



Rinnai Report 2025 (Integrated Report)

Rinnai

Aiming for the Realization of Healthy and Comfortable Lifestyles and Sustainable Societies

Since its establishment in 1920, Rinnai has contributed to more affluent lives for people around the world by providing products and services suited to the lifestyles, climates, and energy conditions of each country.

To fulfill our brand promise “Creating a healthier way of living,” we will continue to contribute to the attainment of a healthy, comfortable lifestyle and sustainable society for people worldwide by utilizing all energy sources in the areas of heat and lifestyles and health and lifestyles, and by solving global social issues with our core technologies.



Fundamental Concept

Quality is our destiny

Company Motto

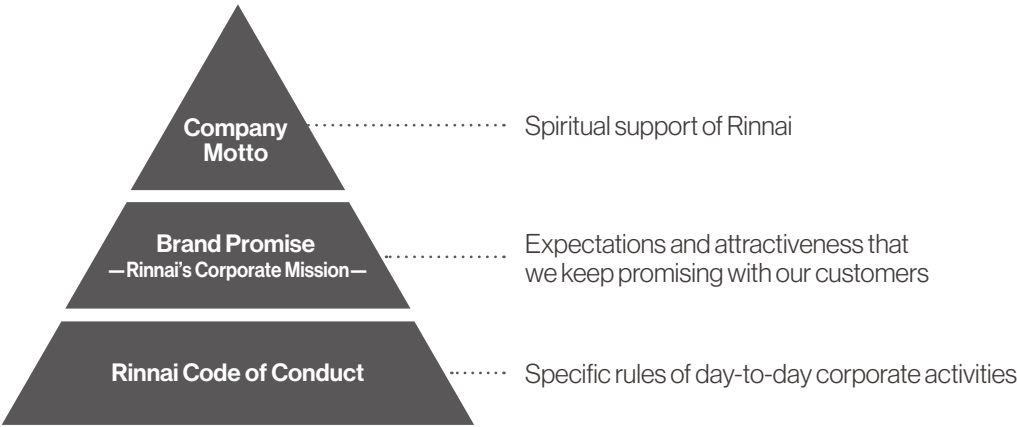


- 和 Harmony: Develop personal character of the highest caliber
- 氣 Spirit: Base your efforts on a consistent philosophy
- 真 Sincerity: Know the fundamentals and consider issues with precision and clarity

Brand Promise — Rinnai's Corporate Mission —

Creating a healthier way of living

Schematic Diagram of Company Ideals



Rinnai Human Rights Policy

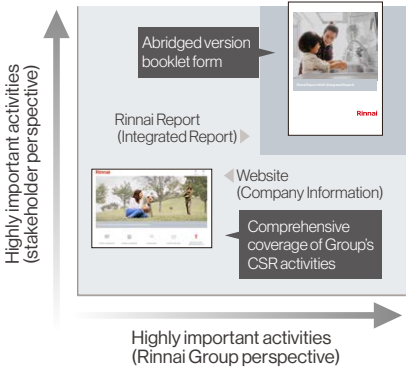
In accordance with the United Nations Guiding Principles on Business and Human Rights, Rinnai Corporation established the Rinnai Human Rights Policy and hereby declares that it will respect human rights in all its business activities. For details, please refer to the following. <https://www.rinnai.co.jp/en/corp/human-rights/>

Editorial Policy

Rinnai produced the Rinnai Report 2024 (Integrated Report) to convey to stakeholders management's approach to the realization of a sustainable society, to describe the activities undertaken Groupwide, and to encourage a deeper understanding of the Group's operations to as many people as possible.

Rinnai's Activities

We produce an abridged version of our Rinnai Report (Integrated Report) in booklet form. Other examples of Company initiatives, detailed information, and related data are posted in the Company Information section of our website.



Scope

Rinnai Group (Rinnai Corporation and companies under the Rinnai Group umbrella in Japan and overseas)

Reporting Period

This report focuses on events that occurred in fiscal 2025—April 1, 2024, to March 31, 2025—but also touches upon measures implemented and recent activities undertaken since fiscal 2024 as well as future business direction, targets, and plans.

Referenced Guidelines

GRI Standards, ISO 26000, Environmental Reporting Guidelines, issued by Japan's Ministry of the Environment
Environmental Accounting Guidelines, issued by Japan's Ministry of the Environment
IIRC, The International Integrated Reporting Framework

Publication Schedule

August 2025 (Japanese version)
Previous: August 2024, Next: August 2026 (planned)

Important Points Regarding Future Outlook

This report includes descriptions of earnings forecasts and outlooks for Rinnai and Group companies.
These descriptions are based on currently available information and forecasts as determined by Rinnai. Actual results may differ from forecasts depending on various external factors going forward.

Contents

01	Sustainability Policy
03	Corporate Mission and Vision Editorial Policy/Contents
05	Our History
07	Rinnai Group Profile
09	Message from the President
15	Value Creation Process
17	Core Competence (Intellectual Capital) Supporting Rinnai Growth
19	Progress Report on Medium-term Business Plan New ERA 2025
21	Financial Strategy
23	Rinnai's Approach to the SDGs Linked to its Management Strategy
24	Representative Examples of SDG Initiatives
25	Rinnai's Overseas Expansion
26	Market Trends and Strategies in Major Overseas Countries
29	Identifying Material Issues

Materiality

31	Materiality [Environment] Materiality Special Feature (1)-1
33	Materiality [Environment] Materiality Special Feature (1)-2
34	Materiality [Environment] Materiality Special Feature (1)-3
35	Responses to the Task Force on Climate-related Financial Disclosures
37	Environmental Impact within Rinnai's Value Chain
39	Materiality [Safety and Peace of Mind] Materiality Special Feature (2)
41	Materiality [Improved Quality of Life] Materiality Special Feature (3)
43	Materiality [Human Capital]
45	Materiality [DX]
47	Materiality [Suppliers]
49	Materiality [Shareholders and Investors]

Governance

51	Management Structure
53	Leadership
55	Skills Matrix of Directors
56	Communication with Outside Executives
57	Compliance
58	Risk Management

Data Collection

59	Data Collection Eleven-Year Financial Summary, Human Resource- and Personnel-Related Data, Environmental Data
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Our History

Thinking Unchanged from the Company's Foundation



A catalogue of pressurized kerosene gas stoves, a product of the Rinnai founding

A product catalog issued at the time of the Company's founding in 1920 contains the same philosophy of social contribution it lives by today.

Wording listed in catalog

- Saving on fuel costs is an urgent priority
- Achieving the ideal of scientific manufacturing
- Outstanding technology that differs from conventional products and structures
- We value responsibility and trust as our foundation
- Contributing to society by improving manufacturing efficiency

Aspirations unchanged even today

- ⇒ • Energy conservation and contribution to the global environment
- ⇒ • Establishing ideal technology
- ⇒ • Technological advancement through breakthroughs
- ⇒ • Building a brand known for safety and peace of mind
- ⇒ • Social contribution through productivity

Two facts that make us feel our Purpose

(1) Promoting the diffusion of products that contribute to the global environment

Currently, the volume of CO₂ emitted by Rinnai products used in the market accounts for about 1.5% of Japan's total emissions. While the heat energy appliances we provide are necessary for people to live affluent lives, we also recognize our responsibility as a company to reduce CO₂ emissions and feel that we must develop and promote energy-saving products that reduce CO₂.

