

Consolidated Financial Results for Fiscal 2013

(April 1, 2012 - March 31, 2013)

May 10, 2013

Listed Company Name: Rinnai Corporation

Listings: First sections of the Tokyo and Nagoya Stock Exchanges (Securities Code: 5947)

Website: <http://www.rinnai.co.jp>

Representative: Hiroyasu Naito, President

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Date of the General Meeting of Shareholders: June 27, 2013

Anticipated date to begin distributing dividends: June 28, 2013

Anticipated date for releasing annual securities report: June 27, 2013

Supplemental information sheets of financial results: Yes

Information meeting of financial results: Yes (for analysts and institutional investors)

1. Performance for the Year Ended March 31, 2013

(April 1, 2012 to March 31, 2013; Amounts less than one million yen are omitted)

(1) Consolidated Operating Results (Years ended March 31)

(Percentage figures in columns indicate increase or decrease from the previous term.)

(¥ millions /%)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
Fiscal 2013	251,832 (+2.1)	26,351 (-1.1)	29,064 (+0.5)	19,371 (+15.3)
Fiscal 2012	246,636 (+3.0)	26,634 (+5.5)	28,907 (+7.8)	16,807 (+8.4)

Note: Comprehensive income:

Year ended March 31, 2013: ¥26,205 million (+60.7%)

Year ended March 31, 2012: ¥16,307 million (+14.7%)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)	Ratio of Net Income to Equity Capital (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Operating Income to Net Sales (%)
Fiscal 2013	394.86	—	12.0	11.6	10.5
Fiscal 2012	342.60	—	11.7	12.6	10.8

References: Equity in earnings of companies accounted for using the equity method:

Year ended March 31, 2013: ¥883 million

Year ended March 31, 2012: ¥949 million

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2013	262,590	178,007	65.7	3,516.11
Fiscal 2012	238,853	154,737	63.1	3,070.14

(Reference) Equity capital : Year ended March 31, 2013; ¥172,492 million

Year ended March 31, 2012; ¥150,618 million

(3) Consolidated Cash Flows (Years ended March 31)

(¥ millions)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Fiscal 2013	22,872	(12,607)	(5,002)	55,030
Fiscal 2012	23,074	(16,222)	(3,937)	48,618

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
Fiscal 2011	—	28.00	—	28.00	56.00
Fiscal 2012	—	30.00	—	30.00	60.00
Fiscal 2013 (anticipated)	—	32.00	—	32.00	64.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2011	2,747	16.3	1.9
Fiscal 2012	2,943	15.2	1.8
Fiscal 2013 (anticipated)		15.7	

3. Forecast for the Fiscal Year Ending March 31, 2014

(April 1, 2012, to March 31, 2014)

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Two-quarter total	124,000 (+8.6)	12,000 (+13.2)	13,000 (+12.9)	8,000 (+7.0)	163.07
Full year	268,000 (+6.4)	30,000 (+13.8)	32,000 (+10.1)	20,000 (+3.2)	407.68

(Percentage figures in columns indicate increase or decrease from the previous term.)

* Notes

(1) Changes in scope of consolidation of major subsidiaries during period: None
Newly included - (Company name -) : Excluded - (Company name -)

(2) Changes in accounting policies; changes in accounting estimates; retrospective restatement
(a) Changes due to revision of accounting standard: Yes
(b) Other changes than (a): None
(c) Changes in the rules for the accounting estimates: Yes
(d) Retrospective restatement: None

Note: It is in accordance with Article 14, the seventh item of “Policies of Terms, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Change in accounting policy for situations when a change in accounting estimate is difficult to distinguish).”
For more information, please refer to “IV. Consolidated Financial Statements, 5. Notes to Consolidated Financial Statements (Change in accounting policy)” on page 19 of this report.

(3) Number of Outstanding Shares (Common Stock)

(a) Number of outstanding shares at fiscal year-end (including treasury stock)

Year ended March 31, 2013: 54,216,463 shares

Year ended March 31, 2012: 54,216,463 shares

(b) Number of treasury stock at fiscal year-end

Year ended March 31, 2013: 5,158,638 shares

Year ended March 31, 2012: 5,157,204 shares

(c) Average number of shares during the term

Year ended March 31, 2013: 49,058,768 shares

Year ended March 31, 2012: 49,059,890 shares

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2013

(April 1, 2012 to March 31, 2013; Amounts less than one million yen are omitted)

(1) Nonconsolidated Operating Results (Years ended March 31) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
Fiscal 2013	188,559 (+3.0)	18,066 (+0.1)	19,911 (-11.8)	12,804 (-7.7)
Fiscal 2012	183,091 (+4.6)	18,045 (+11.9)	22,573 (+27.9)	13,869 (+32.5)

(Percentage figures in columns indicate increase or decrease from the previous term.)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2013	261.01	—
Fiscal 2012	282.70	—

(2) Nonconsolidated Financial Position (at March 31) (¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2013	181,329	128,834	71.1	2,626.18
Fiscal 2012	170,127	117,512	69.1	2,395.33

(Reference) Equity capital : Year ended March 31, 2013; ¥128,834 million
Year ended March 31, 2012; ¥117,512 million

* Implementation status of auditing review process

This report is exempt from a review process under the Financial Instruments and Exchange Act (FIEA). At the time of this report's release, the review process of the Corporation's consolidated financial statements under the FIEA was not completed.

* Note on appropriate use of performance forecasts

Performance forecasts contained in this document are based on information currently available and certain judgments deemed by the Corporation to be reasonable. Actual results may differ significantly from such forecasts due to various factors. For more information, please refer to "1. Fiscal Year in Review, (1) Performance" on page 4 of this report.

