

# Rinnai

Securities code 5947

Rinnai Information  
for Shareholders

Vol. 28

Business Results for  
the 58th Term

(April 1, 2007 to March 31, 2008)



## To Our Shareholders



Susumu Naito  
*Chairman*



Hiroyasu Naito  
*President*

In the first half of the fiscal period in review, the Japanese economy showed a recovery trend, supported by healthy corporate earnings and increased capital expenditures. In the second half, however, the outlook became increasingly uncertain due to a number of factors. These included a slowdown in the U.S. economy amid the subprime loan crisis in that nation, as well as volatile share and foreign exchange markets and rising prices of crude oil and raw materials. Market conditions in the housing appliance industry became difficult as the impact of the amended Building Standards Law severely dampened housing investments, with new housing starts plummeting around 20%.

The fiscal period under review was the second year of V-Shift Plan, the Rinnai Group's medium-term business plan. During the year, we continued transforming our operations underpinned by structural reforms. At the same time, we concentrated on developing new products reflecting our commitment to safety, comfort, and the environment. In this context, we unveiled the new *DELICIA* Series of built-in gas stoves, featuring advanced safety levels and user-friendly cooking performance, in the domestic market. The popularity of new products and healthy replacement demand compensated for the depressed housing-start situation, leading to a year-on-year revenue increase.

Despite concerns about the effects of the subprime loan problem, there was no major impact on the market for instant-heating hot-water units in North America, where sales remained firm. In Oceania, the markets for hot-water units and heaters expanded, while in Asia we performed generally well, benefiting from economic expansion in various countries.

The Group's earnings were affected by surging raw materials prices and a decline in domestic unit sales. However, we took measures to address unprofitable products and worked hard to lower costs—key strategies of our medium-term plan. With the added benefit of increased overseas sales, we practically achieved our earnings forecasts. Details of our performance in the period are provided later in this report.

The Company declared an ¥18.00 year-end cash dividend. This decision was based on consideration of many factors, including consolidated performance and payout ratio, and reflected our basic policy on appropriation of profits. After adding the ¥18.00 interim dividend already paid, total annual dividends reached ¥36.00 per share, up ¥6.00 from the previous fiscal year.

The Rinnai Group will step up product safety initiatives aimed at achieving its targets under the V-Shift Plan, which ends in March 2009. Key themes of the plan are peace of mind, comfort, and the environment. Given growing worldwide environmental awareness and attention to environmental measures taken by various nations, we will focus on expanding sales of energy-saving products and developing new eco-friendly offerings aimed at meeting the environmental needs of people around the world.

We look forward to the ongoing support and cooperation of shareholders.

June 2008

Susumu Naito  
Chairman

Hiroyasu Naito  
President

**We will expedite growth in global markets,  
with a focus on protecting the environment and saving energy.**



Hiroyasu Naito *President*

## Overview of Year in Review

### Progress of medium-term plan

In the fiscal year ended March 2008, the Rinnai Group reported healthy increases in revenue and earnings, with consolidated net sales and operating income reaching ¥248.7 billion and ¥15.1 billion, respectively. The Group is currently implementing V-Shift Plan, a three-year business plan that began in April 2006. Under the plan, we are working to shift our emphasis “from quantity to quality” and promote high-value-added operations. In addition, we are moving from a “multidirectional product strategy” covering all types of items to a “focused product strategy” centering on highly functional offerings. To this end, our *DELICIA* series of kitchen appliances has become a market hit, winning warm praise for Rinnai's technological strength and exceptional design sense. Our business environment will remain difficult, due to declining

### Main performance indicators (consolidated)

	(¥ billions)		
	Year to March 2007 (actual)	Year to March 2008 (actual)	Year to March 2009 (target)
Net sales	234.8	248.7	257.0
Domestic	151.3	152.5	155.0
Overseas	83.4	96.2	102.0
Operating income	12.7	15.1	18.0
ROE (%)	4.7%	6.0%	6.5%

housing starts in Japan, a campaign promoting homes powered exclusively by electricity, and soaring prices of raw materials. Despite these challenges, we surpassed our ¥15 billion operating income target—a proud achievement and testimony to the success of our medium-term business plan. We will redouble our efforts as we enter the final year of the plan.

### Compact water heater accidents

With respect to accidents involving Rinnai compact water heaters in February 2007, the Yokohama District Public Prosecutors Office of the Ministry of Economy, Trade and Industry found no problem with our products and nothing wrong with our responses. Nevertheless, we have continued placing television and newspaper advertisements to raise people's awareness and offer free-of-charge product inspections. Prompted by the accidents, we also established the Accident Information Control Office, whose task is to swiftly gather information about accidents, regardless of whether or not there are problems with our products. In these and other ways, we are stepping up companywide efforts to ensure product safety and peace of mind.



