

Interim Financial Results for Fiscal 2008

(April 1 to September 30, 2007)

November 13, 2007

Listed Company Name: Rinnai Corporation

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

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Anticipated date to release interim security report: December 25, 2007

Anticipated date to begin distributing dividends: December 10, 2007

1. Performance for the Six Months Ended September 30, 2007

(April 1 – September 30, 2007; amounts less than one million are omitted)

(1) Consolidated Results

(Percentage figures in columns indicate increase or decrease from the previous term.) (¥ millions)

	Net sales (% change)	Operating income (% change)	Ordinary income (% change)
September 30, 2007	110,929 (+4.5)	5,036 (+49.8)	5,447 (+39.1)
September 30, 2006	106,102 (+14.1)	3,362 (+28.0)	3,915 (+17.0)
(Year to) March 31, 2007	234,797 —	12,739 —	13,521 —

	Net income (% change)	Net income per share (¥)	Fully diluted net income per share (¥)
September 30, 2007	3,176 (+29.9)	58.63	—
September 30, 2006	2,445 (+72.6)	45.13	—
(Year to) March 31, 2007	6,283 —	115.97	—

Note: Equity in earnings of companies accounted for using the equity method:

Six months ended September 30, 2007: ¥182 million

Six months ended September 30, 2006: ¥122 million

Year ended March 31, 2007: ¥276 million

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2007	230,685	144,435	60.3	2,566.72
September 30, 2006	222,280	135,703	58.9	2,416.45
(Year to) March 31, 2007	226,413	140,913	59.9	2,504.47

(Reference) Equity capital: Six months ended September 30, 2007; ¥139,046 million

Six months ended September 30, 2006; ¥130,921 million

Year ended March 31, 2007; ¥135,683 million

(3) Consolidated Cash Flows

(¥ millions)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
September 30, 2007	(3,785)	(1,516)	2,393	27,800
September 30, 2006	(3,315)	(7,269)	4,699	25,853
(Year to) March 31, 2007	13,717	(14,825)	(658)	30,034

2. Dividends

(Basis date)	Dividend per Share		
	Interim (¥)	Fiscal Year-End (¥)	Full Year (¥)
March 31, 2007	14.00	16.00	30.00
March 31, 2008	18.00	—	36.00
March 31, 2008 (anticipated)	—	18.00	

3. Forecast for the Fiscal Year Ending March 31, 2008 (Consolidated)

(April 1, 2007, to March 31, 2008)

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Full year	250,000 (+6.5)	15,000 (+17.7)	15,300 (+13.1)	7,400 (+17.8)	136.60

(Percentage figures in columns indicate increase or decrease from the previous term.)

4. Other

(1) Major changes in Scope of Consolidation and Application of Equity Method: None

* Please refer to "Outline of Rinnai Group Companies" on page 7 for more details.

(2) Major changes in the rules for the preparation of consolidated financial statements

Changes in Significant Accounting Policies of Consolidated Financial Statements

(a) Changes due to the revision of accounting standard: Yes

(b) Other changes than (a): None

* Please refer to "Changes in Significant Accounting Policies of Consolidated Financial Statements" on page 16 for more details.

(3) Number of Outstanding Shares (Common Stock)

(a) Number of outstanding shares at term-end (including treasury stock)

Six months ended September 30, 2007: 54,216,463 Six months ended September 30, 2006: 54,216,463

Year ended March 31, 2006: 54,216,463

(b) Number of treasury stock at term-end

Six months ended September 30, 2007: 43,532 Six months ended September 30, 2006: 36,976

Year ended March 31, 2007: 39,967

* Please refer to "Per share data" on page 22, regarding number of shares as calculation basis for consolidated net income per share.

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Six Months Ended September 30, 2007

(April 1 – September 30, 2007; amounts less than one million are omitted)

(1) Nonconsolidated Results

(Percentage figures in columns indicate increase or decrease from the previous term.) (¥ millions)

	Net sales (YOY % change)	Operating income (YOY % change)	Ordinary income (YOY % change)
September 30, 2007	75,264 (-0.3)	2,520 (+109.0)	6,649 (+175.9)
September 30, 2006	75,480 (+10.7)	1,206 (+16.3)	2,409 (+8.9)
(Year to) March 31, 2007	164,189 —	6,814 —	8,859 —

	Net income (YOY % change)	Net income per share (¥)
September 30, 2007	5,358 (+248.4)	98.92
September 30, 2006	1,538 (+22.8)	28.39
(Year to) March 31, 2007	4,060 —	74.94

(2) Nonconsolidated Financial Position

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
September 30, 2007	147,077	107,465	73.1	1,983.76
September 30, 2006	142,370	101,753	71.5	1,878.08
(Year to) March 31, 2007	147,733	103,574	70.1	1,911.80

(Reference) Equity capital: Six months ended September 30, 2007; ¥107,465 million
Six months ended September 30, 2006; ¥101,753 million
Year ended March 31, 2007; ¥103,574 million

(3) Forecast for the Fiscal Year Ending March 31, 2008 (Nonconsolidated)

(April 1, 2007, to March 31, 2008)

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Full year	171,000 (+4.1)	7,500 (+10.1)	12,400 (+40.0)	7,100 (+74.9)	131.06

(Percentage figures in columns indicate increase or decrease from the previous term.)

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.

Please refer to page 5 for more information about the above forecasts.

I. Performance and Financial Position

1. Interim Period in Review

(1) Performance

During the interim period in review—the six months ended September 30, 2007—the Japanese economy showed a general recovery trend, supported by healthy corporate earnings and a turnaround in personal consumption. This was despite surging prices of crude oil and raw materials and difficult employee recruiting conditions.

The gas appliance industry continued to face a severe competitive environment. While benefiting from solid demand for renovations, the industry suffered from a major downturn in new housing starts in August 2007, due to the adoption of stricter construction certification standards accompanying a revision of the Building Standards Law. Other challenges included ongoing proliferation of induction heating (IH) ranges and electric hot-water systems.

The current fiscal period, ending March 2008, is the second year of V-Shift Plan, the Rinnai Group's medium-term business plan. During the interim period under review, we sought to incorporate more advanced safety levels in our products, provide more comfortable living environments, and propose optimal solutions to global environmental issues. These initiatives reflected our ongoing commitment to safety, comfort, and the environment. We focused considerable resources on strengthening our strategic capacity, with the aim of improving our product development capabilities and the appeal of items that we intend to bring to market. In this context, we unveiled the new Delicia Series of built-in gas ranges during the period under review.

In Japan, sales remained mostly unchanged year-on-year as our focus on high-value-added products compensated for a decline in unit sales stemming from difficult market conditions. Overseas sales increased owing to solid performances in North America, Oceania, and Asia, with the added benefit of a weak yen.

On the earnings side, we reported an increase in operating income owing to efforts to address low-profit products and cost-cutting measures, which compensated for growing costs stemming from surging raw materials prices. Higher overseas sales also boosted interim earnings.

As a result, consolidated interim net sales amounted to ¥110,929 million, up 4.5% from the previous corresponding period. Operating income climbed 49.8%, to ¥5,036 million, and ordinary income rose 39.1%, to ¥5,447 million. Interim net income increased 29.9%, to ¥3,176 million.

