

Consolidated Financial Results for Fiscal 2013

(April 1, 2013 - March 31, 2014)

May 9, 2014

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

Contact: Masao Kosugi, Director and Managing Executive Officer,
General Manager, Administration Headquarters

TEL:+81 (52) 361-8211

Date of the General Meeting of Shareholders: June 27, 2014

Anticipated date to begin distributing dividends: June 30, 2014

Anticipated date for releasing annual securities report: June 27, 2014

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, 2014

(April 1, 2013 to March 31, 2014; 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 2014	286,981 (+14.0)	34,018 (+29.1)	36,910 (+27.0)	23,254 (+20.0)
Fiscal 2013	251,832 (+2.1)	26,351 (-1.1)	29,064 (+0.5)	19,371 (+15.3)

Note: Comprehensive income:

Year ended March 31, 2014: ¥31,921 million (+21.8%)

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

	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 2014	454.74	—	11.8	12.4	11.9
Fiscal 2013	394.86	—	12.0	11.6	10.5

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

Year ended March 31, 2014: ¥776 million Year ended March 31, 2013: ¥883 million

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2014	334,382	232,635	66.0	4,245.48
Fiscal 2013	262,590	178,007	65.7	3,516.11

(Reference) Equity capital : Year ended March 31, 2014; ¥220,778 million

Year ended March 31, 2013; ¥172,492 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 2014	36,453	(32,908)	13,183	74,279
Fiscal 2013	22,872	(12,607)	(5,002)	55,030

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
Fiscal 2013	—	30.00	—	30.00	60.00
Fiscal 2014	—	32.00	—	36.00	68.00
Fiscal 2015 (anticipated)	—	38.00	—	38.00	76.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2013	2,943	15.2	1.8
Fiscal 2014	3,536	15.0	1.8
Fiscal 2015 (anticipated)		16.6	

3. Forecast for the Fiscal Year Ending March 31, 2015

(April 1, 2014, to March 31, 2015)

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Two-quarter total	142,000 (+11.5)	14,500 (+16.9)	15,000 (+8.7)	9,500 (+10.0)	182.67
Full year	313,000 (+9.1)	36,500 (+7.3)	37,800 (+2.4)	23,800 (+2.3)	457.64

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

* Notes

(1) Changes in scope of consolidation of major subsidiaries during the period: Yes

Newly included 1 (Company name: Shanghai Rinnai Thermo Energy Engineering Co., Ltd.):

Excluded — (Company name: —)

Note: For more information, please refer to “IV. Consolidated Financial Statements, 5. Notes to Consolidated Financial Statements (Change in Significant Basis of Consolidated Financial Statements)” on page 19 of this report.

(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: None

(d) Retrospective restatement: None

Note: 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, 2014: 52,216,463 shares

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

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

Year ended March 31, 2014: 210,931 shares

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

(c) Average number of shares during the term

Year ended March 31, 2014: 51,138,913 shares

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

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2014

(April 1, 2013 to March 31, 2014; 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 2014	205,598 (+9.0)	24,278 (+34.4)	27,138 (+36.3)	18,176 (+41.9)
Fiscal 2013	188,559 (+3.0)	18,066 (+0.1)	19,911 (-11.8)	12,804 (-7.7)

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

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2014	355.43	—
Fiscal 2013	261.01	—

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

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2014	221,313	162,598	73.5	3,126.56
Fiscal 2013	181,329	128,834	71.1	2,626.18

(Reference) Equity capital : Year ended March 31, 2014; ¥162,598 million

Year ended March 31, 2013; ¥128,834 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, 2014, the world economy was generally healthy as the U.S. economy firmed on the back of solid personal consumption and housing sales, while the European economy showed indications of a moderate turnaround. The Chinese economy enjoyed a certain level of expansion but continued to slow in the absence of the strong growth seen to date. The Japan, there were expectations that the economy would be buoyed by stimulus measures taken by the government, while consumption was boosted by an upsurge in demand ahead of the consumption tax hike.

The domestic housing appliance industry showed overall growth amid an increase in housing starts bolstered by a jump in demand ahead of the consumption tax hike, as well as expansion of the home renovation market.

The period under review was the second year of the Rinnai Group's medium-term business plan, entitled Jump Up 2014, covering the three-year period from April 2012 to March 2015. Under the plan, we upgraded our product lineup and advanced global business initiatives as a comprehensive manufacturer of heating appliances that contributes to people's lives and the global environment.

