

# Nonconsolidated Financial Results

(April 1, 2005 - March 31, 2006)

May 15, 2006

## Listed Company Name: Rinnai Corporation

Listings: First Section of the Tokyo and Nagoya Stock Exchanges (Securities Code: 5947)

Website: www.rinnai.co.jp

Location of Head Office: Aichi, Japan

Representative: Hiroyasu Naito, President & Representative Director

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

TEL: (052) 361-8211

Date of the Board of Directors Meeting on the Settlement of Accounts: May 15, 2006

Date of the General Meeting of Shareholders: June 29, 2006

Interim Dividend System: Yes

New Trading Unit System: Yes (100 shares)

## 1. Performance for the Year Ended March 31, 2006

(April 1, 2005 to March 31, 2006; Amounts less than one million yen are omitted)

### (1) Operating Results (Years ended March 31)

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)
2006	153,166 (1.2)	3,911(-28.7)	5,977(-16.6)
2005	151,414 (-0.1)	5,487(-44.4)	7,168(-32.7)

	Net Income (% change)	Net per Share (¥)	Fully Diluted Net per Share (¥)	Ratio of Net Income to Shareholders' Equity (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Ordinary Income to Net Sales (%)
2006	2,924 (-29.5)	54.09	—	2.9	4.3	3.9
2005	4,145 (-31.8)	76.61	—	4.2	5.1	4.7

Notes:

1. Average number of outstanding shares for period:

Year ended March 31, 2006: 54,068,690

Year ended March 31, 2005: 54,116,642

2. Changes in accounting policies: None

3. Percentage figures in net sales, operating income, ordinary income and net income columns indicate increase or decrease from the previous term.

### (2) Dividends

	Dividend per Share			Total Dividends (¥ millions)	Payout Ratio (%)	Ratio of Dividends to Shareholders' Equity (%)
	Total (¥)	Interim (¥)	Fiscal Year-End (¥)			
2006	28.00	14.00	14.00	1,517	51.8	1.5
2005	26.00	13.00	13.00	1,402	33.9	1.4

### (3) Financial Position

	Total Assets (¥ millions)	Shareholders' Equity (¥ millions)	Equity Ratio (%)	Shareholders' Equity per Share(¥)
2006	141,229	101,108	71.6	1,866.12
2005	138,469	98,558	71.2	1,835.81

Notes:

1. Number of shares outstanding at year-end:

March 31, 2006: 54,181,078

March 31, 2005: 53,686,903

2. Number of treasury stock shares at year-end

March 31, 2006: 35,385

March 31, 2005: 529,560

## 2. Forecast for the Fiscal Year Ending March 31, 2007

(April 1, 2006, to March 31, 2007)

	Net Sales (¥ millions)	Ordinary Income (¥ millions)	Net Income (¥ millions)	Dividends per Share (Annual) (¥)		
				Interim	End of term	Total
Interim	70,800	2,300	1,400	14.00	—	—
Full year	157,000	7,300	4,100	—	14.00	28.00

Reference: Forecast net income per share (full year):¥75.67.

Note: The above forecasts were prepared based on information available at the time of the Corporation's financial results announcement. Actual results may differ from such forecasts due to various future factors.

## VI. Nonconsolidated Financial Statements

### (1) Nonconsolidated Balance Sheets

(At March 31)

(¥ millions)

	2006		2005		Change Amount
	Amount	% of total	Amount	% of total	
<b>ASSETS</b>					
<b>Current Assets</b>	¥80,371	56.9	¥77,139	55.7	¥3,231
Cash and Deposits	959		816		142
Notes receivable, trade	14,776		15,990		(1,214)
Accounts receivable, trade	27,387		25,921		1,466
Marketable securities	20,574		17,321		3,253
Products	9,938		10,912		(974)
Raw materials	3,830		3,939		(108)
Stores	282		238		44
Prepaid expenses	20		104		(84)
Deferred income taxes	1,042		1,379		(337)
Accrued income	1,438		—		1,438
Other	278		574		(295)
Less allowance for doubtful accounts	(157)		(59)		(97)
<b>Fixed</b>	60,858	43.1	61,329	44.3	(470)
Property, plant and equipment	22,173	15.7	22,668	16.4	(495)
Buildings	7,131		7,248		(116)
Structures	281		297		(15)
Machinery, equipment	4,041		4,300		(259)
Vehicles and delivery equipment	20		15		4
Tools, furniture and fixture	3,929		3,936		(6)
Land	6,545		6,570		(25)
Construction in progress	222		299		(76)
Intangible fixed assets	615	0.4	533	0.4	81
Leaseholds	9		9		—
Water supply facility utilization rights	16		20		(3)
Telephone subscription rights	52		52		—
Software	434		451		(17)
Other	102		—		102
Investments and advances	38,070	27.0	38,127	27.5	(56)
Investments in securities	18,050		18,210		(159)
Stocks of affiliated companies	5,770		5,490		279
Long-term advances	9		9		—
Investments in affiliated companies	837		837		—
Long-term loans to affiliated companies	4,800		4,800		—
Reorganization credit	1		206		(204)
Long-term prepaid expense	124		124		0
Deferred income taxes	2,019		1,920		98
Guaranty money deposited	609		625		(15)
Long-term guaranty money	3,000		3,500		(500)
Prepaid pension expenses	2,303		1,944		359
Other	621		750		(129)
Less allowance for doubtful accounts	(77)		(293)		215
<b>Total Assets</b>	¥141,229	100.0	¥138,469	100.0	¥2,760