(2) Providing a stable supply of products necessary for daily life

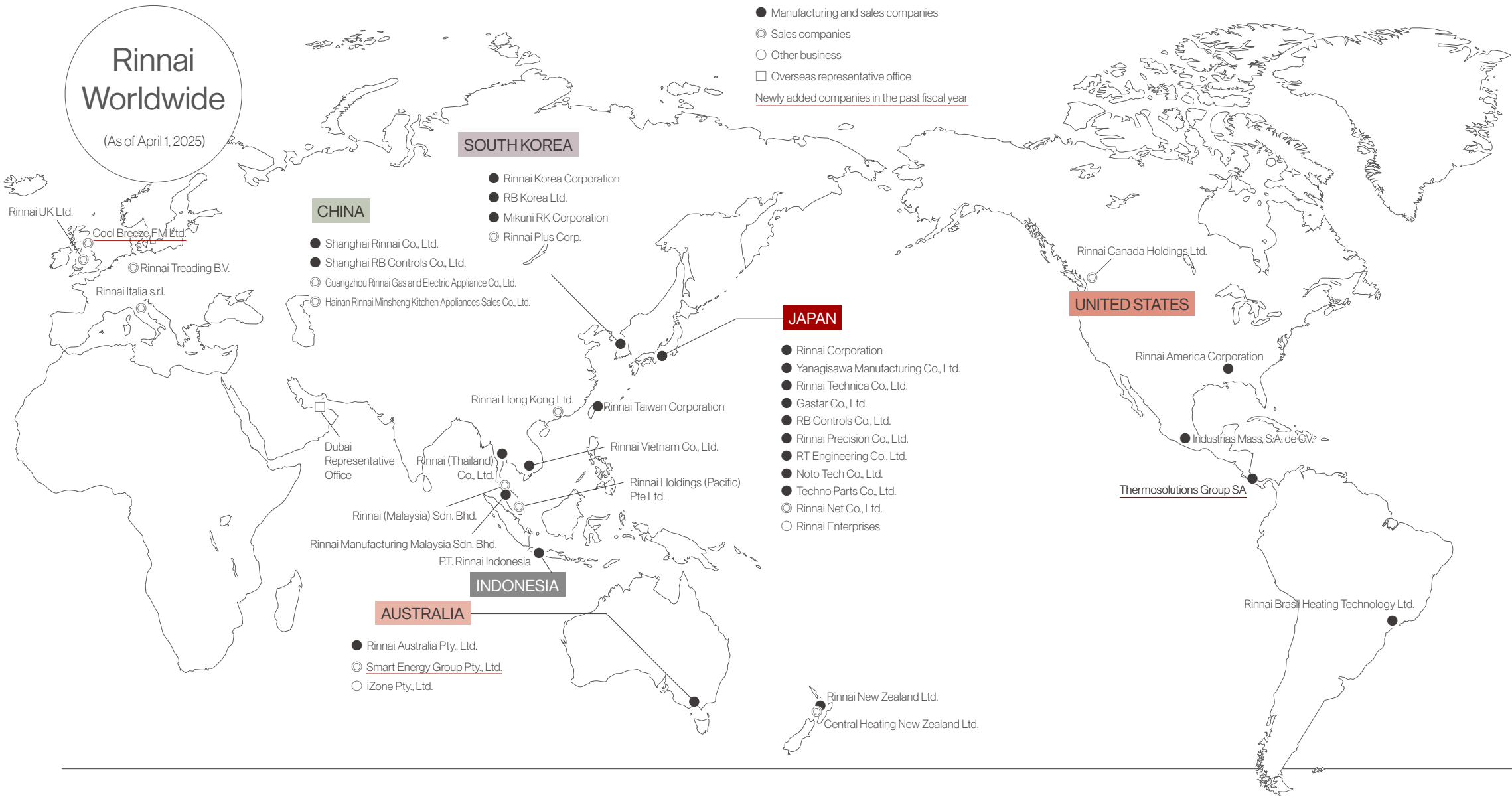
The global spread of COVID-19 triggered a shortage of materials and parts. This has led to difficulties in supplying our products to the market. We were made keenly aware of the deficiencies of our production system and have reflected on the great inconvenience caused to our customers who use our equipment. At the same time, this situation has also been an opportunity for us to realize once again that the products we deliver are necessary for daily life.

What we continue to do unchanged both in the past and present (evolution in the products offered)

We have been providing the world with products that are highly energy efficient, make life easier, and help people to lead more affluent lives. We have always worked on the development of advanced heat energy appliances, which has gradually become more widespread in Japan and around the world as modernization progresses. Our mission, which has been passed down from the time of our founding to the present day, is "Rinnai utilizes heat to provide society with a comfortable way of life." We believe contributing to society is the value a company delivers and will continue striving to do so.

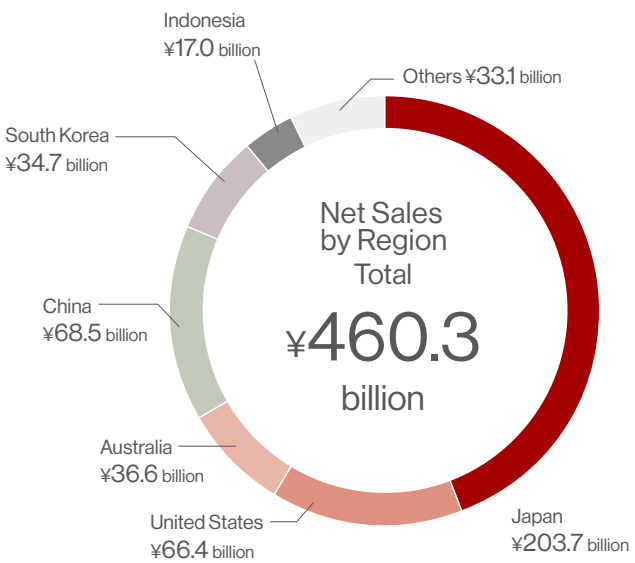


Rinnai Group Profile



Corporate Data (As of March 31, 2025)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,484,416,754
Head office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802, Japan
Telephone	(From outside Japan): +81-52-361-8211
Number of employees	10,908 (consolidated), 3,512 (non-consolidated)
Number of Group companies	51 (domestic 12, overseas 39)



Water Heaters and Heating Systems

Water heaters, water heater with bath-filling systems, water heater with heating systems, hybrid water heater with heating systems, bathroom heater/dryer, floor heating systems, and others



Eco Jozu, gas water heater with bath-filling system (JAPAN)

High-efficiency gas tankless water heater (UNITED STATES)

Kitchen Appliances

Tabletop cookers, built-in hobs (stove-tops), ovens, dishwashers, range hoods, rice cookers, and others



Dishwasher (JAPAN)

Home Heaters

Fan heaters, fanned flue heaters, infrared heaters, and others



Gas fan heater A-style (JAPAN)

Fanned flue heater (UNITED STATES)

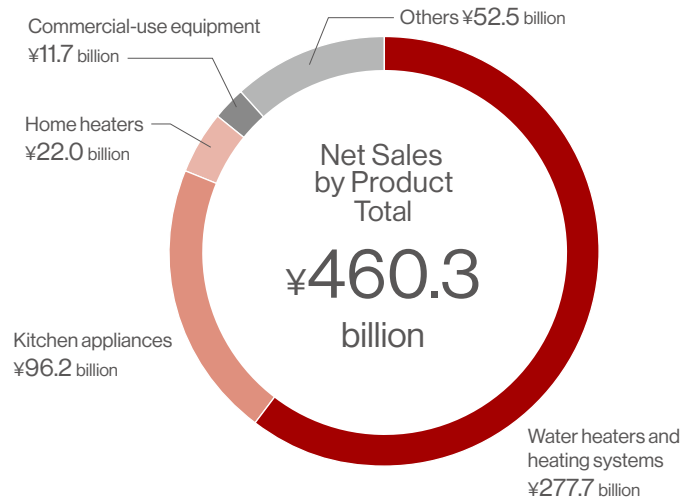
Commercial-Use Equipment, Others

Industrial ceramics machines, commercial-use ranges, commercial-use cookers, gas clothes dryers, components, and others



Duct-type air-conditioning and heating system (AUSTRALIA)

Gas clothes dryer (JAPAN)



Message from the President



As we approach the final year of our medium-term business plan New ERA 2025, we will continue to grow while focusing on developing technologies and products that contribute to society through surprise and excitement

President

Hiroyasu Naito

Let me begin this message by noting that it has recently come to light that bathroom heater/dryers may, on extremely rare occasions, catch fire due to malfunctions related to the gradual deterioration of certain components. We sincerely apologize for any inconvenience or concern caused to our customers and stakeholders. We request that users of the affected products discontinue their use, and we have implemented an inspection and repair program at no charge. Going forward, we will focus on product designs where deterioration does not compromise safety during use, and we will once again take to heart the value of quality that has underpinned Rinnai throughout its history.

Amid challenging business conditions, we achieved record-breaking earnings driven by the growth of original products

In fiscal 2025, the fiscal year ended March 31, 2025, the global economy continued to face uncertainty as deteriorating business confidence persisted due to rising prices and monetary tightening. This was compounded by such factors as U.S. policy trends, particularly regarding trade, and the prolonged slowdown in the Chinese economy. The Japanese economy also faced challenges including burgeoning raw material and energy costs, inflation, and currency fluctuations, again creating no room for complacency. Undeterred by such challenging conditions, the Rinnai Group achieved record-high sales and profits in fiscal 2025. We attribute this to the elimination of the impact of high inventory levels carried over from the previous fiscal year and the growth in sales of distinctive, high-value-added products in the domestic market. Net sales were ¥460,319 million (up 7.0% year on year), operating income was ¥46,005 million (up 16.9%), ordinary income was ¥50,323 million (up 9.2%), and net income attributable to owners of the parent company was ¥29,691 million (up 11.3%). In overseas segments, in the two priority strategic markets, the United States moved from an operating loss in fiscal 2024 to a profit, while China remained profitable despite a slowing market thanks to strong brand power, production adjustments, and cost-cutting efforts. In regard to concerns over tariffs imposed by the Trump administration, we anticipate that while prices may fluctuate for water heaters sourced from Japan and sold in the United States, the overall impact of tariffs will not be significant.

