Consolidated 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 Headquarters
TEL: (052) 361-8211
Date of the Board of Directors' Meeting on the Settlement of Accounts: November 13, 2006
Application of U.S. Accounting Standards: No

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	106,102 (14.1)	3,362 (28.0)	3,915 (17.0)
September 30, 2005	92,968 (1.8)	2,627 (-25.5)	3,346 (-21.2)
(Year to) March 31, 2006	212,947	10,260	11,756

	Net income (YOY % change)	Net income per share (¥)	Fully diluted net income per share (¥)
September 30, 2006	2,445 (72.6)	45.13	—
September 30, 2005	1,416 (-44.8)	26.24	—
(Year to) March 31, 2006	5,242	96.92	—

Notes:

1. Equity in earnings of equity-method affiliates
   Six months to September 30, 2006: ¥122 million
   Six months to September 30, 2005: ¥11 million
   Year to March 31, 2006: ¥45 million
2. Number of average shares outstanding (consolidated)
   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
3. Changes in accounting policy: None
4. 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 (%)	Equity per share (¥)
September 30, 2006	222,280	135,703	58.9	2,416.45
September 30, 2005	206,899	125,862	60.8	2,322.88
March 31, 2006	213,777	129,497	60.6	2,390.05

Note:
Number of shares outstanding at interim term-end (consolidated):
September 30, 2006: 54,179,487 shares
September 30, 2005: 54,184,113 shares
March 31, 2006: 54,181,078 shares

(3) Cash Flows (¥ millions)

	Net Cash Provided by Operating Activities	Net Cash Provided by Investing Activities	Net Cash Provided by Financing Activities	Cash and Cash Equivalents at End of Period
September 30, 2006	(3,315)	(7,269)	4,699	25,853
September 30, 2005	(2,718)	(7,754)	4,065	26,813
March 31, 2006	12,004	(13,190)	(458)	31,899

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 30

Unconsolidated subsidiaries accounted for under the equity method: —

Affiliates accounted for under the equity method: 2

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated (new): 1 (excluded): — Equity method (new): 1 (excluded): —

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	222,000	12,500	7,000

(Reference) Forecast net income per share (full year): ¥129.20

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 7 for more information about the above forecasts.

I. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 43 subsidiaries, and four affiliated companies, for a total of 48 companies. These include 30 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.

i. Consolidated subsidiary
ii. Nonconsolidated subsidiary
iii Affiliated company (equity method applied)
iv Affiliated company (equity method not applied)

Production and consignment
Product purchases and processing by outsourcing

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RINNAI

Overseas (25 companies)

Holding Company (1 company)

Rinnai Holdings (Pacific) Pte Ltd. (i)

Sale of Products (5 companies)

Rinnai Australia Pty., Ltd. (i)
Rinnai America Corporation (i)
Rinnai Hong Kong Ltd. (i)
Rinnai Singapore Pte. Ltd. (ii)
Guangzhou Rinnai Gas and Electric Appliance Co., Ltd. (ii)

Manufacture and Sale of Products (11 companies)

Rinnai New Zealand Ltd. (i)
Rinnai Taiwan Corporation (i)
Rinnai Korea Corporation (i)
Shanghai Rinnai Co., Ltd. (i)
Rinnai (Thailand) Co., Ltd. (i)
Rinnai Viet Nam Co., Ltd. (i)
P.T. Rinnai Indonesia (iii)
Equipamentos NGK-Rinnai Ltda. (iii)
Rinnai (Malaysia) Sdn. Bhd. (ii)
RBS Thermo Technology Co., Ltd. (ii)
Guangzhou Ming Hai Gas & Electrical Appliance Co., Ltd.(ii)

Manufacture and Sale of Components (5 companies)

RB Korea Ltd. (ii)
RS Korea Ltd. (ii)
Shanghai RB Controls Co., Ltd. (ii)
Ranee RK Precision Co., Ltd. (iv)
Mikuni RK Corporation (iv)

Other Business (3 companies)

Rinnai Service (MS) Co., Ltd. (ii)
Rinnai SM Co., Ltd. (ii)
Rinnai Singapore Co., Ltd. (ii)

Domestic (22 companies)

Manufacture of Products(2 companies)

Yanagisawa Manufacturing Co., Ltd. (i)
Rinnai Technica Co., Ltd. (i)

Manufacture of Components(7 companies)

RB Controls Co., Ltd. (i)
Rinnai Precision Co., Ltd. (i)
RT Engineering Co., Ltd. (i)
Japan Ceramics Co., Ltd. (i)
Noto Tech Co., Ltd. (i)
Techno Parts Co., Ltd. (i)
RB Techno Co., Ltd. (ii)

Sale of Products (2 companies)

Rinnai Net Co., Ltd. (i)
RG Co., Ltd. (i)

Sale and Installation of Products (9 companies)

Rinnai Tech Sapporo Co., Ltd. (i)
Rinnai Tech Tohoku Co., Ltd. (i)
Rinnai Tech Tokyo Co., Ltd. (i)
Rinnai Tech Niigata Co., Ltd. (i)
Rinnai Tech Chubu Co., Ltd. (i)
Rinnai Tech Kinki Co., Ltd. (i)
Rinnai Tech Hiroshima Co., Ltd. (i)
Rinnai Tech Kyushu Co., Ltd. (i)
Kyushu Gas Fuel Co., Ltd. (i)

Other Business (2 companies)

Rinnai Enterprises (i),
(Non-Life Insurance Agency Business)
Rinnai Tech Hokuriku Co., Ltd. (ii)

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II. Management Policies

1. Management Policy at Rinnai

The corporate mission of the Rinnai Group is to use “heat” to enhance the comfort of peoples’ lives. We play close attention to safety, peace of mind, environmental protection, saving energy, health, and the aging population. Our basic management philosophy is founded on four principles: customers’ priority on quality, provision of environmentally friendly products, improving lifestyles, and legal compliance. We are developing our operations globally, building on a stable business foundation supported by advanced heating technologies and sales capabilities. Rinnai is committed to satisfying the needs of customers, shareholders, employees, regional communities, and all other stakeholders. We will target continued steady growth as a comprehensive and integrated heating appliance manufacturer.

