

Consolidated Financial Results

First Three Quarters of the Fiscal Year Ending March 2012

(April 1–December 31, 2011)

February 7, 2012

Listed Company Name: Rinnai Corporation

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

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Scheduled date for release of quarterly securities report: February 10, 2012

Anticipated date to begin distributing dividends: —

Supplemental information sheets of quarterly results: None

Information meeting of quarterly results: None

I. Performance in the First Three Quarters of the Fiscal Year Ending March 31, 2012

(April 1–December 31, 2011; amounts less than one million yen are omitted)

(1) Consolidated Operating Results

(¥ millions; %)

	Net Sales	Operating Income	Ordinary Income	Net Income
Three Quarters to Dec. 2011	¥184,773 [+3.5%]	¥20,692 [+5.9%]	¥22,296 [+8.2%]	¥12,208 [-3.2%]
Three Quarters to Dec. 2010	178,453 [+6.1%]	19,548 [+33.4%]	20,600 [+35.3%]	12,617 [+41.0%]

(Reference)

Comprehensive Income: First three quarters of the year ending March 31, 2012; ¥9,933 million (- 9.0%)

First three quarters of the year ended March 31, 2011; ¥10,918 million (—%)

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

(¥)

	Net Income per Share	Fully Diluted Net Income per Share
Three Quarters to Dec. 2011	¥248.84	—
Three Quarters to Dec. 2010	252.32	—

(2) Consolidated Financial Position

(¥ millions; %)

	Total Assets	Net Assets	Equity Ratio (%)
December 31, 2011	¥229,592	¥148,450	63.0%
March 31, 2011	221,495	141,110	62.0

(Reference) Equity capital: Three quarters of the year ending March 31, 2012; ¥144,564 million

Year ended March 31, 2011; ¥137,274 million

II. Dividends

(Basis date)	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
March 2011	—	¥24.00	—	¥24.00	¥48.00
March 2012	—	28.00	—		
March 2012 (anticipated)				28.00	56.00

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

III. Forecast for the Fiscal Year Ending March 31, 2012 (Consolidated)

(April 1, 2011, to March 31, 2012)

(¥ millions/%)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (¥)
Full year	¥248,000 [+3.6%]	¥27,000 [+7.0%]	¥28,000 [+4.4%]	¥17,500 [+12.8%]	¥356.71

Note: Percentage figures in parentheses indicate increase or decrease from the previous fiscal year.

Note: Revision of fiscal year forecast in period under review: None

IV. Other

4. Other

- (1) Changes in scope of consolidation of major subsidiaries during the period: None
Newly included — (Company name: —): Excluded — (Company name: —)
- (2) Application of special accounting method for quarterly consolidated financial reporting:
None
- (3) Changes in accounting policies; changes in accounting estimates; retrospective restatement
 - (a) Changes due to revision of accounting standard: None
 - (b) Other changes than (a): None
 - (c) Changes in the rules for the accounting estimates: None
 - (d) Retrospective restatement: None
- (4) Number of Outstanding Shares (Common Stock)
 - (a) Number of outstanding shares at term-end (including treasury stock)
December 31, 2011: 54,216,463 shares
March 31, 2011: 54,216,463 shares
 - (b) Number of treasury stock shares at term-end
December 31, 2011: 5,156,698 shares
March 31, 2011: 5,156,123 shares
 - (c) Average number of shares during the term
First three quarters of the fiscal year ending March 2012: 49,060,032 shares
First three quarters of the fiscal year ended March 2011: 50,006,994 shares

* Implementation status of quarterly review process

This report is exempt from a quarterly review process under the Financial Instruments and Exchange Act (FIEA). At the time of this report's release, the review process of the Corporation's consolidated quarterly financial statements under the FIEA was not completed.

* 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) Consolidated Performance Forecasts" on page 5 of this report.

1. Consolidated Performance

(1) Operating Results

In the three-quarter period under review (April 1–December 31, 2011), the world economy remained in a state of unpredictability as the debt crisis worsened in Europe and economic growth slowed in Asian nations, especially China. In the domestic business, by contrast, logistics problems caused by the Great East Japan Earthquake and the flood disaster in Thailand abated, bringing stability to the supply chain. In addition, corporate production activities and earnings are gradually rising, helping move the domestic economy towards a turnaround.

