

Consolidated Financial Results for Fiscal 2012

(April 1, 2011 - March 31, 2012)

May 11, 2012

Listed Company Name: Rinnai Corporation

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

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Date of the General Meeting of Shareholders: June 28, 2012

Anticipated date to begin distributing dividends: June 29, 2012

Anticipated date for releasing annual securities report: June 28, 2012

Supplemental information sheets of financial results: Yes

Information meeting of financial results: Yes (for analysts and institutional investors)

1. Performance for the Year Ended March 31, 2012

(April 1, 2011 to March 31, 2012; Amounts less than one million yen are omitted)

(1) Consolidated Operating Results (Years ended March 31)

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

(¥ millions /%)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)
2012	246,636 (+3.0)	26,634 (+5.5)	28,907 (+7.8)	16,807 (+8.4)
2011	239,436 (+5.9)	25,238 (+23.8)	26,824 (+24.9)	15,510 (+33.2)

Note: Comprehensive income:

Year ended March 31, 2012: ¥16,307 million (+14.7%)

Year ended March 31, 2011: ¥14,216 million (-13.7%)

	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 (%)
2012	342.60	—	11.7	12.6	10.8
2011	311.52	—	11.2	12.1	10.5

References: Equity in earnings of companies accounted for using the equity method:

Year ended March 31, 2012: ¥949 million

Year ended March 31, 2011: ¥811 million

(2) Consolidated Financial Position (at March 31)

(¥ millions)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
2012	238,853	154,737	63.1	3,070.14
2011	221,495	141,110	62.0	2,798.07

(Reference) Equity capital : Year ended March 31, 2012; ¥150,618 million

Year ended March 31, 2011; ¥137,274 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
2012	23,074	(16,222)	(3,937)	48,618
2011	27,536	(10,634)	(16,958)	46,145

2. Dividends

	Dividend per Share				
	1st Quarter (¥)	Interim (¥)	3rd Quarter (¥)	Fiscal Year-End (¥)	Full Year (¥)
2011	—	24.00	—	24.00	48.00
2012	—	28.00	—	28.00	56.00
2013 (anticipated)	—	30.00	—	30.00	60.00

	Total Dividends (Full Year) (¥ millions)	Consolidated Payout Ratio (%)	Consolidated Ratio of Dividends to Net Assets (%)
2011	2,354	15.4	1.8
2012	2,747	16.3	1.9
2013 (anticipated)		15.5	

3. Forecast for the Fiscal Year Ending March 31, 2013

(April 1, 2012, to March 31, 2013)

(¥ millions)

	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)	Net Income (% change)	Net Income per Share (¥)
Two-quarter total	118,000 (+3.3)	12,000 (+4.2)	12,500 (+1.0)	8,000 (+21.7)	163.07
Full year	257,000 (+4.2)	28,000 (+5.1)	29,000 (+0.3)	19,000 (+13.0)	387.29

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

* Notes

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

Newly included - (Company name -) : Excluded - (Company name -)

(2) 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

(3) Number of Outstanding Shares (Common Stock)

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

Year ended March 31, 2012: 54,216,463 shares

Year ended March 31, 2011: 54,216,463 shares

(b) Number of treasury stock at fiscal year-end

Year ended March 31, 2012: 5,157,204 shares

Year ended March 31, 2011: 5,156,123 shares

(c) Average number of shares during the term

Year ended March 31, 2012: 49,059,890 shares

Year ended March 31, 2011: 49,788,551 shares

References: Summary of Nonconsolidated Results

1. Nonconsolidated Performance for the Year Ended March 31, 2012

(April 1, 2011 to March 31, 2012; 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)
2012	183,091 (+4.6)	18,045 (+11.9)	22,573 (+27.9)	13,869 (+32.5)
2011	175,045 (+3.4)	16,131 (+19.9)	17,647 (+13.7)	10,467 (+20.9)

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

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
2012	282.70	—
2011	210.23	—

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

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
2012	170,127	117,512	69.1	2,395.33
2011	154,228	105,261	68.3	2,145.56

(Reference) Equity capital : Year ended March 31, 2012; ¥117,512 million

Year ended March 31, 2011; ¥105,261 million

* Implementation status of auditing 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 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 "1. Fiscal Year in Review" on page 4 of this report.

I. Performance and Financial Position

1. Fiscal Year in Review

(1) Performance

In the fiscal year ended March 31, 2012, overseas economies remained in a state of uncertainty, impacted by various causes for concern, such as credit problems in Europe and a slowdown in economic growth in China. Meanwhile, the Japanese economy took a path of moderate recovery in the second half of the year. This was despite temporary turmoil in the distribution system in the wake of the Great East Japan Earthquake, caused by disruption of the supply chain and stagnation of production activities. However, conditions remained difficult as the yen's ongoing appreciation had a greater impact on the economy than expected, evidenced by deterioration in earnings of export-oriented companies and other factors.

The domestic housing appliance industry benefited from healthy sales of condominiums thanks to a rush in demand for residential “eco-points,” as well as an upturn in replacement demand for appliances installed in residences built in the mid-1990s, when new housing starts in Japan peaked. Accordingly, overall sales of housing appliances were firm.

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 by pursuing Groupwide reforms and reinforcing our corporate foundation. At the same time, we enhanced our product lineup—with a focus on the environment and saving energy, as well as safety and peace of mind. We also delivered a broad range of heating products optimized to suit living environments in various world nations.

With respect to revenue, in overseas markets our performance was impacted due to the delayed recovery in the U.S. economy, as well as foreign exchange factors stemming from the yen's appreciation. In Japan, by contrast, we enjoyed healthy sales, underpinned by solid replacement demand and a gradual shift toward gas appliances in the wake of electricity shortages.

