

Nonconsolidated Interim Financial Results

(April 1 to September 30, 2004)

November 15, 2004

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: Yoshio Yamazaki, President

Contact: Tsutomu Miyata, Managing Director and Manager of Accounting Division

TEL: (052) 361-8211

Date of the Board of Directors Meeting on the Settlement of Accounts: November 15, 2004

Dividend Payment Date: December 10, 2004

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

1. Performance for the Six Months Ended September 30, 2004

(April 1 – September 30, 2004; 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, 2004	69,244 (1.2)	2,014 (-37.1)	2,896(-18.6)
September 30, 2003	68,419 (6.9)	3,201 (10.3)	3,559(11.2)
March 31, 2004	151,558	9,866	10,651

	Net Income (YOY % change)	Net Income per Share (¥)
September 30, 2004	1,763 (-14.3)	32.54
September 30, 2003	2,059 (26.3)	37.99
March 31, 2004	6,079	111.38

Notes:

1. Number of average shares (nonconsolidated)

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

Six months to September 30, 2003: 54,199,859 shares;

Year to March 31, 2004: 54,199,097

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, 2004	13.00	—
September 30, 2003	12.00	—
March 31, 2004	—	24.00

(3) Financial Position

(¥ millions)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (¥)
September 30, 2004	135,249	98,080	72.5	1,809.80
September 30, 2003	131,151	93,501	71.3	1,725.17
March 31, 2004	140,296	97,054	69.2	1,789.97

Note:

1. Number of shares outstanding at term-end:

September 30, 2004: 54,194,134 shares

September 30, 2003: 54,198,790 shares

March 31, 2004: 54,197,440 shares

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

September 30, 2004: 1,593,329

September 30, 2003: 1,588,673 shares

March 31, 2004: 1,590,023 shares

2. Forecast for Fiscal Year Ending March 31, 2005

(April 1, 2004 – March 31, 2005)

(¥ millions)

	Net Sales	Ordinary Income	Net Income	Dividends per Share (¥)	
				End of term	Full Term
Year to March 31, 2005	155,000	9,000	5,100	13.00	26.00

(Reference) Forecast net income per share (full year): ¥93.31

The performance outlook above is based on information available as of the disclosure date for these interim results. A variety of factors may cause actual results for the fiscal year ending March 31, 2005, to differ from these anticipated amounts.

3. Nonconsolidated Interim Financial

(1) Balance Sheets (at September 30)

(¥ millions)

	2004		2003		Change	March 31, 2004	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
ASSETS							
Current assets							
Cash and deposits	¥1,080		¥3,636		¥(2,555)	¥4,997	
Notes receivable, trade	12,724		14,188		(1,464)	16,649	
Accounts receivable, trade	25,930		24,523		1,406	25,419	
Marketable securities	14,918		11,563		3,355	16,364	
Inventories	18,437		15,986		2,451	15,368	
Others	2,334		2,035		298	2,290	
Allowance for doubtful accounts	(55)		(63)		8	(68)	
Total current assets	75,370	55.7	71,870	54.8	(3,499)	81,020	57.7
Fixed assets							
Tangibles							
Buildings and structures	7,635		7,390		245	7,727	
Machinery and vehicles	4,202		4,192		9	4,327	
Tools and fixtures	4,120		3,615		504	3,576	
Land	6,570		6,351		219	6,397	
Others	320		598		(278)	244	
Total tangibles	22,849	16.9	22,147	16.9	701	22,274	15.9
Intangibles	516	0.4	425	0.3	91	446	0.3
Investments and other assets							
Investments in securities	22,012		20,439		1,572	20,954	
Others	15,008		16,846		(1,837)	16,116	
Allowance for doubtful accounts	(507)		(578)		70	(515)	
Total investments and other assets	36,513	27.0	36,707	28.0	(194)	36,554	26.1
Total fixed assets	59,879	44.3	59,280	45.2	598	59,275	42.3
Total assets	¥135,249	100.0	¥131,151	100.0	¥4,098	¥140,296	100.0