Our results by business segment were as follows:

Kitchen Appliances

In Japan, our lineup of built-in gas ranges performed well thanks to an increase in replacement demand. During the period, we launched the Delicia Series, which was warmly received in the market. With temperature sensors in all burners, the new series features notable improvements in cooking performance, operability, and visual appeal. Overseas, we reported revenue growth in Asia, due to increased sales of glass-top cookers in South Korea, as well as cookers and peripheral equipment in Shanghai, China. Overall sales in this segment totaled ¥35,122 million, up 1.6% year-on-year.

Hot-Water Units

For the period, Rinnai posted increased domestic sales of its highly efficient “Eco-Jozu” series of hot-water/heating systems, bath-water heaters, and other heating devices, which boast superior environmental performance. Among hot-water units, we reported strong sales of high-value-added items. These included bathroom television sets and remote control units with a voice-message function, designed to make bathing more comfortable. Overseas sales also increased, thanks largely to expansion of the North American market for instant-heating hot-water units on the back of growing energy-saving sentiment. Total segment sales grew 3.8%, to ¥49,081 million.

Air-Conditioning and Heating Units

In Japan, we launched new gas fan heater models featuring superb functionality and design. Equipped with bacteria-killing cluster ion technologies, these products were well received. Overseas, sales in Australia increased due to the launch of new products and a heat wave, which boosted demand for air-conditioning units. Consequently, total sales in this segment rose 8.7%, to ¥9,622 million.

Commercial-Use Equipment

Sales in Japan languished, but overseas sales were strong thanks to expansion of the market for commercial-use kitchen appliances in South Korea and commercial-use hot-water units in Australia. Total sales in this segment climbed 6.5%, ¥3,975 million.

Others

Total sales in this segment grew 12.3%, to ¥13,128 million. In Japan, we benefited from solid sales of electronic materials and components. Overseas, we reported higher sales of new products, including solar systems.

(2) Outlook for the Remainder of the Year Ending March 31, 2008

For the remainder of the current fiscal year, the Japanese economy is expected to continue recovering moderately, driven by increased private sector capital spending and solid corporate earnings. However, due to soaring prices of crude oil and raw materials and depressed personal consumption, as well as concerns about declining housing starts, there is still no room for optimism.

Under these conditions, Rinnai will demonstrate its role as an integrated manufacturer of heating and energy equipment by promoting policies designed to satisfy customers in terms of peace of mind, comfort, and environmental friendliness. In the latter half of the current fiscal year, we will actively address legislation moves aimed at entrenching a more safety-oriented product culture. These include mandating temperature sensors in all range burners. At the same time, we will step up efforts to improve product safety according to our Product Safety Voluntary Action Plan. Given growing worldwide emphasis on environmental measures, meanwhile, we will focus on further strengthening our core environmental technologies. In addition, we will develop energy-saving and hybrid appliances, in an effort to propose optimal solutions for the global environment.

The Rinnai Group performed generally according to plan in the interim period under review. While uncertainties remain about business conditions in the third quarter—the peak demand season for the Group—we have decided not to change our performance forecasts for the fiscal year to March 2008.

2. Financial Position

(1) Cash Flows

Cash and cash equivalents at September 30, 2007, amounted to ¥27,800 million, down ¥2,233 million, or 7.4%, from March 31, 2007. This was the net result of ¥3,785 million net cash used in operating activities, ¥1,516 million net cash used in investing activities, and ¥2,393 million net cash provided by financing activities.

Net cash used in operating activities totaled ¥3,785 million, up ¥469 million, or 14.2%, compared with the previous corresponding period. Compared with the previous corresponding period, factors boosting cash flows included a ¥2,327 million decrease in trade receivables and a ¥3,470 million decrease in inventories. By contrast, factors holding down cash flows included a ¥3,909 million year-on-year decrease in trade payables and a ¥1,806 million increase in income taxes paid.

Net cash used in investing activities amounted to ¥1,516 million, down ¥5,753 million, or 79.1%. The main reason for the improvement was a ¥3,667 million year-on-year increase in proceeds from sales of

investments in securities. During the period, purchases of fixed assets remained on a par with the previous corresponding period.

Net cash provided by financing activities was ¥2,393 million, down ¥2,305 million, or 49.1%. Major factors included a ¥1,903 million net decrease in short- and long-term borrowings by overseas subsidiaries.

(2) Cash Flow Indicators

	(Years ended March 31)			6 months to Sept. 30, 2007
	2005	2006	2007	
Equity ratio (%)	61.0	60.6	59.9	60.3
Equity ratio based on market price (%)	72.4	89.5	75.1	80.5
Interest-bearing debt to cash flows (%)	154.6	134.2	131.3	–
Interest coverage ratio (times)	15.3	14.1	12.8	–

Notes:

Equity ratio: Equity capital/Total assets

Equity ratio based on market price: Total stock value based on market price/Total assets

Interest-bearing debt to cash flows: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest paid

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated based on the number of shares outstanding at the end of the period (after deducting treasury stock).
3. Operating cash flow is calculated using net cash from operating activities.
4. Because of net cash used in operating activities (“minus” amount), Interest-bearing debt to cash flows and Interest coverage ratio, at September 30, 2007, are omitted.

(3) Basic Policy for Appropriation of Profit

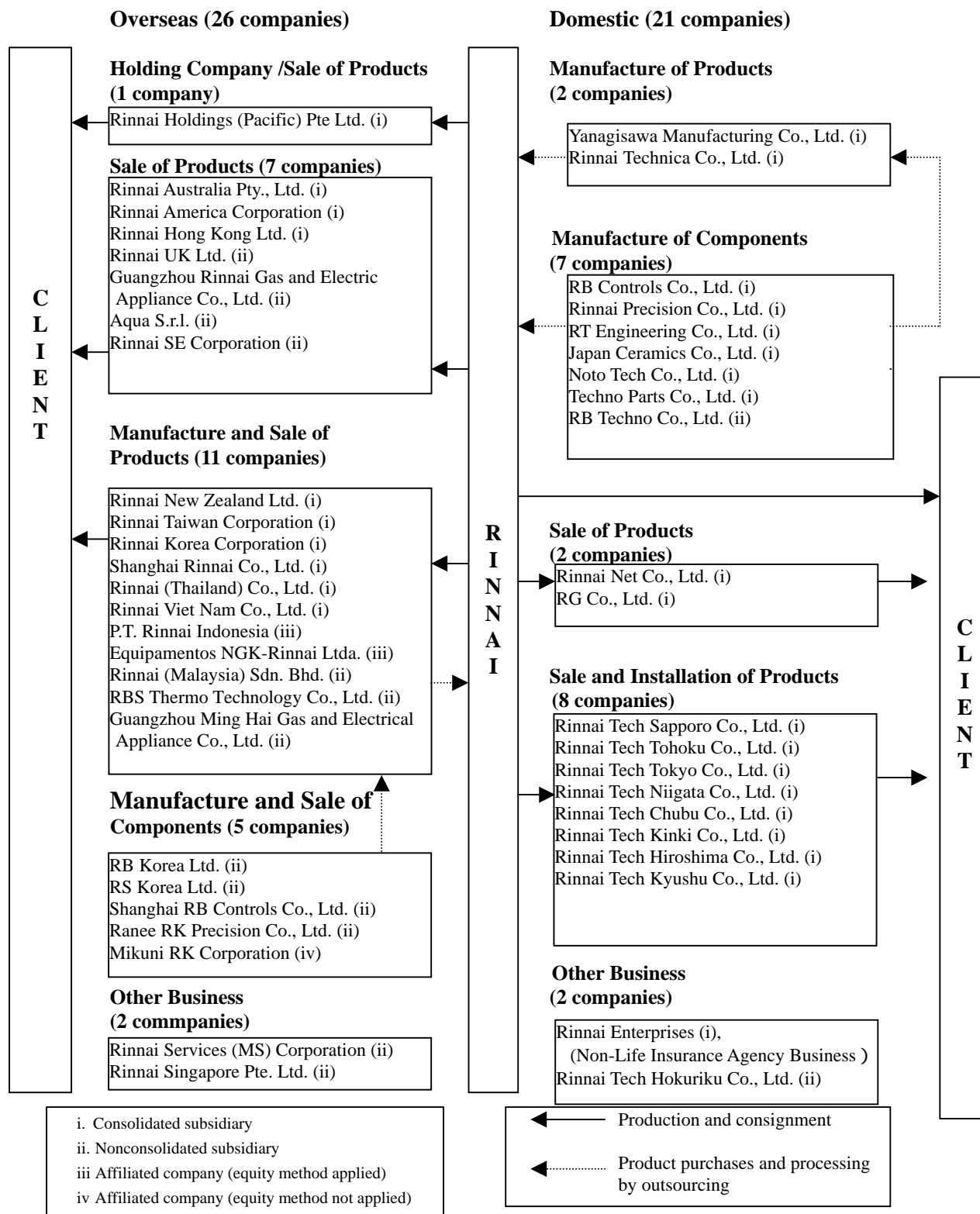
The Company regards stable return of profits to shareholders as an important management policy. Based on this policy, we intend to meet shareholders’ expectations based on extensive consideration of various factors, including consolidated business performance and payout ratio.

