

# Rinnai

## Shareholders' Report

Vol. 46

67th Fiscal Year  
(April 1, 2016 to March 31, 2017)





Hiroyasu Naito  
President

In the last fiscal year (April 1, 2016–March 31, 2017), the world economy was characterized by heightened uncertainty amid ongoing economic slowdowns in China and other emerging Asian nations, as well as the decision of the United Kingdom to exit the European Union. Moreover, in the United States, concerns about policies of the new administration could not be allayed, making the outlook difficult to predict. Meanwhile, moderate economic growth continued in Japan, reflecting improvements in employment and worker income conditions and a turnaround in personal consumption.

The domestic housing appliance industry was buoyed by an increase in new housing starts stemming from various government measures to support residential purchases, as well as lower home loan interest rates. Replacement demand for reliable housing appliances also firmed.

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

With respect to revenue, we reported a year-over-year increase in net sales thanks to healthy sales of water heaters in China and the United States, as well as the addition of Gastar Co., Ltd., which became a consolidated subsidiary. This was despite the impact of the yen’s appreciation. On the earnings side, we posted a decrease in operating income due to a rise in the sales ratio for low-priced products in Japan, as well as depressed unit sales of kitchen appliances and home heaters. The Company declared a year-end cash dividend of ¥44.00 per share, up ¥2.00 from a year earlier. This brought total annual dividends to ¥86.00 per share, up ¥4.00 year-over-year.

Sadly, Susumu Naito, former representative director and chairman, passed away on March 20, 2017 due to pneumonia. I would like to take this opportunity to thank everyone deeply for their close support during his lifetime. Going forward, the Rinnai Group will not deviate from its path. We will continue reforming our business model while keeping ahead of various changes in the operating environment, with the aim of establishing the Rinnai brand as a comprehensive manufacturer of heat and energy appliances.

June 2017

Hiroyasu Naito  
President

## Deploying our technologies and track record, amassed in Japan, to advance into global markets and establish our brand as a comprehensive manufacturer of heat and energy appliances.

### Fiscal 2017 in Review

#### Q Please give an overview of business conditions in Japan and overseas.

In fiscal 2017, ended March 2017, we generated steady sales, mainly of water heaters, in the strategic markets of China and the United States. This was despite the effect of the yen's appreciation. In Japan, Gastar Co., Ltd. became a consolidated subsidiary in April 2016, which contributed to revenue. However, our domestic results were affected by a temporary increase in the sales ratio for low-priced products, such as standalone water heaters, amid talk about inheritance taxes and other government measures, as well as weak unit sales of kitchen appliances and room heaters. As a result, consolidated net sales for the year amounted to ¥330.2 billion, up 3.2% from the previous year, and operating income edged down 1.6%, to ¥34.0 billion.

### Medium-term business plan: Evolution and Succession 2017

#### Q What are the priorities of the medium-term business plan and your path to long-term growth?

Under our medium-term business plan, entitled Evolution and Succession 2017, each Group company is targeting "evolution" through "succession" of Rinnai's commitment to product quality and manufacturing, guided by "Quality is our destiny," our basic philosophy since our foundation. Specifically, we will advance our business model to increase the sophistication of our system-based offerings, form global technological alliances, and strengthen our non-gas-related products. At the forefront of our minds is the development of products and services in new areas of our lives.

Rinnai has a market presence in Japan, industrialized countries, and overseas emerging nations. Common to all of these markets are changing individual business conditions and a shift



Hiroyasu Naito, President

towards advanced, environmentally friendly, energy-efficient equipment. Responding to such market needs, the Rinnai Group will target renewed growth as a comprehensive manufacturer of heat and energy appliances in the lead-up to its 100th anniversary in 2020. In this way, we will target the long-term growth of Rinnai by implementing our business model, which entails leveraging our heat-based technologies to deliver products and services that benefit society in a timely manner and thus resolve various issues in our lives.

Towards 2020 (Rinnai's 100th anniversary): Dramatic progress as a comprehensive manufacturer of heat and energy appliances

#### Aspirations

##### Product vision

Comprehensive energy appliance manufacturer that contributes to local environments

##### 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

### Medium-term business plan: Evolution and Succession 2017

(April 2015–March 2018)

#### Evolution challenges

1. Respond to changing environment
2. Pursue core priorities aimed at evolution
3. Innovate our business model

#### Succession of Rinnai spirit

1. Commitment to "heat and lifestyles"
2. "Quality is our destiny"
3. Contribution to local communities

	Fiscal 2016 (Result)	Fiscal 2017 (Result)	Fiscal 2018 (Plan)
Net sales (Billions of yen)	319.9	330.2	340.0
Operating income (Billions of yen)	34.5	34.0	37.0
Operating margin	10.8%	10.3%	10.9%

**Q What are your thoughts on the impact of energy deregulation in Japan, and what are your efforts to address it?**

In April 2016, residential electricity retailing in Japan was completely deregulated, and deregulation of the gas retail sector began in April 2017. As a result, competition among gas appliance manufacturers has intensified, and the quest to capture market share has led to price competition in some areas. The Rinnai Group views energy deregulation as an opportunity to cultivate new sales channels. In light of the need to reduce carbon dioxide emissions, which remain high, and address demand for environmental responses, we maintain a strategy centered on high-value-added products that are not impacted by price competition from a medium-term perspective.