I. Performance and Financial Position

1. Fiscal Year in Review

(1) Performance

In the fiscal year ended March 31, 2013, the Japanese economy was mixed. The first half saw continued difficulties characterized by a strong yen and prolonged deflation. In the second half, however, signs of a turnaround began to appear as stock prices rose and the yen weakened, reflecting a sense of anticipation about economic recovery. Overseas, the U.S. economy benefited from upturns in the housing market and the employment situation, while the Chinese economy firmed, indicating gradual recovery due to government economic stimulus measures. In Europe, however, the outlook remained unclear as ongoing fiscal austerity and deterioration of employment conditions and worker incomes led to continued negative growth.

The domestic housing appliance industry has been in recovery mode, reflected in three consecutive years of growth in housing starts driven by such factors as government support measures for home purchases and earthquake restoration-related demand. The home renovation market is also healthy thanks to increased use of renewable energy and heightened energy-saving awareness caused by energy-related issues.

Against this background, the Rinnai Group pursued its new medium-term business plan, entitled Jump Up 2014, covering the three-year period from April 2012 to March 2015. Under the plan, we advanced global business initiatives as a comprehensive manufacturer of heating appliances that contributes to society and the global environment.

With respect to revenue, in Japan we enjoyed healthy sales of hot-water/heating systems and related products, reflecting the growing popularity of systems with multiple functions, such as bathwater reheating and room heating using hot water. Overseas, however, sales of tankless hot-water units in the United States declined due to stagnation in the housing market. In Australia, our performance was weak as we were unable to compensate for a decline in sales compared with the previous fiscal year, when we benefited from special demand for heaters for schools. Nevertheless, total Group net sales were up year-on-year, bolstered by higher domestic demand.

On the earnings side, the ratio of sales of highly functional, high-value-added products to net sales has been growing. Although we worked hard to translate this trend into earnings, we incurred expenses from inspecting and repairing faulty dishwashers, leading to a decline in operating income.

As a result, consolidated net sales for the period amounted to ¥251,832 million, up 2.1% from the previous year. Operating income slipped 1.1%, to ¥26,351 million, and

ordinary income edged up 0.5%, to ¥29,064 million. Net income climbed 15.3%, to ¥19,371 million. This was due to a year-on-year decline in loss on valuation of investment securities, as well as a gain on sales of property, plant, and equipment.

Our results by geographical segment were as follows:

Japan

In the domestic hot-water unit business, the share of high-end models in our product portfolio has been growing, with the spotlight on hot-water/heating systems that reflect the growing use of hot water for room heating purposes. In kitchen appliances, the growing popularity of system-based kitchens has led to a shift in demand from standalone products, such as tabletop stoves, to more advanced offerings, like built-in stoves. These trends helped boost domestic revenue for the year. We also posted healthy sales of newer products for the Group, such as *ECO ONE* hybrid hot-water systems, which combine electricity and gas to achieve higher efficiency, and range hoods that are linked functionally to built-in stoves. Sales in Japan rose 3.1%, to ¥180,527 million. During the period, we incurred expenses from inspecting and repairing faulty dishwashers, which had a negative impact in earnings. Buoyed by increased sales of high-value-added products, however, operating income was up 1.6%, to ¥20,650 million.

South Korea

Sales of boilers, which are the main heating appliances used in South Korea, declined in volume terms due to an economic downturn in the second half of the year. Thanks to strong replacement demand amid expansion of internal demand, however, overall sales of boilers increased. Nevertheless, sales of tabletop stoves declined as replacement cycles grew longer. Sales in South Korea were down 2.3%, to ¥21,220 million. Owing to cost-cutting efforts in such areas as sales and promotional expenses, however, operating income grew 3.7%, to ¥844 million.

North America

Sales of tankless hot-water units in North America declined year-on-year, due to a weak housing market and depressed consumption in the building materials sector. As a result, sales in North America decreased 2.2%, to ¥11,333 million. Thanks to improved profitability of new products, however, operating income jumped 30.1%, to ¥315 million.

Australia

Sales in Australia of instant-heating gas hot-water units were firm, but we were unable to

compensate for a decline in sales of heaters for schools, which enjoyed special demand in the previous fiscal year. Accordingly, sales in Australia declined 8.4%, to ¥13,731 million, and operating income fell 30.3%, to ¥2,187 million.

China

In China, living standards in interior regions continued to improve, and demand for hot-water units increased alongside expansion of gas infrastructure. Moreover, sales in the Shanghai area, which had been depressed, showed a gradual recovery trend. Accordingly, sales in China grew 10.4%, to ¥12,815 million, and operating income jumped 122.6%, to ¥1,165 million.

References 1: Net sales by product

(¥ millions)

	Year ended March 31, 2012 (April 1, 2011, to March 31, 2012)		Year ended March 31, 2013 (April 1, 2012, to March 31, 2013)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Hot-water units	121,028	49.1	127,125	50.5	6,096	5.0
Kitchen appliances	78,792	31.9	78,782	31.3	(10)	0.0
Air-conditioning and heating units	16,681	6.8	15,666	6.2	(1,014)	(6.1)
Commercial-use equipment	6,846	2.8	6,912	2.7	65	1.0
Others	23,286	9.4	23,346	9.3	59	0.3
Total	246,636	100.0	251,832	100.0	5,196	2.1

References 2: Overseas sales

(¥ millions)

	Year ended March 31, 2012 (April 1, 2011, to March 31, 2012)			Year ended March 31, 2013 (April 1, 2012, to March 31, 2013)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	45,054	33,372	78,426	46,801	32,115	78,917
II. Consolidated net sales	—	—	246,636	—	—	251,832
III. Composition ratio of overseas sales to consolidated net sales	18.3%	13.5%	31.8%	18.6%	12.8%	31.3%

Note: Overseas sales of the above indicate sales of the Corporations in overseas countries or regions.