At the same time, we will effectively utilize retained earnings to support various initiatives aimed at raising corporate value over the long term. These include research and development, capital investments, and strategic business investments in Japan and overseas.

For the interim period under review, we plan to pay cash dividends of ¥18.00 per share, up ¥4.00 from the previous corresponding period. For the year, we plan to pay total cash dividends of ¥36.00 per share.

II. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 44 subsidiaries, and three affiliated companies, for a total of 48 companies. These include 29 consolidated subsidiaries and two companies to which the equity method is applied. The Group is primarily engaged in the manufacture and sale of gas appliances and related businesses. The Group's structure and business flow are shown below.



Because Rinnai has not made any major changes to its Subsidiaries, which were described in interim security report (released on June 28, 2007), subsidiary information is omitted.

III. Management Policies

Rinnai has not made any major changes to its Management Policies, which were described in “Financial Results for Fiscal 2007” (released on May 14, 2007). To view that document, please check the following websites.

(Rinnai corporate website)

http://www.rinnai.co.jp/ir/main_ir.htmlhttp://www.rinnai.co.jp/ir/main_ir.html

(Tokyo Stock Exchange website)

http://www.rinnai.co.jp/ir/main_ir.htmlhttp://www.rinnai.co.jp/ir/main_ir.html

IV. Consolidated Interim Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

	Sept. 30, 2006		Sept. 30, 2007		Change	March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
ASSETS:							
Current assets:							
Cash and deposits	¥ 19,465		¥ 21,431		¥1,965	¥22,521	
Notes and accounts receivable	68,911		71,078		2,166	67,338	
Marketable securities	14,351		13,828		(523)	15,629	
Inventories	30,416		31,490		1,074	28,164	
Deferred income taxes	2,366		3,628		1,261	2,611	
Other	1,991		2,120		129	1,931	
Less allowance for doubtful accounts	(1,687)		(2,328)		(640)	(2,332)	
Total current assets	135,814	61.1	141,249	61.2	5,434	135,863	60.0
Fixed assets:							
Property, plant and equipment:							
Buildings and structures	14,792		15,021		228	15,116	
Machinery and vehicles	9,167		9,768		600	9,230	
Tools and fixtures	6,874		7,027		153	6,763	
Land	13,062		13,651		588	13,483	
Construction in progress	1,064		875		(188)	712	
Total Property, plant and equipment	44,961	20.2	46,344	20.1	1,383	45,306	20.0
Intangibles fixed assets	1,098	0.5	1,383	0.6	284	1,201	0.5
Investments and advances:							
Investments in securities	29,273		29,864		591	32,797	
Investments	608		1,067		458	964	
Long-term loans	14		9		(4)	12	
Deferred income taxes	2,401		1,881		(519)	1,736	
Other	8,802		9,591		788	9,234	
Less allowance for doubtful accounts	(694)		(707)		(12)	(702)	
Total investments and advances	40,405	18.2	41,708	18.1	1,302	44,041	19.5
Total fixed assets	86,466	38.9	89,436	38.8	2,969	90,550	40.0
Total assets	¥222,280	100.0	¥230,685	100.0	¥8,404	¥226,413	100.0

(¥ millions)

	Sept. 30, 2006		Sept. 30, 2007		Change	March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
LIABILITIES:							
Current liabilities:							
Notes and accounts payable	¥44,010		¥40,596		¥(3,414)	¥42,552	
Short-term debt	15,686		16,072		386	17,365	
Other payables	7,814		8,365		551	10,304	
Accrued consumption taxes	210		334		124	513	
Accrued income taxes	1,792		2,379		586	3,418	
Accrued employee's bonuses	2,590		2,464		(126)	2,290	
Allowance for inspection cost	—		206		206	500	
Other	3,094		4,086		991	2,553	
Total current liabilities	75,198	33.8	74,505	32.3	(693)	79,498	35.1
Long-term liabilities:							
Long-term debt	5,932		6,064		131	647	
Deferred income taxes	2		4		2	14	
Accrued employees' retirement benefits	2,943		3,024		80	2,781	
Accrued officers' retirement benefits	1,417		1,452		35	1,420	
Other	1,083		1,198		115	1,138	
Total long-term liabilities	11,379	5.1	11,744	5.1	365	6,002	2.7
Total liabilities	86,577	38.9	86,249	37.4	(328)	85,500	37.8
NET ASSETS:							
Shareholders' equity:							
Common stock	6,459	2.9	6,459	2.8	—	6,459	2.9
Capital surplus	8,719	3.9	8,719	3.8	0	8,719	3.9
Earned surplus	115,038	51.8	120,491	52.2	5,452	118,185	52.2
Treasury stock	(99)	(0.0)	(123)	(0.1)	(23)	(109)	(0.0)
Total shareholders' equity	130,117	58.5	135,546	58.8	5,429	133,254	58.9
Other adjustments:							
Unrealized gain on marketable securities	466	0.2	(173)	(0.1)	(640)	460	0.2
Foreign exchange translation adjustment	337	0.2	3,673	1.6	3,336	1,968	0.9
Total other adjustments	804	0.4	3,500	1.5	2,696	2,429	1.1
Minority interests	4,781	2.2	5,389	2.3	607	5,229	2.3
Total net assets	135,703	61.1	144,435	62.6	8,732	140,913	62.2
Total liabilities and net assets	¥222,280	100.0	¥230,685	100.0	¥8,404	¥226,413	100.0

2. Consolidated Statements of Income

(¥ millions)

