

Rinnai

Securities code 5947

Rinnai Information
for Shareholders

Vol. 26

Business Results for
the 57th Term

(April 1, 2006 to March 31, 2007)



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

To Our Shareholders



Susumu Naito
Chairman



Hiroyasu Naito
President

It is a pleasure to report on our performance in the fiscal year ended March 31, 2007, and outline our strategies for the future.

During the fiscal period in review, the Japanese economy continued to expand, supported by growth in private-sector capital spending underpinned by solid corporate performances. This was despite remaining weakness in personal consumption and employee recruiting conditions. The domestic gas appliance industry benefited from the continued trend of stable housing starts, but new demand for gas appliances declined due to the growing share of residences using only electricity-powered equipment. On the other hand, measures by the entire gas-related sector encouraging replacement of long-used equipment have prompted many users to switch to safer appliances.

The period in review was the first year of the Rinnai Group's V-Shift Plan, a new medium-term business plan covering the three-year period from April 2006 to March 2009. The plan calls for a major shift in the Group's foundation, centering on core restructuring initiatives, with the aim of transforming the whole Rinnai Group. During the year, we pursued product and sales strategies aimed at realizing safety, peace of mind, and comfort in line with our corporate mission of making people's lives more comfortable. In the second half of the year, in particular, we stepped up efforts to provide better safety and peace of mind for customers through the entire lifecycles of our products—as product safety commands the spotlight in terms of increasing consumer consciousness and tighter government regulations.

On the sales side, we recorded an increase in revenue thanks to higher replacement demand and the effectiveness of our high-value-added product strategy. This was despite the negative impact of a warm winter in Japan. Overseas, we generated solid revenue, owing to steady expansion of our businesses in the American and Asian markets and the depreciation of the yen.

On the earnings side, the price of materials remained high throughout the year, pushing up our basic costs. Nevertheless, we suppressed costs by revising our retail prices and strategically allocating our business resources—a key objective of our medium-term business plan. This, together with higher overseas revenue, enabled us to improve earnings.

As a result, consolidated net sales amounted to ¥234,797 million, up 10.3% from the previous year. Operating income climbed 24.2%, to ¥12,739 million, and ordinary income rose 15.0%, to ¥13,521 million. During the year, we set aside ¥1,597 million in reserves, including a reserve for inspection costs as part of safety measures for our compact water heaters. Net income for the year increased 19.9%, to ¥6,283 million.

The Company declared a ¥16.00 year-end cash dividend, bringing total annual dividends to ¥30.00 per share, up ¥2.00 from the previous year. This decision was based on consideration of many factors, including payout ratio, return on equity, and our financial position, and reflects our basic policy for appropriation of earnings.

Going forward, our directors and employees will together renew their efforts to boost the Company's business development, based on the belief that "product quality is the essence of our livelihood."

We look forward to the ongoing support and cooperation of shareholders in these endeavors.

June 2007

Susumu Naito
Chairman

Hiroyasu Naito
President



Key product development themes: Advanced levels of safety and environmental friendliness

March 2007 Results

Rinnai reported increased revenue in the year under review.
What were the reasons for this?

The domestic gas appliance industry faced difficult business conditions. Housing starts were up year-on-year, but the increase was only slight. Meanwhile, the shift to houses powered exclusively by electricity continued, and raw materials prices surged beyond expectations.

Nevertheless, Rinnai outperformed the industry average, generating a 10.3% increase in consolidated net sales and a 19.9% rise in net income. We attribute these results to a number of factors. In addition to solid overseas sales, for instance, we revised our product pricing system on July 1, 2006, to reflect the soaring cost of raw materials. We also reaped the benefits of our “high-value-added product strategy,” a core theme of our medium-term business plan, which started in April 2006, as well as our basic sales strategy, which calls for “eliminating our focus on raising market share.” Our new corporate direction is reflected in our kitchen appliances. Since March 2006, for example, we have fitted mechanisms to prevent cooking oil from overheating on the single side burners of our cookers with two or more burners. In the tabletop stoves category, price competition is very severe, especially among mass merchandisers. However, we were able to boost revenue because, at the present time, consumers are selecting our kitchen appliances based not product quality rather than price.

Accidents with Compact Water Heaters

With respect to recent accidents, what should Rinnai focus on?

Compact gas hot water systems must always be used in well-ventilated areas. Sadly, this understanding was not properly conveyed to all customers, whose mindsets differ according to their living environments and ages. There has been a large awareness gap between customers and manufacturers, including Rinnai. We take this very seriously and recognize the need to reflect deeply on it.