(2) Outlook for the Year Ending March 31, 2014

In the year ending March 2014, we believe that business conditions will trend towards improvement. In North America, for example, we look forward to turnarounds in the housing market and the employment situation, while in China expectations are rising about the benefits of economic stimulus measures. In Japan, meanwhile, we predict a recovery in the earnings of exporting companies in the wake of foreign exchange movements, and

economic support measures will be taken to achieve inflation targets.

In the year ahead, which is the second year of Jump Up 2014, our medium-term business plan, we will target further dramatic progress as a comprehensive global manufacturer of heat and energy appliances, implementing core strategies aimed at achieving our targets. Key to this endeavor will be *ECO ONE*, a hybrid hot-water/heating system that provides the best mix of electricity and gas to realize high levels of environmental and energy-saving performance. We will also give priority to the *Eco Jozu* series of high-efficiency hot-water units. In these ways, we will target increases in revenue and earnings. Seeking also to reinforce our production system, especially for core products, we will start reorganizing our domestic manufacturing facilities.

For the year ending March 2014, we forecast consolidated net sales of ¥268.0 billion (up 6.4% year-on-year), operating income of ¥30.0 billion (up 13.8%), ordinary income of ¥32.0 billion (up 10.1%), and net income of ¥20.0 billion (up 3.2%).

2. Financial Position

(1) Balance Sheets

As of March 31, 2013, the Rinnai Group had total assets of ¥262,590 million, up ¥23,736 million from a year earlier. This rise stemmed mainly from an increase in cash and deposits.

Total liabilities rose ¥466 million, to ¥84,582 million, due largely to an increase in notes and accounts payable.

Net assets were up ¥23,269 million, to ¥178,007 million, owing mainly to an increase in retained earnings, boosted by net income.

As a result, the equity ratio at fiscal year-end was 65.7%.

(2) Cash Flows

Cash and cash equivalents at March 31, 2013, stood at ¥55,030 million, up ¥6,412 million, or 13.2%, from a year earlier.

Net cash provided by operating activities amounted to ¥22,872 million, down 0.9% from the previous year. Main factors included the secured operating income and a cash decrease due to income tax paid.

Net cash used in investing activities totaled ¥12,607 million, down 22.3% from the previous year. Main factors were transfers to and withdrawals from time deposits and purchases of fixed assets.

Net cash used in financing activities was ¥5,002 million, up 27.0% from the previous year. This was due mainly to repayment of short-term debt.

References: Cash Flow Indicators

(Years ended March 31)	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Equity ratio (%)	64.5	62.5	62.0	63.1	65.7
Equity ratio based on market price (%)	88.1	114.3	122.3	122.4	126.5
Interest-bearing debt to cash flows (year)	0.65	0.37	0.33	0.33	0.28
Interest coverage ratio (times)	19.5	57.2	84.4	74.4	95.5

Notes: Equity ratio: Equity capital/Total assets

Equity ratio based on market price: Total stock value based on market price/Total assets

Interest-bearing debt to cash flows: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest paid

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated based on the number of shares outstanding at the end of the year after deducting treasury stock.
3. Operating cash flow is calculated using net cash provided by operating activities.

(3) Basic Profit Appropriation Policy; Cash Dividends

The Corporation regards stable return of profits to shareholders as an important management policy. Based on this policy, we intend to meet shareholders' expectations based on extensive consideration of various factors, including consolidated business performance and payout ratio.

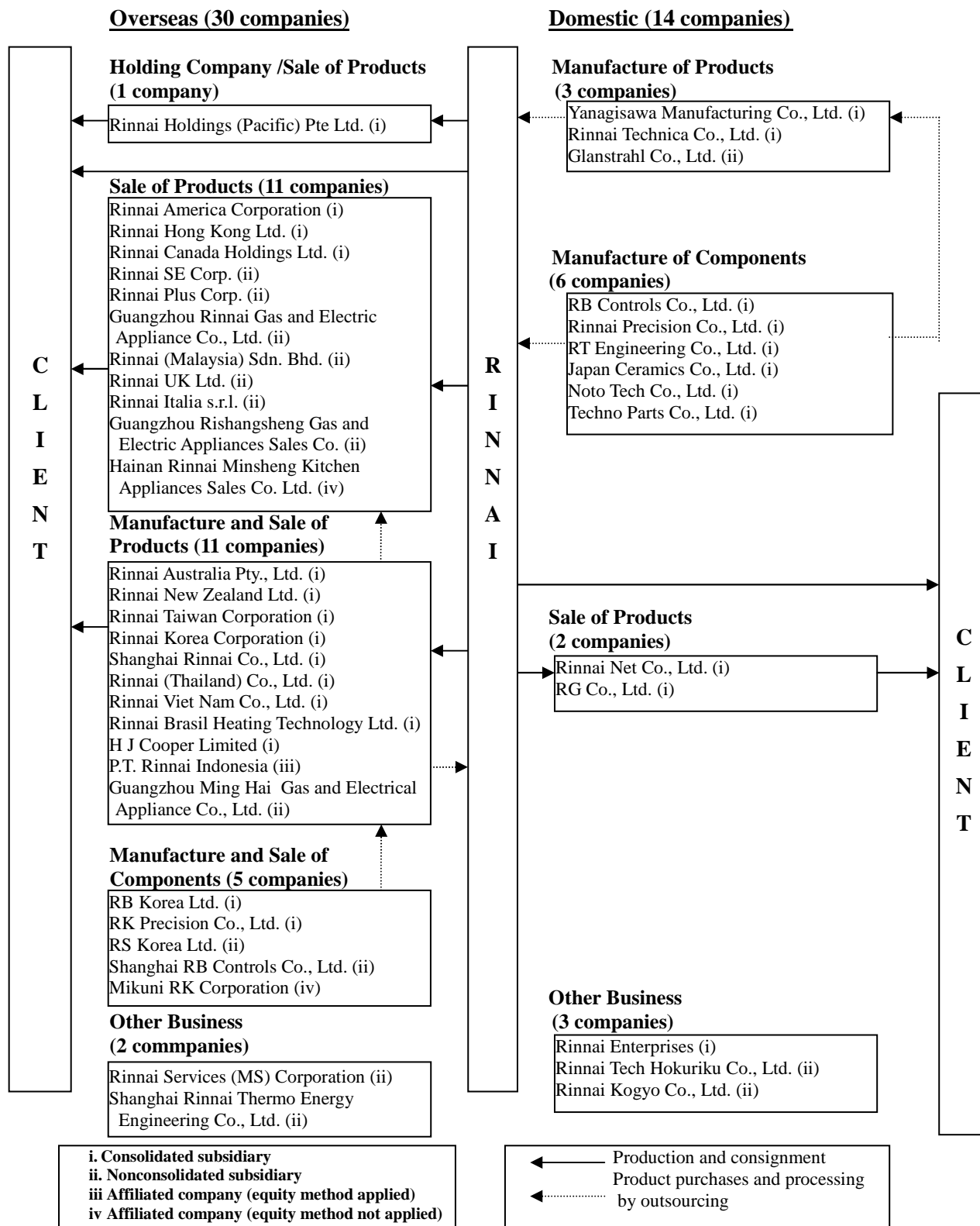
At the same time, we will effectively utilize retained earnings to support various initiatives aimed at raising corporate value over the long term. These include research and development, capital investments, and strategic business investments in Japan and overseas.

