

Consolidated Financial Results

First Quarter of the Fiscal Year Ending March 31, 2010

(April 1 – June 30, 2009)

August 5, 2009

Listed Company Name: Rinnai Corporation

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

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Anticipated date for releasing quarterly securities report: August 7, 2009

Anticipated date to begin distributing dividends: —

1. Performance in the First Quarter of the Fiscal Year Ending March 31, 2010

(April 1 – June 30, 2009; amounts less than one million yen are omitted)

(1) Consolidated Operating Results

	(¥ millions/%)			
	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
June 2009 Quarter	¥ 45,970 (-11.7)	¥2,403 (+3.0)	¥2,668 (+29.1)	¥1,586 (+42.6)
June 2008 Quarter	52,073 (—)	2,333 (—)	2,066 (—)	1,112 (—)

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
June 2009 Quarter	¥29.29	—
June 2008 Quarter	20.53	—

(2) Consolidated Financial Position

	(¥ millions)			
	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
June 2009 Quarter	¥210,762	¥140,444	65.1%	¥2,534.21
March 2009	210,825	138,794	64.5	2,510.60

(Reference) Equity capital : First quarter of the year ending March 31, 2010; ¥137,264 million

Year ended March 31, 2009; ¥135,987 million

2. Dividends

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

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

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 (¥)
Interim	¥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

Note: Percentage figures in columns indicate increase or decrease from the previous term.

Note: Revision of fiscal year forecast in period under review: Yes

4. Other

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

(2) Simplified accounting method adopted: Yes

Note: For more information, please refer to “4. Other” in the “Performance Summary and Financial Statements” on page 5 of this report.

(3) 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 revision of accounting standard: None

(b) Other changes than (a): None

4) Number of Outstanding Shares (Common Stock)

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

June 30, 2009: 54,216,463 shares

March 31, 2009: 54,216,463 shares

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

June 30, 2009: 52,112 shares

March 31, 2009: 51,119 shares

(c) Average number of shares during the term

First quarter ended June 30, 2009: 54,164,813 shares

First quarter ended June 30, 2008: 54,170,817 shares

Note on appropriate use of performance forecasts

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

Performance Summary and Financial Statement

1. Consolidated Business Results

In the first quarter ended June 30, 2009, the Japanese economy remained in a severe state as corporate earnings and personal consumption failed to recover. This was despite signs that the global economy has turned the corner from the most difficult stage of the financial crisis.

In the domestic housing appliance industry, new housing starts remained weak and demand for renovations declined significantly. These and other factors reflected the increasingly difficult domestic demand situation. By contrast, various overseas nations have expedited environmental measures amid the growing need to protect the environment and save energy, leading to calls for innovation in environmental technologies in the housing and related appliance sectors.

Facing these challenges, the Rinnai Group formulated a new medium-term business plan, entitled “Reform and Breakthrough.” Under the plan, we launched initiatives during the quarter aimed at realizing qualitative breakthroughs and becoming a comprehensive manufacturer of heating products that delivers optimal heat-related equipment to countries around the world from an environmental perspective. In first year of the plan, which assumes ongoing weakness in the world economy, we are placing particular emphasis on the “Reform” aspect of the plan. Accordingly, we have started reinforcing our core technologies and solidifying the Group’s entire business foundation to address the challenging business conditions that we face.

With respect to revenues, we reported healthy sales in Japan despite the impact of falling domestic housing starts. This is largely because our products are relatively impervious to economic stagnation because of their positioning as necessary items that support people’s lives. Other factors included our strong product portfolio, which has a high share of items conducive to replacement demand. In our core segments of kitchen appliances and hot-water units, meanwhile, revenues were boosted by the launch of new products. Overseas, however, sales languished due to foreign exchange factors. This was despite recovery in local demand as the economies of various nations showed signs of turning around.

On the earnings side, we promoted a Groupwide effort aimed at enhancing overall efficiency and rigorously eliminating duplication and waste. As a result, we reduced costs of core products while maintaining high quality, and we lowered manufacturing-related fixed costs. We also held down fixed costs in South Korea and the United States, where economies remain sluggish. These efforts provided a boost to earnings.

Accordingly, consolidated net sales in the quarter amounted to ¥45,970 million, down 11.7% from the previous corresponding period. Operating income rose 3.0%, to ¥2,403 million, and ordinary income climbed 29.1%, to ¥2,668 million. Net income for the quarter jumped 42.6%, to ¥1,586 million.

