

Consolidated Financial Results
First Quarter of the Fiscal Year Ending March 2012
(April 1–June 30, 2011)

August 5, 2011

Listed Company Name: Rinnai Corporation

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

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Scheduled date for release of quarterly securities report: August 9, 2011

Anticipated date to begin distributing dividends: —

Supplemental information sheets of quarterly results: None

Information meeting of quarterly results: None

I. Performance in the First Quarter of the Fiscal Year Ending March 31, 2012

(April 1– June 30, 2011; amounts less than one million yen are omitted)

(1) Consolidated Operating Results

(¥ millions; %)

	Net Sales	Operating Income	Ordinary Income	Net Income
First Quarter to June 2011	¥54,172 [+ 3.7%]	¥4,969 [+ 9.8%]	¥5,648 [+14.2%]	¥2,350 [-16.5%]
First Quarter to June 2010	52,217 [+13.6]	4,526 [+88.3]	4,944 [+85.3]	2,815 [+77.5]

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

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
First Quarter to June 2011	¥47.91	—
First Quarter to June 2010	54.75	—

(2) Consolidated Financial Position

(¥ millions; %)

	Total Assets	Net Assets	Equity Ratio (%)
June 30, 2011	¥222,692	¥143,953	62.9%
March 31, 2011	221,495	141,110	62.0

(Reference) Equity capital: First quarter of the year ending March 31, 2012; ¥139,978 million
Year ended March 31, 2011; ¥137,274 million

II. Dividends

(Basis date)	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
March 2011	—	¥24.00	—	¥24.00	¥48.00
June 2011	—				
March 2012 (anticipated)		28.00	—	28.00	56.00

Note: Revision of dividend forecast in period under review: None

III. Forecast for the Fiscal Year Ending March 31, 2012 (Consolidated)

(April 1, 2011, to March 31, 2012)

(¥ millions/%)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (¥)
First half	¥115,000 [+3.3%]	¥12,000 [+8.0%]	¥12,500 [+5.9%]	¥8,000 [+14.0%]	¥163.06
Full year	248,000 [+3.6]	27,000 [+7.0]	28,000 [+4.4]	17,500 [+12.8]	356.70

Note: Percentage figures in parentheses indicate increase or decrease from the previous fiscal year.

Note: Revision of fiscal year forecast in period under review: None

IV. Other

For more information, please refer to “2. Other” information on page 6 of this report.

(1) Changes in scope of consolidation of major subsidiaries during the period: None

Newly included — (Company name —) : Excluded — (Company name —)

Note: It is changes in scope of specified subsidiaries during the first quarter period

(2) Application of special accounting method for quarterly consolidated financial reporting:

None

(3) Changes in accounting policies; changes in accounting estimates; retrospective restatement

(a) Changes due to revision of accounting standard: None

(b) Other changes than (a): None

(c) Changes in the rules for the accounting estimates: None

(d) Retrospective restatement: None

(4) Number of Outstanding Shares (Common Stock)

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

June 30, 2011: 54,216,463 shares

March 31, 2011: 54,216,463 shares

(b) Number of treasury stock shares at term-end

June 30, 2011: 5,156,241 shares

March 31, 2011: 5,156,123 shares

(c) Average number of shares during the term

First quarter of the fiscal year ending March 2012: 49,060,283 shares

First quarter of the fiscal year ended March 2011: 51,424,873 shares

* Implementation status of quarterly review process

This report is exempt from a quarterly review process under the Financial Instruments and Exchange Act (FIEA). At the time of this report’s release, the review process of the Company’s consolidated quarterly financial statements under the FIEA was not completed.

* Note on appropriate use of performance forecasts

Performance forecasts contained in this document are based on information currently available and certain judgments deemed by the Corporation to be reasonable. Actual results may differ significantly from such forecasts due to various factors. For more information, please refer to “(3) Consolidated Performance Forecasts” on page 5 of this report.