With respect to revenue, in Japan we benefited from an increase in demand ahead of the consumption tax hike, as well as an ongoing switchover to high-grade equipment to reflect the shift in the market towards system-based kitchens and bathrooms. Overseas, we posted a year-on-year rise in sales owing to healthy demand for hot-water units in North America, China, and elsewhere, as well as foreign exchange factors. In addition, we reported higher earnings owing to an increase in sales of high-value-added products, higher overseas sales, and efforts to lower basic costs in Japan and overseas.

As a result, consolidated net sales amounted to ¥286,981 million, up 14.0% from the previous year. Operating income jumped 29.1%, to ¥34,018 million, and ordinary income climbed 27.0%, to ¥36,910 million. Net income rose 20.0%, to ¥23,254 million.

Our results by geographical segment were as follows:

Japan

In kitchen appliances, we expedited the introduction of built-in stoves amid growing popularity of system-based kitchens. Regarding hot-water units, there has been a progressive shift from simple, single-function appliances, such as dedicated water heaters, to hot-water/heating systems that use hot water in multiple ways. This led to an increase in installations of floor heaters, bathroom heater/dryers, and other hot-water-based terminals.

Meanwhile, consumers are showing more interest in our *ECO ONE* hybrid hot-water/heating systems, which received the Minister of Economy, Trade and Industry Award, the top prize in the fiscal 2013 Energy Conservation Awards. This contributed to higher domestic sales in this segment. As a result, sales in Japan amounted to ¥194,574 million, up 7.8% from the previous year, and operating income climbed 32.3%, to ¥27,328 million.

South Korea

Despite a decline in sales of boilers due to economic weakness, sales of stoves increased thanks to enactment of a law mandating the attachment of devices to prevent stoves from overheating. Accordingly, sales in South Korea rose 26.3%, to ¥26,799 million. Due to an increase in selling, general, and administrative expenses, however, operating income fell 31.6%, to ¥577 million.

United States

In United States, the low-priced sentiment that prevailed during the economic recession is now easing as recoveries in the local housing market and personal consumption gain momentum. This led to an increase in demand for tankless systems that deliver excellent environmental performance and endless hot-water supply. Accordingly, sales in United States jumped 36.6%, to ¥15,487 million, and operating income surged 167.9%, to ¥845 million.

Australia

In Australia, sales of mainstay gas instant-heating hot-water (tankless) units declined amid deteriorating local economic conditions. By contrast, our commercial-use hot-water systems and service business performed well. Thanks also to favorable foreign exchange factors, sales in Australia rose 10.9%, to ¥15,233 million, and operating income increased 6.8%, to ¥2,336 million.

China

Amid a slowdown in economic growth in China, the economy of the Shanghai district stagnated. However, gas appliances continue to proliferate in regional areas, thanks to improving living standards and an expanding gas infrastructure. As a result, sales in China jumped 48.9%, to ¥19,088 million, and operating income grew 36.4%, to ¥1,589 million.

References 1: Net sales by product

(¥ millions)

	Year ended March 31, 2013 (April 1, 2012, to March 31, 2013)		Year ended March 31, 2014 (April 1, 2013, to March 31, 2014)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Hot-water units	127,125	50.5	146,883	51.2	19,758	15.5
Kitchen appliances	78,782	31.3	88,031	30.7	9,249	11.7
Air-conditioning and heating units	15,666	6.2	16,716	5.8	1,049	6.7
Commercial-use equipment	6,912	2.7	7,552	2.6	640	9.3
Others	23,346	9.3	27,797	9.7	4,451	19.1
Total	251,832	100.0	286,981	100.0	35,148	14.0

References 2: Overseas sales

(¥ millions)

	Year ended March 31, 2013 (April 1, 2012, to March 31, 2013)			Year ended March 31, 2014 (April 1, 2013, to March 31, 2014)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	46,801	32,115	78,917	61,220	39,689	100,910
II. Consolidated net sales	—	—	251,832	—	—	286,981
III. Composition ratio of overseas sales to consolidated net sales	18.6%	12.8%	31.3%	21.3%	13.8%	35.2%

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

(2) Outlook for the Year Ending March 31, 2015

In the year ending March 2015, we expect the world economy to continue growing moderately. However, there are reasons for concern about future economic trends, including signs that economic growth in China and other Asian nations has stalled. In Japan, moreover, the economic outlook is unclear, due to an expected recoil following the rush in demand ahead of the consumption tax hike, as well as increasing raw materials prices and other factors.

In response, the Rinnai Group will provide comfortable living and lifestyle environments to its customers, leveraging its ability to make appealing products from the perspectives of the “environment and energy-savings” and “safety and peace of mind.” At the same time, we will contribute to society as a comprehensive manufacturer of heat and energy appliances.