(At September 30)

(¥ millions)

	2004		2003		Change	March 31, 2004	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
LIABILITIES							
Current liabilities							
Accounts payable, trade	¥25,393		¥24,242		¥1,150	¥27,251	
Accrued amount payable	4,460		4,095		365	4,991	
Accrued corporate taxes	1,018		1,545		(526)	3,413	
Reserve for bonus payments	1,617		1,631		(13)	1,358	
Others	1,230		1,513		(282)	1,483	
Total current liabilities	33,720	24.9	33,027	25.2	692	38,498	27.4
Long-term liabilities							
Reserve for employees' retirement benefits	1,620		2,851		(1,231)	2,912	
Reserve for directors' retirement benefits	1,620		1,603		17	1,650	
Others	207		166		40	180	
Total long-term liabilities	3,448	2.6	4,621	3.5	(1,173)	4,742	3.4
Total liabilities	37,169	27.5	37,649	28.7	(480)	43,241	30.8
SHAREHOLDERS' EQUITY							
Common stock	6,459	4.8	6,459	4.9	—	6,459	4.6
Capital reserve	8,719	6.4	8,719	6.6	—	8,719	6.2
Reserve	8,719		8,719		—	8,719	
Other reserve	86,373	63.9	81,933	62.5	4,440	85,303	60.8
Legal reserve	1,614		1,614		—	1,614	
Voluntary reserve	77,400		72,400		5,000	72,400	
Unappropriated retained earnings at the end of the term	7,358		7,918		(559)	11,288	
Other differences in valuation of Marketable securities	743	0.5	591	0.5	152	777	0.6
Treasury stock	(4,215)	(3.1)	(4,201)	3.2	(14)	(4,205)	(3.0)
Total shareholders' equity	98,080	72.5	93,501	71.3	4,578	97,054	69.2
Total liabilities, minority interests and shareholders' equity	135,249	100.0	131,151	100.0	4,098	140,296	100.0

(2) Statements of Income
(Six months ended September 30)

(¥ millions)

	2004		2003		Change		Year to March 31, 2004	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Net sales	¥69,244	100.0	¥68,419	100.0	¥825	1.2	¥151,558	100.0
Cost of sales	54,524	78.7	53,123	77.6	1,401	2.6	116,435	76.8
Gross profit	14,720	21.3	15,296	22.4	(575)	(3.8)	35,123	23.2
Selling, general and administrative expenses	12,705	18.4	12,095	17.7	610	5.0	25,256	16.7
Operating income	2,014	2.9	3,201	4.7	(1,186)	(37.1)	9,866	6.5
Non-operating income	921	1.3	569	0.8	352	61.9	1,124	0.7
Non-operating expenses	38	0.0	210	0.3	(171)	(81.5)	339	0.2
Ordinary income	2,896	4.2	3,559	5.2	(663)	(18.6)	10,651	7.0
Extraordinary income	103	0.1	10	0.0	92	869.3	203	0.1
Extraordinary losses	207	0.3	281	0.4	(74)	(26.3)	473	0.3
Income before income taxes	2,792	4.0	3,289	4.8	(496)	(15.1)	10,381	6.8
Income taxes	1,165	1.7	1,615	2.4	(449)	(27.8)	5,057	3.3
Income taxes (deferred)	(136)	(0.2)	(385)	(0.6)	248	(64.5)	(755)	(0.5)
Net income	1,763	2.5	2,059	3.0	(295)	(14.3)	6,079	4.0
Unappropriated retained earnings brought forward from the previous term	5,595		5,859		(264)	(4.5)	5,859	
Loss on disposal of treasury stock	—		0		(0)	(100.0)	0	
Declared interim dividends	—		—		—	—	650	
Unappropriated retained earnings at the end of the term	7,358		7,918		(559)	(7.1)	11,288	