Our results by business segment were as follows:

Kitchen Appliances

Domestic sales in this segment were solid, boosted significantly by the *Mytone* series of mid-level gas stoves, which offer superior cooking performance, ease of operation, and attractive designs. These characteristics are part of the *Delicia* series of high-class gas stoves, and their sales are also favorable. However, foreign exchange factors had a

negative effect on sales in Asia, where demand for our kitchen appliances is strong. Accordingly, sales in this segment amounted to ¥16,967 million, down 6.5% from the previous corresponding period.

Hot-Water Units

In Japan, our highly efficient *Eco-Jozu* series of hot-water/heating systems, which are friendly to the environment, continued to proliferate and boost sales in this segment. Particularly popular was the RVD-E series of *Eco-Jozu*, featuring major advances over previous models in terms of being lightweight and compact. In the United States, sales of our tankless hot-water systems began to recover after languishing the previous fiscal year. Demand for these products was boosted by environment-related subsidy schemes. However, foreign exchange factors had a negative impact on sales in North America and Oceania, our main overseas markets for hot-water units. Total segment sales declined 10.7%, to ¥21,412 million.

Sales Composition

(¥ millions/%)

	June 30, 2008 Quarter		June 30, 2009 Quarter		Change		Year Ended March 2008 (reference)	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Kitchen appliances	¥ 18,145	34.8	¥ 16,967	36.9	¥ (1,178)	-6.5	¥ 81,166	34.3
Hot-water units	23,988	46.1	21,412	46.6	(2,575)	-10.7	106,567	45.0
Air-conditioning and heating units	1,752	3.4	1,420	3.1	(331)	-18.9	17,309	7.3
Commercial-use equipment	1,753	3.4	1,289	2.8	(464)	-26.5	6,226	2.6
Others	6,433	12.4	4,880	10.6	(1,553)	-24.1	25,470	10.8
Total	¥ 52,073	100.0	¥ 45,970	100.0	¥ (6,103)	-11.7	¥236,741	100.0

2. Consolidated Financial Position

At June 30, 2009, Rinnai had total assets of ¥210,762 million, down ¥63 million from March 31, 2009. For the quarter, total liabilities declined ¥1,713 million, to ¥70,318 million, and net assets increased ¥1,649 million, to ¥140,444 million. The equity ratio at the end of the quarter was 65.1%.

Cash and cash equivalents at June 30, 2009, stood at ¥44,805 million, up ¥1,862 million from March 31, 2009.

Net cash provided by operating activities amounted to ¥3,592 million, up from ¥153 million in the previous corresponding period. For the quarter, there was an increase in inventories and a decrease in notes and accounts payable, but these were exceeded by a decrease in notes and accounts receivable. Also contributing to cash flows was a decrease in income taxes paid.

Net cash used in investing activities totaled ¥2,568 million, down from ¥3,197 million in the previous corresponding period. Main factors included purchases of fixed assets and purchases of investment securities.

Net cash used in financing activities was ¥24 million, compared with ¥2,672 million in net cash provided by such activities in the previous corresponding period. Main factors included cash dividends paid, which outweighed a net increase in short-term borrowings by overseas subsidiaries.

3. Information on Performance Forecasts

Rinnai has not changed its initial performance forecasts for the fiscal year ending March 31, 2010. (Those forecasts were announced on May 11, 2009.)

4. Other

(1) Changes to major subsidiaries during the period (changes to specific subsidiaries pursuant to changes in scope of consolidation)

None

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

Simplified accounting method

Calculation of income taxes

Calculation of the amount of income taxes paid is limited to major items, such as those that increase or decrease the amount, or tax credit items.

In judging the recoverability of deferred tax assets, the Corporation employs a method using future performance forecasts and tax planning, having confirmed that that no significant changes in the operating environment or temporary differences have occurred since the end of the previous fiscal year.