2. 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 and pay stable dividends that reflect our business performance.

At the same time, we will allocate retained earnings to domestic and overseas business development aimed at maximizing corporate value, as well as to research and development, capital investment, and reinforcement of market activities, in order to strengthen our corporate foundation.

3. Key Financial Indicator

By raising our competitiveness as a Group and improving capital efficiency, we are working to attain an ROE of 8% at consolidated basis in the long term.

4. Medium- and Long-Term Management Strategy

The fiscal year ending March 31, 2007, is the first year of V-Shift Plan, Rinnai’s new medium-term business plan covering the three-year period to March 2009. The plan, which targets further growth in the future, calls for a major shift in the Group’s foundation, centering on core restructuring initiatives.

The plan, formulated amid an increasingly harsh business environment, positions this three-year period as an important phase for establishing a foundation for renewed growth. It entails “Three Shifts” and “Five Core Reforms” aimed at raising corporate value and improving the Group’s financial performance.

Three Shifts

1. Shift in values
2. Shift in business
3. Shift in personnel

Five Core Reforms

(1) Profit-oriented management

We will establish a Group-wide profit management system targeting consolidated net sales of ¥280.0 billion and operating income of ¥20.0 billion for the year to March 31, 2009. Structural reforms will include measures aimed at reducing the number of unprofitable products and mold type. At the same time, a committee will be established to reduce expenses by implementing cost-cutting initiatives across the entire Group, including reinforcing the cost structure of subsidiaries.

(2) Strengthen new product development
We will create best-selling products by reinforcing our marketing capabilities, so that we can successfully anticipate changes in customer needs and the structure of society, such as the aging population, declining birthrate, and growing awareness of environmental issues. We intend to shorten product lead times by further strengthening our technical capabilities in product development and the process of bringing a new product to market.

(3) Effectively allocate and optimize management resources
We will strategically allocate the human, material, and financial elements of the Group's management resources by emphasizing investments in markets earmarked for future growth. We will restructure the Group's companies in Japan and strengthen overseas resources, concentrating on our activities in the United States, China, and Europe. Recognizing that people are our most important and effective management resource, we will organize educational programs to train the next generation of global employees.

(4) Reinforce corporate social responsibility (CSR)
We will reinforce our compliance activities and legal functions in order to fulfill our corporate social responsibilities. We will strengthen the Group's internal self-monitoring functions and establish a system of internal controls. In addition, we will bolster our public relations and investor relations systems, establish rules for information disclosure, and release information in a timely and appropriate manner.

(5) Construct a new business model
We will continue to target advanced, environmentally friendly heating technologies through the early practical application of a gas-electric co-generation system and the development of hybrid products. We will reform our business processes through a range of measures, including updating core information systems, introducing new methods that make use of the Internet, effectively utilizing information technologies, and pursuing initiatives that cut across the entire Group.

5. Issue as to Parents Company
There are no applicable information.

III. Performance and Financial Position

1. Interim Period in Review

During the interim period in review—the six months ended September 30, 2006—the Japanese economy continued to expand, supported by growth in private-sector capital spending underpinned by enhanced corporate earnings. This was despite a flattening out in growth of personal consumption.

The domestic gas appliance industry benefited from strong total housing starts, boosted by an upturn in demand for new privately owned housing. However, competition in the housing equipment market intensified further amid escalation of a widespread campaign to promote a shift to electricity-powered appliances.

In response, the Rinnai Group implemented V-Shift Plan, its new medium-term business plan covering the three-year period from April 2006 to March 2009. The plan calls for a major shift in the Group’s foundation, centering on core restructuring initiatives. In line with our corporate mission of making people’s lives more comfortable, we pursued product and sales strategies aimed at realizing safety, peace of mind, and comfort. As a comprehensive integrated appliance manufacturer, we have also continued to focus on advanced, environmentally friendly heating technologies.

On the sales side, amid stiff competition in the domestic market we recorded an increase in revenue thanks to strong housing demand and the effectiveness of our high-value-added product strategy. Overseas, we posted an increase in revenue, thanks to steady expansion of our businesses in the North American and Asian markets and the depreciation of the yen.

On the earnings side, Rinnai’s high-value-added product strategy, as well as structural reforms initiated under its medium-term business plan, began to bear fruit. Unable to absorb soaring raw material costs, however, we faced an extremely tough situation in the domestic market. This was despite efforts to reduce costs and a revised retail price strategy implemented at the beginning of the period to address sharp rises in raw material prices. Overseas, our performance was boosted by an increase in profit accompanying higher revenue.

As a result, consolidated interim net sales amounted to ¥106,102 million, up 14.1% from the previous corresponding period. Operating income climbed 28.0%, to ¥3,362 million, and ordinary income rose 17.0%, to ¥3,915 million. Interim net income jumped 72.6%, to ¥2,445 million.

Our results by business segment were as follows:

Kitchen Appliances

In Japan, Rinnai introduced excellent new products in its range of mainstay gas stoves that conform to the revised Energy Saving Law, which comes into force in 2008. We also strove to improve the environmental friendliness and safety of our gas stoves by producing items with an earthquake detection mechanism that automatically shuts off the flame, as well as easy-to-clean models that meet consumer demand. As a result, sales grew in a wide price band for tabletop stoves, while sales for built-in gas ranges remained mostly unchanged from the previous year, due in part to a campaign to promote electricity-powered appliances. Our dishwashers, which feature superb operability, generated strong demand. Overseas sales of kitchen appliances grew 14.8%, boosted by strong demand in South Korea and other Asian countries.