**Design, operability, and advanced functions**  
Our *DELICIA* stoves have proved a major hit in the market.

## Domestic Business Strategy: Emphasize High-Value-Added Offerings

### Three key themes: Safe & reliable, eco-friendly & energy-efficient, and comfortable

In today's world, where environmental issues have taken on global proportions, people overseas are noticing the appeal of gas appliances, which deliver better energy-efficiency than electrical items. Even in Japan, where a campaign to switch entirely to electricity continues, there is an industrywide effort to highlight the advantages of gas, not only as being eco-friendly and energy-efficient but also safe, reliable, and comfortable.

In the kitchen appliance sector, for example, the entire domestic gas equipment has sought to increase safety and peace of mind by preventing potential accidents in advance. Recent measures include attachment of silicon sensors to all burners made since April 2008—preempting legislation mandating such sensors scheduled for October 2008.

In addition, discussions are under way aimed at making *Eco-Jozu* condensing hot-water units, with a world-leading heat efficiency level of 95%, into the de facto industry standard by 2015. In Europe, where environmental controls are becoming tighter, condensing hot-water units are the norm, and the gas appliance industry is being energized by the ongoing proliferation of such highly functional products. In order to

make *Eco-Jozu* the de facto standard, the domestic gas appliance industry has adopted a pioneering role emphasizing advances in environmental friendliness and efficiency. As an industry leader, Rinnai is playing an active role in this campaign.

Finding ways to improve domestic residential environments is another important focus for Rinnai. Seeking to create highly efficient, comfortable living spaces, we have rolled out a succession of “amenity (convenience) peripheral products,” such as a floor heating system that uses *Eco-Jozu* as its heat source; *YUGA*, a bathroom television that makes bathing more fun; and a micro-air bubble bath called *Bi-Hakuyu*. In recent years, the number of deaths in Japan stemming from sudden changes in bathroom temperature has grown to exceed deaths from traffic accidents. In this context, Rinnai's bathroom heater/dryers, highly acclaimed for some time, are attracting increased attention as health-related appliances in addition to being “amenity” products.



### Condensing hot-water units in Japan

*Eco-Jozu* products (hot-water/heaters that recover latent heat) boast a world-leading heat efficiency level of 95%.

## Strategy for 2008 and beyond: Reinforce our systems

In April 2008, Rinnai opened its integrated logistics center in Komaki City, Aichi Prefecture. By operating our own logistics facility, we aim to deliver highly advanced inventory management and distribution services that address trends in the kitchen appliance and hot-water unit markets, such as the shift from standalone products to systems and the emergence of multiple product genres. At the same time, we can more accurately trace the locations of shipped products, making us

better equipped to respond quickly to accidents and other issues.

Amid plans to establish a “Monozukuri (product creation) Center” and our expanding overseas business, we are working on ways to hand down the technologies that form the foundation of the Rinnai brand. To this end, we will step up training of domestic and overseas employees by experienced production technicians while strengthening technical support for our overseas operations.

To prevent accidents due to age-related degradation of products, the Japanese government in April 2009 will introduce a mandatory product inspection system. Under the new system, manufacturers of hot water units and other equipment must conduct inspections of their products around 10 years after delivery to customers. This will have two reciprocal effects on gas appliance manufacturers. Despite an increase in costs, the average product cycle will shorten, leading to higher replacement demand. As a gas appliance maker, we at Rinnai regard prevention of accidents using product inspections to be an important part of risk management. In the future, we will adopt a forward-looking approach while closely monitoring domestic trends.

## Overseas Business Strategy: Take Advantage of Environmental and Energy-Saving Policies

### Addressing environmental policies of various nations

Around nine million hot-water units (gas and electrical) are shipped in the United States each year. At present, the U.S. government has been promoting a shift from traditional storage-type systems to high-efficiency units. In this context, Rinnai-brand instant-heating hot-water units are expected to receive the Energy Star rating by the United States Department of Energy. Due to soaring fuel prices, average consumers are growing more interested in energy-saving appliances, while also quickly recognizing the convenience of instant instant-heating hot-water units. In 2007, Rinnai America posted a 30% year-on-year increase in sales of hot-water units, and we expect further strong growth in 2008.



