

May 11, 2011

To whom it may concern

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Announcement of the Continuation of the Policy (Actions against Corporate Acquisition) toward Large-Scale Purchases of the Share Certificates, etc., of Rinnai Corporation

The Board of Directors of Rinnai Corporation (the “Company”) resolved the “Policy (Actions against Corporate Acquisition) toward Large-Scale Purchases of the Share Certificates, etc., of Rinnai Corporation” at its meeting held on May 13, 2008 (hereinafter the “Previous Plan”), which was approved by shareholders at the 58th Ordinary General Shareholders’ Meeting held on June 27 of the same year, and has been in effect to date. However, the Previous Plan is set to expire at the close of the 61st Ordinary General Shareholders’ Meeting (“This Shareholders’ Meeting”) to be held on June 29, 2011.

Since the introduction of the Previous Plan, the Company has further discussed the ideal policy and actions against corporate acquisition from the viewpoint of ensuring and enhancing corporate value and shareholders’ common interests, taking into account recent environmental changes relative to the policy and other factors. As a result, the Board of Directors of the Company at its meeting held on May 11, 2011, determined to make partial revisions to the Previous Plan (hereinafter “This Plan,” referring to the revised plan) and continue our policy and actions against corporate acquisition through This Plan onward on condition that This Plan is approved by the shareholders at This Shareholders’ Meeting.

This Plan does not contain any revisions to the essential substance of the Previous Plan. The partial revisions reflect laws and regulations such as those concerning the Electronic Share Certificate System for listed companies subsequent to enforcement of the “Law for Partial Amendments to the Law Concerning Book-Entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement for Trade of Stocks and Other Securities” (Law No. 88, 2004) and other revisions in wording and expressions.

At the meeting of the Board of Directors that resolved This Plan, all four corporate auditors, including two outside corporate auditors, attended and each expressed his/her opinion to consent to the substance of This Plan on the condition that the concrete substance of This Plan will be appropriately implemented.

The major shareholders of the Company as of March 31, 2011, are listed in Attachment 1 hereto. The Company has received no proposal regarding a large-scale purchase of the share certificates, etc., of the Company as of today.

I. Purposes of the Continuation of This Plan

1. Initiatives to ensure and raise the corporate value of the Company and, by extension, the common interests of the shareholders

In the 91 years since its foundation in 1920, the Company has actively contributed through its businesses to improving lifestyles in the kitchen, hot-water supply and air-conditioning fields with its sophisticated heat utilization technologies and a passion for *monozukuri*, or the manufacture and fabrication of valuable products. Its continuous steady growth has been firmly supported by the mission of making people’s lives more comfortable by supplying high-quality heating appliances on the basis of original corporate philosophies such as “*Wa-Ki-Shin*

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(harmony, vitality and truth)” and “product quality is the essence of our livelihood.” All the Rinnai Group companies in Japan and overseas have made concerted efforts to sustain corporate development by addressing the stable supply of high-quality products and services toward the creation of an affluent and comfortable living environment under the Rinnai brand. Regarding our overseas business operations, we have achieved solid performance for more than 40 years. As a consequence, we now have established overseas production and sales bases in 16 foreign countries and our foreign sales ratio has exceeded 30%, which is one of the defining features of the Company.

To continue improving corporate value, the Company must continue to promote our “customer’s priority on quality” initiative and offer “environmentally friendly products,” focusing on the issues related to safety, security, environment, energy saving, health and our aging society, all of which the Company has tackled for years. At the same time, the Company believes that it must establish a highly profitable foundation by “reinforcement of our competitive edge through technological innovations.” Furthermore, it is essential that we formulate a growth strategy based on medium- to long-term perspectives.

In view of the Company’s historical background and desired future direction, in fiscal 2009, ended March 2010, the Company formulated a new medium-term business plan, “Reform and Breakthrough,” covering the period through the fiscal year ending March 2012. By implementing qualitative reforms within our business foundation, we aim to become a comprehensive heating appliance manufacturer that delivers environment-friendly and optimal heating appliances to countries around the world. We will maintain our focus on our heating appliance business, which supports the lives of many people, as a core business of the Company. By enhancing the competitiveness of the Rinnai Group and improving the earnings capability in its mainstay businesses and capital efficiency, we aim to maintain the current consolidated operating income ratio of more than 10% and consolidated ROE of more than 8%.

Regarding the reinforcement of corporate governance as one of the most important management tasks, the Company has established an optimal management system to flexibly address changes in the business environment and has set the term of office of directors as one year to clarify managerial accountability every fiscal year and increase opportunities to ensure the confidence of our shareholders.

2. Purpose of the Continuation of This Plan

The Company believes that the share certificates, etc. of the Company, as a listed company, should be freely sold and purchased in the market, in principle, and that its shareholders should make the final decisions of their own will as to whether or not they sell their share certificates, etc. of the Company in response to a large-scale purchase proposal made by a person who conducts a large-scale purchase of the share certificates, etc. of the Company. Consequently, the Company would not flatly refuse such a large-scale purchase proposal of share certificates, etc. if it truly contributes to ensuring and raising the corporate value of the Company and the common interests of the shareholders.

However, in the case where a large-scale purchase of the share certificates, etc. is conducted unilaterally without sufficient prior negotiations with or the consent of the Board of Directors of the Company and without the sufficient disclosure of information such as the purpose of the proposed purchase and management policies after the purchase, the Company is concerned that the shareholders who hold the share certificates, etc. of the Company might have difficulty ensuring sufficient time and information for their appropriate decision making as to whether or not they should accept such a large-scale purchase proposal, in view of such alarming circumstances.

Furthermore, the Company needs to aim for stable management with forward-looking policy making from medium- and long-term perspectives while fully understanding the respective positions and roles of the group companies in the Rinnai Group in order to achieve the purpose of continually raising the corporate value.

Consequently, the Company believes that it must ensure sufficient information and time to allow the shareholders to make the decisions as to whether or not they accept a proposed large-scale purchase while considering the Company’s corporate characteristics, as described in I 1 “Initiatives to ensure and raise the corporate value of the Company and, by extension, the common interests of the shareholders,” in case of any large-scale purchases of the share certificates, etc. of the Company and ensure opportunities to negotiate with the large-scale

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purchasers of share certificates, etc. to ensure and raise the corporate value of the Company and the common interests of the shareholders.