Hot-Water Units

During the term, Rinnai augmented its range of highly efficient, energy-saving “Eco-Jozu” hot water units and hot-water/heating systems for the domestic market. These products were well received in the market. Modular products with enhanced functions, such a bathroom heater/dryer with bacteria-killing cluster ion technologies and a mist sauna unit, also performed strongly. Overseas, sales were boosted by an increase in exports to the North American market to meet growing demand for instant-heating hot-water units and growth in sales of domestically manufactured boilers in China. As a result, total sales in this segment rose 16.5%.

Air-Conditioning and Heating Units
In Japan, we launched a fashionable gas fan heater with a new voice-message function. Overseas, sales were boosted by strong exports of FF-type heaters to Oceania stemming from a cold winter in that region. Consequently, total sales in this segment grew 7.8%.

Commercial-Use Equipment
Sales in Japan remained mostly unchanged compared with the previous year. However, we recorded strong sales overseas thanks to increased demand for commercial-use hot water units in Australia and new commercial ovens in South Korea. Total sales in this segment climbed 24.5%.

Others
Total sales in this segment grew 5.6% owing to higher sales of components in Japan, as well as an increase in revenue from installation services for system-based gas appliances, both in Japan and overseas.

2. Outlook for Year Ending March 31, 2006

For the second-half of the fiscal year, the Japanese economy is expected to continue recovering amid increasing expectations of growth in domestic demand, underpinned by the positive effects of a healthy corporate sector on household budgets, as well as improvements in employment and worker incomes. Demand in the housing equipment industry is also expected to continue growing. However, there are no grounds for optimism due to a number of destabilizing factors, including a campaign to promote electricity-powered appliances, uncertainties about market prices, and raw materials markets.

Under these conditions, the Rinnai Group will continue to implement major structural reforms as it works toward achieving the goals of its medium-term business plan. We will also build a new foundation that is impervious to changes in the marketplace. To this end, we will introduce a raft of measures under our policy of placing top priority on safety and peace of mind. They include building a base that will support customers for the duration of the lifecycles of Rinnai’s products, reinforcing product provision systems, and strengthening communication with customers using more advanced information technologies.

Although sales in the interim period were slightly above our expectations, at this stage we are not revising our forecasts for the year ending March 31, 2007. This is because of uncertainties about the third quarter, which is the period of highest demand for the Rinnai Group.

3. Financial Position

Cash and cash equivalents at September 30, 2006, amounted to ¥25,853 million, down ¥6,046 million, or 19%, from March 31. This was the net result of ¥3,315 million net cash used in operating activities, ¥7,269 million used in investing activities, and ¥4,699 million provided by financing activities.

Net cash used in operating activities totaled ¥3,315 million, up ¥597 million, or 22.0%, from the previous corresponding period. We recorded a ¥1,481 million (57.5%) increase in income before income taxes and a ¥4,707 million increase in accounts receivable (¥839 million decrease in the previous corresponding period). The increase in inventories was ¥3,011 million (96.6%) higher than the previous corresponding period. Notes and accounts payable increased ¥1,467 million, compared with a decrease of ¥1,578 million in the previous corresponding period.

Net cash used in investing activities amounted to ¥7,269 million, down ¥485 million, or 6.3%. This result reflected a ¥995 million (90.5%) increase in proceeds from sale of securities.

Net cash provided by financing activities was ¥4,699 million, up ¥633 million, or 15.6%. Major factors included the absence of proceeds from sales of treasury stock (totaling ¥1,284 million in the previous corresponding period), which largely outweighed a ¥1,671 million (47.6%) net increase in short- and long-term borrowings by overseas subsidiaries.

IV. Risk Factors

Items related to the business performance and financial position of the Rinnai Group that have the potential to significantly affect investors' decisions are outlined below.

1. Competition

The Rinnai Group is primarily engaged in the manufacture and sale of gas appliances and operates in the market for heating appliances. In Japan, that market is already mature, with multiple manufacturers engaged in fierce competition. In China and Southeast Asia, the market consists mainly of small manufacturers, although there is also strong competition on these markets.

There is no guarantee that the Rinnai Group will be able retain its dominance and position in the industry in the future, even if it succeeds in developing new technologies and enhancing its services. Consequently, it is possible that the Group's sales and earnings will decline, which may affect its business performance and financial position.

Products currently manufactured and marketed by Rinnai are powered primarily by gas. Therefore, our kitchen appliances, hot-water units, heaters, and other offerings currently compete with electrically operated appliances.

We are engaged in research and development that takes into account the future use of not only electricity, but other energy sources as well. However, if there are breakthroughs or reforms related to energy sources that we have not anticipated, thus preventing us from responding accordingly with minimum time delays, there may be an impact on the Group's business performance and financial position.

2. Supply of raw materials and components

When manufacturing our products, we procure raw materials and components from a large number of companies outside the Rinnai Group. To ensure the stable supply of these materials and components, our standard practice is to conclude basic business agreements with such non-Group companies. Nonetheless, there is no guarantee that there will be no shortages of raw materials or components as a result of sharp price rises, shortages caused by changes in market conditions, or unforeseen events at a supplier's end. In such cases, it is possible that resulting increases in the prices of our products and production stoppages may have an impact on our business performance and financial position.