Progress in the Fourth Year of the Medium-term Business Plan

The medium-term business plan New ERA 2025 sets management targets of ¥450 billion in net sales and ¥50 billion in operating income. For fiscal 2025, the fourth year of the plan, we are budgeting for the sales target to be achieved one year ahead of schedule, and for fiscal 2026, the final year, our plan is to achieve net sales of ¥470 billion. Regarding operating income, supply and demand imbalances caused by the COVID-19 pandemic led to unstable trends during the plan period, but we expect to achieve the target in the final fiscal year.

Advancement in Addressing Social Challenges – Fostering Original Technologies and Products from a Long-Term Perspective

Rinnai aims to achieve a 100% increase in sales (compared to fiscal 2021) for products helping to “improve quality of life” and a 70% increase (compared to fiscal 2021) for products contributing to “help resolve global environmental problems” in the final year of the medium-term business plan. These products represent one of the strategic stories in the plan: “Advancement in Addressing Social Challenges.” In fiscal 2025, sales were driven by highly unique products backed by strong consumer demand, such as the *ECO ONE* hybrid water heater with heating systems, *Kanta-kun* gas clothes dryers, and ultra-fine bubble water heaters that feature “Air Bubble Technology.” As a consequence, sales of products helping to “improve quality of life” increased by 92%, while those contributing to “help resolve global environmental problems” rose by 68.2%, progressing steadily toward our targets. Such high-value-added products are steadily growing as pillars of our profits. I am confident that if we had focused solely on near-term sales and profits, we would not have achieved these results or earned our customers’ loyalty. *ECO ONE* and *Kanta-kun* did not enjoy particularly strong sales when they were launched. Instead, they became widely sought-after products as the social environment

changed and consumers began to reflect on their own lifestyles and the way society ought to be and thus grew increasingly interested in them. In my opinion addressing social challenges requires a long-term perspective in development and sales. It is essential to patiently nurture products with the spirit of *Un-Don-Kon**, often cited as a teaching of Omi merchants. We also have high hopes for the SAFULL+ gas stove for seniors, launched in February 2024. Based on SAFULL and its universal design, this product was developed with special consideration for the elderly and persons with dementia. It received a Special Award at the “Orange Innovation Award 2024,” organized by the secretariat of the Dementia Innovation Alliance Working Group. The development process, which incorporated feedback from individuals with dementia and their supporters and was carried out with their active participation, has been highly praised. The product also received coverage in the media, and I sense a heightened interest in the challenges facing the lives of the senior generation.

**Un-Don-Kon* (Luck, Stubbornness, and Perseverance): This phrase is often cited as a teaching of merchants in Omi (today’s Shiga Prefecture) because it aligns with their business philosophy and values. Luck refers to good fortune and the ability to ride the tides of the times. Stubbornness means being resilient to failure or criticism and maintaining a tenacious mindset. Perseverance signifies endurance, the power to keep going, and the ability to accumulate effort.

We established an organization called the Innovation Center in April 2025 to serve as a driving force behind advancing research and development that contributes to addressing social challenges. At this facility, we will deepen our established technologies and products to meet diversifying market needs, while further enhancing research and development of technologies essential for achieving carbon neutrality — such as heat pump and hydrogen technologies — and pushing them toward commercialization. We are currently conducting demonstration experiments on demand response (DR) with ENERES Co., Ltd. using *ECO ONE*. DR is a mechanism that temporarily adjusts consumers’ electricity usage to respond to fluctuations in unstable renewable energy supply or to suppress peak electricity demand. Rinnai aims to apply DR as a balancing mechanism to facilitate switching to gas when electricity supply and demand become tight during *ECO ONE* usage. Connecting individual water heaters with DR functionality via communication networks provides a countermeasure against blackouts. We have high expectations for the Innovation Center to research and realize the potential of water heaters to create new value and contribute to society. In the area of hydrogen technology development, the prototype hydrogen grill jointly developed with Toyota Motor Corporation has become the first in Japan to obtain certification based on

the Inspection Regulations for Commercial Hydrogen Gas Kitchen Appliances (Japan Gas Appliances Inspection Association). As such, the technology for safely combusting pure hydrogen has been established, and efforts to address closely watched hydrogen energy, are steadily progressing.

Furthermore, while the medium-term business plan sets targets for CO₂ reduction contributions, sales of water heaters in China, planned as a major contributor to the targets, have declined, significantly slowing progress. As a result, we expect that the target will not be achieved by the final fiscal year.



Demonstration unit of the hydrogen grill jointly developed with Toyota

Expansion of Business Scale – Measures Based on Market Trends and Government Policies, and Strengthened Group Collaboration

Looking at our strategic expansion into overseas markets, first in the U.S. market, while the housing market continues to slump, demand for switching from hot water storage tanks (tank-type water heaters) to high-efficiency instantaneous water heaters (tankless water heaters) remains strong. We will continue endeavoring to capture this demand. Additionally, we will roll out our heat pump water heaters, offering products that can replace gas appliances, thereby establishing a framework capable of responding to environmental measures and policy trends. In China, due to weakened consumer

sentiment, we will focus on reducing equipment costs while prioritizing sales through both online and bricks-and-mortar stores. Additionally, in Australia, where the gas appliance market is shrinking due to the government’s electrification policies, Rinnai acquired Smart Energy Group Pty., Ltd., a home energy product sales company specializing in photovoltaic and battery storage systems. This marks the Rinnai Group’s first venture into the photovoltaic business domain and is a first step toward establishing a new pillar of business apart from gas appliances.



ECO ONE X5 contributing to carbon neutrality



The SAFULL+ gas stove for seniors has won a Special Award at the Orange Innovation Awards 2024



Message from the President continued

Regarding our overseas strategy, we are implementing a framework to strengthen cross-functional collaboration within the Rinnai Group to complement the fundamental approach of production and sales led by local subsidiaries. We have long held international conferences where top executives, managers, and seconded staff at local subsidiaries gather to report on progress and share information across countries. In recent years, we have also begun holding these conferences for development and manufacturing departments so that each group

Revolution of Corporate Structure

– Make Focused Investments in Intangible Assets –

In the medium-term business plan, we are moving forward with focused investments in intangible assets to transform our corporate structure. Regarding human capital, we recognize that strategic investment is essential to realize the strategic story of the medium-term business plan and continue to do so. We are implementing awareness reform through e-learning to expand training for assistant manager-level employees and promote diversity as part of rank-specific education. Additionally, we are strengthening the development of core personnel as training that connects to the next medium-term business plan. Motivating and inspiring our employees is pivotal, and we intend to advance these initiatives even further. Furthermore, we are advancing business transformation through digital transformation (DX) utilizing data and digital technology, and we believe further evolution of these initiatives is possible going forward. Therefore, last fiscal year we established a new internal award program, the “DX Grand Prize,” to recognize exemplary implementation cases. By sharing these cases, we aim to encourage more effective business process transformation activities and create a virtuous cycle.

– Capital Policy –

In our medium-term business plan, we have placed improving capital efficiency and maximizing shareholder value at the core of our strategy, and we have been advancing our capital policy with ROIC, ROE, and total



A home energy product sales company in Australia joined the Group

company enhances its own value by exchanging information, sharing and adopting initiatives and technologies.

return ratio as key metrics. Improving ROIC continues to face challenging conditions, including a temporary decline due to increased inventory levels of products and parts to address supply-demand imbalances caused by the pandemic. Therefore, achieving the target of 19% is expected to be difficult. That said, we will continue to pursue improvements through profit growth and capital control by revising our production systems and further strengthening our supply chain resilience.

To bolster our earning power, we are implementing proactive growth investments under this medium-term business plan, planning investments of up to ¥205 billion (¥80 billion in necessary investments under the base scenario plus ¥125 billion in growth investments and strategic expenses) — significantly exceeding the intensity of our investments over the past five years. In the years up to fiscal 2025, we invested in projects including the second phase of the Shanghai Rinnai facility, the brand showroom Rinnai Aoyama, and the expansion of the Production Technology Center, bringing the cumulative investment amount to ¥162 billion. Regarding shareholder returns, we are implementing both dividends and flexible share buybacks. The total return ratio for this medium-term business plan period is expected to reach 77.3% (total amount of returns: ¥106 billion), significantly exceeding the 40% target (total amount of returns: ¥60 billion) set for this MTBP. For fiscal 2026, we plan to pay an annual dividend of ¥100 per share, an increase of ¥20 from the previous year, and to repurchase ¥10 billion worth of our own

shares. Furthermore, in the next medium-term business plan (FY2027–FY2031), we aim to achieve an ROE exceeding 10%. We will continue to focus our efforts on further strengthening our earning power and enhancing capital efficiency.

