

Rinnai

Shareholders' Report

Vol. 40

64th Fiscal Year

(April 1, 2013 to March 31, 2014)



Rinnai America

TSE code 5947

To Our Shareholders



Susumu Naito
Chairman



Hiroyasu Naito
President

In the fiscal year ended March 31, 2014, the world economy was generally healthy as the U.S. economy firmed on the back of solid personal consumption and housing sales, while the European economy showed indications of a moderate turnaround. The Chinese economy enjoyed a certain level of expansion but continued to slow in the absence of the strong growth seen to date. In Japan, there were expectations that the economy would be buoyed by stimulus measures taken by the government, while consumption was boosted by an upsurge in demand ahead of the consumption tax hike. The domestic housing appliance industry showed overall growth amid an increase in housing starts bolstered by a jump in demand ahead of the consumption tax hike, as well as expansion of the home renovation market.

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

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

The Company declared a year-end cash dividend of ¥36.00 per share, up ¥6.00 year-on-year. This brought annual cash dividends to ¥68.00 per share, up ¥8.00 from the previous year.

The Rinnai Group is currently implementing its medium-term business plan, Jump Up 2014, aimed at reinforcing its corporate constitution and building a foundation for long-term growth. A core priority of the plan is to promote products that can make a contribution to global environmental protection. These include *ECO ONE*, a hybrid gas-electricity water heaters that realizes the world's best environmental performance levels, and the *Eco Jozu* series of high-efficiency water heaters. With respect to our global strategy, we will further upgrade our product lineups in existing markets while tapping new priority markets, in order to help local communities enjoy more abundant lifestyles.

We look forward to the renewed support and cooperation of all shareholders.

June 2014

Susumu Naito
Chairman

Hiroyasu Naito
President

We will deliver high-value-added heat and energy appliances to the world market based on the theme of “heat and lifestyles.”



President Hiroyasu Naito

Overview of the Year Ended March 31, 2014

Q. Rinnai surpassed the numerical targets of its business plan. What were the reasons for this good performance?

Rinnai is currently implementing its medium-term business plan, Jump Up 2014, aimed at achieving dramatic progress as a global manufacturer of heat and energy appliances. Driven by healthy domestic results, we exceeded the

forecasts set for the subsequent fiscal year, ending March 2015. Specifically, consolidated net sales increased 14.0% year on year, to ¥286.9 billion, and operating income rose 29.1%, to ¥34.0 billion. As a consequence, we have now elevated our targets for the period ending March 2015, the final year of the plan.

Some short-term factors contributed to this performance, including a surge in demand ahead of the consumption tax hike, which helped our domestic results, and the weak yen, which underpinned our overseas performance. Fundamentally, however, these results illustrate that our strategies—advancing comprehensive heat and energy appliances and promoting high-value-added products—are bearing fruit on a Groupwide basis.

Q. In Japan, Rinnai's high-value-added water heaters performed well once again, didn't they?

Our *Eco Jozu* high-efficiency water heaters contribute to energy savings, and we are working to have these items recognized as standard household appliances. In water heaters, we have three categories of products: water heater with basic functions, bath-filling systems, and heating systems. *Eco Jozu* products account for nearly 80% of our bath-filling systems/heating systems. These systems are not sold as stand-alone units but rather as heat-source devices that control hot water and room heating for the entire house. Other products also contributed to our good results in the year under review, including floor heaters and bathroom heater/dryers.

Medium-Term Business Plan “Jump UP 2014”

(April 1, 2012—March 31, 2015)

Aims

Contribute to people's lives worldwide and the global environment as a comprehensive heat and energy appliance manufacturer

- ▶ **Product vision:** Comprehensive heating appliance manufacturer that delivers environmentally responsible products
- ▶ **Regional vision:** Global company that improves the lifestyles of people all over the world
- ▶ **Business vision:** Company with a unique business model that attracts people and business partners

“Three Jump Up” Priorities

1. **Raise product quality** in pursuit of zero defects
2. **Raise versatility** through reforms of development, production, and sales processes
3. **Raise organizational strength** through human resource development and Groupwide interaction

| | Mar. 2013 (actual) | Mar. 2014 (actual) | Mar. 2015 (plan) |
|------------------------|--------------------|--------------------|------------------|
| Net Sales | ¥251.8 billion | ¥286.9 billion | ¥313.0 billion |
| Operating income | ¥26.3 billion | ¥34.0 billion | ¥36.5 billion |
| Operating income ratio | 10.5% | 11.9% | 11.7% |

Q. Recently, Rinnai has upgraded its domestic lineup of kitchen appliances. Can you please elaborate?

The aim of our high-value-added strategy is to switch our emphasis from quantity to quality and become a robust corporation with top priority on profits. If we focus too much on market share, we could be impacted by excessive price wars within our industry, which we should avoid. We work hard to ensure that our hobs, which are used every day in the kitchen, are both visually appealing and functional. At the same time, our customers' needs are broad, ranging from high-end built-in models to tabletop cookers sold even by mass merchandisers. In the year under review, we upgraded our product lineup, unveiling new models in the DELICIA series of built-in hobs, as well as LAKUCIE, a tabletop cookers with enhanced functions. As a result, our kitchen appliances generated healthy revenue and earnings for the year.