**Q What is your strategy to address domestic needs?**

Japan has identified reduction of carbon dioxide emissions from the residential sector as a major national priority. In this context, we will work to expand sales of our *ECO ONE* hybrid water heater with heating system that uses a combination of high-efficiency *Eco Jozu* water heater and an electric heat pump, as well as system-based products that use *Eco Jozu* as the heat source. Indeed, more and more LP gas providers and housing-related companies are adopting our *ECO ONE* systems as a powerful tool for realizing Zero Energy Houses (ZEHs\*). To prepare for increased production, we completed a new facility within the Akatsuki Factory in April 2017.

In addition, we are enjoying steady sales of products that address social challenges. These include bathroom heater/dryers that help prevent heat shock and gas clothes dryers for use in

seasons when hanging clothes outside is not recommended.

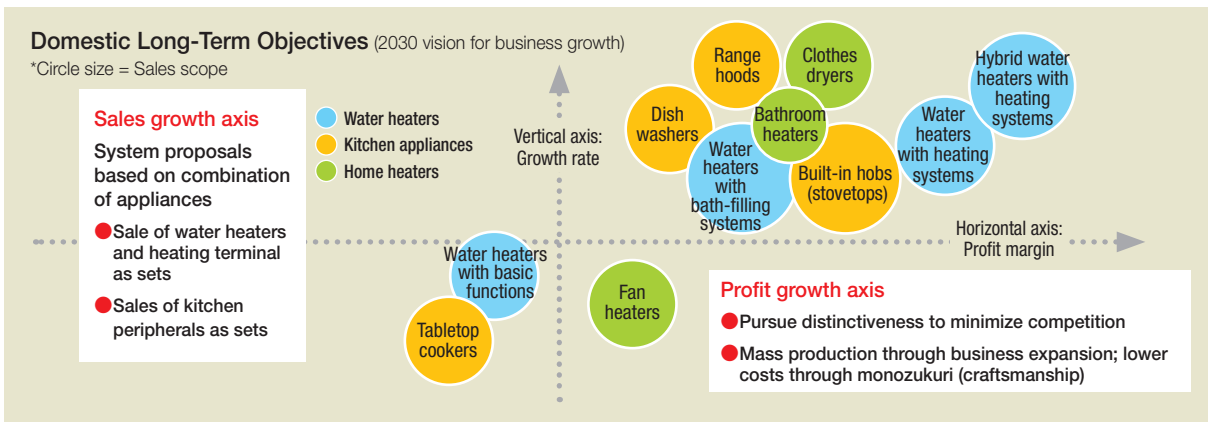
In the kitchen appliance sector, meanwhile, we are earning acclaim for highly functional products that increase convenience. These include the *DELICIA* series of stoves incorporating an automatic cooking function when connected to a smartphone, as well as range hoods that operate automatically in connection with stoves.

\* ZEH: Short for "Net Zero Energy House." This entails saving energy and generating power from solar and other sources to create houses that consume zero net primary energy (from cooling, heating, lighting, and ventilation) annually.

**Q Please describe business conditions in your strategic markets of China and the United States.**

In China, we are enjoying healthy sales of medium- and high-priced water heaters amid the proliferation of natural gas and expansion of the middle-income segment of the market. In response, we started full-scale operation of a new factory in Shanghai's Fengxian District in December 2016. Going forward, Shanghai Rinnai and Guangzhou Rinnai Gas and Electric Appliance will spearhead efforts to expand sales of system-based products, such as kitchen appliances and range hoods, in addition to water heaters for high-end homes throughout China.

In the United States, as in Japan, there is a progressive shift from storage-type (tank-based) water heaters towards tankless water heaters with exceptional environmental and comfort-related performances. In 2016, Rinnai America achieved its two millionth cumulative unit sale of tankless water heaters, which also benefited from restoration of a tax-rebate system. Going forward, we will expedite efforts to boost sales by introducing water heaters developed exclusively for the U.S. market while preparing to establish production bases in that nation.



**Q Please describe your technological network and other aspects of your global strategies.**

In fiscal 2017, overseas sales amounted to ¥149.7 billion, or 45.4% of consolidated net sales. Over the medium term, we are targeting overseas sales of around ¥200 billion, or around 50% of net sales. In addition to subsidiaries already consolidated—including in the United States, Australia, China (Shanghai Rinnai), South Korea, Indonesia, Brazil, Taiwan, and New Zealand—we anticipate growth among nonconsolidated Group members, such as Rinnai Italia and Guangzhou Rinnai Gas and Electric Appliance. We are also expanding our business in new markets, including Myanmar, Cambodia, the Philippines, and other Southeast Asian nations, as well as in the Middle East, where we have a base in Dubai.

The Rinnai Group has a basic policy of local production and local sales matched to the needs of each country and region. Thanks to this policy, the quality of the Rinnai brand is valued highly and uniformly across our markets. Seeking further improvements in product quality and cost efficiency, we will build a global technological network that leverages basic Rinnai technologies from Japan to strengthen collaborations between Group companies. This means exploiting our strengths in each production region—such as water heaters in China, high-efficiency boilers in South Korea, stovetops in Southeast Asia, and commercial continuous-flow water heaters in Australia—to promote our products across the broader global market. As the first step in this process, we plan to introduce high-efficiency global boilers, manufactured in South Korea and jointly designed with our team in Japan, into the U.S. market in 2017.

