Consolidated Financial Results for Fiscal 2010
(April 1, 2009 - March 31, 2010)

May 11, 2010

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
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Date of the General Meeting of Shareholders: June 29, 2010
Anticipated date to begin distributing dividends: June 30, 2010
Anticipated date for releasing annual securities report: June 29, 2010

1. Performance for the Year Ended March 31, 2010
(April 1, 2009 to March 31, 2010; Amounts less than one million yen are omitted)

(1) Consolidated Operating Results (Years ended March 31)
(¥ millions /%)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
2010	**226,117(-4.5)**	**20,392(+35.3)**	**21,481(+65.8)**	**11,642(+202.6)**
2009	236,741(-4.8)	15,069 (-0.4)	12,958 (-15.8)	3,847 (-53.5)

(Percentage figures in 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 (%)
2010	**219.83**	**—**	**8.5**	**9.9**	**9.0**
2009	71.04	—	2.8	5.9	6.4

Note: Equity in earnings of companies accounted for using the equity method:
Year ended March 31, 2010: ¥522 million Year ended March 31, 2009: ¥504 million

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

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
2010	**222,324**	**142,502**	**62.5**	**2,684.46**
2009	210,825	138,794	64.5	2,510.60

(Reference) Equity capital : Year ended March 31, 2010; ¥138,954 million
Year ended March 31, 2009; ¥135,987 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
2010	**29,687**	**(15,865)**	**(12,203)**	**46,570**
2009	15,198	(9,278)	446	42,943

2. Dividends

	Dividend per Share				
(Basis date)	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
2009	—	20.00	—	20.00	40.00
2010	**—**	**20.00**	**—**	**22.00**	**42.00**
2011 (anticipated)	—	22.00	—	22.00	44.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
2009	2,166	56.3	1.6
2010	**2,174**	**19.1**	**1.6**
2011 (anticipated)		17.5	

3. Forecast for the Fiscal Year Ending March 31, 2011

(April 1, 2010, to March 31, 2011) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Two-quarter total	111,000 (+8.8)	8,000 (+19.4)	8,500 (+21.3)	4,900 (+21.2)	94.66
Full year	241,000 (+6.6)	22,000 (+7.9)	23,000 (+7.1)	13,000 (+11.7)	251.15

(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 "Significant Accounting Policies of Consolidated Financial Statements" on page 19 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, 2010: 54,216,463 shares Year ended March 31, 2009: 54,216,463 sharess
(b) Number of treasury stock at fiscal year-end
Year ended March 31, 2010:2,453,860 shares Year ended March 31, 2009: 51,119 shares

Note: Please refer to "Per share data" on page 29, 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, 2010

(April 1, 2009 to March 31, 2010; 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)
2010	**169,277 (-1.2)**	**13,455 (+23.6)**	**15,515 (+21.6)**	**8,654 (+18.7)**
2009	171,377 (+1.5)	10,884 (+41.0)	12,755 (+ 5.6)	7,289 (-9.6)

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

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
2010	**163.41**	**—**
2009	134.57	—

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

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
2010	**158,363**	**110,747**	**69.9**	**2,139.53**
2009	154,455	113,201	73.3	2,089.92

(Reference) Equity capital : Year ended March 31, 2010; ¥110,747 million
Year ended March 31, 2009; ¥113,201 million

(3) Forecast for the Fiscal Year Ending March 31, 2011

(April 1, 2010, to March 31, 2011) (¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Two-quarter total	80,000 (+4.2)	4,600 (+2.4)	5,700 (+3.2)	3,500 (-0.1)	67.62
Full year	176,000 (+4.0)	14,000 (+4.0)	16,000 (+3.1)	9,000 (+4.0)	173.87

(Percentage figures in columns indicate increase or decrease from the previous corresponding 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, 2010, the world economy showed moderate recovery in the wake of the unprecedented global economic crisis, which began in the United States, boosted by economic expansion in China and economic stimulus measures taken by various national governments. The foundation for economic growth in Japan remained weak, however, due to difficult employment conditions and continued low levels of capital spending, making the outlook unclear. This was despite some signs of economic buoyancy, such as improved corporate earnings and a turnaround in personal consumption.

In the domestic housing appliance industry, new housing starts, which were weak for some time, began to firm thanks to government economic stimulus measures. Overall conditions remained severe, however, due to continued weakness in housing starts and low demand for home renovations.

The period under review was the first year of the Rinnai Group's new medium-term business plan, entitled "Reform and Breakthrough." During the year, we strove to reinforce the Group's overall foundation with a strong emphasis on the "Reform" aspect of the plan, considering the weakness of the world economy.

With respect to domestic sales, the Kitchen Appliances segment benefited from healthy replacement demand for both tabletop and built-in stoves. Also, the Hot-Water Units segment posted an increase in sales as the new E series of high-efficiency systems, more lightweight than before, generated widespread popularity in light of current trends.

Overseas, we enjoyed an increase in demand thanks to economic growth in China and Southeast Asia. We also received strong support for Rinnai as a "high-quality, environmentally friendly" brand. Meanwhile, our North American market, which had been impacted by economic recession, began to recover in the second half of the year, and in Australia, with tightening environmental regulations, the market for gas and solar hot water systems and gas instant-heating systems expanded owing to their environmental benefits. Due to the prolonged appreciation of the yen, however, overseas sales declined year-on-year in yen terms.

On the earnings side, we reported a decrease in costs thanks to a decline in raw materials prices, together with our efforts to cut fixed costs and make new products in-house. During the year, we also promoted a rigorous Group-wide campaign aimed at eliminating waste. Our efforts to reduce inventories, in particular, led to enhanced investment efficiency, which also helped improve our financial position. Moreover, our South Korean subsidiary, which posted a loss in the previous year due to a large-scale increase in its allowance for doubtful accounts, took measures to strengthen its financial position—a strategy that bore fruit and boosted the overall earnings of the Group.

As a result, consolidated net sales for the year amounted to ¥226,117 million, down 4.5% from the previous year. Operating income increased 35.3%, to ¥20,392 million, and ordinary income jumped 65.8%, to ¥21,481 million, owing to the extinguishment of a foreign exchange loss on yen-denominated liabilities posted by our South Korean subsidiary in the previous fiscal year. Net income surged 202.6%, to ¥11,642 million.

Our results by business segment were as follows:

Kitchen Appliances

In Japan, where our business was affected by a decline in new construction-related demand, we sought to meet replacement demand by renewing our lineup of tabletop and built-in stoves. Accordingly, domestic sales in this segment remained mostly unchanged. Overseas, we benefited from higher demand in China and healthy sales in Southeast Asia, but foreign exchange factors had a major impact on our performance in South Korea. As a result, sales in this segment amounted to ¥78,669 million, down 3.1% from the previous year.