Global Strategies

Q. Please give a summary of Rinnai's performances in main regions outside of Japan.

In South Korea, a law mandating sensors for each burner on stoves was enacted in January 2014, to prevent cooking oil from overheating. (A similar law exists in Japan.) This has prompted a shift in emphasis towards high-value-added products, which we expect will contribute to our business results in the future. In South Korea, in particular, the Rinnai Group is deploying its technological strengths to distinguish itself in the market. For example, we manufacture the highly functional components required to meet the new sensor law within the Group, as we do in Japan.

In North America, positioned as a strategic market, more than 8 million water heaters are sold annually, of which

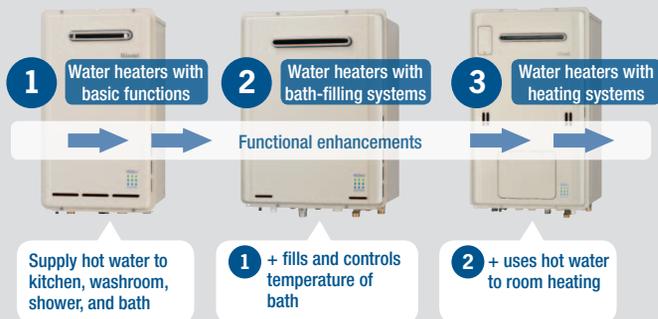
around 90% are tank-based (storage-type) systems. In that market, we are targeting replacement demand centered on tankless (instantaneous) systems, which are mainstream in Japan. However, switching over to tankless systems sometimes requires plumbing work to replace gas pipes. For this reason, Rinnai introduced a hot water supply system that combines a tank-based unit (requiring no plumbing) and a tankless unit (see "Topics" on page 8). We will continue developing new products for the North American market.

In China, where we anticipate market growth, we are currently building a new factory in the Fengxian District of Shanghai. Scheduled to commence operation in September 2015, the new plant will enable Rinnai to double its annual production capacity in China, to 1 million water heaters and 500,000 stoves. In addition to the Shanghai area, where we have a high market share, we will maintain a multifaceted approach to other urban areas in such aspects as sales development and alliances with homebuilders and large-scale developers.

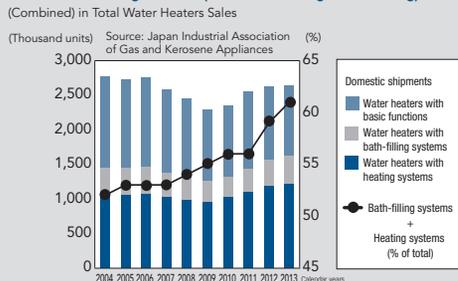
Q. It seems revenue and earnings are rising steadily in other regions as well.

In Taiwan, as in Japan, we have been promoting our high-value-added strategy in recent years. Accordingly, our performance in Taiwan has been solid, with an operating income ratio in excess of 15%. Meanwhile, Rinnai New Zealand has been broadening its product lineup and improving its results as a comprehensive manufacturer of heat and energy appliances. Around 80% of electricity in New Zealand comes from renewable sources. With this in mind, in 2012 we acquired a local manufacturer of electric water heaters, and we are now focusing on sales of electric units and systems. Rinnai's overseas strategy is based on the philosophy of local production

Three Types of Water Heaters



Domestic Shipments of Water Heaters: Breakdown of 3 Types; Ratio of Mid to High Priced (with Bath-Filling and Heating)



and local sales. We will continue advancing specific business strategies matched to local needs at the discretion of our local top management.

Q. Rinnai Indonesia became a consolidated subsidiary at the end of March 2014. What are your plans for that company in the future?

With a population of around 250 million, Indonesia is a huge market with about 60 million households and is a priority region for Rinnai in Southeast Asia. In 2005, the Indonesian government distributed one single-burner gas tabletop cooker to each household free of charge under a policy encouraging a switch from kerosene to LP gas as the main energy source in the home. Since then, the use of gas appliances has spread throughout the nation. At present, Rinnai has two production facilities in Indonesia, with a total annual capacity of 7 million tabletop cookers. We predict that stoves will become more sophisticated in that nation, as they have in Japan. In addition to basic safety devices, therefore, we expect demand to grow for stoves fitted with advanced sensors, as well as a shift towards built-in hobs. As we grow our business in the future, we will take advantage of our new factory in Balaraja, which started operation in May 2013, to maximize our business opportunities in Indonesia.

Making products that meet social needs

Q. Can you talk about Rinnai's role in addressing social needs in such areas as the environment, safety, and peace of mind, both in Japan and overseas?

Recently, our *ECO ONE* hybrid water heater with heating system received the METI Award, which is the top prize in the Fiscal 2013 Energy Conservation Awards, hosted by the Energy Conservation

Center, Japan (see page 9 for more details). Combining *Eco Jozu* (gas) and a heat pump (electricity), *ECO ONE* has been highly praised as an extremely environmentally friendly product that consumes a minimal amount of primary energy.