With respect to the environment and energy-savings, we will work to develop and sell highly efficient offerings, such as our *ECO ONE* hybrid hot-water/heating system. As for safety and peace of mind, we will endeavor to develop and market products that provide comfortable living spaces for customers. These include stoves fitted with devices to

prevent overheating and fires, as well as bathroom heater/dryers that prevent “heat shock” (physical distress caused by sudden temperature changes).

For the year ending March 2015, we forecast consolidated net sales of ¥313.0 billion (up 9.1% year-on-year), operating income of ¥36.5 billion (up 7.3%), ordinary income of ¥37.8 billion (up 2.4%), and net income of ¥23.8 billion (up 2.3%).

2. Financial Position

(1) Balance Sheets

As of March 31, 2014, the Rinnai Group had total assets of ¥334,382 million, up ¥71,792 million from a year earlier. This rise stemmed mainly from an increase in marketable securities.

Total liabilities rose ¥17,165 million, to ¥101,747 million, due largely to an increase in trade payable.

Net assets were up ¥54,627 million, to ¥232,635 million, owing mainly to disposition of treasury stock and an increase in retained earnings, boosted by net income.

As a result, the equity ratio at fiscal year-end was 66.0%.

(2) Cash Flows

Cash and cash equivalents at March 31, 2014, stood at ¥74,279 million, up ¥19,248 million, or 35.0%, from a year earlier.

Net cash provided by operating activities amounted to ¥36,453 million, up 59.4% 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 ¥3,298 million, up 161.0% from the previous year. Main factors were transfers to and withdrawals from time deposits and purchases of investments in securities.

Net cash provided by financing activities was ¥13,183 million, comparing from ¥502 million of net cash used in financing activities at the previous fiscal year. This was due mainly to a cash increase through disposition of treasury stock.

References: Cash Flow Indicators

(Years ended March 31)	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Equity ratio (%)	62.5	62.0	63.1	65.7	66.0
Equity ratio based on market price (%)	114.3	122.3	122.4	126.5	141.1
Interest-bearing debt to cash flows (year)	0.37	0.33	0.33	0.28	0.16
Interest coverage ratio (times)	57.2	84.4	74.4	95.5	160.8

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.

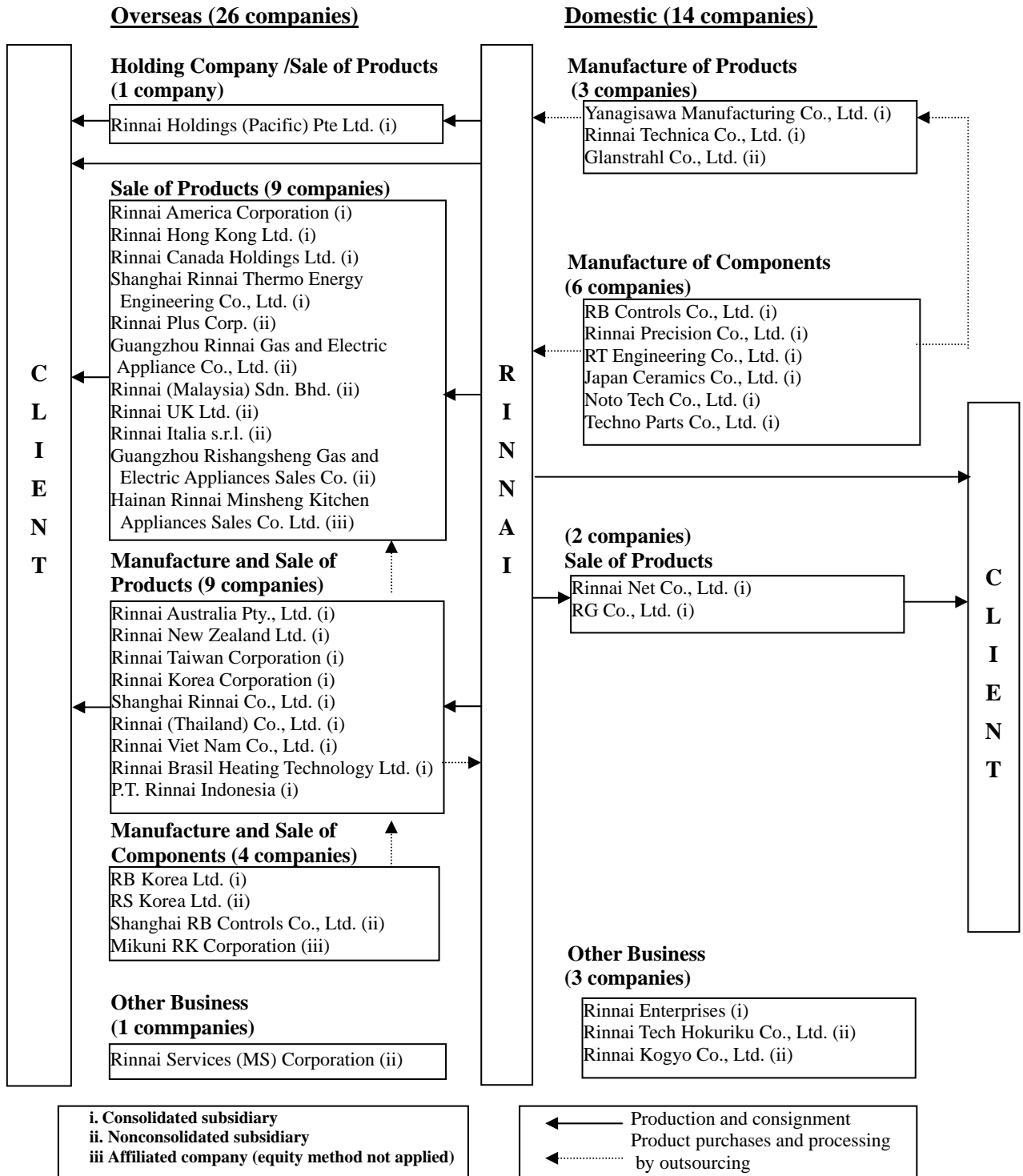
At the same time, we will effectively utilize retained earnings to support various initiatives aimed at raising corporate value over the long term. These include research and development, capital investments, and strategic business investments in Japan and overseas.