	Six months ended Sept. 30, 2006		Six months ended Sept. 30, 2007		Change		Year ended March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Net sales	¥106,102	100.0	¥110,929	100.0	¥4,827	4.5	¥234,797	100.0
Cost of sales	77,908	73.4	81,389	73.4	3,481	4.5	172,227	73.4
Gross profit	28,194	26.6	29,540	26.6	1,346	4.8	62,569	26.6
Selling, general and administrative expenses	24,831	23.4	24,504	22.1	(327)	(1.3)	49,830	21.2
Operating income	3,362	3.2	5,036	4.5	1,673	49.8	12,739	5.4
Other income:	1,148	1.1	1,110	1.0	(38)	(3.4)	2,157	0.9
Interest income	318		430		112		756	
Dividends received	89		133		43		142	
Equity in earnings of affiliate	122		182		60		276	
Foreign exchange gain	399		17		(382)		408	
Other	218		345		127		574	
Other expenses:	595	0.6	698	0.6	102	17.3	1,374	0.6
Interest expenses	491		595		103		1,085	
Loss on sale of notes receivable	98		97		(0)		251	
Other	6		5		(0)		37	
Ordinary income	3,915	3.7	5,447	4.9	1,531	39.1	13,521	5.8
Extraordinary income:	311	0.3	390	0.4	79	25.6	637	0.3
Adjustment for prior profits	133		—		(133)		133	
Gain on sales of fixed assets	4		285		281		7	
Gain on sales of investments in securities	124		—		(124)		392	
Reversal from allowance for doubtful accounts	24		88		64		26	
Other	24		16		(7)		76	
Extraordinary losses:	168	0.2	1,012	0.9	844	502.7	2,277	1.0
Loss on disposal of fixed assets	109		111		1		423	
Impairment losses	—		6		6		47	
Loss on devaluation of investments in securities	20		199		178		91	
Retirement benefit cost	—		604		604		—	
Reserve for director's retirement	30		—		(30)		30	
Other	7		91		84		1,685	
Income before income taxes	4,058	3.8	4,825	4.3	766	18.9	11,881	5.1
Income taxes (current)	2,052	1.9	2,514	2.3	462	22.5	5,473	2.3
Income taxes (deferred)	(183)	(0.2)	(724)	(0.7)	(540)	—	199	0.1
Minority interests	(255)	(0.2)	(141)	(0.1)	113	—	(74)	(0.0)
Net income	¥2,445	2.3	¥3,176	2.9	¥730	29.9	¥6,283	2.7

3. Consolidated Statement of Shareholders' Equity

Six Months Ended September 30, 2006

(¥ millions)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Earned surplus	Treasury stock	
Balance at March 31, 2006	¥6,459	¥8,719	¥112,918	¥ (94)	¥128,002
Change during the period:					
Cash dividends paid*	—	—	(758)	—	(758)
Board of directors' bonuses*	—	—	(2)	—	(2)
Net income	—	—	2,445	—	2,445
Acquisition of treasury stock	—	—	—	(5)	(5)
Disposition of treasury stock	—	0	—	0	0
Increase due to newly consolidation	—	—	438	—	438
Other changes	—	—	(2)	—	(2)
Net other changes during period	—	—	—	—	—
Net changes during period	—	0	2,119	(4)	2,115
Balance at September 30, 2006	¥6,459	¥8,719	¥115,038	¥ (99)	¥130,117

	Other adjustments			Minority interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Total other adjustments		
Balance at March 31, 2006	¥656	¥838	¥1,494	¥4,661	¥134,159
Change during the period:					
Cash dividends paid*	—	—	—	—	(758)
Board of directors' bonuses*	—	—	—	—	(2)
Net income	—	—	—	—	2,445
Acquisition of treasury stock	—	—	—	—	(5)
Disposition of treasury stock	—	—	—	—	0
Increase due to newly consolidation	—	—	—	—	438
Other changes	—	—	—	—	(2)
Net other changes during period	(189)	(501)	(690)	119	(570)
Net changes during period	(189)	(501)	(690)	119	1,544
Balance at September 30, 2006	¥ 466	¥ 337	¥ 804	¥4,781	¥135,703

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

Six Months Ended September 30, 2007

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	¥6,459	¥8,719	¥118,185	¥ (109)	¥133,254
Change during the period:					
Cash dividends paid	—	—	(866)	—	(866)
Net income	—	—	3,176	—	3,176
Acquisition of treasury stock	—	—	—	(13)	(13)
Other changes	—	—	(3)	—	(3)
Net other changes during period	—	—	—	—	—
Net changes during period	—	—	2,305	(13)	2,292
Balance at September 30, 2007	¥6,459	¥8,719	¥120,491	¥ (123)	¥135,546

	Other adjustments			Minority interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Total other adjustments		
Balance at March 31, 2007	¥460	¥1,968	¥2,429	¥5,229	¥140,913
Change during the period:					
Cash dividends paid	—	—	—	—	(866)
Net income	—	—	—	—	3,176
Acquisition of treasury stock	—	—	—	—	(13)
Other changes	—	—	—	—	(3)
Net other changes during period	(634)	(1,705)	1,071	159	1,230
Net changes during period	(634)	(1,705)	1,071	159	3,522
Balance at September 30, 2007	¥ (173)	¥ 3,673	¥3,500	¥5,389	¥144,435

Year Ended March 31, 2007

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	¥6,459	¥8,719	¥112,918	¥ (94)	¥128,002
Change during the period:					
Cash dividends paid *	—	—	(758)	—	(758)
Cash dividends paid	—	—	(758)	—	(758)
Board of directors' bonuses*	—	—	(2)	—	(2)
Net income	—	—	6,283	—	6,283
Acquisition of treasury stock	—	—	—	(15)	(15)
Disposition of treasury stock	—	0	—	0	0
Increase due to newly consolidation	—	—	438	—	438
Other changes	—	—	64	—	64
Net other changes during period	—	—	—	—	—
Net changes during period	—	0	5,267	(15)	5,251
Balance at March 31, 2007	¥6,459	¥8,719	¥118,185	¥ (109)	¥133,254

	Other adjustments			Minority interests	Total net assets
	Unrealized gain on marketable securities	Foreign exchange translation adjustment	Total other adjustments		
Balance at March 31, 2006	¥656	¥838	¥1,494	¥4,661	¥134,159
Change during period:					
Cash dividends paid *	—	—	—	—	(758)
Cash dividends paid	—	—	—	—	(758)
Board of directors' bonuses*	—	—	—	—	(2)
Net income	—	—	—	—	6,283
Acquisition of treasury stock	—	—	—	—	(15)
Disposition of treasury stock	—	—	—	—	0
Increase due to newly consolidation	—	—	—	—	438
Other changes	—	—	—	—	64
Net other changes during period	(195)	1,129	934	568	1,502
Net changes during period	(195)	1,129	934	568	6,754
Balance at March 31, 2007	¥ 460	¥1,968	¥2,429	¥5,229	¥140,913

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

4. Consolidated Statements of Cash Flows

(¥ millions)

