Consolidated Financial Results for Fiscal 2016

(April 1, 2015 - March 31, 2016)

May 10, 2016

Listed Company Name: Rinnai Corporation

Listings: First sections of the Tokyo and Nagoya Stock Exchanges (Securities Code: 5947)
Website: http://www.rinnai.co.jp
Representative: Hiroyasu Naito, President
Contact: Yasuo Koketsu, Managing Executive Officer,
General Manager, Administration Headquarters
TEL: +81 (52) 361-8211
Date of the General Meeting of Shareholders: June 28, 2016
Anticipated date to begin distributing dividends: June 29, 2016
Anticipated date for releasing annual securities report: June 28, 2016
Supplemental information sheets of financial results: Yes
Information meeting of financial results: Yes (for analysts and institutional investors)

1. Performance for the Year Ended March 31, 2016

(April 1, 2015 to March 31, 2016; Amounts less than one million yen are omitted)

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

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

(¥ millions /%)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income attributable to owners of the parent company (% change)
Fiscal 2016	**319,935 (+8.4)**	**34,593 (+12.4)**	**35,807 (+8.7)**	**22,710 (+10.0)**
Fiscal 2015	295,022 (+2.8)	30,787 (-9.5)	32,938 (-10.8)	20,647 (-11.2)

Note: Comprehensive income:
Year ended March 31, 2016: ¥12,952 million (-63.2%)
Year ended March 31, 2015: ¥35,236 million (+10.4%)

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)	Ratio of Net Income to Equity Capital (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Operating Income to Net Sales (%)
Fiscal 2016	**436.71**	—	**9.0**	**9.8**	**10.8**
Fiscal 2015	397.03	—	8.8	9.5	10.4

References: Equity in earnings of companies accounted for using the equity method:
Year ended March 31, 2016: ¥- million Year ended March 31, 2015: ¥- million

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2016	**370,246**	**271,709**	**69.2**	**4,924.24**
Fiscal 2015	357,506	261,414	69.0	4,742.42

(Reference) Equity capital: Year ended March 31, 2016; ¥256,073 million
Year ended March 31, 2015; ¥246,624 million

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

(¥ millions)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Fiscal 2016	**36,066**	**(17,770)**	**(6,554)**	**79,600**
Fiscal 2015	25,671	(23,649)	(8,659)	69,340

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
Fiscal 2015	—	38.00	—	38.00	76.00
Fiscal 2016	**—**	**40.00**	**—**	**42.00**	**82.00**
Fiscal 2017 (anticipated)	—	42.00	—	44.00	86.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
Fiscal 2015	3,952	19.1	1.7
Fiscal 2016	**4,264**	**18.8**	**1.7**
Fiscal 2017 (anticipated)		19.0	

3. Forecast for the Fiscal Year Ending March 31, 2017

(April 1, 2016, to March 31, 2017) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net income attributable to owners of the parent company (% change)	Net Income per Share (¥)
Two-quarter total	156,000 (+4.4)	15,200 (+2.3)	15,700 (+0.0)	9,700 (+0.6)	186.53
Full year	337,000 (+5.3)	37,000 (+7.0)	38,000 (+6.1)	23,500 (+3.5)	451.90

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

*** Notes**

(1) Changes in scope of consolidation of major subsidiaries during the period: No

Newly included — (Company name: —)

Excluded — (Company name: —)

Note: Effective the first quarter period of fiscal 2016, Brivis Climate Systems Pty Ltd was included in the scope of consolidation due to acquisition of its shares. (However, this does not constitute a change in specified subsidiary.)

(2) Changes in accounting policies; changes in accounting estimates; retrospective restatement

(a) Changes due to revision of accounting standard: Yes

(b) Other changes than (a): None

(c) Changes in the rules for the accounting estimates: None

(d) Retrospective restatement: None

Note: For more information, please refer to “V. Consolidated Financial Statements, 5. Notes to Consolidated Financial Statements (Change in accounting policy)” on page 18 of this report.

(3) Number of Outstanding Shares (Common Stock)

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

Year ended March 31, 2016: 52,216,463 shares

Year ended March 31, 2015: 52,216,463 shares

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

Year ended March 31, 2016: 213,899 shares

Year ended March 31, 2015: 212,472 shares

(c) Average number of shares during the term

Year ended March 31, 2016: 52,003,314 shares

Year ended March 31, 2015: 52,004,721 shares

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2016

(April 1, 2015 to March 31, 2016; Amounts less than one million yen are omitted)

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

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
Fiscal 2016	**197,592 (+3.7)**	**20,191 (+8.1)**	**21,946 (-0.6)**	**15,602 (+1.7)**
Fiscal 2015	190,475 (-7.4)	18,675 (-23.1)	22,073 (-18.7)	15,339 (-15.6)

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

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2016	**300.02**	**—**
Fiscal 2015	294.96	—

(2) Nonconsolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
Fiscal 2016	**237,141**	**184,824**	**77.9**	**3,554.15**
Fiscal 2015	225,787	175,140	77.6	3,367.83

(Reference) Equity capital: Year ended March 31, 2016; ¥184,824 million
Year ended March 31, 2015; ¥175,140 million

*** Implementation status of auditing review process**

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

*** Note on appropriate use of performance forecasts**

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

*****Supplemental information sheets of financial results are posted on the Corporation's website on Tuesday, May 10, 2016.

I. Performance and Financial Position

1. Fiscal Year in Review

(1) Performance

In the fiscal year ended March 31, 2016, the world economy took on increasing downside risk due to various factors. These included economic stagnation in China stemming from slowdowns in domestic demand and exports, the impact of which reverberated across many other economies, including in North America, Europe, and Southeast Asia. Meanwhile, the outlook for the Japanese economy remained unclear amid lack of momentum in consumer sentiment, despite improvements in corporate earnings and worker income conditions.

The domestic housing appliance industry performed well, buoyed by an upward trend in new housing starts stemming from various government measures to support residential purchases, while replacement demand for housing appliances firmed as consumers looked for improvements in convenience and environmental performance.

Under these conditions, the Rinnai Group embarked on a new medium-term business plan, entitled Evolution and Succession 2017, which began in April 2015. Under the plan, we will ensure the “succession” of our corporate culture and spirit attained through our history, while emphasizing “evolution” of our business model so we can create new products and services that benefit society.