Rinnai-brand hot-water unit in the United States



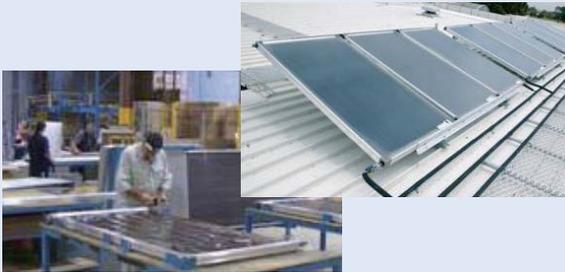
Florida branch

### Rinnai technologies meet world's environmental and energy-saving needs

Gas instant-heating hot-water units, which offer excellent heat efficiency and convenience, are increasingly popular in the United States. In response, our Florida branch (right photo) has opened a training room to teach equipment installation and operation as part of an effort to establish an infrastructure for upgrading our services.

Because these systems are used mostly in mid-level and prestige homes, our business has not been affected greatly by the subprime loan crisis. In February 2008, we started supplying hot-water units to General Electric Company on an OEM basis. By also expanding our U.S. sales network—with plans to open a branch in Texas to complement existing ones in Los Angeles and Florida—we look forward to further sales increases in the future.

In China, meanwhile, the government has set national heat-efficiency standards for hot-water units. Under the new rules, sales of products with heat efficiency less than 84% will be prohibited from 2008. This will cause attrition among China's numerous local manufacturers, while boosting proliferation of high-performance products, such as condensing hot-water units. In recent years, Shanghai Rinnai has consistently posted annual net sales increases of between 20% and 30%. Through an alliance with Hong Kong Gas and other initiatives, we hope to further expand local production and sales, centering on high-efficiency hot-water units.



### Rinnai technologies meet world's environmental and energy-saving needs

In Australia and New Zealand, major efforts are under way to promote heat energy alternatives to natural resources. Rinnai Australia sells solar hot-water units that it makes at its plant in Adelaide.

In Australia, the government adopts various environmental measures, including provision of subsidies for purchasers of solar water-heating systems. Rinnai Australia, which spearheads our activities in the region, has been quick to embrace local trends. Having entered the solar water-heating market through the acquisition of a local manufacturer, Rinnai Australia now is enjoying healthy local sales. Indeed, we are considering having Rinnai Australia supply solar systems to other Rinnai Group companies, including in Japan. In these ways, we will work to create a framework in which Rinnai Group companies in various regions around the world can seize local opportunities and provide a beneficial flow-on effect for other Group members.

### Demonstrating our strength as an integrated manufacturer of heat energy appliances

In the global market, development of hybrid products, combining gas and other forms of energy, has become an important theme in the context of protecting the environment

and saving energy. In August 2007, Rinnai formed an alliance with BTS of Germany, MTS of Italy, and ENATEC of the Netherlands with the aim of developing and commercializing a stirring engine cogeneration system. The project is proceeding according to schedule, with a trial introduction set for the European market in the future. Going forward, the Rinnai Group will further explore the vast potential of hybrid technologies, such as combining *Eco-Jozu* products with solar water-heating systems, in order to raise its profile as an integrated manufacturer of heat energy appliances.

### Raising Shareholder Value

As a corporation, Rinnai is exposed to various types of risk, and minimizing such risk is a crucial management task. We recognize legal and ethical compliance and product quality control as major risk-related factors, and we are working extensively to lower such risk through companywide forums.

Being a manufacturer of heating and cooking appliances, we regard safety and peace of mind to be eternal issues. If we respond incorrectly to a problem, such as the compact water heater accidents of 2007, our survival as a company can be compromised. Faced with heavy social responsibilities and risks, we must continue investing certain amounts to maintain product quality from medium- and long-term perspectives. Rather than adopt a risky approach based on a short-term standpoint, the Rinnai Group will properly demonstrate its responsibilities to society while placing importance on its long-term shareholders.

## Distribution

### Rinnai Opens Integrated Logistics Center

In April 2008, Rinnai opened its first in-house integrated logistics center, in Komaki City, Aichi Prefecture. In the kitchen appliance and hot-water unit markets, there is a shift from standalone products to systems, and multiple product genres are emerging. In this context, the distribution function, which links together the facilities of Rinnai and its customers, is becoming more and more important in terms of raising efficiency and product quality. Our new logistics center, a five-story building with 28,565 square meters of floor space, is capable of handling around 110,000 product units in 2,200 types, covering such items as hot-water units, built-in stoves, dishwasher/dryers, and components. It uses QR codes to ensure proper management and traceability of individual items, as well as a swift and accurate categorizing function that is linked with Rinnai's factories. Moreover, standardization of processes ensures highly efficiency internal operations. We hope to reap multiple benefits from this new facility.