3. Exchange rate fluctuations

The business activities of the Rinnai Group will continue to develop on a global scale through affiliates in 14 overseas countries, including China—a market with considerable future growth potential—as well as other Asian countries, North America, and Oceania. In the interim period

ended September 30, 2006, overseas sales amounted to ¥37,299 million, or 35.2%, of consolidated net sales, a figure that is expected to increase.
The sales, expenses, assets, and liabilities of these overseas affiliates are converted to Japanese yen for the compilation of the Group's consolidated financial statements. It is possible that, values after conversion to Japanese yen are susceptible to the exchange rate at the time of conversion, more than fluctuations in the value of the local currency. The Rinnai Group concludes foreign exchange contracts as a means of hedging to avert risk prompted by fluctuations in future exchange rates. However, this method does not guarantee the elimination of all risks. Therefore, it is possible that exchange rate fluctuations may have an effect on the business performance and financial position of the Rinnai Group.

4. Entering overseas markets
The Rinnai Group has subsidiaries and affiliates in Asia, North America, and Oceania. Risks are inherent when entering an overseas market. Consequently, it is possible that the risks listed below may have an impact on the Group's business performance and financial position.
1. Unforeseen laws and regulations and changes to tax systems that have a detrimental effect
2. Negative effects on the Group's activities caused by under-developed social infrastructures
3. Occurrence of adverse political or economic factors
4. Social disruption caused by terrorism, war, and other factors

5. Product quality
The Rinnai Group undertakes a variety of processes, encompassing product development to production, at its plants around the world. When we manufacture products at these plants, we place safety as the number one priority in accordance with quality control standards recognized internationally by the International Organization for Standardization (ISO) and other entities. We also take utmost care when performing installation and repair of our products. However, there is no guarantee that we will not encounter problems with our products and that there will not be future occasions when a quality-related issue necessitates the recall of products. Although we are covered by product liability insurance, it is possible that compensation may not be sufficient due to the scale of a problem. An event such as a major recall not only incurs considerable costs, but may also lead to a decline in sales stemming from a loss of trust, with the potential for a negative impact on the Group's business performance and financial position.

6. Natural disasters
When a natural disaster, such as an earthquake, typhoon, or flood, causes damage to a manufacturing plant or facility belonging to the Group, it is possible that operations will be suspended, causing delays to production and shipment. There is no guarantee that such effects can be prevented or mitigated. In the event of a natural disaster, it is possible that there will be an impact on the Group's business performance and financial position.

Note: Forward-looking statements contained in this report were prepared based on information available at the end of the interim period under review.

IV. Consolidated Interim Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

	Sept. 30, 2006		Sept. 30, 2005		Change	March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
ASSETS:							
Current assets:							
Cash and deposits	¥ 19,465		¥ 17,336		¥2,128	¥19,029	
Notes and accounts receivable	68,911		58,357		10,554	63,818	
Marketable securities	14,351		15,803		(1,451)	20,845	
Inventories	30,416		27,607		2,808	24,222	
Deferred income taxes	2,366		2,561		(195)	1,816	
Other	1,991		3,388		(1,397)	2,531	
Less allowance for doubtful accounts	(1,687)		(655)		(1,032)	(1,224)	
Total current assets	**135,814**	**61.1**	**124,400**	**60.1**	**11,414**	**131,039**	**61.3**
Fixed assets:							
Property, plant and equipment:							
Buildings and structures	14,792		14,896		(104)	14,928	
Machinery and vehicles	9,167		8,820		347	8,983	
Tools and fixtures	6,874		6,945		(70)	6,297	
Land	13,062		11,975		1,087	12,499	
Construction in progress	1,064		1,060		3	901	
Total Property, plant and equipment	**44,961**	**20.2**	**43,698**	**21.1**	**1,263**	**43,611**	**20.4**
Intangibles fixed assets	**1,098**	**0.5**	**892**	**0.4**	**206**	**951**	**0.4**
Investments and advances:							
Investments in securities	29,273		25,919		3,354	25,862	
Investments	608		440		167	519	
Long-term loans	14		20		(6)	17	
Deferred income taxes	2,401		2,417		(16)	2,635	
Other	8,802		9,527		(724)	9,391	
Less allowance doubtful accounts	(694)		(417)		(276)	(252)	
Total investments and advances	**40,405**	**18.2**	**37,908**	**18.3**	**2,497**	**38,173**	**17.9**
Total fixed assets	**86,466**	**38.9**	**82,498**	**39.9**	**3,967**	**82,737**	**38.7**
Total assets	**¥222,280**	**100.0**	**¥206,899**	**100.0**	**¥15,381**	**¥213,777**	**100.0**

(¥ millions)