With respect to revenue, we reported a year-on-year increase in net sales thanks to solid sales of water heaters in Japan, United States, and China, as well as good progress in expanding our business in Australia and favorable foreign exchange factors. On the earnings side, we posted increased profit due to higher overseas sales, as well as improved added value stemming from cost reduction efforts.

As a result, consolidated net sales for the year amounted to ¥319,935 million, up 8.4% from the previous year. Operating income grew 12.4%, to ¥34,593 million, and ordinary income climbed 8.7%, to ¥35,807 million. Net income attributable to owners of the parent company rose 10.0%, to ¥22,710 million.

Our results by geographical segment were as follows:

Japan

In Japan, sales of water heaters were solid overall, and our ECO ONE hybrid water heaters with heating systems saw increased take-up from our distributors. In kitchen appliances, new built-in hobs (stovetops) with upgraded grilling functions performed well. As a result, sales in Japan amounted to ¥178,781 million, up 1.5% from the previous year. Operating income rose 9.5%, to ¥23,007 million.

South Korea

In South Korea, we enjoyed increased sales of high-efficiency boilers in the water heater category. Meanwhile, our kitchen appliances performed well as demand for cookers bottomed out and started showing a gradual recovery trend. Accordingly, sales in South Korea rose 6.1%, to ¥33,888 million, and operating income grew 2.9%, to ¥1,499 million.

United States

In the United States, tankless water heaters, which offer superior convenience, continued to proliferate as the market for housing appliances expanded in the wake of economic recovery. We also benefited from a rise in unit prices, stemming from an increase in the sales ratio for high-efficiency models, together with favorable foreign exchange factors. As a result, sales in the United States increased 27.3%, to ¥22,602 million, and operating income jumped 78.1%, to ¥1,817 million.

Australia

Buoyed by a healthy local economy, in Australia we enjoyed solid sales of mainstay tankless water heaters, as well as business growth for solar systems and commercial water heaters. During the year, Brivis Climate Systems Pty Ltd became a consolidated subsidiary. As a result, sales in Australia jumped 50.8%, to ¥23,092 million. Due to depreciation of goodwill associated with the acquisition of Brivis Climate Systems, however, operating income declined 14.7%, to ¥1,148 million.

China

Despite local economic slowdown sentiment in China, we benefited from expansion of gas infrastructure, a broader sales network, and rising living standards in interior cities. The result was growth in sales of gas appliances, especially water heaters. Consequently, sales in China increased 26.1%, to ¥31,966 million, and operating income rose 26.1%, to ¥2,659 million.

Indonesia

In Indonesia, year-on-year revenue declined amid sluggish economic growth and weak personal consumption, while demand for tabletop cookers tapered after reaching a certain level of market proliferation. As a result, sales in Indonesia edged down 1.1%, to ¥11,038 million. However, operating income increased 1.5%, to ¥1,320 million, thanks to healthy sales of built-in hobs (stovetops) offering high added value.

References 1: Net sales by product (¥ millions)

	Year ended March 31, 2015 (April 1, 2014, to March 31, 2015)		Year ended March 31, 2016 (April 1, 2015, to March 31, 2016)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	153,697	52.1	169,623	53.0	15,925	10.4
Kitchen appliances	90,838	30.8	93,340	29.2	2,502	2.8
Home heaters	14,972	5.1	19,463	6.1	4,491	30.0
Commercial-use equipment	9,227	3.1	10,041	3.1	813	8.8
Others	26,287	8.9	27,466	8.6	1,179	4.5
Total	295,022	100.0	319,935	100.0	24,912	8.4

References 2: Overseas sales (¥ millions)

	Year ended March 31, 2015 (April 1, 2014, to March 31, 2015)			Year ended March 31, 2016 (April 1, 2015, to March 31, 2016)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	84,440	42,768	127,209	95,128	55,282	150,411
II. Consolidated net sales	—	—	295,022	—	—	319,935
III. Composition ratio of overseas sales to consolidated net sales	28.6%	14.5%	43.1%	29.7%	17.3%	47.0%

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

(2) Outlook for the Year Ending March 2016

In the year ahead, we expect the world economy to continue recovering moderately, but economic growth in China and elsewhere in Asia will remain weak. In Japan, there are concerns that the earnings of exporting companies will deteriorate amid indications of an appreciating yen. However, we anticipate some increase in demand driven by a purchasing rush ahead of the next consumption tax hike.

Under these circumstances, the Rinnai Group is implementing its medium-term business plan, entitled Evolution and Succession 2017, which began in April 2015. Under the plan, we will promote the “succession” of the “Rinnai Spirit” in order to continue stable business operations, while emphasizing “evolution” so we can respond to changes anticipated in the new era. By innovating our business model while preempting various changes in the business environment, we aim to create new products and services and thus firmly establish Rinnai as a comprehensive manufacturer of heat and energy appliances.

In Japan, we will strengthen sales of products with exceptional environmental performances and energy efficiency. These include our *ECO ONE* hybrid water heater with heating system that uses electricity and gas separately with high efficiency, and our Eco Jozu series of highly efficient water heaters. We will also improve our planning and consulting capabilities with respect to water heaters with heating systems (and their peripherals) that use hot water for multiple purposes, as well as system-based offerings, such as stoves and range hoods for system kitchens. Overseas, we will bolster sales to match rising demand for heat-related products. These include gas water heaters in China and the United States and kitchen appliances in Asia.

For the year ending March 2017, we forecast consolidated net sales of ¥337.0 billion (up 5.3% year-on-year), operating income of ¥37.0 billion (up 7.0%), ordinary income of ¥38.0 billion (up 6.1%), and net income attributable to owners of the parent company of ¥23.5 billion (up 3.5%).

2. Financial Position

(1) Balance Sheets

As of March 31, 2016, the Rinnai Group had total assets of ¥370,246 million, up ¥12,740 million from a year earlier. This rise stemmed mainly from an increase in cash and deposits.

Total liabilities rose ¥2,445 million, to ¥98,537 million, due largely to an increase in notes and accounts payable.

Net assets were up ¥10,294 million, to ¥271,709 million, boosted by net income attributable to owners of the parent company.

