Consolidated Financial Results for Fiscal 2009

(April 1, 2008 - March 31, 2009)

May 11, 2009

Listed Company Name: Rinnai Corporation

Listings: First sections of the Tokyo and Nagoya Stock Exchanges (Securities Code: 5947)
Website: http://www.rinnai.co.jp
Representative: Hiroyasu Naito, President
Contact: Masao Kosugi, Director and Executive Officer, General Manager, Administration Division
TEL:+81 (52) 361-8211
Date of the General Meeting of Shareholders: June 26, 2009
Anticipated date to begin distributing dividends: June 29, 2009
Anticipated date for releasing annual securities report: June 26, 2009

1. Performance for the Year Ended March 31, 2009

(April 1, 2008 to March 31, 2009; Amounts less than one million yen are omitted)

(1) Consolidated Operating Results (Years ended March 31) (Millions of yen/%)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
2009	**236,741(-4.8)**	**15,069 (-0.4)**	**12,958(-15.8)**	**3,847(-53.5)**
2008	248,761(+5.9)	15,124(+18.7)	15,398(+13.9)	8,269(+31.6)

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 (¥)	Ratio of Net Income to Equity Capital (%)	Ratio of Ordinary Income to Total Assets (%)	Ratio of Operating Income to Net Sales (%)
2009	**71.04**	**—**	**2.8**	**5.9**	**6.4**
2008	152.66	—	6.0	6.7	6.1

Note: Equity in earnings of companies accounted for using the equity method:
Year ended March 31, 2009: ¥504 million Year ended March 31, 2008: ¥375 million

(2) Consolidated Financial Position (at March 31) (¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
2009	**210,825**	**138,794**	**64.5**	**2,510.60**
2008	230,923	145,995	61.4	2,615.71

(Reference) Equity capital : Year ended March 31, 2009; ¥135,987 million
Year ended March 31, 2008; ¥141,695 million

(3) Consolidated Cash Flows (Years ended March 31) (¥ millions)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
2009	**15,198**	**(9,278)**	**446**	**42,943**
2008	23,398	(8,209)	(6,263)	39,178

2. Dividends

	Dividend per Share				
(Basis date)	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
2008	—	18.00	—	18.00	36.00
2009	**—**	**20.00**	**—**	**20.00**	**40.00**
2010 (anticipated)	—	20.00	—	20.00	40.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
2008	1,950	23.6	1.4
2009	**2,166**	**56.3**	**1.6**
2010 (anticipated)		21.7	

3. Forecast for the Fiscal Year Ending March 31, 2010

(April 1, 2009, to March 31, 2010) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Two-quarter total	105,000 (-8.3)	5,700 (-10.0)	6,000 (- 2.3)	3,200 (- 2.8)	59.08
Full year	228,000 (-3.7)	17,000(+12.8)	18,000 (+38.9)	10,000(+159.9)	184.62

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

4. Other

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

(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
Note: Please refer to "Changes in Significant Accounting Policies of Consolidated Financial Statements" on page 23 for more details.

(3) Number of Outstanding Shares (Common Stock)
(a) Number of outstanding shares at fiscal year-end (including treasury stock)
Year ended March 31, 2009: 54,216,463 shares Year ended March 31, 2008: 54,216,463 shares
(b) Number of treasury stock at fiscal year-end
Year ended March 31, 2009: 51,119 shares Year ended March 31, 2008: 45,381 shares
Note: Please refer to "Per share data" on page 31, regarding number of shares as calculation basis for consolidated net income per share.

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2009

(April 1, 2008 to March 31, 2009; Amounts less than one million yen are omitted)

(1) Nonconsolidated Operating Results (Years ended March 31) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
2009	**171,377 (+1.5)**	**10,884 (+41.0)**	**12,755 (+ 5.6)**	**7,289 (-9.6)**
2008	168,779 (+2.8)	7,719 (+13.3)	12,074(+36.3)	8,062 (+98.6)

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

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
2009	**134.57**	**—**
2008	148.83	—

(2) Nonconsolidated Financial Position (at March 31) (¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
2009	**154,455**	**113,201**	**73.3**	**2,089.92**
2008	153,367	108,850	71.0	2,009.38

(Reference) Equity capital : Year ended March 31, 2009; ¥113,201 million
Year ended March 31, 2008; ¥108,850 million

(3) Forecast for the Fiscal Year Ending March 31, 2010

(April 1, 2009, to March 31, 2010) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Two-quarter total	79,300 (-1.2)	3,500 (+5.0)	4,800 (+2.5)	2,700 (+3.1)	49.85
Full year	173,000 (+0.9)	11,000 (+1.1)	13,000 (+1.9)	7,600 (+4.3)	140.31

(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 6 for more information about the above forecasts.

I. Performance and Financial Position

1. Fiscal Year in Review

(1) Performance

In the fiscal year ended March 31, 2009, financial instability, sparked by the subprime loan crisis in the United States, evolved into an unprecedented economic crisis. In Japan, equipment usage rates and other indicators of productivity declined, which impacted on corporate earnings. Meanwhile, deterioration of employment conditions and worker incomes caused personal consumption trends to worsen further, underscoring the extreme seriousness of the economic recession.

In the domestic housing appliance industry, new housing starts remained weak due to adoption of more stringent lending criteria by financial institutions and prolonged adjustments of condominium stocks.

Under these conditions, the Rinnai Group completed the third and final year of V-Shift Plan, its medium-term business plan. During the year under review, we sought to develop new products emphasizing convenience, attractive design, and energy efficiency while complying with legislation aimed at raising product safety levels. On the sales side, our products are relatively impervious to economic stagnation because of their positioning as necessary items that support people's lives. During the year, we proactively promoted our new products in ways that reflected customer needs and environmental awareness. Domestic demand for our offerings was firm as a result.

Overseas, the image of Rinnai as a high-quality, environmentally responsive brand gradually proliferated in various world countries. This led to an increase in overall demand, but the sudden appreciation of the yen led to an unavoidable decline in overseas sales.

With respect to earnings, we pursued measures aimed at reinforcing our income base—a cornerstone element of the V-Shift Plan—while pushing for price reductions for raw materials. These efforts helped produce signs of earnings recovery both in Japan and overseas. However, operating income declined year-on-year because the Corporation increased its allowance for doubtful accounts as a way to bolster the financial health of its subsidiary in South Korea, in preparation for further economic deterioration in that country. We also incurred a major foreign exchange loss in South Korea, which was treated as a non-operating expense.

As a result, consolidated net sales amounted to ¥236,741 million, down 4.8% from the previous year. Operating income edged down 0.4%, to ¥15,069 million, and ordinary income declined 15.8%, to ¥12,958 million. Net income fell 53.5%, to ¥3,847 million.

Our results by business segment were as follows:

Kitchen Appliances

In Japan, we innovated our lineup of gas cookers by fitting temperature sensors to all burners (in gas stoves with two or more burners) as a safety improvement initiative. Demand for the Delicia series of built-in gas stoves and the Mytone series of gas stoves remained firm. The effect of new products in Japan helped bolster overall segment sales. Total sales in this segment reached ¥81,166 million, up 3.3% from the previous year.

Hot-Water Units

In Japan, our highly efficient "Eco-Jozu" series of hot-water/heating systems, which we are promoting as the de facto industry standard, achieved steady market penetration. In February 2009, we launched the RVD-E series of hot-water/heating systems featuring major advances over previous models in terms of being lightweight and compact. These products have been warmly received. In the United States, sales of our tankless hot-water systems languished temporarily, affected by inventory adjustments in the wake of economic downturn. However, demand has since shown gradual recovery. Sales in Japan and overseas were solid, but the rising yen had a major impact on the segment's performance. Total segment sales declined 4.5%, to ¥106,567 million.