1. Consolidated Performance

(1) Operating Results

In the first quarter under review (April 1–June 30, 2011), the world economy showed steady economic growth, buoyed by continued expansion of internal demand amid concerns of inflation in Asian nations. This was despite economic slowdown in the United States stemming from surplus housing stocks and a heightened unemployment rate. In Japan, the economy remained difficult, with no clear signs of future direction. Factors included the ongoing strong impact of the Great East Japan Earthquake, stagnating production activities due to disruptions in the supply chain, and restriction on electric power supply due to a nuclear power plant accident.

In the domestic housing appliance industry, new housing starts showed healthy signs thanks to firm demand for condominiums. Going forward, we expect housing-related markets to expand due to forecasts of increases in new home construction and existing home renovations, underpinned by restoration demand related to homes damaged by the earthquake.

Facing these challenges, the Rinnai Group entered the final year of its medium-term business plan, entitled “Reform and Breakthrough.” During the period under review, we targeted major global advances as a comprehensive manufacturer of heating appliances amid the trend toward protecting the environment and saving energy, as well as growth in emerging economies. Specifically, we delivered heating products optimized to suit living cultures and energy conditions in various world nations.

With respect to revenue, in Japan we faced stagnation in the supply chain for residential building materials and an industry-wide mood of restraint following the Great East Japan Earthquake, which led to a decline in sales. Nevertheless, sales of hot-water units increased on the back of solid restoration demand related to the earthquake, as well as healthy replacement demand for our Eco Jozu series, which we have been promoting as the de facto standard for the gas appliance industry. On the production side, the Group maintained production activities to meet restoration demand in disaster-stricken areas and established a system for increased production to address subsequent growth in orders.

Overseas, sales in local-currency terms were steady, with no change in the market’s high evaluation of the exceptional environmental performance of Rinnai-made products. This was despite a short-term slowdown in consumption stemming from economic weakness in some areas, as well as negative impact of the strong yen on revenue.

On the earnings side, solid domestic sales of hot-water units provided a boost to revenue, while proliferation of Eco Jozu products, which incorporate high added value, helped bolster earnings. These factors compensated for the extremely high cost of raw materials overseas.

As a result, consolidated net sales for the period amounted to ¥54,172 million, up 3.7% from the previous corresponding period. Operating income rose 9.8%, to ¥4,969 million, and ordinary income grew 14.2%, to ¥5,648 million. During the period, the Company booked a loss on valuation of investment securities. Accordingly, net income for the period declined 16.5%, to ¥2,350 million.

Our results by geographical segment were as follows:

Japan

In kitchen appliances, we posted a decline in sales of gas stoves due to the spread of low-priced products amid limitations on production activities and a mood of restraint following the earthquake. In hot-water units, overall sales of gas systems were healthy thanks to the Group's establishment of a framework for increasing production in response to demand growth the markets. As a result, sales in Japan totaled ¥37,613 million, up 7.3% from the previous corresponding period. Owing to progress in incorporating high added value to our products in line with the promotion of the Eco Jozu series, operating income in Japan rose 20.3%, to ¥3,691 million.

South Korea

In South Korea, we enjoyed healthy sales of boilers thanks to the second consecutive year of cold snaps. Sales of commercial-use steam ovens were also solid. Due to foreign exchange factors, however, sales in South Korea declined 4.1% year-on-year, to ¥5,641 million. During the period, we achieved stabilization of earnings owing to improvements in our operational structure. Accordingly, operating income in South Korea jumped 46.9%, to ¥316 million.

North America

Due to languishing housing starts and moves toward low-priced products stemming from local economic stagnation, the proliferation of instant-heating (tankless) hot-water units slowed temporarily. Nevertheless, sales on a local-currency basis increased year-on-year, buoyed by healthy demand for fan-forced heaters. However, there was no end to the yen's protracted appreciation, which affected revenue in yen terms. Accordingly, sales in North America declined 8.2%, to ¥2,887 million, and operating income fell 45.0%, to ¥144 million.

Australia

We reported another period of increased sales of fan-forced heaters thanks to government subsidies aimed at stimulating replacement demand for open-type heaters. As part of its environmental protection measures, meanwhile, the Australian government has enforced a staged termination of sales of electric storage-type (tank-based) hot-water units. Against this background, replacement of old units with energy-efficient gas ones has progressed smoothly. Sales in Australia rose 3.2%, to ¥3,288 million. Operating income climbed 35.3%, to ¥774 million, owing to increased sales of fan-forced heaters, which are highly profitable.

