

Nonconsolidated Financial Results

(April 1, 2004 - March 31, 2005)

May 17, 2005

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: Yoshio Yamazaki, President

Contact: Tsutomu Miyata, Director and Manager of Accounting Division

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Date of the Board of Directors Meeting on the Settlement of Accounts: May 17, 2005

Date of the General Meeting of Shareholders: June 30, 2005

Interim Dividend System: Yes

New Trading Unit System: Yes (100 shares)

1. Performance for the Year Ended March 31, 2005

(April 1, 2004 to March 31, 2005; 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)
2005	151,414 (-0.1)	5,487(-44.4)	7,168(-32.7)
2004	151,558 (+6.4)	9,866(+25.5)	10,651(+10.5)

	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 (%)
2005	4,145 (-31.8)	76.61	—	4.2	5.1	4.7
2004	6,079 (-27.3)	111.38	—	6.4	7.8	7.0

Notes:

1. Average number of outstanding shares for period:

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

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

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 (¥)			
2005	26.00	13.00	13.00	1,402	33.9	1.4
2004	24.00	12.00	12.00	1,300	21.5	1.3

(3) Financial Position

	Total Assets (¥ millions)	Shareholders' Equity (¥ millions)	Equity Ratio (%)	Shareholders' Equity per Share(¥)
2005	138,469	98,558	71.2	1,835.81
2004	140,296	97,054	69.2	1,789.97

Notes:

1. Number of shares outstanding at year-end:

March 31, 2005: 53,686,903

March 31, 2004: 54,197,440

2. Number of treasury stock shares at year-end

March 31, 2005: 529,560

March 31, 2004: 1,590,023

2. Forecast for the Fiscal Year Ending March 31, 2005

(April 1, 2005, to March 31, 2004)

	Net Sales (¥ millions)	Ordinary Income (¥ millions)	Net Income (¥ millions)	Dividends per Share (Annual) (¥)		
				Interim	End of term	Total
Interim	70,000	3,100	1,800	14.00	—	—
Full year	155,000	8,200	4,500	—	14.00	28.00

Reference: Forecast net income per share (full year):¥83.05.

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)

	2005		2004		Change
	Amount	% of total	Amount	% of total	Amount
ASSETS					
Current Assets	¥77,139	55.7	¥81,020	57.7	¥(3,880)
Cash and Deposits	816		4,997		(4,180)
Notes receivable, trade	15,990		16,649		(658)
Accounts receivable, trade	25,921		25,419		502
Marketable securities	17,321		16,364		956
Products	10,912		11,015		(103)
Raw materials	3,939		4,141		(202)
Stores	238		211		27
Prepaid expenses	104		11		93
Deferred income taxes	1,379		1,524		(144)
Other	574		754		(180)
Less allowance for doubtful accounts	(59)		(68)		9
Fixed	61,329	44.3	59,275	42.3	2,053
Property, plant and equipment	22,668	16.4	22,274	15.9	394
Buildings	7,248		7,421		(172)
Structures	297		306		(8)
Machinery, equipment	4,300		4,327		(26)
Vehicles and delivery equipment	15		18		(2)
Tools, furniture and fixture	3,936		3,576		359
Land	6,570		6,397		172
Construction in progress	299		226		72
Intangible fixed assets	533	0.4	446	0.3	86
Leaseholds	9		9		-
Water supply facility utilization rights	20		23		(3)
Telephone subscription rights	52		52		-
Software	451		361		90
Investments and advances	38,127	27.5	36,554	26.1	1,572
Investments in securities	18,210		15,463		2,747
Stocks of affiliated companies	5,490		5,490		-
Long-term advances	9		104		(94)
Investments in affiliated companies	837		837		-
Long-term loans to affiliated companies	4,800		4,800		-
Reorganization credit	206		158		47
Long-term prepaid expense	124		119		4
Deferred income taxes	1,920		1,659		261
Guaranty money deposited	625		964		(339)
Long-term guaranty money	3,500		3,000		500
Prepaid pension expenses	1,944		3,446		(1,502)
Other	750		1,025		(274)
Less allowance for doubtful accounts	(293)		(515)		222
Total Assets	¥138,469	100.0	¥140,296	100.0	¥(1,827)

(¥ millions)