Looking back at Rinnai's history and the evolution of the Japanese market, we see that our development has been closely linked with changing social needs in such areas as the aging population and the emergence of environmental and energy-related issues. Examples include our launch of stoves with safety sensors fitted to each burner; our development of energy-saving products, such as *Eco Jozu* high-efficiency gas water heaters and the *ECO ONE* hybrid water heaters with heating systems; and our launch of bathroom heater/dryers that minimize sudden temperature changes when entering the bath, a cause of the "heat shock" phenomenon. We believe that the importance of our will grow even further in the future.

There are many things that Rinnai should do to address various challenges as cultures and markets of nations and regions around the world become mature. These include delivering products that excel in terms of environmental performance, safety, and comfort based on the theme of "heat and lifestyles." To this end, we will step up training of Group employees in Japan and overseas while exchanging information with various countries and fostering human resources who can excel in global markets.

Q. Do you have a concluding message for shareholders?

Rinnai aims to raise corporate value and maximize shareholder return through long-term business growth. In the year ended March 2014, we raised annual dividends for the 12th consecutive period. Going forward, we will continue targeting steady growth and consistent returns to all shareholders.

Our Indonesian Business

Indonesian market

- Huge market with a population of around 250 million and about 65 million households
- Continuing proliferation of LP gas and growing use of gas appliances due to government project

Rinnai has No. 1 market share

- P.T. Rinnai Indonesia was established in 1988
- Two factories handling local production, mainly of tabletop cookers
- Rinnai is the top brand, with around 60% market share for tabletop cookers

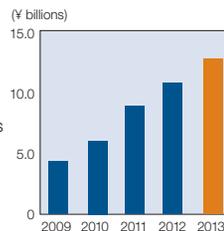


Built-in hob



Tabletop cookers (mainstay product)

P.T. Rinnai Indonesia: Transition of Sales



Cooking contest sponsored by Rinnai



Showroom in Jakarta

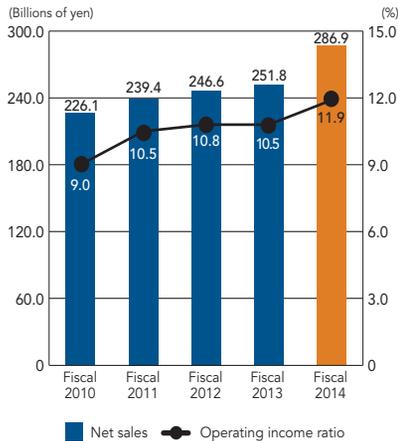
Consolidated Business Results for Fiscal 2014

(Year ended March 31, 2014)

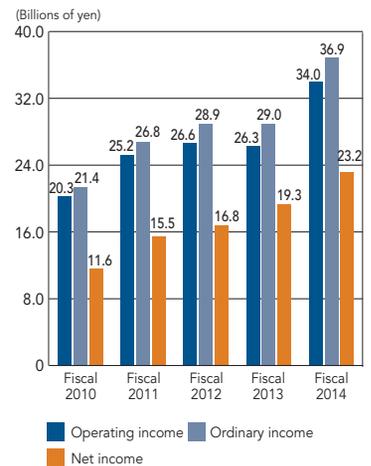
Performance Highlights

- **Record-high figures** achieved for net sales, operating income, ordinary income, and net income
- **Net sales up for fourth consecutive year** thanks to higher domestic sales and healthy overseas sales
- **Operating income up for first time in two years** owing to solid sales in Japan, China, and North America, as well as continued reductions in costs
- Ordinary income and net income **up for fifth consecutive year**

Net sales, operating income ratio



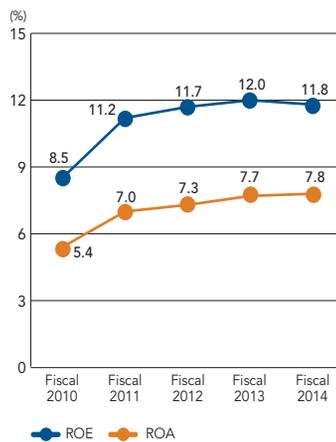
Operating income, ordinary income, net income



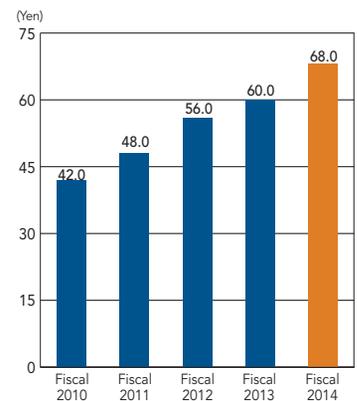
Net assets, equity ratio



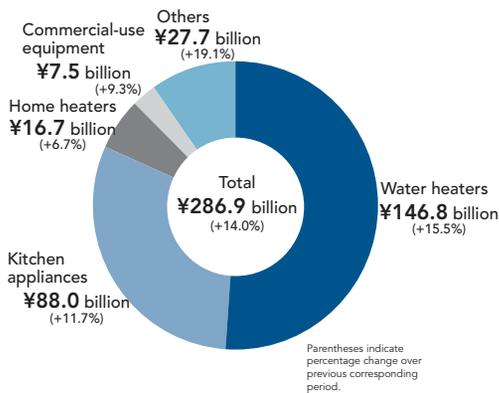
ROE, ROA



Dividends per share (annual)



