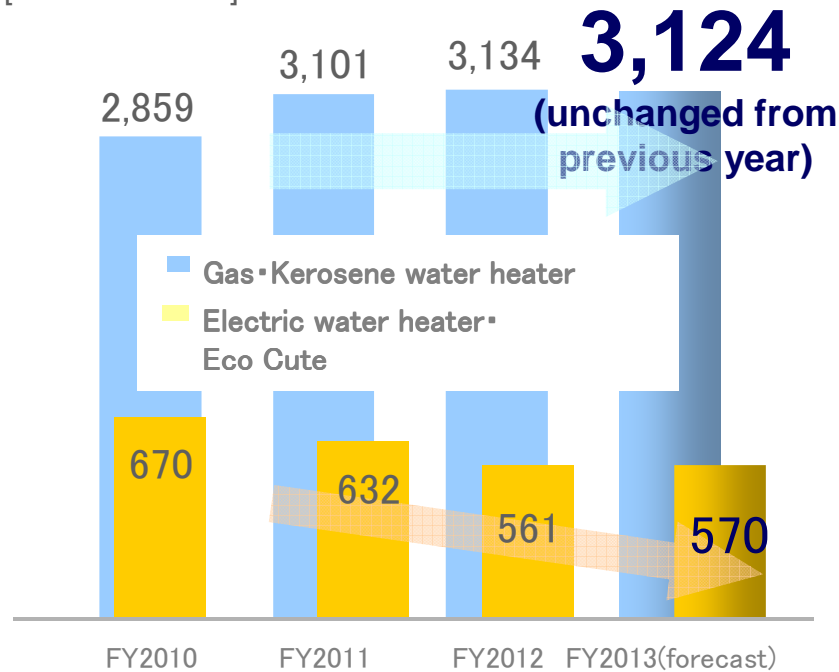
- Acceleration of the spreading of solar power generation and solar water heaters
- Continuance of the fixed price purchase system
- Increased demand towards long-term reliability

Trends in conversion to gas appliances to continue

Outlook on demand for water heaters

Gas and kerosene appliances to maintain high level

[Unit: Thousand]

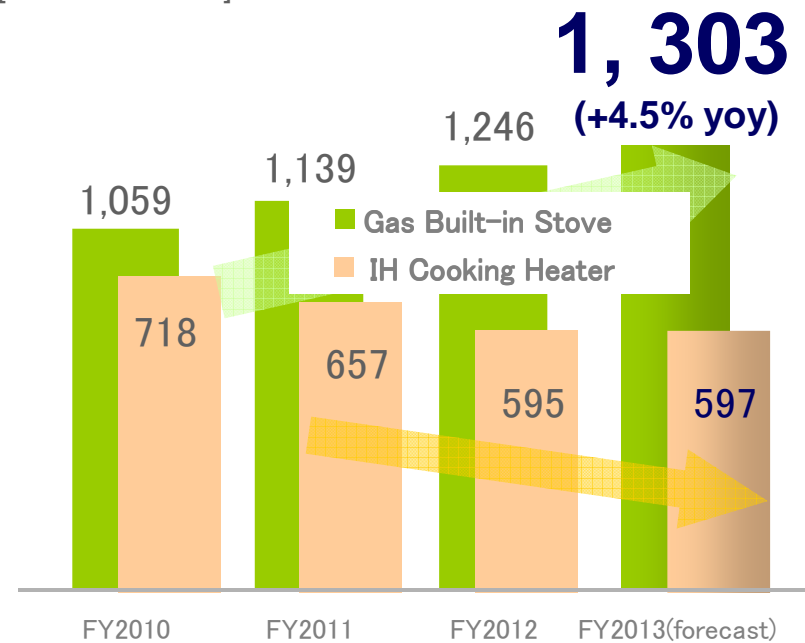


- Gas water heaters: excluding #8 and below.
- Company estimate for 2013

Outlook on demand for built-in stoves

For gas appliances, a 4.5% increase expected for the full financial year

[Unit: Thousand]



- Excluding units with 1 burner
- Company estimate for 2013

China: Growing market through urbanization and expansion of domestic demand

- Maintaining of stable economic growth
- Expansion of domestic demand through the Government's income-doubling plan (2020)
- Increase in housing for low-income earners
- Continuation of additional stringent policy for the acquisition of properties
- Increase in minimum wage

North America: Increase in demand through recovery of the housing market

- Economic environment heading for recovery
- Clear recovery of the housing market
- Restart of Government subsidy for tankless products (from Jan 2013)
- Expansion of low NOx 20ppm regulatory region (South CA4 county, North CA9 county)



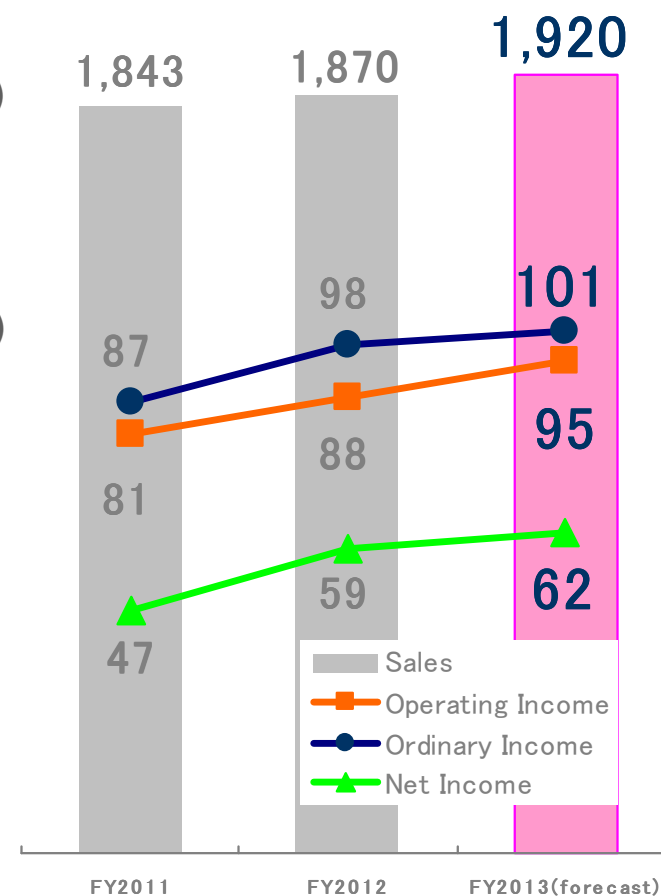
**Performance plan
for the fiscal year ending
December 31, 2013**

FY Dec 2013: management plan

A year of “turning point” for moving on to a new stage

[Unit: 100mn JPY]

■ Sales	:	192.0 bil JPY (up 2.6%)
■ Operating Income	:	9.5 bil yen (up 7.5%)
■ Ordinary Income	:	10.1 bil yen (up 2.9%)
■ Net Income	:	6.2 bil yen (up 3.7%)
■ ROE	:	6.5%
■ ROA	:	3.8%

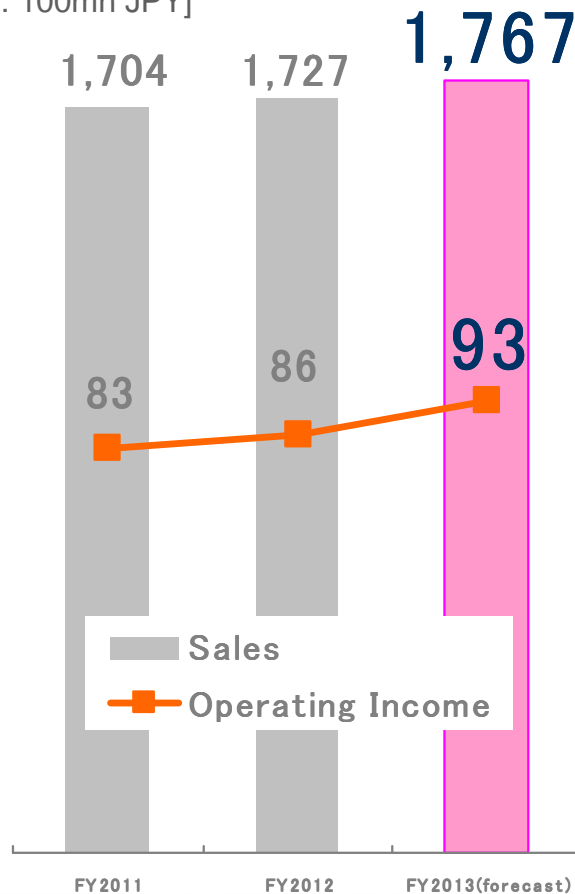


* Assumption on annual average exchange rate 1USD : 81JPY / 1RMB:12.78JPY

Aim for an increase in sales and profit both for domestic and overseas businesses