China

Despite a slight year-on-year decline in sales of mainstay water heaters, there was an increase in sales of boilers, which drove up overall sales in local-currency terms. Due to foreign exchange factors, however, sales in China declined 9.6%, to ¥2,171 million. Operating income dropped 80.5%, to ¥24 million, resulting from soaring costs of raw materials and increased fixed costs due to progressive inflation.

(For references 1)

Sales Composition by Business Segment

(¥ millions; %)

	First Quarter to June 30, 2010		First Quarter to June 30, 2011		Change		Year to March 31, 2011	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Kitchen appliances	¥18,124	34.7%	¥17,353	32.0%	¥ (771)	-4.3%	¥ 79,600	33.2%
Hot-water units	25,163	48.2	27,359	50.5	2,195	8.7	114,534	47.8
Air-conditioning and heating units	1,693	3.2	1,993	3.7	299	17.7	15,754	6.6
Commercial-use equipment	1,673	3.2	1,756	3.2	82	4.9	6,739	2.8
Others	5,561	10.7	5,709	10.5	148	2.7	22,806	9.5
Total	¥52,217	100.0%	¥54,172	100.0%	¥1,954	3.7%	¥239,436	100.0%

(For references 2)

Overseas Sales

(¥ millions; %)

	First Quarter to June 30, 2010			First Quarter to June 30, 2011		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥11,039	¥7,725	¥18,765	¥10,594	¥7,556	¥18,151
II. Consolidated net sales	—	—	52,217	—	—	54,172
III. Composition ratio of overseas sales to consolidated net sales	21.1%	14.8%	35.9%	19.6%	13.9%	33.5%

Note: Above indicates sales of the Corporation and consolidated subsidiaries in overseas countries or regions.

(2) Financial Position

As of June 30, 2011, Rinnai had total assets of ¥222,692 million, up ¥1,197 million from March 31, 2011. Total liabilities declined ¥1,645 million, to ¥78,739 million. Net assets rose ¥2,842 million, to ¥143,953 million. The equity ratio at the end of the period was 62.9%.

(3) Consolidated Performance Forecasts

Rinnai has not changed its initial forecasts for the two-quarter period ending September 30, 2011, or the full-year period ending March 31, 2012. (Those forecasts were announced on May 11, 2011.)

2. Summary (Other) Information

(1) Changes in Major Subsidiaries during Period

Not applicable.

(2) Application of Specific Accounting Treatment

Not applicable.

(3) Changes in Accounting Policies; Changes in Accounting Estimates; Retrospective restatement

Not applicable.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2011 (Fiscal 2011)	At June 30, 2011 (First Quarter of Fiscal 2012)
ASSETS:		
Current assets		
Cash and deposits	¥ 28,338	¥ 32,551
Notes and accounts receivable	53,155	47,751
Marketable securities	28,663	26,953
Products	11,545	15,782
Raw materials and stores	9,478	9,511
Other	5,413	6,408
Less allowance for doubtful accounts	(449)	(479)
Total current assets	136,145	138,479
Fixed assets		
Property, plant and equipment	41,997	42,242
Intangible fixed assets	1,581	1,561
Investments and advances		
Investments in securities	29,604	27,827
Other	12,603	12,992
Less allowance for doubtful accounts	(437)	(411)
Total investments and advances	41,771	40,408
Total fixed assets	85,350	84,212
Total assets	¥221,495	¥222,692

(¥ millions)