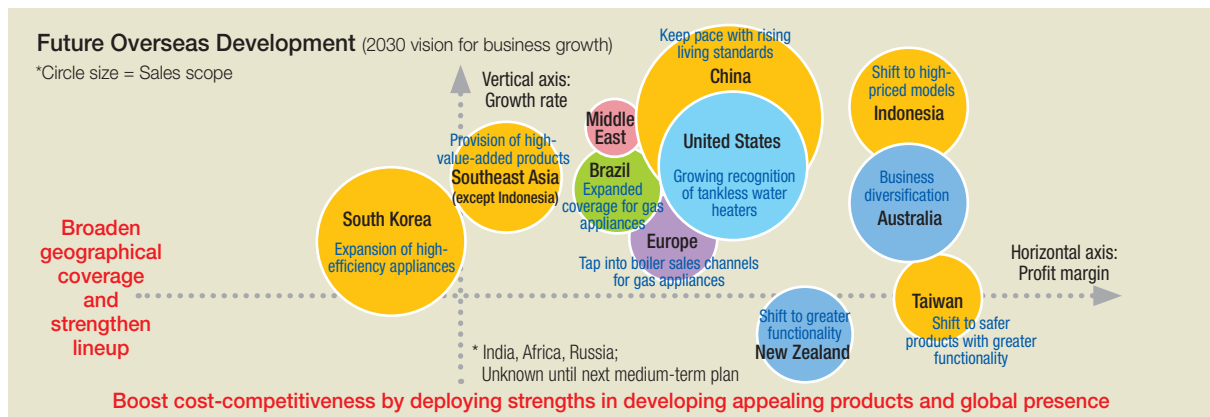
**Q Please describe the status of your corporate governance initiatives.**

In recent years, we have been strengthening corporate gover-

nance, including increasing the number of outside directors by two. Our basic belief is that company transparency is essential to building deep, win-win relationships with all stakeholders, and that legal compliance goes hand in hand with strengthening our corporate foundation and helps us comprehensively manage risk. As our business becomes more global in nature, we are cooperating with our accounting auditor and otherwise striving to entrench compliance across the entire Group. Under our commitment to protecting employees' mental health, meanwhile, we have hired a dedicated public health nurse to a full-time position, in an effort to maintain a sound workplace environment. As a result, Rinnai Corporation was included in the "Health and Productivity Index 2017" presented by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, for the second successive year.

**Q Do you have a concluding message for shareholders?**

Fiscal 2017 was our 15th consecutive period of year-over-year increases in annual cash dividends. Our basic policy is to continue delivering business growth, not over the short term but from medium- and long-term perspectives, and thus return profits to shareholders in a reliable manner. In Japan, we view changes in the operating environment, including deregulation of the electricity and gas sectors, as business opportunities. For our meticulous Japanese customers who demand unparalleled world-level product quality, we will develop and provide high-value-added products, and we will deploy such know-how and continue our track record across the world market. Through this virtuous cycle, we will broaden and enhance our business as a comprehensive manufacturer of heat and energy appliances. We look forward to the continued understanding and support of all stakeholders.



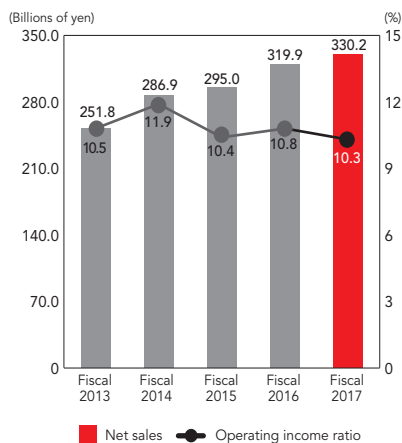
# Consolidated Business Results for Fiscal 2017

(Year ended March 31, 2017)

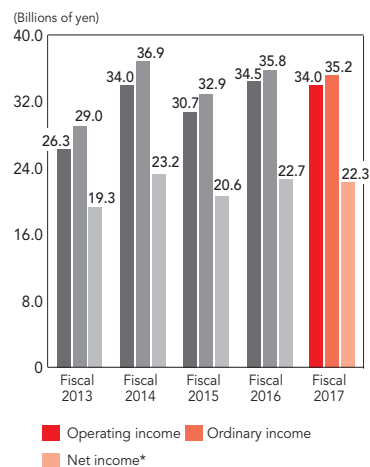
## Performance Highlights

- New record-high figure for net sales
- Net sales up for seventh consecutive year, buoyed by healthy sales of water heaters in China and United States, as well as consolidation of Gastar Co., Ltd.
- Annual dividends of ¥86.00 per share, representing the 15th consecutive period of year-over-year dividend increases