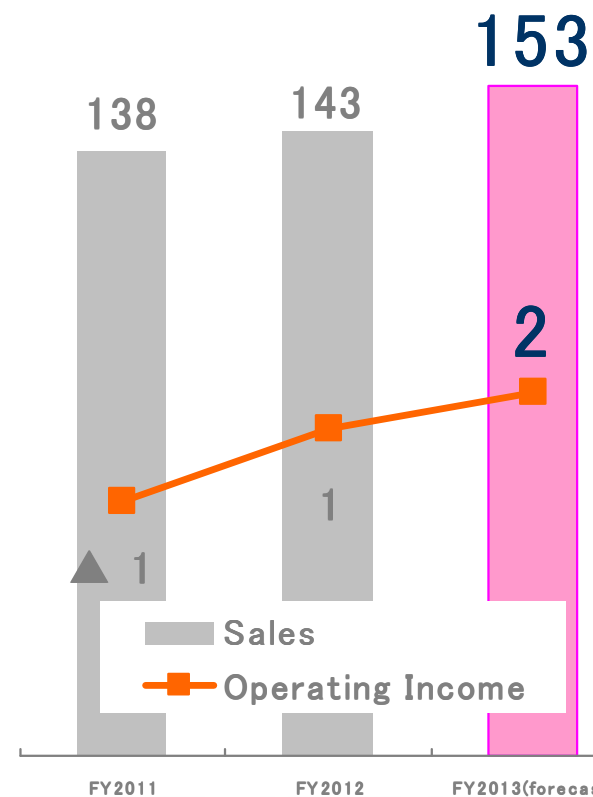
■ Domestic business

[Unit: 100mn JPY]



■ Overseas business

[Unit: 100mn JPY]



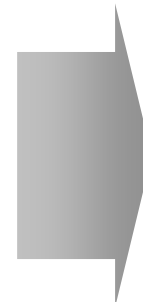
[Changes to disclosure of sales by area]

Changes have been made to include the sales from installation and after-sales service (AS) for the products we handle under each area from the current term. These were originally disclosed under “other areas.”

Disclosure will be in line with our operation that leverages our collective strength in “products, installation and AS.”

(Former disclosure)

Domestic business	
Hot water air conditioning area	Hot water air-conditioners
New energy area	New energy appliances
Household equipment area	Household equipments
Kitchen area	Kitchen instruments
Other areas	Installation, AS, externally sold parts, etc



(New disclosure)

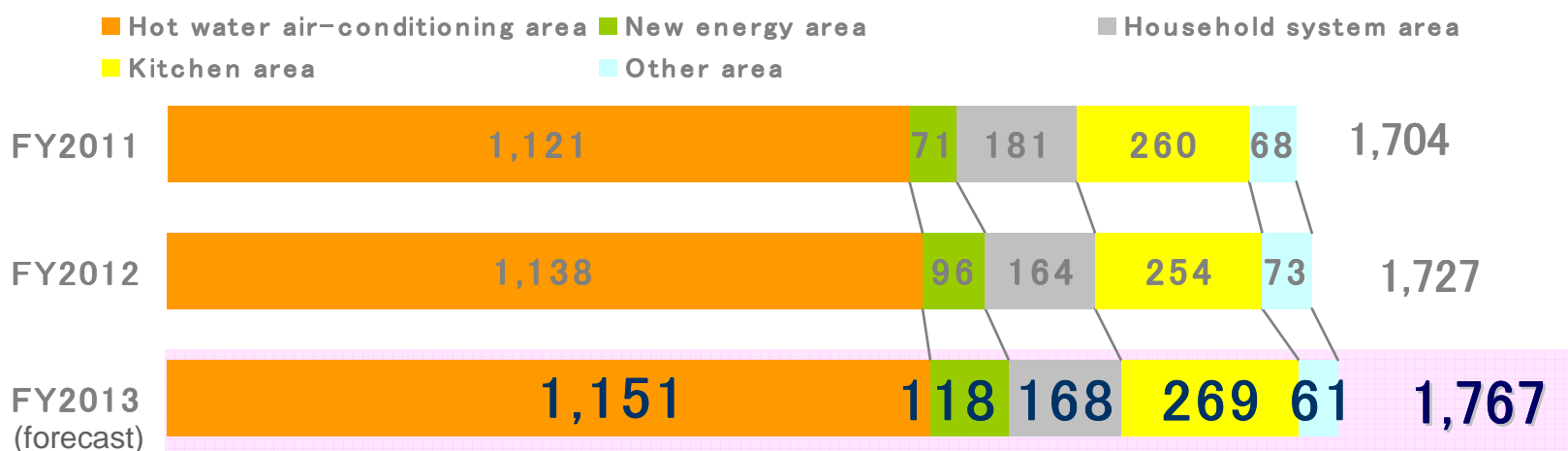
Domestic business	
Hot water air conditioning area	Hot water air-conditioners, installation, AS
New energy area	New energy appliances, installation, AS
Household equipment area	Household equipment, installation, AS
Kitchen area	Kitchen instrument, installation, AS
Other areas	Externally sold parts, etc

* AS=after-sales service

FY Dec 2013: management plan / segment

Domestic business: sales by product area

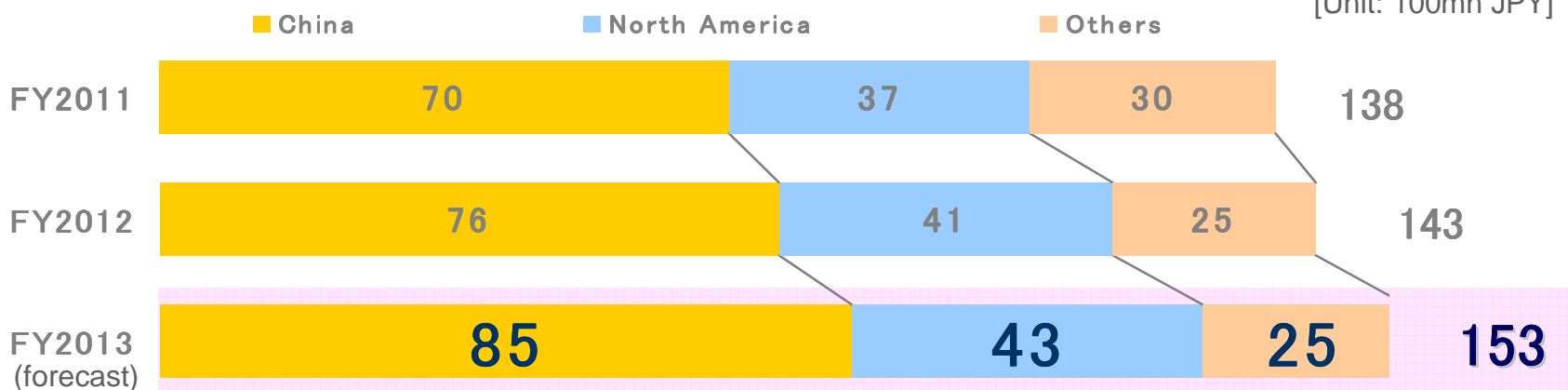
[Unit: 100mn JPY]