On the income side, we enjoyed increased earnings owing to healthy demand for high-value-added products with superior environmental and energy-saving benefits. This was despite downward pressure on subsidiaries' earnings in nations with production bases due to soaring prices of raw materials.

As a result, consolidated net sales for the period amounted to ¥246,636 million, up 3.0% from the previous year. Operating income increased 5.5%, to ¥26,634 million, and ordinary income rose 7.8%, to ¥28,907 million. Net income climbed 8.4%, to ¥16,807 million.

Our results by geographical segment were as follows:

Japan

In Japan, our performance was boosted by an increase in replacement demand for housing appliances—a trend that began prior to the Great East Japan Earthquake—as well as a shift towards gas appliances in the wake of electricity shortages. In kitchen appliances, we reported growth in sales of the *Verie* series of medium-priced built-in stoves, featuring enhanced appeal through the incorporation of functions available in high-priced models. We also posted higher sales of hot-water units, greatly bolstered by our *Eco Jozu* series of high-efficiency hot-water units with superior environmental performance. In air-conditioning and heating units, there was an increase in demand for gas stoves and fan heaters, which benefited from a mood of consumer restraint with respect to saving energy. As a result, sales in Japan totaled ¥175,107 million, up 5.5% from the previous year. Operating income in Japan rose 11.7%, to ¥20,318 million.

South Korea

The Rinnai Group enjoys a large share of the boiler market in South Korea. The year under review saw expansion in market scope owing to firm replacement demand and a cold snap at the beginning of the year. Against this backdrop, we reported increased sales of boilers, thanks largely to the introduction of new products. However, due to foreign exchange factors, sales in South Korea declined 1.6%, to ¥21,729 million, despite of increase on local currency basis. Meanwhile, operating income rose 14.2%, to ¥814 million, reflecting solid progress in enhancing profitability.

North America

Amid delayed economic recovery in North America, consumers continued to emphasize low-priced products. This caused the shift from storage-type to tankless hot-water systems to slow down, and leading to weak sales of our hot-water units comparing to the previous fiscal year. As a result, sales in North America declined 10.9%, to ¥11,584 million, and operating income fell 69.6%, to ¥242 million.

Australia

Australia is a progressive nation in environmental terms. Under aggressive environmental protection measures by the national government, sales of electric storage-type units are gradually being phased out, propelling a shift toward tankless hot-water units. In the year under review, however, the government stopped subsidizing the purchase of fan-forced

heaters for schools, which had bolstered our performance in the past. Consequently, sales in Australia declined 2.4%, to ¥14,993 million. Thanks to favorable sales of high-value-added tankless units, however, operating income rose 15.4%, to ¥3,139 million.

China

Buoyed by expansion of gas infrastructure accompanying growth of regional cities, sales of our mainstay gas hot-water units increased. Due to foreign exchange factors, however, sales in China were down 2.2%, to ¥11,606 million. Operating income fell 56.4%, to ¥523 million, as soaring prices of raw materials pushed down earnings.

References 1: Net sales by product

(¥ millions)

	Year ended March 31, 2011 (April 1, 2010, to March 31, 2011)		Year ended March 31, 2012 (April 1, 2011, to March 31, 2012)		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Kitchen appliances	79,600	33.2	78,792	31.9	(807)	(1.0)
Hot-water units	114,534	47.8	121,028	49.1	6,494	5.7
Air-conditioning and heating units	15,754	6.6	16,681	6.8	926	5.9
Commercial-use equipment	6,739	2.8	6,846	2.8	106	1.6
Others	22,806	9.5	23,286	9.4	479	2.1
Total	239,436	100.0	246,636	100.0	7,200	3.0

References 2: Overseas sales

(¥ millions)

	Year ended March 31, 2011 (April 1, 2010, to March 31, 2011)			Year ended March 31, 2012 (April 1, 2011, to March 31, 2012)		
	Asia	Other regions	Total	Asia	Other regions	Total
I. Overseas sales	45,322	34,657	79,980	45,054	33,372	78,426
II. Consolidated net sales	—	—	239,436	—	—	246,636
III. Composition ratio of overseas sales to consolidated net sales	18.9%	14.5%	33.4%	18.3%	13.5%	31.8%

Note: Overseas sales of the above indicate sales of the Corporations in overseas countries or regions.

(2) Outlook for the Year Ending March 31, 2013

Overseas, we expect the situation of uncertainty to continue in the year ahead, characterized by ongoing debt problems in Europe and risks of fluctuating foreign exchange rates and raw materials prices. In Japan, however, a sense of hope is emerging, underscored by firm replacement demand for household appliances and full-scale recovery in post-disaster restoration-related demand.

Against this background, the Rinnai Group formulated its new medium-term

business plan, entitled Jump Up 2014, covering the three-year period from April 2012 to March 2015. Under the plan, we will target further groundbreaking progress as a comprehensive manufacturer of heating appliances that takes the environment and energy-saving into account and contributes to society. In the year ending March 2013, the first year of the plan, we will improve our ability to supply heating appliances with superior environmental and energy-saving performances tailored to changes in the energy structure. For example, we will promote hybrid hot-water units that provide the best mix of electricity and gas in this era of energy diversification. We will also expand sales of our *Eco Jozu* series of high-efficiency hot-water units.

For the year ending March 2013, we forecast consolidated net sales of ¥257.0 billion (up 4.2% year-on-year), operating income of ¥28.0 billion (up 5.1%), ordinary income of ¥29.0 billion (up 0.3%), and net income of ¥19.0 billion (up 13.0%).