For the fiscal year ended March 31, 2014, we plan to raise the year-end dividend by ¥6.00, to ¥36.00 per share. Earlier in the year, we paid an interim dividend of ¥32.00. This will bring total annual dividends to ¥68.00 per share.

For the year ending March 2015, we plan to pay annual dividends of ¥76.00 per share (¥38.00 interim dividend and ¥38.00 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, 38 subsidiaries, and two affiliated companies, for a total of 41 companies. These include 26 consolidated subsidiaries. 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 are 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: ¥313.0 billion

Operating income: ¥36.5 billion

Operating income to net sales ratio: 11.7%

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, 2013 (Year ended March 31, 2013)	At March 31, 2014 (Year ended March 31, 2014)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	47,691	57,540
Notes and accounts receivable	59,699	68,102
Marketable securities	39,479	53,491
Products	16,467	17,397
Raw materials and stores	9,855	11,696
Deferred tax assets	3,577	3,875
Other	1,482	2,140
Less allowance for doubtful accounts	(487)	(725)
Total current assets	177,766	213,520
Fixed assets		
Property, plant and equipment		
Buildings and structures	37,731	41,210
Accumulated depreciation	(23,518)	(24,931)
Buildings and structures (net)	14,212	16,278
Machinery and vehicles	41,905	47,029
Accumulated depreciation	(33,388)	(35,172)
Machinery and vehicles (net)	8,516	11,857
Tools and fixtures	27,524	29,292
Accumulated depreciation	(23,773)	(25,310)
Tools and fixtures (net)	3,751	3,981
Land	13,094	15,140
Lease assets	443	477
Accumulated depreciation	(230)	(268)
Lease assets (net)	212	208
Construction in progress	1,332	3,720
Total property, plant and equipment	41,121	51,186
Intangible fixed assets	1,526	4,312
Investments and advances		
Investments in securities	30,665	44,554
Net defined benefit assets	—	14,804
Deferred income taxes	1,157	1,140
Other	10,823	5,479
Less allowance for doubtful accounts	(470)	(616)
Total investments and advances	42,176	65,362
Total fixed assets	84,823	120,861
Total assets	262,590	334,382

(¥ millions)

	At March 31, 2013 (Year ended March 31, 2013)	At March 31, 2014 (Year ended March 31, 2014)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	44,446	52,142
Short-term debt	3,748	5,950
Other payables	9,630	11,591
Accrued consumption taxes	1,128	1,330
Accrued income taxes	5,931	7,701
Accrued employee's bonuses	3,153	3,127
Allowance for product guarantee	1,895	2,387
Other	3,138	4,265
Total current liabilities	73,073	88,495
Long-term liabilities		
Long-term debt	2,550	—
Deferred tax liabilities	1,782	5,474
Accrued employees' retirement benefits	4,625	—
Net defined benefit liabilities	—	5,067
Other	2,550	2,709
Total long-term liabilities	11,508	13,251
Total liabilities	84,582	101,747
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,720	8,719
Earned surplus	178,540	194,036
Treasury stock	(23,480)	(965)
Total shareholders' equity	170,240	208,249
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	1,919	3,048
Foreign exchange translation adjustment	332	5,561
Remeasurements of defined benefit plans	—	3,929
Total other accumulated comprehensive income	2,252	12,538
Minority interests	5,515	11,846
Total net assets	178,007	232,635
Total liabilities and net assets	262,590	334,382