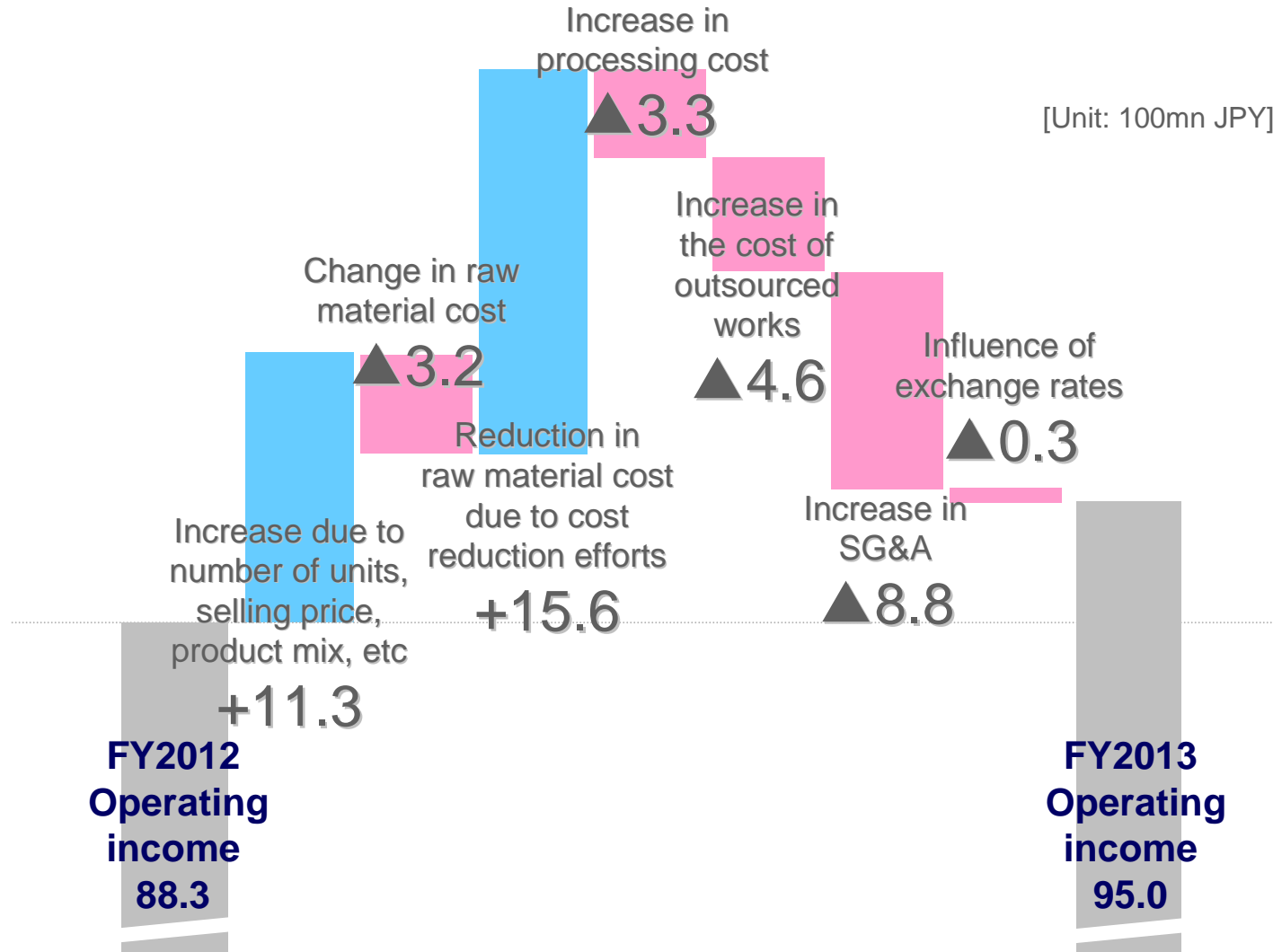
* Sales from installation and after-sales service for 2011 new energy area are included in the hot water air conditioning area

Overseas business: sales by region

[Unit: 100mn JPY]



FY Dec 2013: operating income / profit increase plan



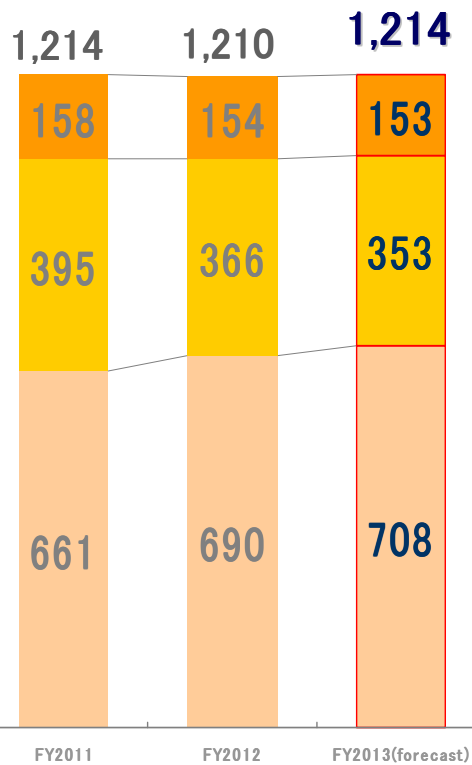
* Cost of outsourced works is the cost for installation of products handled

FY Dec 13: Major domestic product groups / plan *Reference

[Unit: Thousand]

Hot water air conditioning area

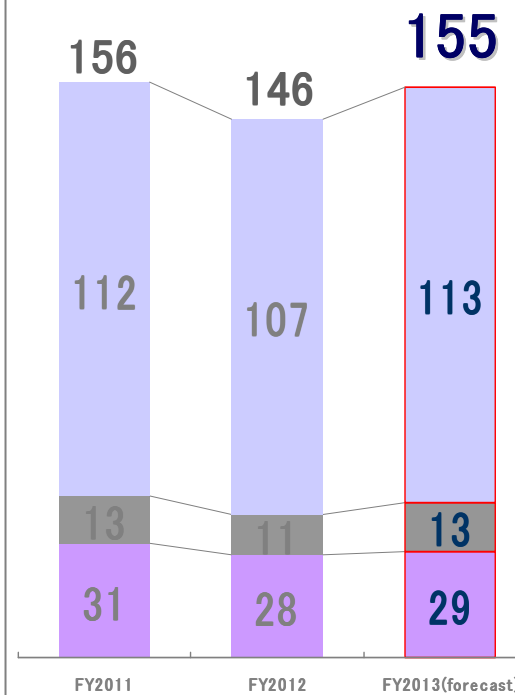
- Kerosene water heater
- Gas water heater
- Gas bath boiler