	At March 31, 2011 (Fiscal 2011)	At June 30, 2011 (First Quarter of Fiscal 2012)
LIABILITIES:		
Current liabilities		
Notes and accounts payable	¥ 40,781	¥ 41,222
Short-term debt	6,277	6,640
Accrued income taxes	5,034	2,450
Accrued employee's bonuses	2,765	978
Other allowances	2,926	2,205
Other	12,515	14,591
Total current liabilities	70,301	68,087
Long-term liabilities		
Long-term debt	2,763	2,762
Accrued employees' retirement benefits	4,547	4,814
Other allowances	53	55
Other	2,718	3,019
Total long-term liabilities	10,083	10,652
Total liabilities	80,384	78,739
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,719	8,719
Earned surplus	147,757	148,930
Treasury stock	(23,465)	(23,466)
Total shareholders' equity	139,471	140,644
Other comprehensive income:		
Unrealized gain on marketable securities	(394)	208
Foreign exchange translation adjustment	(1,803)	(874)
Total of other comprehensive income	(2,197)	(665)
Minority interests	3,836	3,974
Total net assets	141,110	143,953
Total liabilities and net assets	¥221,495	¥222,692

(2) Consolidated Statements of Income, and Statements of Comprehensive Income

Consolidated Statements of Income

(¥ millions)

	First Quarter of Fiscal 2011 (From April 1 to June 30, 2010)	First Quarter of Fiscal 2012 (From April 1 to June 30, 2011)
Net sales	¥52,217	¥54,172
Cost of sales	35,810	37,504
Gross profit	16,407	16,667
Selling, general and administrative expenses	11,880	11,698
Operating income	4,526	4,969
Other income:		
Interest income	190	223
Dividends received	147	147
Equity in earnings of affiliates	221	207
Other	156	195
Total other income	716	773
Other expenses:		
Interest expenses	80	61
Foreign exchange loss	171	24
Other	46	7
Total other expenses	297	93
Ordinary income	4,944	5,648
Extraordinary income:		
Gain on sales of investment securities	46	—
Total extraordinary income	46	—
Extraordinary losses:		
Loss on evaluation of investment securities	52	1,201
Transfer to allowance for inspection cost	610	—
Other	54	24
Total extraordinary expenses	717	1,225
Income before income taxes	4,273	4,422
Income taxes (current)	2,071	2,259
Income taxes (deferred)	(751)	(254)
Total income taxes	1,319	2,005
Income before minority interest	2,954	2,417
Minority interests	138	66
Net income	¥ 2,815	¥ 2,350

Consolidated Statements of Comprehensive Income

(¥ millions)

	First Quarter of Fiscal 2011 (From April 1 to June 30, 2010)	First Quarter of Fiscal 2012 (From April 1 to June 30, 2011)
Income before minority interest	¥2,954	¥2,417
Other comprehensive income		
Unrealized gain on marketable securities	(471)	602
Foreign exchange translation adjustment	560	925
Equity portion of affiliated companies accounted for under the equity method	54	84
Total of other comprehensive income	142	1,613
Comprehensive income	3,097	4,030
Total comprehensive income attributable to:		
Shareholders of Rinnai Corporation	2,920	3,882
Minority interests	176	148

(3) Assumptions for Going Concern

Not applicable.

(4) Segment Information

First Quarter of the Fiscal Year Ending March 31, 2011 (From April 1 to June 30, 2010)

(¥ millions)

	Reportable Segments					Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China			
Sales								
Outside clients	¥35,065	¥5,884	¥3,144	¥3,186	¥2,402	¥2,534	¥ -	¥52,217
Intersegment	4,284	36	-	0	292	431	(5,045)	-
Total	39,350	5,920	3,144	3,186	2,695	2,965	(5,045)	52,217
Income (loss)	3,070	215	261	572	124	359	(77)	4,526

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. "Adjustments" is the intersegment transactions to eliminate.

3. "Income (loss)" is adjusted from operating income on Consolidated Statement of Income.

First Quarter of the Fiscal Year Ending March 31, 2012 (From April 1 to June 30, 2011)

(¥ millions)

	Reportable Segments					Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China			
Sales								
Outside clients	¥37,613	¥5,641	¥2,887	¥3,288	¥2,171	¥2,569	¥ -	¥54,172
Intersegment	4,591	98	-	0	383	545	(5,619)	-
Total	42,205	5,740	2,887	3,288	2,555	3,114	(5,619)	54,172
Income (loss)	3,691	316	144	774	24	305	(287)	4,969

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. "Adjustments" is the intersegment transactions to eliminate.

3. "Income (loss)" is adjusted from operating income on Consolidated Statement of Income.

(5) Major Changes in Shareholders' Equity

Not applicable.