(3) Changes in accounting principles or procedures related to consolidated quarterly financial reporting

None

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(¥ millions)

	At June 30, 2009 (First Quarter of Fiscal 2010)	At March 31, 2009 (Fiscal 2009)
ASSETS:		
Current assets		
Cash and deposits	¥ 22,437	¥ 21,728
Notes and accounts receivable	46,410	51,972
Marketable securities	31,458	30,633
Products	18,582	16,213
Raw materials and stores	9,202	9,224
Other	5,314	3,619
Less allowance for doubtful accounts	(1,827)	(1,875)
Total current assets	131,578	131,517
Fixed assets		
Property, plant and equipment	42,410	41,332
Intangible fixed assets	1,466	1,409
Investments and advances		
Investments in securities	24,363	25,376
Other	11,971	12,239
Less allowance for doubtful accounts	(1,028)	(1,048)
Total investments and advances	35,307	36,567
Total fixed assets	79,184	79,308
Total assets	¥210,762	¥210,825

(¥ millions)

	At June 30, 2009 (First Quarter of Fiscal 2010)	At March 31, 2009 (Fiscal 2009)
LIABILITIES:		
Current liabilities		
Notes and accounts payable	¥ 35,197	¥37,696
Short-term debt	10,682	6,807
Accrued income taxes	1,972	3,240
Accrued employee's bonuses	929	2,448
Other allowances	263	271
Other	14,598	11,992
Total current liabilities	63,644	62,456
Long-term liabilities		
Long-term debt	2	3,000
Accrued employees' retirement benefits	4,424	4,242
Other allowances	64	62
Other	2,181	2,270
Total long-term liabilities	6,674	9,575
Total liabilities	70,318	72,031
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,719	8,719
Earned surplus	125,542	125,336
Treasury stock	(154)	(151)
Total shareholders' equity	140,567	140,364
Other adjustments:		
Unrealized gain on marketable securities	(790)	(1,471)
Foreign exchange translation adjustment	(2,513)	(2,905)
Total other adjustments	(3,303)	(4,377)
Minority interests	3,180	2,806
Total net assets	140,444	138,794
Total liabilities and net assets	¥210,762	¥210,825

(2) Consolidated Statements of Income

(¥ millions)

	First Quarter of Fiscal 2009 (From April 1 to June 30, 2008)	First Quarter of Fiscal 2010 (From April 1 to June 30, 2009)
Net sales	¥52,073	¥45,970
Cost of sales	37,379	32,484
Gross profit	14,694	13,485
Selling, general and administrative expenses	12,360	11,082
Operating income	2,333	2,403
Other income:		
Interest income	256	144
Dividends received	—	123
Equity in earnings of affiliates	146	66
Other	216	184
Total other income	619	518
Other expenses:		
Interest expenses	199	112
Foreign exchange loss	660	125
Other	26	16
Total other expenses	886	253
Ordinary income	2,066	2,668
Extraordinary income:		
Gain on sales of fixed assets	2	74
Reversal from allowance for doubtful accounts	12	13
Total extraordinary income	14	88
Extraordinary losses:		
Loss on sales of fixed assets	—	14
Loss on disposal of fixed assets	7	23
Loss on devaluation of investments in securities	28	—
Other	—	3
Total extraordinary expenses	36	41
Income before income taxes	2,043	2,715
Income taxes (current)	1,926	1,734
Income taxes (deferred)	(799)	(655)
Total income taxes	1,127	1,079
Minority interests (deduction)	(195)	49
Net income	¥ 1,112	¥ 1,586

(3) Consolidated Statements of Cash Flows

(¥ millions)

	First Quarter of Fiscal 2009 (From April 1 to June 30, 2008)	First Quarter of Fiscal 2010 (From April 1 to June 30, 2009)
Cash flows from operating activities		
Income before income taxes	¥ 2,043	¥ 2,715
Depreciation and amortization	1,869	1,769
Increase (decrease) in accrued employees' bonuses	(1,389)	(1,520)
(Increase) decrease in trade receivables	3,390	7,757
(Increase) decrease in inventories	(3,520)	(1,770)
Increase (decrease) in trade payables	(2,192)	(4,222)
Other	3,925	1,629
Subtotal	4,127	6,357
Interest and dividends received	356	276
Interest paid	(191)	(131)
Income taxes paid	(4,138)	(2,910)
Net cash provided by operating activities	153	3,592
Cash flows from investing activities		
Transfers to time deposits	(3,468)	(1,661)
Withdrawals from time deposits	3,275	2,223
Purchases of tangible fixed assets	(2,420)	(2,871)
Purchases of investments in securities	(1,106)	(762)
Other	521	503
Net cash used in investing activities	(3,197)	(2,568)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	3,668	1,087
Dividends paid	(974)	(1,083)
Other	(21)	(28)
Net cash (used in) provided by financing activities	2,672	(24)
Effect of exchange rate fluctuations on cash and cash equivalents	(758)	493
Net increase (decrease) in cash and cash equivalents	(1,130)	1,493
Cash and cash equivalents at beginning of term	39,178	42,943
Net increase in cash and cash equivalents due to the newly consolidation	—	368
Cash and cash equivalents at end of term	¥ 38,047	¥ 44,805

(4) Assumptions for Going Concern

Not applicable.