Hot-Water Units

In Japan, where new housing starts were weak, we expedited our shift to high-efficiency systems with the introduction of the new E Series, achieving a solid performance. Overseas, unit sales in the United States declined due to economic recession. By contrast, we posted an increase in sales in China, supported by powerful economic growth. Meanwhile, sales in Australia remained healthy thanks to environmental measures implemented by the government. However, foreign exchange factors had a major negative impact on sales in various overseas nations. Accordingly, total sales in this segment edged down 0.6%, to ¥105,906 million.

Air-Conditioning and Heating Units

Domestic sales of our mainstay fan heaters were weak due to the warm winter in Japan. Overseas, as well, sales in Australia were affected by the second consecutive warm winter, as well as inventory adjustments. Consequently, total sales in this segment fell 15.4%, to ¥14,635 million.

Commercial-Use Equipment

In Japan, we enjoyed healthy sales of convection ovens and rice cookers. In South Korea, where commercial-use equipment accounts for high share of local sales, we posted an increase in sales. Total segment sales edged up 0.7%, to ¥6,268 million.

Others

In South Korea, we reported a decline in sales due to the reorganization of our business there. We also shifted our solar system business to the Hot-Water Units segment. As a result, sales in the Others segment fell 19.0%, to ¥20,636 million.

Net sales by business segment

(¥ millions)

	Y Year ended March 31, 2009 (April 1, 2008, to March 31, 2009)		Year ended March 31, 2010 (April 1, 2009, to March 31, 2010)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Kitchen appliances	81,166	34.3	78,669	34.8	(2,496)	(3.1)
Hot-water units	106,567	45.0	105,906	46.8	(661)	(0.6)
Air-conditioning and heating units	17,309	7.3	14,635	6.5	(2,673)	(15.4)
Commercial-use equipment	6,226	2.6	6,268	2.8	42	0.7
Others	25,470	10.8	20,636	9.1	(4,834)	(19.0)
Total	236,741	100.0	226,117	100.0	(10,624)	(4.5)

(2) Outlook for the Year Ending March 31, 2011

Going forward, we expect the Japanese economy to follow a recovery trend. Our sector should also benefit from further recovery in housing-related demand thanks to environmental measures implemented by the government. These include the introduction of an “Eco Point” system for residential units and expansion of various subsidy mechanisms for environmentally friendly products. By contrast, several causes for uncertainty remain, such as soaring raw materials prices and mounting deflationary pressures stemming from depressed demand. Accordingly, business conditions will remain unpredictable.

Under these circumstances, the Rinnai Group has positioned the year ending March 2011—the second year of its medium-term “Reform and Breakthrough” plan—as a year of full-scale progress toward becoming a comprehensive manufacturer of heating products. Looking at demand trends, we expect a further shift to high-efficiency products due to government subsidy systems and environmental regulations adopted by industrialized nations, such as the United States and Australia. We also look forward to further proliferation of our heating products in China, Southeast Asia, Brazil, and elsewhere as rising populations and living standards lead to higher demand.

Placing top priority on making safe, high-quality products, the Rinnai Group is committed to actively delivering optimal heating products to suit the environmental and energy situations of various world nations. As an important medium- and long-term issue for building a foundation for sustained corporate growth, in April 2010 we commenced full-scale operation of our Production Technology Center, a core facility for nurturing human resources in the manufacturing area. Going forward, we will foster human resources on a global scale while solidifying the Group's technological foundation in Japan and overseas.

For the year ending March 2011, we forecast consolidated net sales of ¥241.0 billion (up 6.6% year-on-year), operating income of ¥22.0 billion (up 7.9%), ordinary income of ¥23.0 billion (up 7.1%), and net income of ¥13.0 billion (up 11.7%).

2. Financial Position

(1) Balance Sheets

As of March 31, 2010, Rinnai had total assets of ¥222,324 million, up ¥11,498 million from a year earlier. The rise stemmed mainly from increases in cash and deposits and marketable securities.

Total liabilities rose ¥7,790 million, to ¥79,822 million, due largely to increases in notes and accounts payable and accrued income taxes, as well as provision of allowance for product guarantee.

Net assets grew ¥3,707 million, to ¥142,502 million, owing mainly to an increase in retained earnings, boosted by net income, as well as an increase in unrealized gain on marketable securities and foreign exchange translation adjustment. This was despite a decline in shareholders' equity due to purchases of treasury stock.

The equity ratio at fiscal year-end was 62.5%.

(2) Cash Flows

Cash and cash equivalents at March 31, 2010, stood at ¥46,570 million, up ¥3,626 million including the portion of newly consolidation, or 8.4%, from a year earlier.

Net cash provided by operating activities amounted to ¥29,687 million, up 95.3% from the previous year. Factors boosting cash flows included decreases in notes and accounts receivable and inventories, in addition to the secured operating income.

Net cash used in investing activities totaled ¥15,865 million, up 71.0% from the previous year. Main factors were transfers to and withdrawals from time deposits, as well as purchases of fixed assets and purchases of investments in securities.

Net cash used in financing activities was ¥12,203 million, compared with ¥446 million in net cash provided by such activities in the previous year. This was due mainly to proceeds and repayment of long-term debt, purchases of treasury stock, and dividends paid.

References: Cash Flow Indicators

(Years ended March 31)	2006	2007	2008	2009	2010
Equity ratio (%)	60.6	59.9	61.4	64.5	62.5
Equity ratio based on market price (%)	89.5	75.1	76.5	88.1	114.3
Interest-bearing debt to cash flows (%)	134.2	131.3	55.3	64.5	37.0
Interest coverage ratio (times)	14.1	12.8	21.6	19.5	57.2

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.