Meanwhile, the shareholding ratio of the shares of the Company held by the officers of the Company and their related parties is approximately 30% of all issued shares at this time, thereby providing a relatively stable shareholder composition for the management of the Company. However, the Company believes that its shareholder composition could become fluid due to changes of shareholders and those of shareholding ratio. For example, as the Company is a listed company, there is a possibility that any officer of the Company and its related parties would freely sell or purchase their shares on their decisions and there is also a possibility that the shareholding ratio of the shares held by any officer of the Company and its related parties could decline significantly as a result of the transfer or assignment of such shares held by any individual and its related affiliate companies who have acquired such shares from the officer of the Company and its related parties through their succession or other means. Such a decline in the shareholding ratio of related parties, followed by the rising fluidity of those shares, might increase the opportunities for additional shareholders and investors to obtain and hold the share certificates, etc. of the Company. On the other hand, the Company cannot deny the possibility that such a decline could make it easier to conduct large-scale purchases of share certificates, etc. which are conducted against the corporate value of the Company and the common interests of the shareholders.

Taking into account the aforementioned circumstances, the Company believes that large-scale purchases of the share certificates, etc. of the Company, which will be conducted in compliance with certain reasonable rules, should contribute to ensuring and raising the corporate value of the Company and the common interests of the shareholders, and so decided to establish certain rules regarding the supply of information, etc. to be applied to cases where large-scale purchase proposals of the share certificates, etc. of the Company are made (hereinafter the “Large-Scale Purchase Rules”). The Company also determined to implement This Plan, which stipulates detailed procedures for the continuation of countermeasures and other matters.

II. Substance of This Plan

1. Summary of This Plan

This Plan requires the Board of Directors of the Company to request a Large-Scale Purchaser (as defined below) to supply the Large-Scale Purchase Information (as defined in ii “Request for supply of information”) of 2 (1) below) in advance so that the Company’s shareholders may ensure necessary and sufficient information and time to make appropriate decisions on whether or not they accept the i) purchasing of the share certificates, etc. of the Company¹, by specified shareholders² with the intent to hold 20% or more of the total voting rights³ of the Company, or ii) purchasing of the share certificates, etc. of the Company resulting in specified shareholders holding 20% or more of the total voting rights of the Company (provided, in each case, that any purchase conducted with prior consent of the Board of Directors of the Company shall be excluded from such purchasing set out above and that any purchase may constitute such purchasing regardless of the specific purchase method such as market transactions or a tender offer; (a purchasing of the share certificates, etc. of the Company, set out in (i) or (ii) above shall be hereinafter referred to as the “Large-Scale Purchase” and an entity that conducts a Large-Scale Purchase shall be hereinafter referred to as “Large-Scale Purchaser”). This Plan also requires the Board of Directors to assess and examine the relevant Large-Scale Purchase and to negotiate with the Large-Scale Purchaser on the purchase conditions and other matters of the proposed Large-Scale Purchase or to offer alternative plans to the shareholders. In addition, This Plan stipulates the Large-Scale Purchase Rules to exercise countermeasures that the Board of Directors deems appropriate at that time, including a gratis allotment of stock acquisition rights, against the Large-Scale Purchase while maximally respecting recommendations submitted by the Special Committee (which is detailed in 2 (3) “Recommendations of the Special Committee” below).

The Large-Scale Purchaser shall not be allowed to commence a Large-Scale Purchase until the need for any specific countermeasures is resolved at the Board of Directors of the Company accordance with the Large-Scale Purchase Rules.

Please refer to Attachment 2 for the outline of This Plan.

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Notes:

1. Share certificates, etc.
“Share certificates, etc.” has a meaning given to it in Paragraph 1, Article 27-23, of the Financial Instruments and Exchange Act (the “FIEA”).
2. Specified shareholders
“Specified shareholders” means:
 - (i) a holder (as defined in Paragraph 1, Article 27-23 of the FIEA, including a person deemed to be a holder pursuant to Paragraph 3, Article 27-23, of the FIEA, and a person who is authorized as a holder by the Board of Directors ; hereinafter the same shall apply) of the share certificates, etc. (as defined in Paragraph 1, Article 27-23, of the FIEA) of the Company, and any joint holders thereof (as defined in Paragraph 5, Article 27-23, of the FIEA, including persons deemed to be joint holders pursuant to Paragraph 6 of the said Article, and persons who are authorized as joint holders by the Board of Directors; hereinafter the same shall apply); or
 - (ii) an entity which makes a purchase (as defined in Paragraph 1, Article 27-2, of the FIEA) of the share certificates, etc. (as defined in Paragraph 1, Article 27-2, of the FIEA) of the Company, including a purchase made on a exchange financial instruments market regardless of the auction/purchase method, any special related parties thereof (as defined in Paragraph 7, Article 27-2, of the FIEA) and any persons who are authorized as special related parties by the Board of Directors.
3. Holding ratio of voting rights to total voting rights
In calculating the “Holding ratio of voting rights to total voting rights,” the number of total voting rights as denominator shall be the quotient of the total number of issued shares of the Company at the relevant time (limited to shares with voting rights) having reduced the number of shares of treasury stock (excluding shares less than one unit of stock (“*tangent*”)) held by the Company, which corresponds to the number recorded in either the latest Securities Report, Semiannual Report or Treasury Stock Purchase Report submitted, and the number of forgotten shares registered under the name of Japan Securities Depository Center, Inc., divided by the number of one unit of stock (100).

2. Substance of Large-Scale Purchase Rules

- (1) Information request to Large-Scale Purchasers
 - i) Submission of a letter of intention
Any entity which intends to conduct a Large-Scale Purchase is required in advance to submit to the Representative Director of the Company a letter of intention regarding the purchase (hereinafter the “Letter of Intention”) setting out the basic information of the Large-Scale Purchaser such as the name and address of the Large-Scale Purchaser, the governing law of incorporation, the name of its representative, contact information in Japan, an outline of the Large-Scale Purchase proposed by the Large-Scale Purchaser and written undertakings, etc. to comply with the Large Purchase Rules, all in Japanese in the form specified by the Company.
 - ii) Request for supply of information
Within 10 business days after receipt of such Letter of Intention, the Board of Directors of the Company will deliver a list of information to be supplied by the Large-Scale Purchaser for decision makings of the Company’s shareholders and the formation of opinions of the Board of Directors of the Company (hereinafter the “Large-Scale Purchase Information”), and require the Large-Scale Purchaser to promptly submit the information described in the relevant list in Japanese in the form specified by the Company. Items of the Large-Scale Purchase Information to be supplied is referenced in Items ① through ⑦ below.
If the Large-Scale Purchase Information initially provided by the Large-Scale Purchaser is deemed by the Board of Directors of the Company to be insufficient to assess the substance, etc. of the Large-Scale Purchase that the Large-Scale Purchaser intends to make, the Board of Directors of the Company may determine an appropriate and reasonable deadline and request the Large-Scale Purchaser to supply additional information.