* Gas water heaters: excluding #8 and below

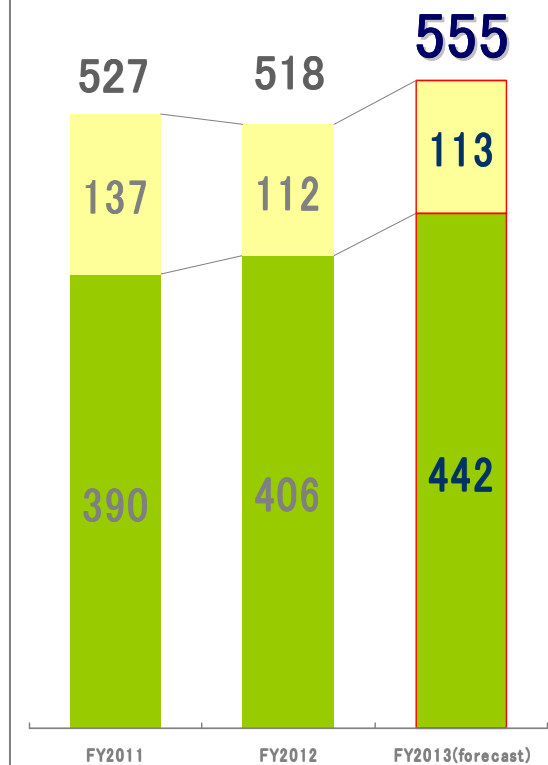
Household equipment system area

- Bathroom vanity
- System Kitchen
- System Bath



Kitchen area

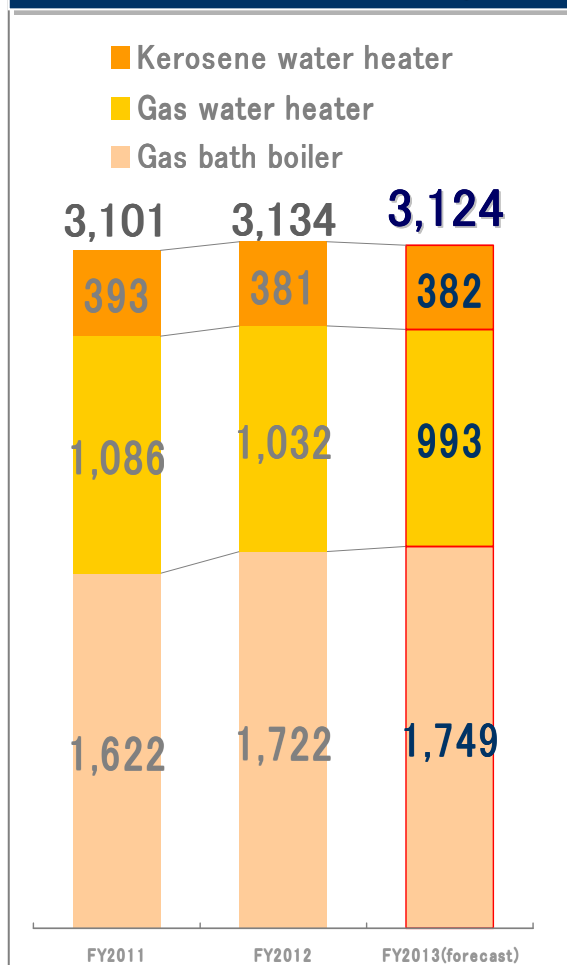
- Tabletop stove
- Built-in stove



* Excluding units with 1 burner

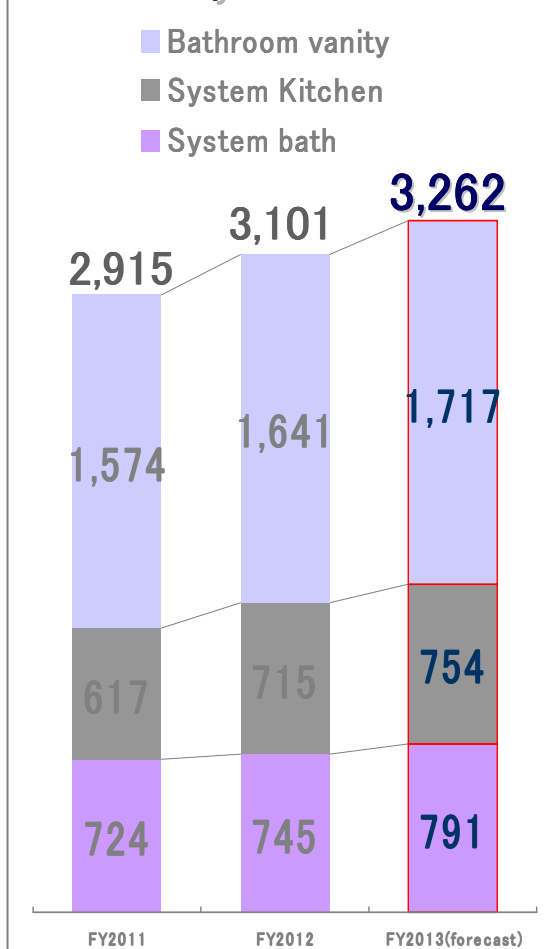
[Unit: Thousand]

Hot water air conditioning area

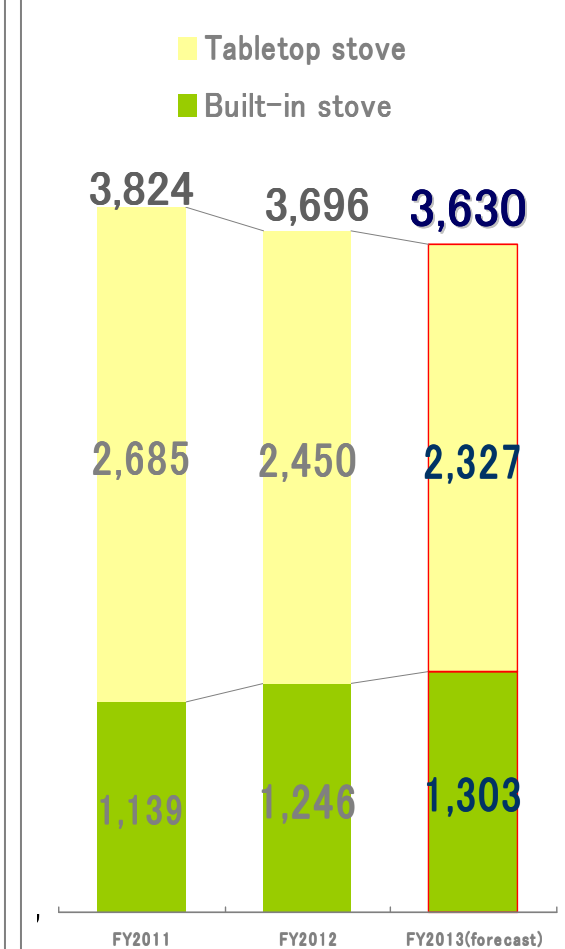


* Gas water heaters: excluding #8 and below

Household equipment system area



Kitchen area



* Excluding units with 1 burner



Developing growth business –Overseas business-

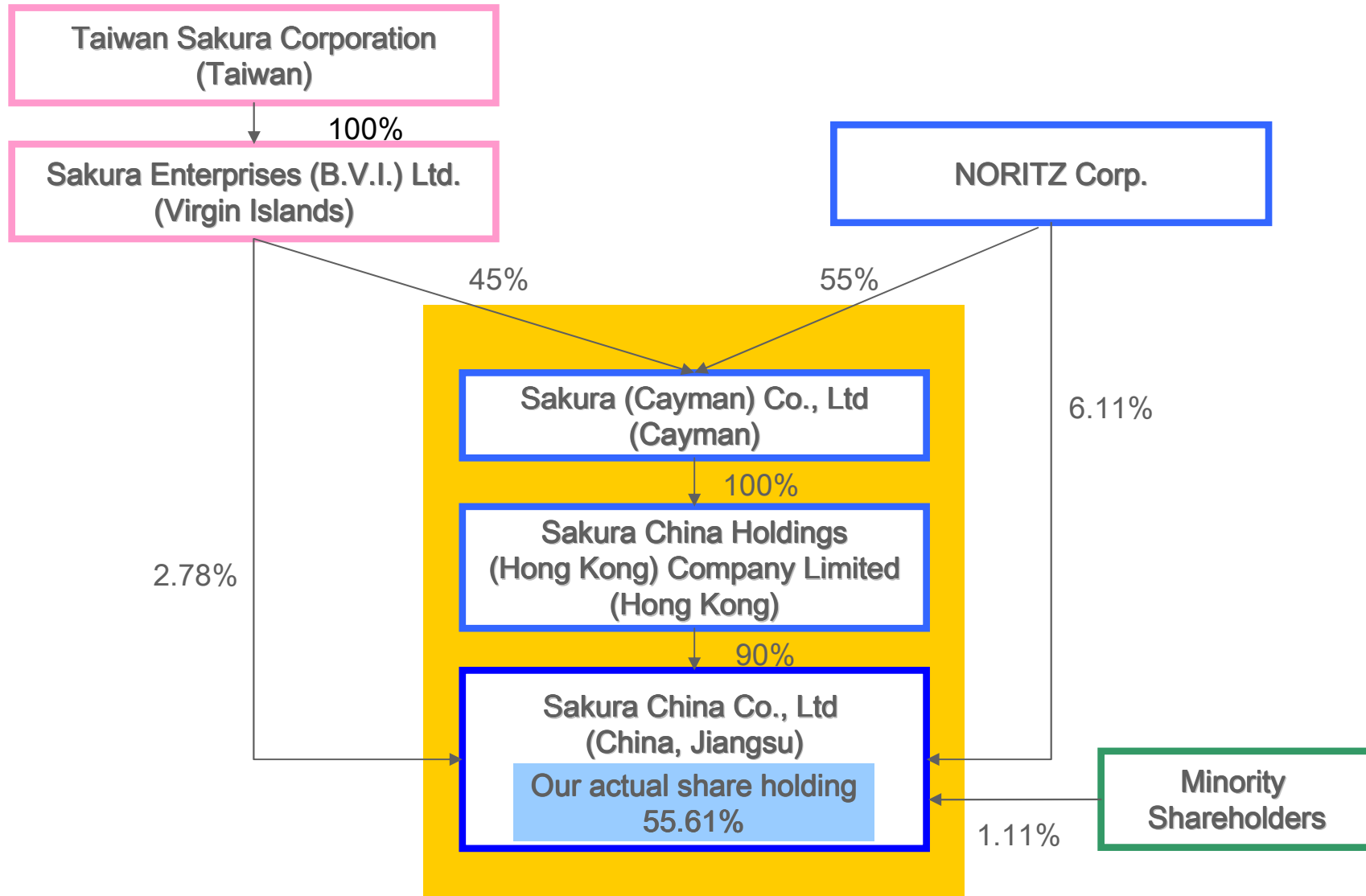
Acquisition of shares in Sakura (Cayman) Co., Ltd