(5) 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

First Quarter of the Fiscal Year ended March 31, 2009

(¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
Net sales						
(1) Sales for clients	¥34,596	¥11,269	¥6,207	¥52,073	—	¥52,073
(2) Intersegment sales	4,563	680	197	5,441	(5,441)	—
Total	39,160	11,949	6,405	57,515	(5,441)	52,073
Operating income	1,745	150	417	2,312	20	2,333

First Quarter of the Fiscal Year ending March 31, 2010

(¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
Net sales						
(1) Sales for clients	¥33,773	¥7,523	¥4,673	¥45,970	—	¥45,970
(2) Intersegment sales	3,338	649	47	4,035	(4,035)	—
Total	37,112	8,172	4,720	50,006	(4,035)	45,970
Operating income	2,207	190	214	2,612	(208)	2,403

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: United States, Australia, and New Zealand.

(c) Overseas sales

First Quarter of the Fiscal Year ended March 31, 2009

(¥ millions)

	Asia	Other regions	Total
I. Overseas sales	¥12,530	¥6,851	¥19,382
II. Consolidated net sales	—	—	52,073
III. Composition ratio of overseas sales to consolidated net sales	24.1%	13.2%	37.2%

First Quarter of the Fiscal Year ending March 31, 2010

(¥ millions)

	Asia	Other regions	Total
I. Overseas sales	¥8,694	¥5,131	¥13,826
II. Consolidated net sales	—	—	45,970
III. Composition ratio of overseas sales to consolidated net sales	18.9%	11.2%	30.1%

Notes: 1. Classification of the above regions is based on geographical proximity.

2. Composition of Asia: South Korea, China, Taiwan, Thailand, Singapore, Vietnam, Indonesia, Malaysia, and others.

Composition of Others: United States, Australia, New Zealand, Brazil, and others.

3. Net sales of the above indicate sales of the Corporations in overseas countries or regions.

(6) Major Changes on Shareholders' Equity

There is no significant information.

For References: Financial Statements Related to Previous First Quarter

1. Consolidated Statements of Income (Summary)

(¥ millions)

	First Quarter of Fiscal 2008 (From April 1 to June 30, 2007)
Net sales	¥49,840
Cost of sales	37,108
Gross profit	12,732
Selling, general and administrative expenses	11,775
Operating income	957
Other income	587
Other expenses	330
Ordinary income	1,214
Extraordinary income	83
Extraordinary losses	657
Income before income taxes	639
Income taxes	790
Minority interests (deduction)	(198)
Net income	¥ 47

2. Consolidated Statements of Cash Flows

(¥ millions)

	First Quarter of Fiscal 2008 (From April 1 to June 30, 2007)
Cash flows from operating activities	
Income before income taxes	¥ 639
Depreciation and amortization	1,779
Increase in accrued employees' bonuses	1,531
Decrease in trade receivables	4,237
(Increase) in inventories	(4,116)
(Decrease) in trade payables	(3,011)
Income taxes paid	(3,075)
Other	(2,309)
Net cash used in operating activities	(4,323)
Cash flows from investing activities	
Proceeds from sales of investment securities	0
Purchases of tangible fixed assets	(1,676)
Purchases of investments in securities	(90)
Proceeds from sales of investments in securities	2,960
Other	217
Net cash provided by investing activities	1,410
Cash flows from financing activities	
Net increase in short-term debt	3,990
Dividends paid	(866)
Other	(23)
Net cash provided by financing activities	3,099
Effect of exchange rate fluctuations on cash and cash equivalents	99
Net increase in cash and cash equivalents	285
Cash and cash equivalents at beginning of term	30,034
Cash and cash equivalents at end of term	¥30,319