(¥ millions)

	2006		2005		Change
	Amount	% of total	Amount	% of total	Amount
<b>LIABILITIES</b>					
<b>Current liabilities</b>	¥36,470	25.8	¥36,330	26.2	¥140
Accrued payable, trade	28,311		26,568		1,743
Other payables	4,812		5,010		(198)
Accrued expenses	486		454		32
Accrued consumption taxes	152		310		(157)
Accrued income taxes	752		1,395		(643)
Advances by customers	5		6		(0)
Deposits payable	76		65		10
Accrued employees' bonus	1357		1,367		(9)
Allowance for after-sales service	—		360		(360)
Accrued equipment costs payable	512		791		(278)
Other	2		0		1
<b>Long-term liabilities</b>	3,650	2.6	3,579	2.6	70
Accrued employees' retirement benefits	1,741		1,666		75
Accrued officers' retirement benefits	1,645		1,694		(48)
Other	262		219		43
<b>Total liabilities</b>	¥40,121	28.4	¥39,910	28.8	¥210
<b>SHAREHOLDERS' EQUITY</b>					
Common stock	6,459	4.6	6,459	4.7	—
Capital surplus	8,719	6.2	8,719	6.3	—
Capital	8,719		8,719		—
Retained earnings	85,317	60.4	83,894	60.6	1,422
Legal reserve	1,614		1,614		—
Voluntary reserve	80,400		77,400		3,000
Unappropriated retained earnings at the end of the period	3,302		4,879		(1,577)
Unrealized gain on marketable securities	707	0.5	893	0.6	(186)
Treasury stock	(94)	(0.1)	(1,408)	(1.0)	1,313
<b>Total shareholders' equity</b>	¥101,108	71.6	¥98,558	71.2	¥2,549
<b>Total liabilities, minority interests and shareholders' equity</b>	¥141,229	100.0	¥138,469	100.0	¥2,760

(2) Consolidated Statements of Income  
(Years ended March 31)

(¥ millions)

	2006		2005		Change	
	Amount	% of total	Amount	% of total	Amount	%
<b>Net sales</b>	¥153,166	100.0	¥151,414	100.0	¥1,752	1.2
<b>Cost of Sales</b>	122,709	80.1	119,722	79.1	2,986	2.5
<b>Gross Profit</b>	30,457	19.9	31,691	20.9	(1,234)	(3.9)
<b>Selling, general and administrative expenses</b>	26,545	17.3	26,203	17.3	342	1.3
<b>Operating income</b>	3,911	2.6	5,487	3.6	(1,576)	(28.7)
<b>Other income:</b>	2,135	1.4	1,761	1.2	374	21.3
Interest income	144		125		19	
Interest on securities	204		133		70	
Dividends received	861		931		(70)	
Foreign exchange loss	166		53		113	
Royalty fee	239		—		239	
Other	518		517		1	
<b>Other expenses:</b>	69	0.0	80	0.1	(11)	(13.8)
Interest expenses	1		3		(1)	
Depreciation	66		73		(7)	
Other	1		3		(2)	
<b>Ordinary income</b>	5,977	3.9	7,168	4.7	(1,190)	(16.6)
<b>Extraordinary income:</b>	539	0.4	101	0.1	437	430.3
Adjustments of loss at previous term	—		97		(97)	
Gain on sales of fixed assets	30		—		30	
Gain on sales of securities	441		3		438	
Reversal from allowance for doubtful accounts	67		—		67	
Other	—		1		(1)	
<b>Extraordinary losses:</b>	1,413	0.9	794	0.5	619	78.0
Loss on sales of fixed assets	—		0		(0)	
Loss on disposal of fixed assets	201		327		(126)	
Impairment loss	27		—		27	
Loan losses	—		46		(46)	
After-sales service cost	1,030		—		1,030	
Transfer to allowance for after-sales service	—		360		(360)	
Other	154		60		94	
<b>Income before income taxes</b>	5,103	3.3	6,475	4.3	(1,372)	(21.2)
<b>Income taxes:</b>	1,614		2,524		(909)	
Current	198		—		198	
Previous Term	364		(194)		558	
Deferred	—		—		—	
<b>Net income</b>	2,924	1.9	4,145	2.7	(1,221)	(29.5)
<b>Unappropriated retained earnings brought forward from the previous term</b>	1,181		5,595		(4,413)	
<b>Retirement of treasury stock</b>	—		4,156		(4,156)	
<b>Loss on disposal of treasury stock</b>	45		—		45	
<b>Declared interim dividends</b>	758		704		54	
<b>Unappropriated retained earnings at the end of the term</b>	3,302		4,879		(1,577)	

### (3) Nonconsolidated Statements of Appropriation of Retained Earnings

(Years ended March 31)

(¥ millions)

	2006	2005	Change
<b>Unappropriated retained earnings at end of term</b>	¥3,302	¥4,879	¥(1,577)
Appropriation	758	697	60
Dividends on common stock	[¥14.00 per share]	[¥13.00 per share]	
Other reserves	1,500	3,000	(1,500)
<b>Balance carried forward</b>	1,043	1,181	(137)

Note: On December 9, 2005, ¥758 million (¥14.00 per share) was paid as an interim dividend.