### Net sales, operating income ratio

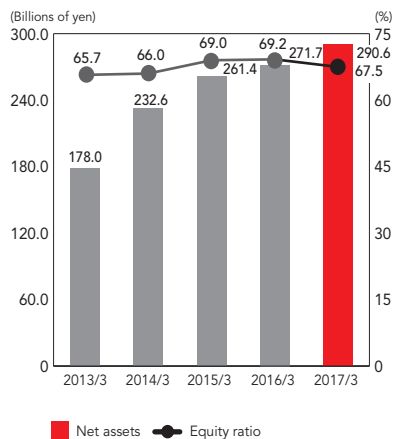


### Operating income, ordinary income, net income

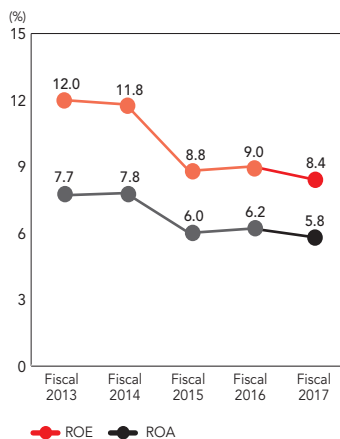


\* Net income Attributable to Owners of the Parent Company

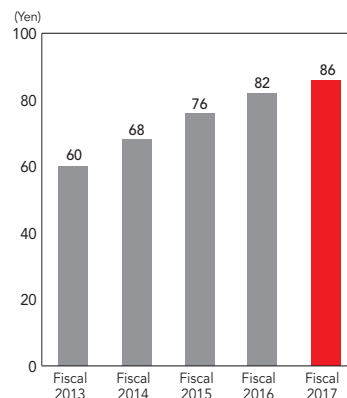
### Net assets, equity ratio



### ROE, ROA



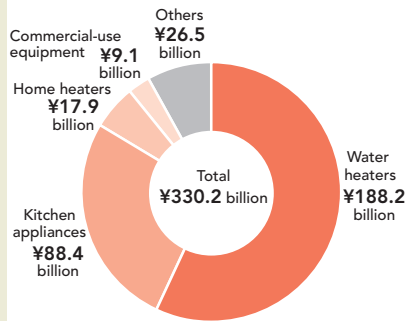
### Dividends per share (annual)



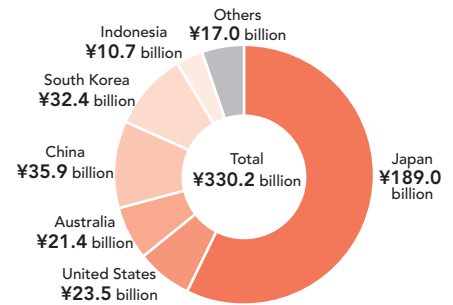
## Highlights by Product Segment

- **Water heaters: Increase in segment sales** supported by steady replacement demand in Japan, as well as healthy sales of water heaters in China and United States
- **Kitchen appliances: Lower sales of tabletop cookers in Japan and increase in sales of low-priced products led to a decline in segment sales**
- **Home heaters, commercial-use equipment, and others: Decrease in segment sales** due to year-over-year decline in sales of kitchen appliances in Japan and Australia

### Net sales by product

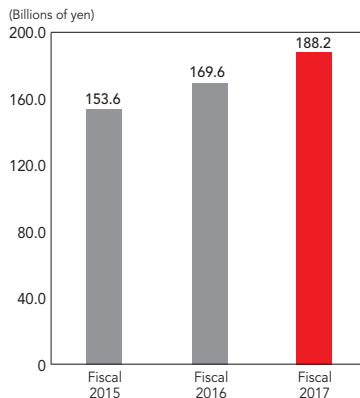


### Net sales by region

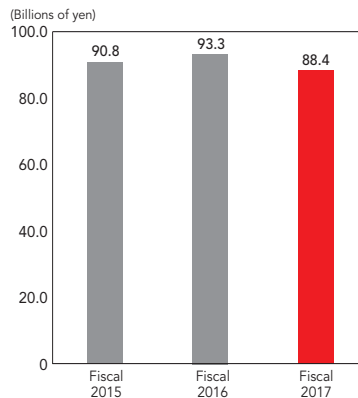


Principal products	Principal Products
<b>Water heaters</b>	Tankless water heater with basic functions, bath-filling systems, heating systems, and hybrid water heater with heating systems
<b>Kitchen appliances</b>	Tabletop cookers, built-in hobs (stovetops), ovens, dishwashers, range hoods and rice cookers
<b>Home heaters</b>	Fan heaters, fanned flue heaters and infrared heaters
<b>Commercial-use equipment</b>	Commercial-use ceramics griller, ranges and rice cookers
<b>Others</b>	Clothes dryers, infrared burners and components

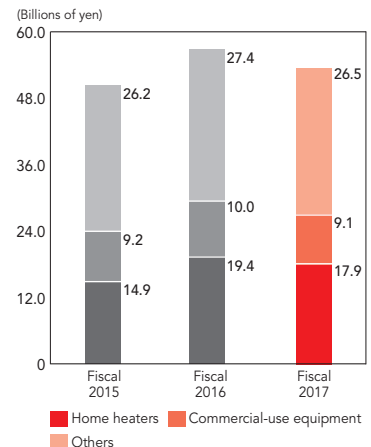
### Sales of water heaters



### Sales of kitchen appliances



### Sales of home heaters, commercial-use equipment, and others

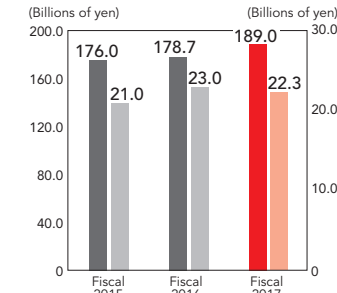


# Consolidated Business Results for Fiscal 2017 (Year ended March 31, 2017)

## Financial Data

### Highlights by Regional Segment

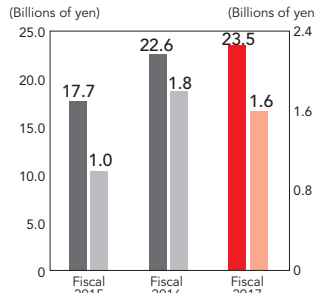
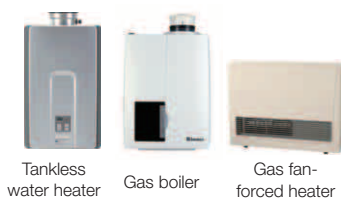
#### Japan