Outline of the Transaction

<p>Description</p>	<ul style="list-style-type: none"> ● Acquisition of 55% shares in Sakura (Cayman) Co., Ltd ● Acquisition of 6.11% shares from minority shareholders of Sakura China Co., Ltd ● <u>Jointly manage</u> Sakura (Cayman) Co., Ltd and its subsidiaries with <u>Taiwan Sakura Corporation</u> which is the other major shareholder
<p>Subject companies</p>	<ul style="list-style-type: none"> ● Sakura (Cayman) Co., Ltd and its subsidiaries <ul style="list-style-type: none"> ▪ Sakura China Holdings (Hong Kong) Company Limited ▪ Sakura China Co., Ltd ▪ Foshan Yingshun Bath & Kitchen Co., Ltd (Guangdong Province)
<p>Acquisition price</p>	<ul style="list-style-type: none"> ● Total of approximately USD 100 million
<p>Schedule</p>	<ul style="list-style-type: none"> ● Share purchase is expected to take place at the end of August 2013 after necessary procedures for the transaction are taken, including the review to be conducted by the Chinese authorities under the Antitrust Law

Transaction Scheme

<Reference >



Overview of Sakura China Co., Ltd

Housing equipment manufacturer with nationwide business in China

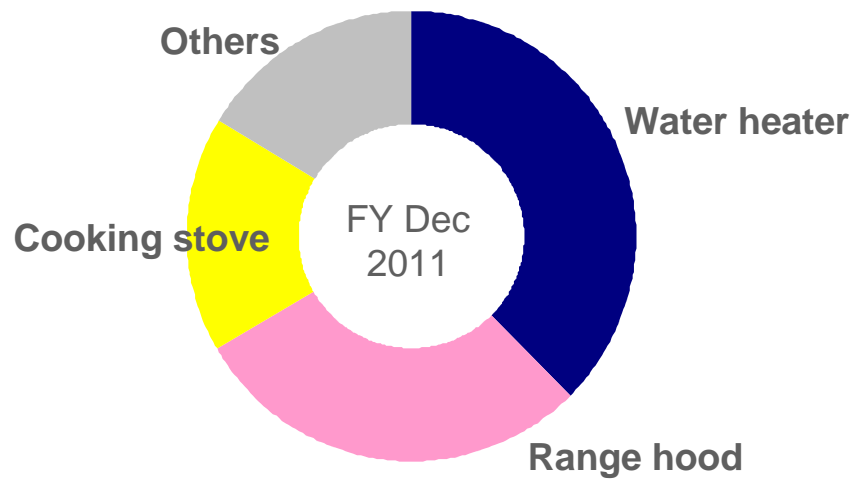
Company name	Sakura China Co., Ltd  櫻花卫厨
HQ location	Jiangsu province, Kunshan city (江蘇省昆山市青陽南路1号)
No. of employees	Approximately 3,000
Outline of business	Production and sales of gas water heaters, gas stoves, range hoods, electric water heaters, sterilizers, sinks, taps, bath heating units, ventilating fan, etc
Established	April 1994
Production base	Kunshan city, Jiangsu province/Foshan city, Guangdong Province
Sales base	Provinces and autonomous regions in China nationwide

※as of end 2011

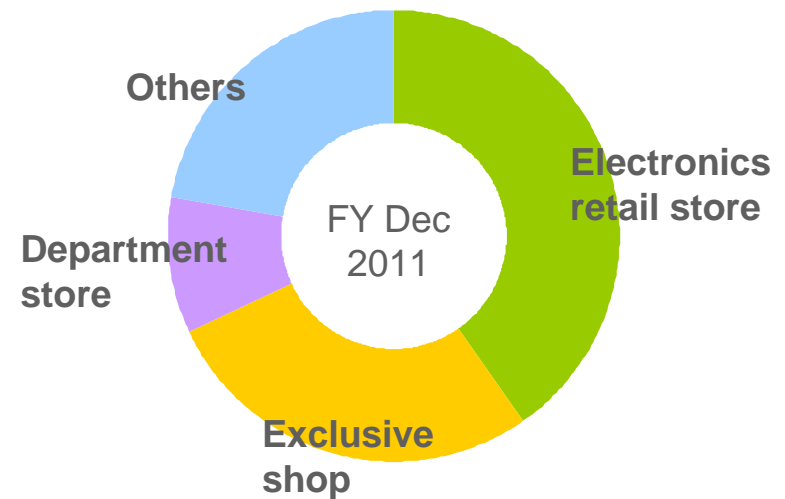
Overview of Sakura China Co., Ltd

Water heaters, range hoods and cooking stoves are the main products

■ Main products:
Sales breakdown



■ Main channels:
Distribution breakdown



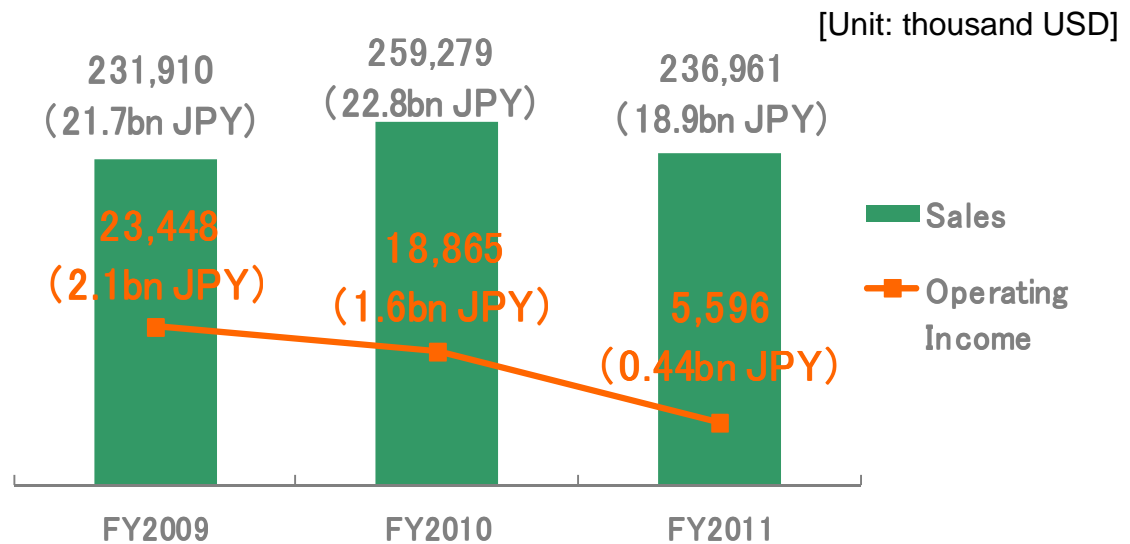
Current status of Sakura China Co., Ltd

Status

- **Distribution reform is ongoing, from electronics retail stores to exclusive shops**
- **Reforming management structure to expand the exclusive shop route**
 - Increase number of exclusive shops
 - Increase product for exclusive shops