	Six months ended Sept.30, 2006	Six months ended Sept.30, 2007	Change	Year to March 31, 2007
Cash flows from operating activities				
Income before income taxes	¥4,058	¥4,825		¥11,881
Depreciation and amortization	3,368	3,764		7,547
Increase in accrued employees' bonuses	608	170		308
Increase (decrease) in accrued employees' retirement benefits	(338)	262		(499)
(Increase) in prepaid pension costs	(431)	(266)		(978)
Interest and dividends income	(407)	(563)		(898)
Interest expenses	491	595		1,085
Equity in earnings of affiliates	(122)	(182)		(276)
Loss on disposal of fixed assets	109	111		423
(Increase) in trade receivables	(4,707)	(2,380)		(1,825)
(Increase) in inventories	(6,127)	(2,657)		(3,243)
Increase (decrease) in trade payables	1,467	(2,442)		(424)
Increase (decrease) in accrued consumption taxes	(136)	(193)		163
Bonuses to officers	(3)	—		(3)
Other	704	(1,222)		4,105
Subtotal	(1,469)	(179)	1,289	17,365
Interest and dividends received	465	609		1,001
Interest paid	(461)	(557)		(1,073)
Income taxes paid	(1,850)	(3,656)		(3,575)
Net cash provided by (used in) operating activities	(3,315)	(3,785)	(469)	13,717
Cash flows from investing activities				
Transfers to time deposits	(4,088)	(5,258)		(11,745)
Withdrawals from time deposits	4,018	6,118		11,040
Proceeds from sales of securities	2,095	93		3,295
Purchases of tangible fixed assets	(4,232)	(4,037)		(8,278)
Proceeds from sales of tangible fixed assets	55	620		81
Purchases of intangible fixed assets	(99)	(339)		(347)
Purchases of investments in securities	(5,267)	(2,492)		(9,316)
Proceeds from sales of investments in securities	392	4,059		517
Other	(143)	(282)		(72)
Net cash used in operating activities	(7,269)	(1,516)	5,753	(14,825)
Cash flows from financing activities				
Net increase in short-term debt	5,361	3,310		1,041
Proceeds from long-term debt	695	5,319		1,281
Repayment of long-term debt	(875)	(5,352)		(1,706)
Proceeds from sales of treasury stock	0	—		0
Proceeds from stock issuance for minority shareholders	297	—		297
Dividends paid	(758)	(866)		(1,516)
Dividends paid to minority shareholders	(15)	(4)		(41)
Other	(5)	(13)		(15)
Net cash provided by (used in) financing activities	4,699	2,393	(2,305)	(658)
Effect of exchange rate fluctuations on cash and cash equivalents	(244)	674	919	(183)
Net decrease in cash and cash equivalents	(6,130)	(2,233)	3,896	(1,948)
Cash and cash equivalents at beginning of term	31,899	30,034	(1,864)	31,899
Increase in cash and cash equivalents due to newly consolidation	84	—	(84)	84
Cash and cash equivalents at end of term	¥25,853	¥27,800	¥1,947	¥30,034

Significant Accounting Policies of Consolidated Interim Financial Statements

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
Method of depreciating major depreciable assets	The Corporation and its domestic consolidated subsidiaries use the declining-balance method. Consolidated subsidiaries outside Japan use the straight-line method.	The Corporation and its domestic consolidated subsidiaries use the declining-balance method (but straight line method for buildings, not including attachments, acquired on or after April 1, 2007). Consolidated subsidiaries outside Japan use the straight-line method.	The Corporation and its domestic consolidated subsidiaries use the declining-balance method. Consolidated subsidiaries outside Japan use the straight-line method.

Apart from the above table and the section below (Changes in Significant Accounting Policies of Consolidated Interim Financial Statements), there are no other major changes to items described in the Company's most recent interim security report (submitted on December 21, 2006). Therefore, such items are omitted in this report.

Changes in Significant Accounting Policies of Consolidated Interim Financial Statements

(Method of Depreciating Tangible Fixed Assets)

Effective the interim period under review, the Corporation and its domestic consolidated subsidiaries have changed to the declining balance method for depreciating buildings (except attachments) acquired on or after April 1, 2007, pursuant to an amendment to The Company Tax Law.

The Corporation and its domestic consolidated subsidiaries reassessed its method of depreciating buildings (except attachments) due to an amendment to The Company Tax Law in the fiscal year ended March 2007. As a result of the reassessment, the Corporations, having completed major capital investments in its domestic manufacturing facilities (including four factories), anticipate a shift toward investments in overseas manufacturing subsidiaries. Investments in domestic manufacturing facilities should therefore stabilize. To ensure long-term and uniform recovery of invested capital and more appropriately match revenue and expenses, the Corporations changed its depreciation method to better reflect actual circumstances. Consequently, assets acquired on or after April 1, 2007 are now depreciated using the straight line method.

As a result of this change, operating income, ordinary income, and income before income taxes each declined ¥219 million.

Supplementary Information

(Method of Depreciating Tangible Fixed Assets)

Pursuant to an amendment to The Company Tax Law, the Corporation and its domestic consolidated subsidiaries, effective the interim period under review, depreciate the residual value of tangible fixed assets, except for buildings (except attachments) acquired on or before March 31, 2007, equally for five years, starting the year following the fiscal year in which the residual value of said assets reaches 5% of the acquisition price. The Corporations have also reassessed the residual values of buildings (except attachments) acquired on or before March 31, 2007, taking into consideration the condition of each asset. And the Corporations changed its method to five-year depreciation, and the amount is included in the current statements.

As a result of this change, operating income, ordinary income, and income before income taxes each declined ¥106 million.

Notes to Financial Statements

Notes to Consolidated Balance Sheets

	Sept. 30, 2006	Sept. 30, 2007	(¥ millions) March 31, 2007
(1) Accumulated depreciation of property, plant, and equipment	70,214	72,559	71,802
(2) Assets pledged as collateral and related liabilities			
Pledged assets:			
Cash and deposits	1,925	1,845	2,031
Buildings and structures	3,986	4,287	4,185
Machinery and vehicles	660	1,398	710
Land	3,492	3,827	3,688
Total	10,064	11,359	10,614
Liabilities related to pledged assets:			
Trade notes discounted	3,600	1,861	6,345
Short-term debt	3,023	2,221	2,707
Long-term debt	311	264	290
(3) Liability for guarantee	441	566	689
(4) Trade notes receivable discounted	3,942	2,704	7,814
(5) Trade notes receivable transferred by endorsement	668	423	1,486
(6) Notes and bills matured at the term-end			

Notes and bills matured at the term-end are redeemed at the date of clearance. Because it fell on holiday for financial institutions at the term-end, September 30, 2006 and 2007, and March 31, 2007, the following amounts are included in the balances at the term-end.

	Sept. 30, 2006	Sept. 30, 2007	(¥ millions) March 31, 2007
Notes received	1,375	1,328	2,092
Notes payable	68	73	193

Notes to Consolidated Statements of Income

Impairment Loss

The Corporations recorded impairment losses for the current period under the following asset group.

Location	Purpose	Category	Amounts (¥ millions)
Utsumi training center of the Corporation (Chita, Aichi prefecture)	Training and resort facility (unutilized assets)	Building	¥6

In principle, the Corporation consider business property in management accounting, and leased assets and unutilized assets individually in grouping assets.

Regarding Consolidated Statements of Changes in Shareholders' Equity

Six months ended September 30, 2006

1. Types of Stock and Number of Shares

(Thousands of shares)

	Number of Shares at March 31, 2006	Increase in Number of Shares during Interim Period	Decrease in Number of Shares during Interim Period	Number of Shares at September 30, 2006
Number of shares issued				
Common stock	54,216	-	-	54,216
Treasury stock				
Common stock ^(Note)	35	1	0	36

Note: The increase in number of shares comes from 1,000 shares added through the buyback of shares less than one *tangen* unit. And, the decrease in number of shares comes from 0 thousand shares dropped through requests to add onto shares less than one *tangen* unit.