**Higher sales but lower income** as solid replacement demand for water heaters contrasted with increased sales of low-priced products

■ Net sales ■ Operating income

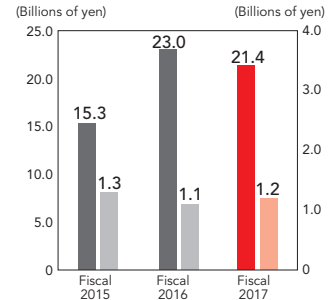
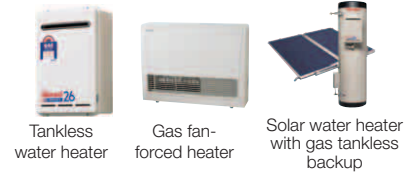
#### United States



Despite healthy sales of energy-efficient tankless water heaters, the impact of the yen's appreciation led to **higher sales but lower income**

■ Net sales ■ Operating income

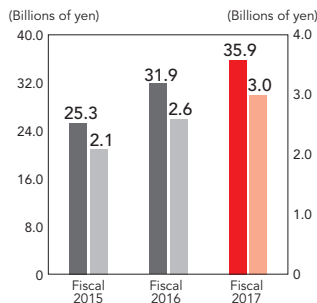
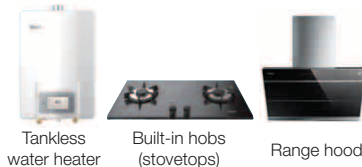
#### Australia



Lower sales due to sales decline for tankless water heaters and yen's appreciation, but **increase in income** thanks to cost-cutting efforts

■ Net sales ■ Operating income

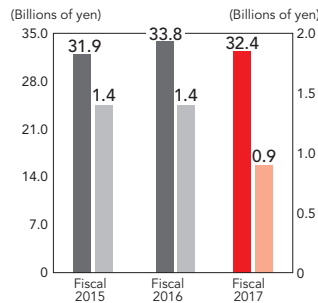
#### China



**Higher sales and income** owing to increase in gas appliance users, reflecting expanded gas infrastructure, and improved product functionality

■ Net sales ■ Operating income

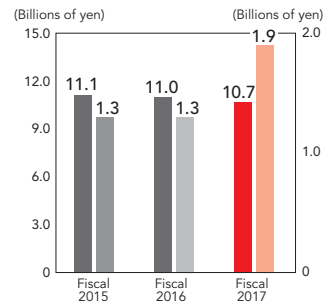
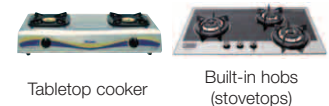
#### South Korea



Yen's appreciation led to **lower sales and lower income** despite healthy sales of boilers stemming from increases in new housing starts and replacement demand

■ Net sales ■ Operating income

#### Indonesia



Appreciation of yen led to lower sales despite recovery in demand for tabletop cookers, but improvements in cost of sales resulted in **higher income**

■ Net sales ■ Operating income

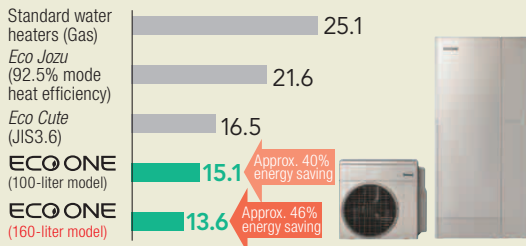


## Fostering proliferation of energy-efficient homes **ECO ONE lineup upgraded** Launch of 160-liter model

Rinnai's new hybrid water heater with heating system, to be launched in August 2017, features greater energy-saving benefits than before, achieving primary water heater energy efficiency of 156%\*, the highest in the industry. With energy-saving benefits unparalleled in the water heater with heating system sector, the new product contributes to both energy savings and comfort in new homes.

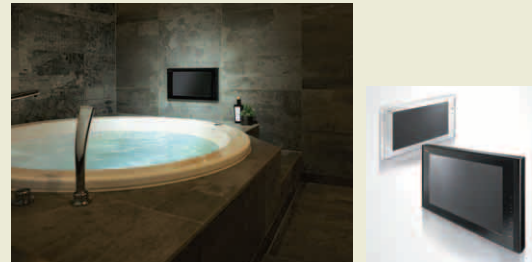
\* Rinnai research

### Water Heater Primary Energy Consumption (GJ/year)



## Experience highly realistic image and sound quality in the bathroom **Launch of 16V digital HD bathroom TV**

Released in April 2014, the new product incorporates a BS 110-degree CS digital broadcasting tuner, as well as terrestrial digital broadcasting capability, within the TV's main body. Other features include sleek design, black or white color variation depending on bathroom scheme, and flat shape with touch switches allowing fingertip operation. It is also easy to clean.



## Compact model (60cm deep) can be installed in kitchens **Launch of C402C Series of dishwasher/dryers**

Released in May 2017, this new series of dishwasher/dryers features greater ease of use and incorporates functions that reflect customer feedback, while retaining compactness allowing compatibility with diverse kitchen layouts.

