

Rinnai

Rinnai Information
for Shareholders

Vol. **24**

**Business Results for
the 56th Term**

(April 1 to March 31, 2006)



To Our Shareholders



Susumu Naito
Chairman



Hiroyasu Naito
President

It is a pleasure to report on our performance in the year ended March 31, 2006, and outline our strategies for the future.

During the period, the Japanese economy posted a steady recovery underpinned by private-sector demand. Notable factors included an increase in capital expenditures on the back of healthy corporate earnings and further growth in personal consumption owing to favorable employment figures. Aided by the recovery in personal consumption, the domestic gas appliance industry benefited from a solid upturn in housing starts, which topped 1.2 million units for the first time in five years. However, conditions remained extremely difficult overall, significantly impacted by declining market prices stemming from intensifying competition for energy sources and continuing surges in prices of raw materials.

In response, we placed top priority on safety, peace of mind, environmental friendliness, and energy efficiency as we developed products that help make people's lives more comfortable.

To boost earnings, at the beginning of the year we aggressively launched high-value-added products in the market. However, unable to absorb soaring raw material costs, we faced extremely tough competition to secure domestic market share, especially in the first half of the period. Nevertheless, our performance began to recover in the second half thanks to a series of measures following organizational changes adopted in November 2005. These measures included a renewed focus on high-value-added products, reassessment of unprofitable areas, curtailment of expenses, and reduction of inventories.

As a result, consolidated net sales amounted to ¥212,947 million, up 5.4% from the previous year. Operating income fell 5.2%, to ¥10,260 million, and ordinary income slipped 3.9%, to ¥11,756 million. Net income fell 20.3%, to ¥5,242 million.

In line with Rinnai's basic dividend policy, the Corporation declared a year-end cash dividend of ¥14.00 per share, the same as the interim dividend, bringing total annual dividends for the year under review to ¥28.00 per share, up ¥2.00 from the previous period. The dividend amount was determined on the basis of various factors, including payout ratio, return on equity (ROE), and the Corporation's financial position.

Motivated by Rinnai's overriding commitment to quality, all employees will strive to ensure continued corporate growth in the future. We look forward to the ongoing support and cooperation of shareholders in these endeavors.

Susumu Naito
Chairman

Hiroyasu Naito
President

Interview with President Naito

Please tell us about recent challenges facing the domestic gas appliance industry.

What are the advantages of gas amid the shift to all-electric homes?

Please tell us your specific strategies to combat the shift to all-electric homes.

Domestic business conditions

The size of the domestic gas appliance market has contracted, from ¥400 billion to just under ¥300 billion over the past decade. Despite this increasingly difficult market, however, Rinnai has succeeded in maintaining its ranking as the industry leader, with sales consistently exceeding the industry average. Happily, there has been an upturn in the past several years, but the gas industry still faces a serious challenge posed by the shift to “all-electric homes.” Rinnai therefore confronts very stiff competition from makers of electrical appliances.

The “all-electric home” has a futuristic image in Japan, but gas has more advantages when it comes to consumer convenience. For example, when members of a typical Japanese household return home at different times, it is common practice to reheat bath water so it is just right for each person. Gas is perfect for this purpose. I am acutely aware that Rinnai and the entire industry must promote the benefits of gas appliances that are taken for granted. I don't think it's a question of whether to go completely gas or completely electric. Rather, we should take advantage of the merits offered by both.



Superior features of gas reflected in our product lineup

The industry as a whole is putting considerable efforts into so-called “Eco-Jozu” (environmentally friendly) high-efficiency hot-water units. Rinnai, too, plans to strengthen its lineup of these products.

In kitchen appliances, safety is paramount. In the year under review, we added a further safety feature to gas cookers that prevents cooking oil from overheating. Two years from now, moreover, the industry plans to adopt this feature in all gas cookers. Although non-gas cookers, including induction heating ones, are known to catch fire, the gas industry is taking the lead in providing products where safety is assured.

What about revolutionary “hit” products, like your mist sauna?