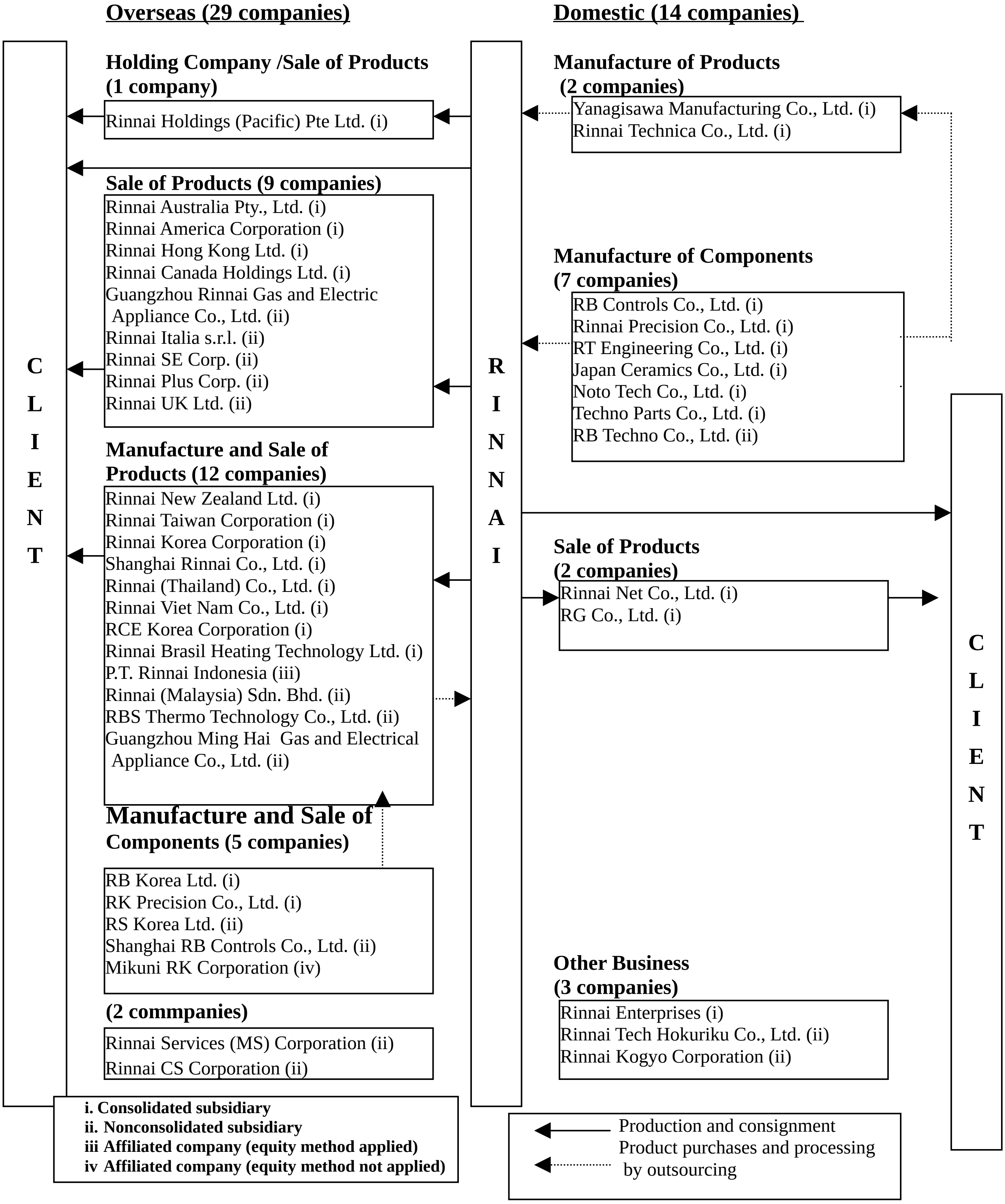
At the same time, we will effectively utilize retained earnings to support various initiatives aimed at raising corporate value over the long term. These include research and development, capital investments, and strategic business investments in Japan and overseas.

For the fiscal year under review, we plan to raise the year-end dividend by ¥2.00, to ¥22.00 per share. Earlier in the year, we paid an interim dividend of ¥20.00. This will bring total annual dividends to ¥42.00 per share, up ¥2.00.

For the year ending March 2011, we plan to increase annual dividends by a further ¥2.00, to ¥44.00 per share (¥22.00 interim dividend and ¥22.00 year-end dividend), in the interests of maintaining a balance between stable, consistent shareholder returns and the necessity of retaining ample earnings.

II. Outline of Rinnai Group Companies

The Rinnai Group consists of the parent company, 41 subsidiaries, and two affiliated companies, for a total of 44 companies. These include 26 consolidated subsidiaries and one company 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.



Because Rinnai has not made any major changes to its Subsidiaries, which were described in security report (released on June 26, 2009),

III. 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 heat-energy appliance manufacturer, dedicated to reinforcing our core foundation in Japan while targeting global growth.

2. Performance Targets

By raising Group-wide competitiveness and boosting profitability and capital efficiency in its core businesses, the Rinnai Group is targeting a consolidated operating margin of 10% and consolidated return on equity (ROE) of 8% or higher.

3. Medium- and Long-Term Business Strategies

With continued absence of positive signs on the world economic horizon, 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, formulated its 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 three-year period. 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: ¥257.0 billion

Operating income: ¥24.0 billion

Operating margin: 9.3%

4. Issues to Address

With respect to safety-related initiatives, we adhere to the Group’s corporate philosophy, which states that “Quality is Our Destiny (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.

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, in order to offer environmentally friendly products optimized according to the needs of various nations and regions around the world. In Japan, we will expand sales of hybrid hot-water systems that deliver top world-class environmental performances, in our quest to cut emissions of greenhouse gases. We will also target further proliferation of our “Eco Jozu” series of condensing hot-water units, which have realized a heat efficiency rating of 95%. The Rinnai
Group places strong emphasis on these products and is engaged in an industry-wide campaign to make “Eco Jozu” the de facto standard for gas hot-water units.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

	At March, 2009 (Year ended March 31, 2009)	At March, 2010 (Year ended March 31, 2010)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	*2 21,728	*2 25,248
Notes and accounts receivable	51,972	53,133
Marketable securities	30,633	29,242
Products	16,213	13,336
Raw materials and stores	9,224	9,381
Deferred tax assets	2,379	2,541
Other	1,239	1,364
Less allowance for doubtful accounts	(1,875)	(725)
Total current assets	131,517	133,522
Fixed assets		
Property, plant and equipment		
Buildings and structures	*2 34,733	*2 37,682
Accumulated depreciation	(20,151)	(21,371)
Buildings and structures (net)	14,581	16,310
Machinery and vehicles	36,973	39,057
Accumulated depreciation	(28,301)	(30,338)
Machinery and vehicles (net)	8,672	8,718
Tools and fixtures	26,136	27,611
Accumulated depreciation	(21,773)	(23,567)
Tools and fixtures (net)	4,363	4,043
Land	*2 12,643	*2 13,507
Lease assets	81	174
Accumulated depreciation	(8)	(40)
Lease assets (net)	72	134
Construction in progress	998	701
Total property, plant and equipment	41,332	43,416
Intangible fixed assets	1,409	1,490
Investments and advances		
Investments in securities	*1 25,376	*1 31,888
Investments	*1 959	—
Long-term loans	3	—
Deferred income taxes	2,663	1,445
Other	8,613	*1 11,383
Less allowance for doubtful accounts	(1,048)	(821)
Total investments and advances	36,567	43,895
Total fixed assets	79,308	88,802
Total assets	210,825	222,324