Net sales by product

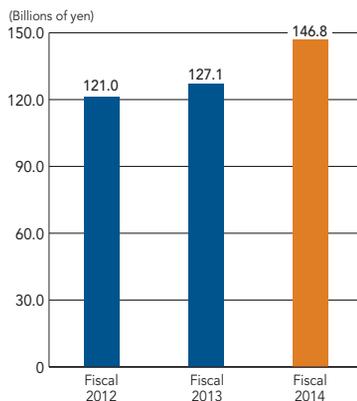


Highlights by Product Segment

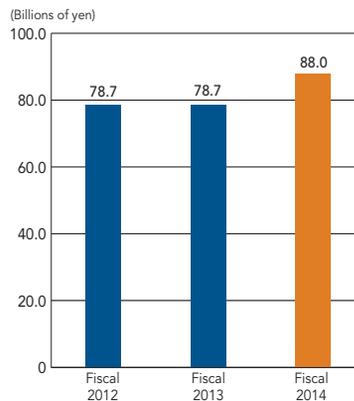
- **Water heaters:** Higher domestic demand for water heater/heating systems and other products, as well as continued sales increases overseas, led to **significant revenue growth**
- **Kitchen appliances:** Increased sales of built-in hobs in Japan, higher unit prices in South Korea., sales growth in China, and other factors led to **higher segment sales**
- **Home heaters and others:** Waning demand in Japan to reduce electricity outweighed by sales growth overseas, **driving up segment sales**

| Principal products | Principal Products |
|--------------------------|---|
| Water heaters | Tankless water heater with basic functions, bath-filling systems, heating systems, and hybrid water heater with heating systems |
| Kitchen appliances | Tabletop cookers, built-in hobs, dishwashers, ovens, and rice cookers |
| Home heaters | Fan heaters, fanned flue heaters and infrared heaters |
| Commercial-use equipment | Commercial-use ceramics griller, stoves and rice cookers |
| Others | Clothes dryers, infrared burners and components |

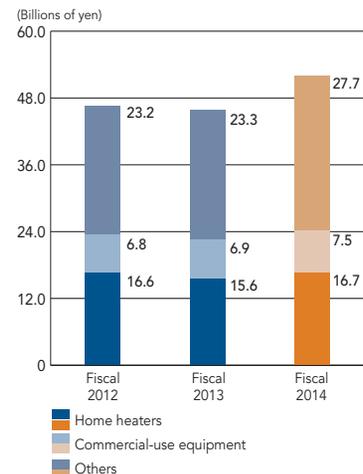
Sales of water heaters



Sales of kitchen appliances

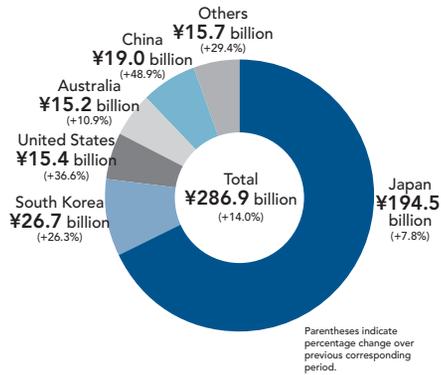


Sales of heaters, commercial-use equipment, and others



Consolidated Business Results for Fiscal 2014 (Year ended March 31, 2014)

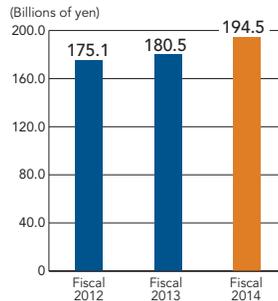
Net sales by region



Japan



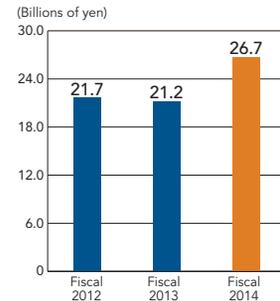
Increased revenue and earnings thanks to stable growth in replacement demand, coupled with higher sales for new dwellings



South Korea



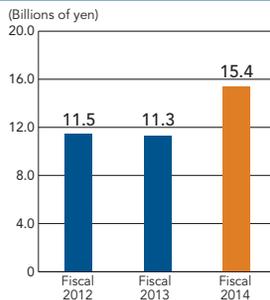
Growth in sales thanks to increased unit prices of stoves contrasted with incurrence of one-time costs, leading to **higher revenue but lower earnings**



United States



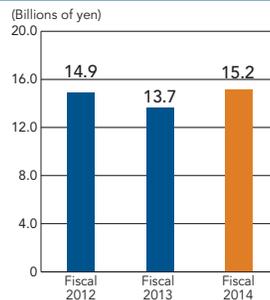
Enhanced product lineup and recovery in housing market resulted in **increased revenue and earnings**