2. Financial Position

(1) Balance Sheets

As of March 31, 2012, the Rinnai Group had total assets of ¥238,853 million, up ¥17,358 million from a year earlier. This rise stemmed mainly from an increase in securities.

Total liabilities rose ¥3,731 million, to ¥84,116 million, due largely to an increase in notes and accounts payable.

Net assets rose ¥13,627 million, to ¥154,737 million, due mainly to an increase in retained earnings, boosted by net income.

As a result, the equity ratio at fiscal year-end was 63.1%.

(2) Cash Flows

Cash and cash equivalents at March 31, 2012, stood at ¥48,618 million, up ¥2,473 million, or 5.4%, from a year earlier.

Net cash provided by operating activities amounted to ¥23,074 million, down 16.2% from the previous year. Main factors included the secured operating income and a decrease in income tax paid.

Net cash used in investing activities totaled ¥16,222 million, up 52.6% from the previous year. Main factors were transfers to and withdrawals from time deposits and purchases of fixed assets.

Net cash used in financing activities was ¥3,937 million, down 76.8% from the previous year. This was due mainly to cash dividends paid.

References: Cash Flow Indicators

(Years ended March 31)	2008	2009	2010	2011	2012
Equity ratio (%)	61.4	64.5	62.5	62.0	63.1
Equity ratio based on market price (%)	76.5	88.1	114.3	122.3	122.4
Interest-bearing debt to cash flows (year)	0.55	0.65	0.37	0.33	0.33
Interest coverage ratio (times)	21.6	19.5	57.2	84.4	74.4

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 Corporation 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.

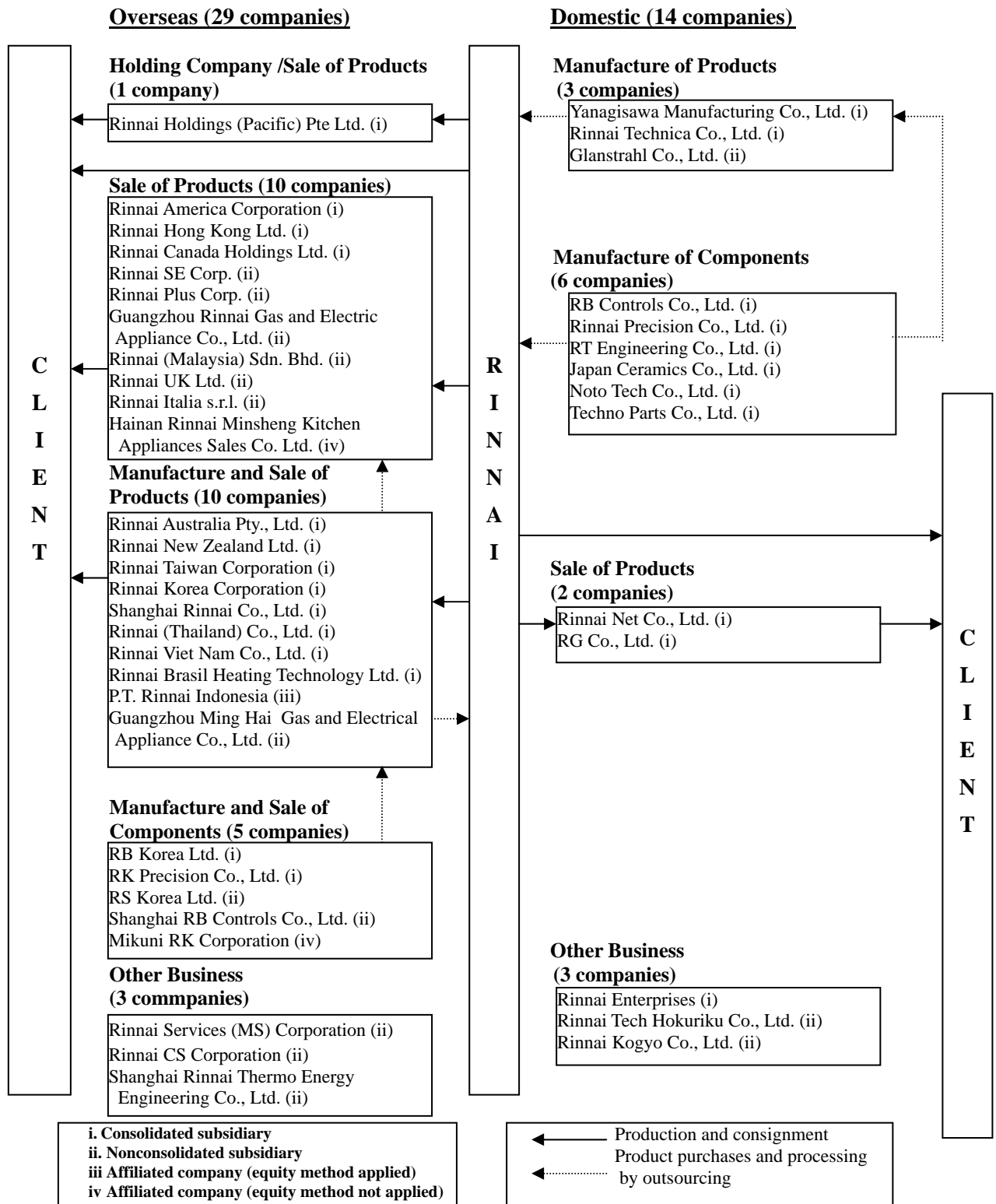
At the same time, we will effectively utilize retained earnings to support various initiatives aimed at raising corporate value over the long term. These include research and development, capital investments, and strategic business investments in Japan and overseas.