Immediately after the accidents, we produced television commercials and newspaper advertisements emphasizing the importance of ventilation. We also provided inspections free of charge, not only for the model in question but for all of our compact water heaters.



Condensing hot-water units in Japan

Rinnai's "Eco-Jozu" dual hot-water/heating systems recover latent heat to achieve 95% heat efficiency, the highest level in the world. Rinnai is earning worldwide acclaim for its environmentally responsive technologies. As an example, Nefit BV, a renowned European manufacturer, applied gas burner technologies of Rinnai in their condensing boilers.

Do you think you provided enough information?

As a leading manufacturer of gas appliances, we have placed top priority on product quality. This is based on the belief that "product quality is the essence of our livelihood"—a belief we have embraced since our foundation. At the same time, we have a comprehensive approach to compliance as a corporation, and we reported everything we knew about the accidents to the Ministry of Economy, Trade and Industry. In reality, however, "accidents caused by erroneous use" did not receive much press coverage. In addition, the efforts of our company alone cannot always guarantee that important information is properly communicated.

Taking the accidents seriously, on April 1, 2007, we established the Quality Assurance Division, which reports directly to the president. Within the Division, we also set up the Accident Information Management Office, charged with unified control of all accident-related information, from investigating the facts about incidents to compiling reports for top management. The Office adopts a proactive approach to information-gathering, regardless of whether or not an accident is the result of a faulty product. On the same day, we also established the Corporate Communications Office within the General Affairs Department. Through these frameworks, we intend to address the demands of society, swiftly disclose all relevant information, and grab the attention of users of our products.

How is the impact on the finance results?

As for the impact on our finance results, in the short term there will be increases in product inspection costs and advertising expenses for capturing the attention of users. At present, however, it seems there will be no major effect on our revenue. The compact water heaters involved in the accidents account for less than 3% of total net sales. Therefore, we anticipate that the impact on our performance over the medium and long terms will be minimal.

Medium-term Strategy

What are the key themes of your new medium-term business plan with respect to the domestic market?

We have two core themes for the domestic market: deliver more advanced levels of safety, and ensure that our products are friendly to the environment. In the kitchen appliances segment, a new regulation to be enforced in April 2008 will require all burners in gas cookers must be fitted with mechanisms to prevent cooking oil from overheating. We plan to launch new products complying with this regulation in the near future. In the hot-water units segment, our modular products that serve as peripherals to our hot-water equipment have been well received in the market. These include bathroom heater/dryers and mist sauna units. In response, we will focus on health and comfort when developing products in the future. In Europe, where environmental regulations are strict, high-efficiency gas

Rinnai hot-water units for the U.S. market

Traditionally, hot-water systems in the U.S. have mainly been tank-storage types powered by gas or electricity. By comparison, Rinnai's instant-heating hot-water units have won widespread popularity in the United States. In addition to excellent heat efficiency, these units are appealing because they deliver hot water at a preset temperature, they never run out of hot water, and hot water appears immediately when the tap is turned on. Even in Japan, where there is a noticeable sales campaign of all-electric appliances, our hot-water units have maintained their position as strategic products.



boilers account for nearly 100% of the markets in Germany, the Netherlands, and the United Kingdom. Saving energy is now also a key theme in Japan, and for this reason we will strive to raise the share of high-efficiency condensing hot-water units in net sales going forward.

Medium-Term Business Plan (April 2006 to March 2009)

Basic themes: Transformation of values, businesses, and human resources

Consolidated performance targets: Net sales of ¥280 billion; ROE of 8%

(Billions of yen)

	March 2007 (actual)	March 2008 (estimate)	March 2009 (target)
Consolidated net sales	¥234.8	¥250.0	¥280.0
Domestic	151.3	155.0	156.0
Overseas	83.4	95.0	124.0
Consolidated operating income	12.7	15.0	20.0
Consolidated ROE	4.7%	6.0%	8.0%

The share of overseas sales in overall revenue is rising quickly, isn't it?

In the United States, the market has traditionally centered on storage tank-based hot-water units. However, Rinnai's instant-heating gas hot-water units have taken the general public by storm thanks to the convenience of these products. From 2005 to 2006, sales in the United States grew between 30% and 40% year-on-year, pushing up total overseas sales.