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

Consolidated Statements of Income

(¥ millions)

	Fiscal 2013 (April 1, 2012, to March 31, 2013)	Fiscal 2014 (April 1, 2013, to March 31, 2014)
	Amount	Amount
Net sales	251,832	286,981
Cost of Sales	175,990	196,858
Gross Profit	75,842	90,123
Selling, general and administrative expenses		
Transportation and packing	6,293	6,887
Advertising	2,193	2,952
Sales promotion	3,724	4,904
After-sales service	2,900	1,755
Transfer to allowance for product guarantee	1,824	2,326
Salary and bonuses	16,406	18,148
Transfer to allowance for employee's bonuses	1,236	1,175
Retirement benefit expenses	996	755
Depreciation	1,044	1,053
Other	12,870	16,144
Total selling, general and administrative expenses	49,490	56,104
Operating income	26,351	34,018
Other income:		
Interest income	886	969
Dividends received	213	251
Equity in earnings of affiliates	883	776
Foreign exchange income	617	581
Other	582	834
Total other income	3,183	3,413
Other expenses:		
Interest expenses	239	188
Loss on retirement of fixed assets	182	223
Other	48	109
Total other expenses	470	521
Ordinary income	29,064	36,910
Extraordinary income:		
Gain on sales of fixed assets	988	—
Gain on step acquisitions	—	124
Total extraordinary income	988	124
Extraordinary losses:		
Impairment losses	277	—
Loss on valuation of investments in securities	265	—
Total extraordinary losses	543	—
Income before income taxes	29,509	37,034
Income taxes:		
Current	9,143	11,919
Deferred	111	790
Total income taxes	9,254	12,709
Income before minority interest	20,254	24,325
Minority interests	882	1,070
Net income	19,371	23,254

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2013 (April 1, 2012, to March 31, 2013)	Fiscal 2014 (April 1, 2013, to March 31, 2014)
	Amount	Amount
Income before minority interest	20,254	24,325
Other comprehensive income		
Unrealized gain on marketable securities	1,401	1,128
Foreign exchange translation adjustment	4,420	6,039
Equity equivalents in equity method affiliates	129	428
Total other comprehensive income	5,950	7,596
Comprehensive income	26,205	31,921
(Composition)		
Comprehensive income related to shareholders of parent company	24,727	29,612
Comprehensive income related to minority shareholders	1,477	2,309

3. Consolidated Statements of Shareholders' Equity

Fiscal 2013 (April 1, 2012, to March 31, 2013)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,720	162,014	(23,471)	153,722
Net changes during the current term					
Dividends paid			(2,845)		(2,845)
Net income			19,371		19,371
Acquisition of treasury stock				(8)	(8)
Disposition of treasury stock					—
Retirement of treasury stock					—
Change of scope of consolidation					—
Net other changes than shareholders' equity during the current term					—
Total net changes during the current term	—	—	16,526	(8)	16,517
Balance at the end of current term	6,459	8,720	178,540	(23,480)	170,240

	Other accumulated comprehensive income				Minority interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	518	(3,622)	—	(3,103)	4,119	154,737
Net changes during the current term						
Dividends paid						(2,845)
Net income						19,371
Acquisition of treasury stock						(8)
Disposition of treasury stock						—
Retirement of treasury stock						—
Change of scope of consolidation						—
Net other changes than shareholders' equity during the current term	1,401	3,955	—	5,356	1,395	6,752
Total net changes during the current term	1,401	3,955	—	5,356	1,395	23,269
Balance at the end of current term	1,919	332	—	2,252	5,515	178,007

Fiscal 2014 (April 1, 2013, to March 31, 2014)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,720	178,540	(23,480)	170,240
Net changes during the current term					
Dividends paid			(3,135)		(3,135)
Net income			23,254		23,254
Acquisition of treasury stock				(17)	(17)
Disposition of treasury stock		4,212		13,428	17,640
Retirement of treasury stock		(4,213)	(4,890)	9,103	—
Change of scope of consolidation			267		267
Net other changes than shareholders' equity during the current term					
Total net changes during the current term	—	(0)	15,495	22,514	38,009
Balance at the end of current term	6,459	8,719	194,036	(965)	208,249