Air-Conditioning and Heating Units

We reported firm sales in Australia of our fan heaters and stove heaters, but demand for our fan-forced heaters in New Zealand was weak. In Japan, the warm winter had a negative impact on demand. Consequently, total sales in this segment fell 20.2%, to ¥17,309 million.

Commercial-Use Equipment

In South Korea, where commercial-use equipment accounts for high share of local sales, the restaurant industry stagnated due to retraction of the local economy. Sales of rice cookers and other commercial-use kitchen appliances in South Korea were also weak. Total segment sales declined 19.4%, ¥6,226 million.

Others

In Australia, we reported increased sales of solar systems in Australia thanks to a local arrangement subsidizing purchase of such systems. In South Korea, however, we streamlined and rearranged our lineup of commercial-use products, causing sales in the market to decline. Total sales in this segment decreased 12.6%, to ¥25,470 million.

Net sales by business segment

(¥ millions)

	Year ended March 31, 2008 (April 1, 2007, to March 31, 2008)		Year ended March 31, 2009 (April 1, 2008, to March 31, 2009)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Kitchen appliances	78,573	31.6	81,166	34.3	2,593	3.3
Hot-water units	111,625	44.9	106,567	45.0	(5,057)	(4.5)
Air-conditioning and heating units	21,689	8.7	17,309	7.3	(4,379)	(20.2)
Commercial-use equipment	7,729	3.1	6,226	2.6	(1,502)	(19.4)
Others	29,144	11.7	25,470	10.8	(3,674)	(12.6)
Total	248,761	100.0	236,741	100.0	(12,020)	(4.8)

(2) Outlook for the Year Ending March 31, 2010

The unprecedented economic crisis that began in 2008 shows no signs of turning around, making the future impossible to predict. In such circumstances, we believe that the economic environment both in Japan and overseas will remain very severe.

Facing these challenges, we have formulated a new medium-term business plan, entitled “Reform and Breakthrough.” Under the plan, the Rinnai Group seeks to become a comprehensive manufacturer of heating products that opens new paths to the future. Focusing on two key themes of the plan—safety and the environment—the Group will target qualitative breakthroughs on a global basis through its manufacturing activities. The year ending March 2010 is the first year covered by the plan. With business conditions remained difficult in the short term, we will prepare for breakthroughs over the medium and long terms by reinforcing core businesses, especially in Japan, and establishing a foundation to support overseas growth. In these ways, we will advance the operations of the entire Group.

For the year ending March 2010, we forecast consolidated net sales of ¥228.0 billion (down 3.7% year-on-year), operating income of ¥17.0 billion (up 12.8%), ordinary income of ¥18.0 billion (up 38.9%), and net income of ¥10.0 billion (up 159.9%).

2. Financial Position

(1) Balance Sheets

As of March 31, 2009, Rinnai had total assets of ¥210,825 million, down ¥20,097 million from a year earlier. The decline stemmed mainly from a decrease in notes and accounts receivable.

Total liabilities fell ¥12,896 million, to ¥72,031 million, due largely to decreases in notes and accounts payable, accrued payables, and long-term loans by overseas subsidiaries.

Net assets declined ¥7,201 million, to ¥138,794 million, due mainly to declines in unrealized gain on marketable securities and foreign exchange translation adjustment. This was despite an increase in retained earnings, boosted by net income.

The equity ratio at fiscal year-end was 64.5%.

(2) Cash Flows

Cash and cash equivalents at March 31, 2009, stood at ¥42,943 million, up ¥3,765 million from a year earlier.

Net cash provided by operating activities amounted to ¥15,198 million. Factors boosting cash flows included operating income and a decrease in trade receivables. These contrasted with factors holding down cash flows, such as an increase in inventories and a decrease in trade payables.

Net cash used in investing activities totaled ¥9,278 million. Main factors were purchases of fixed assets and purchases of investments in securities.

Net cash provided by financing activities was ¥446 million. This was due mainly to a net increase in short-term borrowing by overseas subsidiaries, which outweighed dividends paid.

References: Cash Flow Indicators

(Years ended March 31)	2005	2006	2007	2008	2009
Equity ratio (%)	61.0	60.6	59.9	61.4	64.5
Equity ratio based on market price (%)	72.4	89.5	75.1	76.5	88.1
Interest-bearing debt to cash flows (%)	154.6	134.2	131.3	55.3	64.5
Interest coverage ratio (times)	15.3	14.1	12.8	21.6	19.5

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 year after deducting treasury stock.
3. Operating cash flow is calculated using net cash provided by operating activities.

(3) Basic Profit Appropriation Policy; Cash Dividends

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 fiscal year under review, we plan to raise the year-end dividend by ¥2.00, to ¥20.00 per share. Earlier in the year, we paid an interim dividend of ¥20.00. This will bring total annual dividends to ¥40.00 per share, up ¥4.00.

For the year ending March 2010, we plan to maintain annual dividends at ¥40.00 per share (¥20.00 interim dividend and ¥20.00 year-end dividend), in the interests of maintaining a balance between stable, consistent shareholder returns and the necessity of retaining ample earnings.

2. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 39 subsidiaries, and three affiliated companies, for a total of 43 companies. These include 21 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.

CLIENT

Overseas (29 companies)

Holding Company /Sale of Products (1 company)

Rinnai Holdings (Pacific) Pte Ltd. (i)

Sale of Products (9 companies)

Rinnai Australia Pty., Ltd. (i)
Rinnai America Corporation (i)
Rinnai Hong Kong Ltd. (i)
Rinnai UK Ltd. (ii)
Guangzhou Rinnai Gas and Electric Appliance Co., Ltd. (ii)
Rinnai Italia s.r.l. (ii)
Rinnai SE Corp. (ii)
Rinnai Plus Corp. (ii)
Rinnai Canada Holdings Ltd. (ii)

Manufacture and Sale of Products (12 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 and Electrical Appliance Co., Ltd. (ii)
Fine S.T.Well Co. (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. (ii)
Mikuni RK Corporation (iv)

Other Business (2 commpanies)

Rinnai Services (MS) Corporation (ii)
Rinnai CS Corporation (ii)

RINNAI

Domestic (13 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)

Other Business (2 companies)

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

CLIENT

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

Because Rinnai has not made any major changes to its Subsidiaries, which were described in security report (released on June 27, 2008), it's subsidiary information is omitted.

3. Management Policies

1. Basic Management Policy

The Rinnai Group's corporate mission is to "use heat to provide society with comfortable lifestyles." With "safety" and the "environment" as our keywords, we are advancing our corporate activities as a comprehensive manufacturer of heat-energy products, dedicated to reinforcing our core foundation in Japan while targeting global growth.

2. Performance Targets

To raise competitiveness and improve capital efficiency, the Rinnai Group is targeting consolidated return on equity (ROE) of 8% over the long term..

3. Medium- and Long-Term Business Strategies

As the world economy enters a critical stage, recent instability in crude oil and raw materials prices and sharp exchange rate fluctuations are causing an increase in the risks facing corporations. At the same time, various nations are actively expediting environmental protection measures amid growing worldwide concern about the environment. In this context, companies are expected to innovate their environmental technologies.

Facing these challenges, the Rinnai Group, seeking to address growing business risks and achieve medium- and long-term growth, has formulated a new medium-term business plan, entitled "Reform and Breakthrough." Covering the three-year period from April 2009 to March 2012, the plan is designed to help the Group realize qualitative breakthroughs over the next three years. By implementing qualitative reforms to our business foundation, we aim to become a comprehensive heat energy equipment manufacturer that delivers optimal heat-related equipment to countries around the world from an environmental perspective. At the same time, we will maintain our focus on our heating appliance business, which supports the lives of many people. Under the plan, we are implementing three core policies.