(¥ millions)

	At March, 2009 (Year ended March 31, 2009)	At March, 2010 (Year ended March 31, 2010)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	37,696	*2 39,092
Short-term debt	*2 6,807	*2 8,123
Other payables	8,327	8,759
Accrued consumption taxes	629	1,009
Accrued income taxes	3,240	5,344
Accrued employee’s bonuses	2,448	2,706
Allowance for product guarantee	—	1,347
Allowance for inspection cost	271	233
Other	3,035	3,235
Total current liabilities	62,456	69,851
Long-term liabilities		
Long-term debt	3,000	*2 2,859
Deferred tax liabilities	3	—
Accrued employees’ retirement benefits	4,242	4,553
Accrued officers’ retirement benefits	62	45
Other	2,266	2,513
Total long-term liabilities	9,575	9,971
Total liabilities	72,031	79,822
NET ASSETS:		
Shareholders’ equity:		
Common stock	6,459	6,459
Capital surplus	8,719	8,719
Earned surplus	125,336	134,563
Treasury stock	(151)	(10,386)
Total shareholders’ equity	140,364	139,356
Other adjustments:		
Unrealized gain on marketable securities	(1,471)	176
Foreign exchange translation adjustment	(2,905)	(578)
Total other adjustments	(4,377)	(402)
Minority interests	2,806	3,547
Total net assets	138,794	142,502
Total liabilities and net assets	210,825	222,324

2. Consolidated Statements of Income

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009)	2010 (April 1, 2009, to March 31, 2010)
	Amount	Amount
Net sales	236,741	226,117
Cost of Sales	*1 168,667	*1 158,748
Gross Profit	68,073	67,368
Selling, general and administrative expenses	6,341	5,901
Transportation and packing	3,325	1,968
Advertising	3,748	3,493
Sales promotion	4,187	4,035
After-sales service	—	126
Transfer to allowance for product guarantee	2,692	678
Transfer to allowance for doubtful accounts	14,977	14,666
Salary and bonuses	1,294	1,103
Retirement benefit expenses	1,167	1,193
Transfer to accrued officers' retirement benefits	20	3
Depreciation	1,137	1,092
Other	*2 14,111	*2 12,712
Total selling, general and administrative expenses	53,003	46,976
Operating income	15,069	20,392
Other income:		
Interest income	920	562
Dividends received	172	262
Equity in earnings of affiliates	504	522
Other	810	579
Total other income	2,407	1,926
Other expenses:		
Interest expenses	817	513
Loss on sale of notes receivable	61	—
Foreign exchange loss	3,611	261
Other	28	62
Total other expenses	4,519	837
Ordinary income	12,958	21,481
Extraordinary income:		
Gain on sales of fixed assets	*3 46	*3 114
Reversal from allowance for doubtful accounts	2	79
Gain on liquidation of affiliates	12	—
Total extraordinary income	62	193

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009) Amount	2010 (April 1, 2009, to March 31, 2010) Amount
Extraordinary losses:		
Loss on sales of fixed assets	*4 74	*4 33
Loss on disposal of fixed assets	*5 336	*5 382
Loss on devaluation of investments in securities	52	—
Loss on devaluation of affiliate’s stock	—	38
Retirement benefit expenses	462	—
Amortization of goodwill	*6 983	—
Transfer to allowance for product guarantee	—	870
Other	8	11
Total extraordinary losses	1,917	1,337
Income before income taxes	11,103	20,337
Income taxes:		
Current	6,522	7,892
Deferred	1,214	(10)
Total income taxes	7,736	7,881
Minority interests (deduction)	(481)	812
Net income	3,847	11,642

3. Consolidated Statement of Shareholders' Equity

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009) Amount	2010 (April 1, 2009, to March 31, 2010) Amount
Shareholders' equity:		
Common stock		
Balance at the end of previous term	6,459	6,459
Net changes during the current term		
Total net changes during the current term	—	—
Balance at the end of current term	6,459	6,459
Capital surplus		
Balance at the end of previous term	8,719	8,719
Net changes during the current term		
Disposition of treasury stock	0	0
Total net changes during the current term	0	0
Balance at the end of current term	8,719	8,719
Earned surplus		
Balance at the end of previous term	124,609	125,336
Increase (decrease) in change of accounting treatments for overseas subsidiaries	(1,063)	—
Net changes during the current term		
Dividends paid	(2,058)	(2,118)
Net income	3,847	11,642
Changes in scope of consolidation	—	(296)
Total net changes during the current term	1,789	9,227
Balance at the end of current term	125,336	134,563
Treasury stock		
Balance at the end of previous term	(129)	(151)
Net changes during the current term		
Acquisition of treasury stock	(22)	(10,236)
Disposition of treasury stock	1	0
Total net changes during the current term	(21)	(10,235)
Balance at the end of current term	(151)	(10,386)
Total shareholders' equity		
Balance at the end of previous term	139,659	140,364
Increase (decrease) in change of accounting treatments for overseas subsidiaries	(1,063)	—
Net changes during the current term		
Dividends paid	(2,058)	(2,118)
Net income	3,847	11,642
Acquisition of treasury stock	(22)	(10,236)
Disposition of treasury stock	2	0
Changes in scope of consolidation	—	(296)
Total net changes during the current term	1,768	(1,007)
Balance at the end of current term	140,364	139,356

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009)	2010 (April 1, 2009, to March 31, 2010)
	Amount	Amount
Other adjustments:		
Unrealized gain on marketable securities		
Balance at the end of previous term	(466)	(1,471)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(1,005)	1,648
Total net changes during the current term	(1,005)	1,648
Balance at the end of current term	(1,471)	176
Foreign exchange translation adjustment		
Balance at the end of previous term	2,502	(2,905)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(5,408)	2,326
Total net changes during the current term	(5,408)	2,326
Balance at the end of current term	(2,905)	(578)
Total other adjustments		
Balance at the end of previous term	2,036	(4,377)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(6,413)	3,975
Total net changes during the current term	(6,413)	3,975
Balance at the end of current term	(4,377)	(402)
Minority interests:		
Unrealized gain on marketable securities		
Balance at the end of previous term	4,299	2,806
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(1,492)	740
Total net changes during the current term	(1,492)	740
Balance at the end of current term	2,806	3,547
Total net assets:		
Balance at the end of previous term	145,995	138,794
Increase (decrease) in change of accounting treatments for overseas subsidiaries	(1,063)	—
Net changes during the current term		
Dividends paid		
Net income	(2,058)	(2,118)
Acquisition of treasury stock	3,847	11,642
Disposition of treasury stock	(22)	(10,236)
Changes in scope of consolidation	2	0
Net other changes than shareholders'	—	(296)
equity during the current term	(7,906)	4,715
Total net changes during the current term	(6,137)	3,707
Balance at the end of current term	138,794	142,502