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If the Large-Scale Purchaser makes any change to the substance of the Large-Scale Purchase based on which the Large-Scale Purchase Information is requested after the commencement of the Board of Directors' Assessment Period (as defined in (2) "Examination on the Large-Scale Purchase by the Board of Directors of the Company" below), the Board of Directors of the Company may make a request again for the supply of the Large-Scale Purchase Information regarding the revised Large-Scale Purchase.

The Board of Directors of the Company will appropriately disclose at the appropriate time, in whole or in part, the fact that the Letter of Intention has been submitted and the Large-Scale Purchase Information and other information supplied by the Large-Scale Purchaser. Should a Large-Scale Purchaser appear without submitting the Letter of Intention, the Board of Directors of the Company will appropriately disclose that fact at the appropriate time. Moreover, if the Large-Scale Purchase Information has been received from the Large-Scale Purchaser, the Board of Directors of the Company will immediately supply the Special Committee with the Large-Scale Purchase Information supplied by the Large-Scale Purchaser.

- ① outline (including specific name, capital composition, financial conditions, details of transactions similar to the purchase proposal by the relevant Large-Scale Purchaser and the results thereof) of the Large-Scale Purchaser and its group (including stakeholders such as the specified shareholders, associated partners and other members of a partnership or a fund; hereinafter the same shall apply)
 - ② the purposes, methods and conditions of the Large-Scale Purchase (including information such as the type and price of consideration for the Large-Scale Purchase, purchase timing of the Large-Scale Purchase, scheme of related transactions, legality of the method of the Large-Scale Purchase and the feasibility thereof);
 - ③ the basis for computing the value of consideration (including the facts, assumptions, computation methods and numerical values used for the computations, as well as the substance of synergies that are expected to result from a series of transactions in association with the Large-Scale Purchase and the substance of the synergies that are distributable to other shareholders therein);
 - ④ proof of the funds for purchase (including specific name of the fund supplier(s) (including substantial fund supplier(s)), procurement method and the substance of related transactions);
 - ⑤ management policies, business plans, capital policies, dividend policies and financial policies that the Large-Scale Purchaser intends to adopt for the Company and its group after having introduced the Large-Scale Purchase;
 - ⑥ policies toward customers, suppliers, employees and others stakeholders of the Company after having introduced the Large-Scale Purchase; and
 - ⑦ any other information that is deemed necessary by the Board of Directors of the Company or the Special Committee.
- (2) Examination on the Large-Scale Purchase by the Board of Directors of the Company
The Board of Directors of the Company will conduct its assessment and examination as to whether or not the Large-Scale Purchase of the Large-Scale Purchaser contributes to ensuring and raising the corporate value of the Company and the common interests of the shareholders, based on the Large-Scale Purchase Information received from the Large-Scale Purchaser and other information independently obtained by the Board of Directors of the Company. In addition, the Board of Directors of the Company will negotiate with the Large-Scale Purchaser on the purchase conditions and other matters, offer alternative plans and determine whether or not any countermeasures should be taken, as necessary.

Upon its assessment and examination, the Board of Directors of the Company may seek advice from third-parties independent from the Board of Directors of the Company (including financial advisors, Certified Public Accountants, lawyers and consultants) in addition to making inquiries to the Special Committee described in (3) "Recommendations of the Special Committee" below.

Should the Board of Directors start its assessment and examination, it will inform the Large-Scale Purchaser that the supply of the Large-Scale Purchase Information to be

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provided by the Large-Scale Purchaser is sufficiently given thereby and appropriately disclose the fact thereof at the appropriate time.

The Board of Directors of the Company will start the period for its assessment and examination (hereinafter the “Board of Directors’ Assessment Period”) on the following day after receipt of Large-Scale Purchase Information is complete. The Board of Directors of the Company will set a 60-day period in case of the purchase of all the share certificates, etc. of the Company by a tender offer with cash-only (yen) consideration or a 90-day period in case of any other Large-Scale Purchases as the period for the Board of Directors’ Assessment Period. A Large-Scale Purchaser may not commence the procedure of the Large-Scale Purchase during the Board of Directors’ Assessment Period but be allowed to commence the procedure only after a resolution on whether or not any specific countermeasures should be taken is adopted by the Board of Directors of the Company after its assessment and examination during the Board of Directors’ Assessment Period.

If the Board of Directors of the Company determines that either the examination of the substance of the Large-Scale Purchase, the proposal of alternative plans, or the negotiations with the Large-Scale Purchaser, etc. have not been sufficiently conducted even upon expiry of the Board of Directors’ Assessment Period, the Board of Directors may extend the Board of Directors’ Assessment Period within a reasonably necessary scope to conduct such examination of the substance of the Large-Scale Purchase, proposal of alternative plans or negotiations with the Large-Scale Purchaser, etc. by adopting its resolution to that effect through an inquiry to the Special Committee. However, such extension period shall not exceed 30 days in total. If the Board of Directors of the Company adopts such a resolution of extending the Board of Directors’ Assessment Period, it will inform the Large-Scale Purchaser thereof and appropriately disclose the extension period and the reason for such extension at the appropriate time.

(3) Recommendations of the Special Committee

i) Establishment of the Special Committee

This Plan prescribes the establishment of the Special Committee as an advisory organ for the Board of Directors of the Company that comprises only of outside members independent from the Board of Directors of the Company (the outline of the Special Committee Regulations is described in Attachment 3 hereto), and This Plan requires the Board of Directors of the Company to seek advice of the Special Committee in order to prevent the Board of Directors of the Company from arbitrary decision making upon implementing any countermeasures against a Large-Scale Purchaser.

The Special Committee shall consist of three or more members, and the members shall be elected from among qualified persons such as outside corporate auditors and outside key figures, all of whom are highly independent from the Board of Directors of the Company. Please refer to Attachment 4 for the name and career summary, etc. of the respective candidates of Special Committee provided that This Plan remains effective.

ii) Examination by the Special Committee

The Special Committee will deliberate and examine the matters on which the Board of Directors of the Company has made an inquiry within the range of the Board of Directors’ Assessment Period and give a recommendation to the Board of Directors of the Company.