Performance



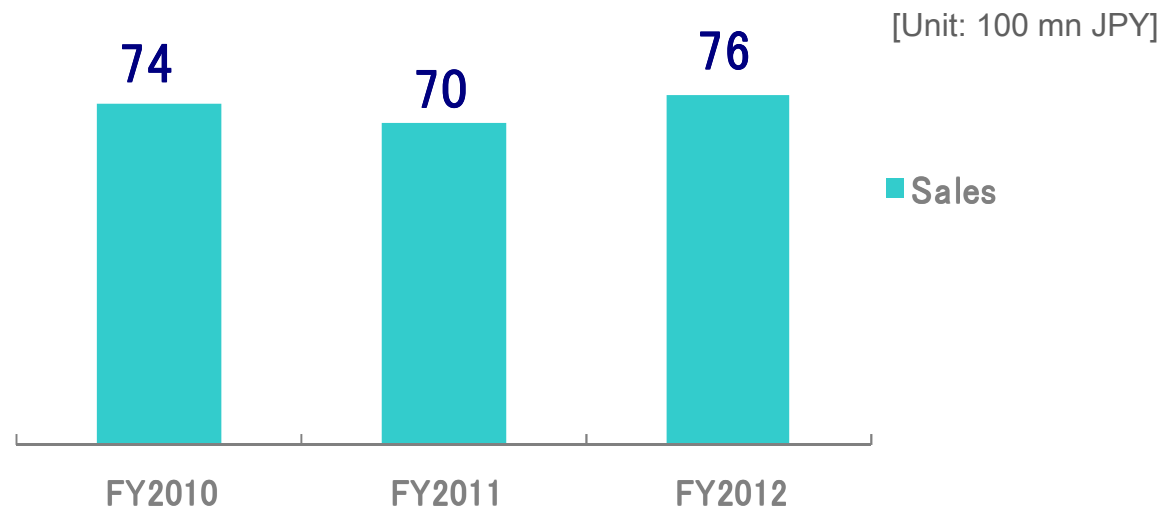
※Sakura (Cayman) Co.,Ltd Consolidated result
 ※Annual average rate : 1USD 09: 93.69JPY、10: 88.22JPY、11: 79.94JPY

Current status of Notitz (China) Co., Ltd

Status

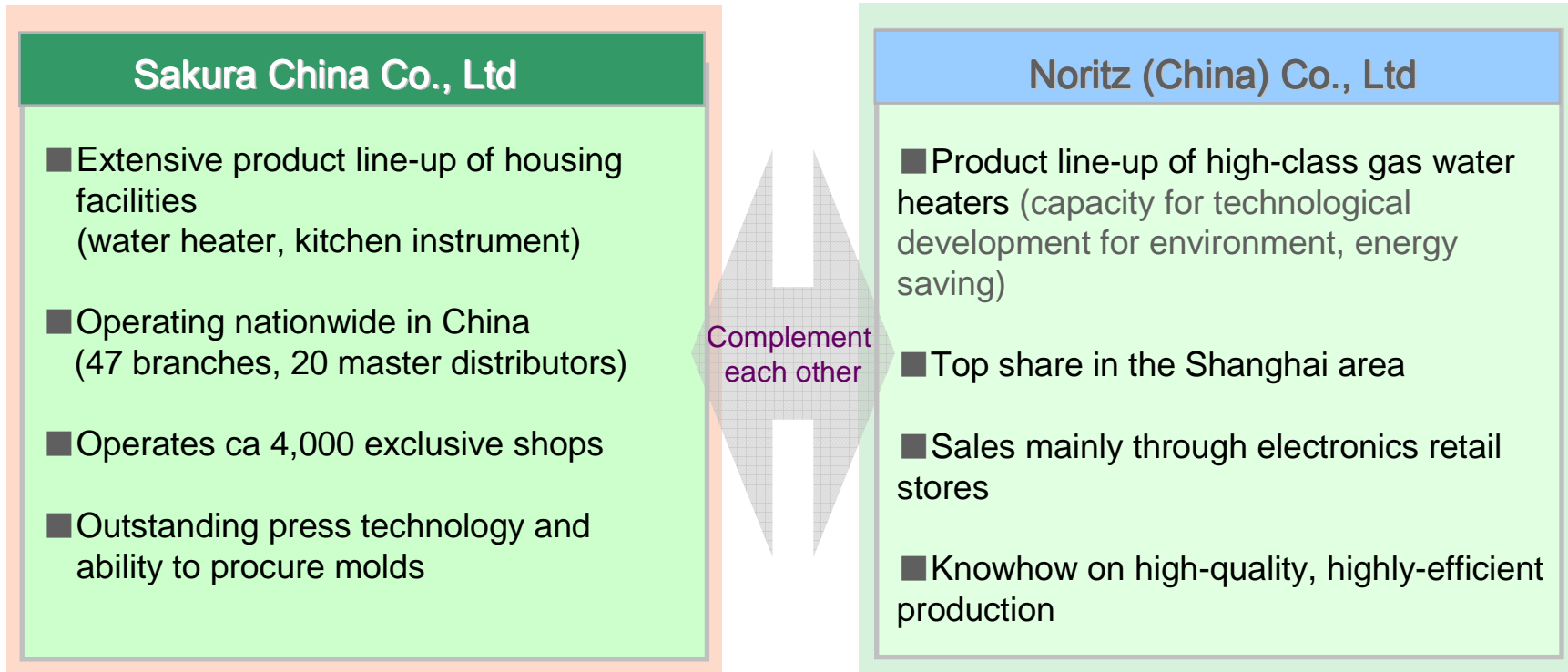
- 1993: Entered the Chinese market by establishing a JV with a local company
- 2004: Established a 100% owned subsidiary
- 2007: Constructed New Shanghai plant in Fengxian District, Shanghai City
- Acquired top share in the Shanghai area
- Enhanced recognition as a high-class brand
- Produce major high-function parts for gas water heaters at the New Shanghai Plant

Performance



Synergy between Noritz and Sakura China Co., Ltd

Characteristics of Noritz and Sakura China



Aim	<ul style="list-style-type: none">■ Enhance business performance by mutually supplying products■ Develop attractive products through joint development■ Improve production efficiency by extending production technology■ Reduce procurement cost by leveraging advantage over volume
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Strategic significance of the Transaction

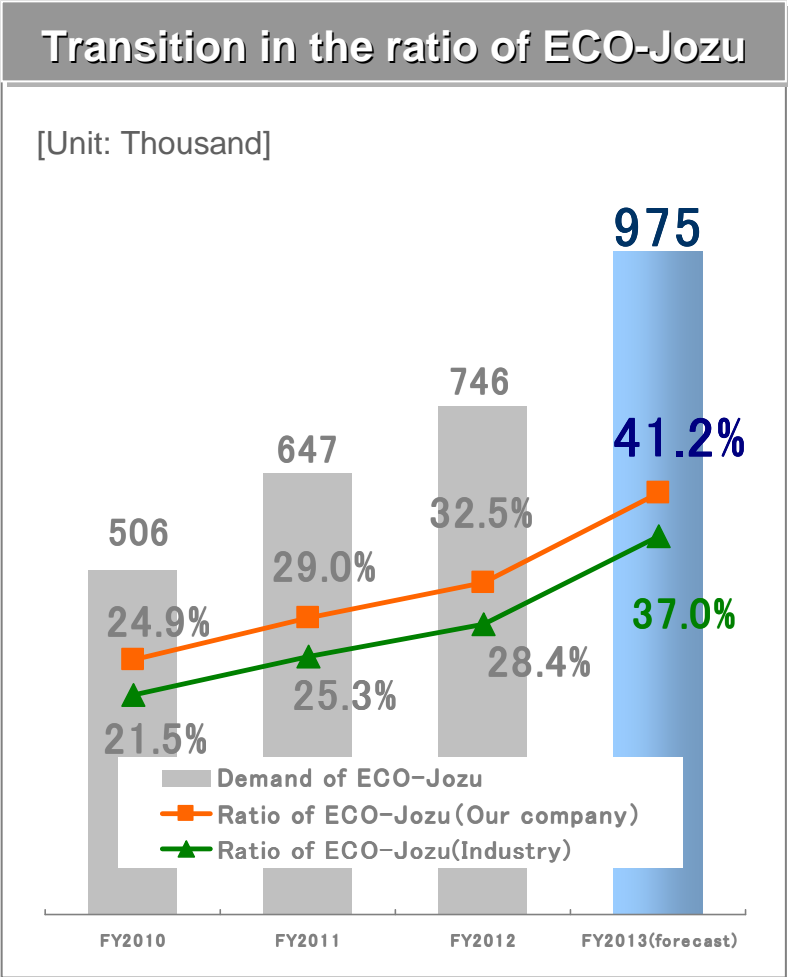
Achieve Mid-term Business Plan goals (V plan 16) by expanding overseas business