Demand for our instant-heating gas hot-water units is also strong elsewhere, especially in southern Europe. In March 2007, we acquired all of the shares in Aqua S.r.l., an Italian distributor of Rinnai products. That company will serve as our sales operation in southern Europe, supplying our products, particularly instant-heating gas hot-water units, to Italy, Spain, and other nations. We are confident that the Rinnai brand will achieve further market penetration as a result.



Solar hot-water systems of Rinnai Australia

Major initiatives are under way in Australia and New Zealand to harness energy sources other than fossil fuels. In response, the Rinnai Australia is already selling solar hot-water systems which is manufactured at the Adelaide plant.



What is the outlook for Rinnai in China and Russia?

China is a strategic market on a par with the United States. Thanks primarily to the efforts of Shanghai Rinnai Co., Ltd., and Rinnai Hong Kong Ltd., we have steadily boosted our presence in China, where sales grew around 20% in the year under review. As in Japan, there is growing demand for high-quality gas-related products in China. For this reason, interest in Rinnai's technological capabilities is rising.

We are also steadily cultivating the Russian market. In February 2006, we established Rinnai Services (MS) Co., Ltd., in Moscow to manage regional sales and provide after-sales services.

What are your basic policies for the Rinnai brand?

As consumers focus more and more attention on product quality, our basic policy is to deliver products that people can use with peace of mind. To address the social requirements of global markets, meanwhile, we must supply products that are friendly to the environment. With this in mind, we are leveraging our advanced technological capabilities, built up through our experience with gas equipment, to conduct broad-ranging R&D on energy-saving technologies. Deeply committed to "using heat to enhance people's lives," we at Rinnai will continue pursuing the best heat-based energy outcomes for consumers and society in general.

Safety sensors fitted to all cooker burners

Newly launched glass-top built-in cookers

From July 2007, Rinnai will launch a new series of glass-top built-in cookers. All of the burners in these cookers will feature mechanisms to prevent cooking oil from overheating, a device to stop gas from flowing when the flame goes out, a function that extinguishes the flame when the user forgets, and a function that automatically extinguishes the flame when foods starts burning. These products reflect our commitment to complementing function with ever-higher levels of safety.



RS78W2A2RSL

Tasty, healthy food that only a steam oven can deliver

Built-in version of Healsio steam oven released

April 2007 saw the nationwide launch of the Healsio RKO-30E steam oven, developed in collaboration with Sharp Corporation. Using a Healsio⁽¹⁾ steam engine, the oven features a high thermal power temperature of 330 degrees Celsius⁽²⁾ and a vapor density of around 97%. It uses excess steam, which has a high heat content, to remove fat and reduce salt contained in the food being cooked, providing a delicious outcome. Moreover, it complements the water content of food that tends to dry out using traditional cookers. In addition, it provides low-oxygen cooking with an oxygen concentration inside the cooking compartment of less than 0.5%⁽³⁾, preventing oxidation and breakdown of valuable nutrients while retaining antioxidants, such as vitamin C and vitamin E.

Notes: 1. "Healsio" is a registered trademark of Sharp Corporation.

2. Maximum steam injection temperature inside cooking compartment (Sharp's estimates)

3. Minimum oxygen density inside cooking compartment (Sharp's estimates)



Comfortable space heating with high-quality flames

"Arriva" gas fireplace unveiled in Japan

In the past, Rinnai-brand gas fireplaces have been warmly received in Australia and other overseas countries. In April 2007, we brought these products to Japan with the release of the Arriva series. The flames in the fireplace can be adjusted to one of seven levels at the touch of a remote control button. The units employ fan flue (FF) technology to provide peace of mind, even in airtight spaces. They also require minimal maintenance because they produce zero ash or discharge.



Rinnai named its gas fireplaces "Arriva" (from the English word "arrival") to signify the pleasure of coming back to a relaxing home.

Results by Business Segment

Kitchen Appliances

In Japan, sales of built-in gas cookers remained mostly unchanged from the previous year, due to the campaign to promote electricity-powered appliances and competition from other companies in the industry. However, sales of tabletop stoves increased significantly owing to the launch of new products fitted with mechanisms to prevent cooking oil from overheating. Meanwhile, sales in various Asian nations were strong, due in part to the successful launch of new tabletop stoves in South Korea. Overall sales in this segment grew 13.2% year-on-year.