The Special Committee will conduct its deliberation and examination, based on the Large-Scale Purchase Information and any other information supplied by the Large-Scale Purchaser. If the Special Committee judges the Large-Scale Purchase Information and any other information supplied by the Large-Scale Purchaser are insufficient to examine whether or not any countermeasures should be taken, it may request that the Large-Scale Purchaser supply additional information by the intermediary of the Board of Directors of the Company. For a comparative study of the Large-Scale Purchase Information and any other information supplied by the Large-Scale Purchaser against business plans of the Board of Directors of the Company and the evaluation of corporate value of the Company assessed by the Board of Directors of the Company, the Special Committee may also request that the Board of Directors of the Company supply certain information that it deems necessary, such as the opinions of the Board of the Directors (including any views of reservation) on the Large-Scale Purchase Information of the Large-Scale Purchaser and

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any other information supplied by the Large-Scale Purchaser, materials to indicate the grounds for such opinions, alternative plans (limited only to the case where there is any alternative plan) and any other information the Special Committee deems necessary from time to time, by setting an appropriate deadline within the range of the Board of Directors' Assessment Period.

Furthermore, the Special Committee may seek advice from third-parties independent from the Board of Directors of the Company (including experts such as financial advisors, Certified Public Accountants, lawyers and consultants), as required, at the expense of the Company, in conducting its deliberation and examination.

The Board of Directors of the Company will maximally respect recommendations submitted by the Special Committee in making its judgment and adopt a resolution.

The Special Committee may change the substance of its recommendation or withdraw the recommendation even after the Special Committee has submitted its recommendation the Board of Directors of the Company in case any change is made to the facts on which such recommendation is based, such as the case where the Large-Scale Purchaser has changed any substance of the Large-Scale Purchase or where the Large-Scale Purchase has been suspended.

3. Countermeasures against Large-Scale Purchases

(1) Conditions for implementing countermeasures

i) Cases where the Large-Scale Purchase Rules are complied

This Plan stipulates certain procedures for the purpose of ensuring the supply to the shareholders of necessary and sufficient information such as the Large-Scale Purchase Information to help the shareholders decide whether or not to accept the proposed Large-Scale Purchase and have the opportunity, etc. to receive the evaluation and opinions of and proposal of alternative plans by the Board of Directors of the Company based on the negotiations with the Large-Scale Purchaser, as well as necessary and sufficient time for examining them, with regard to a Large-Scale Purchase of the share certificate, etc. of the Company that might have a considerable effect on the Company's management, from the viewpoint of ensuring and raising the corporate value of the Company and the common interests of the shareholders.

As a consequence, in the case where the Large-Scale Purchaser has complied with the Large-Scale Purchase Rules, the Board of Directors of the Company will adopt a resolution of not taking countermeasures, in principle.

However, even if the Large-Scale Purchaser complies with the Large-Scale Purchase Rules, in the case where the Board of Directors of the Company deems such Large-Scale Purchase would cause clearly irreparable damages to the Company through its examination based on the Large-Scale Purchase Information and other information received from the Large-Scale Purchaser and any other information independently obtained by the Board of Directors of the Company and the Board of Directors of the Company judges that it is appropriate to take countermeasures, the Board of Directors of the Company will adopt a resolution of taking the countermeasures while maximally respecting the recommendations of the Special Committee. In this case, a Large-Scale Purchase shall be deemed to cause clearly irreparable damages to the Company if it meets any one or more of the following specific requirements.

- ① In the case where a Large-Scale Purchaser conducts a Large-Scale Purchase with no intention to participate in the Company's management, for the purpose of raising the stock price of the shares of the Company and demanding any party related to the Company to purchase the share certificates, etc. of the Company at considerably higher prices (so-called Green Mailer);
- ② In the case where a Large-Scale Purchaser conducts a Large-Scale Purchase for the purpose of transferring, through temporary control of the Company's management, intellectual properties, know-how, confidential information, major suppliers customers and others, which are deemed necessary for the Company's business operations, to the Large-Scale Purchaser or its group;
- ③ In the case where a Large-Scale Purchaser conducts a Large-Scale Purchase for the

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purpose of appropriating, after its acquisition of control of the Company's management, the Company's assets as collateral for liabilities or as underlying assets for payments for the sake of the Large-Scale Purchaser or its group;

- ④ In the case where a Large-Scale Purchaser conducts a Large-Scale Purchase for the purpose of causing, through temporary control of the Company's management, the Company to sell or dispose of its real-estates, securities and other highly valued assets that has no immediate relation to the Company's ongoing businesses, and making the Company to distribute temporarily higher dividends with the profit from such disposal, or selling the share certificates, etc. of the Company at a higher stock price raised rapidly through temporarily increased dividends;
- ⑤ In the case where the purchase method of a Large-Scale Purchase refers to a structurally compulsory action, in effect, that compels shareholders to sell their share certificates, etc. by unilaterally setting unfavorable second-tier purchase conditions without inviting shareholders to purchase all share certificates, etc. of the Company at the first tier (so-called "Coercive two-tiered purchase");
- ⑥ In the case where the purchase conditions (including the value and type of consideration, purchase timing, appropriateness of purchase method, probability of executing the purchase, management policies and business plans, as well as the policies toward other shareholders and stakeholders of the Company, after having introduced the Large-Scale Purchase) are insufficient or improper in view of the Company's original corporate value; and
- ⑦ In the case where it is deemed that a Large-Scale Purchase may significantly oppose the corporate value of the Company or the common interests of the shareholders by causing a material impairment to any of the relationships with employees, customers, suppliers and others, and technological and development capabilities, branding potential or corporate culture of the Company, all of which are essential to creating corporate value of the Company.

ii) Cases where the Large-Scale Purchase Rules are not complied

In the case where the Large-Scale Purchaser has not complied with the Large-Scale Purchase Rules, the Board of Directors of the Company will adopt a resolution to take countermeasures to ensure and raise the corporate value of the Company and the common interests of the shareholders while maximally respecting the recommendations of the Special Committee.

(2) Implementing the countermeasures and substance thereof

In the case where the Large-Scale Purchaser has not complied with the Large-Scale Purchase Rules or if the Board of Directors of the Company deems that the Large-Scale Purchase would cause clearly irreparable damages to the Company and judges that it is appropriate to take specific countermeasures even in the case where the Large-Scale Purchaser has complied with the Large-Scale Purchase Rules, the Board of Directors of the Company will take countermeasures against the Large-Scale Purchase while maximally respecting the Special Committee's recommendation.