	Sept. 30, 2006		Sept. 30, 2005		Change	March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
LIABILITIES:							
Current liabilities:							
Notes and accounts payable	¥44,010		¥37,137		¥6,873	¥42,492	
Short-term debt	15,686		12,357		3,329	10,844	
Other payables	7,814		7,148		665	8,452	
Accrued consumption taxes	210		200		9	344	
Accrued income taxes	1,792		1,430		362	1,594	
Accrued employee’s bonuses	2,590		2,319		270	1,979	
Reserve for after-sales service	—		1,160		(1,160)	—	
Other	3,094		2,875		219	2,937	
Total current liabilities	**75,198**	**33.8**	**64,628**	**31.2**	**10,569**	**68,644**	**32.1**
Long-term liabilities:							
Long-term debt	5,932		6,367		(435)	5,268	
Deferred income taxes	2		2		(0)	2	
Accrued employees’ retirement benefits	2,943		3,036		(92)	2,956	
Accrued officers’ retirement benefits	1,417		1,700		(282)	1,736	
Other	1,083		1,013		69	1,009	
Total long-term liabilities	**11,379**	**5.1**	**12,120**	**5.9**	**(741)**	**10,973**	**5.1**
Total liabilities	**86,577**	**38.9**	**76,749**	**37.1**	**9,828**	**79,617**	**37.2**
MINORITY INTERESTS	**—**	**—**	**4,286**	**2.1**	**(4,286)**	**4,661**	**2.2**
SHAREHOLDERS’ EQUITY:							
Common stock	—	—	6,459	3.1	(6,459)	6,459	3.0
Capital surplus	—	—	8,719	4.2	(8,719)	8,719	4.1
Earned surplus	—	—	109,851	53.1	(109,851)	112,918	52.8
Unrealized gain on marketable securities	—	—	994	0.5	(994)	656	0.3
Adjustment account for foreign exchange losses	—	—	(76)	(0.0)	76	838	0.4
Treasury stock	—	—	(85)	(0.0)	85	(94)	(0.0)
Total shareholders’ equity	**—**	**—**	**125,862**	**60.8**	**(125,862)**	**129,497**	**60.6**
Total liabilities, minority interests and shareholders’ equity	**—**	**—**	**206,899**	**100.0**	**(206,899)**	**213,777**	**100.0**
NET ASSETS:							
Shareholders’ equity:						—	—
Common stock	6,459	2.9	—	—	6,459	—	—
Capital surplus	8,719	3.9	—	—	8,719	—	—
Earned surplus	115,038	51.8	—	—	115,038		
Treasury stock	(99)	(0.0)	—	—	(99)	—	—
Total shareholders’ equity	130,117	58.5	—	—	130,117		
Other adjustments:						—	—
Unrealized gain on marketable securities	466	0.2	—	—	466	—	—
Adjustment account for foreign exchange losses	337	0.2	—	—	337		
Total other adjustments	804	0.4	—	—	804		
Minority interests	4,781	2.2	—	—	4,781		
Total net assets	**135,703**	**61.1**	**—**	**—**	**135,703**	**—**	**—**
Total liabilities and net assets	**222,280**	**100.0**	**—**	**—**	**222,280**	**—**	**—**

2. Consolidated 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
Net sales	**¥106,102**	**100.0**	**¥92,968**	**100.0**	**¥13,134**	**14.1**	**¥212,947**	**100.0**
Cost of sales	77,908	73.4	68,410	73.6	9,497	13.9	157,000	73.7
Gross profit	28,194	26.6	24,557	26.4	3.636	14.8	55,947	26.3
Selling, general and administrative expenses	24,831	23.4	21,930	23.6	2,901	13.2	45,686	21.5
Operating income	**3,362**	**3.2**	**2,627**	**2.8**	**735**	**28.0**	**10,260**	**4.8**
Other income:	1,148	1.1	1,253	1.3	(104)	(8.4)	2,679	1.3
Interest income	318		238		79		546	
Dividends received	89		89		0		160	
Equity in earnings of affiliate	122		11		111		45	
Foreign exchange loss	399		678		(279)		1,393	
Other	218		235		(16)		533	
Other expenses:	595	0.6	534	0.6	61	11.6	1,183	0.6
Interest expenses	491		406		84		855	
Loss on sale of notes receivable	98		126		(28)		307	
Other	6		0		5		20	
Ordinary income	**3,915**	**3.7**	**3,346**	**3.6**	**568**	**17.0**	**11.756**	**5.5**
Extraordinary income:	311	0.3	575	0.6	(264)	(45.9)	656	0.3
Gain on sales of fixed assets	4		110		(106)		118	
Gain on sales of investments in securities	124		437		(312)		447	
Other	181		26		(155)		90	
Extraordinary losses:	168	0.2	1,344	1.4	(1,176)	(87.5)	2,987	1.4
Loss on disposal of fixed assets	109		72		36		241	
Impairment losses	—		27		(27)		27	
Loss on devaluation of investments in securities	20		37		(16)		61	
Reserve for director's retirement	30		—		30		—	
Transfer to allowance for doubtful accounts	—		330		(330)		870	
Transfer to allowance for after-sales service	—		800		(800)		—	
Other	7		76		(69)		1,785	
Income before income taxes	4,058	3.8	2,577	2.8	1,481	57.5	9,425	4.4
Income taxes	2,052	1.9	1,667	1.8	384	23.0	3,886	1.8
Income taxes (deferred)	(183)	(0.2)	(313)	(0.3)	130	(41.5)	481	0.2
Minority interests in earnings of affiliates	(255)	(0.2)	(193)	(0.2)	(62)	32.1	(184)	(0.1)
Net income	**2,445**	**2.3**	**1,416**	**1.5**	**1,028**	**72.6**	**5,242**	**2.5**

3. Consolidated Statements of Retained Earnings, and Consolidated Statement of Shareholders' Equity

Consolidated Statements of Retained Earnings

(¥ millions)

	Six months ended Sept. 30, 2006		Year to March 31, 2006	
CAPITAL SURPLUS:				
Capital surplus at beginning of term		¥8,719		¥8,719
Capital surplus at end of term		8,719		8,719
EARNED SURPLUS:		109,184		109,184
Earned surplus at beginning of year				
Increase in earned surplus				
Net income	¥1,416	¥1,416	¥5,242	¥5,242
Decrease in earned surplus				
Dividends	697		1,456	
Board of Directors' bonuses	2		2	
Loss on sale of treasury stock	45		45	
Other	3	749	4	1,508
Earned surplus at end of term		**109,851**		**112,918**

Consolidated Statement of Shareholders' Equity

(¥ millions)

	Total 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 first-half period:					
Retained earnings*	—	—	(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 the first-half period	—	—	—	—	—
Net changes during first-half period	—	0	2,119	(4)	2,115
Balance at Sept. 30, 2006	6,459	8,719	115,038	(99)	130,117