For the fiscal year ended March 31, 2012, we plan to raise the year-end dividend by ¥4.00, to ¥28.00 per share. Earlier in the year, we paid an interim dividend of ¥28.00. This will bring total annual dividends to ¥56.00 per share.

For the year ending March 2013, we plan to pay annual dividends of ¥60.00 per share (¥30.00 interim dividend and ¥30.00 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, 40 subsidiaries, and three affiliated companies, for a total of 44 companies. These include 25 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.



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 promoting interaction throughout the Group, we will seek to raise the profitability and capital efficiency of our core businesses. Specifically, we are targeting a consolidated operating margin of 10% and consolidated return on equity (ROE) of 10% or higher.

3. Medium- and Long-Term Business Strategies

We predict that future medium- and long-term economic trends, characterized by a growing world population and improving living standards especially in newly emerging nations, will support further increases in households using advanced heating appliances. Accordingly, we look forward to continued growth in heating appliance markets. Moreover, the accident at the nuclear power plant in Fukushima has expedited a worldwide reassessment of energy policies. In addition, people's lifestyles are diversifying as we approach the era of renewed demand for the best mix of energy and better environmental and energy-saving performances.

Facing these challenges, the Rinnai Group formulated its new medium-term business plan, Jump Up 2014, which began in April 2012. Guided by the plan, we will strive to increase corporate value and contribute to society as a comprehensive heat-energy appliance manufacturer. We will also reinforce our corporate foundation underpinned by core management issues—which we call the "three jump up" priorities—in order to build a long-term growth trajectory. Key issues will be promoting awareness of hybrid hot-water units featuring top world-level environmental performance by combining electricity and gas as heat sources. We are also targeting further proliferation of our *Eco Jozu* series of high-efficiency hot-water units throughout the gas appliance sector, in order to make *Eco Jozu* the de facto industry standard. In these and other ways, we will supply products that contribute to global environmental protection. With respect to our global strategy, we will further upgrade our product lineups in existing markets while tapping new priority markets, in order to help local communities enjoy more abundant lifestyles.

“Three Jump Up” Priorities

- (1) Raise product quality in pursuit of zero defects
- (2) Raise versatility through reforms of development, production, and sales processes
- (3) Raise organizational strength through human resource development and Groupwide interaction

Consolidated Performance Targets for Year Ending March 2015

Net sales: ¥280 billion

Operating income: ¥33 billion

Operating income to net sales ratio: 11.8%

4. Issues to Address

Environment

Kitchen appliances, hot-water units, and air-conditioning systems account for around 60–70% of household energy consumption in industrialized nations. In this context, the Rinnai Group can make a significant contribution to saving energy and reducing emissions of carbon dioxide and nitrogen oxide. By providing products closely linked to people’s lives, the Group will benefit the environment and propose solutions for comfortable lifestyles.

Product quality

With respect to safety initiatives, we will build a global brand built on “safety and reliability” under our corporate philosophy, “Quality is Our Destiny (our livelihood depends on the quality of our products).” We will pursue operational enhancement activities emphasizing essential safety and zero defects, so that customers can use our products with peace of mind.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

	At March 31, 2011 (Year ended March 31, 2011)	At March 31, 2012 (Year ended March 31, 2012)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	28,338	34,596
Notes and accounts receivable	53,155	56,776
Marketable securities	28,663	35,651
Products	11,545	14,530
Raw materials and stores	9,478	9,402
Deferred tax assets	3,566	3,364
Other	1,847	2,439
Less allowance for doubtful accounts	(449)	(461)
Total current assets	136,145	156,300
Fixed assets		
Property, plant and equipment		
Buildings and structures	37,779	38,074
Accumulated depreciation	(22,221)	(23,086)
Buildings and structures (net)	15,558	14,988
Machinery and vehicles	39,529	40,233
Accumulated depreciation	(30,800)	(31,835)
Machinery and vehicles (net)	8,728	8,398
Tools and fixtures	24,895	24,818
Accumulated depreciation	(21,565)	(21,094)
Tools and fixtures (net)	3,330	3,724
Land	13,300	13,620
Lease assets	303	431
Accumulated depreciation	(100)	(186)
Lease assets (net)	203	245
Construction in progress	875	2,064
Total property, plant and equipment	41,997	43,040
Intangible fixed assets	1,581	1,489
Investments and advances		
Investments in securities	29,604	26,966
Deferred income taxes	1,173	806
Other	11,430	10,670
Less allowance for doubtful accounts	(437)	(419)
Total investments and advances	41,771	38,023
Total fixed assets	85,350	82,553
Total assets	221,495	238,853

(¥ millions)

	At March 31, 2011 (Year ended March 31, 2011)	At March 31, 2012 (Year ended March 31, 2012)
	Amount	Amount
LIABILITIES		
Current liabilities		
Notes and accounts payable	40,781	43,895
Short-term debt	6,277	4,254
Other payables	9,283	9,478
Accrued consumption taxes	798	776
Accrued income taxes	5,034	6,064
Accrued employee's bonuses	2,765	3,131
Allowance for product guarantee	1,770	1,857
Allowance for inspection cost	1,155	—
Other	2,434	3,299
Total current liabilities	70,301	72,757
Long-term liabilities		
Long-term debt	2,763	3,325
Accrued employees' retirement benefits	4,547	4,554
Other	2,772	3,479
Total long-term liabilities	10,083	11,358
Total liabilities	80,384	84,116
NET ASSETS:		
Shareholders' equity:		
Common stock	6,459	6,459
Capital surplus	8,719	8,720
Earned surplus	147,757	162,014
Treasury stock	(23,465)	(23,471)
Total shareholders' equity	139,471	153,722
Other accumulated comprehensive income:		
Unrealized gain on marketable securities	(394)	518
Foreign exchange translation adjustment	(1,803)	(3,622)
Total other accumulated comprehensive income	(2,197)	(3,103)
Minority interests	3,836	4,119
Total net assets	141,110	154,737
Total liabilities and net assets	221,495	238,853

