

# Nonconsolidated Interim Financial Results

(April 1 to September 30, 2006)

November 13, 2006

## 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 13, 2006

Dividend Payment Date: December 8, 2006

New Trading Unit System: Yes (100 shares)

## 1. Performance for the Six Months Ended September 30, 2006

(April 1 – September 30, 2006; 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, 2006	75,480 (10.7)	1,206 (16.3)	2,409 (8.9)
September 30, 2005	68,205 (-1.5)	1,037 (-48.5)	2,213(-23.6)
March 31, 2006	153,166	3,911	5,977

	Net Income (YOY % change)	Net Income per Share (¥)
September 30, 2006	1,538 (22.8)	28.39
September 30, 2005	1,252 (-29.0)	23.21
March 31, 2006	2,924	54.09

Notes:

1. Number of

Six months to September 30, 2006: 54,180,319 shares

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

Year to March 31, 2006: 54,068,690 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) Financial Position

(¥ millions)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (¥)
September 30, 2006	142,370	101,753	71.5	1,878.08
September 30, 2005	138,082	100,481	72.8	1,854.45
March 31, 2006	141,229	101,108	71.6	1,866.12

Note:

1. Number of shares outstanding at term-end:

September 30, 2006: 54,179,487 shares

September 30, 2005: 54,184,113

March 31, 2006: 54,181,078 shares

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

September 30, 2006: 36,976

September 30, 2005: 32,350

March 31, 2006: 35,385 shares

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

(April 1, 2006 – March 31, 2007)

(¥ millions)

	Net Sales	Ordinary Income	Net Income
Year to March 31, 2007	157,000	7,300	4,100

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

## 3. Dividends

Cash

(¥)

	Dividends per Share (¥)					
	1 <sup>st</sup> quarter	Interim- period end	3 <sup>rd</sup> quarter	Year-end	Other	Full Term
March 31, 2006	—	14.00	—	14.00	—	28.00
March 31, 2007 (actual)	—	14.00	—	—	—	28.00
March 31, 2007 (forecast)	—	—	—	14.00	—	

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 7) for more information about the above forecasts.

. Nonconsolidated Interim Financial

(1) Nonconsolidated Balance Sheets

(¥ millions)

	Sept. 30, 2006		Sept. 30, 2005		Change	March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
<b>ASSETS:</b>							
<b>Current assets:</b>							
Cash and	¥ 2,108		¥ 1,531		¥577	¥959	
Notes receivable,	13,492		12,046		1,445	14,776	
Accounts receivable,	29,781		26,899		2,882	27,387	
Marketable securities	14,036		15,522		(1,486)	20,574	
Inventories	16,706		16,392		313	14,051	
Other	2,402		4,107		(1,705)	2,779	
Less allowance for doubtful accounts	(275)		(51)		(223)	(157)	
<b>Total current assets</b>	<b>78,251</b>	<b>55.0</b>	<b>76,448</b>	<b>55.4</b>	<b>1,803</b>	<b>80,371</b>	<b>56.9</b>
<b>Fixed assets:</b>							
Property, plant and equipment:							
Buildings and	7,228		7,643		(414)	7,413	
Machinery and	3,927		4,171		(244)	4,041	
Tools and	4,126		4,603		(477)	3,929	
Land	6,530		6,542		(12)	6,545	
Other	264		379		(115)	243	
<b>Total Property, plant and equipment</b>	<b>22,076</b>	<b>15.5</b>	<b>23,341</b>	<b>16.9</b>	<b>(1,264)</b>	<b>22,173</b>	<b>15.7</b>
<b>Intangibles fixed assets</b>	<b>600</b>	<b>0.4</b>	<b>510</b>	<b>0.4</b>	<b>89</b>	<b>615</b>	<b>0.4</b>
<b>Investments and advances:</b>							
Investments in	27,876		23,478		4,397	23,820	
Other	13,665		14,389		(724)	14,326	
Less allowance doubtful	(99)		(86)		(12)	(77)	
<b>Total investments and advances</b>	<b>41,442</b>	<b>29.1</b>	<b>37,781</b>	<b>27.4</b>	<b>3,660</b>	<b>38,070</b>	<b>27.0</b>
<b>Total fixed assets</b>	<b>64,119</b>	<b>45.0</b>	<b>61,634</b>	<b>44.6</b>	<b>2,484</b>	<b>60,858</b>	<b>43.1</b>
<b>Total assets</b>	<b>¥142,370</b>	<b>100.0</b>	<b>¥138,032</b>	<b>100.0</b>	<b>¥4,287</b>	<b>¥141,229</b>	<b>100.0</b>