4. Consolidated Statements of Cash Flows

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009)	2010 (April 1, 2009, to March 31, 2010)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	11,103	20,337
Depreciation and amortization	9,188	8,605
Increase (decrease) in accrued employees' bonuses	203	255
Increase (decrease) in accrued employees' retirement benefits	(1,318)	57
Increase (decrease) in prepaid pension costs	(428)	(285)
Increase (decrease) in allowance for doubtful accounts	(174)	(1,519)
Increase (decrease) in allowance for inspection cost	(314)	(37)
Increase (decrease) in allowance for product guarantee	—	1,347
Interest and dividends income	(1,093)	(824)
Interest expenses	817	513
Foreign exchange loss (gain)	2,629	(65)
Equity in losses (earnings) of affiliates	(504)	(522)
Loss on disposal of fixed assets	336	382
Decrease (increase) in trade receivables	6,724	2,252
Decrease (increase) in inventories	(2,552)	4,321
Increase (decrease) in trade payables	(3,709)	(679)
Increase (decrease) in accrued consumption taxes	85	287
Other	934	772
Subtotal	21,927	35,197
Interest and dividends received	1,257	914
Interest paid	(777)	(519)
Income taxes paid	(7,209)	(5,905)
Net cash provided by operating activities	15,198	29,687
Cash flows from investing activities		
Transfers to time deposits	(11,014)	(10,594)
Withdrawals from time deposits	11,302	10,932
Purchase of investment securities	(99)	—
Proceeds from sales of investment securities	5,282	—
Purchases of tangible fixed assets	(10,739)	(9,034)
Proceeds from sales of tangible fixed assets	228	372
Purchases of intangible fixed assets	(554)	(511)
Purchases of investments in securities	(8,377)	(12,453)
Proceeds from sales of investments in securities	5,619	6,311
Acquisition of stock of subsidiary due to change of scope of consolidation	—	(1,002)
Acquisition of stock of subsidiary	(1,035)	—
Other	111	114
Net cash used in investing activities	(9,278)	(15,865)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	2,867	573
Proceeds from long-term debt	—	3,000
Repayment of long-term debt	(311)	(3,092)
Proceeds from sales of treasury stock	2	0
Purchases of treasury stock	(22)	(10,236)
Dividends paid	(2,057)	(2,118)
Dividends paid to minority shareholders	(21)	(303)
Other	(9)	(26)
Net cash used in financing activities	446	(12,203)
Effect of exchange rate fluctuations on cash and cash equivalents	(2,601)	1,638
Net increase (decrease) in cash and cash equivalents	3,765	3,257
Cash and cash equivalents at beginning of year	39,178	42,943
Increase in cash and cash equivalents due to newly consolidation	—	368
Cash and cash equivalents at end of year	42,943	46,570

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, 2008 - March 31, 2009)	Current Fiscal Year (April 1, 2009 - March 31, 2010)
1. Scope of Consolidation	(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: Fine S.T.Well Co. RB Korea Ltd. Ranee RK Precision Co., Ltd. Reason of exclusion: The above unconsolidated subsidiaries are 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.	(1)Number of consolidated subsidiaries: 26 Companies From the fiscal year under review, RB Korea Ltd., RCE Korea Corporation (Previous, Fine S.T.Well Co.) and RK Precision Co., Ltd. (Previous, Ranee RK Precision Co., Ltd.) are included under the scope of consolidation, because their activities are deemed material. Rinnai Brazil Heating Technology Ltd. (Previous, Equipamentos NGK-Rinnai Ltda.) and Rinnai Canada Holdings Ltd. are included under the scope of consolidation, because of additional acquisition of stock and the review of administration system in North America, respectively. (2) Major unconsolidated subsidiary: Rinnai (Malaysia) Sdn. Bhd. 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: Two Companies; Equipamentos NGK-Rinnai Ltda. P.T. Rinnai Indonesia (2) Major unconsolidated subsidiary or affiliate for which the equity method was not applied: Fine S.T.Well Co. RB Korea Ltd. Ranee RK Precision Co., Ltd. Reason of exclusion: The above companies are excluded from application under the equity method because their net income and retained earnings are not significant compared with the consolidated amounts and its activities are not deemed material. (3) Because the fiscal year-end date of the companies for which the equity method is	(1) Number of affiliated companies for which the equity method is applied: One Company; P.T. Rinnai Indonesia Rinnai Brazil Heating Technology Ltd. (Previous, Equipamentos NGK-Rinnai Ltda.), an affiliate for which the equity method was applied at the previous fiscal year, is excluded from scope of equity method, because the Corporation acquired additional stock of the company, and made the company a consolidated subsidiary. (2) Major unconsolidated subsidiary or affiliate for which the equity method was not applied: Rinnai (Malaysia) Sdn. Bhd. Reason of exclusion: Same as on the left (3) Same as on the left

	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. Fiscal Year-End of Consolidated Subsidiaries	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.	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 16 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. RB Korea Ltd. RCE Korea Corporation RK Precision Co., Ltd. Rinnai Brazil Heating Technology Ltd. Rinnai Canada Holdings 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.
4. Significant Accounting Policies (1) Reporting standards for major accruals	――――――	(a) Allowance for product guarantee The Corporation and some of its consolidated subsidiaries, as contingency against outlays of free-of-charge repair costs for their products, have estimated a product guarantee expense amount based on past performance. (Supplementary information) Previously, the Corporation treated free-of-charge repair costs as expenses at the time of incurrence. However, market demand for quality is rising, together with the importance of product guarantee costs, and the Corporation has established a system permitting rational estimation of future free-of-charge repair costs. Effective the year under review, therefore, the Corporation has set aside a product guarantee reserve amounting to the estimated future product guarantee expenses. In the fiscal year under review, the estimated product guarantee expense, totaling ¥70 million, was included in selling, general, and administrative expenses, and prior-year estimated product guarantee expenses, totaling ¥870 million, were treated as an extraordinary loss. Compared with the previous method, this change led to a ¥70 million decline in operating income and ordinary income and a ¥940 million