	(FY Dec2012)		(FY Dec2016)
Sales	187.0bil		250bil
Domestic	172.7bil		210bil
Overseas	14.3bil	→	40bil
Operating income	8.8bil		15bil
Domestic	8.6bil		12.5bil
Overseas	0.18bil	→	2.5bil
Ordinary Income	9.8bil		15.7bil
Net income	5.9bil		8.5bil



**Major initiatives
for the fiscal year ending
December 31, 2013**

Increase revenue through expanding sales of ECO-Jozu and standardizing parts



■ Expand sales of major products

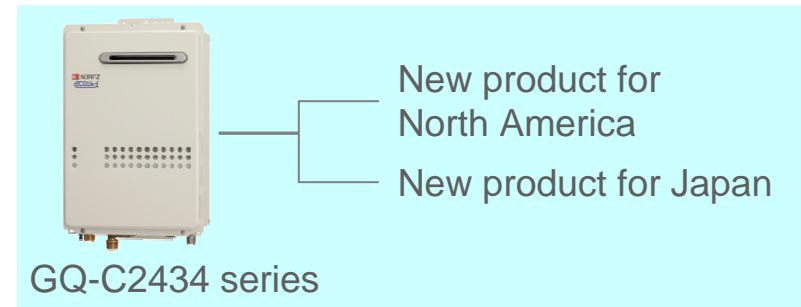
Launch of ECO-Jozu GQ and GT series

Launch in January of the GQ-C2434 series

Launch in March of the GT-C2452-SFF series (for cold regions)

■ Improve profitability

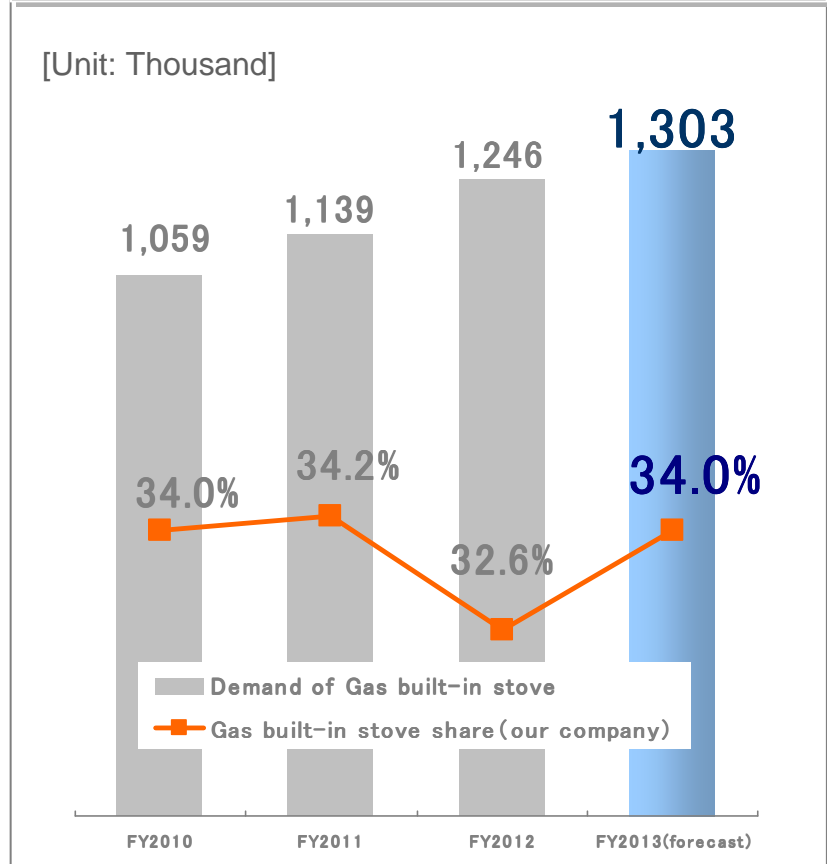
- Standardization of parts for domestic/overseas GQ series



- Consolidation of Taisei Industrial's production base

Aim for further improvement in sales efficiency and cost reduction

Transition in the share of built-in stoves



■ **Expand sales of major products**

- **Expand sales of mid/high-class products**

Grasp opportunity to respond to replacement demand

Proposal on safe and user-friendly stoves

-Safe, easy to cook and clean-

Proposal on energy-saving

-Cook rice, boil water, reheat-

■ **Improve profitability**

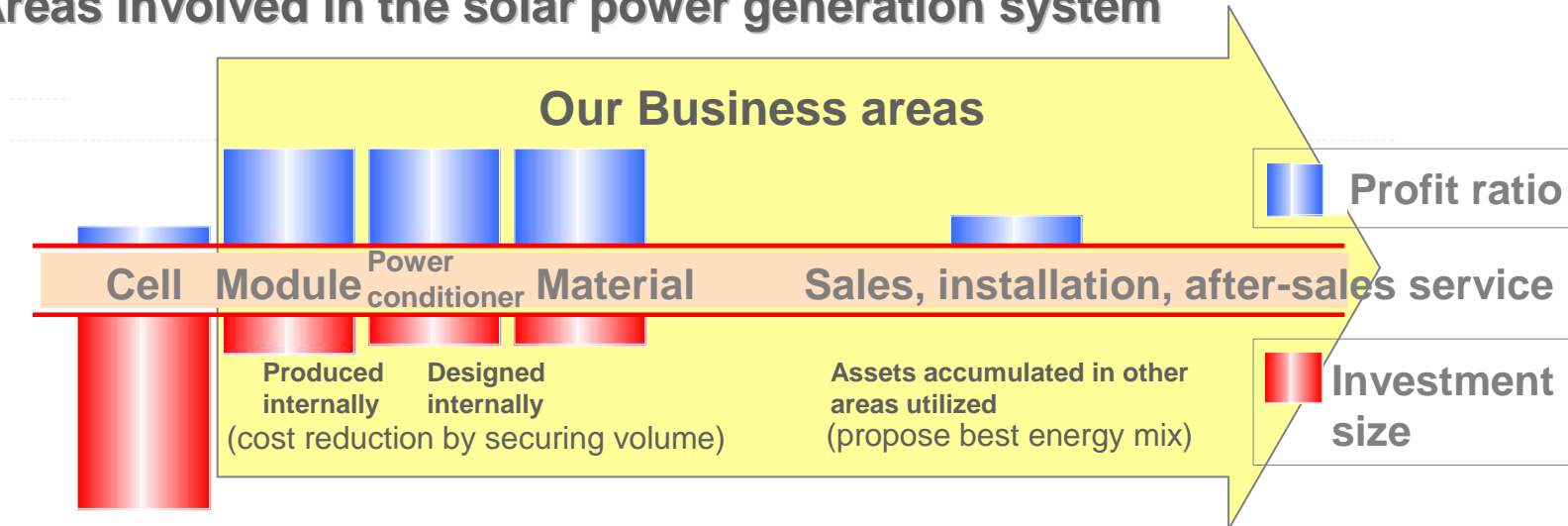
- **Improve production efficiency**

Increase number of production lines for mid/high-class products

- **Further improve sales efficiency through consolidation of Harman and Noritz sales divisions**

Expand by leveraging our strength and through minimum investment

- Expand sales of solar power generation systems
 - Areas involved in the solar power generation system



- Solar power generation system plan

Residential	Plan: 25MW (2012: 9.4MW)	<ul style="list-style-type: none"> ■ Expand sales with single-family houses ■ Win opportunities with condos
Commercial	Plan: 7.6MW (2012: 2.2MW)	<ul style="list-style-type: none"> ■ Win opportunities with small-sized commercial properties ■ Enhance installation(prime contract) capability