– Governance –

The Rinnai Group views strengthening and enhancing governance as a key management priority and changed the composition of its Board of Directors from fiscal 2024 to fiscal 2025. Currently, the Board of Directors consists of nine directors, four of whom are independent outside directors (including two women). Our Board of Directors comprises members equipped with the skills necessary for the sustained enhancement of corporate value and

the achievement of our medium-term business plan. We engage in candid discussions not only to comprehensively deliberate on growth investments such as research and development, human resources, and capital investment, but also to pursue management conscious of the cost of capital. Additionally, the ESG Committee, chaired by me as President, identifies issues based on information gathered from investor meetings and third-party evaluations, advances discussions on these matters, and reports the content to the Board of Directors. Recent agenda items at the ESG Committee include measures to strengthen governance, promoting women’s advancement, expanding the scope of Scope 3 greenhouse gas emissions, and communication with suppliers.

The Rinnai Brand, Built by Accumulating Moments of Surprise and Excitement

I have always believed that products need to inspire “surprise and excitement.” Long ago, I was selling stoves at a trade show and displayed a glass-top built-in hob costing ¥300,000 alongside a stove priced under ¥20,000. At the time, I never imagined it would sell, but many people came specifically to see the beautiful built-in hob and ended up buying it. Witnessing firsthand how people find value not only in functionality but also in beauty, leading them to purchase premium models, I became aware that products must also possess elements that move the heart (excite) through visual appeal. This was equally true for products sold overseas. I learned that while offering surprise and excitement to customers with functionality is essential, appealing to their visual senses through aesthetics is equally indispensable. From this experience, I have always aspired to grow Rinnai products into a preferred brand that delivers both function and aesthetics and imparts both surprise and excitement. With the nature of energy changing today, the Company will not have a future with

gas appliances alone. Furthermore, providing products that meet society’s needs is the value of the Rinnai Group. In this transitional phase, we are focusing our efforts on product development that can respond to societal trends, striving to deliver products offering new levels of “surprise and excitement” at the right time in the future.

I would like to thank all our stakeholders for their continued guidance and support.



Rinnai Aoyama, a brand experience facility expected to serve as a touchpoint with new users

Value Creation Process

The Rinnai Group attempts to conduct corporate management with a focus on ESG indicators to ascertain the environmental impact of various social issues and business activities as well as the opinions and expectations of related stakeholders. We strive to realize sustainable corporate growth and contribute to international initiatives such as the SDGs through the implementation of a value creation process driven by strategic management focused on ESG indicators.

Rinnai Group Value Creation Process

External Environment / Social Issues

Climate change / global warming	Rinnai handles water heaters and heating units that utilize a large proportion of residential energy.
Product usage risks	Company-related product usage risks include fires caused by gas stoves and "heat shock" occurring in the bathroom.
Work style changes cause decrease in quality of lifestyles	Demand for products that reduce time required for household chores due to decrease in quality of lifestyles as a result of a rise in dual income households, declining birthrates and an aging population

Invested Capital (Fiscal 2025)

Human capital	Employees ^{*1} :	10,908 people
	Employed (Rinnai non-consolidated) ^{*1} :	129 people
	Training and development expenses: (Rinnai non-consolidated)	¥194 million
Intellectual capital	Research & Development Headquarters staff: (Rinnai non-consolidated) ^{*1}	503 people
	Production Engineering Headquarters staff: (Rinnai non-consolidated) ^{*1}	186 people
	R&D expenses (Rinnai non-consolidated):	¥9,360 million
	ISO 9001 certification acquisition: (number of companies) ^{*1}	19 companies
	ISO 14001 certification acquisition: (number of companies) ^{*1}	15 companies
Financial capital	ROE	7.5%
	ROIC	11.1%
	Equity ratio	66.9%
Manufactured capital	Rinnai Group production bases: (number of companies) ^{*1}	23 companies
	Production group staff (Rinnai non-consolidated) ^{*1} :	1,528 people
	Capital expenditure (Rinnai non-consolidated):	¥7,397 million
Natural capital	Input energy:	1,063,094 GJ
	Water used: Ground water:	147,237 m³
	Public water:	711,215 m³
Social and relationship capital	Rinnai brand, external evaluations, stakeholder engagement,	
	Rinnai Group Code of Ethics	

^{*1} As of March 31, 2025

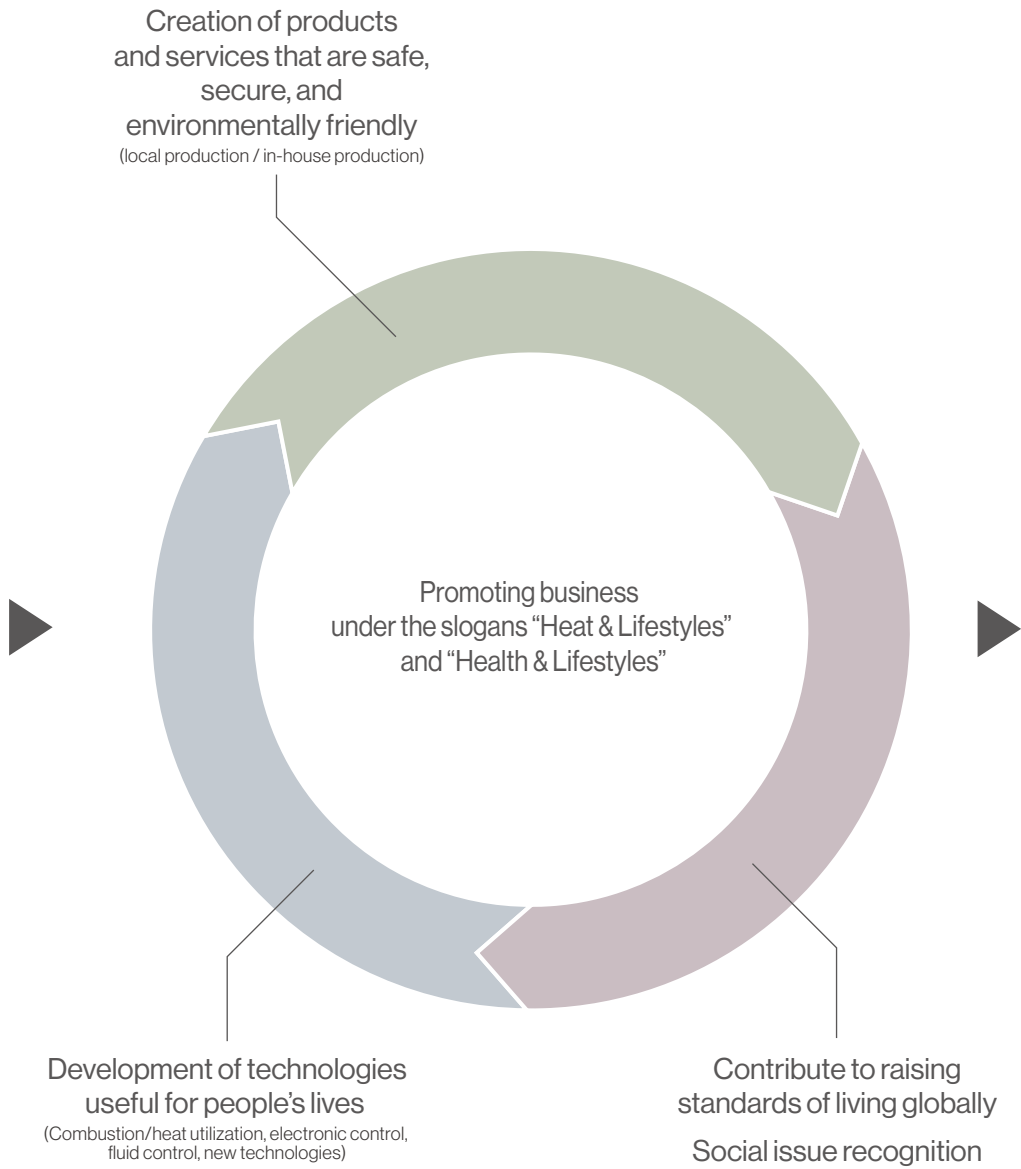
Risks

[Domestic] Expansion of thermal energy systems centered on electric power
[Domestic] Price reduction of gas appliances due to customer requests
[Domestic] Declining birthrates, an aging population, and a decreasing number of households
Decreasing working hours and intensifying competition for securing human resources

Opportunities

Growing demand for energy-saving products by strengthening environmental policies
Increasing needs for safety and accident prevention as social issues
[Overseas] Expand use of natural gas and hydrogen
[Overseas] Improving living standards
Progress in evaluation of corporate ESG initiatives

Business Activities



Value Provided

Environmental contribution
Providing lifestyles that reduce consumption of everyday lifestyle energy usage and impact on the environment
Safety and peace of mind
Supporting lifestyles that enable the prevention and avoidance of various potential risks in the home
Quality of life
Proposing lifestyles that reduce the burden and time required to perform household chores

Fiscal 2025 Achievements

Consolidated net sales	¥460,319 million
Operating income	¥46,005 million
Operating income ratio	10.0%
Net income attributable to owners of the parent company	¥29,691 million
Net assets (equity ratio)	¥461,718 million (66.9%)
Dividend per share (annual)	¥80
Products contributing to improved quality of life	Sales Approx. ¥150,000 million
Products that benefit the global environment	Sales Approx. ¥200,000 million
Amount contributed to reducing CO ₂ emissions (* Consolidated basis)	5.30 million tons
Announcements of product recalls due to defects:	0 case

^{*} The recall announcement that occurred in April 2025 will be included in the 2026 Integrated Report.