### Features of new series

- Smart design
- Printed signs showing ideal crockery placement enhances ease of use
- Cleaning power enhanced by fine-particle steam, arc-shaped upper basket, and two-stage nozzle
- Silver ions form antimicrobial coat



## Selected for two consecutive years **Rinnai included in "Health and Productivity Index 2017"**

Rinnai Corporation was included in the "Health and Productivity Index 2017" presented by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. This index shows a selection of TSE-listed companies that strategically practice employee health management from a business perspective and offer appeal to investors for emphasizing improvements in corporate value based on long-term perspectives. Rinnai has set up a dedicated department within its Human Resources Department and is working hard to maintain and improve the health of its employees based on a three-part system of health insurance association, employees' association, and the Company.

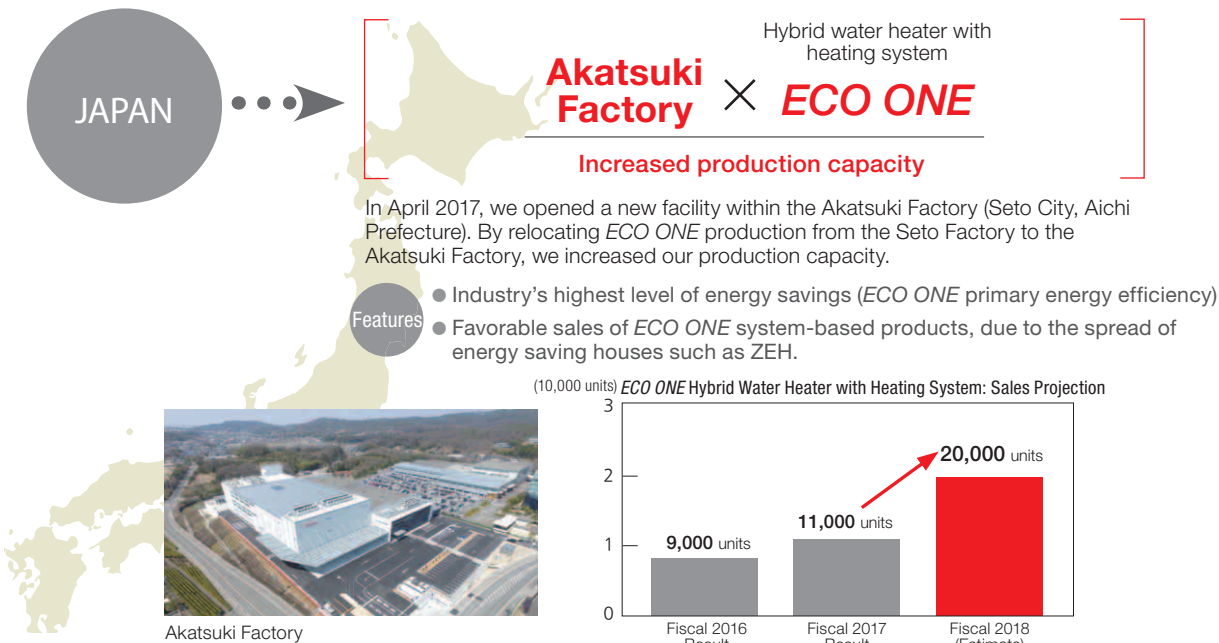


Sports festival organized by employees' association

## Special Feature

# Expansion and Reinforcement of Domestic and Overseas Production Bases—Strategy for Further Advancement

In Japan, we are expanding and reinforcing the Oguchi Factory and Seto Factory, in addition to opening a new facility within the Akatsuki Factory, with the aim of building a production system for system-based offerings underpinned by *ECO ONE*. Overseas, we are addressing market expansion and growing demand by constructing various facilities, including a new plant in China to make gas appliances, mainly water heaters, as well as a plant in Australia to manufacture storage-type water heaters. In these ways, we are making strategic investments aimed at sustained growth.



### *ECO ONE* awarded “Energy Conservation Center Chairman’s Prize” for fiscal 2016

(Presented by The Energy Conservation Center, Japan (ECCJ))

Second ECCJ award, following “Minister of Economy, Trade and Industry Prize” in fiscal 2013

In addition to achieving the industry's highest primary energy consumption reduction rate for hot water supply—thanks to improved efficiency of the hybrid system—the ECCJ award recognizes various features of *ECO ONE*. These include more energy-efficient floor heating, as well as improved convenience thanks to smartphone compatibility, solar power generation mode, and switchability to independent operation via domestic storage batteries.

## ECO ONE



CHINA

## Shanghai Rinnai × Gas water heaters/boilers and gas stoves

### Establishment of production system for gas boilers and stoves

To meet growing demand in China for gas appliances, Shanghai Rinnai Co., Ltd. has shifted production from the Pudong Factory to a newly established facility in Shanghai's Fengxian District capable of manufacturing 1,000,000 boilers and 500,000 gas stoves annually. The new facility began full-scale operation after the relocation was completed in December 2016.



Shanghai Rinnai's new factory

Features

- Proliferation of natural gas and ongoing expansion of gas appliance market in China
- Steady sales on high-end and mid-range water heaters
- Online sales showing healthy growth in China



AUSTRALIA

## Rinnai Australia × Electric storage-type water heaters

### Factory completed for local production of electric storage-type water heaters

In addition to selling mainstay instant-heating (tankless) water heaters., Rinnai Australia imports and sells around 40,000 storage-type (tank-based) water heaters annually. Seeking to better capture demand for storage-type water heaters and improve profitability given the Australian dollar's depreciation, Rinnai Australia decided to manufacture storage-type water heaters locally. It purchased land and buildings and completed a new facility for this purpose in April 2017. Rinnai Australia plans to produce 100,000 water heaters annually at the factory by 2020.