Specific countermeasures include a gratis allotment of stock acquisition rights or any other measures that the Board of Directors of the Company is entitled to take under the relevant laws and the Company's Articles of Incorporation. The Board of Directors of the Company will elect to adopt specific countermeasures that it deems appropriate from among those entitled as above at that time depending on the situation. The outline of stock acquisition rights in case of a gratis allotment of stock acquisition rights as a countermeasure is described in Attachment 5 hereto.

(3) Discontinuance or withdrawal of the implemented countermeasures

Even after the Board of Directors of the Company has decided to implement the countermeasures, it may discontinue or withdraw a resolution related to the implementation of the countermeasures through an inquiry to the Special Committee if the Large-Scale Purchase is no more deemed to cause clearly irreparable damages to the Company, or if the Board of Directors of the Company determines that it is inappropriate to take any

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countermeasures due to changes to the facts, etc. on which the implementation of the countermeasure was based, such as a change to or a withdrawal, etc. of the Large-Scale Purchase.

Specifically, if the Board of Directors of the Company has resolved to conduct a gratis allotment of stock acquisition rights as a countermeasure, the Board of Directors of the Company may suspend the gratis allotment in the period prior to the day preceding the effective date or the Company may possibly acquire such stock acquisition rights granted free of charge during a period from the effective date until the day preceding the commencement date for exercising the rights.

4. Term of validity, abolition and revision of This Plan

The continuation of This Plan shall become effective with the approval of the shareholders at This Shareholders' Meeting and remain effective until the close of the 64th Ordinary General Shareholders' Meeting to be held in June 2014. The subsequent continuation of This Plan shall require approval of the relevant Ordinary General Shareholders' Meeting to confirm the overall intention of the shareholders. If a continuation of This Plan is approved, This Plan shall continue to remain effective until the close of the Ordinary General Shareholders' Meeting relating to the last fiscal year that will end within three years after the close of said Ordinary General Shareholders' Meeting, and the same shall apply thereafter consequently.

Even after such approval by the shareholders is obtained, This Plan shall be immediately abolished if the General Shareholders' Meeting resolves to abolish This Plan or if the Board of Directors of the Company resolves to abolish This Plan before the expiry of the term of validity.

The Board of Directors of the Company may revise or modify This Plan, subject to the Special Committee's approval, even during the term of validity thereof if such revision or modification is deemed appropriate as a result of preceding establishment, revision or abolition of any applicable laws related to This Plan or the rules of the relevant Stock Exchanges or if it is appropriate to make amendment to wording such as correction of and/or supplement to any typographical errors and omissions and such amendment has no harm to interest of shareholders, unless such a revision or a change defeats the purpose of implementation thereof.

If an abolition, amendment or a revision of This Plan is made, the Company will promptly disclose the fact and the substance of such abolition/amendment/revision and other matters.

III. Rationale of This Plan

1. This Plan does not impair any common interests of the shareholders nor serve the self-interest of the officers of the Company

This Plan is one of initiatives to ensure and raise the corporate value of the Company and the common interests of the shareholders in the case of a Large-Scale Purchase toward the share certificates, etc. of the Company by ensuring sufficient information and time to allow the shareholders to make the final decisions as to whether or not they accept the proposed Large-Scale Purchase and simultaneously allow the Board of Directors of the Company to offer alternative plans and negotiate with the Large-Scale Purchaser for the sake of the overall shareholders. This Plan, therefore, does not intend to serve the self-interest of the officers of the Company.

2. This Plan fully satisfies the three principles stipulated by the guidelines for takeover defense measures and etc.

This Plan fully satisfies the following three principles set forth under the "Guidelines Regarding Takeover Defenses for Protecting and Enhancing Corporate Value and Shareholders' Common Interests (*Kigyo-kachi/Kabunushi-kyodo no Rieki no Kakuho matawa Kojo no Tame no Baishu-boei-saku ni Kansuru Shishin*)" jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice as of May 27, 2005: (i) protection and enhancement of corporate value and shareholders' common interests; (ii) prior disclosure and respect of shareholders' intentions; and (iii) securing necessity and suitability.

This Plan is reasonable given that its substance is based on and reflects the Takeover Defense Measures in Light of Recent Environmental Changes released by the Corporate Value Study Group on June 30, 2008.

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3. Respect for the shareholders' overall intention and the disclosure of information

Shareholders' approval at the 58th Ordinary General Shareholders' Meeting was a requirement for the Previous Plan to become effective. The Company has set a similar condition for This Plan; shareholders' approval at This Shareholders' Meeting is necessary for This Plan to take effect, thereby reflecting shareholders' overall intention not only at the time of introduction of the Previous Plan but also in the continuation of the Previous Plan's policy, which is enhanced by This Plan.

In addition, as described in Item II. 4 "Term of validity, abolition and revision of This Plan," even before the expiry of such term of validity, if the General Shareholders' Meeting resolves to abolish This Plan, This Plan will be abolished at the time of such resolution. Therefore, the abolishment of This Plan is designed to fully reflect the shareholders' intentions on this regard.

Furthermore, to ensure the shareholders make appropriate decisions on abolishing This Plan and other matters and make the final decision as to whether or not they sell their shares of the Company in response to a Large-Scale Purchase, the Board of Directors of the Company will appropriately disclose to the shareholders the Large-Scale Purchase Information and other information supplied by the Large-Scale Purchaser at the appropriate time, as described in Item II 2 (1) "Information Request to Large-Scale Purchasers."

4. Schemes to eliminate arbitrary judgments of the Board of Directors of the Company

(1) Respect of judgments of highly independent outside experts

In order to eliminate arbitrary judgments of the Board of Directors, the Company will keep the Special Committee upon continuation of This Plan.

In the case where a Large-Scale Purchase is proposed to the Company, the Board of Directors of the Company will make an inquiry to the Special Committee, as described in ii) "Examination by the Special Committee" of Item II 2 (3). The Special Committee will deliberate and examine the appropriateness of any countermeasures toward the Large-Scale Purchase and submit a recommendation to the Board of Directors of the Company. The Board of Directors will respect the Special Committee's recommendation to the greatest extent possible in making a resolution on whether or not to implement a countermeasure. Consequently, This Plan has a scheme to ensure that the Board of Directors will be prevented from implementing any countermeasures based on its arbitrary judgments.