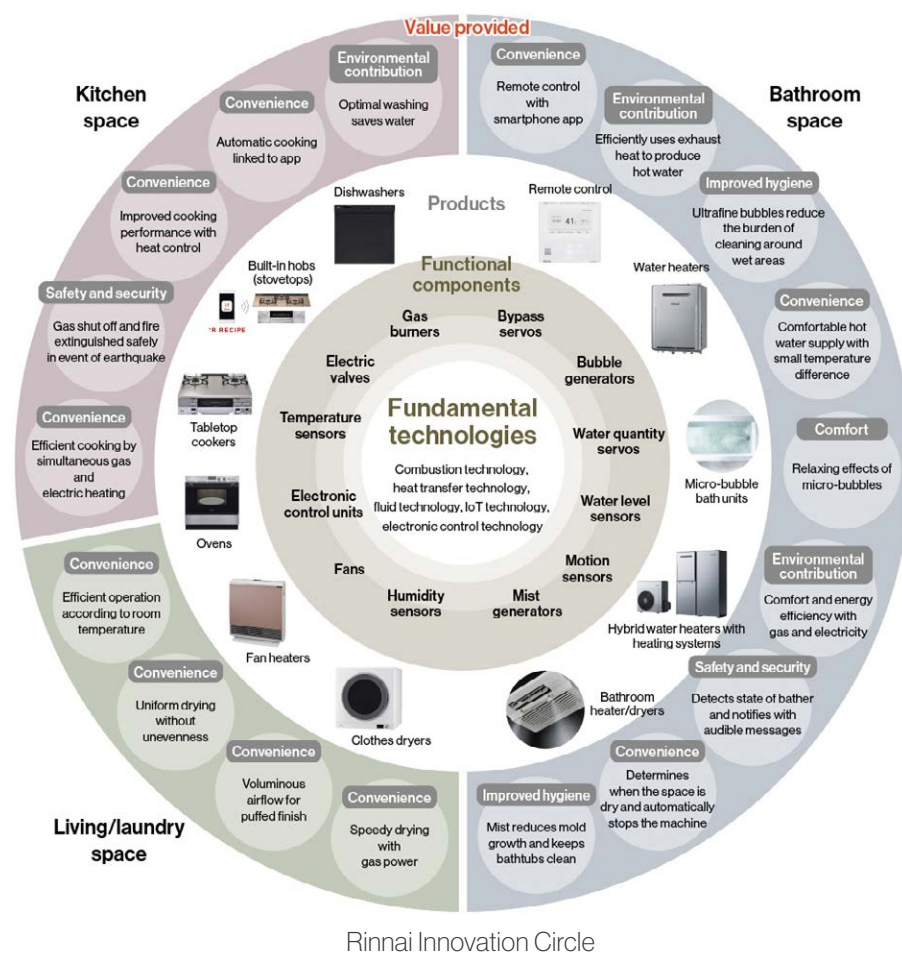
Core Competence (Intellectual Capital) Supporting Rinnai Growth

R&D Policy

The Rinnai Development Division is engaged in the research and development of products, services, and technologies centered on housing equipment closely linked to people's lives, with the aim of providing people to lead richer, more enjoyable lives while also ensuring a sustainable global environment. Specifically, to make bathroom, living room, and kitchen spaces more comfortable, we will develop products based on the combustion, heat transfer, fluid control, IoT, and electronic control technologies cultivated up to now, while further incorporating sensing, network, AI, and other advanced technologies to create new value.

R&D Scope

Having defined the scope of Development Division activities as the “Rinnai Innovation Circle” leading from foundational technologies to value provision, our mission is to further expand the framework (RIM) of this scope through innovation.



Production Engineering Policy

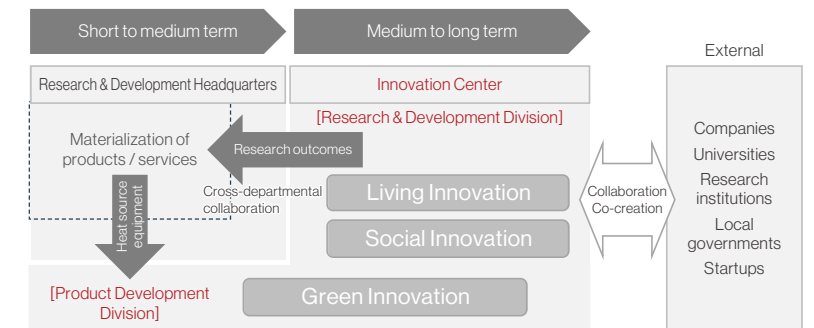
The Rinnai Production Engineering Division pursues “healthy and comfortable lifestyles for people” and “a stable profit structure” through the development of manufacturing technologies. For many years, we have engaged in the research and development of technologies, methods, and mechanisms implemented at our manufacturing sites that facilitate the delivery of Rinnai Group products and services to customers in a timely manner at reasonable prices. To responsibly ensure Rinnai’s fundamental concept of “quality is our destiny,” we are enhancing core technologies while conducting the in-house production of molds, equipment, and information systems, as well as pursuing collaborative creations with business partners.

Strengthening Rinnai's Technological Capabilities

Rinnai continues to enhance its technological capabilities through repeated updates to its equipment, facilities, and organizational structure. In April 2025, we launched a new Innovation Center organization to strengthen new technology development. This follows expansion the Production Technology Center to develop advanced manufacturing technologies in fiscal 2025.

New Innovation Center Organization Established

To advance R&D toward achieving carbon neutrality and fostering collaboration and co-creation, we have established a new headquarters-level organization, the Innovation Center, with the Product Development Division and the Research & Development Division positioned under it.



VOICE

The Innovation Center's structure consists of two main organizations: the Product Development Division and the Research & Development Division. The Product Development Division pursues technologies for environmentally conscious products aimed at achieving carbon neutrality. Meanwhile, the Research & Development Division aims to move beyond its previous go-it-alone stance and promote collaboration and co-creation with external experts. We will create a new growth stage for Rinnai through innovation-driven expansion of our business domains.



Managing Executive Officer
Chief of Innovation Center
Yoshihiko Takasu

Expansion of the Production Technology Center



The Production Technology Center is a facility dedicated to mastering cost reductions and new technology development related to production led by the Production Engineering Headquarters. The center was recently expanded to tackle new challenges. Addressing the social challenge of achieving carbon neutrality and developing automation and digital technologies to compensate for a shrinking workforce in Japan will be a crucial role underpinning Rinnai's manufacturing capabilities.

VOICE

The Production Engineering Headquarters' role is to contribute to the Company's management through two key pillars: cost reduction and production systems. When launching new products, we work in tandem with development and product design while collaborating with manufacturing to transform production methods and build a profitable manufacturing system. With this expansion, the center is a one-stop shop for everything from prototyping to molds, equipment, and system development. This will enhance precision in each process and accelerate cost reduction.



Director and Senior Managing Executive Officer
Chief of Production Engineering Headquarters
Kazuto Inoue

New ERA 2025

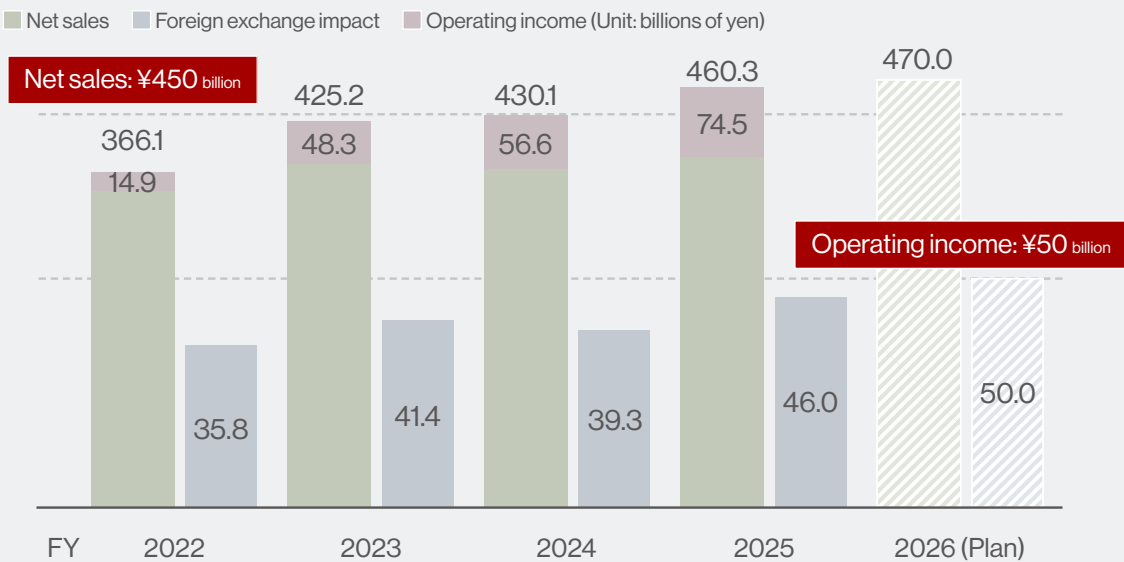
New Expansion,
Revolution and Advancement

Medium-Term Business Plan Three Strategic Stories

Under the medium-term business plan New ERA 2025 that began in fiscal 2022, we have formulated three strategic stories centered on “Advancement in addressing social challenges,” “Expansion of business scale,” and “Revolution of corporate structure.” Four years have now passed in the five-year plan.