Hot-Water Units

For the year, Rinnai posted increased domestic sales of its highly efficient “Eco-Jozu” hot water units and hot-water/heating systems, which boast superlative energy-saving features. Modular bathroom units also performed well. These included a bathroom heater/dryer with a mist sauna attached, as well as a bathroom television set. Overseas, we reported increased exports to the United States, where demand is growing for instant-heating hot-water units. Our stylishly designed units continued to proliferate in that market. In South Korea, meanwhile, sales of locally made boilers were solid. Total segment sales grew 11.0%.

Air-Conditioning and Heating Units

In Japan, we launched a new gas fan heater model with a voice-message function. However, domestic sales languished due to the warm winter. Overseas, sales in Oceania were solid, but sales in the United States were affected by a warm winter, causing overall sales of heaters to languish. Consequently, total sales in this segment declined 6.7%.

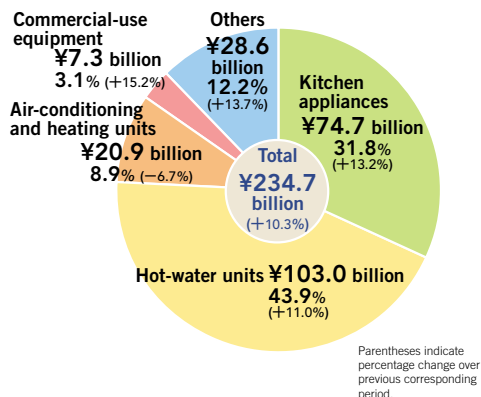
Commercial-Use Equipment

Sales in Japan increased slightly, but overseas sales grew strongly. Sales in South Korea benefited from the introduction of new commercial-use kitchen appliances, while sales of commercial-use hot water units in Australia were also solid. Total sales in this segment climbed 15.2%.

Others

Sales of various materials and components increased, both in Japan and overseas, while sales from installation services for modular gas appliances were also up. Total segment sales grew 13.7%.

Net sales by business segment



Earnings

Operating Income

In Japan, the prices of raw materials remained high throughout the year, pushing up our basic costs. Nevertheless, we suppressed costs by revising our retail prices and strategically allocating our business resources. This, together with higher overseas revenue, enabled us to improve earnings. As a result, consolidated operating income climbed 24.2% year-on-year.

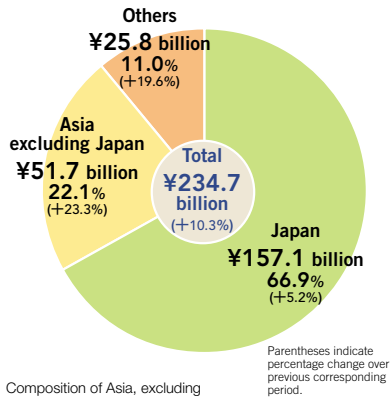
Ordinary Income

Ordinary income rose 15.0%. The increase was limited due to a number of factors, including a year-on-year decline in foreign exchange valuation gains.

Net Income

Consolidated net income for the year climbed 19.9%. This was despite incurring an extraordinary loss to cover inspection costs as part of safety measures for our compact water heaters.

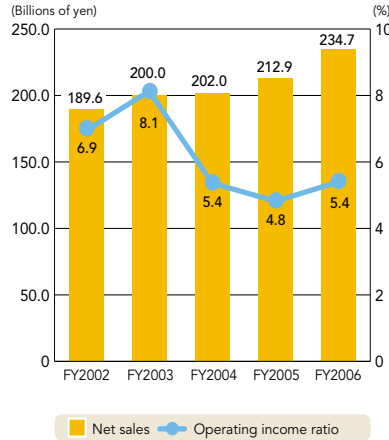
Net sales by region



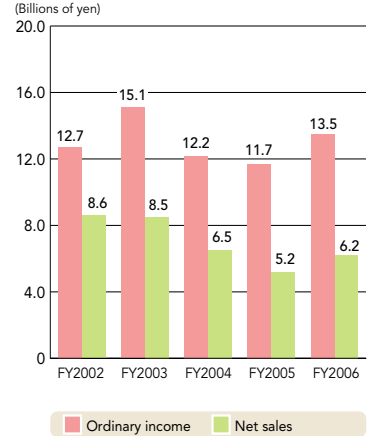
Composition of Asia, excluding Japan: South Korea, China, Taiwan, Thailand, Singapore and Vietnam
 Composition of Others: Australia, New Zealand, and United States.

Note: The above amounts exclude inter-regional transactions.