(2) Setting reasonable and objective requirements

As described in i) "Cases where the Large-Scale Purchase Rules are complied" and ii) "Cases where the Large-Scale Purchase Rules are not complied" of Item II 3 (1), the actual application of This Plan will be limited only to cases where the Large-Scale Purchaser does not comply with the Large-Scale Purchase Rules stipulated in This Plan or where reasonable and detailed objective requirements are satisfied as a situation in which the Large-Scale Purchaser would significantly impair the corporate value of the Company. Consequently, This Plan has a scheme to ensure that the Board of Directors of the Company will be prevented from arbitrarily implementing any countermeasures in this regard.

(3) Neither a dead-hand nor a slow-hand type anti-takeover measure

As described in Item II 4 "Term of validity, abolition and revision of This Plan," This Plan may be abolished by a decision of the Board of Directors of the Company. Therefore, This Plan is not a dead-hand type anti-takeover measure (i.e., an anti-takeover measure that cannot prevent triggering thereof even if the majority of directors are switched). This Plan is not a slow-hand type anti-takeover measure (i.e., an anti-takeover measure that requires too much time to prevent triggering thereof as the members of the Board of Directors cannot be switched at once) because the Company has adopted no staggered board structure.

IV. Impact on the Shareholders and Investors

1. Impact of continuing This Plan on the shareholders and investors

As This Plan does not intend to allot stock acquisition rights at the time of its continuation, the legal rights of the shareholders will not be directly affected.

The purpose of This Plan is to ensure necessary and sufficient time and information to allow the shareholders and investors to make decisions as to whether or not they accept a Large-Scale Purchase and provide the opinion, etc. of the Board of Directors of the Company which is in

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charge of the Company's management as well as an opportunity to the shareholders and investors to receive alternative plans. The Company believes this would enable each shareholder and each investor to make an appropriate decision as to whether or not to accept the Large-Scale Purchase based on necessary and sufficient time and information, thereby resulting in the protection of the common interests of the overall shareholders and investors. Accordingly, the continuation of This Plan is a prerequisite to ensure appropriate investment decisions by the shareholders and investors, and therefore should contribute to protecting the common interests of the shareholders and investors.

Shareholders and investors are requested to pay close attention to the moves of the Large-Scale Purchasers as the Company's response to each Large-Scale Purchase differs depending on whether or not such Large-Scale Purchaser complies with the procedures set out in This Plan, as described in II 3 (1) "Conditions for implementing countermeasures" above.

2. Impact, etc. on the shareholders and investors when countermeasure is triggered

In the case where a Large-Scale Purchaser has not complied with the rules stipulated in This Plan, the Board of Directors of the Company may take a gratis allotment of stock acquisition rights or other countermeasures that the Board of Directors is entitled to take under applicable laws or the Company's Articles of Incorporation in order to protect the corporate value of the Company and the common interests of the shareholders. If the Board of Directors of the Company decides to take any specific countermeasures, it will appropriately disclose the information at a proper time in accordance with the applicable laws and the relevant Stock Exchange Rules.

If the Board of Directors of the Company decides to conduct a gratis allotment of stock acquisition rights as a countermeasure, the Large-Scale Purchaser might be affected by a possible disadvantage regarding its legal rights or economic interests, such as the dilution of its shares. On the other hand, due to the nature of the mechanism of such countermeasures, the aforementioned countermeasures do not assume any circumstances where they may cause damage to legal rights or economic interests of the shareholders other than the Large-Scale Purchaser who is subject to such countermeasures.

As described in II 3 (3) "Discontinuance or withdrawal of the implemented countermeasures" above, even if a gratis allotment of stock acquisition rights is resolved as a countermeasure and even after the shareholders who are entitled to the allotment of stock acquisition rights are confirmed, the Company may decide to discontinue such a gratis allotment of stock acquisition rights in the period to the day preceding the effective date or acquire the stock acquisition rights concerned free of charge in the period from the effective date of the gratis allotment to the day preceding the commencement date of the exercise period. Please note that, since the economic value per share of the Company will not be diluted in either case, the shareholders and investors who traded their shares under the assumption of such dilution may suffer a corresponding loss due to fluctuations in the stock price.

3. Necessary procedures for shareholders in case of a gratis allotment of stock acquisition rights

In the cases where a gratis allotment of stock acquisition rights is conducted in accordance with the outline described in Attachment 5 hereto and where the Company acquires the stock acquisition rights concerned, as a possible countermeasure, the procedures that involve the shareholders are as follows:

- (1) Procedure for a gratis allotment of stock acquisition rights
No particular procedure is required to be followed by the shareholders who are subject to such gratis allotment of stock acquisition rights because they will automatically be holders of the stock acquisition rights as of the effective date specified by the Board of Directors of the Company.
Please note that a gratis allotment of stock acquisition rights will be made to those shareholders who are recorded in the last register of shareholders as of such record date specified by the Board of Directors of the Company.
- (2) In the case where the shareholders exercise their stock acquisition rights
If the shareholders elect to exercise their stock acquisition rights, they will be required to

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complete the payment of certain amounts within the predetermined period to acquire the shares of the Company. The Company will inform the shareholders of details of the relevant procedure in accordance with applicable laws when it is determined to actually conduct a gratis allotment of stock acquisition rights.

- (3) In the case where the Company acquires stock acquisition rights
If the Company intends to acquire the stock acquisition rights in exchange for the shares of the Company, given the Company's execution of the due procedure necessary for such acquisition, the shareholders of the stock acquisition rights that are subject to such acquisition by the Company are entitled to receive certain shares of the Company in consideration for the Company's acquisition of the stock acquisition rights concerned without requiring the shareholders to follow any ordinary procedures related to the exercise of the stock acquisition rights such as payment of an amount corresponding to the exercise value. However, the Company might request each shareholder to submit a document which certifies that it does not fall under a Large-Scale Purchaser by any chance when the Company acquires the stock acquisition rights.