**2. Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**
Consolidated Statements of Income

(¥ millions)

	2011 (April 1, 2010, to March 31, 2011)	2012 (April 1, 2011, to March 31, 2012)
	Amount	Amount
Net sales	239,436	246,636
Cost of Sales	165,867	171,475
Gross Profit	73,569	75,161
Selling, general and administrative expenses		
Transportation and packing	6,204	6,456
Advertising	2,393	2,539
Sales promotion	3,771	3,699
After-sales service	2,353	1,711
Transfer to allowance for product guarantee	1,770	1,857
Transfer to allowance for doubtful accounts	241	69
Salary and bonuses	15,293	15,799
Transfer to allowance for employee's bonuses	1,161	1,251
Retirement benefit expenses	1,154	1,089
Depreciation	1,039	1,087
Other	12,947	12,967
Total selling, general and administrative expenses	48,330	48,527
Operating income	25,238	26,634
Other income:		
Interest income	799	1,039
Dividends received	227	207
Equity in earnings of affiliates	811	949
Other	639	630
Total other income	2,477	2,827
Other expenses:		
Interest expenses	327	304
Foreign exchange loss	510	—
Loss on retirement of fixed assets	—	191
Other	55	58
Total other expenses	892	554
Ordinary income	26,824	28,907
Extraordinary income:		
Gain on sales of fixed assets	14	—
Gain on sales of investments in securities	177	—
Reversal from allowance for doubtful accounts	17	—
Total extraordinary income	209	—

(¥ millions)

	2011 (April 1, 2010, to March 31, 2011)	2012 (April 1, 2011, to March 31, 2012)
	Amount	Amount
Extraordinary losses:		
Loss on sales of fixed assets	33	—
Loss on retirement of fixed assets	383	—
Loss on valuation of investments in securities	—	1,356
Inspection cost	1,035	—
Transfer to allowance for inspection cost	935	—
Other	340	—
Total extraordinary losses	2,728	1,356
Income before income taxes	24,306	27,550
Income taxes:		
Current	8,381	9,471
Deferred	(369)	749
Total income taxes	8,012	10,220
Income before minority interest	16,293	17,330
Minority interests	783	522
Net income	15,510	16,807

Consolidated Statements of Comprehensive Income

(¥ millions)

	2011 (April 1, 2010, to March 31, 2011)	2012 (April 1, 2011, to March 31, 2012)
	Amount	Amount
Income before minority interest	16,293	17,330
Other comprehensive income		
Unrealized gain on marketable securities	(570)	912
Foreign exchange translation adjustment	(1,381)	(1,787)
Equity equivalents in equity method affiliates	(125)	(148)
Total other comprehensive income	(2,076)	(1,022)
Comprehensive income	14,216	16,307
(Composition)		
Comprehensive income related to shareholders of parent company	13,714	15,901
Comprehensive income related to minority shareholders	501	405

3. Consolidated Statements of Shareholders' Equity

(¥ millions)

	2011 (April 1, 2010, to March 31, 2011)	2012 (April 1, 2011, to March 31, 2012)
	Amount	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	8,720
Earned surplus		
Balance at the end of previous term	134,563	147,757
Net changes during the current term		
Dividends paid	(2,316)	(2,551)
Net income	15,510	16,807
Total net changes during the current term	13,193	14,256
Balance at the end of current term	147,757	162,014
Treasury stock		
Balance at the end of previous term	(10,386)	(23,465)
Net changes during the current term		
Acquisition of treasury stock	(13,079)	(7)
Disposition of treasury stock	0	0
Total net changes during the current term	(13,079)	(6)
Balance at the end of current term	(23,465)	(23,471)
Total shareholders' equity		
Balance at the end of previous term	139,356	139,471
Net changes during the current term		
Dividends paid	(2,316)	(2,551)
Net income	15,510	16,807
Acquisition of treasury stock	(13,079)	(7)
Disposition of treasury stock	0	1
Total net changes during the current term	114	14,250
Balance at the end of current term	139,471	153,722

(¥ millions)

	2011 (April 1, 2010, to March 31, 2011)	2012 (April 1, 2011, to March 31, 2012)
	Amount	Amount
Other accumulated comprehensive income:		
Unrealized gain on marketable securities		
Balance at the end of previous term	176	(394)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(570)	912
Total net changes during the current term	(570)	912
Balance at the end of current term	(394)	518
Foreign exchange translation adjustment		
Balance at the end of previous term	(578)	(1,803)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(1,224)	(1,818)
Total net changes during the current term	(1,224)	(1,818)
Balance at the end of current term	(1,803)	(3,622)
Total other accumulated comprehensive income		
Balance at the end of previous term	(402)	(2,197)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(1,795)	(906)
Total net changes during the current term	(1,795)	(906)
Balance at the end of current term	(2,197)	(3,103)
Minority interests:		
Unrealized gain on marketable securities		
Balance at the end of previous term	3,547	3,836
Net changes during the current term		
Net other changes than shareholders' equity during the current term	288	282
Total net changes during the current term	288	282
Balance at the end of current term	3,836	4,119
Total net assets:		
Balance at the end of previous term	142,502	141,110
Net changes during the current term		
Dividends paid	(2,316)	(2,551)
Net income	15,510	16,807
Acquisition of treasury stock	(13,079)	(7)
Disposition of treasury stock	0	1
Net other changes than shareholders' equity during the current term	(1,506)	(623)
Total net changes during the current term	(1,391)	13,627
Balance at the end of current term	141,110	154,737