		decline in income before income taxes. The product guarantee reserves of overseas consolidated subsidiaries totaled ¥407 million in the year under review (¥302 million in the previous fiscal year). Previously included in "Other" under "Current liabilities," such reserves are included in "Allowance for product guarantee" from the year under review. In the fourth quarter of the year under review, the Corporation established a system for rationally estimating future repair costs. Because the aforementioned change occurred in the fourth quarter, cumulative estimated future repair costs for the preceding three quarters are stated using the previous method. Compared with the revised method, income before income taxes for the preceding three quarters would have increased by ¥870 million.
	(b) 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
	――――――	(Change of accounting policy) Effective the fiscal year in review, the Corporation applies "Partial Amendments to Accounting Standard for Retirement Benefits, Part 3" (ASBJ Statement No.19, July 31, 2008). The change does not have any effect on ordinary income, and income before income taxes.
(2) Major hedge-accounting methods	(a) Hedge-accounting method The Corporation applies deferred hedge accounting. In addition receivables and 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.	(a) Hedge-accounting method The Corporation applies deferred hedge accounting. In addition, receivables and payables in foreign currencies are valued at historical rates when they are properly hedged under the hedge accounting rules. Interest rate swaps are valued using a special method when swap contracts meet specific criteria. 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.	(b) Hedging method and hedging objective Hedging methods and hedging targets for which hedge accounting was applied in the year under review are as summarized below. (i) Hedging method: Foreign exchange contracts Hedging targets: Foreign currency-denominated borrowings, foreign currency-denominated receivables on products exported,

	<u>(c) Hedging policy</u> The purpose is to avert risk prompted by fluctuating exchange rates and no speculative trading is conducted. <u>(d) Method for effectively assessing hedge transactions</u> The Corporations utilize exchange rate contract transactions that ensure effective hedging. <u>(e) Other</u> The Corporations execute derivative transactions within limits determined by their corporate rules.	etc. (ii) Hedging method: Interest rate swaps Hedging targets: Interest on foreign currency-denominated borrowings, etc. <u>(c) Hedging policy</u> Same as on the left <u>(d) Method for effectively assessing hedge transactions</u> Same as on the left <u>(e) Other</u> Same as on the left
6.Amortization of goodwill and negative goodwill	Goodwill is equally amortized over five years.	Goodwill is equally amortized over five years. Goodwill, which is not deemed material, is amortized at once in the incurred fiscal year.

Note: The other notes than the above are omitted because there are not significant changes from the latest annual security report (released in June 26, 2009)

Change in Presentation Method

Previous Fiscal Year (April 1, 2008 - March 31, 2009)	Current Fiscal Year (April 1, 2009 - March 31, 2010)
<u>Balance Sheets</u> 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.	**<u>Balance Sheets</u>** 1. “Investments,” stated separately through the previous fiscal year, is now included in “Other” under “Investments and other assets” because the total amount is deemed to have low significance. (The amount for the year under review is ¥527 million.) 2. “Long-term loans,” stated separately through the previous fiscal year, is now included in “Other” under “Investments and other assets” because the total amount is deemed to have low significance. (The amount for the year under review is ¥2 million.) 3. “Deferred tax liabilities,” stated separately under “Long-term liabilities” through the previous fiscal year, is now included in “Other” under “Long-term liabilities” because the total amount is deemed to have low significance. (The amount for the year under review is ¥12 million.)
――――――	**<u>Consolidated Statements of Income</u>** “Loss on sale of notes receivable,” stated separately through the previous fiscal year, is now included in “Other” under “Other income” because the total amount is deemed to have low significance. (The amount for the year under review is ¥0 million.)
<u>Consolidated Statements of Cash Flows</u> 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, 2008 - March 31, 2009)	Current Fiscal Year (April 1, 2009 - March 31, 2010)
*1.Items related to unconsolidated subsidiaries and affiliates (¥ millions) Investments in securities (stocks) 3,865 Investments 922	*1.Items related to unconsolidated subsidiaries and affiliates (¥ millions) Investments in securities (stocks) 2,316 Investments 484
*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	*2. Assets pledged as collateral (¥ millions) Pledged assets: Time deposits 205 Buildings and structures 2,797 Land 3,034 Total 6,038 Liabilities related to pledged assets: Accounts payable 79 Short-term debt 0 Long-term debt 1
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.	3. Contingent liability for guarantee The Corporation guarantee the following borrowing money from other financial institutions than consolidated subsidiaries. (¥ millions) Rinnai (Malaysia) Sdn. Bhd. 60 Rinnai UK Ltd. 65 Tokai Denshi Kogyo Kojo Danchi Cooperative Association (Note) 330 Total 456 Note: Joint guarantee by 23 associate companies.
4. Trade notes receivable discounted: ¥42 million	4. Trade notes receivable discounted: ¥26 million

Notes to Consolidated Statements of Income

Previous Fiscal Year (April 1, 2008 - March 31, 2009)	Current Fiscal Year (April 1, 2009 - March 31, 2010)
*1. Inventory at the end of the term indicates amounts which reduced book value of inventory for sale, due to the decreased profitability. Valuation loss of inventory in cost of sales: ¥12 million	*1. Inventory at the end of the term indicates amounts which reduced book value of inventory for sale, due to the decreased profitability. Valuation loss of inventory in cost of sales: ¥15 million
*2. Expenses for research and development included in general and administrative expenses and production costs in the current term: ¥6,944 million	*2. Expenses for research and development included in general and administrative expenses and production costs in the current term: ¥6,764 million
*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	*3. Gain on sales of fixed assets are summarized as follows: (¥ millions) Machinery and vehicles 16 Tools and fixtures 1 Land 96 Total 114
*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	*4. Loss on sales of fixed assets are summarized as follows: (¥ millions) Buildings and structures 9 Machinery and vehicles 14 Tools and fixtures 10 Total 33
*5. Loss on disposal of fixed assets are summarized as follows: (¥ millions) Buildings and structures 32 Machinery and vehicles 195 Tools and fixtures 107	*5. Loss on disposal of fixed assets are summarized as follows: (¥ millions) Buildings and structures 62 Machinery and vehicles 154 Tools and fixtures 143
*6. Amortization of goodwill was incurred as the Corporation recognized impairment loss on investment in subsidiary on its individual financial statements.	6. ―――――――

Regarding Consolidated Statements of Changes in Shareholders' Equity

<u>For the fiscal year ended March 31, 2009</u>

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

For the fiscal year ended March 31, 2010

1. Types of Stock and Number of Shares

(Thousands of shares)

	Number of Shares at March 31, 2009	Increase in Number of Shares during the Fiscal Year	Decrease in Number of Shares during the Fiscal Year	Number of Shares at March 31, 2010
Number of shares issued Common stock	54,216	—	—	54,216
Treasury stock Common stock (Note)	51	2,402	0	2,453

Note: The increase in number of shares comes from 2,402 thousand shares added through the buyback of 2,400 thousand shares in accordance with the resolution of Board of Directors Meeting, and the buyback of two thousand 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 26, 2009	Common stock	¥ 1,083 million	¥ 20	March 31, 2009	June 29, 2009
Director's meeting on November 5, 2009	Common stock	¥ 1,035 million	¥ 20	September 30, 2009	December 8, 2009