Integrated logistics center

## Overseas Office

### Rinnai Italia Established

Since 2002, Rinnai has sold fanned flue heaters and hot-water units in Italy via Aqua, a prominent local company. In March 2007, Rinnai acquired all of the shares in Aqua, whose name was changed to Rinnai Italia s.r.l. in January 2008.

The new office, which incorporates a training room, test center, show room, and parts warehouse, has been set up to help Rinnai improve its sales and services in Italy in the future. Our plan is to increase sales, especially of hot-water units, in Italy and Southern Europe. Going forward, we will complement existing products by focusing on sales of rice cookers, clothes dryers, fireplaces, and other items, with a view to expanding our business in the region.



Rinnai Italia s.r.l.

## Environment

### “Home Greenification Project”

For some time, Rinnai has pursued various initiative aimed at helping prevent global warming. These include development of highly efficient *Eco-Jozu* hot-water units and other environmentally friendly products, as well as reducing the environmental impact of our production operations. As part of these activities, we are promoting our “Home Greenification Project,” which aims to help reduce greenhouse gas emissions via communications with people outside of the Company. Between February and June 2008, we sent blueberry tree seedlings to 3,000 participants in the project. (Blueberry trees are said to be effective in reducing greenhouse gases.) Rinnai will continue promoting its Home Greenification Project in a variety of ways.



# Global Network

As of March 31, 2008, the Rinnai Group consisted of the parent company, 44 subsidiaries (21 domestic and 23 overseas), and three overseas affiliated companies, for a total of 48 companies.



3 Rinnai America Corporation



5 Rinnai UK Ltd.



15 Equipamentos NGK-Rinnai Ltda.

Americas  
Subsidiaries  
and affiliates: 2

- Consolidated subsidiary
- Nonconsolidated subsidiary
- Affiliated company (equity method applied)
- Affiliated company (equity method not applied)

## Domestic Subsidiaries

### Manufacture of Products

- Yanagisawa Manufacturing Co., Ltd.
- Rinnai Technica Co., Ltd.

### Manufacture of Components

- RB Controls Co., Ltd.
- Rinnai Precision Co., Ltd.
- RT Engineering Co., Ltd.
- Japan Ceramics Co., Ltd.
- Noto Tech Co., Ltd.
- Techno Parts Co., Ltd.
- RB Techno Co., Ltd.

### Sale of Products

- Rinnai Net Co., Ltd.
- RG Co., Ltd.

### Sale and Installation of Products

- Rinnai Tech Sapporo Co., Ltd.
- Rinnai Tech Tohoku Co., Ltd.
- Rinnai Tech Tokyo Co., Ltd.
- Rinnai Tech Niigata Co., Ltd.
- Rinnai Tech Chubu Co., Ltd.
- Rinnai Tech Kinki Co., Ltd.
- Rinnai Tech Hiroshima Co., Ltd.
- Rinnai Tech Kyushu Co., Ltd.

Note: The above eight companies transferred their businesses to Rinnai Corporation on April 1, 2008, and will complete their liquidation in the fiscal year ending March 31, 2009.

### Other Business

- Rinnai Enterprises
- Rinnai Tech Hokuriku Co., Ltd.

Europe  
Subsidiaries: 3



11 Shanghai Rinnai Co., Ltd.



10 Rinnai Korea Corporation

Japan  
Head office and  
subsidiaries: 22



9 Rinnai Taiwan Corporation



13 Rinnai Viet Nam Co., Ltd.

Asia and Oceania  
Subsidiaries and affiliates: 21



14 P.T. Rinnai Indonesia



2 Rinnai Australia Pty., Ltd.



8 Rinnai New Zealand Ltd.

## Overseas Subsidiaries and Affiliates

### Holding Company/Sale of Products

- 1 Rinnai Holdings (Pacific) Pte Ltd.

### Sale of Products

- 2 Rinnai Australia Pty., Ltd.
- 3 Rinnai America Corporation
- 4 Rinnai Hong Kong Ltd.
- 5 Rinnai UK Ltd.
- 6 Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.
- 7 Rinnai Italia S.r.l.
- 8 Rinnai New Zealand Ltd.
- 9 Rinnai SE Corporation

### Manufacture and Sale of Products

- 10 Rinnai Korea Corporation
- 11 Shanghai Rinnai Co., Ltd.
- 12 Rinnai (Thailand) Co., Ltd.
- 13 Rinnai Viet Nam Co., Ltd.
- 14 P.T. Rinnai Indonesia
- 15 Equipamentos NGK-Rinnai Ltda.
- 16 Rinnai (Malaysia) Sdn. Bhd.
- 17 Rinnai Services (MS) Corporation
- 18 RBS Thermo Technology Co., Ltd.
- 19 Rinnai Taiwan Corporation
- 20 Rinnai Singapore Pte. Ltd.
- 21 Guangzhou Minghai Gas & Electrical Appliance Co., Ltd.