As a result, the equity ratio at fiscal year-end was 69.2%.

(2) Cash Flows

Cash and cash equivalents at March 31, 2016, stood at ¥79,600 million, up ¥10,259 million, or 14.8%, from a year earlier.

Net cash provided by operating activities amounted to ¥36,066 million, up 40.5% from the previous year. Main factors included the secured operating income and a cash decrease due to income taxes paid.

Net cash used in investing activities totaled ¥17,770 million, down 24.9% from the previous year. Main factors were purchases of tangible fixed assets and purchases of shares in subsidiary associated with a change in scope of consolidation.

Net cash used in financing activities was ¥6,554 million, down 24.3% from the previous year. The main component was dividends paid.

References: Cash Flow Indicators

(Years ended March 31)	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Equity ratio (%)	63.1	65.7	66.0	69.0	69.2
Equity ratio based on market price (%)	122.4	126.5	141.1	129.6	139.6
Interest-bearing debt to cash flows (year)	0.33	0.28	0.16	0.08	—
Interest coverage ratio (times)	74.4	95.5	160.8	204.2	897.3

Notes: Equity ratio: Equity capital/Total assets

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

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

Interest coverage ratio: Operating cash flow/Interest paid

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

(3) Basic Profit Appropriation Policy; Cash Dividends

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

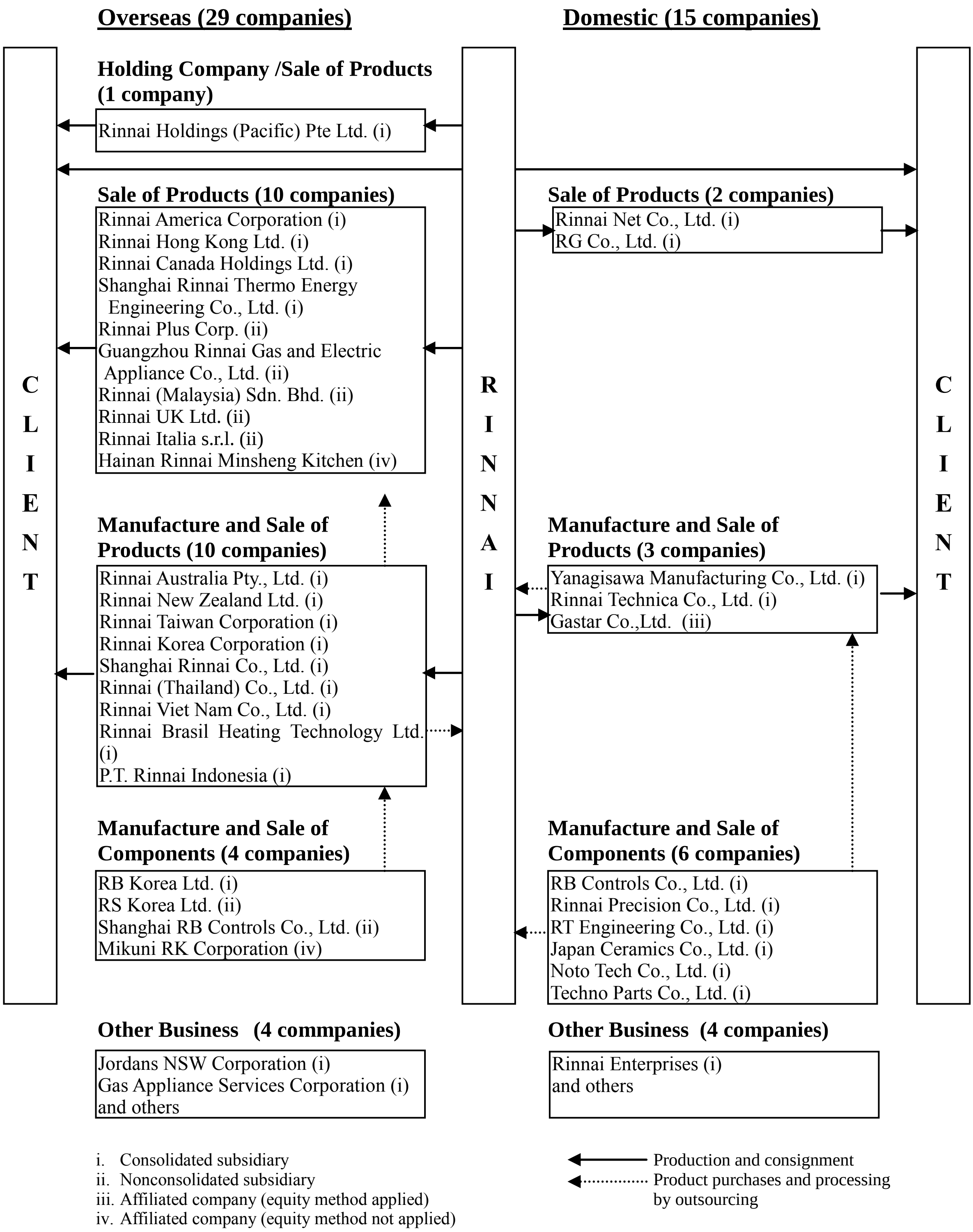
At the same time, we will effectively utilize retained earnings to support various initiatives aimed at raising corporate value over the long term. These include research and development, capital investments, and strategic business investments in Japan and overseas.

For the fiscal year ended March 31, 2016, we plan to raise the year-end dividend by ¥4.00, to ¥42.00 per share. Earlier in the year, we paid an interim dividend of ¥40.00. This will bring total annual dividends to ¥82.00 per share.

For the year ending March 2017, we plan to pay annual dividends of ¥86.00 per share (¥42.00 interim dividend and ¥44.00 year-end dividend), in the interests of maintaining a balance between stable, consistent shareholder returns and the necessity of retaining ample earnings.

II. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 41 subsidiaries, and three affiliated companies, for a total of 45 companies. These include 31 consolidated subsidiaries and one company to which the equity method is applied. The Group is primarily engaged in the manufacture and sale of gas appliances and related businesses. The Group's structure and business flow are shown below.



Note: Gastar Co., Ltd. became a consolidated subsidiary on April 1, 2016.