Rinnai Australia's new factory

Features

- Rinnai Australia is the top manufacturer of gas appliances for the local market
- Sales of Rinnai gas tankless water heaters are also steadily increasing
- Local demand for conventional storage-type water heaters remains high, accounting for 60% of water heater market



# Financial Data

## Consolidated Balance Sheets (Millions of yen)

Current Term (As of Marh 31, 2017)

Previous Term (As of Marh 31, 2016)

	Current Term	Previous Term		Current Term	Previous Term
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>237,671</b>	<b>216,480</b>	<b>Current liabilities</b>	<b>91,568</b>	<b>82,730</b>
Cash and deposits	115,225	100,528	Notes and accounts payable	22,205	23,163
Notes and accounts receivable	62,547	61,282	Electronically recorded obligations	33,891	28,155
Electronically Recorded Monetary			Other payables	13,169	11,409
Claims	7,540	4,926	Accrued consumption taxes	1,412	1,412
Marketable securities	8,563	8,036	Accrued income taxes	6,012	5,053
Products	24,839	23,461	Accrued employees' bonuses	4,290	4,025
Raw materials and stores	13,963	12,608	Allowance for product guarantee	3,952	3,436
Deferred taxes assets	3,581	3,488	Other	6,624	6,073
Other	2,391	2,748	<b>Long-term liabilities</b>	<b>22,118</b>	<b>15,806</b>
Less allowance for doubtful			Deferred tax liabilities	7,452	6,058
accounts	(982)	(600)	Allowance for environmental measures	2,255	—
<b>Fixed assets</b>	<b>166,653</b>	<b>153,766</b>	Accrued employees' retirement benefits	9,484	6,349
<b>Property, plant and equipment</b>	<b>78,175</b>	<b>63,299</b>	Other	2,926	3,398
Buildings and structures	27,489	20,285	<b>Total liabilities</b>	<b>113,686</b>	<b>98,537</b>
Machinery and vehicles	13,539	13,076	<b>Net Assets:</b>		
Tools and fixtures	4,868	4,896	<b>Shareholders' equity:</b>	<b>261,536</b>	<b>243,558</b>
Land	22,939	17,061	Common stock	6,459	6,459
Leased assets	243	186	Capital surplus	8,756	8,719
Construction in progress	9,094	7,793	Earned surplus	247,327	229,372
<b>Intangible fixed assets</b>	<b>6,853</b>	<b>5,887</b>	Treasury stock	(1,007)	(993)
<b>Investments and advances</b>	<b>81,624</b>	<b>84,579</b>	<b>Other comprehensive income:</b>	<b>11,241</b>	<b>12,515</b>
Investments in securities	59,725	64,133	Unrealized gain on marketable securities	4,883	4,066
Net defined benefit assets	17,234	16,603	Foreign exchange translation		
Deferred income taxes	1,620	988	adjustment	3,047	5,288
Other	3,426	3,261	Remeasurements of defined		
Less allowance for			benefit plans	3,310	3,160
doubtful accounts	(382)	(406)	<b>Minority interests</b>	<b>17,860</b>	<b>15,636</b>
<b>Total assets</b>	<b>404,325</b>	<b>370,246</b>	<b>Total net assets</b>	<b>290,638</b>	<b>271,709</b>
			<b>Total liabilities and net assets</b>	<b>404,325</b>	<b>370,246</b>

## Consolidated Statements of Income (Millions of yen)

Current Term (From April 1, 2016, to March 31, 2017)  
Previous Term (From April 1, 2015, to March 31, 2016)

	Current Term	Previous Term
<b>Net sales</b>	<b>330,256</b>	<b>319,935</b>
Cost of sales	221,355	216,454
Gross profit	108,900	103,480
Selling, general and administrative expenses	74,844	68,886
<b>Operating income</b>	<b>34,056</b>	<b>34,593</b>
Other income	2,210	2,084
Other expenses	986	870
<b>Ordinary income</b>	<b>35,280</b>	<b>35,807</b>
Extraordinary income	253	271
Extraordinary losses	530	182
Income before income taxes	35,003	35,896
Income taxes	9,859	10,866
Income before minority interests	25,143	25,030
Minority interests	2,821	2,319
<b>Net income</b>	<b>22,322</b>	<b>22,710</b>

## Consolidated Statements of Cash Flows (Millions of yen)

Current Term (From April 1, 2016, to March 31, 2017)  
Previous Term (From April 1, 2015, to March 31, 2016)

	Current Term	Previous Term
<b>Cash flows provided by operating activities</b>	<b>39,554</b>	<b>36,066</b>
<b>Cash flows used in investing activities</b>	<b>(17,732)</b>	<b>(17,770)</b>
<b>Cash flows used in financing activities</b>	<b>(5,217)</b>	<b>(6,554)</b>
<b>Cash and cash equivalents at end of year</b>	<b>95,297</b>	<b>79,600</b>

## Directory (As of March 31, 2017)

<b>Incorporated</b>	September 1, 1920
<b>Established</b>	September 2, 1950
<b>Paid-in capital</b>	¥6,459,746,974
<b>Head office</b>	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802 TEL: +81-52-361-8211
<b>Number of employees</b>	10,512 (Consolidated) 3,642 (Nonconsolidated)