### Manufacture and Sale of Components

- 1 RB Korea Ltd.
- 2 RS Korea Ltd.
- 3 Shanghai RB Controls Co., Ltd.
- 4 Raneer R·K Precision Co., Ltd.
- 5 Mikuni RK Corporation

### Other Business

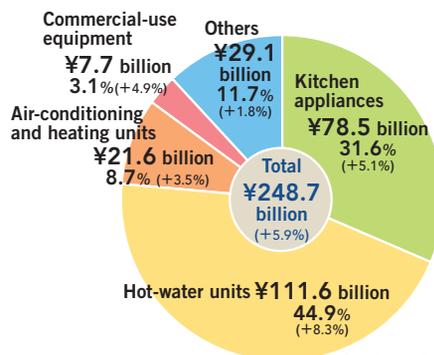
- 17 Rinnai Services (MS) Corporation
- 18 Rinnai Singapore Pte. Ltd.

# Consolidated Business Results

## Performance

The surging prices of raw materials pushed up our basic costs and caused a decline in domestic unit sales. In response, we discontinued unprofitable products and worked to reduce basic costs—key strategies of our medium-term business plan. We also enjoyed an increase in overseas sales. As a result, consolidated net sales for the year amounted to ¥248,761 million, up 5.9% from the previous year. Operating income climbed 18.7%, to ¥15,124 million, and ordinary income rose 13.9%, to ¥15,398 million. Net income for the year grew 31.6%, to ¥8,269 million.

## Net sales by business segment



Parentheses indicate percentage change over previous corresponding period.

## Results by Business Segment

### Kitchen Appliances

In Japan, our *DELICIA* series of products, fitted with temperature sensors for each burner and offering enhanced cooking and operating features as well as aesthetic appeal, have been well received in the marketplace, generating increased sales. Overseas, sales of glass-top stoves in South Korea remained firm, and in China we expanded sales of stoves across a broader geographical territory. Overall sales in Asia, therefore, were strong. As a result, total sales in this segment increased 5.1% over the previous year, to ¥78,573 million.

### Hot-Water Units

We maintained healthy domestic sales of our highly energy-efficient *Eco-Jozu* water heaters, which are used for dual hot-water/heating systems and bathroom hot-water units and are designed to help prevent global warming. In the United States, sales of instant-heating hot-water units rose solidly, benefiting from growing environmental awareness among consumers and proactive sales efforts by Rinnai. Sales of hot-water units were also strong on Australia and China. Total sales in this segment rose 8.3%, to ¥111,625 million.

### Air-Conditioning and Heating Units

Domestic sales of gas fan heaters and other mainstay products remained mostly unchanged, but sales of fan-forced heaters were strong in Australia. Sales in this segment totaled ¥21,689 million, a 3.5% increase over the previous year.

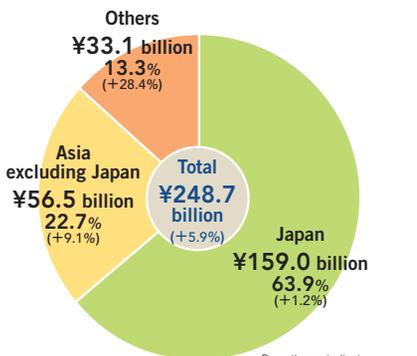
### Commercial-Use Equipment

This segment benefited from an increase in overseas unit sales, reflecting firm demand for commercial-use kitchen appliances in South Korea and commercial-use hot-water units in Australia. Overall, this segment posted sales of ¥7,729 million, up 4.9%.

### Others

Sales of components in Japan were weak, but we recorded growth in sales of solar systems in Australia and increased sales in South Korea, where we expanded our business scope. As a result, sales in this segment edged up 1.3%, to ¥29,144 million.

