

Nonconsolidated Interim Financial Results

(April 1 to September 30, 2005)

November 17, 2005

Listed Company Name: Rinnai Corporation

Listings: First Section of the Tokyo and Nagoya Stock Exchanges

Code No.: 5947 (URL <http://www.rinnai.co.jp>)

Location of Head Office: Aichi, Japan

Representative: Hiroyasu Naito, President

Contact: Tsutomu Miyata, Director; Senior Executive Officer of Administration

TEL: (052) 361-8211

Date of the Board of Directors Meeting on the Settlement of Accounts: November 17, 2005

Dividend Payment Date: December 9, 2005

Interim Dividend System: Yes New Trading Unit System: Yes (100 shares)

1. Performance for the Six Months Ended September 30, 2005

(April 1 – September 30, 2005; amounts less than one million are omitted)

(1) Operating Results

(¥ millions)

	Net Sales (YOY % change)	Operating Income (YOY % change)	Ordinary Income (YOY % change)
September 30, 2005	68,205 (-1.5)	1,037 (-48.5)	2,213(-23.6)
September 30, 2004	69,244 (1.2)	2,014 (-37.1)	2,896(-18.6)
March 31, 2005	151,414	5,487	7,168

	Net Income (YOY % change)	Net Income per Share (¥)
September 30, 2005	1,252 (-29.0)	23.21
September 30, 2004	1,763 (-14.3)	32.54
March 31, 2005	4,145	76.61

Notes:

1. Number of average shares (nonconsolidated)

Six months to September 30, 2005: 53,971,345 shares

Six months to September 30, 2004: 54,195,726 shares;

Year to March 31, 2005: 54,116,642 shares

2. Changes in accounting policy: None

3. Percentage figures for net sales, operating income, ordinary income, and (interim) net income columns indicate increase or decrease from the previous corresponding term.

(2) Dividends

(¥)

	Dividend per Share (Interim)	Dividend per Share (Annual)
September 30, 2005	14.00	—
September 30, 2004	13.00	—
March 31, 2005	—	26.00

(3) Financial Position

(¥ millions)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (¥)
September 30, 2005	138,082	100,481	72.8	1,854.45
September 30, 2004	135,249	98,080	72.5	1,809.80
March 31, 2005	138,469	98,558	71.2	1,835.81

Note:

1. Number of shares outstanding at term-end:

September 30, 2005: 54,184,113 shares

September 30, 2004: 54,194,134

March 31, 2005: 53,686,903 shares

2. Number of treasury stock shares at term-end:

September 30, 2005: 32,350

September 30, 2004: 1,593,329

March 31, 2005: 529,560 shares

2. Forecast for Fiscal Year Ending March 31, 2006

(April 1, 2005 – March 31, 2006)

(¥ millions)

	Net Sales	Ordinary Income	Net Income	Dividends per Share (¥)	
				End of term	Full Term
Year to March 31, 2006	152,000	5,500	2,700	14.00	28.00

(Reference) Forecast net income per share (full year): ¥49.83

Note:

The above forecasts were prepared based on information available at the time of financial results announcement. Actual results may differ from such forecasts due to various future factors. Please refer to consolidated interim financial results (page 6) for more information about the above forecasts.

3. Nonconsolidated Interim Financial

(1) Balance Sheets (at September 30)

(¥ millions)

	2005		2004		Change	March 31, 2005	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
ASSETS							
Current assets							
Cash and deposits	¥ 1,531		¥ 1,080		¥450	¥816	
Notes receivable, trade	12,046		12,724		(677)	15,990	
Accounts receivable, trade	26,899		25,930		969	25,921	
Marketable securities	15,522		14,918		603	17,321	
Inventories	16,392		18,437		(2,044)	15,090	
Other	4,107		2,334		1,773	2,058	
Less allowance for doubtful accounts	(51)		(55)		3	(59)	
Total current assets	76,448	55.4	75,370	55.7	1,078	77,139	55.7
Fixed assets							
Property, plant and equipment							
Buildings and structures	7,643		7,635		7	7,546	
Machinery and vehicles	4,171		4,202		(30)	4,300	
Tools, furniture and fixture	4,603		4,120		483	3,936	
Land	6,542		6,570		(27)	6,570	
Other	379		320		59	314	
Total Property, plant and equipment	23,341	16.9	22,849	16.9	492	22,668	16.4
Intangible fixed assets	510	0.4	516	0.4	(5)	533	0.4
Investments and advances							
Investments in securities	23,478		22,012		1,466	23,701	
Other	14,389		15,008		(619)	14,718	
Less allowance for doubtful accounts	(86)		(507)		421	(293)	
Total investments and advances	37,781	27.4	36,513	27.0	1,268	38,127	27.5
Total fixed assets	61,634	44.6	59,879	44.3	1,754	61,329	44.3
Total assets	¥138,082	100.0	¥135,249	100.0	¥2,833	¥138,469	100.0