III. Management Policies

1. Basic Management Policy

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

2. Performance Targets

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

3. Medium- and Long-Term Business Strategies

Looking ahead, we expect the outlook for the world economy to remain uncertain as the tempo of economic growth in China and Southeast Asia slows. This is despite continued moderate economic recovery among advanced nations. As for the Japanese economy, we cannot be overly optimistic about personal consumption in light of the falling population and aging economy. However, we expect that living conditions will continue improving.

The Rinnai Group is currently implementing its medium-term business plan, entitled Evolution and Succession 2017, which began in April 2015. Under the plan, we will ensure a “succession” of our basic philosophy, “Quality is our destiny,” as well as the “Rinnai Spirit,” attained through our history, while emphasizing “evolution” towards a new era. In Japan, we will pursue various measures to address deregulation of the electricity and gas retailing sectors and promote environmental protection and energy savings. Overseas, we will address various changes in business conditions, such as rising living standards in emerging nations and the growing need for eco-friendly, energy-efficient products in advanced nations, to create a new business model. By emphasizing core priorities to foster “evolution” as stated in our new medium-term business plan, we will establish Rinnai’s reputation as a comprehensive heat and energy appliance manufacturer and put the Group on a sustained growth trajectory.

Consolidated Performance Targets for Year Ending March 2018

Net sales:	¥350.0 billion
Operating income:	¥39.0 billion
Operating income to net sales ratio:	11.1%

4. Issues to Address

Environment and Energy Saving

Kitchen appliances, water heaters, and air-conditioning systems account for around 60–70% of household energy consumption in industrialized nations. In this context, the Rinnai Group recognizes the important role it has to play with respect to the environment (reducing emissions of carbon dioxide and nitrogen oxide) and saving energy. By rigorously pursuing energy-saving technologies and providing products closely linked to people's lives, the Group will strive to benefit the environment.

Product Quality

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

IV. Basic Policy on Selection of Accounting Standard

To facilitate comparison of historical and Groupwide corporate data, the Corporation has prepared its consolidated financial statements based on "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapter VII and Chapter VIII)" (Ministry of Finance Ordinance No. 28, 1976).

Note that the Corporation will respond appropriately to the application of International Accounting Standards after considering the situation at home and overseas.

V. Consolidated Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

	At March 31, 2015 (Year ended March 31, 2015)	At March 31, 2016 (Year ended March 31, 2016)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	60,730	100,528
Notes and accounts receivable	63,889	66,208
Marketable securities	41,112	8,036
Products	21,670	23,461
Raw materials and stores	12,812	12,608
Deferred tax assets	4,022	3,488
Other	2,518	2,748
Less allowance for doubtful accounts	(644)	(600)
Total current assets	206,111	216,480
Fixed assets		
Property, plant and equipment		
Buildings and structures	44,855	47,135
Accumulated depreciation	(25,975)	(26,850)
Buildings and structures (net)	18,880	20,285
Machinery and vehicles	50,162	50,622
Accumulated depreciation	(36,956)	(37,546)
Machinery and vehicles (net)	13,205	13,076
Tools and fixtures	33,314	33,748
Accumulated depreciation	(28,114)	(28,851)
Tools and fixtures (net)	5,200	4,896
Land	16,481	17,061
Lease assets	433	391
Accumulated depreciation	(228)	(205)
Lease assets (net)	204	186
Construction in progress	2,869	7,793
Total property, plant and equipment	56,841	63,299
Intangible fixed assets	4,365	5,887
Investments and advances		
Investments in securities	64,163	64,133
Net defined benefit assets	20,068	16,603
Deferred income taxes	819	988
Other	6,058	3,261
Less allowance for doubtful accounts	(922)	(406)
Total investments and advances	90,187	84,579
Total fixed assets	151,395	153,766
Total assets	357,506	370,246

(¥ millions)

	At March 31, 2015 (Year ended March 31, 2015)	At March 31, 2016 (Year ended March 31, 2016)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	47,616	23,163
Electronically recorded obligations	254	28,155
Short-term debt	1,976	—
Other payables	11,031	11,409
Accrued consumption taxes	1,671	1,412
Accrued income taxes	4,719	5,053
Accrued employee's bonuses	3,377	4,025
Allowance for product guarantee	2,608	3,436
Other	6,550	6,073
Total current liabilities	79,805	82,730
Long-term liabilities		
Deferred tax liabilities	8,007	6,058
Net defined benefit liabilities	5,291	6,349
Other	2,986	3,398
Total long-term liabilities	16,286	15,806
Total liabilities	96,091	98,537
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,719	8,719
Earned surplus	208,866	229,372
Treasury stock	(979)	(993)
Total shareholders' equity	223,065	243,558
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	5,921	4,066
Foreign exchange translation adjustment	10,046	5,288
Remeasurements of defined benefit plans	7,591	3,160
Total other accumulated comprehensive income	23,559	12,515
Non-controlling interests	14,789	15,636
Total net assets	261,414	271,709
Total liabilities and net assets	357,506	370,246

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

Consolidated Statements of Income

(¥ millions)

	Fiscal 2015 (April 1, 2014, to March 31, 2015)	Fiscal 2016 (April 1, 2015, to March 31, 2016)
	Amount	Amount
Net sales	295,022	319,935
Cost of Sales	203,836	216,454
Gross Profit	91,186	103,480
Selling, general and administrative expenses		
Transportation and packing	7,099	7,532
Advertising	3,425	3,962
Sales promotion	6,463	7,813
After-sales service	1,135	1,243
Transfer to allowance for product guarantee	2,497	3,203
Salary and bonuses	19,957	22,391
Transfer to allowance for employee’s bonuses	1,354	1,906
Retirement benefit expenses	509	376
Depreciation	1,123	1,389
Other	16,833	19,066
Total selling, general and administrative expenses	60,399	68,886
Operating income	30,787	34,593
Other income:		
Interest income	1,306	1,151
Dividends received	287	340
Foreign exchange income	626	—
Other	692	592
Total other income	2,912	2,084
Other expenses:		
Interest expenses	125	40
Foreign exchange loss	—	437
Loss on retirement of fixed assets	281	191
Transfer to allowance for doubtful accounts	236	—
Other	118	202
Total other expenses	762	870
Ordinary income	32,938	35,807
Extraordinary income:		
Gain on sales of fixed assets	—	271
Total extraordinary income	—	271
Extraordinary losses:		
Loss on reduction of fixed assets	—	182
Total extraordinary losses	—	182
Income before income taxes	32,938	35,896
Income taxes:		
Current	8,904	9,481
Deferred	1,302	1,384
Total income taxes	10,207	10,866
Net income	22,730	25,030
Net income attributable to non-controlling interests	2,083	2,319
Net income attributable to owners of the parent company	20,647	22,710