	Other accumulated comprehensive income				Minority interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	1,919	332	—	2,252	5,515	178,007
Net changes during the current term						
Dividends paid						(3,135)
Net income						23,254
Acquisition of treasury stock						(17)
Disposition of treasury stock						17,640
Retirement of treasury stock						—
Change of scope of consolidation						267
Net other changes than shareholders' equity during the current term	1,128	5,228	3,929	10,286	6,331	16,617
Total net changes during the current term	1,128	5,228	3,929	10,286	6,331	54,627
Balance at the end of current term	3,048	5,561	3,929	12,538	11,846	232,635

4. Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2013 (April 1, 2012, to March 31, 2013)	Fiscal 2014 (April 1, 2013, to March 31, 2014)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	29,509	37,034
Depreciation and amortization	8,805	8,415
(Increase) decrease in prepaid pension costs	(1,162)	7,316
(Increase) decrease in net defined benefit assets	—	(8,411)
Increase (decrease) in allowance for inspection cost	(262)	(5,246)
Increase (decrease) in net defined benefit liabilities	—	4,466
Interest and dividends income	(1,099)	(1,221)
Interest expenses	239	188
Equity in losses (earnings) of affiliates	(883)	(776)
Loss (gain) on sales of property, plant and equipment	(988)	(10)
Decrease (increase) in trade receivables	(1,264)	(3,577)
Decrease (increase) in inventories	(830)	1,349
Increase (decrease) in trade payables	(583)	3,027
Increase (decrease) in other liability	(598)	2,360
Other	624	759
Subtotal	31,505	45,676
Interest and dividends received	964	1,266
Interest paid	(239)	(226)
Income taxes paid	(9,358)	(10,263)
Net cash provided by operating activities	22,872	36,453
Cash flows from investing activities		
Transfers to time deposits	(34,509)	(44,176)
Withdrawals from time deposits	23,686	43,205
Purchases of securities	(1,213)	(1,000)
Purchases of tangible fixed assets	(8,189)	(12,477)
Proceeds from sales of tangible fixed assets	3,893	189
Purchases of intangible fixed assets	(404)	(402)
Purchases of investments in securities	(4,238)	(23,982)
Proceeds from sales/and redemption of investments in securities	7,309	3,900
Other	1,058	1,835
Net cash used in investing activities	(12,607)	(32,908)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(1,883)	(94)
Proceeds from long-term debt	—	17,632
Dividends paid	(2,843)	(3,134)
Other	(275)	(1,220)
Net cash used in financing activities	(5,002)	13,183
Effect of exchange rate fluctuations on cash and cash equivalents	1,149	2,124
Net increase (decrease) in cash and cash equivalents	6,412	18,852
Cash and cash equivalents at beginning of year	48,618	55,030
Net increase (decrease) in cash and cash equivalents due to the change of scope of consolidation	—	395
Cash and cash equivalents at end of year	55,030	74,279

5. Notes to Consolidated Financial Statements

Notes regarding the assumption of a going concern

There are no relevant items.

Change in Significant Basis of Consolidated Financial Statements

Changes in scope of consolidation of major subsidiaries during the period

From the fiscal year under review, Shanghai Rinnai Thermo Energy Engineering Co., Ltd. is included under the scope of consolidation, because its activities are deemed material.

Change in Accounting Policies

Effective the end of the fiscal year under review, the Company has applied “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012). (However, provisions stated in Clause 35 of the Retirement Benefits Accounting Standard and Clause 67 of the Guidance on Retirement Benefits are excluded.) Under the new policy, pension assets are deducted from retirement benefits liabilities and the difference is stated as “net defined benefit liabilities,” and unrecognized actuarial gains and losses and unrecognized prior service cost are recognized within said liabilities. In the event that pension assets exceed retirement benefit liabilities, the difference is stated as “net defined benefit assets.”

The Accounting Standard for Retirement Benefits is being applied transitionally as determined in its Clause 37. At the end of the fiscal year under review, the effect of the change in accounting standard is stated as an accumulated retirement benefit adjustment increase or decrease under “Other accumulated comprehensive income.”

As a result of this change, the Balance Sheets for the fiscal year under review shows “net defined benefit liabilities” of ¥5,067 million and “net defined benefit assets” of ¥14,804 million. The change also caused other accumulated comprehensive income to increase by ¥3,929 million and minority interests to decrease by ¥28 million.

The change also caused net assets per share to increase by ¥75.55.

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

(3) Sales and Income by Reportable Segment

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.