	Other adejustments			Minority interests	Total net assets
	Unrealized gain on marketable securities	Adjustment account for foreign exchange losses	Total		
Balance at March 31, 2006	656	838	1,494	4,661	134,159
Change during first-half period:					
Retained earnings*	—	—	—	—	(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 the first-half period	(189)	(501)	(690)	119	(570)
Net changes during first-half period	(189)	(501)	(690)	119	1,544
Balance at Sept. 30, 2006	466	337	804	4,781	135,703

*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, 2005	Change	Year to March 31, 2006
Cash flows from operating activities				
Income before income taxes	¥4,058	¥2,577		9,425
Depreciation and amortization	3,368	3,442		7,665
Increase in accrued employees' bonuses	608	334		(6)
(Decrease) in accrued employees' retirement benefits	(338)	(109)		(164)
(Increase) in prepaid pension costs	(431)	(257)		(643)
Interest and dividends income	(407)	(328)		(706)
Interest expenses	491	406		855
Equity in earnings of affiliates	(122)	(11)		(45)
Loss on disposal of fixed assets	109	72		241
Decrease (increase) in trade receivables	(4,707)	839		(3,057)
Decrease (increase) in inventories	(6,127)	(3,116)		705
Increase (decrease) in trade payables	1,467	(1,578)		3,210
(Decrease) in accrued consumption taxes	(136)	(240)		(95)
Bonuses to officers	(3)	(3)		(3)
Other	704	(2,313)		(692)
Subtotal	(1,469)	(285)	(1,183)	16,688
Interest and dividends received	465	412		762
Interest paid	(461)	(354)		(850)
Income taxes paid	(1,850)	(2,490)		(4,595)
Net cash used in operating activities	(3,315)	(2,718)	(597)	12,004
Cash flows from investing activities				
Transfers to time deposits	(4,088)	(3,082)		(8,810)
Withdrawals from time deposits	4,018	3,290		9,120
Proceeds from sales of securities	2,095	1,099		1,205
Purchases of tangible fixed assets	(4,232)	(4,829)		(8,620)
Proceeds from sales of tangible fixed assets	55	225		233
Purchases of intangible fixed assets	(99)	(184)		(323)
Purchases of investments in securities	(5,267)	(5,052)		(7,554)
Proceeds from sales of investments in securities	392	664		1,514
Other	(143)	112		44
Net cash used in operating activities	(7,269)	(7,754)	485	(13,190)
Cash flows from financing activities				
Net increase in short-term debt	5,361	4,475		1,602
Proceeds from long-term debt	695	—		—
Repayment of long-term debt	(875)	(966)		(1,830)
Proceeds from sales of treasury stock	0	1,284		1,284
Proceeds from stock issuance for minority shareholders	297	—		—
Dividends paid	(758)	(697)		(1,455)
Dividends paid to minority shareholders	(15)	(22)		(43)
Other	(5)	(7)		(16)
Net cash provided by financing activities	4,699	4,065	633	(458)
Effect of exchange rate fluctuations on cash and cash equivalents	(244)	257	(502)	581
Net (decrease) in cash and cash equivalents	(6,130)	(6,149)	19	(1,063)
Cash and cash equivalents at beginning of term	31,899	32,962	(1,063)	32,962
Increase in cash and cash equivalents due to newly consolidation	84	—	84	—
Cash and cash equivalents at end of term	25,853	26,813	(960)	31,899

Significant Accounting Policies of Consolidated Interim Financial Statements

A. Scope of Consolidation

Consolidated subsidiaries: 30 Companies

Please see the page of "I. Outline of Rinnai Group Companies."

Rinnai Viet Nam Co., Ltd. is newly included in the scope of consolidation because it's activities are deemed material.

Major unconsolidated subsidiary: Rinnai (Malaysia) Sdn. Bhd.

The above unconsolidated subsidiary is excluded from the scope of consolidation, because its activities have not been deemed material, and assets, net sales, net income, and retained earnings of the unconsolidated company are not significant compared to the consolidated amounts.

B. Application of Equity Method

Two affiliated company for which the equity method is applied:

Equipamentos NGK-Rinnai Ltda.

P.T. Rinnai Indonesia is newly included in the application under the equity method because it's activities are deemed material.

Because the interim term-end date of the above affiliate, June 30, differs from the parent company, the interim financial statements pertaining to the business term of that company are used in the preparation of these financial statements.

Major unconsolidated subsidiary or affiliate for which the equity method was not applied:

Rinnai (Malaysia) Sdn. Bhd

The above unconsolidated subsidiary is excluded from the application under the equity method because its net income and retained earnings are not significant compared to the consolidated amounts and its activities are not deemed material.

C. Interim Period-End of Consolidated Subsidiaries

Subsidiaries for which the closing date of the interim period differs from the date of the consolidated term:
11 companies (interim closing date: June 30)

In preparing its consolidated financial statements, the Corporation has used data as of June 30. Major translations that occurred during the period to the consolidated interim period-end have been reconciled appropriately in the consolidated accounts.

D. Significant Accounting Policies

(1) Valuation standards and calculation methods for significant assets

(a) Securities

- Of marketable securities and investments in securities, listed securities are stated at market value, based on the fair market value at the end of the period. (Unrealized gain or loss, net of income taxes is reported in shareholders' equity, while any cost of sales is calculated based on a moving-average cost method).
- Non-marketable securities are stated at cost or amortized cost using the moving-average cost method.