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2015 (April 1, 2014, to March 31, 2015)	Fiscal 2016 (April 1, 2015, to March 31, 2016)
	Amount	Amount
Income before minority interest	22,730	25,030
Other comprehensive income		
Unrealized gain on marketable securities	2,872	(1,861)
Foreign exchange translation adjustment	5,997	(5,790)
Remeasurements of defined benefit plans	3,635	(4,426)
Total other comprehensive income	12,505	(12,078)
Comprehensive income	35,236	12,952
Total comprehensive income attributable to:		
Owners of Rinnai Corporation	31,668	11,664
Non-controlling interest	3,568	1,287

2. Consolidated Statements of Shareholders' Equity

Fiscal 2015 (April 1, 2014, to March 31, 2015) (¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,719	194,036	(965)	208,249
Effect of change of accounting policy			(1,969)		(1,969)
Balance at the beginning of current term, after change of accounting policy	6,459	8,719	192,066	(965)	206,279
Net changes during the current term					
Dividends paid			(3,848)		(3,848)
Net income attributable to owners of the parent company			20,647		20,647
Acquisition of treasury stock				(13)	(13)
Change of scope of consolidation					—
Net other changes than shareholders' equity during the current term					
Total net changes during the current term	—	—	16,799	(13)	16,785
Balance at the end of current term	6,459	8,719	208,866	(979)	223,065

	Other accumulated comprehensive income				Minority interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	3,048	5,561	3,929	12,538	11,846	232,635
Effect of change of accounting policy					(2)	(1,972)
Balance at the beginning of current term, after change of accounting policy	3,048	5,561	3,929	12,538	11,844	230,662
Net changes during the current term						
Dividends paid						(3,848)
Net income attributable to owners of the parent company						20,647
Acquisition of treasury stock						(13)
Change of scope of consolidation						—
Net other changes than shareholders' equity during the current term	2,872	4,484	3,662	11,020	2,945	13,966
Total net changes during the current term	2,872	4,484	3,662	11,020	2,945	30,751
Balance at the end of current term	5,921	10,046	7,591	23,559	14,789	261,414

Fiscal 2016 (April 1, 2015, to March 31, 2016) (¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,459	8,719	208,866	(979)	223,065
Effect of change of accounting policy					—
Balance at the beginning of current term, after change of accounting policy	6,459	8,719	208,866	(979)	223,065
Net changes during the current term					
Dividends paid			(4,056)		(4,056)
Net income attributable to owners of the parent company			22,710		22,710
Acquisition of treasury stock				(14)	(14)
Change of scope of consolidation			1,852		1,852
Net other changes than shareholders' equity during the current term					
Total net changes during the current term	—	—	20,506	(14)	20,492
Balance at the end of current term	6,459	8,719	229,372	(993)	243,558

	Other accumulated comprehensive income				Minority interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	5,921	10,046	7,591	23,559	14,789	261,414
Effect of change of accounting policy						—
Balance at the beginning of current term, after change of accounting policy	5,921	10,046	7,591	23,559	14,789	261,414
Net changes during the current term						
Dividends paid						(4,056)
Net income attributable to owners of the parent company						22,710
Acquisition of treasury stock						(14)
Change of scope of consolidation						1,852
Net other changes than shareholders' equity during the current term	(1,854)	(4,757)	(4,431)	(11,044)	(846)	(10,197)
Total net changes during the current term	(1,854)	(4,757)	(4,431)	(11,044)	(846)	10,294
Balance at the end of current term	4,066	5,288	3,160	12,515	15,636	271,709

4. Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2015 (April 1, 2014, to March 31, 2015)	Fiscal 2016 (April 1, 2015, to March 31, 2016)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	32,938	35,896
Depreciation and amortization	9,477	10,211
(Increase) decrease in net defined benefit assets	(2,419)	(2,420)
Increase (decrease) in net defined benefit liabilities	(628)	450
Interest and dividends income	(1,594)	(1,491)
Decrease (increase) in trade receivables	6,025	(3,094)
Decrease (increase) in inventories	(3,382)	(2,036)
Increase (decrease) in trade payables	(5,481)	3,980
Increase (decrease) in other liability	(149)	1,428
Other	1,277	815
Subtotal	36,061	43,740
Interest and dividends received	1,680	1,535
Interest paid	(125)	(40)
Income taxes paid	(11,945)	(9,169)
Net cash provided by operating activities	25,671	36,066
Cash flows from investing activities		
Transfers to time deposits	(35,159)	(39,534)
Withdrawals from time deposits	37,549	43,965
Purchases of securities	(2,887)	(516)
Proceeds from redemption of securities	2,314	1,852
Purchases of tangible fixed assets	(12,519)	(18,358)
Proceeds from sales of tangible fixed assets	701	1,512
Purchases of intangible fixed assets	(370)	(616)
Purchases of investments in securities	(20,425)	(4,228)
Proceeds from sales/and redemption of investments in securities	8,097	4,654
Acquisition of subsidiary shares due to the change of scope of consolidation	(26)	(4,543)
Acquisition of affiliated company’s shares	—	(1,876)
Other	(923)	(81)
Net cash used in investing activities	(23,649)	(17,770)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(1,619)	(1,929)
Proceeds from long-term debt	(2,550)	—
Dividends paid	(3,847)	(4,056)
Other	(642)	(567)
Net cash used in financing activities	(8,659)	(6,554)
Effect of exchange rate fluctuations on cash and cash equivalents	1,698	(1,481)
Net increase (decrease) in cash and cash equivalents	(4,939)	10,259
Cash and cash equivalents at beginning of year	74,279	69,340
Cash and cash equivalents at end of year	69,340	79,600

5. Notes to Consolidated Financial Statements

Notes regarding the assumption of a going concern

There are no relevant items.