Progress in Net Sales and Operating Income

The sales target for the final year of the medium-term business plan, fiscal 2026, was set at ¥450 billion, but this was achieved one year ahead of schedule. The final-year target for operating income is ¥50 billion. Although profits remain unstable due to the impact of the pandemic disrupting supply and demand balance, we expect to achieve this target in the final year of the plan.



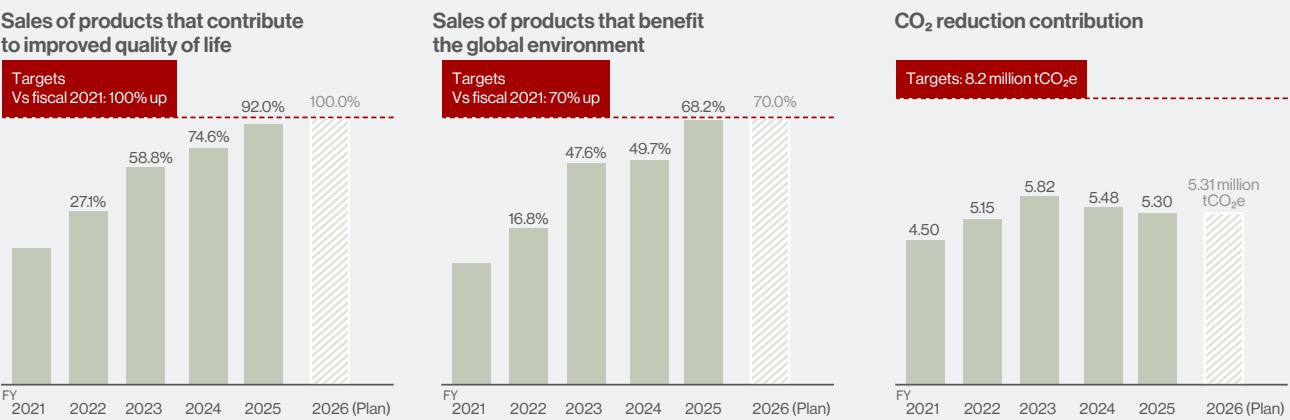
Business Environment Outlook and Rinnai's Direction

The three key markets of Japan, the United States, and China will drive the Rinnai Group's performance as it addresses their respective market trends.

	Japan	United States	China
Business environment	- Gradual declines in population and number of households ⇒ Market (volume) expected to contract - Carbon neutrality efforts under way and surging energy prices ⇒ Energy efficiency awareness expected to increase	- Gradual increases in population and number of households - Moving toward carbon neutrality, but energy policies vary by state - Energy efficiency awareness expected to grow - Trade policy remains uncertain	- Market stagnation expected to continue - Consumer income levels projected to rise ⇒ Customer base for our products expected to expand
Our Initiatives	- Growing demand for improved living standards ⇒ Further increase sales of key products - Enhance manufacturing capabilities and expand globally - Expand into electric products through technology integration	- Maximize advantages of local production (supported by Japan) to further enhance manufacturing capabilities (including increase local procurement ratio) - Increase number of electrical products to expand sales	- Utilize new factory to improve productivity and reduce costs - Leverage e-commerce channel to expand sales territory - Leverage equipped with automatic temperature control (technology cultivated in Japan) to tap market

Progress of Medium-Term Business Plan (Advancement in Addressing Social Challenges)

Sales of products that contribute to “improving quality of life” and “help resolve global environmental problems,” as outlined in our medium-term business plan targets, are progressing steadily. The CO₂ reduction contribution slowed substantially due to a decline in water heater sales in China, which accounts for a large portion of the contribution rate, and we now project not achieving the fiscal 2026 target.



Status of Key Products Addressing Social Challenges

Hybrid water heaters

These are high-efficiency water heaters that leverage the advantages of both electricity and gas. Gas provides backup fuel for heat pump water heaters where there is concern over running out of hot water, thus enhancing convenience. Utilizing multiple energy sources reduces the risk of hot water supply interruption during infrastructure outages caused by disasters or other emergencies. We are expanding our lineup to offer installation methods suited to each household's needs.

Unit sales compared with first year of medium-term business plan: **188.4% up**



Ultra-fine bubble water heater

This is a water heater incorporating a device that generates microscopic bubbles. Using these tiny bubbles, known as ultra-fine bubbles, in kitchens and bathrooms reduces dirt adhesion and improves cleanability around wet areas. Verified results also show the bubbles' benefits on cleansing skin and beautifying hair, boosting the value of water heaters that generate these bubbles.

Unit sales compared with first year of medium-term business plan: **439.0% up**



Kanta-kun gas clothes dryer

Kanta-kun units dry clothes in about one-third the time of comparable electric models. Its powerful gas-heated air leaves laundry soft and fluffy results and excels at eliminating Moraxella bacteria, a common cause of damp and musty odors. The deluxe model offers enhanced design appeal while the addition of an under-eave installation models continues to broaden its adoption range.

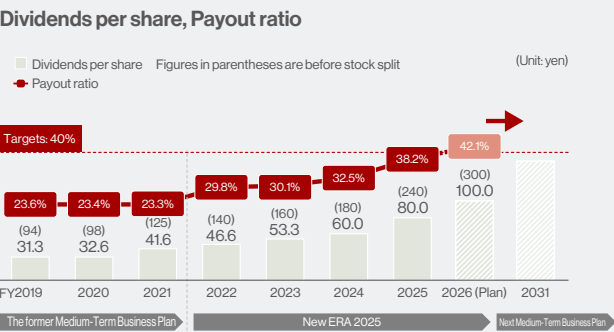
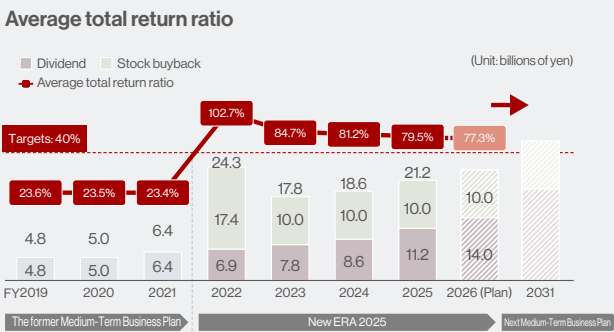
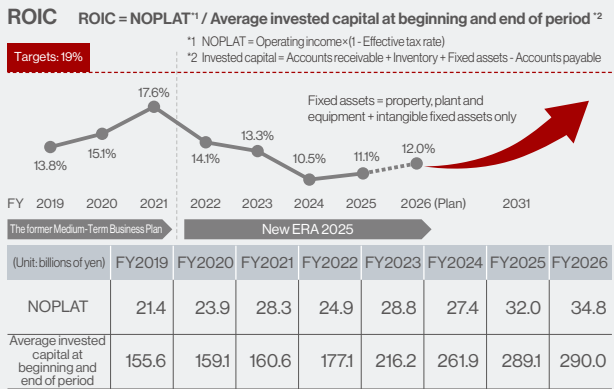
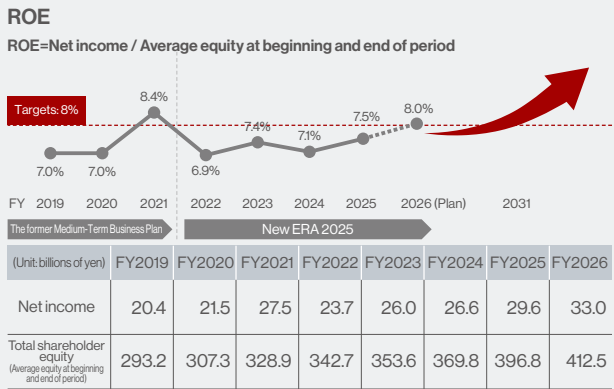
Unit sales compared with first year of medium-term business plan: **12.8% up**



Financial Strategy

Capital Efficiency in the Medium-Term Business Plan

Capital efficiency has tracked below target levels, primarily due to factors such as increased inventory resulting from supply-demand instability during the pandemic. We will aim to raise capital efficiency through both profit growth driven by promoting sales of high-value-added products and effective capital control.