There is growing interest in cogeneration systems for the home, isn't there?



One of our strategies is to move away from standalone appliances to system-based products, where a single heat source supplies all kitchen, heating, and bathroom needs. Recently, customers have shown considerable interest in bathroom heater/dehumidifiers and mist saunas, which make bathing all the more enjoyable. This shift to system-based products has also boosted sales of optional components when kitchens and bathrooms are updated.

Leveraging our electronic control technology, we have developed a dishwasher in partnership with a system kitchen manufacturer. This product currently holds the second highest share of the domestic market. We're also developing products that allow customers to combine the best features of gas and electricity. For example, we are considering a gas kitchen system incorporating an electric heating appliance.

Technical development provides glimpses of the future

Our co-generation system* is just about at the stage where it can be applied to the home, and we're working very hard towards its realization.

One of the main features of our system is the Stirling engine. The principle behind the engine dates back 190 years. It is an environmentally friendly technology because it needs only heat to operate, no matter what the heat source. Therefore, it is currently gaining greater attention, and has even been used in NASA's spaceships. Using our advanced precision processing technology, we have led the industry in applying a Stirling engine to a domestic cogeneration system. We take pride in the plaudits we have received for our system from all around the world.

Another main feature of the cogeneration system is that it works primarily on gas. To date, such systems relied on electricity and only started operating when one kilowatt or more of electricity was used. However, average daily household electricity consumption is only half that amount. For this reason, we have focused on a more practical system that can be powered from around 300 watts of gas-generated heat.

But its biggest feature is its high overall efficiency. We plan to achieve an efficiency rating of 90% or higher for the system when used in conjunction with our "Eco-Jozu" hot water units.

* Cogeneration system: a system with high overall efficiency that produces two or more effective forms of secondary energy, such as heat and electricity, from a single energy source.

We hear that Rinnai's brand profile is rising sharply in the United States.



Los Angeles branch showroom

Please tell us about your basic strategies for the Chinese market.

Rinnai is also targeting European markets, especially Russia, isn't it?

Overseas Strategies

With total shipments of around 5.0 million gas hot-water units annually, North America is a huge strategic market for Rinnai. Japanese-style instant-heating systems are steadily replacing conventional electric hot-water systems, which use tanks. Commercials featuring popular news broadcaster Paul Harvey have been very successful. Moreover, Builder magazine selected Rinnai's instant-heating hot-water units as the top product for 2005, boosting awareness of the Rinnai brand among average consumers. In addition, sales of our systems are up around 60% year-on-year. Instant-heating hot-water units are not only convenient, but boast a heating efficiency of 80% or higher, which is 20 percentage points higher than conventional tank-based systems. Business conditions in North America are very favorable. In recognition of the environmental friendliness of the units, for example, the U.S. government is giving purchasers a US\$300 rebate over a limited period of two years.

China is also a strategic market, on a par with the United States. The lead-up to the 2008 Beijing Olympics and the 2010 Expo in Shanghai has led to steady urban development, prompting a shift to natural gas and strong housing starts. Shanghai Rinnai Co., Ltd., has expanded its business activities to include northern and central China, while Guangzhou Ming Hai Co., Ltd., has established a business base in southern China.

In May 2005, we formed a capital and business alliance with the Bosch Group, a leading German gas appliance manufacturer with the largest share of the European market for hot-water units. In March 2006, we established RBS Thermotechnology Co., Ltd., a joint venture with Bosch, in Shanghai. The new company will produce Bosch-designed gas hot-water units and export them through Bosch's well-established global distribution channels. In the future, it will also make and sell Rinnai-designed gas hot-water units and kitchen appliances. Working together with Bosch, we will steadily implement a worldwide strategy that includes China and the United States, in addition to Europe.

In February 2006, we established Rinnai Services (MS) Co., Ltd., in Moscow to manage regional sales and provide after-sales services. Due to climatic and cultural factors, there is very strong potential demand for high-quality heating systems, especially ondol-style floor-heating systems, which are made by Rinnai Korea. Through Rinnai Services (MS), we will strengthen sales in the Russian market. Looking further ahead, we will boost revenue by gathering information and providing product training in other regions as well.