In the domestic housing appliance industry, purchasing sentiment is returning to normal, and measures to support home acquisitions have stimulated demand. New housing starts have been steady, underpinned by increasing sales of condominiums, especially in urban areas. In summary, housing-related markets are now showing signs of recovery.

Under these conditions, the Rinnai Group entered the final year of its medium-term business plan, entitled “Reform and Breakthrough.” During the period under review, we targeted major global advances as a comprehensive manufacturer of heating appliances amid the trend toward protecting the environment and saving energy. Specifically, we delivered a broad range of heating products optimized to suit living cultures, climate, and energy conditions in various world nations and regions.

With respect to revenue, in overseas markets we maintained a steady growth trajectory. This was due to expanding demand for heating products in emerging nations associated with improvements in living standards, as well as growing replacement demand in industrialized nations amid the trend toward protecting the environment. However, we reported a year-on-year decline in overseas sales, due to delayed economic recovery in the United States and the impact of foreign exchange rates. In Japan, by contrast, we enjoyed healthy sales owing to several factors. These included solid replacement demand for gas appliances, as well as an increase in sales of energy-saving products as people sought to reduce power consumption in the wake of electricity shortages.

In the income side, we reported a year-on-year increase in earnings for several reasons. In addition to the buoying effect of higher domestic sales, these included the cost benefits of manufacturing core products in-house, as well as growth in sales of the *Eco Jozu* series of hot-water units, which incorporate high added value.

As a result, consolidated net sales for the period amounted to ¥184,773 million, up 3.5% from the previous corresponding period. Operating income rose 5.9%, to ¥20,692 million, and ordinary income grew 8.2%, to ¥22,296 million. During the period, the Company booked a loss on valuation of investment securities. Accordingly, net income for the period declined 3.2%, to ¥12,208 million.

Our results by geographical segment were as follows:

Japan

During the period, the gas appliance industry enjoyed market expansion as the time approached to replace housing appliances purchased in the 1990s, a period of rising demand. Moreover, there is a growing desire among consumers to reduce electricity consumption. Against this background, sales in Japan increased year-on-year for several reasons. In kitchen appliances, for example, we benefited from rising demand for gas

stoves, while in air-conditioning and heating units we enjoyed increasing demand for gas heaters and gas fan heaters. In hot-water units, meanwhile, our *Eco Jozu* series of high-efficiency hot-water units, which are proliferating throughout the industry, also performed well. As a result, sales in Japan totaled ¥131,643 million, up 6.3% from the previous corresponding period. Operating income in Japan rose 8.8%, to ¥15,694 million.

South Korea

In kitchen appliances, sales of stoves declined year-on-year, due to intense market competition. In hot-water units, however, sales of boilers increased in the wake of a cold snap at the beginning of the fiscal term and growing replacement demand. Although we reported a year-on-year sales increase on a local currency basis, sales in South Korea in yen terms slipped 1.9%, to ¥15,831 million. Operating income fell 22.0%, to ¥452 million, due to rising fixed costs and lower sales of stoves.

North America

In North America, sales of instant-heating (tankless) hot-water units were weak amid delayed recovery of the local economy and intense competition with other companies. Due to these factors, as well as the impact of foreign exchange rates, sales in North America declined 14.1%, to ¥8,491 million, and operating income fell 63.8%, to ¥260 million.

Australia

Under aggressive environmental protection measures by the Australian government, legislation is in place to prohibiting the sale of electric storage-type units. In the period under review, expansion of the geographical area covered by such legislation boosted sales of high-efficiency tankless units, with favorable results. Consequently, sales in Australia increased 1.9%, to ¥12,337 million, and operating income jumped 35.8%, to ¥2,961 million.

China

Buoyed by expansion of gas infrastructure in interior regions and rising living standards, sales of mainstay water heaters were healthy. Due to foreign exchange factors, however, sales in China declined 5.9%, to ¥7,819 million. Operating income fell 64.4%, to ¥166 million, due mainly to increasing personnel expenses and raw materials costs, as well as a high ratio of sales of low-priced products amid expansion of sales in regional areas.

