

On the Initiation of Discussions Regarding the Transfer of Gastar Co., Ltd. Management Rights

Tokyo Gas Co., Ltd.

Lixil Corporation

Rinnai Corporation

Tokyo Gas Co., Ltd. (Michiaki Hirose, President; hereinafter “Tokyo Gas”), Lixil Corporation (Yoshiaki Fujimori, President; hereinafter “LIXIL”), and Rinnai Corporation (Hiroyasu Naito, President; hereinafter “Rinnai”) have reached a basic agreement on initiating discussions with the aim of transferring management rights to Gastar Co., Ltd. (Hisao Watanabe, President; hereinafter “GASTAR”) from Tokyo Gas to Rinnai.

GASTAR (ownership ratio: Tokyo Gas, 66.7%, LIXIL, 22.2%, Rinnai, 11.1%) is a consolidated subsidiary of Tokyo Gas engaged in the manufacture and sale of water heaters, bathtub water heaters, and other gas appliances.

Tokyo Gas has made the “construction of a new group formation” a main policy for 2015-2017 toward realizing “Challenge 2020 Vision,” and to this end has implemented a review of the selection and concentration of the functions and business of its affiliated companies. Regarding the gas appliances business, Tokyo Gas has arrived at a decision to withdraw from direct manufacturing to better focus on strengthening its sales operations, which are more closely tied to its customers and maximize the company’s strengths.

In accordance with this policy, Tokyo Gas, LIXIL and Rinnai have agreed to enter into discussions on transferring management rights to GASTAR to Rinnai, a leader in gas equipment manufacturing and sales and a GASTAR shareholder, with the post-transfer investment ratio to be set at Rinnai 90% and Tokyo Gas 10%. The companies are further discussing the possibility of transferring GASTAR’s air conditioning business to an affiliated company of Tokyo Gas at the time of the transfer, transitioning away from the current GASTAR route to direct transactions between Tokyo Gas and LIXIL for LIXIL household equipment, and other related matters. The intent is to conclude discussions by April 2016, with the transfer of management rights to be completed no later than the end of September 2016.

The three companies will proceed with their deliberations, and will promptly announce their decision if an agreement is reached on concluding a formal contract.

[Reference] Overview of GASTAR

(Results for the fiscal year ended March 2015)

Name	Gastar Co., Ltd.
President	Hisao Watanabe
Headquarters	Yamato City, Kanagawa Prefecture
Established	August 1959
Business	(1) Hot water equipment business (manufacture & sale of hot water heaters) (2) Air conditioning business (sale & repair of gas heat-pump air conditioners and other equipment) (3) Household equipment business (sale of LIXIL household equipment) (4) Building rental business (warehouse rentals)
Investment ratio	Tokyo Gas 66.7%, LIXIL 22.2%, Rinnai 11.1%
Financials	Sales: ¥35.7 billion; Operating profit: ¥2.6 million; Assets: ¥31.5 billion; Liabilities: ¥10.1 billion
Employees	797