Three core policies

(1) Relentlessly promote waste-elimination activities
(2) Reinforce Group operations
(3) Solidify our position as a comprehensive heating appliance manufacturer

Consolidated performance targets for year ending March 2012

Net sales: ¥265.0 billion
Operating income: ¥21.5 billion
Operating margin: 8%

(4) Issues to Address

Tackling environmental issues has become a major objective shared by nations worldwide. Water and room heating accounts for more than half of energy consumption in general households, although the ratio varies according to nation and region. In this context, the Rinnai Group recognizes that it plays an extremely important role in saving energy and reducing carbon dioxide emissions. As a comprehensive manufacturer of heat and energy appliances, we will embrace the challenge of innovating our environmental technologies and our product manufacturing methods. At the same time, we will offer environmentally friendly products optimized according to the needs of various nations and regions around the world. In Japan, our “Eco Jozu” series of condensing hot-water units has realized a heat efficiency rating of 95%. The Rinnai Group places strong emphasis on these products and is engaged in an industrywide campaign to make “Eco Jozu” the de facto standard for gas hot-water units.

With respect to safety-related initiatives, we adhere to the Group’s corporate philosophy, which states that “our livelihood depends on the quality of our products.” Guided by this philosophy, we place top priority on product safety above anything else in our product manufacturing activities. In March 2009, we set up the Customer Department with the aim of giving customers products that offer safety and peace of mind through the entire product lifecycle, from initial development to final disposal. We will also build a framework that comprehensively addresses the introduction in April 2009 of a maintenance and inspection system for specified products purchased for long-term use.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2008 (Year ended March 31, 2008)	At March, 2009 (Year ended March 31, 2009)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	24,217	21,728
Notes and accounts receivable	65,811	51,972
Marketable securities	28,144	30,633
Inventories	26,388	—
Products	—	16,213
Raw materials and stores	—	9,224
Deferred tax assets	3,426	2,379
Other	2,387	1,239
Less allowance for doubtful accounts	(3,299)	(1,875)
Total current assets	147,077	131,517
Fixed assets		
Property, plant and equipment		
Buildings and structures	34,254	34,733
Accumulated depreciation	(19,975)	(20,151)
Buildings and structures (net)	14,279	14,581
Machinery and vehicles	38,754	36,973
Accumulated depreciation	(28,913)	(28,301)
Machinery and vehicles (net)	9,841	8,672
Tools and fixtures	29,692	26,136
Accumulated depreciation	(23,206)	(21,773)
Tools and fixtures (net)	6,486	4,363
Land	13,304	12,643
Lease assets	—	81
Accumulated depreciation	—	(8)
Lease assets (net)	—	72
Construction in progress	1,312	998
Total property, plant and equipment	45,224	41,332
Intangible fixed assets	1,447	1,409
Investments and advances		
Investments in securities	25,319	25,376
Investments	1,121	959
Long-term loans	7	3
Deferred income taxes	1,884	2,663
Other	9,574	8,613
Less allowance for doubtful accounts	(733)	(1,048)
Total investments and advances	37,174	36,567
Total fixed assets	83,846	79,308
Total assets	230,923	210,825

(¥ millions)

	At March 31, 2008 (Year ended March 31, 2008)	At March, 2009 (Year ended March 31, 2009)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	44,873	37,696
Short-term debt	7,574	6,807
Other payables	10,530	8,327
Accrued consumption taxes	565	629
Accrued income taxes	4,340	3,240
Accrued employee’s bonuses	2,263	2,448
Allowance for inspection cost	585	271
Other	3,240	3,035
Total current liabilities	73,973	62,456
Long-term liabilities		
Long-term debt	5,360	3,000
Deferred tax liabilities	4	3
Accrued employees’ retirement benefits	3,016	4,242
Accrued officers’ retirement benefits	1,485	62
Other	1,087	2,266
Total long-term liabilities	10,954	9,575
Total liabilities	84,927	72,031
NET ASSETS:		
Shareholders’ equity:		
Common stock	6,459	6,459
Capital surplus	8,719	8,719
Earned surplus	124,609	125,336
Treasury stock	(129)	(151)
Total shareholders’ equity	139,659	140,364
Other adjustments:		
Unrealized gain on marketable securities	(466)	(1,471)
Foreign exchange translation adjustment	2,502	(2,905)
Total other adjustments	2,036	(4,377)
Minority interests	4,299	2,806
Total net assets	145,995	138,794
Total liabilities and net assets	230,923	210,825

(2) Consolidated Statements of Income

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008)	2009 (April 1, 2008, to March 31, 2009)
	Amount	Amount
Net sales	¥248,761	¥236,741
Cost of Sales	181,089	168,667
Gross Profit	67,671	68,073
Selling, general and administrative expenses		
Transportation and packing	6,696	6,341
Advertising	3,923	3,325
Sales promotion	3,925	3,748
After-sales service	4,430	4,187
Transfer to allowance for doubtful accounts	826	2,692
Salary and bonuses	14,593	14,977
Retirement benefit expenses	1,157	1,294
Transfer to accrued officers' retirement	821	1,167
benefits	64	20
Depreciation	1,097	1,137
Other	15,010	14,111
Total selling, general and administrative expenses	52,547	53,003
Operating income	15,124	15,069
Other income:		
Interest income	901	920
Dividends received	240	172
Equity in earnings of affiliates	375	504
Other	809	810
Total other income	2,328	2,407
Other expenses:		
Interest expenses	1,125	817
Loss on sale of notes receivable	263	61
Foreign exchange loss	624	3,611
Other	40	28
Total other expenses	2,054	4,519
Ordinary income	15,398	12,958
Extraordinary income:		
Adjustment for prior profits	495	—
Gain on sales of fixed assets	288	46
Reversal from allowance for doubtful	89	2
accounts		12
Gain on liquidation of affiliates	—	
Other	44	—
Total extraordinary income	918	62

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008) Amount	2009 (April 1, 2008, to March 31, 2009) Amount
Extraordinary losses:		
Loss on sales of fixed assets	61	74
Loss on disposal of fixed assets	256	336
Impairment loss	6	—
Loss on devaluation of investments in securities	228	52
Retirement benefit expenses	604	462
Amortization of goodwill	—	983
Inspection cost	119	—
Transfer to allowance for inspection cost	585	—
Other	78	8
Total extraordinary losses	1,940	1,917
Income before income taxes	14,375	11,103
Income taxes:		
Current	5,827	6,522
Previous Term (overseas subsidiaries)	1,080	—
Deferred	(334)	1,214
Total income taxes	6,573	7,736
Minority interests (deduction)	(467)	(481)
Net income	8,269	3,847

(3) Consolidated Statement of Shareholders' Equity

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008)	2009 (April 1, 2008, to March 31, 2009)
	Amount	Amount
Shareholders' equity:		
Common stock		
Balance at March 31, 2008	6,459	6,459
Net changes during period		
Total net changes during period	—	—
Balance at March 31, 2009	6,459	6,459
Capital surplus		
Balance at March 31, 2008	8,719	8,719
Net changes during period		
Disposition of treasury stock	0	0
Total net changes during period	0	0
Balance at March 31, 2009	8,719	8,719
Earned surplus		
Balance at March 31, 2008	118,185	124,609
Increase (decrease) in change of accounting treatments for overseas subsidiaries	—	(1,063)
Net changes during period		
Dividends paid	(1,841)	(2,058)
Net income	8,269	3,847
Other	(3)	—
Total net changes during period	6,424	1,789
Balance at March 31, 2009	124,609	125,336
Treasury stock		
Balance at March 31, 2008	(109)	(129)
Net changes during period		
Acquisition of treasury stock	(20)	(22)
Disposition of treasury stock	0	1
Total net changes during period	(19)	(21)
Balance at March 31, 2009	(129)	(151)
Total shareholders' equity		
Balance at March 31, 2008	133,254	139,659
Increase (decrease) in change of accounting treatments for overseas subsidiaries	—	(1,063)
Net changes during period		
Dividends paid	(1,841)	(2,058)
Net income	8,269	3,847
Acquisition of treasury stock	(20)	(22)
Disposition of treasury stock	0	2
Other	(3)	—
Total net changes during period	6,404	1,768
Balance at March 31, 2009	139,659	140,364