	2005		2004		Change
	Amount	% of total	Amount	% of total	Amount
LIABILITIES					
Current liabilities	¥36,330	26.2	¥38,498	27.4	¥(2,168)
Accrued payable, trade	26,568		27,251		(683)
Other payables	5,010		4,991		18
Accrued expenses	454		461		(6)
Accrued consumption taxes	310		350		(40)
Accrued income taxes	1,395		3,413		(2,017)
Advances by customers	6		5		1
Deposits payable	65		64		1
Accrued employees' bonus	1,367		1,358		9
Allowance for after-sales service	360		-		360
Accrued equipment costs payable	791		600		191
Other	0		2		(1)
Long-term liabilities	3,579	2.6	4,742	3.4	(1,162)
Accrued employees' retirement benefits	1,666		2,912		(1,246)
Accrued officers' retirement benefits	1,694		1,650		44
Other	219		180		39
Total liabilities	¥39,910	28.8	¥43,241	30.8	¥(3,331)
SHAREHOLDERS' EQUITY					
Common stock	6,459	4.7	6,459	4.6	—
Capital surplus	8,719	6.3	8,719	6.2	—
Capital	8,719		8,719		—
Retained earnings	83,894	60.6	85,303	60.8	(1,408)
Legal reserve	1,614		1,614		—
Voluntary reserve	77,400		72,400		5,000
Unappropriated retained earnings at the end of the period	4,879		11,288		(6,408)
Unrealized gain on marketable securities	893	0.6	777	0.6	115
Treasury stock	(1,408)	(1.0)	(4,205)	(3.0)	2,797
Total shareholders' equity	¥98,558	71.2	¥97,054	69.2	¥1,504
Total liabilities, minority interests and shareholders' equity	¥138,469	100.0	¥140,296	100.0	¥(1,827)

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

(¥ millions)

	2005		2004		Change	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	¥151,414	100.0	¥151,558	100.0	¥(144)	(0.1)
Cost of Sales	119,722	79.1	116,435	76.8	3,287	2.8
Gross Profit	31,691	20.9	35,123	23.2	(3,432)	(9.8)
Selling, general and administrative expenses	26,203	17.3	25,256	16.7	946	3.7
Operating income	5,487	3.6	9,866	6.5	(4,379)	(44.4)
Other income:	1,761	1.2	1,124	0.7	637	56.7
Interest income	125		115		9	
Interest on securities	133		61		72	
Dividends received	931		489		442	
Foreign exchange loss	53		—		53	
Other	517		457		59	
Other expenses:	80	0.1	339	0.2	(258)	(76.3)
Interest expenses	3		1		2	
Foreign exchange gain	-		257		(257)	
Loss on sale of notes receivable	73		78		(4)	
Other	3		1		1	
Ordinary income	7,168	4.7	10,651	7.0	(3,483)	(32.7)
Extraordinary income:	101	0.1	203	0.1	(101)	(50.0)
Adjustments of loss at previous term	97		—		97	
Gain on sales of fixed assets	—		0		(0)	
Gain on sales of securities	3		25		(22)	
Insurance money received	—		177		(177)	
Other	1		—		1	
Extraordinary losses:	794	0.5	473	0.3	320	67.8
Loss on sales of fixed assets	0		—		0	
Loss on disposal of fixed assets	327		273		54	
Loss on devaluation of golf club memberships	—		58		(58)	
Loan losses	46		—		46	
Prior patent usage fees	—		60		(60)	
Transfer to allowance for after-sales service	360		—		360	
Other	60		81		(21)	
Income before income taxes	6,475	4.3	10,381	6.8	(3,905)	(37.6)
Income taxes:						
Current	2,524	1.7	5,057	3.3	(2,533)	(50.1)
Deferred	(194)	(0.1)	(755)	(0.5)	560	(74.3)
Net income	4,145	2.7	6,079	4.0	(1,933)	(31.8)
Unappropriated retained earnings brought forward from the previous term	5,595		5,859		(264)	
Retirement of treasury stock	4,156		—		4,156	
Loss on disposal of treasury stock	—		0		(0)	
Declared interim dividends	704		650		54	
Unappropriated retained earnings at the end of the term	4,879		11,288		(6,408)	

(3) Nonconsolidated Statements of Appropriation of Retained Earnings

(Years ended March 31)

(¥ millions)

	2005	2004	Change
Unappropriated retained earnings at end of term	¥4,879	¥11,288	¥(6,408)
Appropriation	697	650	47
Dividends on common stock	[¥13.00 per share]	[¥12.00 per share]	
Board of Directors' bonuses	—	43	(43)
(For directors)	[—]	[43]	[(43)]
Other reserves	3,000	5,000	(2,000)
Balance carried forward	1,181	5,595	(4,413)

Note: On December 10, 2004, ¥704 million (¥13.00 per share) was paid as an interim dividend.