4. Consolidated Statements of Cash Flows

(¥ millions)

	2011	2012
	(April 1, 2010, to March 31, 2011)	(April 1, 2011, to March 31, 2012)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	24,306	27,550
Depreciation and amortization	8,045	7,959
Loss on retirement of fixed assets	383	191
Loss (gain) on valuation of investments in securities	—	1,356
Increase (decrease) in accrued employees' bonuses	64	380
Increase (decrease) in accrued employees' retirement benefits	167	67
(Increase) decrease in prepaid pension costs	(442)	(794)
Increase (decrease) in allowance for doubtful accounts	(567)	39
Increase (decrease) in allowance for inspection cost	922	(1,155)
Increase (decrease) in allowance for product guarantee	459	121
Interest and dividends income	(1,026)	(1,246)
Interest expenses	327	304
Equity in losses (earnings) of affiliates	(811)	(949)
Decrease (increase) in trade receivables	(895)	(4,261)
Decrease (increase) in inventories	1,039	(3,537)
Increase (decrease) in trade payables	2,285	3,475
Other	1,147	1,050
Subtotal	35,401	30,551
Interest and dividends received	1,061	1,246
Interest paid	(326)	(310)
Income taxes paid	(8,600)	(8,414)
Net cash provided by operating activities	27,536	23,074
Cash flows from investing activities		
Transfers to time deposits	(8,053)	(19,402)
Withdrawals from time deposits	6,734	12,530
Purchases of tangible fixed assets	(8,349)	(9,186)
Proceeds from sales of tangible fixed assets	118	117
Purchases of intangible fixed assets	(538)	(414)
Purchases of investments in securities	(6,406)	(5,932)
Proceeds from sales/and redemption of investments in securities	6,304	7,651
Other	(443)	(1,585)
Net cash used in investing activities	(10,634)	(16,222)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(1,182)	(1,766)
Proceeds from long-term debt	17	722
Purchases of treasury stock	(13,080)	(7)
Dividends paid	(2,315)	(2,550)
Dividends paid to minority shareholders	(204)	(122)
Other	(193)	(212)
Net cash used in financing activities	(16,958)	(3,937)
Effect of exchange rate fluctuations on cash and cash equivalents	(368)	(440)
Net increase (decrease) in cash and cash equivalents	(424)	2,473
Cash and cash equivalents at beginning of year	46,570	46,145
Cash and cash equivalents at end of year	46,145	48,618

(5) Notes regarding the assumption of a going concern

There are no relevant items.

(6) Notes to Consolidated Financial Statements

Segment Information

1. Summary of Reportable Segments

With respect to its business segments, Rinnai is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance.

The Rinnai Group is engaged mainly in the production and sales of heat appliances. The Corporation (parent company) and domestic subsidiaries are in charge of business activities in Japan, while overseas subsidiaries in South Korea, United States, and elsewhere are in charge of business activities in the respective regions. Local subsidiaries operate as independently managed units. With respect to products handled, they advance their operations based on their comprehensive strategies for their specific regions.

Accordingly, the reportable segments of the Corporation, which are geographic segments based on its production and sales system, consist of five regions: Japan, South Korea, United States, Australia, and China.

2. Calculation Methods of Sales, Income (Loss), Assets, Liabilities and Other Items by Reportable Segment

Accounting treatments of the reportable segments of the Corporation are much the same in Significant Basis of Consolidated Financial Statements.

Income of the reportable segment indicates figures based on operating income

Sales of the reportable segment are based on the trading price among third parties.

3. Sales and Income by Reportable Segment

Year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

(¥ millions)

	Reportable Segments					Others (Note 1)	Adjustments (Note 2,3)	Amounts on consolidate statements of income (Note 4)
	Japan	South Korea	United States	Australia	China			
Net sales								
(1) Sales to outside customers	165,976	22,088	13,000	15,364	11,863	11,142	—	239,436
(2) Intersegment sales	17,813	271	41	2	1,234	1,616	(20,978)	—
Total	183,789	22,359	13,041	15,367	13,098	12,759	(20,978)	239,436
Income (loss)	18,187	713	796	2,720	1,201	1,335	284	25,238
Assets	186,636	14,807	5,134	13,534	6,700	11,607	(16,926)	221,495
Others								
Depreciation	6,678	807	70	63	144	282	—	8,045
Equity in earnings of affiliates	—	—	—	—	—	811	—	811
Investments in affiliates which applied equity method	—	—	—	—	—	1,764	—	1,764
Increase in property, plant and equipment and intangible fixed assets	6,323	1,037	22	92	268	457	—	8,202

- Notes: 1. “Others” include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.
 2. “Adjustments” of income (loss) is the intersegment transactions to eliminate.
 3. “Adjustments” of assets is the intersegment transactions to eliminate.
 4. “Income (loss)” is adjusted from operating income on Consolidated Statement of Income.