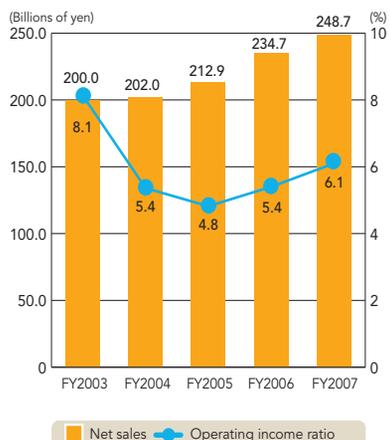
## Net sales by region



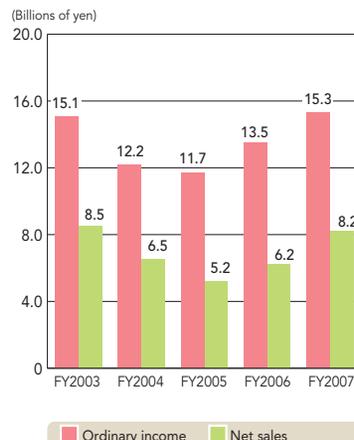
Composition of Asia, excluding Japan: South Korea, China, Taiwan, Thailand, Singapore and Vietnam  
 Composition of Others: Australia, New Zealand, and United States.

Note: The above amounts exclude inter-regional transactions.

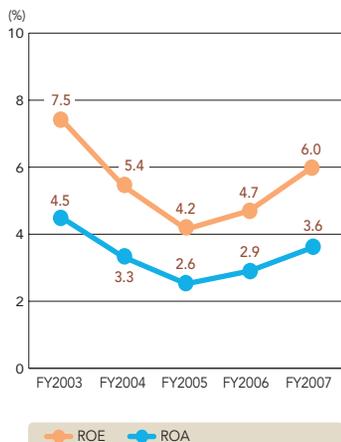
## Sales, operating income ratio



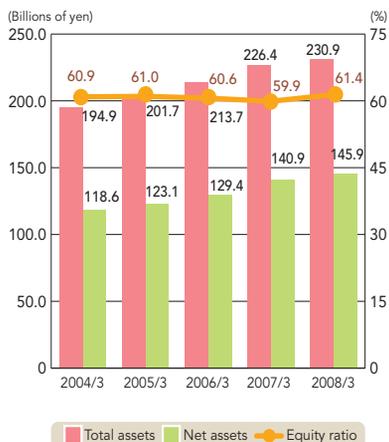
## Ordinary income, net income



## ROE, ROA



## Total assets, net assets, equity ratio



Notes: 1. The above graph indicates the amount of total shareholders' equity from "2004/3" to "2006/3", and the amount of net assets from "2007/3" in accordance with the enforcement of Corporate Law.  
 2. From "2007/3", the equity ratio is calculated using net assets excluding minority interests.

## Free cash flows



Notes: Free cash flows = Net cash provided by operating activities + Net cash provided by investing activities

**Consolidated Balance Sheets** (Millions of yen)

Current Term (As of Marh 31, 2008)

Previous Term (As of Marh 31, 2007)

	Current Term	Previous Term		Current Term	Previous Term
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>147,077</b>	<b>135,863</b>	<b>Current liabilities</b>	<b>73,973</b>	<b>79,498</b>
Cash and deposits	24,217	22,521	Notes and accounts payable	44,873	42,552
Notes and accounts receivable	65,811	67,338	Short-term debt	7,574	17,365
Marketable securities	28,144	15,629	Other payables	10,530	10,304
Inventories	26,388	28,164	Accrued consumption taxes	565	513
Deferred income taxes	3,426	2,611	Accrued income taxes	4,340	3,418
Other	2,387	1,931	Accrued employees' bonuses	2,263	2,290
Less allowance for doubtful accounts	(3,299)	(2,332)	Allowance for inspection cost	585	500
<b>Fixed assets</b>	<b>83,846</b>	<b>90,550</b>	Other	3,240	2,553
<b>Property, plant and equipment</b>	<b>45,224</b>	<b>45,306</b>	<b>Long-term liabilities</b>	<b>10,954</b>	<b>6,002</b>
Buildings and structures	14,279	15,116	Long-term debt	5,360	647
Machinery and vehicles	9,841	9,230	Deferred income taxes	4	14
Tools and fixtures	6,486	6,763	Accrued employees' retirement benefits	3,016	2,781
Land	13,304	13,483	Accrued officers' retirement benefits	1,485	1,420
Construction in progress	1,312	712	Other	1,087	1,138
<b>Intangible fixed assets</b>	<b>1,447</b>	<b>1,201</b>	<b>Total liabilities</b>	<b>84,927</b>	<b>85,500</b>
<b>Investments and advances</b>	<b>37,174</b>	<b>44,041</b>	<b>Net Assets:</b>		
Investments in securities	25,319	32,797	<b>Shareholders' equity:</b>	<b>139,659</b>	<b>133,254</b>
Investments	1,121	964	Common stock	6,459	6,459
Long-term loans	7	12	Capital surplus	8,719	8,719
Deferred income taxes	1,884	1,736	Earned surplus	124,609	118,185
Other	9,574	9,234	Treasury stock	(129)	(109)
Less allowance for doubtful accounts	(733)	(702)	<b>Other adjustments:</b>	<b>2,036</b>	<b>2,429</b>
			Unrealized gain on marketable securities	(466)	460
			Foreign exchange translation adjustment	2,502	1,968
			<b>Minority interests</b>	<b>4,299</b>	<b>5,229</b>
<b>Total assets</b>	<b>230,923</b>	<b>226,413</b>	<b>Total net assets</b>	<b>145,995</b>	<b>140,913</b>
			<b>Total liabilities and net assets</b>	<b>230,923</b>	<b>226,413</b>