Please outline Rinnai's medium-term management plan.

Management Policies

In April 2006, we launched the V-Shift Plan, Rinnai's new medium-term business plan, covering the three-year period to March 2009. The basic objective of the plan is to induce "shifts in values, business, and personnel." With respect to the shift in values, we will seek to replace our emphasis on market share with an emphasis on profit. Although our greatest strength lies in the high quality and safety of our products, perhaps we have tended to focus excessively on market share in the past. As I said earlier, we will increase our profit ratio by pursuing a high-value-added strategy aimed at ordinary consumers. We will build a firm business base that is not influenced by soaring raw material prices or pressure within the industry to reduce market prices.

Medium-Term Management Plan (April 2006–March 2009)

Basic objective: "Shift in values, business, and personnel"

Financial targets: Consolidated net sales of ¥280.0 billion and ROE of 8% (by fiscal 2008)

President Naito, please share with us your personal "Rinnai philosophy."

I have an interest in Japanese history from the end of the Tokugawa shogunate to the Meiji period and the 20th century. I am impressed with how all sorts of Japanese people, irrespective of fame, confronted what they found openly and squarely when they ventured overseas. I am personally involved with work that entails forming business alliances with overseas companies. I always believe that the objective should not be to "cash in" on such opportunities, but to engage in activities that bring joy to the local people. Recently, company scandals have become a problem in Japan, and to this end we have set up a Business Ethics Committee. We have also strengthened compliance by establishing a new Internal Control Office in April 2006. At the same time, I am always reiterating that "Lies and deceit will always be revealed. If you need to produce an excuse later, you shouldn't have lied in the first place."

Rinnai will continue to "provide customers with convenient, lifestyle-enhancing services that deliver peace of mind."

I would like to thank you, our shareholders and other stakeholders, for your ongoing support.



Hiroyasu Naito, President & Representative Director

Born:	Himeji City, Hyogo Prefecture
Date of birth:	April 20, 1955
Background:	
March 1979	Graduated from Tokyo University (Engineering Dept.)
April 1983	Entered Rinnai
June 1991	Director; General Manager, New Technology Development
July 1998	Director; General Manager, Technology Division
June 2003	Managing Director; General Manager, Business Planning; General Manager, Administration
June 2005	Director; Senior Executive Officer; General Manager, Corporate Planning Division and Administration Division
Nov. 2005	President & Representative Director



System-Based Products

**Hot-water supply and heating
for the home—
all from a single heat source**



Heat-source appliances

Bath

Automatic bathtub filling, heating, and topping up

Hot-water supply

Kitchen, washroom, and Western-style showers

Air-conditioner/heaters, dryers

Floor heating

Fan convectors, panel radiator, panel heaters

Hot water-based room air-conditioners

Bathroom heater/dehumidifiers, dressing room heaters

Mist Sauna

Hot-water-based clothes dryers (with heater function)

Rinnai's gas dual hot-water/heating system is an integrated system designed to make homes more comfortable. From a single heat source, it delivers such functions as bathtub hot-water supply, floor heating, and bathroom heating/dehumidifying. Today, gas appliances fulfill an important role, fostering comfortable living environments all year round. In developing kitchen appliances, for example, our quest is to create the most user-friendly kitchen spaces possible. To this end, we emphasize joint development and alliances with builders of housing and system kitchens, and we supply many products to major manufacturers.



Research and Development

**Gas-control, combustion, and other
leading-edge technologies essential
for gas appliances**



Rinnai is committed using heat to make people's lives more comfortable. We draw on a wide range of core technologies in such areas as combustion, electronics, gas control, sensors, software, IT, and communications. Through these activities, we are forging ahead with R&D on environmentally friendly products conducive to recycling and energy and resource conservation.