Overseas business remain stable in the black

China

■ Expand sales of major products

- Expand sales area
- Launch new large-capacity, high-grade products
- Develop new channels

■ Improve profitability

- Reduce cost through internal production of parts
- Hold down personnel cost by promoting automation



North America

■ Expand sales of major products

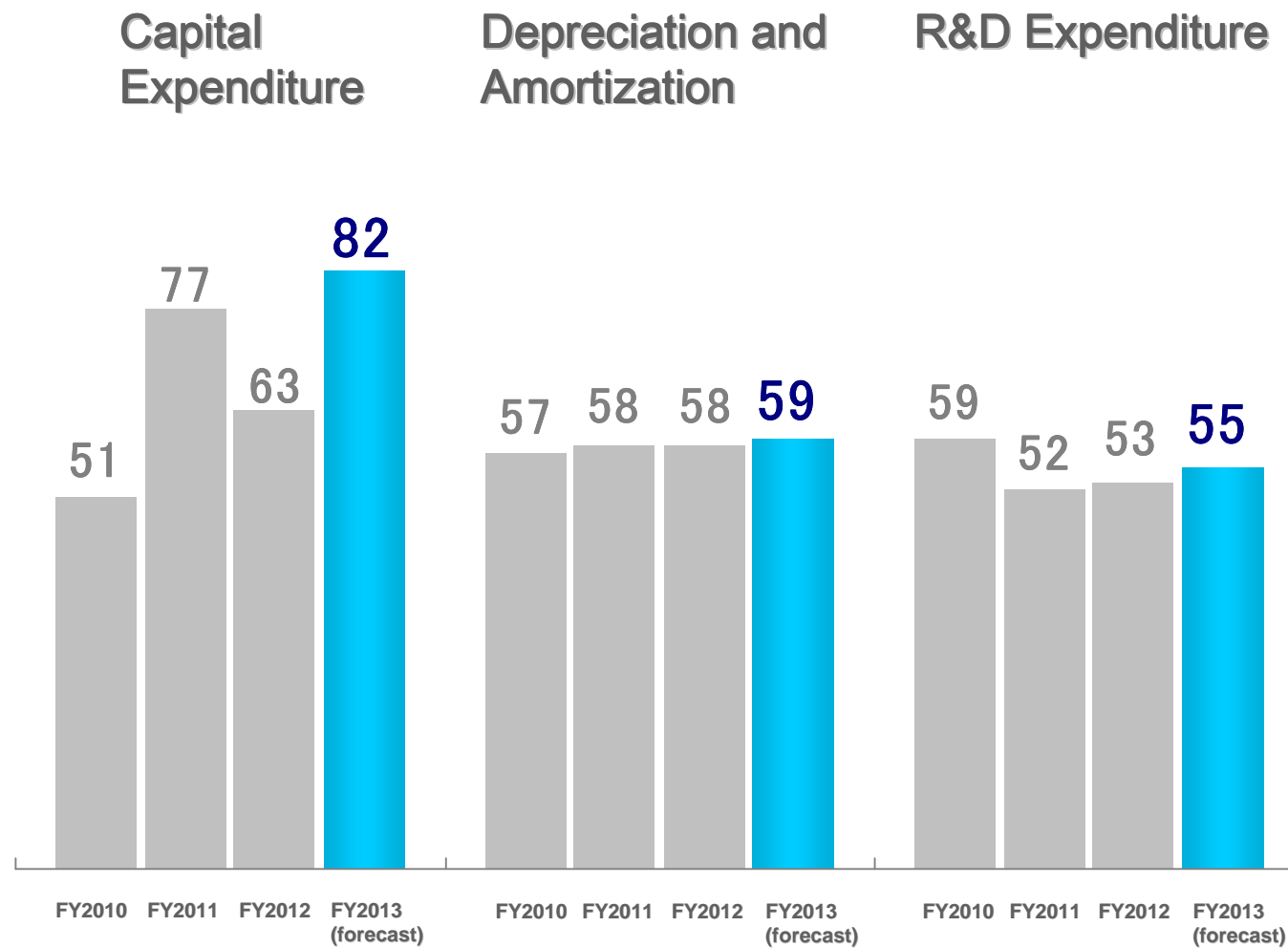
- Expand sales of next-generation eco-friendly products
 - Develop opportunities in the condensing market
- Sales activities in line with the characteristics of the area
 - Seek new OEM partner

■ Improve profitability

- Strengthen technology and service capabilities
- Consolidate sales bases

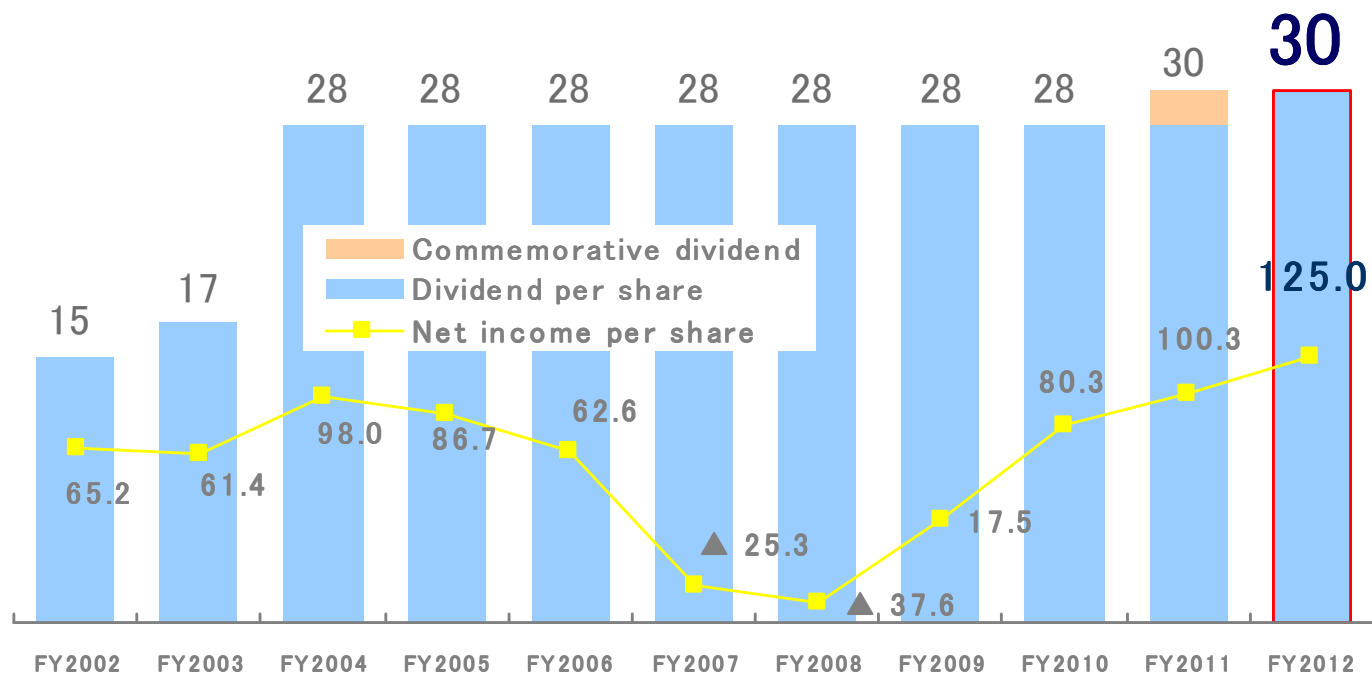


[Unit: 100mn JPY]



FY Dec 2013: scheduled dividend

Dividend increase of 2 yen, resulting in 30 yen, is expected for year-end of FY Dec 2012



In principle, we intend to pay dividend continuously and stably, and our basic policy is to take into consideration our consolidated business performance and dividend payout ratio on a consolidated basis, based on the business environment, while maintaining the financial standing of the company.



新しい幸せを、わかすこと。

人と地球の笑顔に向けて
暮らしの感動を追求するノーリツグループ