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008) Amount	2009 (April 1, 2008, to March 31, 2009) Amount
Other adjustments:		
Unrealized gain on marketable securities		
Balance at March 31, 2008	460	466
Net changes during period		
Net other changes than shareholders' equity during period	(927)	(1,005)
Total net changes during period	(927)	(1,005)
Balance at March 31, 2009	(466)	(1,471)
Foreign exchange translation adjustment		
Balance at March 31, 2008	1,968	2,502
Net changes during period		
Net other changes than shareholders' equity during period	534	(5,408)
Total net changes during period	534	(5,408)
Balance at March 31, 2009	2,502	(2,905)
Total other adjustments		
Balance at March 31, 2008	2,429	2,036
Net changes during period		
Net other changes than shareholders' equity during period	(392)	(6,413)
Total net changes during period	(392)	(6,413)
Balance at March 31, 2009	2,036	(4,377)
Minority interests:		
Unrealized gain on marketable securities		
Balance at March 31, 2008	5,229	4,299
Net changes during period		
Net other changes than shareholders' equity during period	(929)	(1,492)
Total net changes during period	(929)	(1,492)
Balance at March 31, 2009	4,299	2,806
Total net assets:		
Balance at March 31, 2008	140,913	145,995
Increase (decrease) in change of accounting treatments for overseas subsidiaries	—	(1,063)
Net changes during period		
Dividends paid	(1,841)	(2,058)
Net income	8,269	3,847
Acquisition of treasury stock	(20)	(22)
Disposition of treasury stock	0	2
Other	(3)	—
Net other changes than shareholders' equity during period	(1,322)	(7,906)
Total net changes during period	5,082	(6,137)
Balance at March 31, 2009	145,995	138,794

(4) Consolidated Statements of Cash Flows

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008)	2009 (April 1, 2008, to March 31, 2009)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	14,375	11,103
Depreciation and amortization	8,354	9,188
Increase (decrease) in accrued employees' bonuses	(26)	203
Increase (decrease) in accrued employees' retirement benefits	318	(1,318)
Increase (decrease) in prepaid pension costs	(291)	(428)
Increase (decrease) in allowance for doubtful accounts	695	(174)
Increase (decrease) in allowance for inspection cost	85	(314)
Interest and dividends income	(1,142)	(1,093)
Interest expenses	1,125	817
Foreign exchange loss (gain)	—	2,629
Equity in losses (earnings) of affiliates	(375)	(504)
Loss on disposal of fixed assets	256	336
Decrease (increase) in trade receivables	684	6,724
Decrease (increase) in inventories	1,688	(2,552)
Increase (decrease) in trade payables	2,590	(3,709)
Increase (decrease) in accrued consumption taxes	48	85
Other	927	934
Subtotal	29,314	21,297
Interest and dividends received	1,178	1,257
Interest paid	(1,084)	(777)
Income taxes paid	(6,010)	(7,209)
Net cash provided by operating activities	23,398	15,198
Cash flows from investing activities		
Transfers to time deposits	(9,946)	(11,014)
Withdrawals from time deposits	10,472	11,302
Purchase of investment securities	(5,188)	(99)
Proceeds from sales of investment securities	1,593	5,282
Purchases of tangible fixed assets	(8,730)	(10,739)
Proceeds from sales of tangible fixed assets	633	228
Purchases of intangible fixed assets	(641)	(554)
Purchases of investments in securities	(4,112)	(8,377)
Proceeds from sales of investments in securities	7,789	5,619
Acquisition of stock of subsidiary	—	(1,035)
Other	(77)	111
Net cash used in investing activities	(8,209)	(9,278)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(3,122)	2,867
Increase in long-term debt	5,232	—
Repayment of long-term debt	(6,461)	(311)
Proceeds from sales of treasury stock	0	2
Purchases of treasury stock	(20)	(22)
Dividends paid	(1,841)	(2,057)
Dividends paid to minority shareholders	(51)	(21)
Other	—	(9)
Net cash used in financing activities	(6,263)	446
Effect of exchange rate fluctuations on cash and cash equivalents	219	(2,601)
Net increase (decrease) in cash and cash equivalents	9,144	3,765
Cash and cash equivalents at beginning of year	30,034	39,178
Cash and cash equivalents at end of year	39,178	42,943

Notes regarding the assumption of a going concern

There are no relevant items.

Significant Accounting Policies of Consolidated Financial Statements

	Previous Fiscal Year (April 1, 2007 - March 31, 2008)	**Current Fiscal Year (April 1, 2008 - March 31, 2009)**
1. Scope of Consolidation	(1) Number of consolidated subsidiaries: 29 Companies	(1)Number of consolidated subsidiaries: 21 Companies The following eight companies are excluded from the scope of consolidation because their liquidation was completed in the fiscal year ended March 31, 2009. Rinnai Tech Sapporo Co., Ltd. Rinnai Tech Tohoku Co., Ltd. Rinnai Tech Niigata Co., Ltd. Rinnai Tech Tokyo Co., Ltd. Rinnai Tech Chubu Co., Ltd. Rinnai Tech Kinki Co., Ltd. Rinnai Tech Hiroshima Co., Ltd. Rinnai Tech Kyushu Co., Ltd.
	(2) Major unconsolidated subsidiary: Rinnai (Malaysia) Sdn. Bhd. Reason of exclusion: 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.	(2) Major unconsolidated subsidiary: Same as on the left Reason of exclusion: Same as on the left
2. Application of Equity Method	(1) Number of affiliated companies for which the equity method is applied: 2 Companies Equipamentos NGK-Rinnai Ltda. P.T. Rinnai Indonesi	(1) Number of affiliated companies for which the equity method is applied: 2 Companies Equipamentos NGK-Rinnai Ltda. P.T. Rinnai Indonesi
	(2) Major unconsolidated subsidiary or affiliate for which the equity method was not applied: Rinnai (Malaysia) Sdn. Bhd. Reason of exclusion: The above company is excluded from application under the equity method because its net income and retained earnings are not significant compared with the consolidated amounts and its activities are not deemed material.	(2) Major unconsolidated subsidiary or affiliate for which the equity method was not applied: Same as on the left Reason of exclusion: Same as on the left
	(3) Because the fiscal year-end date of the companies for which the equity method is applied differs from the parent company, the financial statements pertaining to the business year of that company are used in the preparation of these financial statements.	(3) Same as on the left
3. Fiscal Year-End of Consolidated Subsidiaries	Subsidiaries for which the closing date of the fiscal year differs from the date of the consolidated term:	Subsidiaries for which the closing date of the fiscal year differs from the date of the consolidated term:

	(annual closing date: December 31) The following 11 companies; Rinnai Enterprises Rinnai Australia Pty., Ltd. Rinnai America Corporation Rinnai New Zealand Ltd. Rinnai Holdings (Pacific) Pte Ltd. Rinnai Hong Kong Ltd. Rinnai Taiwan Corporation Rinnai Korea Corporation Shanghai Rinnai Co., Ltd. Rinnai (Thailand) Co., Ltd. Rinnai Viet Nam Co., Ltd. In preparing its consolidated financial statements, the Corporation has used data as of December 31. Major translations that occurred during the period to the consolidated fiscal year-end have been reconciled appropriately in the consolidated accounts.	(annual closing date: December 31) Same as on the left
4. Significant Accounting Policies		
(1) Valuation standards and calculation methods for significant assets	<u>(a) Securities</u> 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. <u>(b) Inventories</u> 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	<u>(a) Securities</u> Of marketable securities and investments in securities, listed securities: Same as on the left Non-marketable securities: : Same as on the left <u>(b) Inventories</u> Finished goods: Valued at cost using the first-in, first-out method (balance sheet amount is written-down to net selling value in case profitability of assets decreased). Raw materials and supplies: Valued at cost using the last purchase price method (balance sheet amount is written-down to net selling value in case profitability of assets decreased). **<u>Change in accounting policies</u>** From the current fiscal year, the Corporation applies "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, July 5, 2006). Effect of the change to operating income, ordinary income and income before income taxes is negligible.