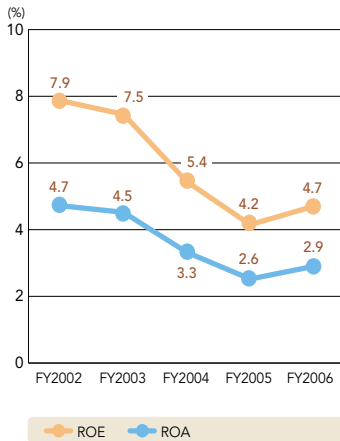
Sales, operating income ratio



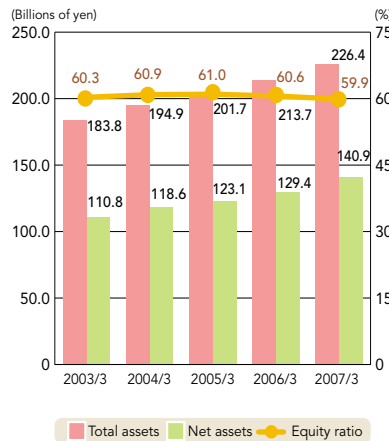
Ordinary income, net income



ROE, ROA



Total assets, net assets, equity ratio



Notes: 1. The above graph indicates the amount of total shareholders' equity from "2003/3" to "2006/3", and the amount of net assets for "2007/3" in accordance with the enforcement of Corporate Law.
 2. From "2007/3", the equity ratio is calculated using net assets excluding minority interests.

Free cash flows



Notes: Free cash flows = Net cash provided by operating activities + Net cash provided by investing activities

Consolidated Balance Sheets (Millions of yen)

Current Term (As of Marh 31, 2007)

Previous Term (As of Marh 31, 2006)

	Current Term	Previous Term		Current Term	Previous Term
Assets			Liabilities		
Current assets	135,863	131,039	Current liabilities	79,498	68,644
Cash and deposits	22,521	19,029	Notes and accounts payable	42,552	42,492
Notes and accounts receivable	67,338	63,818	Short-term debt	17,365	10,844
Marketable securities	15,629	20,845	Other payables	10,304	8,452
Inventories	28,164	24,222	Accrued consumption taxes	513	344
Deferred income taxes	2,611	1,816	Accrued income taxes	3,418	1,594
Other	1,931	2,531	Accrued employees' bonuses	2,290	1,979
Less allowance for doubtful accounts	(2,332)	(1,224)	Allowance for inspection cost	500	—
Fixed assets	90,550	82,737	Other	2,553	2,937
Property, plant and equipment	45,306	43,611	Long-term liabilities	6,002	10,973
Buildings and structures	15,116	14,928	Long-term debt	647	5,268
Machinery and vehicles	9,230	8,983	Deferred income taxes	14	2
Tools and fixtures	6,763	6,297	Accrued employees' retirement benefits	2,781	2,956
Land	13,483	12,499	Accrued officers' retirement benefits	1,420	1,736
Construction in progress	712	901	Other	1,138	1,009
Intangible fixed assets	1,201	951	Total liabilities	85,500	79,617
Investments and advances	44,041	38,173	Minority interests	—	4,661
Investments in securities	32,797	25,862	Shareholders' Equity:		
Investments	964	519	Common stock	—	6,459
Long-term loans	12	17	Capital surplus	—	8,719
Deferred income taxes	1,736	2,635	Earned surplus	—	112,918
Other	9,234	9,391	Unrealized gain on marketable securities	—	656
Less allowance for doubtful accounts	(702)	(252)	Foreign exchange translation adjustment	—	838
			Treasury stock	—	(94)
			Total shareholders' equity	—	129,497
			Total liabilities, minority interests and shareholders' equity	—	213,777
			NET ASSETS:		
			Shareholders' equity:	133,254	—
			Common stock	6,459	—
			Capital surplus	8,719	—
			Earned surplus	118,185	—
			Treasury stock	(109)	—
			Other adjustments:	2,429	—
			Unrealized gain on marketable securities	460	—
			Foreign exchange translation adjustment	1,968	—
			Minority interests	5,229	—
			Total net assets	140,913	—
Total assets	226,413	213,777	Total liabilities and net assets	226,413	—

Consolidated Statements of Income (Millions of yen)Current Term (From April 1, 2006, to March 31, 2007)
Previous Term (From April 1, 2005, to March 31, 2006)