2. Dividends

(1) Dividend paid

Resolution	Type of stock	Total Dividends	Dividend per Share	Record Date	Effective Date
General shareholders' meeting on June 29, 2006	Common stock	¥ 758 million	¥ 14	March 31, 2006	June 29, 2006

(2) The effective date for dividends with a record date of September 30, 2006, shall be a date after the close of books for said consolidated period.

Resolution	Type of Stock	Total Dividends	Source of Dividends	Dividend per share	Record Date	Effective Date
Board of Directors meeting at November 13, 2006	Common stock	¥ 758 million	Earned surplus	¥ 14	September 30, 2006	December 8, 2006

Six months ended September 30, 2007

1. Types of Stock and Number of Shares

(Thousands of shares)

	Number of Shares at March 31, 2007	Increase in Number of Shares during Interim Period	Decrease in Number of Shares during Interim Period	Number of Shares at September 30, 2007
Number of shares issued				
Common stock	54,216	-	-	54,216
Treasury stock				
Common stock ^(Note)	39	3	-	43

Note: The increase in number of shares comes from 3,000 shares added through the buyback of shares less than one *tangen* unit.

2. Dividends

(1) Dividend paid

Resolution	Type of stock	Total Dividends	Dividend per Share	Record Date	Effective Date
General shareholders' meeting on June 28, 2007	Common stock	¥ 866 million	¥ 16	March 31, 2007	June 29, 2007

(2) The effective date for dividends with a record date of September 30, 2007, shall be a date after the close of books for said consolidated period.

Resolution	Type of Stock	Total Dividends	Source of Dividends	Dividend per share	Record Date	Effective Date
Board of Directors meeting at November 13, 2007	Common stock	¥ 975 million	Earned surplus	¥ 18	September 30, 2007	December 10, 2007

Year ended March 31, 2007

1. Types of Stock and Number of Shares

(Thousands of shares)

	Number of Shares at March 31, 2006	Increase in Number of Shares during the Fiscal Year	Decrease in Number of Shares during the Fiscal Year	Number of Shares at March 31, 2007
Number of shares issued				
Common stock	54,216	-	-	54,216
Treasury stock				
Common stock (Note)	35	4	0	39

Note: The increase in number of shares comes from 4,000 shares added through the buyback of shares less than one *tangen* unit. And, the decrease in number of shares comes from 0 thousand shares dropped through requests to add onto shares less than one *tangen* unit.

2. Dividends

(1) Dividend paid

Resolution	Type of stock	Total Dividends	Dividend per Share	Record Date	Effective Date
General shareholders' meeting on June 29, 2006	Common stock	¥ 758 million	¥ 14	March 31, 2006	June 29, 2006
Director's meeting on November 13, 2006	Common stock	¥ 758 million	¥ 14	September 30, 2006	December 8, 2006

(2) The effective date for dividends with a record date of March 31, 2007, shall be a date after the close of books for said consolidated period.

It's resolution is schedule as follows:

Resolution	Type of Stock	Total Dividends	Source of Dividends	Dividend per share	Record Date	Effective Date
General shareholders' meeting at June 28, 2007	Common stock	¥ 866 million	Earned surplus	¥ 16	March 31, 2007	June 29, 2007

Notes to Statements of Cash Flows

Reconciliation of cash and cash equivalents, and balance-sheet items at end of terms

(¥ millions)

	Sept. 30, 2006	Sept. 30, 2007	March 31, 2007
Cash and deposits	19,465	21,431	22,521
Securities	14,351	13,828	15,629
Time deposits exceeding 3 months	(5,666)	(5,741)	(6,518)
<u>Bonds exceeding 3 months to maturity</u>	<u>(2,298)</u>	<u>(1,717)</u>	<u>(1,597)</u>
Cash and cash equivalents at end of year	25,853	27,800	30,034

Segment Information

1. Business segment information

The Corporations are engaged in the manufacturing and marketing of gas appliances. In consideration of similarity in product type, characteristics, production method and sales market, the business segment information is omitted.

2. Geographic segment information

Six months ended September 30, 2006

(¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
Net sales and operating results						
(1) Sales for clients	71,724	22,208	12,170	106,102	—	106,102
(2) Intersegment sales	8,232	976	394	9,603	(9,603)	—
Total	79,956	23,184	12,564	115,705	(9,603)	106,102
Operating expenses	77,395	23,764	11,056	112,216	(9,476)	102,739
Operating income	2,561	(579)	1,507	3,489	(126)	3,362

Six months ended September 30, 2007

(¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
Net sales and operating results						
(1) Sales for clients	70,402	24,784	15,742	110,929	—	110,929
(2) Intersegment sales	8,748	1,199	178	10,126	(10,126)	—
Total	79,150	25,984	15,921	121,056	(10,126)	110,929
Operating expenses	76,023	25,926	14,189	116,139	(10,245)	105,893
Operating income	3,126	58	1,732	4,917	118	5,036

Year ended March 31, 2007

(¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
Net sales and operating results						
(1) Sales for clients	157,181	51,798	25,816	234,797	—	234,797
(2) Intersegment sales	16,914	2,139	554	19,608	(19,608)	—
Total	174,095	53,938	26,371	254,405	(19,608)	234,797
Operating expenses	164,280	53,675	23,723	241,679	(19,621)	222,057
Operating income	9,815	262	2,647	12,726	13	12,739

Notes: 1. Classification of the above regions is based on geographical proximity.

2. Composition of Asia, excluding Japan: South Korea, China, Taiwan, Thailand, Singapore, and Vietnam.

Composition of Others: United States, Australia, and New Zealand.

3. Overseas sales

Six months ended September 30, 2006

(¥ millions)

	Asia	Other regions	Total
I. Overseas sales	24,216	13,082	37,299
II. Consolidated net sales	—	—	106,102
III. Composition ratio of overseas sales to consolidated net sales	22.8%	12.3%	35.2%

Six months ended September 30, 2007

(¥ millions)

	Asia	Other regions	Total
I. Overseas sales	26,798	17,062	43,860
II. Consolidated net sales	—	—	110,929
III. Composition ratio of overseas sales to consolidated net sales	24.2%	15.4%	39.5%

Year ended March 31, 2007

(¥ millions)

	Asia	Other regions	Total
I. Overseas sales	55,901	27,574	83,475
II. Consolidated net sales	—	—	234,797
III. Composition ratio of overseas sales to consolidated net sales	23.8%	11.7%	35.6%

- Notes: 1. Classification of the above regions is based on geographical proximity.
 2. Composition of Asia: South Korea, China, Taiwan, Thailand, Singapore, Indonesia, Malaysia, and Vietnam
 Composition of Others: United States, Australia, and New Zealand.
 3. The above net sales indicate sales of the Corporations in overseas countries or regions.

Per Share Data

	Sept. 30, 2006	Sept. 30, 2007	March 31, 2007
1. Net assets per share	¥2,416.45	¥2,566.72	¥2,504.47
2. Net income per share	45.13	58.63	115.97

Fully Diluted Net Income per share is not indicated because there is no residual equity.

Note: Net income per share is calculated based on the following amounts.