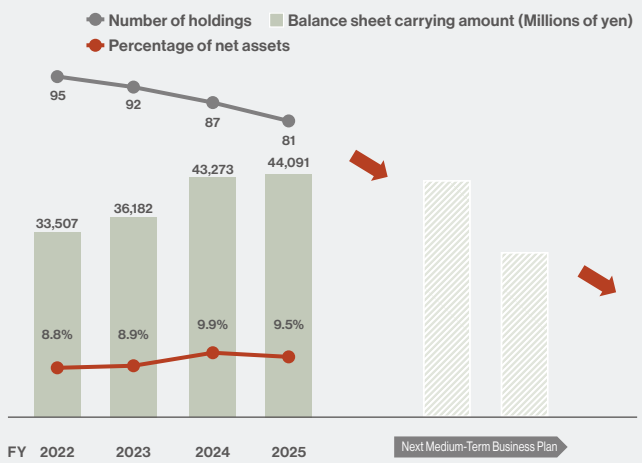
Status of Strategic Shareholdings

We will accelerate the reduction of strategic shareholdings to secure cash on hand. We will also strategically execute investments in growth businesses and stock buybacks while responding flexibly to funding requirements.

Promoting reduction of strategic shareholdings

	FY2022	FY2023	FY2024	FY2025
Number of holdings	95	92	87	81
Balance sheet carrying amount (Millions of yen)	33,507	36,182	43,273	44,091
Percentage of net assets	8.8%	8.9%	9.9%	9.5%
Number of stocks where shares held were reduced	6	3	6	9
Sale proceeds (Millions of yen)	132	52	94	1,873

■ Although we pursued reductions, the balance sheet carrying amount increased due to rising stock prices
■ Focusing on capital efficiency, a phased reduction plan will be formulated during the next medium-term business plan period

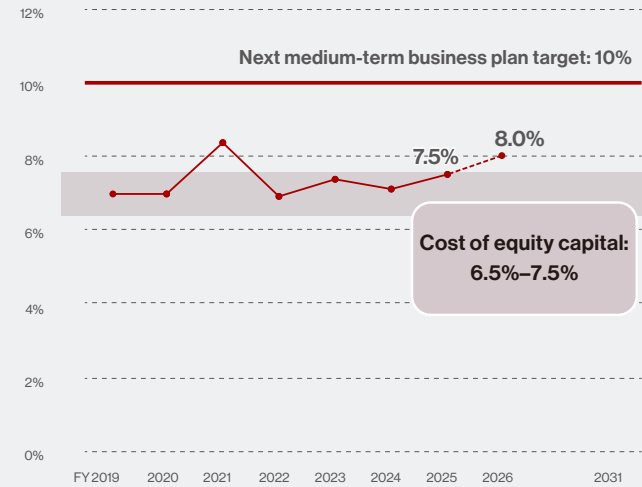


Direction of Capital Policy

(1) Approach to Improving Capital Efficiency

We currently estimate our cost of equity capital to be between 6.5% and 7.5%. During the current medium-term business plan period, ROE has trended between 6.9% and 7.5%. For fiscal 2026, we view an ROE of 8.0% as a non-negotiable target. Given the uptrend in the cost of equity capital, an ROE of 8.0% is by no means a satisfactory level. We believe it is necessary to achieve an ROE exceeding the cost of equity and aim to achieve an ROE above 10% during the next medium-term business plan period.

Cost of equity capital and ROE



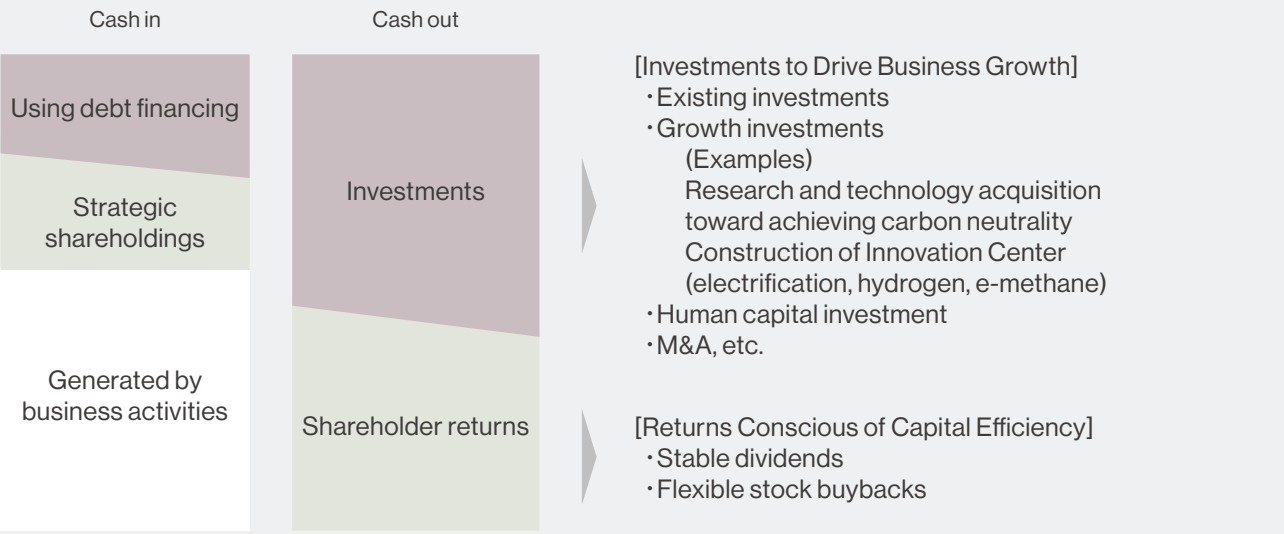
(2) Investment and Shareholder Returns

Going forward, the market anticipates an energy transformation toward achieving carbon neutrality. Rinnai believes investment is essential to ensure its future competitiveness. Specifically, this involves acquiring research and technology related to new energy sources (renewable energy, hydrogen, e-methane, etc.), with renewable energy (electricity) being considered the most promising trend. Rinnai will execute large-scale investments (including potentially M&A). Yet as these are new ventures, the horizon to recoup such investments is expected to be relatively lengthy. Therefore, we recognize the need to balance this with our shareholder return policy to enhance capital efficiency.

(3) Capital Allocation

As outlined above, we will generate cash by focusing on growth investments and M&A for innovation-driven transformation, stable dividends and flexible stock buybacks, as well as existing investments. In addition to profits from business growth, we will prepare funds through investment cash flows such as the sale of strategic stockholdings. For any shortfall, we will also consider using debt financing while maintaining control over our assets.

Capital allocation



Rinnai's Approach to the SDGs Linked to its Management Strategy

Under the Rinnai Medium-Term Business Plan New ERA 2025, we aim to contribute to the resolution of social issues by reducing CO₂ emitted during product use by 8.2 million tons and increasing the sales ratio of products that contribute to improved quality of life by 100% in fiscal 2026 (compared to fiscal 2021) and that benefit the global environment by 70% in fiscal 2026 (compared to fiscal 2021). Rinnai will make an effort to achieve the SDGs through products that contribute to improved quality of life and that benefit the global environment.

As the products Rinnai provides are directly linked to the SDGs, we believe that the ongoing spread and expansion of our products will lead to the resolution of social issues. As an example, replacing water heaters with highly energy-efficient water heaters reduces burdens on the global environment, creating a world in which gas clothes dryers, dishwashers and stoves with an automatic cooking function are widely used, equalizing the role of housework and advancing the movement toward gender equality.