(2) The effective date for dividends with a record date of March 31, 2010, 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 29, 2010	Common stock	¥1,138 million	Earned surplus	¥ 22	March 31, 2010	June 30, 2010

Notes to Statements of Cash Flows

Previous Fiscal Year (April 1, 2008 - March 31, 2009)	Current Fiscal Year (April 1, 2009 - March 31, 2010)
* Reconciliation of cash and cash equivalents, and balance-sheet items at end of terms	* Reconciliation of cash and cash equivalents, and balance-sheet items at end of terms

(March 31, 2009)	(¥ millions)	(March 31, 2010)	(¥ millions)
Cash and deposits	21,728	Cash and deposits	25,248
Securities	30,633	Securities	29,242
Time deposits exceeding 3 months	(6,393)	Time deposits exceeding 3 months	(4,626)
Liabilities exceeding 3 months to maturity	(3,024)	Liabilities exceeding 3 months to maturity	(3,293)
Cash and cash equivalents at end of year	42,943	Cash and cash equivalents at end of year	46,570

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, 2009

(¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
I. 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.

Year ended March 31, 2010 (¥ millions)

	Japan	Asia	Others	Total	Inter-regional or corporate	Consolidated total
II. Net sales and operating results						
(1) Sales for clients	161,546	37,723	26,847	226,117	—	226,117
(2) Intersegment sales	16,599	2,553	192	19,345	(19,345)	—
Total	178,145	40,277	27,040	245,463	(19,345)	226,117
Operating expenses	162,310	37,431	24,856	224,598	(18,873)	205,724
Operating income	15,835	2,845	2,184	20,865	(472)	20,392
II. Assets	189,406	27,057	21,046	237,510	(15,186)	222,324

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.

3. Overseas sales

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.

Year ended March 31, 2010 (¥ millions)

	Asia	Other regions	Total
I. Overseas sales	42,373	29,110	71,483
II. Consolidated net sales	—	—	226,117
III. Composition ratio of overseas sales to consolidated net sales	18.7%	12.9%	31.6%

Notes: 1. Classification of the above regions is based on geographical proximity.
2. Composition of Asia: South Korea, China, Taiwan, Thailand, Singapore, Vietnam, Indonesia, and Malaysia.
Composition of Others: United States, Australia, New Zealand, and Brazil.
3. Net sales of the above indicate sales of the Corporations in overseas countries or regions.

Per Share Data

	March 31, 2009	March 31, 2010
1. Net assets per share	¥2,510.60	¥2,684.46
2. Net income per share	¥71.04	¥219.83

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, 2009	March 31, 2010
Net assets	¥138,794 million	¥142,502 million
Deduction from net assets	¥2,806 million	¥3,547 million
[Minority interests]	[¥2,806 million]	[¥3,547 million]
Net assets at the year-end related to common shares	¥135,987 million	¥138,954 million
Number of common shares at the year-end which used in calculations	54,165,344 share	51,762,603 shares

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

	March 31, 2009	March 31, 2010
Net income	¥3,847 million	¥11,642 million
Amounts not attribute to common shares	— million	— million
Net income related to common shares	¥3,847 million	¥11,642 million
Average number of shares during the term	54,168,477 shares	52,963,922 shares

Subsequent Events

There is no relevant information.

Other

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

V. Nonconsolidated Financial Statements

1. Nonconsolidated Balance Sheets

(¥ millions)

	At March, 2009 (Year ended March 31, 2009)	At March, 2010 (Year ended March 31, 2010)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	3,186	837
Notes receivable, trade	11,563	10,779
Accounts receivable, trade	29,799	29,335
Marketable securities	29,460	27,838
Products	10,478	6,841
Raw materials and stores	3,949	3,580
Prepaid expenses	5	5
Deferred tax assets	1,515	1,594
Other	313	607
Less allowance for doubtful accounts	(83)	(4)
Total current assets	90,187	81,413
Fixed assets		
Property, plant and equipment		
Buildings	20,804	21,972
Accumulated depreciation	(12,706)	(13,140)
Buildings (net)	8,098	8,832
Structures	1,332	1,411
Accumulated depreciation	(1,062)	(1,093)
Structures (net)	270	317
Machinery, equipment	17,643	17,878
Accumulated depreciation	(13,827)	(14,022)
Machinery, equipment (net)	3,816	3,855
Vehicles and delivery equipment	210	213
Accumulated depreciation	(164)	(186)
Vehicles and delivery equipment (net)	45	27
Tools, furniture and fixture	16,190	15,681
Accumulated depreciation	(13,685)	(13,432)
Tools, furniture and fixture (net)	2,505	2,248
Land	6,949	7,038
Lease assets	71	146
Accumulated depreciation	(7)	(34)
Lease assets (net)	64	112
Construction in progress	522	348
Total property, plant and equipment	22,272	22,780

(¥ millions)

	At March, 2009 (Year ended March 31, 2009)	At March, 2010 (Year ended March 31, 2010)
	Amount	Amount
Intangible fixed assets		
Leaseholds	10	10
Water supply facility utilization rights	5	4
Telephone subscription rights	52	52
Software	670	982
Other	399	210
Total intangible fixed assets	1,138	1,260
Investments and advances		
Investments in securities	18,071	25,615
Stocks of affiliated companies	12,533	14,818
Investments	24	14
Investments in affiliated companies	1,128	2,136
Long-term loans to affiliated companies	12	20
Reorganization credit	134	87
Long-term prepaid expense	2,138	1,255
Deferred income taxes	755	644
Guaranty money deposited	1,000	3,000
Long-term deposits	4,631	4,916
Prepaid pension expenses	507	497
Other	(80)	(99)
Less allowance for doubtful accounts		
Total investments and advances	40,857	52,908
Total fixed assets	64,267	76,949
Total assets	154,455	158,363
LIABILITIES		
Current liabilities		
Accrued payable, trade	26,663	26,686
Short-term debt	—	100
Lease obligation	18	36
Other payables	4,991	4,731
Accrued expenses	522	551
Accrued consumption taxes	349	751
Accrued income taxes	1,956	4,108
Deposits payable	100	106
Accrued employees’ bonus	1,755	1,957
Allowance for product guarantee	—	940
Allowance for inspection cost	271	233
Accrued equipment costs payable	1,239	1,059
Other	6	10
Total current liabilities	37,876	41,272
Long-term liabilities		
Long-term debt	—	2,850
Lease obligation	49	80
Accrued employees’ retirement benefits	1,610	1,724
Other	1,718	1,688
Total long-term liabilities	3,377	6,343
Total liabilities	41,253	47,615