	Sept. 30, 2006	Sept. 30, 2007	March 31, 2007
Net income	¥2,445 million	¥3,176 million	¥6,283 million
Amounts not attribute to common shares	—	—	—
Net income related to common shares	¥2,445 million	¥3,176 million	¥6,283 million
Average number of shares during the term	54,180 thousand shares	54,174 thousand shares	54,179 thousand shares

Subsequent Events

There is no significant information.

Other

Notes regarding lease transaction, tax-effect accounting, securities, and derivatives, are omitted because they are not deemed material in this summary financial report.

5. Production and Sales Information

In consideration of similarity in product type, characteristics, production method and sales market, the business segment information was omitted.

(1) Production value

(¥ millions)

Division	Six months ended September 30, 2006		Six months ended September 30, 2007		Increase (Decrease)		Year ended March 31 2007	
	Amount	% of total	Amount	Amount	Amount	% of total	Amount	% of total
Kitchen appliances	33,164	36.5	33,233	35.9	69	0.2	73,105	37.8
Hot-water units	39,531	43.5	41,977	45.4	2,445	6.2	86,831	45.0
Air-conditioning and heating units	9,647	10.6	8,912	9.6	(735)	(7.6)	17,141	8.9
Commercial-use equipment	1,671	1.8	1,257	1.4	(413)	(24.8)	2,303	1.2
Others	6,935	7.6	7,110	7.7	174	2.5	13,789	7.1
Total	90,950	100.0	92,491	100.0	1,540	1.7	193,170	100.0

Notes: 1. Above amounts are based on sales prices.
2. Above amounts do not include consumption tax.

(2) Product purchases

(¥ millions)

Division	Six months ended September 30, 2006		Six months ended September 30, 2007		Increase (Decrease)		Year ended March 31 2007	
	Amount	% of total	Amount	Amount	Amount	% of total	Amount	% of total
Kitchen appliances	1,700	9.0	1,732	9.1	32	1.9	3,607	8.5
Hot-water units	8,038	42.5	6,494	34.1	(1,543)	(19.2)	15,561	36.8
Air-conditioning and heating units	1,104	5.8	1,381	7.3	277	25.1	3,122	7.4
Commercial-use equipment	2,234	11.8	2,628	13.8	394	17.7	4,881	11.5
Others	5,829	30.8	6,823	35.8	994	17.1	15,102	35.7
Total	18,906	100.0	19,060	100.0	154	0.8	42,275	100.0

Notes: 1. Above amounts are based on sales prices.
2. Above amounts do not include consumption tax.

(3) Order status

The Group practices a production method based on order projections. Therefore, no order status is available for the current term.

(4) Sales performance

(¥ millions)

Division	Six months ended September 30, 2006		Six months ended September 30, 2007		Increase (Decrease)		Year ended March 31 2006	
	Amount	% of total	Amount	Amount	Amount	% of total	Amount	% of total
Kitchen appliances	34,567	32.6	35,122	31.7	554	1.6	74,746	31.8
Hot-water units	47,266	44.5	49,081	44.2	1,814	3.8	103,087	43.9
Air-conditioning and heating units	8,847	8.3	9,622	8.7	774	8.7	20,961	8.9
Commercial-use equipment	3,731	3.5	3,975	3.6	243	6.5	7,371	3.1
Others	11,688	11.0	13,128	11.8	1,439	12.3	28,629	12.2
Total	106,102	100.0	110,929	100.0	4,827	4.5	234,797	100.0

Note: Above amounts do not include consumption tax.

6. Nonconsolidated Interim Financial Statements

1. Nonconsolidated Balance Sheets

(¥ millions)

	Sept. 30, 2006		Sept. 30, 2007		Change	March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
ASSETS:							
Current assets:							
Cash and deposits	¥ 2,108		¥ 2,232		¥124	¥2,687	
Notes receivable	13,492		12,182		(1,309)	16,410	
Accounts receivable	29,781		30,421		639	28,685	
Marketable securities	14,036		13,627		(408)	15,428	
Inventories	16,706		17,298		592	15,676	
Other	2,402		3,962		1,560	2,645	
Less allowance for doubtful accounts	(275)		(303)		(28)	(425)	
Total current assets	78,251	55.0	79,422	54.0	1,170	81,109	54.9
Fixed assets:							
Property, plant and equipment:							
Buildings and structures	7,228		6,771		(457)	6,951	
Machinery and equipment	3,927		3,720		(207)	3,766	
Tools and fixtures	4,126		3,739		(386)	3,560	
Land	6,530		6,701		171	6,696	
Other	264		331		67	209	
Total Property, plant and equipment	22,076	15.5	21,264	14.5	(811)	21,184	14.3
Intangibles fixed assets	600	0.4	861	0.6	261	689	0.5
Investments and advances:							
Investments in securities	27,876		31,368		3,492	31,333	
Other	13,665		14,240		575	13,497	
Less allowance for doubtful accounts	(99)		(81)		17	(81)	
Total investments and advances	41,442	29.1	45,528	31.0	4,086	44,749	30.3
Total fixed assets	64,119	45.0	67,654	46.0	3,535	66,623	45.1
Total assets	¥142,370	100.0	¥147,077	100.0	¥4,706	¥147,733	100.0

(¥ millions)

	Sept. 30, 2006		Sept. 30, 2007		Change	March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
LIABILITIES:							
Current liabilities:							
Accounts payable	¥28,794		¥26,655		¥(2,139)	¥29,411	
Other payables	4,528		4,659		131	6,015	
Accrued consumption taxes	930		1,880		949	2,203	
Accrued employee's bonuses	1,844		1,720		(123)	1,596	
Allowance for inspection cost	—		206		206	500	
Other	1,134		1,245		111	1,220	
Total current liabilities	37,231	26.2	36,368	24.7	(863)	40,946	27.7
Long-term liabilities:							
Accrued employees' retirement benefits	1,792		1,580		(212)	1,580	
Accrued officers' retirement benefits	1,320		1,372		52	1,344	
Other	271		289		17	285	
Total long-term liabilities	3,385	2.4	3,242	2.2	(143)	3,211	2.2
Total liabilities	40,617	28.5	39,611	26.9	(1,006)	44,158	29.9
NET ASSETS:							
Shareholders' equity:							
Common stock	6,459	4.5	6,459	4.4	—	6,459	4.4
Capital surplus							
Capital reserve	8,719		8,719		—	8,719	
Other	0		0		0	0	
Total capital surplus	8,719	6.1	8,719	5.9	0	8,719	5.9
Earned surplus							
Legal reserve	1,614		1,614		—	1,614	
Other legal reserve:							
Voluntary reserve	81,900		83,900		2,000	81,900	
Unappropriated retained earnings at the end of the period	2,581		6,837		4,255	4,345	
Total earned surplus	86,096	60.5	92,352	62.8	6,255	87,860	59.5
Treasury stock	(99)	(0.1)	(123)	(0.1)	(23)	(109)	(0.1)
Total shareholders' equity	101,176	71.1	107,407	73.0	6,231	102,929	69.7
Other adjustments:							
Unrealized gain on marketable securities	577		58		(519)	645	
Total other adjustments	577	0.4	58	0.0	(519)	645	0.4
Total net assets	101,753	71.5	107,465	73.1	5,712	103,574	70.1
Total liabilities and net assets	¥142,370	100.0	¥147,077	100.0	¥4,706	¥147,733	100.0