- END -

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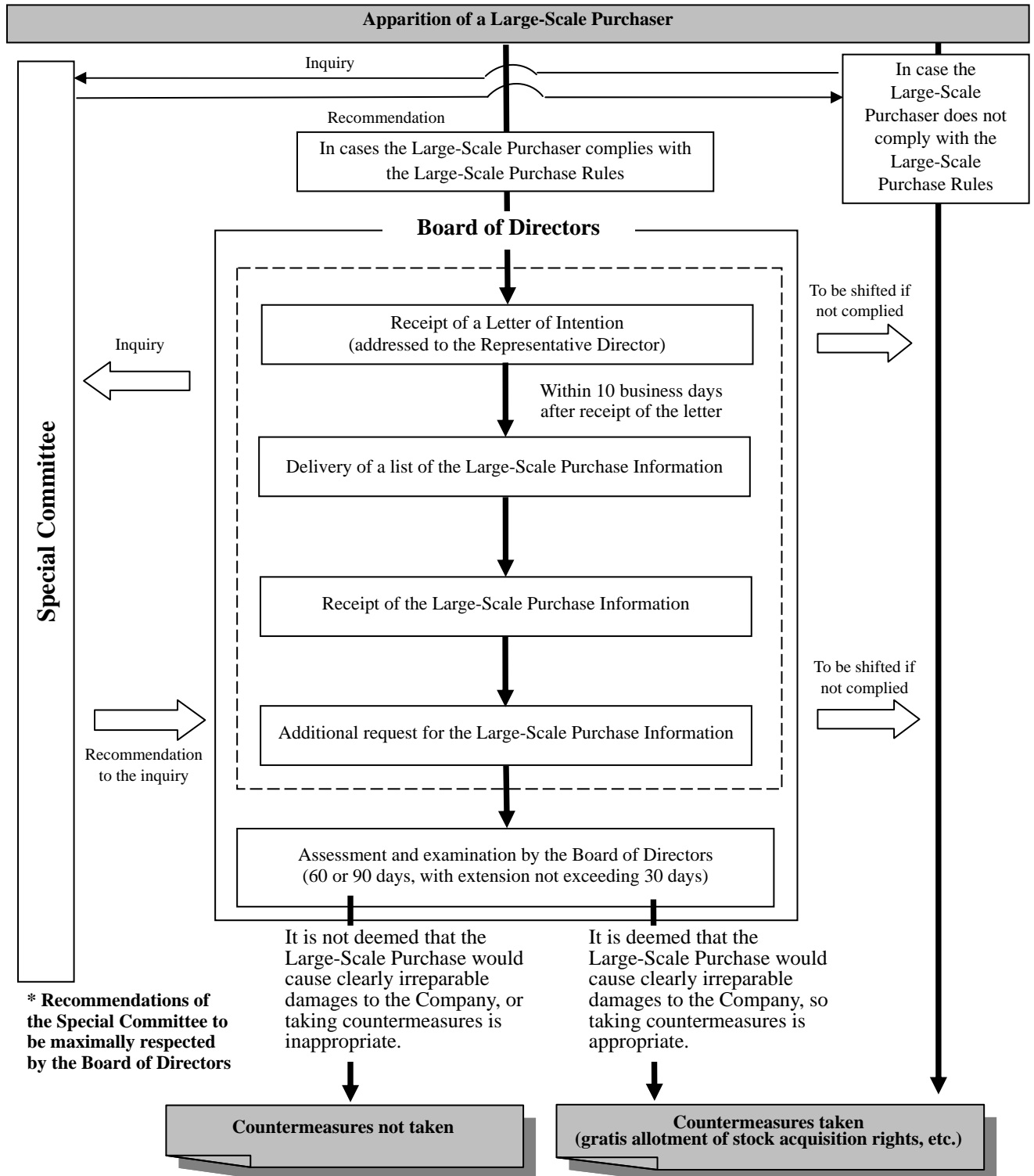
Attachment 1

Major Shareholders of the Company as of March 31, 2011

Name or designation	Address	Number of shares held (thousands)	Percentage of shares held to total number of issued shares (%)
Naito Co., Ltd.	24-3, Gokiso-dori 2-chome, Showa-ku, Nagoya, Aichi	6,215	11.46
Yoshikane Shoji Co., Ltd.	19, Nagaikecho 3-chome, Showa-ku, Nagoya, Aichi	4,002	7.38
The Master Trust Bank of Japan, Ltd.	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	2,993	5.52
Japan Trustee Services Bank, Ltd.	8-11, Harumi 1-chome, Chuo-ku, Tokyo	2,723	5.02
Kenji Hayashi	Showa-ku, Nagoya, Aichi	2,652	4.89
Susumu Naito	Mizuho-ku, Nagoya, Aichi	1,400	2.58
The Chase Manhattan Bank N.A London SL Omnibus Account: Standing proxy (Settlement & Clearing Services Division, Mizuho Corporate Bank, Ltd.)	London, UK (16-13, 4-chome, Tsukishima, Chuo-ku, Tokyo)	906	1.67
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	900	1.66
Tokyo Gas Co., Ltd.	5-20 Kaigan 1-chome, Minato-ku, Tokyo	784	1.47
Rinnai Kyoshinkai	2-26 Fukuzumi-cho, Nakagawa-ku, Nagoya, Aichi	635	1.17
Total		23,213	42.82

* The above list does not include the treasury stocks held by the Company, which amounts to 5,156,123 shares (9.51%).

Flow Chart of Procedures



The above flow chart is prepared only to provide an easy-to-understand description of the outline of the Large-Scale Purchase Rules. Please refer to the text in this press release for details of the Large-Scale Purchase Rules.

[Translation for Reference Purposes Only]