(¥ millions)

	At March, 2009 (Year ended March 31, 2009)	At March, 2010 (Year ended March 31, 2010)
	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	88,900	94,900
Unappropriated retained earnings at the end of the current term	8,796	9,332
Total earned surplus	99,311	105,847
Treasury stock	(151)	(10,386)
Total shareholders' equity	114,340	110,640
Other adjustments:		
Unrealized gain on marketable securities	(1,138)	106
Total other adjustments	(1,138)	106
Total net assets	113,201	110,747
Total liabilities and net assets	154,455	158,363

2. Nonconsolidated Statements of Income

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009) Amount	2010 (April 1, 2009, to March 31, 2010) Amount
Net sales	171,377	169,277
Cost of Sales		
Inventory at the beginning of the term	9,035	10,478
Manufacturing cost during the term	133,637	124,416
Total	142,673	134,894
Other account transfer	247	217
Inventory at the term-end	10,478	6,841
Total cost of sales	131,948	127,835
Gross Profit	39,429	41,442
Selling, general and administrative expenses		
Transportation and packing	4,965	4,730
Warehousing	1,261	1,042
Advertising	852	714
Sales promotion	2,095	1,889
After-sales service	3,144	3,224
Transfer to allowance for product guarantee	—	70
Salary and bonuses	8,355	8,329
Welfare cost	1,166	1,187
Transfer to accrued employees’ bonus	737	814
Retirement benefit expenses	677	900
Transfer to accrued officers’ retirement benefits	14	—
Depreciation	462	601
Research and development expenses	630	652
Rental fee	1,377	1,319
Other	2,803	2,510
Total selling, general and administrative expenses	28,545	27,987
Operating income	10,884	13,455
Other income:		
Interest income	158	54
Interest on securities	341	201
Dividends received	843	1,211
Royalty fees	210	244
Miscellaneous	724	701
Total other income	2,278	2,413
Other expenses:		
Interest expenses	1	17
Foreign exchange loss	300	208
Depreciation	103	122
Other	1	5
Total other expenses	406	353
Ordinary income	12,755	15,515

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009)	2010 (April 1, 2009, to March 31, 2010)
	Amount	Amount
Extraordinary income:		
Reversal from allowance for doubtful accounts	32	79
Gain on sales of fixed assets	—	61
Gain on liquidation of affiliates	642	—
Other		
Total extraordinary income	675	140
Extraordinary losses:	240	314
Loss on disposal of fixed assets	5	—
Transfer to allowance for doubtful accounts		
Loss on valuation of investments in securities	49	—
Loss on valuation of stock of affiliates		
Transfer to allowance for inspection cost	1,407	23
Other	—	870
	—	2
Total extraordinary losses	1,703	1,211
Income before income taxes	11,727	14,444
Income taxes:		
Current	3,725	5,825
Deferred	712	(35)
Total income taxes	4,437	5,789
Net income	7,289	8,654

3. Nonconsolidated Statement of Shareholders' Equity

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009)	2010 (April 1, 2009, to March 31, 2010)
	Amount	Amount
Shareholders' equity:		
Common stock		
Balance at the end of the previous term	6,459	6,459
Net changes during the current term		
Total net changes during the current term	—	—
Balance at the end of the current term	6,459	6,459
Capital surplus		
Capital reserve		
Balance at the end of the previous term	8,719	8,719
Net changes during the current term		
Total net changes during the current term	—	—
Balance at the end of the current term	8,719	8,719
Other		
Balance at the end of the previous term	0	0
Net changes during the current term		
Disposition of treasury stock	0	0
Total net changes during the current term	0	0
Balance at the end of the current term	0	0
Total capital surplus		
Balance at the end of the previous term	8,719	8,719
Net changes during the current term		
Disposition of treasury stock	0	0
Total net changes during the current term	0	0
Balance at the end of the current term	8,719	8,719
Earned surplus		
Legal reserve		
Balance at the end of the previous term	1,614	1,614
Net changes during the current term		
Total net changes during the current term	—	—
Balance at the end of the current term	1,614	1,614
Voluntary reserve		
Other reserve		
Balance at the end of the previous term	83,900	88,900
Net changes during the current term		
Transfer to other reserve	5,000	6,000
Total net changes during the current term	5,000	6,000
Balance at the end of the current term	88,900	94,900
Unappropriated retained earnings		
Balance at the end of the previous term	8,565	8,796
Net changes during the current term		
Dividends paid	(2,058)	(2,118)
Transfer to other reserve	(5,000)	(6,000)
Net income	7,289	8,654
Total net changes during the current term	230	536
Balance at the end of the current term	8,796	9,332

(¥ millions)

	2009 (April 1, 2008, to March 31, 2009)	2010 (April 1, 2009, to March 31, 2010)
	Amount	Amount
Total earned surplus		
Balance at the end of the previous term	94,080	99,311
Net changes during the current term		
Dividends paid	(2,058)	(2,118)
Transfer to other reserve	—	—
Net income	7,289	8,654
Total net changes during the current term	5,230	6,536
Balance at the end of the current term	99,311	105,847
Treasury stock		
Balance at the end of the previous term	(129)	(151)
Net changes during the current term		
Acquisition of treasury stock	(22)	(10,236)
Disposition of treasury stock	1	0
Total net changes during the current term	(21)	(10,235)
Balance at the end of the current term	(151)	(10,386)
Total shareholders' equity		
Balance at the end of the previous term	109,130	114,340
Net changes during the current term		
Dividends paid	(2,058)	(2,118)
Net income	7,289	8,654
Acquisition of treasury stock	(22)	(10,236)
Disposition of treasury stock	2	0
Total net changes during the current term	5,210	(3,699)
Balance at the end of the current term	114,340	110,640
Other adjustments:		
Unrealized gain on marketable securities		
Balance at the end of the previous term	(279)	(1,138)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(859)	1,245
Total net changes during the current term	(859)	1,245
Balance at the end of the current term	(1,138)	106
Total other adjustments		
Balance at the end of the previous term	(279)	(1,138)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(859)	1,245
Total net changes during the current term	(859)	1,245
Balance at the end of the current term	(1,138)	106
Total net assets:		
Balance at the end of the previous term	108,850	113,201
Net changes during the current term		
Dividends paid	(2,058)	(2,118)
Net income	7,289	8,654
Acquisition of treasury stock	(22)	(10,236)
Disposition of treasury stock	2	0
Net other changes than shareholders' equity during the current term	(859)	1,245
Total net changes during the current term	4,350	(2,453)
Balance at the end of the current term	113,201	110,747

Notes regarding the assumption of a going concern

There are no relevant items.

VI. Other

Change of Directors

There are no relevant items.