For the fiscal year ended March 31, 2013, we plan to raise the year-end dividend by ¥2.00, to ¥30.00 per share. Earlier in the year, we paid an interim dividend of ¥30.00. This will bring total annual dividends to ¥60.00 per share.

For the year ending March 2014, we plan to pay annual dividends of ¥64.00 per share (¥32.00 interim dividend and ¥32.00 year-end dividend), in the interests of maintaining a balance between stable, consistent shareholder returns and the necessity of retaining ample earnings.

II. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 41 subsidiaries, and three affiliated companies, for a total of 45 companies. These include 26 consolidated subsidiaries and one company to which the equity method is applied. The Group is primarily engaged in the manufacture and sale of gas appliances and related businesses. The Group's structure and business flow are shown below.



III. Management Policies

1. Basic Management Policy

Guided by its basic philosophy, “Quality is our destiny,” the Rinnai Group pursues its corporate activities as a comprehensive manufacturer of heat and energy appliances, committed to reinforcing its core domestic business foundation and achieving global growth.

2. Performance Targets

By promoting interaction throughout the Group, we will seek to raise the profitability and capital efficiency of our core businesses. Specifically, we are targeting a consolidated operating margin of 10% and consolidated return on equity (ROE) of 10% or higher.

3. Medium- and Long-Term Business Strategies

We predict that future medium- and long-term economic trends, characterized by a growing world population and improving living standards especially in newly emerging nations, will support further increases in households using advanced heating appliances. Accordingly, we look forward to continued growth in heating appliance markets. Moreover, efforts to reassess the worldwide energy structure have gathered pace, and people’s lifestyles are diversifying as we approach the era of renewed demand for the best mix of energy and better environmental and energy-saving performances.

Facing these challenges, the Rinnai Group formulated its medium-term business plan, Jump Up 2014, which began in April 2012. Guided by the plan, we are striving to increase corporate value and contribute to society as a comprehensive heat and energy appliance manufacturer. We will also reinforce our corporate foundation underpinned by core management issues—which we call the “three jump up” priorities—in order to build a long-term growth trajectory. A key issue is to promote sales of *ECO ONE*, a hybrid hot-water/heating system that provides the best mix of electricity and gas to realize the world’s best environmental and energy-saving performance levels. We are also actively promoting our *Eco Jozu* series of high-efficiency hot-water units that contribute significantly to the environment and energy-savings. In these and other ways, we will supply products that contribute to global environmental protection. With respect to our global strategy, we will further upgrade our product lineups in existing markets while tapping new priority markets, in order to help local communities enjoy more abundant lifestyles.

“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

Consolidated Performance Targets for Year Ending March 2015

Net sales: ¥280 billion

Operating income: ¥33 billion

Operating income to net sales ratio: 11.8%

4. Issues to Address

Environment

Kitchen appliances, hot-water units, and air-conditioning systems account for around 60–70% of household energy consumption in industrialized nations. In this context, the Rinnai Group can make a significant contribution to saving energy and reducing emissions of carbon dioxide and nitrogen oxide. By rigorously pursuing energy-saving technologies and providing products closely linked to people’s lives, the Group will strive to benefit the environment.

Product quality

In the pursuit of business initiatives under our corporate philosophy, “Quality is our destiny,” we will target operational enhancement activities on a global level emphasizing essential safety and zero defects, so that customers can use our products with peace of mind.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