Year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(¥ 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	194,574	26,799	15,487	15,233	19,088	271,183	15,797	—	286,981
(2) Intersegment sales	21,370	493	—	38	1,776	23,679	2,685	(26,365)	—
Total	215,945	27,293	15,487	15,272	20,865	294,863	18,483	(26,365)	286,981
Income (loss)	27,328	577	845	2,336	1,589	32,677	1,864	(523)	34,018
Assets	267,839	18,829	8,251	16,376	15,109	326,407	27,701	(19,726)	334,382
Others									
Depreciation	6,618	973	28	81	329	8,030	385	—	8,415
Amortization of goodwill	—	35	—	—	—	35	—	—	35
Increase in property, plant and equipment and intangible fixed assets	9,099	1,300	4	1,496	437	12,339	502	—	12,842

- 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.
5. “Increase in property, plant and equipment and intangible fixed assets” does not includes increase due to newly consolidation.

Per Share Data

	March 31, 2013	March 31, 2014
1. Net assets per share	¥3,516.11	¥4,245.48
2. Net income per share	¥394.86	¥454.74

Notes:

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

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

	March 31, 2013	March 31, 2014
Net assets	¥178,007 million	¥232,635 million
Deduction from net assets	¥5,515 million	¥11,846 million
[Minority interests]	[¥5,515 million]	[¥11,846 million]
Net assets at the year-end related to common shares	¥172,492 million	¥220,788 million
Number of common shares at the year-end which used in calculations	49,057,825 shares	52,005,532 shares

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

	March 31, 2013	March 31, 2014
Net income	¥19,371 million	¥23,254 million
Amounts not attribute to common shares	— million	— million
Net income related to common shares	¥19,371 million	¥23,254 million
Average number of shares during the term	49,058,768 shares	51,138,913 shares

Subsequent Events

There is no relevant information.

V. Nonconsolidated Financial Statements

1. Balance Sheets

(¥ millions)

	At March, 2013 (Year ended March 31, 2013)	At March, 2014 (Year ended March 31, 2014)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	10,645	15,044
Notes receivable, trade	10,720	9,804
Accounts receivable, trade	34,481	39,637
Marketable securities	37,528	48,848
Products	8,853	6,309
Raw materials and stores	3,416	3,428
Prepaid expenses	21	—
Deferred tax assets	2,034	2,011
Other	278	378
Less allowance for doubtful accounts	(10)	(46)
Total current assets	107,971	125,417
Fixed assets		
Property, plant and equipment		
Buildings	8,685	8,432
Structures	263	232
Machinery, equipment	3,517	3,189
Vehicles and delivery equipment	14	7
Tools, furniture and fixture	1,940	1,788
Land	7,501	9,047
Lease assets	182	178
Construction in progress	430	1,508
Total property, plant and equipment	22,535	24,384
Intangible fixed assets		
Software	989	883
Leaseholds	—	47
Other	224	180
Total intangible fixed assets	1,214	1,111
Investments and advances		
Investments in securities	24,453	41,802
Stocks of affiliated companies	14,771	15,163
Investments in affiliated companies	1,870	1,870
Prepaid pension expenses	7,316	8,383
Other	1,288	3,240
Less allowance for doubtful accounts	(93)	(61)
Total investments and advances	49,608	70,400
Total fixed assets	73,357	95,896
Total assets	181,329	221,313

(¥ millions)

	At March, 2013 (Year ended March 31, 2013)	At March, 2014 (Year ended March 31, 2014)
	Amount	Amount
LIABILITIES		
Current liabilities		
Accrued payable, trade	30,261	33,172
Short-term debt	100	2,550
Lease obligation	108	96
Other payables	5,100	5,620
Accrued expenses	601	619
Accrued income taxes	4,674	6,140
Deposits payable	126	134
Accrued employees' bonus	2,238	2,230
Allowance for product guarantee	1,080	1,100
Other	1,094	1,158
Total current liabilities	45,385	52,822
Long-term liabilities		
Long-term debt	2,550	—
Lease obligation	104	104
Accrued employees' retirement benefits	2,013	2,079
Other	2,441	3,673
Total long-term liabilities	7,108	5,892
Total liabilities	52,494	58,714
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus		
Capital reserve	8,719	8,719
Other	0	—
Total capital surplus	8,720	8,719
Earned surplus		
Legal reserve	1,614	1,614
Voluntary reserve	133,661	143,811
Other	115,000	120,000
Unappropriated retained earnings at the end of the current term	18,661	23,811
Total earned surplus	135,276	145,425
Treasury stock	(23,480)	(965)
Total shareholders' equity	126,975	159,638
Other adjustments:		
Unrealized gain on marketable securities	1,858	2,959
Total other adjustments	1,858	2,959
Total net assets	128,834	162,598
Total liabilities and net assets	181,329	221,313