Australia



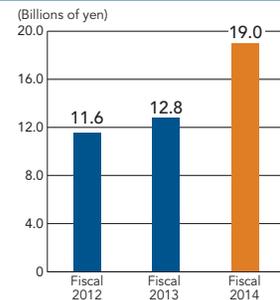
Positive foreign exchange factors led to **increased revenue and earnings** despite challenges of deteriorating market conditions and warm winter



China



Demand in urban areas for midrange and high-end products, together with stepped up sales in regional cities, led to **higher revenue and earnings**



Rinnai Topics

Rinnai Korea Corporation

Rinnai brand No. 1 for 15 consecutive years

Recently, Rinnai received the Korea Best Brand Award (Gas Stove section) for the 15th consecutive year. The awards are held annually by Korea Management Association Consulting (KMAC). Among brand evaluations done in South Korea, these awards target the largest number of companies for survey. A total of 62% of survey respondents selected Rinnai as the No. 1 name in gas stoves.

Thanks to a high level of safety and improvements in consumer services, Rinnai has built long-term relationships with its customers, which is why the brand continues to be rated highly.



Rinnai America Corporation

Hybrid Tank-Tankless Water Heater launched

In the North America, Rinnai has unveiled its Hybrid Tank-Tankless Water Heater, which combines a gas tank-based (storage-type) water heater with a gas tankless backup. In this way, we broadened our lineup of replacement products for customers with gas tank-based systems, which are mainstream in the region.

Unlike in Japan, households in North America sometimes require plumbing work to be done on gas piping when switching from tank-based to tankless water heaters. In some cases, it is difficult to swiftly make the switch when a tank-based system breaks down. However, Rinnai's Hybrid Tank-Tankless Water Heater can be installed even in homes previously equipped with tank-based systems, without the plumbing normally required for tankless units. We developed the system for customers wanting to shorten the installation period and thus minimize time without hot water, and we will continue promoting it in the North American market.



Rinnai Italia S.r.L.

Participation in MCE 2014, Europe's largest air-conditioner and water heater exhibition

In March 2014, Rinnai Italia participated in the 39th Mostra Convegno Expocomfort (MCE 2014), held in Milan, Italy. The MCE is Europe's largest international exhibition for air-conditioners and water heaters. Held every two years, it showcases the latest technologies based on four themes (heating, cooling, water, and energy). More than 2,000 domestic and overseas companies exhibited at the March show, attracting around 156,000 visitors over a four-day period.

The Rinnai Italia booth, designed with the red and white Rinnai corporate colors, displayed mainly the Company's tankless water heaters. Indeed, Rinnai is starting to become recognized as a high-end brand for tankless water heaters in Italy. Going forward, we will step up brand management aimed at promoting Rinnai not only in Italy but throughout Europe.



Popular product close-up!

Hot-water supply primary energy consumption efficiency of 125%

Electricity x Gas

Hybrid water heater with heating system

ECO ONE

High-capacity gas water heater with heating system



Small tank

High-efficiency heat pump



Received top energy conservation award METI Award

ECO ONE, a hybrid water heater with heating system for residential use that combines electricity and gas, received the METI Award. This was the top prize in the Fiscal 2013 Energy Conservation Awards, hosted by the Energy Conservation Center, Japan.

Main points

- Improved hot-water supply efficiency:** Water in tank heated at a low temperature (actual temperature for use)
- Endless hot-water supply:** Since it is a gas system, users can be comfortable without concern of hot water running out
- Learning control enhances efficiency:** The system records times when hot water is used (for bathing, floor heating, etc.), enabling optimal operation of heat pump

40% reduction in hot-water supply primary energy consumption



Energy efficiency reference value *ECO ONE*

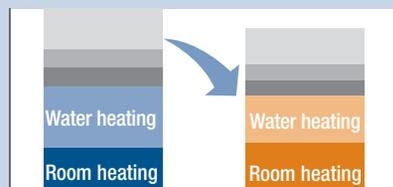
* hot-water supply primary energy consumption comparison (MJ/year)

Effective 2013, the energy efficiency of household appliances in Japan is now valued in terms of primary energy consumption. Compared with the energy efficiency reference value, *ECO ONE* realizes around 40% lower primary energy consumption for water heaters.

* Residential Energy Efficiency Program

* Houses: 6 regions; floor space 120m²; * Outer surface: External heat loss 279.8W/K; Sunlight heat absorption: Cooling 6.49 (W/W/m²), heating 12.37 (W/W/m²) * Heating: [Main living spaces] Hot-water floor heating (70% of floor space, 80–90% surface emissivity) [Other rooms] Not installed [Heat source] Gas latent heat collection type; insulated piping adopted * Hot-water supply: [Heat source] *ECO ONE* hybrid has instant-heating unit with heat pump [Piping] Branch piping [Faucets] Twin-valve [Bathtub] High-insulation bathtub not used * Cooling: Room air-conditioner (no particular energy-saving measure) * Exhaust: Type 3 wall-mounted device (electricity consumption: 0.2W/(m³/h); Ventilation frequency: 0.5 times/h * Illumination: Not installed

10% reduction compared with energy efficiency reference value



Energy efficiency reference value *ECO ONE* + floor heating

* Household primary energy consumption comparison (MJ/year)

The huge reduction in primary energy consumption of the water heater enables the primary energy consumption of the entire residential system to be cut by around 10% vis-à-vis the energy efficiency reference value, even if the system is also used for floor heating, which is regarded as a heating method with a high level of comfort.