<table>
<tr>
<td>(2) Depreciation of fixed assets</td>
<td><u>Property, plant and equipment</u>
The Corporation and its domestic consolidated subsidiaries use the declining-balance method (but the straight line method for buildings, not including attachments, acquired on or after April 1, 2007). Overseas subsidiaries 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

<u>Change in Accounting Policy</u>
Effective the period under review, the Corporation and its domestic consolidated subsidiaries have changed to the declining balance method for depreciating fixed assets except buildings (except attachments) acquired on or after April 1, 2007, pursuant to an amendment to the Corporation Tax Law.
The Corporation and its domestic consolidated subsidiaries reassessed its method of depreciating buildings (except attachments) due to an amendment to the Corporation Tax Law in the fiscal year ended March 2007. As a result of the reassessment, the Corporation, having completed major capital investments in its domestic manufacturing facilities (including four factories), anticipates 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 Corporation 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 ¥591 million.
Segment information indicates the effect by the above changes.
<u>Supplementary Information</u>
Pursuant to an amendment to the Corporation Tax Law, the Corporation and its domestic consolidated subsidiaries, effective the period under review, depreciate the residual value of fixed assets except buildings (except attachments) acquired on or before March 31, 2007 uniformly over a five-year period, starting the year following the fiscal year in which the residual value of said assets reaches 5% of the acquisition</td>
<td><u>(a) Property, plant and equipment (excluding lease assets)</u>
The Corporation and its domestic consolidated subsidiaries use the declining-balance method (but the straight line method for buildings, not including attachments, acquired on or after April 1, 2007). Overseas subsidiaries use the straight line method.
Estimated useful lives of principal items are as follows:
Buildings: 7-50 years
Machinery: 7-17 years
Tools, furniture, and fixtures: 2-15 years

<u>Supplementary Information</u>
Machinery held by the Corporation and its domestic consolidated subsidiaries had been depreciated over the useful lives of 10 to 17 years. From the current fiscal year the length was changed to 7 to 17 years. It reflects a revise of the Japanese Income Tax Law.
Effect of the change was to decrease operating income, ordinary income and income before income taxes each by ¥394 million.</td>
</tr>
</table>

	price. The Corporation has also reassessed the residual values of buildings (except attachments) acquired on or before March 31, 2007, taking into consideration the condition of each asset. As a result of this change, operating income, ordinary income, and income before income taxes each declined ¥200 million. Segment information indicates the effect by the above changes.	Segment information indicates the effect by the above changes.
		(b)Leased assets Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value. The leased assets which were contracted before April 1, 2008 are accounted for as operating leases.
(3) Reporting standards for major accruals	(a) 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.	(a) Allowance for doubtful accounts Same as on the left
	(b) 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.	(b) Accrued employees' bonuses Same as on the left
	(c) Allowance for inspection costs Allowance for inspection costs are provided for at the estimated amounts during the term, which are to be paid for specified product inspection.	(c) Allowance for inspection costs Same as on the left
	(d) 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.	(d) Accrued employees' retirement benefits Same as on the left
	Supplementary Information Effective the current fiscal year, one domestic consolidated subsidiary has shifted from the simplified method to the principle method for accounting for accrued employees' retirement benefits. The change was made to ensure more appropriate accounting treatment of accrued employees' retirement benefits in	**Supplementary Information** Effective the current fiscal year, six domestic consolidated subsidiaries have shifted from the simplified method to the principle method for accounting for accrued employees' retirement benefits. The change was made to ensure more appropriate accounting treatment of accrued employees' retirement benefits.

	line with an increase in the number of employees. The difference arising from the change from the simplified method to the principle method at the beginning of the period is treated as retirement benefit cost (amounting to ¥604 million) in the extraordinary losses. Effect of the change was to increase retirement benefit cost by ¥622 million, while operating income and ordinary income both declined ¥18 million, and to decrease income before income taxes by ¥622 million, Segment information indicates the effect by the above changes.	The difference arising from the change from the simplified method to the principle method at the beginning of the period is treated as retirement benefit cost (amounting to ¥462 million) in the extraordinary losses. Effect of the change was to increase retirement benefit cost by ¥462 million and to decrease income before income taxes by ¥462 million.
	<u>(e) Accrued officers' retirement benefits</u> Accrued officers' retirement benefits are provided for the amount required at the term-end under the bylaws of the Corporation and its domestic consolidated subsidiaries to prepare for payment to retiring officers.	<u>(e) Accrued officers' retirement benefits</u> Accrued officers' retirement benefits are provided for the amount required at the term-end under each domestic consolidated subsidiary's bylaws to prepare for payment to retiring officers. **<u>Supplementary Information</u>** Accrued officers' retirement benefits have been provided for the amount required at the term-end under the Corporation's bylaws to prepare for payment to retiring officers. The Board of Directors resolved at its meeting on May 21, 2008, to abolish the system of retirement benefits for officers, and shareholders at the General Shareholders' Meeting on June 27, 2008, approved the agenda item regarding discontinuation of said system and payment of retirement benefits accrued up to June 27, 2008, to officers at the time of their retirement. The Corporation has therefore transferred a balance of accrued officers' retirement benefits of ¥1,414 million to other of long-term liabilities.
(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 adjustment account for foreign exchange losses under net assets on the consolidated financial statements.	Same as on the left
(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	<u>(a) Hedge-accounting method</u> As for operating debts and credits denominated in foreign currencies with	<u>(a) Hedge-accounting method</u> The Corporation applies deferred hedge accounting. In addition receivables and

	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 current fiscal year. (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.	payables in foreign currencies are valued at historical rates when they are properly hedged under the hedge accounting rules. 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 current fiscal year. (b) Hedging method and hedging objective Same as on the left (c) Hedging policy Same as on the left
(7) Another important accounting policy	(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. Accounting for consumption taxes Consumption taxes are not included in revenues and expenses.	(d) Method for effectively assessing hedge transactions Same as on the left (e) Other Same as on the left Accounting for consumption taxes Same as on the left
5. Evaluation of assets and liabilities in consolidated subsidiaries	All subsidiary assets and liabilities are marked to fair value at the time of acquisition of control.	
6. Amortization of goodwill and negative goodwill	―――	Goodwill is equally amortized over five years.
7. 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.	Same as on the left

Changes in the Significant Accounting Policies of Consolidated Financial Statements

Previous Fiscal Year (April 1, 2007 - March 31, 2008)	Current Fiscal Year (April 1, 2008 - March 31, 2009)
―――	**Accounting methods pertaining to lease transactions** Finance leasing transactions other than those of which ownership is fully transferred to the lessee were treated in the same way as ordinary leasing transactions. From the current fiscal year, the Corporation applies accounting treatments in the same way as ordinary sales and purchase transaction, in accordance with “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, March 30, 2007) and “Implementation Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance No.16, March 30, 2007). Effect of the change to operating income, ordinary

	income and income before income taxes is negligible.
	Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements From the current fiscal year, the Corporation applies "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18, May 17, 2006) and made required adjustments on the statements. Effect of the change was to decrease operating income, ordinary income and income before income taxes each by ¥226 million and to decrease net income by ¥536 million. Segment information indicates the effect by the above changes.