Year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(¥ millions)

	Reportable Segments					Others (Note 1)	Adjustments (Note 2)	Amounts on consolidate statements of income (Note 3)
	Japan	South Korea	United States	Australia	China			
Net sales								
(1) Sales to outside customers	175,107	21,729	11,584	14,993	11,606	11,614	—	246,636
(2) Intersegment sales	17,636	389	—	2	1,395	1,985	(21,409)	—
Total	192,744	22,119	11,584	14,996	13,002	13,599	(21,409)	246,636
Income (loss)	20,318	814	242	3,139	523	1,482	113	26,634
Assets	204,657	14,153	5,155	11,869	7,009	11,991	(15,984)	238,853
Others								
Depreciation	6,551	809	51	95	149	303	—	7,959
Equity in earnings of affiliates	—	—	—	—	—	949	—	949
Investments in affiliates which applied equity method	—	—	—	—	—	2,560	—	2,560
Increase in property, plant and equipment and intangible fixed assets	8,186	840	14	109	180	461	—	9,792

- Notes: 1. “Others” include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.
 2. “Adjustments” of income (loss) is the intersegment transactions to eliminate.
 3. “Adjustments” of assets is the intersegment transactions to eliminate.
 4. “Income (loss)” is adjusted from operating income on Consolidated Statement of Income.

Per Share Data

	March 31, 2011	March 31, 2012
1. Net assets per share	¥2,798.07	¥3,070.14
2. Net income per share	¥311.52	¥342.60

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, 2011	March 31, 2012
Net assets	¥141,110 million	¥154,737 million
Deduction from net assets	¥3,836 million	¥4,119 million
[Minority interests]	[¥3,836 million]	[¥4,119 million]
Net assets at the year-end related to common shares	¥137,274 million	¥150,618 million
Number of common shares at the year-end which used in calculations	49,060,340 shares	49,059,259 shares

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

	March 31, 2011	March 31, 2012
Net income	¥15,510 million	¥16,807 million
Amounts not attribute to common shares	— million	— million
Net income related to common shares	¥15,510 million	¥16,807 million
Average number of shares during the term	49,788,551 shares	49,059,890 shares

Subsequent Events

There is no relevant information.

V. Nonconsolidated Financial Statements

(1) Balance Sheets

(¥ millions)

	At March, 2011 (Year ended March 31, 2011)	At March, 2012 (Year ended March 31, 2012)
	Amount	Amount
ASSETS		
Current assets		
Cash and deposits	828	5,758
Notes receivable, trade	9,577	10,710
Accounts receivable, trade	31,903	33,684
Marketable securities	26,201	33,593
Products	5,636	7,992
Raw materials and stores	3,356	3,402
Prepaid expenses	4	30
Deferred tax assets	2,305	2,082
Other	452	422
Less allowance for doubtful accounts	(10)	(10)
Total current assets	80,256	97,668
Fixed assets		
Property, plant and equipment		
Buildings	22,393	22,869
Accumulated depreciation	(13,737)	(14,306)
Buildings (net)	8,656	8,562
Structures	1,380	1,424
Accumulated depreciation	(1,098)	(1,152)
Structures (net)	281	271
Machinery, equipment	18,488	18,398
Accumulated depreciation	(14,423)	(14,742)
Machinery, equipment (net)	4,064	3,655
Vehicles and delivery equipment	224	213
Accumulated depreciation	(201)	(198)
Vehicles and delivery equipment (net)	22	14
Tools, furniture and fixture	15,081	14,494
Accumulated depreciation	(13,259)	(12,336)
Tools, furniture and fixture (net)	1,821	2,157
Land	6,989	7,532
Lease assets	257	370
Accumulated depreciation	(86)	(162)
Lease assets (net)	170	207
Construction in progress	261	1,256
Total property, plant and equipment	22,269	23,659

(¥ millions)

	At March, 2011 (Year ended March 31, 2011)	At March, 2012 (Year ended March 31, 2012)
	Amount	Amount
Intangible fixed assets		
Leaseholds	10	6
Software	994	1,091
Other	358	205
Total intangible fixed assets	1,363	1,303
Investments and advances		
Investments in securities	23,194	22,504
Stocks of affiliated companies	14,818	14,774
Investments	14	14
Investments in affiliated companies	1,870	1,870
Long-term loans to affiliated companies	30	11
Reorganization credit	61	72
Long-term prepaid expense	976	39
Deferred income taxes	607	631
Guaranty money deposited	3,000	1,000
Long-term deposits	5,359	6,154
Prepaid pension expenses	512	516
Other	(108)	(93)
Less allowance for doubtful accounts		
Total investments and advances	50,339	47,496
Total fixed assets	73,972	72,459
Total assets	154,228	170,127
LIABILITIES		
Current liabilities		
Accrued payable, trade	28,242	31,002
Short-term debt	100	100
Lease obligation	86	108
Other payables	4,914	5,057
Accrued expenses	560	580
Accrued consumption taxes	493	446
Accrued income taxes	3,924	4,734
Deposits payable	110	117
Accrued employees' bonus	1,970	2,153
Allowance for product guarantee	1,120	1,200
Allowance for inspection cost	492	—
Accrued equipment costs payable	394	523
Other	3	0
Total current liabilities	42,412	46,024
Long-term liabilities		
Long-term debt	2,750	2,650
Lease obligation	155	151
Accrued employees' retirement benefits	1,849	1,957
Other	1,799	1,831
Total long-term liabilities	6,554	6,589
Total liabilities	48,967	52,614

(¥ millions)

	At March, 2011 (Year ended March 31, 2011)	At March, 2012 (Year ended March 31, 2012)
	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	8,720
Earned surplus		
Legal reserve	1,614	1,614
Voluntary reserve		
Other	101,900	109,000
Unappropriated retained earnings at the end of the current term	10,483	14,701
Total earned surplus	113,998	125,316
Treasury stock	(23,465)	(23,471)
Total shareholders' equity	105,712	117,024
Other adjustments:		
Unrealized gain on marketable securities	(450)	488
Total other adjustments	(450)	488
Total net assets	105,261	117,512
Total liabilities and net assets	154,228	170,127

(2) Nonconsolidated Statements of Income

(¥ millions)