Popular product close-up!

Deliciously cooked rice through direct-fire, high-heat gas technology

Gas rice cooker *Jikabi-no-Takumi*



Powerful thermal convection ensures that rice is heated uniformly and cooked consistently



Strong heat from underneath creates thermal convection through entire cooker

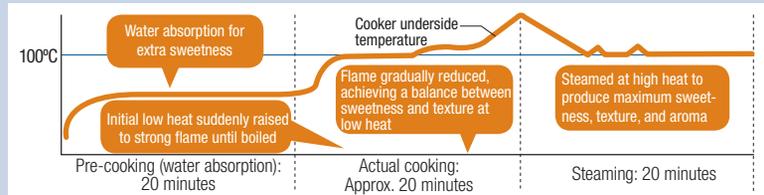
The Japan Gas Association (JGA) Received Grand Award for Best Technology

Rinnai's *Jikabi-no-Takumi* gas rice cooker, designed to provide the delicious taste of oven cooking, received the 2014 Grand Award for Best Technology from the JGA.

Evaluation points

- ① Powerful heat
- ② Enclosed rice cooking
- ③ No waste
- ④ Cooks quickly

Rinnai has developed a new rice-cooking control technology to ensure that rice is cooked to delicious perfection. Based on research into temperature curves to provide the ideal balance between taste and hardness, we have created a cooking method that delivers both sweetness and texture.



New product close-up!

Environmentally friendly next-generation



Commercial-use large-scale water heater Full model change

In the ever-growing market for commercial large-scale water heaters, there is a shift in demand towards large-capacity products even in large-scale projects. The trend is similar for household water heaters. At the same time, customers are demanding more compact systems with energy-saving features to reduce running costs. Rinnai has undertaken a full model change of its commercial water heater to meet these market needs. Our new model has a more durable heat exchanger, greater wind resistance, and enhanced ease of operation.

Financial Data

Consolidated Balance Sheets (Millions of yen)

Current Term (As of Marh 31, 2014)

Previous Term (As of Marh 31, 2013)

| | Current Term | Previous Term | | Current Term | Previous Term |
|--------------------------------------|----------------|----------------|--|----------------|----------------|
| Assets | | | Liabilities | | |
| Current assets | 213,520 | 177,766 | Current liabilities | 88,495 | 73,073 |
| Cash and deposits | 57,540 | 47,691 | Notes and accounts payable | 52,142 | 44,446 |
| Notes and accounts receivable | 68,102 | 59,699 | Short-term debt | 5,950 | 3,748 |
| Marketable securities | 53,491 | 39,479 | Other payables | 11,591 | 9,630 |
| Products | 17,397 | 16,467 | Accrued consumption taxes | 1,330 | 1,128 |
| Raw materials and stores | 11,696 | 9,855 | Accrued income taxes | 7,701 | 5,931 |
| Deferred taxes assets | 3,875 | 3,577 | Accrued employees' bonuses | 3,127 | 3,153 |
| Other | 2,140 | 1,482 | Allowance for product guarantee | 2,387 | 1,895 |
| Less allowance for doubtful accounts | (725) | (487) | Other | 4,265 | 3,138 |
| Fixed assets | 120,861 | 84,823 | Long-term liabilities | 13,251 | 11,508 |
| Property, plant and equipment | 51,186 | 41,121 | Long-term debt | — | 2,550 |
| Buildings and structures | 16,278 | 14,212 | Deferred tax liabilities | 5,474 | 1,782 |
| Machinery and vehicles | 11,857 | 8,516 | Accrued employees' retirement benefits | — | 4,625 |
| Tools and fixtures | 3,981 | 3,751 | Net defined benefit liabilities | 5,067 | — |
| Land | 15,140 | 13,094 | Other | 2,709 | 2,550 |
| Leased assets | 208 | 212 | Total liabilities | 101,747 | 84,582 |
| Construction in progress | 3,720 | 1,332 | Net Assets: | | |
| Intangible fixed assets | 4,312 | 1,526 | Shareholders' equity: | 208,249 | 170,240 |
| Investments and advances | 65,362 | 42,176 | Common stock | 6,459 | 6,459 |
| Investments in securities | 44,554 | 30,665 | Capital surplus | 8,719 | 8,720 |
| Net defined benefit assets | 14,804 | — | Earned surplus | 194,036 | 178,540 |
| Deferred income taxes | 1,140 | 1,157 | Treasury stock | (965) | (23,480) |
| Other | 5,479 | 10,823 | Other comprehensive income: | 12,538 | 2,252 |
| Less allowance for doubtful accounts | (616) | (470) | Unrealized gain on marketable securities | 3,048 | 1,919 |
| Total assets | 334,382 | 262,590 | Foreign exchange translation adjustment | 5,561 | 332 |
| | | | Remeasurements of defined benefit plans | 3,929 | — |
| | | | Minority interests | 11,846 | 5,515 |
| | | | Total net assets | 232,635 | 178,007 |
| | | | Total liabilities and net assets | 334,382 | 262,590 |