**Consolidated Statements of Income** (Millions of yen)Current Term (From April 1, 2007, to March 31, 2008)  
Previous Term (From April 1, 2006, to March 31, 2007)

	Current Term	Previous Term
<b>Net sales</b>	<b>248,761</b>	<b>234,797</b>
Cost of sales	181,089	172,227
Gross profit	67,671	62,569
Selling, general and administrative expenses	52,547	49,830
<b>Operating income</b>	<b>15,124</b>	<b>12,739</b>
Other income	2,328	2,157
Other expenses	2,054	1,374
<b>Ordinary income</b>	<b>15,398</b>	<b>13,521</b>
Extraordinary income	918	637
Extraordinary loss	1,940	2,277
Income before income taxes	14,375	11,881
Income taxes: current	5,827	5,473
Prior corporate taxes of overseas subsidiaries	1,080	—
Income taxes	(334)	199
Minority interests (deduction)	(467)	(74)
<b>Net income</b>	<b>8,269</b>	<b>6,283</b>

**Consolidated Statements of Cash Flows** (Millions of yen)Current Term (From April 1, 2007, to March 31, 2008)  
Previous Term (From April 1, 2006, to March 31, 2007)

	Current Term	Previous Term
<b>Cash flows provided by operating activities</b>	<b>23,398</b>	<b>13,717</b>
<b>Cash flows used in investing activities</b>	<b>(8,209)</b>	<b>(14,825)</b>
<b>Cash flows used in financing activities</b>	<b>(6,263)</b>	<b>(658)</b>
<b>Cash and cash equivalents at end of year</b>	<b>39,178</b>	<b>30,034</b>

## Corporate Data

### Directory (As of March 31, 2008)

<b>Incorporated</b>	September 1, 1920
<b>Established</b>	September 2, 1950
<b>Paid-in capital</b>	6,459,746,974
<b>Head office</b>	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802 TEL: +81-52-361-8211
<b>Number of employees</b>	3,239

### Domestic Network (As of March 31, 2008)

#### Factories

Oguchi Factory, Seto Factory, Asahi Factory, Aichi Plant, Components Center

#### Research centers

Technology Development Center

#### Branches

Tohoku, Kanto, Chubu, Kansai, Kyushu

#### Domestic sales offices

Sapporo, Sendai, Niigata, Tokyo, Kita-Kanto, Higashi-Kanto, Minami-Kanto, Shizuoka, Nagoya, Osaka, Kyoji, Hiroshima, Takamatsu, Fukuoka

#### Domestic satellite offices

Kitami, Kushiro, Obihiro, Asahikawa, Hakodate, Aomori, Hachinohe, Akita, Morioka, Yamagata, Sakata, Koriyama, Iwaki, Fukushima, Joetsu, Niigata, Nagaoka, Mito, Tsuchiura, Chiba, Matsudo, Tama, Utsunomiya, Saitama, Tokorozawa, Koshigaya, Kumagaya, Takasaki, Ota, Tokyo, Yokohama, Atsugi, Yokohama-kita, Yamanashi, Numazu, Hamamatsu, Nagano, Matsumoto, Ueda, Toyama, Kanazawa, Fukui, Toyohashi, Okazaki, Aichi, Tono, Gifu, Mie, Yokkaichi, Shiga, Nara, Wakayama, Tanabe, Kyoto, Fukuchiyama, Kobe, Himeji, Okayama, Tottori, Yonago, Hiroshima, Fukuyama, Yamaguchi, Takamatsu, Matsuyama, Kochi, Tokushima, Kitakyushu, Saga, Nagasaki, Sasebo, Oita, Kumamoto, Miyazaki, Kagoshima, Okinawa