	At March 31, 2012 (Year ended March 31, 2012)	At March 31, 2013 (Year ended March 31, 2013)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	34,596	47,691
Notes and accounts receivable	56,776	59,699
Marketable securities	35,651	39,479
Products	14,530	16,467
Raw materials and stores	9,402	9,855
Deferred tax assets	3,364	3,577
Other	2,439	1,482
Less allowance for doubtful accounts	(461)	(487)
Total current assets	156,300	177,766
Fixed assets		
Property, plant and equipment		
Buildings and structures	38,074	37,731
Accumulated depreciation	(23,086)	(23,518)
Buildings and structures (net)	14,988	14,212
Machinery and vehicles	40,233	41,905
Accumulated depreciation	(31,835)	(33,388)
Machinery and vehicles (net)	8,398	8,516
Tools and fixtures	24,818	27,524
Accumulated depreciation	(21,094)	(23,773)
Tools and fixtures (net)	3,724	3,751
Land	13,620	13,094
Lease assets	431	443
Accumulated depreciation	(186)	(230)
Lease assets (net)	245	212
Construction in progress	2,064	1,332
Total property, plant and equipment	43,040	41,121
Intangible fixed assets	1,489	1,526
Investments and advances		
Investments in securities	26,966	30,665
Deferred income taxes	806	1,157
Other	10,670	10,823
Less allowance for doubtful accounts	(419)	(470)
Total investments and advances	38,023	42,176
Total fixed assets	82,553	84,823
Total assets	238,853	262,590

(¥ millions)

	At March 31, 2012 (Year ended March 31, 2012)	At March 31, 2013 (Year ended March 31, 2013)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	43,895	44,446
Short-term debt	4,254	3,748
Other payables	9,478	9,630
Accrued consumption taxes	776	1,128
Accrued income taxes	6,064	5,931
Accrued employee's bonuses	3,131	3,153
Allowance for product guarantee	1,857	1,895
Other	3,299	3,138
Total current liabilities	72,757	73,073
Long-term liabilities		
Long-term debt	3,325	2,550
Accrued employees' retirement benefits	4,554	4,625
Other	3,479	4,332
Total long-term liabilities	11,358	11,508
Total liabilities	84,116	84,582
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,720	8,720
Earned surplus	162,014	178,540
Treasury stock	(23,471)	(23,480)
Total shareholders' equity	153,722	170,240
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	518	1,919
Foreign exchange translation adjustment	(3,622)	332
Total other accumulated comprehensive income	(3,103)	2,252
Minority interests	4,119	5,515
Total net assets	154,737	178,007
Total liabilities and net assets	238,853	262,590

**2. Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**
Consolidated Statements of Income

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Net sales	246,636	251,832
Cost of Sales	171,475	175,990
Gross Profit	75,161	75,842
Selling, general and administrative expenses		
Transportation and packing	6,456	6,293
Advertising	2,539	2,193
Sales promotion	3,699	3,724
After-sales service	1,711	2,900
Transfer to allowance for product guarantee	1,857	1,824
Salary and bonuses	15,799	16,406
Transfer to allowance for employee's bonuses	1,251	1,236
Retirement benefit expenses	1,089	996
Depreciation	1,087	1,044
Other	13,036	12,870
Total selling, general and administrative expenses	48,527	49,490
Operating income	26,634	26,351
Other income:		
Interest income	1,039	886
Dividends received	207	213
Equity in earnings of affiliates	949	883
Foreign exchange income	67	617
Other	563	582
Total other income	2,827	3,183
Other expenses:		
Interest expenses	304	239
Loss on retirement of fixed assets	191	182
Other	58	48
Total other expenses	554	470
Ordinary income	28,907	29,064
Extraordinary income:		
Gain on sales of fixed assets	—	988
Total extraordinary income	—	988
Extraordinary losses:		
Impairment losses	—	277
Loss on valuation of investments in securities	1,356	265
Total extraordinary losses	1,356	543
Income before income taxes	27,550	29,509
Income taxes:		
Current	9,471	9,143
Deferred	749	111
Total income taxes	10,220	9,254
Income before minority interest	17,330	20,254
Minority interests	522	882
Net income	16,807	19,371

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Income before minority interest	17,330	20,254
Other comprehensive income		
Unrealized gain on marketable securities	912	1,401
Foreign exchange translation adjustment	(1,787)	4,420
Equity equivalents in equity method affiliates	(148)	129
Total other comprehensive income	(1,022)	5,950
Comprehensive income	16,307	26,205
(Composition)		
Comprehensive income related to shareholders of parent company	15,901	24,727
Comprehensive income related to minority shareholders	405	1,477

3. Consolidated Statements of Shareholders' Equity

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Shareholders' equity:		
Common stock		
Balance at the end of previous term	6,459	6,459
Net changes during the current term		
Total net changes during the current term	—	—
Balance at the end of current term	6,459	6,459
Capital surplus		
Balance at the end of previous term	8,719	8,720
Net changes during the current term		
Disposition of treasury stock	0	—
Total net changes during the current term	0	—
Balance at the end of current term	8,720	8,720
Earned surplus		
Balance at the end of previous term	147,757	162,014
Net changes during the current term		
Dividends paid	(2,551)	(2,845)
Net income	16,807	19,371
Total net changes during the current term	14,256	16,526
Balance at the end of current term	162,014	178,540
Treasury stock		
Balance at the end of previous term	(23,465)	(23,471)
Net changes during the current term		
Acquisition of treasury stock	(7)	(8)
Disposition of treasury stock	0	—
Total net changes during the current term	(6)	(8)
Balance at the end of current term	(23,471)	(23,480)
Total shareholders' equity		
Balance at the end of previous term	139,471	153,722
Net changes during the current term		
Dividends paid	(2,551)	(2,845)
Net income	16,807	19,371
Acquisition of treasury stock	(7)	(8)
Disposition of treasury stock	1	—
Total net changes during the current term	14,250	16,517
Balance at the end of current term	153,722	170,240