Consolidated Statements of Income (Millions of yen)

 Current Term (From April 1, 2013, to March 31, 2014)
 Previous Term (From April 1, 2012, to March 31, 2013)

| | Current Term | Previous Term |
|--|----------------|----------------|
| Net sales | 286,981 | 251,832 |
| Cost of sales | 196,858 | 175,990 |
| Gross profit | 90,123 | 75,842 |
| Selling, general and administrative expenses | 56,104 | 49,490 |
| Operating income | 34,018 | 26,351 |
| Other income | 3,413 | 3,183 |
| Other expenses | 521 | 470 |
| Ordinary income | 36,910 | 29,064 |
| Extraordinary income | 124 | 988 |
| Extraordinary loss | — | 543 |
| Income before income taxes | 37,034 | 29,509 |
| Income taxes | 12,709 | 9,254 |
| Income before minority interests | 24,325 | 20,254 |
| Minority interests | 1,070 | 882 |
| Net income | 23,254 | 19,371 |

Consolidated Statements of Cash Flows (Millions of yen)

 Current Term (From April 1, 2013, to March 31, 2014)
 Previous Term (From April 1, 2012, to March 31, 2013)

| | Current Term | Previous Term |
|--|-----------------|-----------------|
| Cash flows provided by operating activities | 36,453 | 22,872 |
| Cash flows used in investing activities | (32,908) | (12,607) |
| Cash flows used in financing activities | 13,183 | (5,002) |
| Cash and cash equivalents at end of year | 74,279 | 55,030 |

Corporate Data

Directory (As of March 31, 2014)

| | |
|----------------------------|---|
| 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 | 9,593 (Consolidated) 3,629 (Nonconsolidated) |

Domestic Network (As of March 31, 2014)

Factories and related centers Technology Development Center, Production Technology Center, Integrated Logistics Center, Parts Center, Oguchi Factory, Seto Factory, Asahi Factory, Akatsuki Factory

Branches Tohoku, Kanto, Chubu, Kansai, Kyushu

Domestic sales offices Hokkaido, Sendai, Niigata, Tokyo, Kita-Kanto, Higashi-Kanto, Minami-Kanto, Nagoya, Shizuoka, Hokuriku, Nagano, Osaka, Keji, Hyogo, Chugoku, Shikoku, Fukuoka

Domestic satellite offices (76 offices)

Other domestic offices 10 Training Centers, 2 Customer Centers

Board of Directors (As of June 27, 2014)

| | | | | | |
|--|-------------------------|-----------------------------|--------------------------|--|---------------------------|
| Chairman | Susumu Naito | Managing Executive Officers | Takashi Nagasaka | Corporate Auditors (Standing Auditors) | Yasuhiko Goto |
| Vice Chairman | Kenji Hayashi | | Yuzo Yoshida | | Toshinori Tsutsumi |
| President* | Hiroyasu Naito | Executive Officers | Sadao Yoshimura | Corporate Auditors | Kiyokira Fukui |
| Director and Executive Vice President | Tsunenori Narita | | Terumasa Kaneko | | Kinya Nankan |
| Director and Managing Executive Officers | Masao Kosugi | | Kinji Mori | Notes: 1. President (*) doubles as Executive Officer. | |
| Director | Yuji Kondo | | Yasuo Koketsu | 2. Nobuyuki Matsui (Director) serves as an outside director. | |
| | Nobuyuki Matsui | | Izuka Suzuki | 3. Kiyokira Fukui and Kinya Nankan (Corporate Auditors) serve as an outside auditor. | |
| | | | Kazuhiko Yamada | | |
| | | | Haruhiko Ishikawa | | |
| | | | Fuminobu Ishikawa | | |
| | | | Chuji Nakashima | | |
| | | | Takashi Sonoda | | |
| | | | Katsuhiko Shinji | | |

Share Composition (As of March 31, 2014)

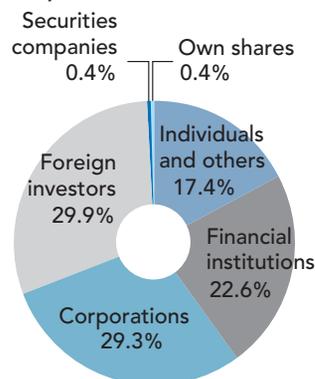
Number of shares

Authorized:
200,000,000

Outstanding:
52,216,463 (Including treasury stock)

Number of shareholders:
4,176

Composition of shareholders





Rinnai Group (As of March 31, 2014)

14 Domestic Subsidiaries

Manufacture of Products

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

Manufacture of Components

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

Sale of Products

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

Other Business

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

26 Overseas Subsidiaries and Affiliates

Holding Company/Sale of Products

- Rinnai Holdings (Pacific) Pte Ltd.