Change in Presentation Method

Previous Fiscal Year (April 1, 2007 - March 31, 2008)	Current Fiscal Year (April 1, 2008 - March 31, 2009)
―――――――――	**Balance Sheets** In accordance with “Cabinet Office Ordinance concerning partial revise concerning Regulation for Terminology, Forms and Presentation of Financial Statements” (August 7, 2008, Cabinet Office Ordinance No.50), amount of “Inventories” are separated into “Products” and “Raw materials and stores”, effective from the current fiscal year. “Products” and “Raw materials and stores” under “Inventories” at the previous fiscal year-end were ¥15,621 million and ¥10,766 million, respectively.
Consolidated Statements of Income “Gain on sales of investment securities” (¥0 million for the current fiscal year), which was indicated at previous fiscal year, is included in other on extraordinary income, because the amount is less than 10/100 of total extraordinary income.	―――――――――
Consolidated Statements of Cash Flows 1. Amount of “increase in accounts payable” (¥318 million for the current fiscal year) is included in “Other” of cash flows from operating activities, because it is not significant compared with the total amount. 2. From the current fiscal year, “Purchase of investment securities”, which was included in “Other” at previous fiscal year, is indicated in cash flows from investing activities, because the amount have been deemed material. “Purchase of investment securities” in “Other” was ¥198 million at previous fiscal year.	**Consolidated Statements of Cash Flows** From the current fiscal year, “Foreign exchange loss (gain)”, which was included in “Other” at previous fiscal year, is indicated in cash flows from operating activities, because the amount have been deemed material. “Foreign exchange loss (gain)” on “Other” was ¥619 million at previous fiscal year.

Notes to Financial Statements

Notes to Consolidated Balance Sheets

Previous Fiscal Year (April 1, 2007 - March 31, 2008)	Current Fiscal Year (April 1, 2008 - March 31, 2009)
1.Items related to unconsolidated subsidiaries and affiliates (¥ millions) Investments in securities (stocks) 1,623 Investments 1,079	1.Items related to unconsolidated subsidiaries and affiliates (¥ millions) Investments in securities (stocks) 3,865 Investments 922
2. Assets pledged as collateral (¥ millions) Pledged assets: Time deposits 1,507 Buildings and structures 3,948 Machinery and vehicles 787 Land 3,099 Total 9,343 Liabilities related to pledged assets: Trade notes discounted 3,117 Short-term debt 1,011	2. Assets pledged as collateral (¥ millions) Pledged assets: Time deposits 43 Buildings and structures 2,591 Land 2,653 Total 5,288 Liabilities related to pledged assets: Short-term debt 699
3. Contingent liability for guarantee The Corporation guarantee the following borrowing money from other financial institutions than consolidated subsidiaries. (¥ millions) Rinnai (Malaysia) Sdn. Bhd. 70 Rinnai UK Ltd. 65 Total 136	3. Contingent liability for guarantee The Corporation guarantee the following borrowing money from other financial institutions than consolidated subsidiaries. (¥ millions) Rinnai (Malaysia) Sdn. Bhd. 59 Rinnai UK Ltd. 17 Guangzhou Rinnai Gas and Electric Appliance Co., Ltd. 22 Tokai Denshi Kogyo Kojo Danchi Cooperative Association (Note) 337 Total 437 Note: Joint guarantee by 23 associate companies.
4. Trade notes receivable discounted and Trade notes receivable transferred by endorsement (¥ millions) Trade notes receivable discounted 6,620 Trade notes receivable transferred by endorsement 587	4. Trade notes receivable discounted: ¥42 million

Notes to Consolidated Statements of Income

Previous Fiscal Year (April 1, 2007 - March 31, 2008)	Current Fiscal Year (April 1, 2008 - March 31, 2009)
1. Expenses for research and development included in general and administrative expenses and production costs in the current term: ¥7,131 million	1. Expenses for research and development included in general and administrative expenses and production costs in the current term: ¥6,944 million
2. Adjustment for prior profits: Compensation received on prior year losses of overseas subsidiary: ¥495 million	
3. Gain on sales of fixed assets are summarized as follows: (¥ millions) Machinery and vehicles 4 Tools and fixtures 0 Land 283 Total 288	3. Gain on sales of fixed assets are summarized as follows: (¥ millions) Machinery and vehicles 5 Tools and fixtures 34 Land 5 Other 0 Total 46
4. Loss on sales of fixed assets are summarized as follows: (¥ millions) Buildings and structures 37 Machinery and vehicles 6 Tools and fixtures 12 Land 4 Total 61	4. Loss on sales of fixed assets are summarized as follows: (¥ millions) Buildings and structures 15 Machinery and vehicles 19 Tools and fixtures 39 Total 74
5. Loss on disposal of fixed assets are summarized as follows: (¥ millions) Buildings and structures 6 Machinery and vehicles 130 Tools and fixtures 112	5. Loss on disposal of fixed assets are summarized as follows: (¥ millions) Buildings and structures 32 Machinery and vehicles 195 Tools and fixtures 107
6. Impairment Loss The Corporations recorded impairment losses for the current fiscal year under the following asset group. Location Purpose Category Amounts Chita-gun, Aichi prefecture Training and resort facility (unutilized) Buildings ¥6 million The Corporations classify operating assets by management control unit, and leased assets and unutilized assets by individual unit. Total book value of the above assets is included in the extraordinary loss as impairment loss, because the Corporation does not have any plan to utilize the facility in the future, and it's also difficult to reuse or sale it.	
	7. Amortization of goodwill was incurred as the Corporation recognized impairment loss on investment in subsidiary on its individual financial statements.

Regarding Consolidated Statements of Changes in Shareholders' Equity

For the fiscal year ended March 31, 2008

1. Types of Stock and Number of Shares

(Thousands of shares)

	Number of Shares at March 31, 2007	Increase in Number of Shares during the Fiscal Year	Decrease in Number of Shares during the Fiscal Year	Number of Shares at March 31, 2008
Number of shares issued Common stock	54,216	—	—	54,216
Treasury stock Common stock (Note)	39	5	0	45

Note: The increase in number of shares comes from 5,000 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 28, 2007	Common stock	¥ 866 million	¥ 16	March 31, 2007	June 29, 2007
Director's meeting on November 13, 2007	Common stock	¥ 975 million	¥ 18	September 30, 2007	December 10, 2007

(2) The effective date for dividends with a record date of March 31, 2008, 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 27, 2008	Common stock	¥ 975 million	Earned surplus	¥ 18	March 31, 2008	June 30, 2008

For the fiscal year ended March 31, 2009

1. Types of Stock and Number of Shares

(Thousands of shares)

	Number of Shares at March 31, 2008	Increase in Number of Shares during the Fiscal Year	Decrease in Number of Shares during the Fiscal Year	Number of Shares at March 31, 2009
Number of shares issued Common stock	54,216	—	—	54,216
Treasury stock Common stock (Note)	45	6	0	51

Note: The increase in number of shares comes from 6,000 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 27, 2008	Common stock	¥ 975 million	¥ 18	March 31, 2008	June 30, 2008
Director's meeting on November 10, 2008	Common stock	¥ 1,083 million	¥ 20	September 30, 2008	December 10, 2008

(2) The effective date for dividends with a record date of March 31, 2009, 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 26, 2009	Common stock	¥ 1,083 million	Earned surplus	¥ 20	March 31, 2009	June 29, 2009

Notes to Statements of Cash Flows

<table>
<tr><th>Previous Fiscal Year
(April 1, 2008 - March 31, 2009)</th><th>Current Fiscal Year
(April 1, 2008 - March 31, 2009)</th></tr>
<tr><td>Reconciliation of cash and cash equivalents, and balance-sheet items at end of terms

(March 31, 2008) (¥ millions)
Cash and deposits 24,217
Securities 28,144
Time deposits exceeding 3 months (5,912)
Liabilities exceeding 3 months to maturity (7,272)
Cash and cash equivalents at end of year 39,178</td><td>Reconciliation of cash and cash equivalents, and balance-sheet items at end of terms

(March 31, 2009) (¥ millions)
Cash and deposits 21,728
Securities 30,633
Time deposits exceeding 3 months (6,393)
Liabilities exceeding 3 months to maturity (3,024)
Cash and cash equivalents at end of year 42,943</td></tr>
</table>

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 was omitted.