(b) Inventories

- Finished goods: Valued at cost using the first-in, first-out method
- Raw materials and supplies: Valued at cost using the last purchase price method

(2) Depreciation of fixed assets

<u>Property, plant and equipment</u>

The Corporation and its domestic consolidated subsidiaries use the declining-balance method.
Consolidated subsidiaries outside Japan use the straight-line method.
Estimated useful lives of principal items are as follows:

Buildings: 7-50 years
Machinery: 10-17 years
Tools, furniture, and fixtures: 2-15 years

(3) Reporting standards for major accruals

Allowance for doubtful accounts:

The Corporations provides for possible loan losses and records on the books the amounts that are unlikely to be recovered. Primarily, this consists of an allowance for general claims, calculated according to historical loss ratios, and an allowance for specific claims, such as bankrupted or doubtful loans calculated based on the potential to recover respective credits.

Accrued employees' bonuses:

Accrued employees' bonuses are provided for at the estimated amounts, which are to be paid for services rendered prior to the term-end.

Accrued employees' retirement benefits:

Pension costs for employees are accrued based on the projected benefit obligations and pension assets at the term-end. The unrealized past employment obligation is expensed as incurred using the straight-line method, over a specified period (5 years) within the average remaining employee work period. Actuarial losses are deferred and amortized, using the straight-line method, over a specified period (10 years) within the average remaining years of service for employees subsequent to the year of occurrence.

Accrued officers' retirement benefits:

Accrued officers' retirement benefits are provided for the amount required at the term-end under each Group company's bylaws to prepare for payment to retiring officers.

(4) Translation of major foreign-currency assets and liabilities

Claims and credits denominated in foreign currencies are translated into yen at spot market exchange rates prevailing on the term-end, and gains or losses are credited or charged to income as incurred. The assets and liabilities of overseas subsidiaries, etc., are translated into yen at the spot rates prevailing at the term-end, while earnings and expenditures are translated into yen amounts at the average exchange rate of the term. Differences arising from translation are recorded in minority interests and in the adjustment account for foreign exchange losses under shareholders' equity on the consolidated financial statements.

(5) Accounting for leasing transactions

Finance leasing transactions other than those of which ownership is fully transferred to the lessee are treated in the same way as ordinary leasing transactions.

(6) Major hedge-accounting methods

(a) Hedge-accounting method

As for operating debts and credits denominated in foreign currencies with exchange contracts, gains or losses are deferred until maturity of the exchange contracts. Exchange contracts on transactions undertaken among consolidated companies are accounted for at fair value and gains or losses are recognized as incurred. There were no applicable items at the end of the fiscal year ended September 30, 2006.

(b) Hedging method and hedging objective

Hedging method: Derivatives transactions (exchange contract transactions)

Hedging objective: To avert possible losses incurred through exchange rate fluctuations.

(c) Hedging policy

The purpose is to avert risk prompted by fluctuating exchange rates and no speculative trading is conducted.

(d) Method for effectively assessing hedge transactions

The Corporations utilize exchange rate contract transactions that ensure effective hedging.

(e) Other

The Corporations execute derivative transactions within limits determined by their corporate rules.

(7) Accounting for consumption taxes
Consumption taxes are not included in revenues and expenses.

E. Scope of funds in the consolidated statements of cash flows
Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value and are redeemable in three months or less.

Change of Accounting Policies

Accounting standard for presentation of net assets on consolidated balance sheets

From the interim period ended September 30, 2006, the Corporation has revised its presentation of shareholders' equity, in accordance with Report No. 5, "Accounting Standard for Presentation of Net Assets on the Balance Sheet," issued by the Accounting Standards Board (ASB) on December 9, 2005, and Guidance No. 8, "Guidance on Accounting Standard for Presentation of Net Assets on the Balance Sheet," also issued by ASB on the same date.

The amount corresponding to shareholders' equity under the previous accounting treatment is ¥130,921 million.

In accordance with revised rules for interim consolidated financial statements, the Corporation has prepared financial statements for the interim period ended September 30, 2006, in line with post-revision rules for such reporting. .

Notes to Financial Statements

1. Notes to Consolidated Balance Sheets

(¥ millions)

	Sept. 30, 2006	Sept. 30, 2005	March 31, 2006
(1) Accumulated depreciation of property, plant, and equipment	70,214	68,086	66,901
(2) Assets pledged as collateral and related liabilities			
Pledged assets:			
Time deposits	1,925	1,732	1,879
Buildings and others	3,986	3,965	3,902
Machinery	660	429	611
Land	3,492	2,202	2,945
Total	10,064	8,329	9,338
Liabilities related to pledged assets:			
Trade notes discounted	3,600	5,316	7,114
Short-term debt	3,023	2,299	2,694
Long-term debt	311	419	431
(3) Liability for guarantee	441	561	466
(4) Trade notes receivable discounted	3,942	5,334	7,274
(5) Trade notes receivable transferred by endorsement	668	856	1,722

(6) Notes and bills matured at the interim term-end

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

Notes received: ¥1,375 million Notes payable: ¥68 million

2. Regarding Consolidated Statements of Changes in Shareholders' Equity

For period 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	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

3. Notes to Statements of Cash Flows

(¥ millions)

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

	Sept. 30, 2006	Sept. 30, 2005	March 31, 2006
Cash and deposits	19,465	17,336	19,029
Securities	14,351	15,803	20,845
Time deposits exceeding 3 months	(5,666)	(4,120)	(4,672)
Bonds exceeding 3 months to maturity	(2,298)	(2,206)	(3,303)
Cash and cash equivalents at end of year	25,853	26,813	31,899

4. Amounts less than one million yen are omitted on the consolidated financial statements,

1. Segment Information

A. 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 was omitted.

B. Geographic segment information

Six months ended September 30, 2006 (¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
I. 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, 2005 (¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
II.Net sales and operating results						
(1) Sales for clients	66,257	16,713	9,997	92,968	—	92,968
(2) Intersegment sales	5,953	921	303	7,178	(7,178)	—
Total	72,210	17,635	10,301	100,147	(7,178)	92,968
Operating expenses	70,358	18,177	9,037	97,573	(7,232)	90,340
Operating income	1,852	(542)	1,263	2,574	53	2,627

Year ended March 31, 2006 (¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
III.Net sales and operating results						
(1) Sales for clients	149,346	42,021	21,579	212,947	—	212,947
(2) Intersegment sales	13,390	1,914	471	15,776	(15,776)	—
Total	162,737	43,935	22,050	228,724	(15,776)	212,947
Operating expenses	155,984	43,244	19,402	218,632	(15,945)	202,687
Operating income	6,752	691	2,647	10,091	168	10,260

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: Australia, New Zealand, and United States.