	Current Term	Previous Term
Net sales	234,797	212,947
Cost of sales	172,227	157,000
Gross profit	62,569	55,947
Selling, general and administrative expenses	49,830	45,686
Operating income	12,739	10,260
Other income	2,157	2,679
Other expenses	1,374	1,183
Ordinary income	13,521	11,756
Extraordinary income	637	656
Extraordinary loss	2,277	2,987
Income before income taxes	11,881	9,425
Income taxes: current	5,473	3,605
Prior corporate taxes	—	280
Income taxes	199	481
Minority interests (deduction)	(74)	(184)
Net income	6,283	5,242

Consolidated Statements of Cash Flows (Millions of yen)Current Term (From April 1, 2006, to March 31, 2007)
Previous Term (From April 1, 2005, to March 31, 2006)

	Current Term	Previous Term
Cash flows provided by operating activities	13,717	12,004
Cash flows provided by investing activities	(14,825)	(13,190)
Cash flows provided by financing activities	(658)	(458)
Cash and cash equivalents at end of year	30,034	31,899

Consolidated Statement of Shareholders' Equity (Millions of yen)

 Current Term
 (From April 1, 2006, to March 31, 2007)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total
Balance at March 31, 2006	6,459	8,719	112,918	(94)	128,002
Change during period:					
Retained earnings ^(Note)	—	—	(758)	—	(758)
Retained earnings	—	—	(758)	—	(758)
Board of Directors' bonuses ^(Note)	—	—	(2)	—	(2)
Net income	—	—	6,283	—	6,283
Acquisition of treasury stock	—	—	—	(15)	(15)
Disposition of treasury stock	—	0	—	0	0
Increase due to newly consolidation	—	—	438	—	438
Other changes	—	—	64	—	64
Net other changes during period	—	—	—	—	—
Net changes during period	—	0	5,267	(15)	5,251
Balance at March 31, 2007	6,459	8,719	118,185	(109)	133,254

	Other adjustments			Minority interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Total		
Balance at March 31, 2006	656	838	1,494	4,661	134,159
Change during period:					
Retained earnings ^(Note)	—	—	—	—	(758)
Retained earnings	—	—	—	—	(758)
Board of Directors' bonuses ^(Note)	—	—	—	—	(2)
Net income	—	—	—	—	6,283
Acquisition of treasury stock	—	—	—	—	(15)
Disposition of treasury stock	—	—	—	—	0
Increase due to newly consolidation	—	—	—	—	438
Other changes	—	—	—	—	64
Net other changes during period	(195)	1,129	934	568	1,502
Net changes during period	(195)	1,129	934	568	6,754
Balance at March 31, 2007	460	1,968	2,429	5,229	140,913

Note: Appropriation of profit approved at general meeting of shareholders in June 2006.

Global Network

As of March 31, 2007, the Rinnai Group consisted of the parent company, 43 subsidiaries (21 domestic and 22 overseas), and four overseas affiliated companies, for a total of 48 companies.



Domestic Subsidiaries

Manufacture of Products

- Yanagisawa Manufacturing Co., Ltd.
- Rinnai Technica Co., Ltd.

Manufacture of Components

- RB Controls Co., Ltd.
- Rinnai Precision Co., Ltd.
- RT Engineering Co., Ltd.
- Japan Ceramics Co., Ltd.
- Noto Tech Co., Ltd.
- Techno Parts Co., Ltd.
- RB Techno Co., Ltd.

Sale of Products

- Rinnai Net Co., Ltd.
- RG Co., Ltd.

Sale and Installation of Products

- Rinnai Tech Sapporo Co., Ltd.
- Rinnai Tech Tohoku Co., Ltd.
- Rinnai Tech Tokyo Co., Ltd.
- Rinnai Tech Niigata Co., Ltd.
- Rinnai Tech Chubu Co., Ltd.
- Rinnai Tech Kinki Co., Ltd.
- Rinnai Tech Hiroshima Co., Ltd.
- Rinnai Tech Kyushu Co., Ltd.

Other Business

- Rinnai Enterprises
- Rinnai Tech Hokuriku Co., Ltd.

Overseas Subsidiaries and Affiliates

Holding Company/Sale of Products

- Rinnai Holdings (Pacific) Pte Ltd.

Sale of Products

- Rinnai Australia Pty., Ltd.
- Rinnai America Corporation
- Rinnai Hong Kong Ltd.
- Rinnai UK Ltd.
- Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.
- Aqua S.r.l.