Rinnai Topics

First tabletop cooker with “automatic grill” and “voice guide”

In March 2006, Rinnai launched the Hao N620VGA (SL), a glass surface plate gas tabletop cooker. The new product features an “automatic grill” with three settings and a “voice guide” that informs users of the status of cooking and activation of safety functions. The tabletop cooker has a stylish and highly durable glass surface plate and uses an inner-flame burner that allows quick cooking with high heat efficiency. In addition, its two-sided waterless grill uses an open flame. Both the tabletop burner and grill meet the 2008 targets set under Japan’s Energy Conservation Law.



Bathroom Heater/Dehumidifier Transforms Home Bathroom Into Mist Sauna

In April 2006, we launched a new product in our “Bath Hot” series of bathroom heater/dehumidifiers. The RBHM-C334K3P heater/dehumidifier is equipped with bacteria-killing plasma cluster ion technology to remove bacteria floating around the bathroom. It is also equipped with a mist sauna function, commonly used in health and beauty care treatments, which operates in conjunction with the heating function. A cool mist function is also available for use in summer. A single 24-hour ventilation unit ventilates the bathroom, changing area, and toilet. The system can turn a bathroom into a drying room, allowing clothes to dry quickly, even in Japan’s humid rainy season.

Rinnai Services (MS) Established in Moscow

In February 2006, Rinnai Corporation established a services company in Moscow, called Rinnai Services (MS) Co., Ltd. Rinnai products, primarily boilers made by Rinnai Korea, have generated solid sales growth because they suit the Russian climate and culture. The new company is setting up a services operation in Moscow, the largest market in Russia, where it will manage regional sales and provide after-sales services. Its will also gather information and provide product-related education to local staff in other regions.



Global Network

As of March 31, 2006, the Rinnai Group consisted of the parent company, 41 subsidiaries (22 domestic and 19 overseas), and four overseas affiliated companies, for a total of 46 companies.



Domestic Subsidiaries

Manufacture of Products

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

Manufacture of Components

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

Sale of Products

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

Sale and Installation of Products

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

Other Business

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

Overseas Subsidiaries and Affiliates

Holding Company

- Rinnai Holdings (Pacific) Pte Ltd.

Sale of Products

- Rinnai Australia Pty., Ltd.
- Rinnai Hong Kong Ltd.
- Rinnai America Corporation
- Rinnai UK Ltd.

Manufacture and Sale of Products

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

Manufacture and Sale of Components

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

Other Business

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

● Consolidated subsidiary	■ Affiliated company (equity method applied)
● Nonconsolidated subsidiary	■ Affiliated company (equity method not applied)

Consolidated Business Results

Results by Business Segment

Kitchen Appliances

In Japan, Rinnai released a series of built-in cookers, incorporating glass surface plates and inner-flame burners that meet 2008 targets under Japan's Energy Conservation Law. We also expanded our lineup of offerings with enhanced safety and energy efficiency. For example, we incorporated in all our gas cookers a feature that prevents fires caused by over-heated cooking oil. Nonetheless, year-on-year sales of kitchen appliances in Japan remained mostly unchanged, due to stiff competition arising from a concerted push to switch to electrical appliances. By contrast, overseas sales increased 22%, bolstered by strong demand in Asia. Total sales in this segment, therefore, grew 2.2%.

Hot-Water Units

Our bathroom heater/dryers, equipped with the industry's smallest mist sauna unit and featuring bacteria-killing cluster ion technologies, performed well in the domestic market. However, a drop in market prices for bath hot-water units and hot water/heating systems had a serious impact on domestic sales. Overseas, sales of instant-heating hot-water units were strong in the United States and Asia. Consequently, overall sales of hot-water units rose 2.0%.

Air-Conditioning and Heating Units

In Japan, this segment performed considerably better than the previous year due to the release of a new, stylish gas fan heater equipped with bacteria-killing cluster ion technologies. The segment also benefited from cold winter temperatures throughout the country. Higher sales of gas heating products both in Japan and overseas contributed to a 20.2% increase in segment sales.