(For references 1)

Sales Composition by Business Segment

(¥ millions; %)

	Three Quarters to Dec. 31, 2010		Three Quarters to Dec. 31, 2011		Change		Year to March 31, 2011	
	Amount	% of total	Amount	% of total	Amount	%	Amount	% of total
Kitchen appliances	¥ 62,003	34.7%	¥ 61,197	33.1%	¥ (806)	(1.3)%	¥ 79,600	33.2%
Hot-water units	81,200	45.5	86,316	46.7	5,115	6.3	114,534	47.8
Air-conditioning and heating units	13,345	7.5	14,867	8.0	1,521	11.4	15,754	6.6
Commercial-use equipment	5,074	2.8	5,201	2.8	126	2.5	6,739	2.8
Others	16,828	9.4	17,190	9.3	362	2.2	22,806	9.5
Total	¥178,453	100.0%	¥184,773	100.0%	¥6,320	3.5%	¥239,436	100.0%

(For references 2)

Overseas Sales

(¥ millions; %)

	Three Quarters to Dec. 31, 2010			Three Quarters to Dec. 31, 2011		
	Asia	Others	Total	Asia	Others	Total
I. Overseas sales	¥32,421	¥27,067	¥59,489	¥32,090	¥26,081	¥58,172
II. Consolidated net sales	—	—	178,453	—	—	184,773
III. Composition ratio of overseas sales to consolidated net sales	18.2%	15.2%	33.3%	17.4%	14.1%	31.5%

Note: Above indicates sales of the Corporation and consolidated subsidiaries in overseas countries or regions.

(2) Financial Position

As of December 31, 2011, Rinnai had total assets of ¥229,592 million, up ¥8,096 million from March 31, 2011. Total liabilities increased ¥756 million, to ¥81,141 million. Net assets rose ¥7,340 million, to ¥148,450 million. The equity ratio at the end of the period was 63.0%.

(3) Consolidated Performance Forecasts

Rinnai has not changed its forecasts for the full-year period ending March 31, 2012. (Those forecasts were detailed in “Consolidated Financial Results for Fiscal 2011,” released on May 11, 2011.)

2. Summary (Other) Information

(1) Changes in Major Subsidiaries during Period

Not applicable.

(2) Application of Specific Accounting Treatment

Not applicable.

(3) Changes in Accounting Policies; Changes in Accounting Estimates; Retrospective restatement

Not applicable.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	At March 31, 2011 (Fiscal 2011)	At December 31, 2011 (Three Quarters of Fiscal 2012)
ASSETS:		
Current assets		
Cash and deposits	¥ 28,338	¥ 29,621
Notes and accounts receivable	53,155	60,346
Marketable securities	28,663	24,858
Products	11,545	14,370
Raw materials and stores	9,478	9,490
Other	5,413	5,392
Less allowance for doubtful accounts	(449)	(507)
Total current assets	136,145	143,572
Fixed assets		
Property, plant and equipment	41,997	41,685
Intangible fixed assets	1,581	1,490
Investments and advances		
Investments in securities	29,604	30,788
Other	12,603	12,445
Less allowance for doubtful accounts	(437)	(391)
Total investments and advances	41,771	42,843
Total fixed assets	85,350	86,019
Total assets	¥221,495	¥229,592

(¥ millions)

	At March 31, 2011 (Fiscal 2011)	At December 31, 2011 (Three Quarters of Fiscal 2012)
LIABILITIES:		
Current liabilities		
Notes and accounts payable	¥40,781	¥ 44,297
Short-term debt	6,277	5,969
Accrued income taxes	5,034	3,725
Accrued employee's bonuses	2,765	986
Other allowances	2,926	1,933
Other	12,515	13,968
Total current liabilities	70,301	70,881
Long-term liabilities		
Long-term debt	2,763	2,722
Accrued employees' retirement benefits	4,547	4,653
Other allowances	53	59
Other	2,718	2,824
Total long-term liabilities	10,083	10,259
Total liabilities	80,384	81,141
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,719	8,720
Earned surplus	147,757	157,414
Treasury stock	(23,465)	(23,469)
Total shareholders' equity	139,471	149,125
Other comprehensive income:		
Unrealized gain on marketable securities	(394)	(307)
Foreign exchange translation adjustment	(1,803)	(4,254)
Total other comprehensive income	(2,197)	(4,561)
Minority interests	3,836	3,886
Total net assets	141,110	148,450
Total liabilities and net assets	¥221,495	¥229,592