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Other accumulated comprehensive income:		
Unrealized gain on marketable securities		
Balance at the end of previous term	(394)	518
Net changes during the current term		
Net other changes than shareholders' equity during the current term	912	1,401
Total net changes during the current term	912	1,401
Balance at the end of current term	518	1,919
Foreign exchange translation adjustment		
Balance at the end of previous term	(1,803)	(3,622)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(1,818)	3,955
Total net changes during the current term	(1,818)	3,955
Balance at the end of current term	(3,622)	332
Total other accumulated comprehensive income		
Balance at the end of previous term	(2,197)	(3,103)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(906)	5,356
Total net changes during the current term	(906)	5,356
Balance at the end of current term	(3,103)	2,252
Minority interests:		
Unrealized gain on marketable securities		
Balance at the end of previous term	3,836	4,119
Net changes during the current term		
Net other changes than shareholders' equity during the current term	282	1,395
Total net changes during the current term	282	1,395
Balance at the end of current term	4,119	5,515
Total net assets:		
Balance at the end of previous term	141,110	154,737
Net changes during the current term		
Dividends paid	(2,551)	(2,845)
Net income	16,807	19,371
Acquisition of treasury stock	(7)	(8)
Disposition of treasury stock	1	—
Net other changes than shareholders' equity during the current term	(623)	6,752
Total net changes during the current term	13,627	23,269
Balance at the end of current term	154,737	178,007

4. Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	27,550	29,509
Depreciation and amortization	7,959	8,805
Loss (gain) on valuation of investments in securities	1,356	265
(Increase) decrease in prepaid pension costs	(794)	(1,162)
Increase (decrease) in allowance for inspection cost	(1,155)	—
Interest and dividends income	(1,246)	(1,099)
Interest expenses	304	239
Equity in losses (earnings) of affiliates	(949)	(883)
Loss (gain) on sales of property, plant and equipment	—	(988)
Decrease (increase) in trade receivables	(4,261)	(1,264)
Decrease (increase) in inventories	(3,537)	(830)
Increase (decrease) in trade payables	3,475	(583)
Other	1,851	(502)
Subtotal	30,551	31,505
Interest and dividends received	1,246	964
Interest paid	(310)	(239)
Income taxes paid	(8,414)	(9,358)
Net cash provided by operating activities	23,074	22,872
Cash flows from investing activities		
Transfers to time deposits	(19,402)	(34,509)
Withdrawals from time deposits	12,530	23,686
Purchases of securities	(977)	(1,213)
Purchases of tangible fixed assets	(9,186)	(8,189)
Proceeds from sales of tangible fixed assets	117	3,893
Purchases of intangible fixed assets	(414)	(404)
Purchases of investments in securities	(5,932)	(4,238)
Proceeds from sales/and redemption of investments in securities	7,651	7,309
Other	(608)	1,058
Net cash used in investing activities	(16,222)	(12,607)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(1,766)	(1,883)
Proceeds from long-term debt	722	—
Dividends paid	(2,550)	(2,843)
Other	(342)	(275)
Net cash used in financing activities	(3,937)	(5,002)
Effect of exchange rate fluctuations on cash and cash equivalents	(440)	1,149
Net increase (decrease) in cash and cash equivalents	2,473	6,412
Cash and cash equivalents at beginning of year	46,145	48,618
Cash and cash equivalents at end of year	48,618	55,030

5. Notes to Consolidated Financial Statements

Notes regarding the assumption of a going concern

There are no relevant items.

Change in accounting policy for situations when a change in accounting estimate is difficult to distinguish

Change in method of depreciation

Pursuant to an amendment to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries, effective the fiscal year ended March 31, 2013, have changed the depreciation method for property, plant and equipment purchased on/after April 1, 2012. That method now conforms to the amended Act.

The aforementioned change had a minimal effect on consolidated income/losses in the year under review.

Segment Information

1. Summary of Reportable Segments

With respect to its business segments, Rinnai is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance.

The Rinnai Group is engaged mainly in the production and sales of heat appliances. The Corporation (parent company) and domestic subsidiaries are in charge of business activities in Japan, while overseas subsidiaries in South Korea, United States, and elsewhere are in charge of business activities in the respective regions. Local subsidiaries operate as independently managed units. With respect to products handled, they advance their operations based on their comprehensive strategies for their specific regions.

Accordingly, the reportable segments of the Corporation, which are geographic segments based on its production and sales system, consist of five regions: Japan, South Korea, United States, Australia, and China.

2. Calculation Methods of Sales, Income (Loss), Assets, Liabilities and Other Items by Reportable Segment

Accounting treatments of the reportable segments of the Corporation are much the same in Significant Basis of Consolidated Financial Statements.

Income of the reportable segment indicates figures based on operating income

Sales of the reportable segment are based on the trading price among third parties.

3. Sales and Income by Reportable Segment

Year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(¥ millions)

	Reportable Segments						Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China	Total			
Net sales									
(1) Sales to outside customers	175,107	21,729	11,584	14,993	11,606	235,022	11,614	—	246,636
(2) Intersegment sales	17,636	389	—	2	1,395	19,424	1,985	(21,409)	—
Total	192,744	22,119	11,584	14,996	13,002	254,447	13,599	(21,409)	246,636
Income (loss)	20,318	814	242	3,139	523	25,038	1,482	113	26,634
Assets	204,657	14,153	5,155	11,869	7,009	242,846	11,991	(15,984)	238,853
Others									
Depreciation	6,551	809	51	95	149	7,656	303	—	7,959
Investments in affiliates which applied equity method	—	—	—	—	—	—	2,560	—	2,560
Increase in property, plant and equipment and intangible fixed assets	8,186	840	14	109	180	9,331	461	—	9,792

- Notes: 1. “Others” include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.
2. “Adjustments” of income (loss) is the intersegment transactions to eliminate.
3. “Adjustments” of assets is the intersegment transactions to eliminate.
4. “Income (loss)” is adjusted from operating income on Consolidated Statement of Income.