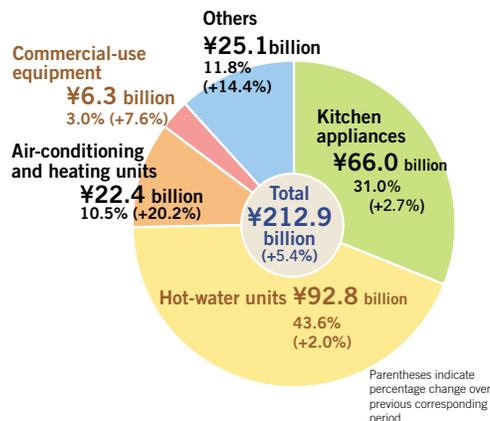
Commercial-Use Equipment

In Japan, sales of commercial-use equipment struggled due to falling demand for large ovens, which had performed favorably the previous year. Sales of commercial-use equipment were strong in South Korea, resulting in a 7.6% increase in overall sales in this segment.

Others

Domestic sales of components by our component manufacturing subsidiaries increased, and revenue from installation services also grew in line with the shift from standalone gas products to integrated systems. Overseas sales of new items were also up. As a result, this segment posted a 14.4% rise in sales.

Net sales by business segment



Earnings

Operating Income

In Japan, we addressed sharply rising prices of metal components by implementing model changes, launching new, value-added products, reducing various costs, and curtailing overall expenses. Due largely to stiff price competition, however, it was extremely difficult to post a profit from domestic sales. Overseas earnings were firm, however, benefiting from solid sales of hot-water heaters and air conditioning units in the United States and elsewhere. As a result, consolidated operating income declined 5.2% year-on-year.

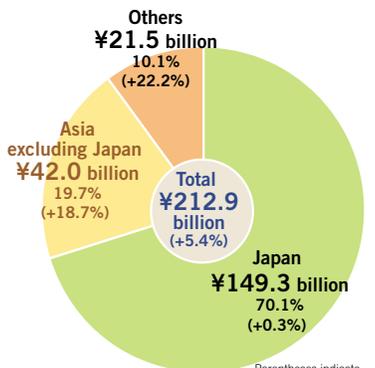
Ordinary Income

In Japan, income from non-operating areas, such as interest on securities, improved over the previous year. Overseas, non-operating income increased due to a foreign exchange valuation gain from a yen-dominated loan, stemming from the rising South Korean won. Nevertheless, these improvements were not sufficient to offset the decline in operating income, resulting in a 3.9% fall in ordinary income.

Net Income

Consolidated net income declined 20.3%. This stemmed largely from an extraordinary loss arising from expenses for after-sales services associated with voluntary checks conducted on hot-water heating units in Japan.

Net sales by region

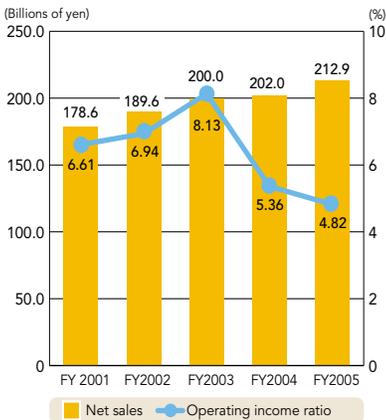


Composition of Asia, excluding Japan: South Korea, China, Taiwan, Thailand, and Singapore
 Composition of Others: Australia, New Zealand, and United States.

Note: The above amounts exclude inter-regional transactions.

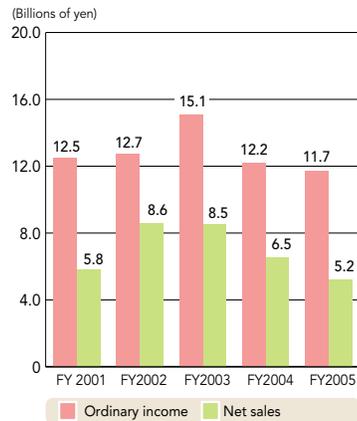
Parentheses indicate percentage change over previous corresponding period.

Sales, operating income ratio



Note: Operating income ratio of FY2005 indicates percentage at interim term-end.