2. Geographic segment information

Year ended March 31, 2008 (¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
I. Net sales and operating results						
(1) Sales for clients	159,080	56,531	33,150	248,761	—	248,761
(2) Intersegment sales	18,271	2,350	413	21,034	(21,034)	—
Total	177,351	58,881	33,563	269,796	(21,034)	248,761
Operating expenses	167,499	57,373	30,079	254,951	(21,314)	233,637
Operating income	9,852	1,508	3,484	14,844	279	15,124
II. Assets	182,968	40,504	19,890	243,363	(12,440)	230,923

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.

3. Change in Accounting Policy
As described in Significant Accounting Policies of Consolidated Financial Statements, effective the current fiscal year, the Corporation and its domestic consolidated subsidiaries have changed to the declining balance method for depreciating fixed assets except buildings (except attachments) acquired on or after April 1, 2007, pursuant to an amendment to the Corporation Tax Law. And, the Corporation and its domestic consolidated subsidiaries have changed to the straight line method for depreciating buildings (except attachments) due to an amendment to the Corporation Tax Law. As a result of this change, operating expenses in Japan increased ¥591 million and operating income decreased same amount.

4. Supplementary Information
As described in Significant Accounting Policies of Consolidated Financial Statements, pursuant to an amendment to the Corporation Tax Law, the Corporation and its domestic consolidated subsidiaries, effective the current fiscal year, depreciate the residual value of fixed assets acquired on or before March 31, 2007 uniformly over a five-year period, starting the year following the fiscal year in which the residual value of said assets reaches 5% of the acquisition price. As a result of this change, operating expenses in Japan increased ¥200 million, and operating income decreased ¥200 million.
A consolidated subsidiary in Japan changed its calculation method of retirement benefit liability from simplified method to principle method. Effect of the change was to increase operating expenses in Japan by ¥18 million and to decrease operating income by same amount..

Year ended March 31, 2009 (¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
II.Net sales and operating results						
(1) Sales for clients	161,684	44,180	30,876	236,741	—	236,741
(2) Intersegment sales	18,238	2,786	499	21,523	(21,523)	—
Total	179,922	46,966	31,376	258,265	(21,523)	236,741
Operating expenses	166,102	49,841	27,405	243,349	(21,677)	221,671
Operating income	13,820	(2,875)	3,970	14,915	154	15,069
II. Assets	183,650	24,363	14,163	222,177	(11,351)	210,825

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.
3. Change in Accounting Policy
Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
As described in Changes in the Significant Accounting Policies of Consolidated Financial Statements, from the current fiscal year, the Corporation applies “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No.18, May 17, 2006) and made required adjustments on the statements. As a result of this change, operating expenses increased ¥226 million and operating income decreased same amount in Asia; and operating expenses increased ¥0 million and operating income decreased same amount in other region.
4. Supplementary Information
As described in Significant Accounting Policies of Consolidated Financial Statements, Machinery held by the Corporation and its domestic consolidated subsidiaries had been depreciated over the useful lives of 10 to 17 years. From the current fiscal year the length was changed to 7 to 17 years. Effect of the change was to increase operating expenses in Japan by ¥394 million, and to decrease operating income by same amount.

3. Overseas sales

Year ended March 31, 2008 (¥ millions)

	Asia	Other regions	Total
I. Overseas sales	60,598	35,602	96,201
II. Consolidated net sales	—	—	248,761
III. Composition ratio of overseas sales to consolidated net sales	24.4%	14.3%	38.7%

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 indicate sales of the Corporations in overseas countries or regions.

Year ended March 31, 2009 (¥ millions)

	Asia	Other regions	Total
I. Overseas sales	48,512	33,500	82,013
II. Consolidated net sales	—	—	236,741
III. Composition ratio of overseas sales to consolidated net sales	20.5%	14.2%	34.6%

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

Per Share Data

	March 31, 2008	March 31, 2009
1. Net assets per share	¥2,615.71	¥2,510.60
2. Net income per share	¥152.66	¥71.04

Fully diluted net income per share is not indicated because there is no residual equity.

Notes:

1. Net assets per share are calculated based on the following amounts.

	March 31, 2008	March 31, 2009
Net assets	¥145,995 million	¥138,794 million
Deduction from net assets	¥4,299 million	¥2,806 million
[Minority interests]	[¥4,299 million]	[¥2,806 million]
Net assets at the year-end related to common shares	¥141,695 million	¥135,987 million
Number of common shares at the year-end which used in calculation	54,171,082 shares	54,165,344 shares

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

	March 31, 2008	March 31, 2009
Net income	¥8,269 million	¥3,847 million
Amounts not attribute to common shares	—	— million
Net income related to common shares	¥8,269 million	¥3,847 million
Average number of shares during the term	54,173,522 shares	54,168,477 shares

Subsequent Events

There is no significant information.

Other

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

4. Nonconsolidated Financial Statements

(1) Nonconsolidated Balance Sheets

(¥ millions)

	At March 31, 2008 (Year ended March 31, 2008) Amount	At March, 2009 (Year ended March 31, 2009) Amount
ASSETS		
Current assets		
Cash and deposits	2,011	3,186
Notes receivable, trade	12,465	11,563
Accounts receivable, trade	31,730	29,799
Marketable securities	26,945	29,460
Products	9,035	10,478
Raw materials	3,969	—
Stores	121	—
Raw materials and stores	—	3,949
Prepaid expenses	4	5
Deferred tax assets	2,618	1,515
Other	732	313
Less allowance for doubtful accounts	(347)	(83)
Total current assets	89,288	90,187
Fixed assets		
Property, plant and equipment		
Buildings	18,535	20,804
Accumulated depreciation	(12,178)	(12,706)
Buildings (net)	6,356	8,098
Structures	1,308	1,332
Accumulated depreciation	(1,062)	(1,062)
Structures (net)	246	270
Machinery, equipment	17,700	17,643
Accumulated depreciation	(13,822)	(13,827)
Machinery, equipment (net)	3,878	3,816
Vehicles and delivery equipment	199	210
Accumulated depreciation	(120)	(164)
Vehicles and delivery equipment (net)	78	45
Tools, furniture and fixture	16,701	16,190
Accumulated depreciation	(13,336)	(13,685)
Tools, furniture and fixture (net)	3,364	2,505
Land	6,701	6,949
Lease assets	—	71
Accumulated depreciation	—	(7)
Lease assets (net)	—	64
Construction in progress	457	522
Total property, plant and equipment	21,082	22,272

(¥ millions)