Sale of Products

- Rinnai America Corporation
- Rinnai Hong Kong Ltd.
- Rinnai Canada Holdings Ltd.
- Rinnai Plus Corp.
- Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.
- Rinnai (Malaysia) Sdn. Bhd.
- Rinnai UK Ltd.
- Rinnai Italia S.r.l.
- Guangzhou Rishangsheng Gas and Electric Appliances Sales Co.
- Hainan Rinnai Minsheng Kitchen Appliances Sales Co., Ltd.

Manufacture and Sale of Products

- Rinnai Australia Pty., Ltd.

- Rinnai New Zealand Ltd.
- Rinnai Taiwan Corporation
- Rinnai Korea Corporation
- Shanghai Rinnai Co., Ltd.
- Shanghai Rinnai Thermo Energy Engineering Co., Ltd.
- Rinnai (Thailand) Co., Ltd.
- Rinnai Viet Nam Co., Ltd.
- Rinnai Brasil Heating Technology Ltd.
- P.T. Rinnai Indonesia

Manufacture and Sale of Components

- RB Korea Ltd.
- RS Korea Ltd.
- Shanghai RB Controls Co., Ltd.
- Mikuni RK Corporation

Other Business

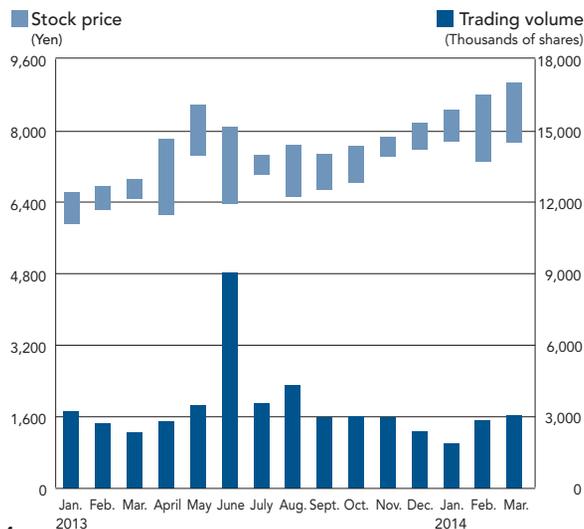
- Rinnai Services (MS) Corporation

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

Major Shareholders (As of March 31, 2014)

| Name | Shares held (Thousands) |
|--|-------------------------|
| Naito Co., Ltd. | 6,215 |
| Yoshikane Shoji Co., Ltd. | 4,002 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,829 |
| Kenji Hayashi | 2,502 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 2,453 |
| Susumu Naito | 1,250 |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 1,203 |
| Tokyo Gas Company, Limited | 784 |
| Nippon Life Insurance Company | 765 |
| JPMorgan Chase Bank, N.A. 385174 | 664 |

Stock Price Range



Memorandum for Shareholders

Financial year

From April 1 to March 31

Annual meeting of shareholders

Every June

Dates of record

Annual meeting of shareholders,

year-end dividend: March 31

Interim dividend: September 30

Minimum trading unit

100 shares

Public notice

Public notices by the Company will be announced online.

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

However, if due to accident or some other unavoidable reason that prevents the Company from completing an online announcement should arise, a public notice will be made by posting in the *Nihon Keizai Shimbun*.

Transfer agent

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005

Special account administrator

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005

Mailing and contact

Sumitomo Mitsui Trust Bank, Limited

Stock Transfer Agency Department

8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063

(Telephone)

Freedial 0120-782-031(9:00 am~17:00 pm on weekdays)

Transfer administration offices:

Sumitomo Mitsui Trust Bank, Limited

Head office, and branches throughout Japan

Stock Listings:

Tokyo Stock Exchange, First Section

Nagoya Stock Exchange, First Section

Inquiries Pertaining to Share-Related Procedures

1. Non-Payment of Dividends

Please contact the transfer agent (Sumitomo Mitsui Trust Bank, Limited; contact details above).

2. Change of address, purchases (or increases in purchases) of fractional shares, designation of dividend payment method, etc.

(1) Shareholders with account at a securities company

Please contact the securities company handling your account.

(2) Shareholders with a special account opened due to absence of account at a securities company

Please contact Sumitomo Mitsui Trust Bank, Limited

Dividend Calculation Notice

The Dividend Calculation Notice, sent to shareholders at the time of dividend payment, also functions as the Payment Notice according to regulations under the Act on Special Measures Concerning Taxation. This document can be used as a reference attachment when preparing final tax returns. The

Company will issue a Dividend Calculation Notice to shareholders who receive dividends by presenting the Year-End Dividend Receipt.

* Shareholders who prepare their own final tax returns are asked to keep the Dividend Calculation Notice in a safe place.

Notice regarding text to be used for shareholders' names and addresses

With the conversion to electronic stock certificates, shareholder names and addresses that include *kanji* characters not contained in JASDEC's giro system are converted, in whole or in part, to *kanji* characters recognized by JASDEC or to *katakana* text for inclusion in the Shareholder Register. Shareholders are asked to understand that notification documents sent to them may include characters in the name and/or address that have been converted to JASDEC-recognized text.

For inquiries about characters used in registration of shareholder names and addresses, please contact your securities company (or the transfer agent, in the case of shareholders with special accounts).