## Domestic Network (As of March 31, 2017)

**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, Kita-Tohoku, Sendai, Niigata, Tokyo, Kita-Kanto, Higashi-Kanto, Minami-Kanto, Tokai, Shizuoka, Hokuriku, Nagano, Osaka, Keji, Hyogo, Chugoku, Shikoku, Fukuoka

**Domestic satellite offices** (86 offices)

**Other domestic offices** 10 Training Centers, 2 Customer Centers

## Board of Directors (As of June 28, 2017)

Chairman	<b>Susumu Naito</b>	Managing Executive Officers	<b>Takashi Nagasaka</b>	Corporate Auditors (Standing Auditors)	<b>Takashi Sonoda</b>
Vice Chairman	<b>Kenji Hayashi</b>		<b>Yuzo Yoshida</b>		<b>Haruhiko Ishikawa</b>
President and Executive Officer	<b>Hiroyasu Naito</b>		<b>Terumasa Kaneko</b>	Corporate Auditors	<b>Masaaki Matsuoka</b>
Director and Executive Vice President	<b>Tsunenori Narita</b>	Executive Officers	<b>Kinji Mori</b>		<b>Ippei Watanabe</b>
Director and Senior Managing Executive Officers	<b>Masao Kosugi</b>		<b>Yasuo Koketsu</b>		
Director	<b>Yuji Kondo</b>		<b>Fuminobu Ishikawa</b>		
	<b>Nobuyuki Matsui</b>		<b>Chuji Nakashima</b>		
	<b>Takashi Kamio</b>		<b>Shinji Tanaka</b>		
			<b>Kazuhiko Matsumoto</b>		
			<b>Kenji Endo</b>		
			<b>Masanori Shimizu</b>		
			<b>Kazuto Inoue</b>		
			<b>Katsuhiko Shinji</b>		

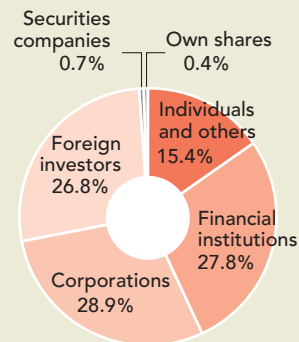
Notes: 1. Nobuyuki Matsui and Takashi Kamio (Directors) serve as an outside director.  
2. Masaaki Matsuoka and Ippei Watanabe (Corporate Auditors) serve as an outside auditor.

## Share Composition (As of March 31, 2017)

### Number of shares

<b>Authorized:</b>	200,000,000
<b>Outstanding:</b>	52,216,463 (Including treasury stock)
<b>Number of shareholders:</b>	4,002

### Composition of shareholders



## Rinnai Group (As of March 31, 2017)

### 15 Domestic Subsidiaries

#### Manufacture of Products

- Yanagisawa Manufacturing Co., Ltd.
- Rinnai Technica Co., Ltd.
- Gastar 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
- Other three companies

### 30 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.
- Shanghai Rinnai Thermo Energy Engineering Co., Ltd.

#### ■ Rinnai Plus Corp.

#### ■ Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.

#### ■ Rinnai (Malaysia) Sdn. Bhd.

#### ■ Rinnai UK Ltd.

#### ■ Rinnai Italia S.r.l.

#### ■ 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.
- Rinnai (Thailand) Co., Ltd.
- Rinnai Viet Nam Co., Ltd.
- Rinnai Brasil Heating Technology Ltd.
- P.T. Rinnai Indonesia
- Brivis Climate Systems

#### Manufacture and Sale of Components

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

#### Other Business

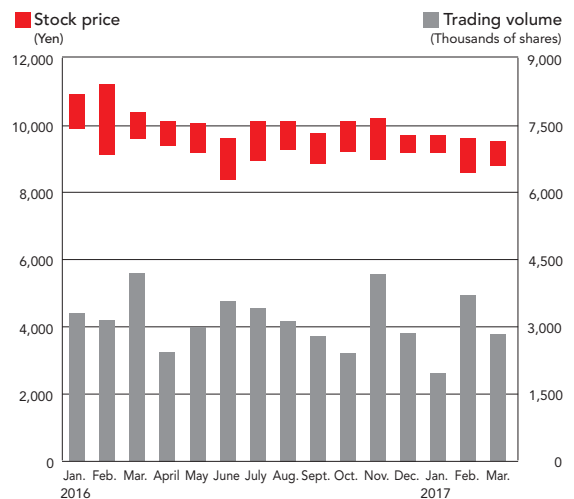
- Gas Appliance Services Corporation
- Other four companies

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

## Major Shareholders (As of March 31, 2017)

Name	Shares held (Thousands)
Naito Co., Ltd.	6,215
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,105
Yoshikane Shoji Co., Ltd.	4,002
Kenji Hayashi	2,502
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,253
Japan Trustee Services Bank, Ltd. (Trust Account)	1,762
Tokyo Gas Company, Limited	784
Nippon Life Insurance Company	720
HSBC-FUND SERVICES CLIENTS A/C 500	718
Japan Trustee Services Bank, Ltd. (Trust Account 5)	655

## Stock Price Range



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## Financial year

From April 1 to March 31

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## Annual meeting of shareholders

Every June

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## Dates of record

Annual meeting of shareholders,

year-end dividend: March 31

Interim dividend: September 30

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## Minimum trading unit

100 shares

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## 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*.

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## 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

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## 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

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## 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 an 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).