(¥ millions)

	Sept. 30, 2006		Sept. 30, 2005		Change	March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
<b>LIABILITIES:</b>							
<b>Current liabilities:</b>							
Accounts payable, trade	¥28,794		¥24,835		¥3,959	¥28,311	
Accrued expenses	4,528		4,333		194	4,812	
Accrued income taxes	930		883		47	752	
Accrued employee's bonuses	1,844		1,615		228	1,357	
Reserve for after-sales service	—		1,160		(1,160)	—	
Other	1,134		1,211		(77)	1,236	
<b>Total current liabilities</b>	<b>37,231</b>	<b>26.2</b>	<b>34,038</b>	<b>24.7</b>	<b>3,193</b>	<b>36,470</b>	<b>25.8</b>
<b>Long-term liabilities:</b>							
Accrued employees' retirement	1,792		1,702		90	1,741	
Accrued officers' retirement	1,320		1,613		(293)	1,645	
Other	271		245		26	262	
<b>Total long-term liabilities</b>	<b>3,385</b>	<b>2.4</b>	<b>3,562</b>	<b>2.6</b>	<b>(176)</b>	<b>3,650</b>	<b>2.6</b>
<b>Total liabilities</b>	<b>40,617</b>	<b>28.5</b>	<b>37,600</b>	<b>27.2</b>	<b>3,016</b>	<b>40,121</b>	<b>28.4</b>
<b>SHAREHOLDERS' EQUITY:</b>							
<b>Common stock</b>	—	—	<b>6,459</b>	<b>4.7</b>	<b>(6,459)</b>	<b>6,459</b>	<b>4.6</b>
<b>Capital surplus</b>							
Capital reserve	—	—	8,719		(8,719)	8,719	
<b>Total capital surplus</b>	—	—	<b>8,719</b>	<b>6.3</b>	<b>(8,719)</b>	<b>8,719</b>	<b>6.2</b>
<b>Earned surplus</b>							
Legal reserve	—	—	1,614		(1,614)	1,614	
Voluntary reserve	—	—	80,400		(80,400)	80,400	
Unappropriated retained earnings	—	—	2,388		(2,388)	3,302	
<b>Total earned surplus</b>	—	—	<b>84,403</b>	<b>61.1</b>	<b>(84,403)</b>	<b>85,317</b>	<b>60.4</b>
<b>Unrealized gain on marketable securities</b>	—	—	<b>985</b>	<b>0.7</b>	<b>(985)</b>	<b>707</b>	<b>0.5</b>
<b>Treasury stock</b>	—	—	<b>(85)</b>	<b>(0.1)</b>	<b>85</b>	<b>(94)</b>	<b>(0.1)</b>
<b>Total shareholders'</b>	<b>—</b>	<b>—</b>	<b>100,481</b>	<b>72.8</b>	<b>(100,481)</b>	<b>101,108</b>	<b>71.6</b>
<b>Total liabilities and shareholders'</b>	<b>—</b>	<b>—</b>	<b>138,082</b>	<b>100.0</b>	<b>(138,082)</b>	<b>141,229</b>	<b>100.0</b>
<b>NET ASSETS:</b>							
<b>Shareholders' equity</b>							
<b>Common stock</b>	<b>6,459</b>	<b>4.5</b>	—	—	<b>6,459</b>	—	—
<b>Capital surplus</b>							
Capital reserve	8,719		—	—	8,719	—	—
Other	0		—	—	0	—	—
<b>Total Capital</b>	<b>8,719</b>	<b>6.1</b>	—	—	<b>8,719</b>	—	—
<b>Earned surplus</b>							
Legal reserve	1,614		—	—	1,614	—	—
Other legal reserve:							
Voluntary reserve	81,900		—	—	81,900	—	—
Unappropriated retained earnings	2,581		—	—	2,581	—	—
<b>Total earned surplus</b>	<b>86,096</b>	<b>60.5</b>	—	—	<b>86,096</b>	—	—
<b>Treasury stock</b>	<b>(99)</b>	<b>(0.1)</b>	—	—	<b>(99)</b>	—	—
<b>Total Shareholders' equity</b>	<b>101,176</b>	<b>71.1</b>	—	—	<b>101,176</b>	—	—
<b>Other adjustments</b>							
Unrealized gain on securities	577		—	—	577	—	—
<b>Total other adjustments</b>	<b>577</b>	<b>0.4</b>	—	—	<b>577</b>	—	—
<b>Total net assets</b>	<b>101,753</b>	<b>71.5</b>	—	—	<b>101,753</b>	—	—
<b>Total liabilities and net assets</b>	<b>142,370</b>	<b>100.0</b>	—	—	<b>142,370</b>	—	—