(2) Consolidated Statements of Income

(¥ millions)

	Three Quarters of Fiscal 2011 (From April 1 to December 31, 2010)	Three Quarters of Fiscal 2012 (From April 1 to December 31, 2011)
Net sales	¥178,453	¥184,773
Cost of sales	122,637	127,999
Gross profit	55,815	56,773
Selling, general and administrative expenses	36,267	36,080
Operating income	19,548	20,692
Other income:		
Interest income	584	750
Equity in earnings of affiliates	593	706
Other	641	653
Total other income	1,818	2,111
Other expenses:		
Interest expenses	244	230
Foreign exchange loss	474	152
Other	47	125
Total other expenses	766	507
Ordinary income	20,600	22,296
Extraordinary income:		
Gain on sales of investment securities	183	—
Other	10	—
Total extraordinary income	193	—
Extraordinary losses:		
Loss on devaluation of investments in securities	59	1,555
Inspection cost	526	—
Transfer to allowance for inspection cost	83	—
Other	225	—
Total extraordinary expenses	895	1,555
Income before income taxes	19,898	20,741
Income taxes (current)	5,931	6,775
Income taxes (deferred)	952	1,489
Total income taxes	6,883	8,265
Income before minority interest	13,015	12,475
Minority interests	397	267
Net income	¥ 12,617	¥ 12,208

Consolidated Statements of Comprehensive Income

(¥ millions)

	Three Quarters of Fiscal 2011 (From April 1 to December 31, 2010)	Three Quarters of Fiscal 2012 (From April 1 to December 31, 2011)
Income before minority interest	¥13,015	¥12,475
Other comprehensive income		
Unrealized gain on marketable securities	(690)	87
Foreign exchange translation adjustment	(1,337)	(2,510)
Equity portion of affiliated companies accounted for under the equity method	(68)	(118)
Total other comprehensive income	(2,096)	(2,541)
Comprehensive income	10,918	9,933
(Composition)		
Comprehensive income related to shareholders of parent company	10,753	9,844
Comprehensive income related to minority shareholders	164	89

(3) Assumptions for Going Concern

Not applicable.

(4) Segment Information

First Three Quarters of the Fiscal Year Ended March 31, 2011

(From April 1 to December 31, 2010)

(¥ millions)

	Reportable Segments					Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China			
Sales								
Outside clients	¥123,897	¥16,134	¥9,885	¥12,104	¥8,311	¥8,119	¥ -	¥178,453
Intersegment	13,049	197	41	2	943	1,180	(15,414)	-
Total	136,946	16,331	9,927	12,107	9,254	9,299	(15,414)	178,453
Income (loss)	14,426	579	717	2,181	468	1,073	100	19,548

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. "Adjustments" is the intersegment transactions to eliminate.

3. "Income (loss)" is adjusted from operating income on Consolidated Statement of Income.

First Three Quarters of the Fiscal Year Ending March 31, 2012

(From April 1 to December 31, 2011)

(¥ millions)

	Reportable Segments					Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China			
Sales								
Outside clients	¥131,643	¥15,831	¥8,491	¥12,337	¥7,819	¥8,649	¥ -	¥184,773
Intersegment	12,782	266	-	0	1,041	1,499	(15,591)	-
Total	144,426	16,098	8,491	12,338	8,861	10,148	(15,591)	184,773
Income (loss)	15,694	452	260	2,961	166	1,080	77	20,692

Notes: 1. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. "Adjustments" is the intersegment transactions to eliminate.

3. "Income (loss)" is adjusted from operating income on Consolidated Statement of Income.

(5) Major Changes in Shareholders' Equity

Not applicable.