Year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(¥ millions)

	Reportable Segments						Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China	Total			
Net sales									
(1) Sales to outside customers	180,527	21,220	11,333	13,731	12,815	239,628	12,204	—	251,832
(2) Intersegment sales	17,153	458	—	21	1,512	19,145	2,334	(21,480)	—
Total	197,680	21,678	11,333	13,752	14,327	258,774	14,539	(21,480)	251,832
Income (loss)	20,650	844	315	2,187	1,165	25,163	1,447	(259)	26,351
Assets	217,611	15,661	5,586	15,174	9,610	263,644	14,357	(15,411)	262,590
Others									
Depreciation	7,438	721	38	85	211	8,495	310	—	8,805
Amortization of goodwill	—	—	—	—	—	—	38	—	38
Investments in affiliates which applied equity method	—	—	—	—	—	—	3,553	—	3,553
Increase in property, plant and equipment and intangible fixed assets	7,089	703	0	110	220	8,125	596	—	8,721

- Notes: 1. “Others” include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.
2. “Adjustments” of income (loss) is the intersegment transactions to eliminate.
3. “Adjustments” of assets is the intersegment transactions to eliminate.
4. “Income (loss)” is adjusted from operating income on Consolidated Statement of Income.

Per Share Data

	March 31, 2012	March 31, 2013
1. Net assets per share	¥3,070.14	¥3,516.11
2. Net income per share	¥342.60	¥394.86

Fully diluted net income per share is not indicated because there is no residual equity.

Notes:

1. Net assets per share are calculated based on the following amounts.

	March 31, 2012	March 31, 2013
Net assets	¥154,737 million	¥178,007 million
Deduction from net assets	¥4,119 million	¥5,515 million
[Minority interests]	[¥4,119 million]	[¥5,515 million]
Net assets at the year-end related to common shares	¥150,618 million	¥172,492 million
Number of common shares at the year-end which used in calculations	49,059,259 shares	49,057,825 shares

2. Net income per share is calculated based on the following amounts.

	March 31, 2012	March 31, 2013
Net income	¥16,807 million	¥19,371 million
Amounts not attribute to common shares	— million	— million
Net income related to common shares	¥16,807 million	¥19,371 million
Average number of shares during the term	49,059,890 shares	49,058,768 shares

Subsequent Events

There is no relevant information.

V. Nonconsolidated Financial Statements

1. Balance Sheets

(¥ millions)

	At March, 2012 (Year ended March 31, 2012)	At March, 2013 (Year ended March 31, 2013)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	5,758	10,645
Notes receivable, trade	10,710	10,788
Accounts receivable, trade	33,684	34,413
Marketable securities	33,593	37,528
Products	7,992	8,853
Raw materials and stores	3,402	3,416
Prepaid expenses	30	21
Deferred tax assets	2,082	2,034
Other	422	278
Less allowance for doubtful accounts	(10)	(10)
Total current assets	97,668	107,971
Fixed assets		
Property, plant and equipment		
Buildings	22,869	23,519
Accumulated depreciation	(14,306)	(14,834)
Buildings (net)	8,562	8,685
Structures	1,424	1,451
Accumulated depreciation	(1,152)	(1,188)
Structures (net)	271	263
Machinery, equipment	18,398	18,211
Accumulated depreciation	(14,742)	(14,693)
Machinery, equipment (net)	3,655	3,517
Vehicles and delivery equipment	213	203
Accumulated depreciation	(198)	(188)
Vehicles and delivery equipment (net)	14	14
Tools, furniture and fixture	14,494	15,353
Accumulated depreciation	(12,336)	(13,413)
Tools, furniture and fixture (net)	2,157	1,940
Land	7,532	7,501
Lease assets	370	376
Accumulated depreciation	(162)	(194)
Lease assets (net)	207	182
Construction in progress	1,256	430
Total property, plant and equipment	23,659	22,535

(¥ millions)

	At March, 2012 (Year ended March 31, 2012)	At March, 2013 (Year ended March 31, 2013)
	Amount	Amount
Intangible fixed assets		
Leaseholds	6	6
Software	1,091	989
Other	205	217
Total intangible fixed assets	1,303	1,214
Investments and advances		
Investments in securities	22,504	24,453
Stocks of affiliated companies	14,774	14,771
Investments	14	14
Investments in affiliated companies	1,870	1,870
Reorganization credit	11	11
Long-term prepaid expense	72	112
Prepaid pension expenses	6,154	7,316
Deferred income taxes	39	—
Guaranty money deposited	631	640
Long-term deposits	1,000	—
Other	516	508
Less allowance for doubtful accounts	(93)	(93)
Total investments and advances	47,496	49,608
Total fixed assets	72,459	73,357
Total assets	170,127	181,329
LIABILITIES		
Current liabilities		
Accrued payable, trade	31,002	30,261
Short-term debt	100	100
Lease obligation	108	108
Other payables	5,057	5,100
Accrued expenses	580	601
Accrued consumption taxes	446	606
Accrued income taxes	4,734	4,674
Deposits payable	117	126
Accrued employees' bonus	2,153	2,238
Allowance for product guarantee	1,200	1,080
Accrued equipment costs payable	523	487
Other	0	0
Total current liabilities	46,024	45,385
Long-term liabilities		
Long-term debt	2,650	2,550
Lease obligation	151	104
Accrued employees' retirement benefits	1,957	2,013
Other	1,831	2,441
Total long-term liabilities	6,589	7,108
Total liabilities	52,614	52,494

(¥ millions)

	At March, 2012 (Year ended March 31, 2012)	At March, 2013 (Year ended March 31, 2013)
	Amount	Amount
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus		
Capital reserve	8,719	8,719
Other	0	0
Total capital surplus	8,720	8,720
Earned surplus		
Legal reserve	1,614	1,614
Voluntary reserve		
Other	109,000	115,000
Unappropriated retained earnings at the end of the current term	14,701	18,661
Total earned surplus	125,316	135,276
Treasury stock	(23,471)	(23,480)
Total shareholders' equity	117,024	126,975
Other adjustments:		
Unrealized gain on marketable securities	488	1,858
Total other adjustments	488	1,858
Total net assets	117,512	128,834
Total liabilities and net assets	170,127	181,329