	At March 31, 2008 (Year ended March 31, 2008) Amount	At March, 2009 (Year ended March 31, 2009) Amount
Intangible fixed assets		
Leaseholds	10	10
Water supply facility utilization rights	9	5
Telephone subscription rights	52	52
Software	555	670
Other	332	399
Total intangible fixed assets	960	1,138
Investments and advances		
Investments in securities	21,217	18,071
Stocks of affiliated companies	6,321	12,533
Investments	9	24
Investments in affiliated companies	1,128	1,128
Long-term loans to affiliated companies	4,800	—
Reorganization credit	12	12
Long-term prepaid expense	178	134
Deferred income taxes	1,168	2,138
Guaranty money deposited	750	755
Long-term deposits	2,000	1,000
Prepaid pension expenses	3,959	4,631
Other	568	507
Less allowance for doubtful accounts	(77)	(80)
Total investments and advances	42,036	40,857
Total fixed assets	64,079	64,267
Total assets	153,367	154,455
LIABILITIES		
Current liabilities		
Accrued payable, trade	29,510	26,663
Other payables	5,987	4,991
Accrued expenses	509	522
Accrued consumption taxes	415	349
Accrued income taxes	1,800	1,956
Deposits payable	93	100
Accrued employees' bonus	1,558	1,755
Allowance for inspection cost]	585	271
Accrued equipment costs payable	786	1,239
Other	1	25
Total current liabilities	41,248	37,876
Long-term liabilities		
Accrued employees' retirement benefits	1,592	1,610
Accrued officers' retirement benefits	1,400	—
Other	275	1,767
Total long-term liabilities	3,268	3,377
Total liabilities	44,516	41,253

	At March 31, 2008 (Year ended March 31, 2008)	At March, 2009 (Year ended March 31, 2009)
	Amount	Amount
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus		
Capital reserve	8,719	8,719
Other	0	0
Total capital surplus	8,719	8,719
Earned surplus		
Legal reserve	1,614	1,614
Voluntary reserve		
Other	83,900	88,900
Unappropriated retained earnings at the end of the period	8,565	8,796
Total earned surplus	94,080	99,311
Treasury stock	(129)	(151)
Total shareholders' equity	109,130	114,340
Other adjustments:		
Unrealized gain on marketable securities	(279)	(1,138)
Total other adjustments	(279)	(1,138)
Total net assets	108,850	113,201
Total liabilities and net assets	153,367	154,455

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

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008)	2009 (April 1, 2008, to March 31, 2009)
	Amount	Amount
Net sales	¥168,779	¥171,377
Cost of Sales		
Inventory at the beginning of the term	11,674	9,035
Manufacturing cost during the term	130,674	133,637
Total	142,349	142,673
Other account transfer	407	247
Inventory at the term-end	9,035	10,478
Total cost of sales	132,906	131,948
Gross Profit	35,873	39,429
Selling, general and administrative expenses		
Transportation and packing	5,262	4,965
Warehousing	1,667	1,261
Advertising	872	852
Sales promotion	2,332	2,095
After-sales service	3,146	3,144
Salary and bonuses	7,146	8,355
Welfare cost	1,005	1,166
Transfer to accrued employees' bonus	624	737
Retirement benefit expenses	431	677
Transfer to accrued officers' retirement benefits	55	14
Depreciation	390	462
Research and development expenses	612	630
Rental fee	1,033	1,377
Other	3,572	2,803
Total selling, general and administrative expenses	28,154	28,545
Operating income	7,719	10,884
Other income:		
Interest income	224	158
Interest on securities	393	341
Dividends received	3,843	843
Royalty fees	256	210
Miscellaneous	616	724
Total other income	5,334	2,278
Other expenses:		
Interest expenses	2	1
Foreign exchange loss	917	300
Depreciation	58	103
Other	1	1
Total other expenses	979	406
Ordinary income	12,074	12,755

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008)	2009 (April 1, 2008, to March 31, 2009)
	Amount	Amount
Extraordinary income:		
Reversal from allowance for doubtful accounts	82	—
Gain on sales of fixed assets	—	32
Gain on liquidation of affiliates	—	642
Other		
Total extraordinary income	82	675
Extraordinary losses:		
Loss on sales of fixed assets	4	—
Loss on disposal of fixed assets	204	240
Transfer to allowance for doubtful accounts	—	5
Impairment loss	6	—
Loss on valuation of investments in securities	228	49
Loss on valuation of stock of affiliates	—	1,407
Inspection cost	119	—
Transfer to allowance for inspection cost	585	—
Other	31	—
Total extraordinary losses	1,179	1,703
Income before income taxes	10,978	11,727
Income taxes:		
Current	3,327	3,725
Deferred	(411)	712
Total income taxes	2,916	4,437
Net income	8,062	7,289

(3) Nonconsolidated Statement of Shareholders' Equity

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008)	2009 (April 1, 2008, to March 31, 2009)
	Amount	Amount
Shareholders' equity:		
Common stock		
Balance at March 31, 2008	6,459	6,459
Net changes during period		
Total net changes during period	—	—
Balance at March 31, 2009	6,459	6,459
Capital surplus		
Capital reserve		
Balance at March 31, 2008	8,719	8,719
Net changes during period		
Total net changes during period	—	—
Balance at March 31, 2009	8,719	8,719
Other		
Balance at March 31, 2008	0	0
Net changes during period		
Disposition of treasury stock	0	0
Total net changes during period	0	0
Balance at March 31, 2009	0	0
Total capital surplus		
Balance at March 31, 2008	8,719	8,719
Net changes during period		
Disposition of treasury stock	0	0
Total net changes during period	0	0
Balance at March 31, 2009	8,719	8,719
Earned surplus		
Legal reserve		
Balance at March 31, 2008	1,614	1,614
Net changes during period		
Total net changes during period	—	—
Balance at March 31, 2009	1,614	1,614
Voluntary reserve		
Other reserve		
Balance at March 31, 2008	81,900	83,900
Net changes during period		
Transfer to other reserve	2,000	5,000
Total net changes during period	2,000	5,000
Balance at March 31, 2009	83,900	88,900
Unappropriated retained earnings		
Balance at March 31, 2008	4,345	8,565
Net changes during period		
Dividends paid	(1,841)	(2,058)
Transfer to other reserve	(2,000)	(5,000)
Net income	8,062	7,289
Total net changes during period	4,220	230
Balance at March 31, 2009	8,565	8,796

(¥ millions)

	2008 (April 1, 2007, to March 31, 2008)	2009 (April 1, 2008, to March 31, 2009)
	Amount	Amount
Total earned surplus		
Balance at March 31, 2008	87,860	94,080
Net changes during period		
Dividends paid	(1,841)	(2,058)
Transfer to other reserve	—	—
Net income	8,062	7,289
Total net changes during period	6,220	5,230
Balance at March 31, 2009	94,080	99,311
Treasury stock		
Balance at March 31, 2008	(109)	(129)
Net changes during period		
Acquisition of treasury stock	(20)	(22)
Disposition of treasury stock	0	1
Total net changes during period	(19)	(21)
Balance at March 31, 2009	(129)	(151)
Total shareholders' equity		
Balance at March 31, 2008	102,929	109,130
Net changes during period		
Dividends paid	(1,841)	(2,058)
Net income	8,062	7,289
Acquisition of treasury stock	(20)	(22)
Disposition of treasury stock	0	2
Total net changes during period	6,200	5,210
Balance at March 31, 2009	109,130	114,340
Other adjustments:		
Unrealized gain on marketable securities		
Balance at March 31, 2008	645	(279)
Net changes during period		
Net other changes than shareholders' equity during period	(924)	(859)
Total net changes during period	(924)	(859)
Balance at March 31, 2009	(279)	(1,138)
Total other adjustments		
Balance at March 31, 2008	645	(279)
Net changes during period		
Net other changes than shareholders' equity during period	(924)	(859)
Total net changes during period	(924)	(859)
Balance at March 31, 2009	(279)	(1,138)
Total net assets:		
Balance at March 31, 2008	103,574	108,850
Net changes during period		
Dividends paid	(1,841)	(2,058)
Net income	8,062	7,289
Acquisition of treasury stock	(20)	(22)
Disposition of treasury stock	0	2
Net other changes than shareholders' equity during period	(924)	(859)
Total net changes during period	5,276	4,350
Balance at March 31, 2009	108,850	113,201

Notes regarding the assumption of a going concern
There are no relevant items.

6. Other

Change of Directors

The above information was described in the press release “Notification of Director, Personnel and Organizational Changes” on March 19, 2009.