2. Nonconsolidated Statements of Income

(¥ millions)

	Fiscal 2013 (April 1, 2012, to March 31, 2013)	Fiscal 2014 (April 1, 2013, to March 31, 2014)
	Amount	Amount
Net sales	188,559	205,598
Cost of Sales	141,443	152,304
Gross Profit	47,116	53,294
Selling, general and administrative expenses	29,050	29,016
Operating income	18,066	24,278
Other income:		
Interest income and dividends received	506	1,588
Other	1,582	1,543
Total other income	2,088	3,132
Other expenses:		
Interest expenses	36	34
Other	207	236
Total other expenses	243	271
Ordinary income	19,911	27,138
Extraordinary income:		
Gain on sales of stock of affiliates	—	364
Total extraordinary income	—	364
Extraordinary losses:		
Impairment losses	277	—
Loss on valuation of investments in securities	23	—
Total extraordinary losses	301	—
Income before income taxes	19,609	27,503
Income taxes:		
Current	6,805	9,327
Deferred	6,480	8,690
	324	637
Net income	12,804	18,176

(3) Nonconsolidated Statement of Shareholders' Equity
Fiscal 2013 (April 1, 2012, to March 31, 2013)

(¥ millions)

	Shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Earned surplus		Total earned surplus
		Capital reserve	Other	Total capital surplus		Other reserve	Unappropriated retained earnings	
Balance at the beginning of current term	6,459	8,719	0	8,720	1,614	109,000	14,701	125,316
Net changes during the current term								
Dividends paid							(2,845)	(2,845)
Net income							12,804	12,804
Transfer to other reserve						6,000	(6,000)	—
Acquisition of treasury stock								
Disposition of treasury stock								
Retirement of treasury stock								
Net other changes than shareholders' equity during the current term								
Total net changes during the current term	—	—	—	—	—	6,000	3,959	9,959
Balance at the end of current term	6,459	8,719	0	8,720	1,614	115,000	18,661	135,276

	Shareholders' equity		Other adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on marketable securities	Total other adjustments	
Balance at the beginning of current term	(23,471)	117,024	488	488	117,512
Net changes during the current term					
Dividends paid		(2,845)			(2,845)
Net income		12,804			12,804
Transfer to other reserve		—			—
Acquisition of treasury stock	(8)	(8)			(8)
Disposition of treasury stock		—			—
Retirement of treasury stock		—			—
Net other changes than shareholders' equity during the current term			1,370	1,370	1,370
Total net changes during the current term	(8)	9,951	1,370	1,370	11,321
Balance at the end of current term	(23,480)	126,975	1,858	1,858	128,834

Fiscal 2014 (April 1, 2013, to March 31, 2014)

(¥ millions)

	Shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Earned surplus		Total earned surplus
		Capital reserve	Other	Total capital surplus		Voluntary reserve		
					Other reserve	Unappropriated retained earnings		
Balance at the beginning of current term	6,459	8,719	0	8,720	1,614	115,000	18,661	135,276
Net changes during the current term								
Dividends paid							(3,135)	(3,135)
Net income							18,176	18,176
Transfer to other reserve						5,000	(5,000)	—
Acquisition of treasury stock								
Disposition of treasury stock			4,212	4,212				
Retirement of treasury stock			(4,213)	(4,213)			(4,890)	(4,890)
Net other changes than shareholders' equity during the current term								
Total net changes during the current term	—	—	(0)	(0)	—	5,000	5,149	10,149
Balance at the end of current term	6,459	8,719	—	8,719	1,614	120,000	23,811	145,425

	Shareholders' equity		Other adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on marketable securities	Total other adjustments	
Balance at the beginning of current term	(23,480)	126,975	1,858	1,858	128,834
Net changes during the current term					
Dividends paid		(3,135)			(3,135)
Net income		18,176			18,176
Transfer to other reserve		—			—
Acquisition of treasury stock	(17)	(17)			(17)
Disposition of treasury stock	13,428	17,640			17,640
Retirement of treasury stock	9,103	—			—
Net other changes than shareholders' equity during the current term			1,100	1,100	1,100
Total net changes during the current term	22,514	32,663	1,100	1,100	33,763
Balance at the end of current term	(965)	159,638	2,959	2,959	162,598

VI. Other

Changes of Directors

(1) Change in Representative Director

Not applicable.

(2) Change in other director

- The candidate for director

Nobuyuki Matsui, currently Project Professor, CHUBU University

* Nobuyuki Matsui is an outside director candidate.

(3) Schedule date of appointment

June 27, 2014.