Change in Significant Basis of Consolidated Financial Statements

(Application of Accounting Standard for Business Combinations)

Effective the current fiscal year ended March 31, 2016, the Corporation has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013). Under the change, the difference arising from a change in the Corporation's equity in a subsidiary (in cases where controlling interest of subsidiary continues) is now recorded as capital surplus, while acquisition-related expenses are recorded in the consolidated fiscal year in which they were incurred. For business combinations carried out on or after the beginning of the current fiscal year, the accounting method has changed to one in which the reviewed acquisition cost allocation, resulting from finalization of tentative accounting treatment, is reflected in the consolidated financial statements in which the business combination occurred. The Corporation has also changed its expression of net income, etc., and changed "minority interests" to "non-controlling interests." Financial statements for the previous fiscal year have been reclassified to reflect these changes.

The Accounting Standard for Business Combinations is being applied in accordance with the transitional treatment set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. It is being applied prospectively from the beginning of the current fiscal year.

The aforementioned had no effect on the Corporation's consolidated financial statements.

Subsequent Events

Business Combination

1. Summary of Business Combination

(1) Acquired company name and business

Acquired company: Brivis Climate Systems Pty Ltd.

Business: Manufacturing and sales of air conditioners

(2) Reason for business combination

In Australia, Rinnai Australia Pty., Ltd. is a leading company in the Australian market, having sold heaters since the 1970s and tankless water heaters since the 1990s. Through the acquisition of Brivis, which has strengths in air-conditioning and heating systems, Rinnai Australia aims to adding air-conditioning systems to its portfolio and further strengthen its business in Oceania, a key strategic markets for the Rinnai Group.

(3) Date of business combination

February 2, 2015

(4) Classification of business combination

Acquisition of shares in return for cash

(5) Company name after business combination

Brivis Climate Systems Pty Ltd. (no change)

(6) Acquired ratio of voting rights

100%

(7) Main source of acquisition

Acquisition of shares by Rinnai Australia Pty., Ltd. in return for cash

2. Results period of acquired company included in consolidated financial statements

February 2 - December 31, 2015

3. Breakdown of acquisition costs and the consideration of acquired company

Acquisition price	Cash and deposits	¥4,543 million
Acquisition cost		¥4,543 million

4. Main acquisition-related expenses

Advisory costs, etc. ¥125 million

5. Amount of goodwill, reason of goodwill, and method/period of amortization

(1) Amount of goodwill: ¥1,214 million

(2)Reason of goodwill: The acquisition cost exceeded the net of assets received and liabilities assumed, with the excess amount treated as goodwill.

(3) Method/period of amortization: Amortized uniformly over five years

6. Assets received and liabilities assumed on date of business combination

Current assets	¥1,785 million
Fixed assets	¥2,860 million
Total assets	¥4,646 million
Current liabilities	¥945 million
Long-term liabilities	¥371 million
Total liabilities	¥1,317 million

7. Estimated amounts of impact on Consolidated Statements of Income for year under review assuming business combination was completed on first day of that year; and method of calculating such estimated amounts

Net sales	¥548 million
Operating income	¥53 million
Income before income taxes	¥53 million
Net income attributable to owners of the parent company	¥37 million
Net income per share	¥0.73

(Calculation method of estimated amounts)

The difference between sales and income information calculated on the assumption that the business combination was completed on the first day of the fiscal year under review and sales and income information on the Consolidated Statements of Income of the acquired company represents the estimated amounts of impact.

Note: Fiscal year-end of Rinnai Australia is December 31.

Segment Information

(1) Summary of Reportable Segments

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

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

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

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

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

Income of the reportable segment indicates figures based on operating income.

(3) Sales and Income by Reportable Segment

Year ended March 31, 2015 (From April 1, 2014 to March 31, 2015) (¥ millions)

	Reportable Segments							Others (Note 1)	Adjustments (Note 2, 3)	Amounts in Consolidated Statements of Income (Note 4)
	Japan	South Korea	United States	Australia	China	Indonesia	Total			
Net sales (1) Sales to outside customers	176,087	31,928	17,754	15,310	25,353	11,165	277,601	17,421	—	295,022
(2) Intersegment sales	24,033	647	—	50	2,079	567	27,377	2,753	(30,131)	—
Total	200,120	32,575	17,754	15,360	27,433	11,733	304,978	20,174	(30,131)	295,022
Segment Income (loss)	21,006	1,457	1,020	1,345	2,108	1,300	28,239	2,455	92	30,787
Segment Assets	277,684	18,806	10,145	18,095	20,598	12,339	357,669	21,014	(21,177)	357,506
Others Depreciation	6,727	1,218	27	152	383	546	9,055	421	—	9,477
Amortization of goodwill	—	—	—	113	—	385	498	—	—	498
Investments in company to which equity method applied	—	—	—	—	—	—	—	—	—	—
Increase in property, plant and equipment and intangible fixed assets (Note 5)	10,162	1,195	86	759	1,497	129	13,830	314	—	14,144

Notes: 1. “Others” include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.
2. “Adjustments” of income (loss) refers to intersegment transactions to eliminate.
3. “Adjustments” of assets refers to intersegment transactions to eliminate.
4. “Income (loss)” is adjusted from operating income in Consolidated Statements of Income.
5. “Increase in property, plant and equipment and intangible fixed assets” does not include increase due to new consolidations.

Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016) (¥ millions)

	Reportable Segments							Others (Note 1)	Adjustments (Note 2, 3)	Amounts in Consolidated Statements of Income (Note 4)
	Japan	South Korea	United States	Australia	China	Indonesia	Total			
Net sales										
(1) Sales to outside customers	178,781	33,888	22,602	23,092	31,966	11,038	301,368	18,567	—	319,935
(2) Intersegment sales	28,192	1,032	—	45	2,130	602	32,003	2,892	(34,895)	—
Total	206,973	34,920	22,602	23,137	34,096	11,640	333,372	21,459	(34,895)	319,935
Segment Income (loss)	23,007	1,499	1,817	1,148	2,659	1,320	31,452	2,799	341	34,593
Segment Assets	286,111	18,466	11,417	19,185	23,845	11,616	370,642	20,529	(20,925)	370,246
Others										
Depreciation	7,225	1,200	46	369	433	508	9,783	428	—	10,211
Amortization of goodwill	—	—	—	219	—	165	385	—	—	385
Investments in company to which equity method applied	4,729	—	—	—	—	—	4,729	—	—	4,729
Increase in property, plant and equipment and intangible fixed assets (Note 5)	10,038	1,851	92	2,069	2,980	143	18,206	379	—	17,555
Others										

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.
2. "Adjustments" of income (loss) refers to intersegment transactions to eliminate.
3. "Adjustments" of assets refers to intersegment transactions to eliminate.
4. "Income (loss)" is adjusted from operating income in Consolidated Statements of Income.
5. "Increase in property, plant and equipment and intangible fixed assets" does not include increase due to new consolidations.