2. Nonconsolidated Statements of Income

(¥ millions)

	Six months ended Sept. 30, 2006		Six months ended Sept. 30, 2007		Change		Year ended March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Net sales	¥75,480	100.0	¥75,264	100.0	¥(215)	(0.3)	¥164,189	100.0
Cost of sales	60,992	80.8	59,395	78.9	(1,596)	(2.6)	130,164	79.3
Gross profit	14,488	19.2	15,868	21.1	1,380	9.5	34,025	20.7
Selling, general and administrative expenses	13,282	17.6	13,348	17.7	66	0.5	27,210	16.6
Operating income	1,206	1.6	2,520	3.3	1,314	109.0	6,814	4.2
Other income:	1,238	1.6	4,311	5.7	3,072	248.1	2,111	1.3
Other expenses:	34	0.0	181	0.2	146	421.9	66	0.0
Ordinary income	2,409	3.2	6,649	8.8	4,239	175.9	8,859	5.4
Extraordinary income	157	0.2	122	0.2	(34)	(21.8)	715	0.4
Extraordinary losses	136	0.2	308	0.4	172	126.4	2,083	1.3
Income before income taxes	2,430	3.2	6,464	8.6	4,033	165.9	7,491	4.6
Income taxes (current)	1,025	1.4	1,906	2.5	881	86.0	3,080	1.9
Income taxes (deferred)	(132)	(0.2)	(801)	(1.1)	(668)	—	350	0.2
Net income	¥1,538	2.0	¥5,358	7.1	¥3,820	248.4	¥4,060	2.5

(3) Nonconsolidated Statement of Shareholders' Equity

Six Months Ended September 30, 2006

(¥ millions)

	Shareholders' equity							
	Common stock	Total capital surplus			Legal reserve	Earned surplus		Total earned surplus
		Capital reserve	Other	Total Capital Surplus		Other	Unappropriated retained earnings	
Balance at March 31, 2006	¥6,459	¥8,719	-	¥8,719	¥1,614	¥80,400	¥3,302	¥85,317
Change during the period:								
Transfer to voluntary reserve*	-	-	-	-	-	1,500	(1,500)	-
Cash dividends paid*	-	-	-	-	-	-	(758)	(758)
Net income	-	-	-	-	-	-	1,538	1,538
Acquisition of treasury stock	-	-	-	-	-	-	-	-
Disposition of treasury stock	-	-	0	0	-	-	-	-
Net other changes during the period	-	-	-	-	-	-	-	-
Net changes during the period	-	-	0	0	-	1,500	(720)	779
Balance at September 30, 2006	¥6,459	¥8,719	¥0	¥8,719	¥1,614	¥81,900	¥2,581	¥86,096

(¥ millions)

	Shareholders' equity		Other adjustments		Total Net assets
	Treasury stock	Total shareholders' equity	Unrealized gain On marketable securities	Total other adjustments	
Balance at March 31, 2006	¥ (94)	¥100,401	¥707	¥707	¥101,108
Change during the period:					
Transfer to voluntary reserve*	-	-	-	-	-
Cash dividends paid *	-	(758)	-	-	(758)
Net income	-	1,538	-	-	1,538
Acquisition of treasury stock	(5)	(5)	-	-	(5)
Disposition of treasury stock	0	0	-	-	0
Net other changes during the period	-	-	(129)	(129)	(129)
Net changes during the period	(4)	774	(129)	(129)	644
Balance at September 30, 2006	¥ (99)	¥101,176	¥ 577	¥ 577	¥101,753

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

Six Months Ended September 30, 2007

(¥ millions)

	Shareholders' equity							
	Common stock	Total capital surplus			Legal reserve	Earned surplus		
		Capital reserve	Other	Total Capital Surplus		Other		Total earned surplus
					Voluntary reserve	Unappropriated retained earnings		
Balance at March 31, 2007	¥6,459	¥8,719	¥0	¥8,719	¥1,614	¥81,900	¥4,345	¥87,860
Change during the period:								
Transfer to voluntary reserve	-	-	-	-	-	2,000	(2,000)	-
Cash dividends paid	-	-	-	-	-	-	(866)	(866)
Net income	-	-	-	-	-	-	5,358	5,358
Acquisition of treasury stock	-	-	-	-	-	-	-	-
Net other changes during the period	-	-	-	-	-	-	-	-
Net changes during the period	-	-	-	-	-	2,000	2,491	4,491
Balance at September 30, 2007	¥6,459	¥8,719	¥0	¥8,719	¥1,614	¥83,900	¥6,837	¥92,352

(¥ millions)

	Shareholders' equity		Other adjustments		Total Net assets
	Treasury stock	Total shareholders' equity	Unrealized gain On marketable securities	Total other adjustments	
Balance at March 31, 2007	¥ (109)	¥102,929	¥645	¥645	¥103,574
Change during the period:					
Transfer to voluntary reserve	-	-	-	-	-
Cash dividends paid	-	(866)	-	-	(866)
Net income	-	5,358	-	-	5,358
Acquisition of treasury stock	(13)	(13)	-	-	(13)
Net other changes during the period	-	-	(587)	(587)	(587)
Net changes during the period	(13)	4,478	(587)	(587)	3,891
Balance at September 30, 2007	¥ (123)	¥107,407	¥ 58	¥ 58	¥107,465

Year Ended March 31, 2007

(¥ millions)

	Shareholders' equity							
	Common stock	Total capital surplus			Legal reserve	Earned surplus		Total earned surplus
		Capital reserve	Other	Total Capital Surplus		Voluntary reserve	Other	
						Unappropriated retained earnings		
Balance at March 31, 2006	¥6,459	¥8,719	¥ -	¥8,719	¥1,614	¥80,400	¥3,302	¥85,317
Change during the period:								
Transfer to voluntary reserve*	-	-	-	-	-	1,500	(1,500)	—
Cash dividends paid *	-	-	-	-	-	-	(758)	(758)
Cash dividends paid	-	-	-	-	-	-	(758)	(758)
Net income	-	-	-	-	-	-	4,060	4,060
Acquisition of treasury stock	-	-	-	-	-	-	-	-
Disposition of treasury stock	-	-	0	0	-	-	-	-
Net other changes during the period	-	-	-	-	-	-	-	-
Net changes during the period	-	-	0	0	-	1,500	1,043	2,543
Balance at March 31, 2007	¥6,459	¥8,719	¥0	¥8,719	¥1,614	¥81,900	¥4,345	¥87,860

(¥ millions)

	Shareholders' equity		Other adjustments		Total Net assets
	Treasury stock	Total shareholders' equity	Unrealized gain On marketable securities	Total other adjustments	
Balance at March 31, 2006	¥ (94)	¥100,401	¥707	¥707	¥101,108
Change during the period:					
Transfer to voluntary reserve*	-	-	-	-	-
Cash dividends paid *	-	(758)	-	-	(758)
Cash dividends paid	-	(758)	-	-	(758)
Net income	-	4,060	-	-	4,060
Acquisition of treasury stock	(15)	(15)	-	-	(15)
Disposition of treasury stock	0	0	-	-	0
Net other changes during the period	-	-	(61)	(61)	(61)
Net changes during the period	(15)	2,527	(61)	(61)	2,466
Balance at March 31, 2007	¥ (109)	¥102,929	¥645	¥645	¥103,574

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