(At September 30)

(¥ millions)

	2005		2004		Change	March 31, 2005	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
LIABILITIES							
Current liabilities							
Accounts payable, trade	¥24,835		¥25,393		¥(558)	¥26,568	
Accrued expenses	4,333		4,460		(127)	5,010	
Accrued income taxes	883		1,018		(135)	1,395	
Accrued employees' bonus	1,615		1,617		(2)	1,367	
Reserve for after-	1,160				1,160	360	
Other	1,211		1,230		(18)	1,628	
Total current liabilities	34,038	24.7	33,720	24.9	317	36,330	26.2
Long-term liabilities							
Accrued employees' retirement benefits	1,702		1,620		82	1,666	
Accrued officers' retirement benefits	1,613		1,620		(6)	1,694	
Other	245		207		38	219	
Total long-term liabilities	3,562	2.6	3,448	2.6	113	3,579	2.6
Total liabilities	37,600	27.2	37,169	27.5	431	39,910	28.8
SHAREHOLDERS' EQUITY							
Common stock	6,459	4.7	6,459	4.8	—	6,459	4.7
Capital surplus	8,719	6.3	8,719	6.4	—	8,719	6.3
Reserve	8,719		8,719		—	8,719	
Other reserve	84,403	61.1	86,373	63.9	(1,970)	83,894	60.6
Legal reserve	1,614		1,614		—	1,614	
Voluntary reserve	80,400		77,400		3,000	77,400	
Unappropriated retained earnings at the end of the term	2,388		7,358		(4,970)	4,879	
Unrealized gain on marketable securities	985	0.7	743	0.5	241	893	0.6
Treasury stock	(85)	(0.1)	(4,215)	(3.1)	4,129	(1,408)	(1.0)
Total shareholders' equity	100,481	72.8	98,080	72.5	2,401	98,558	71.2
Total liabilities and shareholders' equity	138,082	100.0	135,249	100.0	2,833	138,469	100.0

(2) Statements of Income

(Six months ended September 30)

(¥ millions)

	2005		2004		Change		Year to March 31, 2005	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Net sales	¥68,205	100.0	¥69,244	100.0	¥ 1,039	(1.5)	¥151,414	100.0
Cost of sales	54,155	79.4	54,524	78.7	(368)	(0.7)	119,722	79.1
Gross profit	14,050	20.6	14,720	21.3	(670)	(4.6)	31,691	20.9
Selling, general and administrative expenses	13,013	19.1	12,705	18.4	307	2.4	26,203	17.3
Operating income	1,037	1.5	2,014	2.9	(977)	(48.5)	5,487	3.6
Other income	1,210	1.8	921	1.3	289	31.4	1,761	1.2
Other expenses	34	0.1	38	0.0	(4)	(12.0)	80	0.1
Ordinary income	2,213	3.2	2,896	4.2	(683)	(23.6)	7,168	4.7
Extraordinary income	538	0.8	103	0.1	435	420.7	101	0.1
Extraordinary losses	905	1.3	207	0.3	698	336.9	794	0.5
Income before income taxes	1,846	2.7	2,792	4.0	(946)	(33.9)	6,475	4.3
Income taxes	906	1.3	1,165	1.7	(259)	(22.2)	2,524	1.7
Income taxes (deferred)	(312)	(0.5)	(136)	(0.2)	(175)	128.6	(194)	(0.1)
Net income	1,252	1.8	1,763	2.5	(511)	(29.0)	4,145	2.7
Unappropriated retained earnings brought forward from the previous term	1,181		5,595		(4,413)	(78.9)	5,595	
Retirement of treasury stock	—		—		—	—	4,156	
Loss on disposal of treasury stock	45		—		45	—	—	
Declared interim dividends	—		—		—	—	704	
Unappropriated retained earnings at the end of the term	2,388		7,358		(4,970)	(67.5)	4,879	