Manufacture and Sale of Products

- Rinnai New Zealand Ltd.
- Rinnai Taiwan Corporation
- Rinnai Korea Corporation
- Shanghai Rinnai Co., Ltd.
- Rinnai (Thailand) Co., Ltd.
- Rinnai Viet Nam Co., Ltd.
- P.T. Rinnai Indonesia
- Equipamentos NGK-Rinnai Ltda.
- Rinnai (Malaysia) Sdn. Bhd.
- RBS Thermo Technology Co., Ltd.
- Guangzhou Minghai Gas & Electrical Appliance Co., Ltd.

Manufacture and Sale of Components

- RB Korea Ltd.
- RS Korea Ltd.
- Shanghai RB Controls Co., Ltd.
- Raneer R·K Precision Co., Ltd.
- Mikuni RK Corporation

Other Business

- Rinnai Services (MS) Corporation
- Rinnai SM Corporation
- Rinnai Singapore Pte. Ltd.

- Consolidated subsidiary
- Nonconsolidated subsidiary
- Affiliated company (equity method applied)
- Affiliated company (equity method not applied)

Corporate Data

Directory (As of March 31, 2007)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,459,746,974
Head office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802 TEL: +81-52-361-8211
Number of employees	3,199

Domestic Network (As of March 31, 2007)

Factories

Oguchi Factory, Seto Factory, Asahi Factory, Aichi Plant, Components Center

Research centers

Technology Development Center

Branches

Tohoku, Kanto, Chubu, Kansai, Kyushu

Domestic sales offices

Sapporo, Sendai, Niigata, Tokyo, Kita-Kanto, Higashi-Kanto, Minami-Kanto, Shizuoka, Nagoya, Osaka, Kyoji, Hiroshima, Takamatsu, Fukuoka

Domestic satellite offices

Kitami, Kushiro, Obihiro, Asahikawa, Hakodate, Aomori, Hachinohe, Akita, Morioka, Hirosaki, Yamagata, Sakata, Koriyama, Iwaki, Fukushima, Joetsu, Niigata, Nagaoka, Mito, Tsuchiura, Chiba, Matsudo, Tama, Utsunomiya, Saitama, Tokorozawa, Koshigaya, Kumagaya, Takasaki, Ota, Tokyo, Yokohama, Atsugi, Yokohama-kita, Yamanashi, Numazu, Hamamatsu, Nagano, Matsumoto, Ueda, Toyama, Kanazawa, Fukui, Toyohashi, Okazaki, Aichi, Tono, Gifu, Mie, Yokkaichi, Shiga, Nara, Wakayama, Tanabe, Kyoto, Fukuchiyama, Kobe, Himeji, Okayama, Tottori, Yonago, Hiroshima, Fukuyama, Yamaguchi, Takamatsu, Matsuyama, Kochi, Tokushima, Kitakyushu, Saga, Nagasaki, Sasebo, Oita, Kumamoto, Miyazaki, Kagoshima, Okinawa

Board of Directors (As of June 28, 2007)

Chairman	Susumu Naito
Vice Chairman	Kenji Hayashi
President*	Hiroyasu Naito
Director and Senior Executive Officer	Tsunenori Narita
Director and Senior Executive Officer	Kozo Masuoka
Director and Executive Officer	Masao Kosugi
Director	Tsutomu Miyata
Executive Officer	Takashi Nagasaka
Executive Officer	Takeshi Iwata
Executive Officer	Yuji Kondo
Executive Officer	Sadao Yoshimura
Executive Officer	Masayuki Iijima
Executive Officer	Tadanobu Netsu
Executive Officer	Shizuo Sasaki
Executive Officer	Toshinori Kozawa
Executive Officer	Yuzo Yoshida
Executive Officer	Takashi Sonoda
Executive Officer	Katsuhiko Shinji
Executive Officer	Bernard George Erica
Corporate Auditor (Standing Auditor)	Katsuhiro Warita
Corporate Auditor (Standing Auditor)	Yasuhiko Goto
Corporate Auditor	Ken Yazaki
Corporate Auditor	Kiyokira Fukui

Notes: 1. President (*) doubles as Executive Officer.