C. 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, 2005 (¥ millions)

	Asia	Other regions	Total
I. Overseas sales	19,087	10,821	29,908
II. Consolidated net sales	—	—	92,968
III. Composition ratio of overseas sales to consolidated net sales	20.5%	11.6%	32.2%

Year ended March 31, 2006 (¥ millions)

	Asia	Other regions	Total
I. Overseas sales	46,903	23,109	70,012
II. Consolidated net sales	—	—	212,947
III. Composition ratio of overseas sales to consolidated net sales	22.0%	10.9%	32.9%

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: Australia, New Zealand, and United States.
3. Net sales of the above indicates sales of the Corporations in overseas countries or regions.

2. Lease transactions

Details of lease transactions are disclosed on EDINET.

3.Securities

As of September 30, 2006

(1) Securities with market value (¥ millions)

	Acquisition cost	Balance sheet amount	Unrealized gain (loss)
(1) Stocks	2,361	4,686	2,325
(2) Bonds	24,030	22,497	(1,533)
(3) Others	597	567	(29)
Total	26,998	27,751	762

(2) Major non-marketable securities (¥ millions)

	Balance sheet amount
Securities:	
Unlisted stocks (excluding over-the counter transactions)	2,922
Money management fund and others	11,581

As of September 30, 2005

(1) Securities with market value (¥ millions)

	Acquisition cost	Balance sheet amount	Unrealized gain (loss)
(1) Stocks	2,339	4,559	2,220
(2) Bonds	20,173	19,616	(556)
(3) Others	3,003	2,999	(4)
Total	25,516	27,175	1,659

Note: The Corporations recorded a impairment loss of ¥21 million in the consolidated interim period ended September 30, 2005.

(2) Major non-marketable securities (¥ millions)

	Balance sheet amount
Securities:	
Unlisted stocks (excluding over-the counter transactions)	2,889
Money management fund and others	10,597

As of March 31, 2006

(1) Securities with market value (¥ millions)

	Acquisition cost	Balance sheet amount	Unrealized gain (loss)
(1) Stocks	2,344	5,081	2,737
(2) Bonds	21,677	20,064	(1,613)
(3) Others	3,039	2,997	(41)
Total	27,061	28,143	1,082

Note: The Corporations recorded a impairment loss of ¥19 million in the consolidated fiscal year ended March 31, 2006.

(2) Major non-marketable securities (¥ millions)

	Balance sheet amount
Securities:	
Unlisted stocks (excluding over-the counter transactions)	2,894
Money management fund and others	14,578

4. Derivative Transactions

Details of derivative transactions are disclosed on EDINET.

V. Production and Sales Information

(1) Production value

(¥ millions)

Division	Six months ended September 30, 2006		Six months ended September 30, 2005		Increase (Decrease)		Year ended March 31 2006	
	Amount	% of total	Amount	Amount	Amount	% of total	Amount	% of total
Kitchen appliances	33,164	36.5	29,599	36.8	3,565	12.0	63,842	36.3
Hot-water units	39,531	43.5	35,785	44.5	3,745	10.5	80,124	45.5
Air-conditioning and heating units	9,647	10.6	7,929	9.9	1,717	21.7	16,365	9.3
Commercial-use equipment	1,671	1.8	1,276	1.6	395	31.0	2,723	1.5
Others	6,935	7.6	5,866	7.3	1,069	18.2	12,974	7.4
Total	90,950	100.0	80,457	100.0	10,492	13.0	176,030	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, 2005		Increase (Decrease)		Year ended March 31 2006	
	Amount	% of total	Amount	Amount	Amount	% of total	Amount	% of total
Kitchen appliances	1,700	9.0	1,691	10.5	9	0.5	3,559	9.6
Hot-water units	8,038	42.5	6,542	40.7	1,496	22.9	14,287	38.4
Air-conditioning and heating units	1,104	5.8	1,003	6.2	101	10.1	3,355	9.0
Commercial-use equipment	2,234	11.8	1,724	10.7	509	29.5	3,758	10.1
Others	5,829	30.8	5,127	31.9	701	13.7	12,202	32.8
Total	18,906	100.0	16,088	100.0	2,818	17.5	37,164	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, 2005		Increase (Decrease)		Year ended March 31 2006	
	Amount	% of total	Amount	Amount	Amount	% of total	Amount	% of total
Kitchen appliances	34,567	32.6	30,113	32.4	4,453	14.8	66,049	31.0
Hot-water units	47,266	44.5	40,579	43.6	6,687	16.5	92,860	43.6
Air-conditioning and heating units	8,847	8.3	8,211	8.8	636	7.8	22,455	10.5
Commercial-use equipment	3,731	3.5	2,997	3.2	733	24.5	6,396	3.0
Others	11,688	11.0	11,066	11.9	622	5.6	25,186	11.8
Total	106,102	100.0	92,968	100.0	13,134	14.1	212,947	100.0

Note: Above amounts do not include consumption tax.