2. Nonconsolidated Statements of Income

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Net sales	183,091	188,559
Cost of Sales		
Inventory at the beginning of the term	5,636	7,992
Manufacturing cost during the term	139,740	142,845
Total	145,376	150,838
Other account transfer	439	541
Inventory at the term-end	7,992	8,853
Total cost of sales	136,944	141,443
Gross Profit	46,146	47,116
Selling, general and administrative expenses		
Transportation and packing	4,943	4,935
Warehousing	943	975
Advertising	811	791
Sales promotion	1,728	1,802
After-sales service	1,467	2,779
Transfer to allowance for product guarantee	1,200	1,080
Salary and bonuses	8,609	8,874
Welfare cost	1,362	1,404
Transfer to accrued employees' bonus	915	972
Retirement benefit expenses	828	652
Depreciation	679	679
Research and development expenses	521	—
Rental fee	1,259	1,251
Other	2,829	2,850
Total selling, general and administrative expenses	28,101	29,050
Operating income	18,045	18,066
Other income:		
Interest income	29	29
Interest on securities	223	258
Dividends received	3,986	477
Foreign exchange income	—	539
Land and house rent received	264	308
Royalty fees	226	230
Miscellaneous	307	245
Total other income	5,038	2,088
Other expenses:		
Interest expenses	38	36
Foreign exchange loss	204	—
Depreciation	96	79
Loss on retirement of fixed assets	159	123
Other	11	4
Total other expenses	510	243
Ordinary income	22,573	19,911

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Extraordinary losses:		
Impairment losses	—	277
Loss on valuation of investments in securities	1,099	23
Total extraordinary losses	1,099	301
Income before income taxes	21,473	19,609
Income taxes:		
Current	7,013	6,480
Deferred	590	324
Total income taxes	7,604	6,805
Net income	13,869	12,804

3. Nonconsolidated Statement of Shareholders' Equity

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Shareholders' equity:		
Common stock		
Balance at the end of the previous term	6,459	6,459
Net changes during the current term		
Total net changes during the current term	—	—
Balance at the end of the current term	6,459	6,459
Capital surplus		
Capital reserve		
Balance at the end of the previous term	8,719	8,719
Net changes during the current term		
Total net changes during the current term	—	—
Balance at the end of the current term	8,719	8,719
Other		
Balance at the end of the previous term	0	0
Net changes during the current term		
Disposition of treasury stock	0	—
Total net changes during the current term	0	—
Balance at the end of the current term	0	0
Total capital surplus		
Balance at the end of the previous term	8,719	8,720
Net changes during the current term		
Disposition of treasury stock	0	—
Total net changes during the current term	0	—
Balance at the end of the current term	8,720	8,720
Earned surplus		
Legal reserve		
Balance at the end of the previous term	1,614	1,614
Net changes during the current term		
Total net changes during the current term	—	—
Balance at the end of the current term	1,614	1,614
Voluntary reserve		
Other reserve		
Balance at the end of the previous term	101,900	109,000
Net changes during the current term		
Transfer to other reserve	7,100	6,000
Total net changes during the current term	7,100	6,000
Balance at the end of the current term	109,000	115,000
Unappropriated retained earnings		
Balance at the end of the previous term	10,483	14,701
Net changes during the current term		
Dividends paid	(2,551)	(2,845)
Transfer to other reserve	(7,100)	(6,000)
Net income	13,869	12,804
Total net changes during the current term	4,218	3,959
Balance at the end of the current term	14,701	18,661

(¥ millions)

	Fiscal 2012 (April 1, 2011, to March 31, 2012)	Fiscal 2013 (April 1, 2012, to March 31, 2013)
	Amount	Amount
Total earned surplus		
Balance at the end of the previous term	113,998	125,316
Net changes during the current term		
Dividends paid	(2,551)	(2,845)
Transfer to other reserve	—	—
Net income	13,869	12,804
Total net changes during the current term	11,318	9,959
Balance at the end of the current term	125,316	135,276
Treasury stock		
Balance at the end of the previous term	(23,465)	(23,471)
Net changes during the current term		
Acquisition of treasury stock	(7)	(8)
Disposition of treasury stock	0	—
Total net changes during the current term	(6)	(8)
Balance at the end of the current term	(23,471)	(23,480)
Total shareholders' equity		
Balance at the end of the previous term	105,712	117,024
Net changes during the current term		
Dividends paid	(2,551)	(2,845)
Net income	13,869	12,804
Acquisition of treasury stock	(7)	(8)
Disposition of treasury stock	1	—
Total net changes during the current term	11,312	9,951
Balance at the end of the current term	117,024	126,975
Other adjustments:		
Unrealized gain on marketable securities		
Balance at the end of the previous term	(450)	488
Net changes during the current term		
Net other changes than shareholders' equity during the current term	938	1,370
Total net changes during the current term	938	1,370
Balance at the end of the current term	488	1,858
Total other adjustments		
Balance at the end of the previous term	(450)	488
Net changes during the current term		
Net other changes than shareholders' equity during the current term	938	1,370
Total net changes during the current term	938	1,370
Balance at the end of the current term	488	1,858
Total net assets:		
Balance at the end of the previous term	105,261	117,512
Net changes during the current term		
Dividends paid	(2,551)	(2,845)
Net income	13,869	12,804
Acquisition of treasury stock	(7)	(8)
Disposition of treasury stock	1	—
Net other changes than shareholders' equity during the current term	938	1,370
Total net changes during the current term	12,251	11,321
Balance at the end of the current term	117,512	128,834