2. Ken Yazaki and Kiyokira Fukui (Corporate Auditors) serves as an outside auditor.

Share Information (As of March 31, 2007)

Share Composition

Number of shares

Authorized:

200,000,000

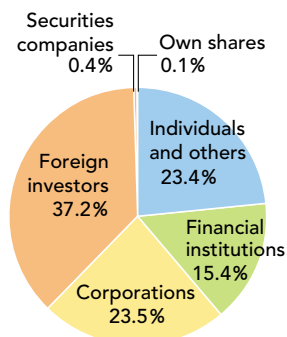
Outstanding:

54,216,463 (Including treasury stock)

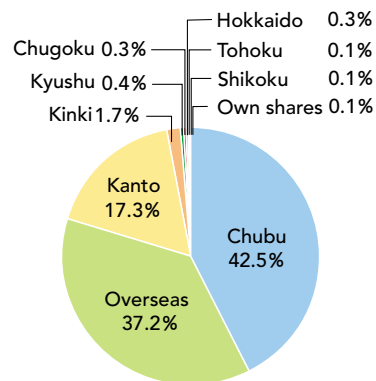
Number of shareholders:

4,815

Composition of shareholders



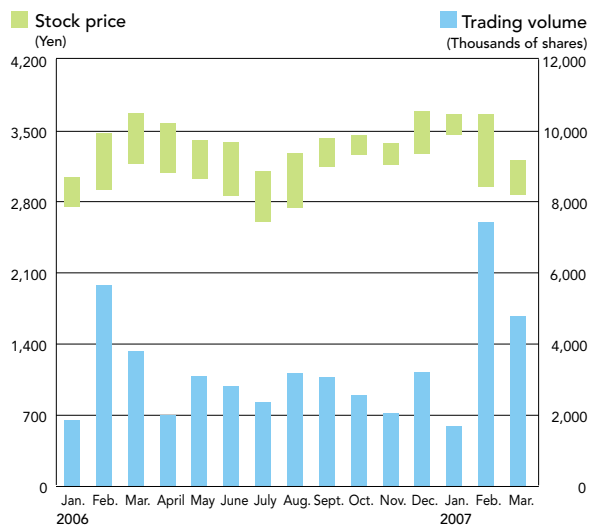
Shareholders by region



Major Shareholders

Name	Shares held (Thousands)
Northern Trust Company (AVFC) Sub-Account American Client	6,177
Deutschland Bank AG Frankfurt	6,006
Naito Co., Ltd.	5,415
Yoshikane Shoji Co., Ltd.	4,002
Susumu Naito	2,677
Kenji Hayashi	2,652
Northern Trust Company (AVFC) RE US Tax Exempted Pension Funds	1,883
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,764
Nippon Life Insurance Company	1,000
Japan Trustee Service Bank, Ltd. (Trust Account)	767

Stock Price Range



Memorandum for Shareholders

Financial year-end

March 31

Year-end dividends are paid to shareholders as of March 31; interim dividends are paid to shareholders as of September 30.

Minimum trading unit

100 shares

Notices appear in

Nihon Keizai Shimbun

Transfer agent

The Chuo Mitsui Trust & Banking Company, Limited.
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574

Transfer administration office

The Chuo Mitsui Trust & Banking Company, Limited.
Nagoya Branch, Stock Transfer Agency Department
15-33, Sakae 3-chome, Naka-ku, Nagoya 460-8685
Freedial 0120-78-2031

Transfer agency offices:

The Chuo Mitsui Trust & Banking Company, Limited.
Head office and branches throughout Japan

Japan Securities Agents, Ltd.

Head office, branches and regional offices

● Notice

If you are in Japan, you can request the standard forms for address changes, the purchase of shares fewer than the minimum trading unit, or the designation of a bank account for the transfer of dividends around the clock at the toll-free service of the transfer agent (0120-87-2031).

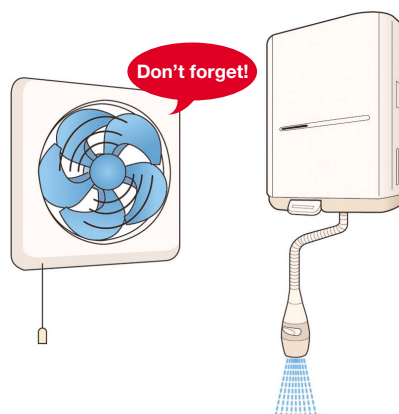
Stock Listings:

Tokyo Stock Exchange, First Section

Nagoya Stock Exchange, First Section

Warning for Users of Compact Water Heaters

When using compact water heaters, please be sure to switch on a ventilator or range hood exhaust fan, or open a window.



Our Website

• IR information

http://www.rinnai.co.jp/en/ir/index_ir.html

Provides the latest information for shareholders and other investors, including financial figures and flash reports.