Ordinary income, net income

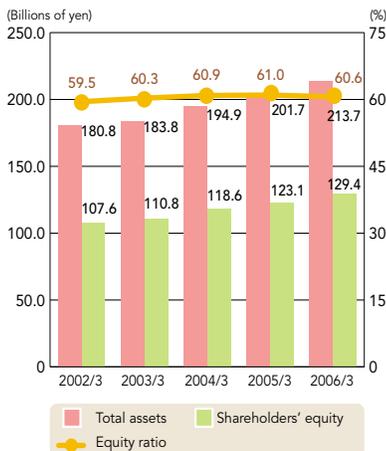


ROE, ROA



Note: ROE/ROA figures for FY2005 are based on annual projections of interim results.

Total assets, shareholders' equity, equity ratio



Free cash flows



Notes: 1. Free cash flows = Net cash provided by operating activities + Net cash provided by investing activities
 2. Free cash flows of FY2005 indicates amount at interim term-end.

Consolidated Balance Sheets (Millions of yen)

Current Term (As of March 31, 2006)

Previous Term (As of March 31, 2005)

	Current Term	Previous Term		Current Term	Previous Term
Assets			Liabilities		
Current assets	131,039	123,869	Current liabilities	68,644	62,555
Cash and deposits	19,029	20,772	Notes and accounts payable	42,492	38,284
Notes and accounts receivable	63,818	57,933	Short-term debt	10,844	8,213
Marketable securities	20,845	17,601	Other payables	8,452	7,833
Inventories	24,222	24,006	Accrued consumption taxes	344	436
Deferred income taxes	1,816	2,166	Accrued income taxes	1,594	2,253
Other	2,531	1,687	Accrued employees' bonuses	1,979	1,985
Less allowance for doubtful accounts	(1,224)	(299)	Other	2,937	3,547
Fixed assets	82,737	77,868	Long-term liabilities	10,973	11,817
Property, plant and equipment	43,611	42,130	Long-term debt	5,268	6,047
Buildings and structures	14,928	14,353	Deferred income taxes	2	2
Machinery and vehicles	8,983	8,580	Accrued employees' retirement benefits	2,956	3,078
Tools and fixtures	6,297	6,336	Accrued officers' retirement benefits	1,736	1,761
Land	12,499	11,768	Other	1,009	927
Construction in progress	901	1,091	Total liabilities	79,617	74,372
Intangible fixed assets	951	809	Minority interests		
Investments and advances	38,173	34,928	Minority interests	4,661	4,258
Investments in securities	25,862	23,020	Shareholders' equity		
Investments	519	376	Common stock	6,459	6,459
Long-term loans	17	26	Capital surplus	8,719	8,719
Deferred income taxes	2,635	2,523	Retained earnings	112,918	109,184
Other	9,391	9,543	Unrealized gain on marketable securities	656	917
Less allowance for doubtful accounts	(252)	(561)	Adjustment account for foreign exchange losses	838	(766)
			Treasury stock	(94)	(1,408)
Total assets	213,777	201,737	Total shareholders' equity	129,497	123,106
			Total liabilities, and shareholders' equity	213,777	201,737

Consolidated Statements of Income (Millions of yen)

Current Term (From April 1, 2005, to March 31, 2006)

Previous Term (From April 1, 2004, to March 31, 2005)

	Current Term	Previous Term
Net sales	212,947	202,034
Cost of sales	157,000	148,439
Gross profit	55,947	53,595
Selling, general and administrative expenses	45,686	42,772
Operating income	10,260	10,822
Other income	2,679	2,354
Other expenses	1,183	941
Ordinary income	11,756	12,235
Extraordinary income	656	46
Extraordinary loss	2,987	1,174
Income before income taxes	9,425	11,107
Income taxes: current	3,605	4,686
Income taxes: previous	280	—
Income taxes (deduction)	481	(197)
Minority interests (deduction)	(184)	40
Net income	5,242	6,577

Consolidated Statements of Cash Flows (Millions of yen)