### Board of Directors (As of June 27, 2008)

Chairman	Susumu Naito
Vice Chairman	Kenji Hayashi
President*	Hiroyasu Naito
Director and Senior Executive Officer	Tsunenori Narita
Director and Senior Executive Officer	Kozo Masuoka
Director and Executive Officer	Masao Kosugi
Director	Tsutomu Miyata
Executive Officer	Takashi Nagasaka
Executive Officer	Takeshi Iwata
Executive Officer	Yuji Kondo
Executive Officer	Sadao Yoshimura
Executive Officer	Masayuki Iijima
Executive Officer	Tadanobu Netsu
Executive Officer	Shizuo Sasaki
Executive Officer	Toshinori Kozawa
Executive Officer	Yuzo Yoshida
Executive Officer	Takashi Sonoda
Executive Officer	Katsuhiko Shinji
Corporate Auditor (Standing Auditor)	Katsuhiro Warita
Corporate Auditor (Standing Auditor)	Yasuhiko Goto
Corporate Auditor	Ken Yazaki
Corporate Auditor	Kiyokira Fukui

Notes: 1. President (\*) doubles as Executive Officer.

2. Ken Yazaki and Kiyokira Fukui (Corporate Auditors) serves as an outside auditor.

# Share Information (As of March 31, 2008)

## Share Composition

### Number of shares

#### Authorized:

200,000,000

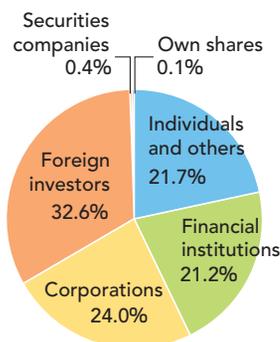
#### Outstanding:

54,216,463 (Including treasury stock)

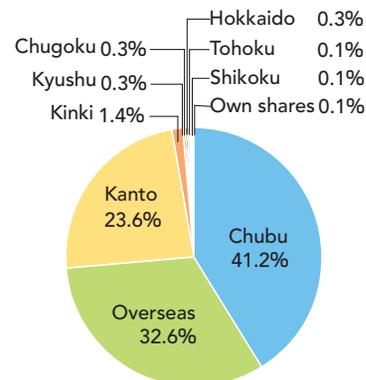
#### Number of shareholders:

3,625

### Composition of shareholders



### Shareholders by region



## Major Shareholders

Name	Shares held (Thousands)
Northern Trust Company (AVFC) Sub-Account American Client	6,290
Deutschland Bank AG Frankfurt	6,006
Naito Co., Ltd.	5,415
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,168
Yoshikane Shoji Co., Ltd.	4,002
Kenji Hayashi	2,652
Susumu Naito	2,478
Northern Trust Company (AVFC)	
Nippon Life Insurance Company	1,000
Japan Trustee Service Bank, Ltd. (Trust Account)	943
The Nomura Trust and Banking Co., Ltd. (Trust Account)	799

## Stock Price Range



## Memorandum for Shareholders

### Financial year-end

March 31

Year-end dividends are paid to shareholders as of March 31;  
interim dividends are paid to shareholders as of September 30.

### Minimum trading unit

100 shares

### Public notice

Public notices by the Company will be announced online.  
<http://www.rinnai.co.jp>

However, if due to accident or some other unavoidable reason that prevents the Company from completing an online announcement should arise, a public notice will be made by posting in the *Nihon Keizai Shimbun*.

### Transfer agent

The Chuo Mitsui Trust & Banking Company, Limited.  
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574

### Transfer administration office

The Chuo Mitsui Trust & Banking Company, Limited.  
Nagoya Branch, Stock Transfer Agency Department  
15-33, Sakae 3-chome, Naka-ku, Nagoya 460-8685  
Freedial 0120-78-2031

### Transfer agency offices:

The Chuo Mitsui Trust & Banking Company, Limited.  
Head office and branches throughout Japan

Japan Securities Agents, Ltd.

Head office, branches and regional offices

### ● Notice

If you are in Japan, you can request the standard forms for address changes, the purchase of shares fewer than the minimum trading unit, or the designation of a bank account for the transfer of dividends around the clock at the toll-free service of the transfer agent (0120-87-2031).

### Stock Listings:

Tokyo Stock Exchange, First Section

Nagoya Stock Exchange, First Section

## Our Website

### ● IR information

[http://www.rinnai.co.jp/en/ir/index\\_ir.html](http://www.rinnai.co.jp/en/ir/index_ir.html)

Provides the latest information for shareholders and other investors, including financial figures and flash reports.