## (2) Nonconsolidated Statements of Income

(¥ millions)

	Six months ended Sept . 30, 2006		Six months ended Sept. 30, 2005		Change		Year ended March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
<b>Net sales</b>	<b>¥75,480</b>	<b>100.0</b>	<b>¥68,205</b>	<b>100.0</b>	<b>¥7,274</b>	<b>10.7</b>	<b>¥153,166</b>	<b>100.0</b>
Cost of	60,992	80.8	54,155	79.4	6,837	12.6	122,709	80.1
Gross profit	14,488	19.2	14,050	20.6	437	3.1	30,457	19.9
Selling, general and administrative expenses	13,282	17.6	13,013	19.1	269	2.1	26,545	17.3
<b>Operating income</b>	<b>1,206</b>	<b>1.6</b>	<b>1,037</b>	<b>1.5</b>	<b>168</b>	<b>16.3</b>	<b>3,911</b>	<b>2.6</b>
Other income:	1,238	1.6	1,210	1.8	28	2.3	2,135	1.4
Other expenses:	34	0.0	34	0.1	0	1.4	69	0.0
<b>Ordinary income</b>	<b>2,409</b>	<b>3.2</b>	<b>2,213</b>	<b>3.2</b>	<b>196</b>	<b>8.9</b>	<b>5,977</b>	<b>3.9</b>
Extraordinary income:	157	0.2	538	0.8	(381)	(70.8)	539	0.4
Extraordinary losses:	136	0.2	905	1.3	(769)	(85.0)	1,413	0.9
Income before income taxes	2,430	3.2	1,846	2.7	584	31.6	5,103	3.3
Income taxes	1,025	1.4	906	1.3	118	13.1	1,813	1.2
Income taxes (deferred)	(132)	(0.2)	(312)	(0.5)	180	(57.6)	364	0.2
<b>Net income</b>	<b>1,538</b>	<b>2.0</b>	<b>1,252</b>	<b>1.8</b>	<b>285</b>	<b>22.8</b>	<b>2,924</b>	<b>1.9</b>

### (3) Nonconsolidated Statement of Shareholders' Equity

(¥ millions)

	Shareholders' equity							
	Common stock	Total capital surplus			Earned surplus			
		Capital reserve	Other	Total Capital Surplus	Legal reserve	Other		Total earned surplus
						Voluntary reserve	Unappropriated retained earnings	
<b>Balance at March 31, 2006</b>	6,459	8,719	—	8,719	1,614	80,400	3,302	85,317
<b>Change during first-half period:</b>								
Voluntary reserve*	—	—	—	—	—	1,500	(1,500)	—
Retained earnings paid*	—	—	—	—	—	—	(758)	(758)
Net income	—	—	—	—	—	—	1,538	1,538
Acquisition of treasury stock	—	—	—	—	—	—	—	—
Disposition of treasury stock	—	—	0	0	—	—	—	—
Other changes	—	—	—	—	—	—	—	—
Net other the first-half period	—	—	0	0	—	1,500	(720)	779
<b>Net changes during first-half period</b>	<b>6,459</b>	<b>8,719</b>	<b>0</b>	<b>8,719</b>	<b>1,614</b>	<b>81,900</b>	<b>2,581</b>	<b>86,096</b>

(¥ millions)

	Shareholders' equity		Other adjustments		Total Net assets
	Treasury stock	Total shareholders' equity	Unrealized gain On marketable securities	Total other adjustments	
<b>Balance at March 31, 2006</b>	(94)	100,401	707	707	101,108
<b>Change during first-half period:</b>					
Voluntary reserve*	—	—	—	—	—
Retained earnings paid*	—	(758)	—	—	(758)
Net income	—	1,538	—	—	1,538
Acquisition of treasury stock	(5)	(5)	—	—	(5)
Disposition of treasury stock	0	0	—	—	0
Other changes	—	—	(129)	(129)	(129)
Net other the first-half period	(4)	774	(129)	(129)	644
<b>Net changes during first-half period</b>	<b>(99)</b>	<b>101,176</b>	<b>577</b>	<b>577</b>	<b>101,753</b>

\*Appropriation of profit approved at general meeting of shareholders in June 2006.