	2011	2012
	(April 1, 2010, to March 31, 2011)	(April 1, 2011, to March 31, 2012)
	Amount	Amount
Net sales	175,045	183,091
Cost of Sales		
Inventory at the beginning of the term	6,841	5,636
Manufacturing cost during the term	130,131	139,740
Total	136,972	145,376
Other account transfer	253	439
Inventory at the term-end	5,636	7,992
Total cost of sales	131,082	136,944
Gross Profit	43,962	46,146
Selling, general and administrative expenses		
Transportation and packing	4,868	4,943
Warehousing	962	943
Advertising	730	811
Sales promotion	1,645	1,728
After-sales service	1,909	1,467
Transfer to allowance for product guarantee	1,120	1,200
Salary and bonuses	8,553	8,609
Welfare cost	1,287	1,362
Transfer to accrued employees' bonus	819	915
Retirement benefit expenses	769	828
Depreciation	611	679
Research and development expenses	505	521
Rental fee	1,303	1,259
Other	2,743	2,829
Total selling, general and administrative expenses	27,831	28,101
Operating income	16,131	18,045
Other income:		
Interest income	31	29
Interest on securities	186	223
Dividends received	945	3,986
Royalty fees	212	264
Miscellaneous	673	534
Total other income	2,050	5,038
Other expenses:		
Interest expenses	39	38
Foreign exchange loss	382	204
Depreciation	108	96
Loss on retirement of fixed assets	—	159
Other	5	11
Total other expenses	535	510
Ordinary income	17,647	22,573

(¥ millions)

	2011 (April 1, 2010, to March 31, 2011)	2012 (April 1, 2011, to March 31, 2012)
	Amount	Amount
Extraordinary income:		
Gain on sales of fixed assets	4	—
Gain on sales of investment securities	177	—
Total extraordinary income	182	—
Extraordinary losses:		
Loss on retirements of fixed assets	244	—
Loss on valuation of investments in securities	35	1,099
Inspection cost	974	—
Transfer to allowance for inspection cost	259	—
Other	55	—
Total extraordinary losses	1,569	1,099
Income before income taxes	16,260	21,473
Income taxes:		
Current	5,849	7,013
Deferred	(56)	590
Total income taxes	5,793	7,604
Net income	10,467	13,869

(3) Nonconsolidated Statement of Shareholders' Equity

(¥ millions)

	2011	2012
	(April 1, 2010, to March 31, 2011)	(April 1, 2011, to March 31, 2012)
	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	8,720
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	94,900	101,900
Net changes during the current term		
Transfer to other reserve	7,000	7,100
Total net changes during the current term	7,000	7,100
Balance at the end of the current term	101,900	109,000
Unappropriated retained earnings		
Balance at the end of the previous term	9,332	10,483
Net changes during the current term		
Dividends paid	(2,316)	(2,551)
Transfer to other reserve	(7,000)	(7,100)
Net income	10,467	13,869
Total net changes during the current term	1,150	4,218
Balance at the end of the current term	10,483	14,701

(¥ millions)

	2011 (April 1, 2010, to March 31, 2011)	2012 (April 1, 2011, to March 31, 2012)
	Amount	Amount
Total earned surplus		
Balance at the end of the previous term	105,847	113,998
Net changes during the current term		
Dividends paid	(2,316)	(2,551)
Transfer to other reserve	—	—
Net income	10,467	13,869
Total net changes during the current term	8,150	11,318
Balance at the end of the current term	113,998	125,316
Treasury stock		
Balance at the end of the previous term	(10,386)	(23,465)
Net changes during the current term		
Acquisition of treasury stock	(13,079)	(7)
Disposition of treasury stock	0	0
Total net changes during the current term	(13,079)	(6)
Balance at the end of the current term	(23,465)	(23,471)
Total shareholders' equity		
Balance at the end of the previous term	110,640	105,712
Net changes during the current term		
Dividends paid	(2,316)	(2,551)
Net income	10,467	13,869
Acquisition of treasury stock	(13,079)	(7)
Disposition of treasury stock	0	1
Total net changes during the current term	(4,928)	11,312
Balance at the end of the current term	105,712	117,024
Other adjustments:		
Unrealized gain on marketable securities		
Balance at the end of the previous term	106	(450)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(557)	938
Total net changes during the current term	(557)	938
Balance at the end of the current term	(450)	488
Total other adjustments		
Balance at the end of the previous term	106	(450)
Net changes during the current term		
Net other changes than shareholders' equity during the current term	(557)	938
Total net changes during the current term	(557)	938
Balance at the end of the current term	(450)	488
Total net assets:		
Balance at the end of the previous term	110,747	105,261
Net changes during the current term		
Dividends paid	(2,316)	(2,551)
Net income	10,467	13,869
Acquisition of treasury stock	(13,079)	(7)
Disposition of treasury stock	0	1
Net other changes than shareholders' equity during the current term	(557)	938
Total net changes during the current term	(5,485)	12,251
Balance at the end of the current term	105,261	117,512

VI. Other

Changes of Directors

(1) Change in Representative Director

Not applicable.

(2) Change in other directors

- The candidate for substitute corporate auditor

Toshinori Tsutsumi, Corporate Auditor (standing auditor), currently General Manager of Personnel Affairs Division, Administration Headquarters

Kinya Nankan, Corporate Auditor, currently Supplementary Corporate Auditor, Chairman of Nankan, Kitagawa & Itoh Legal Office

- Director scheduled to retire

Katsuhiro Warita, Corporate Auditor (standing auditor), scheduled for appointment as advisor

Takeshi Yazaki, Corporate Auditor

(3) Schedule date of appointment

June 28, 2012.