Current Term (From April 1, 2005, to March 31, 2006)

Previous Term (From April 1, 2004, to March 31, 2005)

	Current Term	Previous Term
Cash flows provided by operating activities	12,004	9,223
Cash flows provided by investing activities	(13,190)	(12,890)
Cash flows provided by financing activities	(458)	75
Cash and cash equivalents at end of year	31,899	32,962

Corporate Data

Directory (As of March 31, 2006)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,459,746,974
Head office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802 TEL: +81-52-361-8211
Number of employees	3,142

Domestic Network (As of April 1, 2006)

Factories

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

Research centers

Technology Development Center

Branches

Tohoku, Kanto, Chubu, Kansai, Chu-Shikoku, Kyushu

Domestic sales offices

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

Domestic satellite offices

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

Board of Directors (As of June 29, 2006)

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

Notes: 1. President and Executive Officers (*) double as Executive Officer.

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

Share Information (As of March 31, 2006)

Share Composition

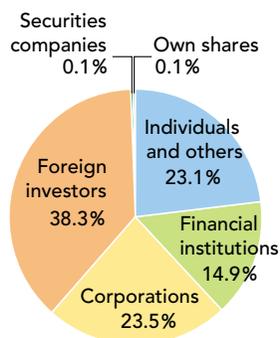
Number of shares

Authorized:
200,000,000

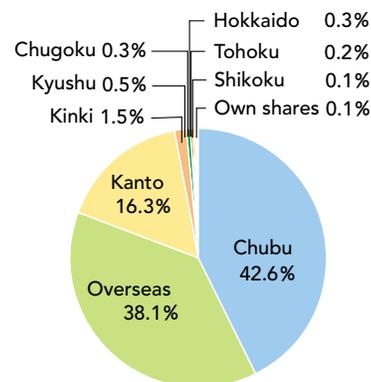
Outstanding:
54,216,463

Number of shareholders:
3,873

Composition of shareholders



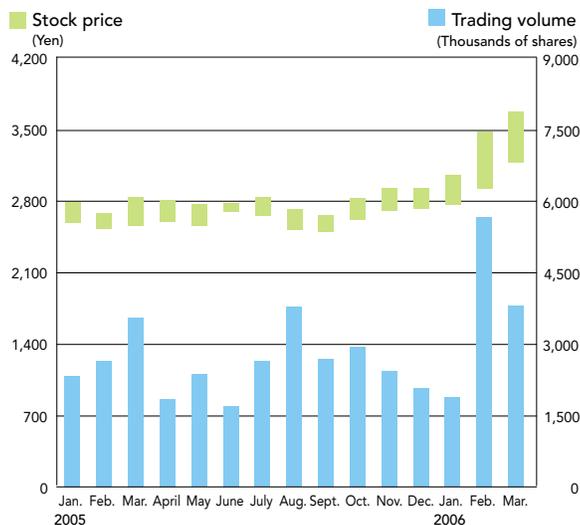
Shareholders by region



Major Shareholders

Name	Shares held (Thousands)
Northern Trust Company (AVFC) Sub-Account American Client	7,499
Naito Co., Ltd.	5,415
Yoshikane Shoji Co., Ltd.	4,002
Deutschland Bank AG Frankfurt	3,250
Susumu Naito	2,677
Kenji Hayashi	2,652
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,572
Mellon Bank NA as Agent for It's Client Mellon Omnibus US Pension	1,390
Japan Trustee Service Bank, Ltd. (Trust Account)	1,166
Noriko Naito	1,020

Stock Price Range



Memorandum for Shareholders

Financial year-end

March 31

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

Minimum trading unit

100 shares

Notices appear in

Nihon Keizai Shimbun

Transfer agent

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

Transfer administration office

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

Transfer agency offices:

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

Japan Securities Agents, Ltd.

Head office, branches and regional offices

● Notice

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

Stock Listings:

Tokyo Stock Exchange, First Section

Nagoya Stock Exchange, First Section

Our Website

• IR information

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

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