Attachment 3

Outline of the Special Committee Regulations

1. Purpose of establishment of the Special Committee
The Special Committee shall be established to ensure the objectivity, fairness and rationality of judgments made by the Board of Directors under This Plan.
2. Composition of the Special Committee
The Special Committee shall consist of three or more members. The members shall be elected from among qualified persons such as outside corporate auditors and outside key figures, etc. (including lawyers, Certified Public Accountants, established business managers, academic experts, etc. or other equivalent persons), all of whom are independent from the management executives who are engaged in the execution of the Company's business affairs to ensure their fair and reasonable judgments.
3. Term of office of the Committee member
The term of office of a committee member shall be from his/her election until the close of the meeting of the Board of Directors that will be first held after the close of the first Ordinary General Shareholders' Meeting after such election, and he/she may be reelected.
4. Procedure of convening the Committee
The Special Committee shall be convened by the Representative Director of the Company or each committee member.
5. Method for resolutions of the Committee
The Special Committee shall be attended by all the committee members, in principle and its resolution shall be adopted by a majority of the committee members who are present thereat.
6. Authority of the Special Committee
 - (1) The Special Committee shall deliberate and examine the following matters to submit recommendations to the Board of Directors of the Company upon inquiry from the Board of Directors of the Company. In conducting deliberation and examination, each committee member of the Special Committee shall conduct his/her deliberation and examination from the viewpoint of whether or not the subject matters would contribute to ensuring and raising the corporate value of the Company and the common interests of the shareholders.
 - ① Whether or not any countermeasures set forth in This Plan should be taken;
 - ② Whether the countermeasures taken under This Plan should be discontinued or withdrawn;
 - ③ Whether the information supplied by the Large-Scale Purchaser is necessary and sufficient;
 - ④ Whether or not the Board of Directors' Assessment Period should be extended;
 - ⑤ The scope of additional information in the case where the supply of necessary additional information is requested of the Large-Scale Purchaser in examining the need and appropriateness of taking countermeasures;
 - ⑥ Revision or change to This Plan to the extent that would not put the shareholders at a disadvantage; and
 - ⑦ Any other matters on which the Board of Directors asks for advice at its discretion in association with This Plan (excluding matters that should be independently discussed solely by the Board of Directors and for which asking the advice of the Special Committee would be improper, such as the preparation of alternative plans to oppose a Large-Scale Purchase proposed by the Large-Scale Purchaser).
 - (2) If the Special Committee judges the Large-Scale Purchase Information and any other information supplied by the Large-Scale Purchaser are insufficient in its deliberation and examination, it may request that the Large-Scale Purchaser supply additional information by the intermediary of the Board of Directors. In addition, the Committee may request that the Board of Directors of the Company to supply certain information.

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7. Attendees of the Special Committee

The Special Committee may request any directors, corporate auditors and/or employees, etc. of the Company, as required, to attend the Committee meetings and may request them to supply necessary information.

8. Advice given by third-parties

The Special Committee, at the expense of the Company, may seek advice from third-parties independent from the Board of Directors of the Company, including experts such as financial advisors, Certified Public Accountants, lawyers and consultants, as required, in performing its duties.

[Translation for Reference Purposes Only]

Attachment 4

Name and Career Summary of the Candidates of Special Committee Members

Kiyoakira Fukui President, Kiyoakira Fukui CPA Office

March 1971	Registered as a Certified Public Accountant
August 1976	Partner, Marunouchi Audit and Accounting Office
July 1988	Representative Partner, Deloitte Touche Tohmatsu
July 1999	President, Kiyoakira Fukui CPA Office (current position)
June 2004	Corporate Auditor of Rinnai Corporation (current position)

Kinya Nankan Chairman, Nankan, Kitagawa & Ito Legal Office

April 1964	Registered as a lawyer
April 1964	President, Nankan Legal Office
April 2003	President, Nankan & Kitagawa Legal Office
April 2009	Chairman, Nankan, Kitagawa & Ito Legal Office (current position)

Nobuyuki Matsui Auditor, Aichi University of Education and Advisor, Department of Industry and Labor of Aichi Prefecture

March 1968	Earned master's degree in Electrical Engineering of Nagoya Institute of Technology (currently National University Corporation Nagoya Institute of Technology)
July 1976	Doctor of Engineering at Tokyo Institute of Technology (currently National University Corporation Tokyo Institute of Technology)
April 1985	Professor, Faculty of Engineering of Nagoya Institute of Technology (currently National University Corporation Nagoya Institute of Technology) (Department of Electrical and Computer Engineering)
January 2004	President, Nagoya Institute of Technology
March 2010	Retired from President, Nagoya Institute of Technology
April 2010	Auditor, Aichi University of Education and Advisor, Department of Industry and Labor of Aichi Prefecture (current position)

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Attachment 5

Outline of the Stock Acquisition Rights

1. Total number of stock acquisition rights to be allotted
The total number of stock acquisition rights to be allotted to the shareholders shall be the same as the total number of the issued shares of the Company (excluding the number the shares of common stock held by the Company at the Record Date) as of the reference date for the allotment specified by the Board of Directors of the Company (hereinafter the “Record Date”).
2. Shareholders who are subject to the allotment and the allotment method
The Company shall allot the stock acquisition rights to the shareholders free of charge at the rate of one stock acquisition right per each of shares held thereby (excluding shares of common stock held by the Company) to the shareholders who are recorded in the last register of shareholders as of the Record Date.
3. Type and number of shares subject to stock acquisition rights
The type of shares subject to the stock acquisition rights shall be the shares of common stock of the Company, and the number of shares of common stock to be delivered upon exercise of one stock acquisition right shall be one share, provided, however, that if the Company carries out a stock split or a stock consolidation or in any other cases, the number of the shares concerned shall be adjusted as necessary.
4. Effective date of a gratis allotment of stock acquisition rights
The effective date of an allotment shall be determined separately by the Board of Directors of the Company.
5. Value of capital contribution to be made upon exercise of each stock acquisition right
The value of capital contribution to be made upon exercise of each stock acquisition right shall be cash, and the amount of such capital contribution upon exercise of stock acquisition rights shall be one yen or more for one share of common stock of the Company to be determined by the Board of Directors of the Company.
6. Restriction on transfer of the stock acquisition rights
Acquisition of the stock acquisition rights via transfer shall require the approval of the Board of Directors of the Company.
7. Acquisition of the stock acquisition rights by the Company
The Company may, as of a date specified by the Board of Directors of the Company (hereinafter the “Acquisition Date”), acquire all the stock acquisition rights which have been unexercised by the day preceding the Acquisition date (excluding those held by persons who are not authorized to exercise their stock acquisition rights by the application of the exercise conditions, etc. of the stock acquisition rights under Item 8 below) and deliver, in exchange therefor, the shares at the rate of one share of common stock per one stock acquisition right.
8. Exercise conditions of the stock acquisition rights
The Large-Scale Purchaser and specified shareholders thereof, as well as persons who have acquired or succeeded the stock acquisition rights from any of such Large-Scale Purchaser and its specified shareholders without the approval of the Board of Directors of the Company shall not be authorized to exercise the stock acquisition rights. Other exercise conditions shall be determined by the Board of Directors of the Company.
9. Exercise period of the stock acquisition rights
The exercise period of the stock acquisition rights shall commence on the effective date of the gratis allotment of the stock acquisition rights or on the right exercise start date separately determined by the Board of Directors of the Company, and it shall be a period to be determined by the Board of Directors by its resolution of a gratis allotment of stock acquisition rights within the range of one to three months.

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10. Others

Other necessary matters shall be separately determined by the Board of Directors of the Company.