Per Share Data

	March 31, 2015	March 31, 2016
1. Net assets per share	¥4,742.42	¥4,924.24
2. Net income per share	¥397.03	¥436.71

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

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

	March 31, 2015	March 31, 2016
Net assets	¥261,414 million	¥271,709 million
Deduction from net assets	¥14,789 million	¥15,636 million
[Non-controlling interest]	[¥14,789 million]	[¥15,636 million]
Net assets at year-end related to common shares	¥246,624 million	¥256,073 million
Number of common shares at year-end used in calculations	52,003,991 shares	52,002,564 shares

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

	March 31, 2015	March 31, 2016
Net income	¥20,647 million	¥22,710 million
Amount not attribute to common shares	— million	— million
Net income related to common shares	¥20,647 million	¥22,710 million
Average number of shares during the term	52,004,721 shares	52,003,314 shares

Subsequent Events

Business Combination

Based on resolution of the Board on Directors on January 15, 2016, Rinnai Corporation purchased shares of Gastar Co., Ltd. on April 1, 2016. On the same day, Gastar purchased treasury stock and became a subsidiary of Rinnai Corporation. As of the last day of the year under review, Gastar was an equity-method affiliation of Rinnai Corporation.

1. Summary of Business Combination

(1) Acquired company name and business

Acquired company: Gastar Co., Ltd.

Business: Manufacturing and sales of gas water heaters

(2) Reason of business combination

Seeking to further expand its water heater business, the Rinnai Group purchased shares of Gastar Co., Ltd., which has considerable sales power and production bases in Japan's Kanto region.

(3) Date of business combination

April 1, 2016

(4) Classification of business combination

Purchase of shares by Rinnai Corporation using cash; purchase of treasury stock by Gastar Co., Ltd.

(5) Company name after business combination

Gastar Co., Ltd. (no change)

(6) Acquired ratio of voting rights

Ratio of voting rights before business combination:	22.0%
Ratio of voting rights acquired on April 1, 2016:	68.0%
(Share acquisition by Rinnai Corporation:	22.1%)
(Owned share acquisition by Gastar Co., Ltd.:	45.9%)
Ratio of voting rights after business combination:	90.0%

(7) Main reasons for decision on acquisition target

Since the Corporation possesses more than half the voting rights of Gastar, it decided to make Gastar the acquisition target.

3. Breakdown of acquisition costs and the consideration of acquired company

Market value of ordinary shares on April 1, 2016, held before business combination:		¥4,590 million
Additional acquisition price	Cash and deposits	¥4,626 million
Acquisition cost		¥9,216 million

3. Main acquisition-related expenses

This information is omitted because the effect is deemed minimal.

4. Difference between acquisition cost of the acquired company and the sum of transactions leading up to the acquisition

We estimate that the staged acquisition led to losses of ¥139 million.

5. Amount of goodwill, reason of goodwill, and method/period of amortization

Currently under review.

VI. Nonconsolidated Financial Statements

1. Balance Sheets

(¥ millions)

	At March, 2015 (Year ended March 31, 2015)	At March, 2016 (Year ended March 31, 2016)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	15,024	56,093
Notes receivable, trade	9,511	11,096
Accounts receivable, trade	33,921	32,949
Marketable securities	35,742	6,379
Products	8,012	7,506
Raw materials and stores	3,320	3,145
Deferred tax assets	1,688	1,568
Other	528	407
Less allowance for doubtful accounts	(10)	(24)
Total current assets	107,740	119,122
Fixed assets		
Property, plant and equipment		
Buildings	8,888	9,523
Structures	282	315
Machinery, equipment	3,786	3,925
Vehicles and delivery equipment	23	23
Tools, furniture and fixture	2,533	2,302
Land	9,715	9,408
Lease assets	184	171
Construction in progress	874	2,434
Total property, plant and equipment	26,289	28,104
Intangible fixed assets		
Software	842	901
Leaseholds	34	21
Other	143	227
Total intangible fixed assets	1,020	1,150
Investments and advances		
Investments in securities	61,627	56,452
Stocks of affiliated companies	15,508	18,408
Investments in affiliated companies	1,870	1,870
Prepaid pension expenses	8,574	10,893
Other	3,217	1,166
Less allowance for doubtful accounts	(61)	(27)
Total investments and advances	90,736	88,764
Total fixed assets	118,046	118,019
Total assets	225,787	237,141

(¥ millions)

	At March, 2015 (Year ended March 31, 2015)	At March, 2016 (Year ended March 31, 2016)
	Amount	Amount
LIABILITIES		
Current liabilities		
Accrued payable, trade	29,066	13,789
Electronically recorded obligations	—	18,311
Lease obligation	96	92
Other payables	5,056	3,960
Accrued expenses	627	650
Accrued income taxes	3,515	3,589
Deposits payable	140	147
Accrued employees' bonus	2,340	2,357
Allowance for product guarantee	920	857
Other	1,682	1,352
Total current liabilities	43,444	45,107
Long-term liabilities		
Lease obligation	135	113
Accrued employees' retirement benefits	2,411	2,518
Other	4,655	4,577
Total long-term liabilities	7,202	7,208
Total liabilities	50,646	52,316
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus		
Capital reserve	8,719	8,719
Total capital surplus	8,719	8,719
Earned surplus		
Legal reserve	1,614	1,614
Voluntary reserve	153,521	165,067
Other	120,000	140,000
Unappropriated retained earnings at the end of the current term	33,521	25,067
Total earned surplus	155,136	166,682
Treasury stock	(979)	(993)
Total shareholders' equity	169,335	180,867
Other adjustments:		
Unrealized gain on marketable securities	5,804	3,957
Total other adjustments	5,804	3,957
Total net assets	175,140	184,824
Total liabilities and net assets	225,787	237,141

2. Nonconsolidated Statements of Income

(¥ millions)

	Fiscal 2015 (April 1, 2014, to March 31, 2015)	Fiscal 2016 (April 1, 2014, to March 31, 2016)
	Amount	Amount
Net sales	190,475	197,592
Cost of Sales	143,364	148,515
Gross Profit	47,110	49,076
Selling, general and administrative expenses	28,435	28,885
Operating income	18,675	20,191
Other income:		
Interest income and dividends received	2,163	1,654
Other	1,528	807
Total other income	3,692	2,461
Other expenses:		
Total other expenses	293	706
Ordinary income	22,073	21,946
Extraordinary income:		
Gain on sales of fixed assets	—	271
Total extraordinary income	—	271
Extraordinary losses:		
Loss on reduction of fixed assets	—	182
Total extraordinary losses	—	182
Income before income taxes	22,073	22,035
Income taxes:		
Current	5,662	5,578
Deferred	1,072	855
Total income taxes	6,734	6,433
Net income	15,339	15,602

Nonconsolidated Statement of Shareholders' Equity

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

(¥ millions)

	Shareholders' equity						
		Capital surplus		Earned surplus			
	Common stock	Capital reserve	Total capital surplus	Legal reserve	Voluntary reserve: Other reserve	Voluntary reserve: Unappropriated retained earnings	Total earned surplus
Balance at the beginning of current term	6,459	8,719	8,719	1,614	120,000	23,811	145,425
Effect of change of accounting policy						(1,780)	(1,780)
Balance at the beginning of current term, after change of accounting policy	6,459	8,719	8,719	1,614	120,000	22,030	143,645
Net changes during the current term							
Dividends paid						(3,848)	(3,848)
Net income						15,339	15,339
Transfer to other reserve							—
Acquisition of treasury stock							
Net other changes than shareholders' equity during the current term							
Total net changes during the current term	—	—	—	—	—	11,490	11,490
Balance at the end of current term	6,459	8,719	8,719	1,614	120,000	33,521	155,136

	Shareholders' equity		Other adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on marketable securities	Total other adjustments	
Balance at the beginning of current term	(965)	159,638	2,959	2,959	162,598
Effect of change of accounting policy		(1,780)			(1,780)
Balance at the beginning of current term, after change of accounting policy	(965)	157,858	2,959	2,959	160,818
Net changes during the current term					
Dividends paid		(3,848)			(3,848)
Net income		15,339			15,339
Transfer to other reserve		—			—
Acquisition of treasury stock	(13)	(13)			(13)
Net other changes than shareholders' equity during the current term			2,844	2,844	2,844
Total net changes during the current term	(13)	11,477	2,844	2,844	14,321
Balance at the end of current term	(979)	169,335	5,804	5,804	175,140

Fiscal 2016 (April 1, 2015, to March 31, 2016) (¥ millions)

	Shareholders' equity						
		Capital surplus		Earned surplus			
	Common stock	Capital reserve	Total capital surplus	Legal reserve	Voluntary reserve: Other reserve	Voluntary reserve: Unappropriated retained earnings	Total earned surplus
Balance at the beginning of current term	6,459	8,719	8,719	1,614	120,000	33,521	155,136
Effect of change of accounting policy							—
Balance at the beginning of current term, after change of accounting policy	6,459	8,719	8,719	1,614	120,000	33,521	155,136
Net changes during the current term							
Dividends paid						(4,056)	(4,056)
Net income						15,602	15,602
Transfer to other reserve					20,000	(20,000)	—
Acquisition of treasury stock							
Net other changes than shareholders' equity during the current term							
Total net changes during the current term	—	—	—	—	20,000	(8,454)	11,545
Balance at the end of current term	6,459	8,719	8,719	1,614	140,000	25,067	166,682

	Shareholders' equity		Other adjustments		
	Treasury stock	Total shareholders' equity	Unrealized gain on marketable securities	Total other adjustments	Total net assets
Balance at the beginning of current term	(979)	169,335	5,804	5,804	175,140
Effect of change of accounting policy		—			—
Balance at the beginning of current term, after change of accounting policy	(979)	169,335	5,804	5,804	175,140
Net changes during the current term					
Dividends paid		(4,056)			(4,056)
Net income		15,602			15,602
Transfer to other reserve		—			—
Acquisition of treasury stock	(14)	(14)			(14)
Net other changes than shareholders' equity during the current term			(1,847)	(1,847)	(1,847)
Total net changes during the current term	(14)	11,477	2,844	2,844	14,321
Balance at the end of current term	(993)	180,867	3,957	3,957	184,824

VII. Other

Director Changes

1. Representative Director Changes

There is no relevant information

2. Other Director Changes

New candidate for Director

Takashi Kamio, Director (part time)

(Current title: Chairman of Sasaeai, specified nonprofit corporation)

Note: Takashi Kamio is a candidate for the position of outside director.

New candidate for Audit & Supervisory Board Member

Takashi Sonoda, Audit & Supervisory Board Member (standing)

(Current title: President of Rinnai America Corporation)

Haruhiko Ishikawa, Audit & Supervisory Board Member (standing)

(Current title: Executive Officer, and General Manager of Administration Division, Administration Headquarters)

Masaaki Matsuoka, Audit & Supervisory Board Member (part time)

(Current title: Certified Public Accountant, President of Masaaki Matsuoka Office

Ippei Watanabe, Audit & Supervisory Board Member (part time)

(Current title: Substitute Audit & Supervisory Board Member, Lawyer at Ohta & Watanabe Law firm)

Note: Masaaki Matsuoka and Ippei Watanabe are candidates for the position of outside audit & supervisory board members.

Audit & Supervisory Board Members scheduled to retire

Yasuhiko Goto, Audit & Supervisory Board Member (standing) (to be Advisor after resignation)

Toshinori Tsutsumi, Audit & Supervisory Board Member (standing)

Kiyoakira Fukui, Audit & Supervisory Board Member (part time)

Kinya Nankan, Audit & Supervisory Board Member (part time)

3. Schedule Date of Appointment/ Resignation

June 28, 2016