Products Provided by Rinnai and their Connection to the SDGs

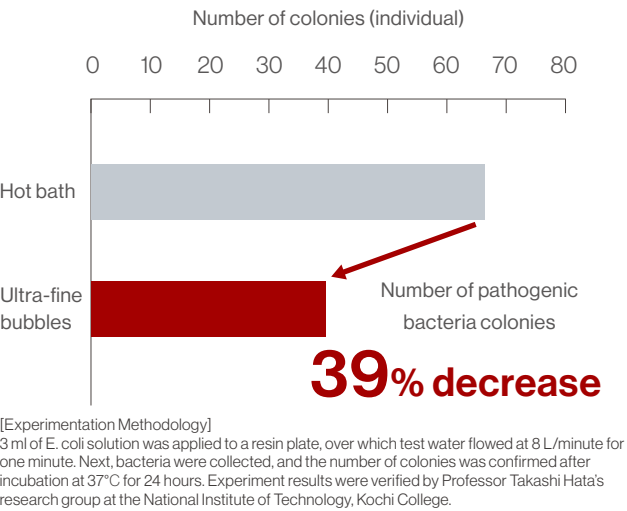
Product	Theme	Contribution	Goal
Hybrid water heaters	Energy-efficiency	Higher energy-efficient water heaters contribute to the global environment	 
	Resilience	Gas-electric hybrids contribute to the securing of lifelines during emergencies	
Fine bubble products	Health promotion and relaxing bathing	Products that embody a "healthier way of living"	
	Cleansing effect	The bubble cleansing effect reduces the amount of water used for cleaning.	
Gas clothes dryers	Reduces time required for housework	Powerful gas drying shortens time spent doing laundry, contributes to reducing housework burdens	
Dishwashers	Reduced water usage	Conserves water when washing dishes, contributes to the conservation of water resources	
	Reduces time required for housework	Automated dishwashing contributes to reducing housework burdens	
Stoves with automatic cooking functions	Reduces time required for housework	Automated cooking contributes to reducing housework burdens	
Bathroom heaters/dryers	Prevents heat shock	Bathroom heating eliminates temperature differences when bathing, contributes to the prevention of heat shock	
Gas tankless water heaters	Energy-efficiency	Enhancing the energy efficiency of water heaters contributes to the global environment	 
Gas boilers	Air pollution countermeasures	Switching fuel from coal to gas in water heaters with heating systems contributes to the control of air pollution	 

Representative Examples of SDG Initiatives

Scouring Effect of Bubbles Reduces Water Consumption When Cleaning [Fine Bubble Products]



Ultra-fine bubbles make it easier to wash away bacteria that causes grime, reducing stains on bathroom floors, kitchen sinks, and other surfaces. Water heaters are equipped with an apparatus that generates ultra-fine bubbles, which travel through household water pipes, and prevent grime from building up in plumbing fixtures. This decreases the frequency of routine cleaning and washing in wet rooms, thereby reducing water consumption.



Ultra-fine bubbles in household water

Contributing to the Reduction of Housework Burdens through Automated Cooking [Stoves with Automatic Cooking Functions]



Stoves with automatic cooking functions cook meals automatically once prepped ingredients are placed inside and a menu is selected. These stoves reduce the effort required for cooking, and with an extensive collection of recipes, they even cut down the time spent agonizing over menus. Even challenging recipes can be made into delicious meals by practically anyone without the need to spend too much time in the kitchen, providing more time to enjoy pleasant moments with family during meals and gatherings.



Stove with automatic cooking function



+R RECIPE
プラスアルレシピ

A dedicated app is also available, enabling users to search for recipes on their smartphones and start cooking right away. Recipes are updated weekly and feature a wide variety of menu options.

Rinnai's Overseas Expansion

Up to now, Rinnai has promoted internationalization mainly in Asia and the United States. Our ability to globalize as a comprehensive heat energy appliance manufacturer is based in the spirit of "You-ism," which involves promoting business with appropriate respect for the culture, values, and lifestyle habits of each country and region.

Approach to Overseas Expansion

You-ism

* Proposed by Akihito Naito, the third president of Rinnai

Thoroughly understand the unique values, aspirations, and direction of each country, empathize with the feelings of local people, and work to foster their prosperity and coexistence

Contribute to local communities (benefit society through local production for local consumption)

Through the efficient local production and supply of the highest quality products in each country, contributing to lifestyles in those countries, we aim to achieve high profitability solely through local operations

1. Exports

2. Establish sales site

3. Establish manufacturing site

After entering the market, we hastily withdraw because of slow growth or small scale

Develop and provide products optimized for each country

Lifestyles and cultures differ by country, and so must our products

Food cultures

Saut  ging on high heat



Simmering on low heat



Hot water usage

Soaking in baths



Taking showers



Rinnai overseas sales

(Billions of yen)

Fiscal Year	Overseas sales (Billion yen)	Domestic sales (Billion yen)	Overseas ratio (%)
FY1997	10	140	6.9%
FY1998	15	135	10.4%
FY1999	20	130	15.4%
FY2000	45	125	36.0%
FY2001	45	130	34.6%
FY2002	45	135	33.3%
FY2003	50	140	35.7%
FY2004	55	145	37.9%
FY2005	60	150	40.0%
FY2006	70	160	43.8%
FY2007	80	170	47.1%
FY2008	95	155	61.3%
FY2009	80	140	57.1%
FY2010	70	130	53.8%
FY2011	75	135	55.6%
FY2012	75	140	53.6%
FY2013	75	145	51.7%
FY2014	100	150	66.7%
FY2015	125	175	71.4%
FY2016	150	170	88.2%
FY2017	150	180	83.3%
FY2018	170	180	94.4%
FY2019	175	180	97.2%
FY2020	165	175	94.3%
FY2021	165	180	91.7%
FY2022	200	165	121.2%
FY2023	235	195	151.3%
FY2024	240	210	157.1%
FY2025	265.3	195.0	57.6%

Overseas sales account for over 50% of the Rinnai Group

Market Trends and Strategies in Major Overseas Countries

Rinnai America

In the United States, the market for water heaters is on the scale of 10 million units per year, of which approximately 90% are tank-type, while tankless water heaters, Rinnai America's mainstay product, still account for less than 10%. This means there is room for expansion in the market for tankless water heaters, which are both environmentally friendly and convenient.

Established: 1974
 Fiscal 2025 net sales: **¥66.4 billion**
 Operating income: **¥2.1 billion**

Tankless water heater sales

(Thousands of units)

Fiscal Year	Tankless water heater sales (Thousands of units)
FY2015	180
FY2016	200
FY2017	240
FY2018	280
FY2019	310
FY2020	330
FY2021	380
FY2022	430
FY2023	410
FY2024	390
FY2025	410

Mainstay products

Shanghai Rinnai (China)

As income levels rise in China, there is a gradual shift from urban areas to lower-tier cities and more convenient household appliances such as gas water heaters. The way people purchase goods is also changing rapidly, characterized by a higher rate of online shopping compared to other countries, and we are collaborating with major online retailers to establish new distribution channels.

Established: 1993
 Fiscal 2025 net sales: **¥65.8 billion**
 Operating income: **¥9.0 billion**

Water heater sales

(Thousands of units)

Fiscal Year	Water heater sales (Thousands of units)
FY2016	650
FY2017	750
FY2018	850
FY2019	850
FY2020	850
FY2021	850
FY2022	1050
FY2023	1200
FY2024	1250
FY2025	1100

Mainstay products

25

Rinnai Report 2025 26

Rinnai Australia

The Australian market has been dominated by tank-type water heaters, but as a country with advanced environmental policies, there has been a shift towards more efficient gas water heaters. To further improve energy efficiency, Australia is now moving into an era of diversification, including the adoption of heat pumps and renewable energy sources. We are promoting diversified management, including the incorporation of a solar power generation business, the first such venture for the Group.

Mainstay products



Tankless water heaters



Heat pump water heaters



Air conditioning



Established: 1971
Fiscal 2025 net sales: **¥36.7 billion**
Operating income: **¥1.2 billion**

Rinnai Indonesia

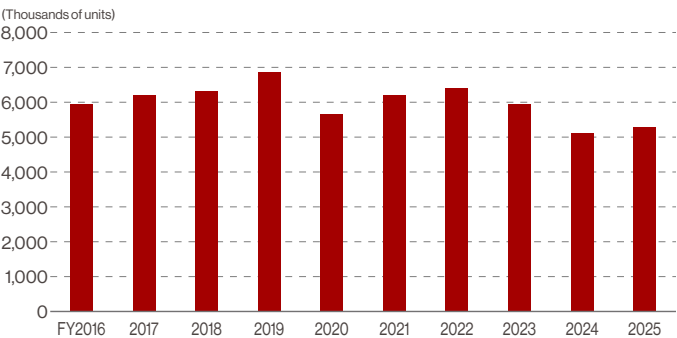
In Indonesia, the government’s promotion of energy policies has accelerated the adoption of LPG, while simultaneously boosting demand for gas stoves, leading to consistently strong sales of high-quality Rinnai Indonesia products. Within Indonesia’s stove market, comprising several million units sold annually, we maintain a market share over 70%, and continue to expand sales through ongoing replacement demand.

Mainstay products



Established: 1988
Fiscal 2025 net sales: **¥17.7 billion**
Operating income: **¥3.8 billion**

Tabletop cooker sales



Rinnai Korea (South Korea)

South Korea has a long-established culture of floor heating known as "ondol," with boilers (hot water heaters) comprising the majority of the market. The adoption of heating equipment has been progressing steadily for some time, with replacement demand for boilers and stoves remaining stable. With technological advancements in environmental and safety features, the market has matured to the point where fire prevention safety devices for high-efficiency boilers and stoves are now mandatory.

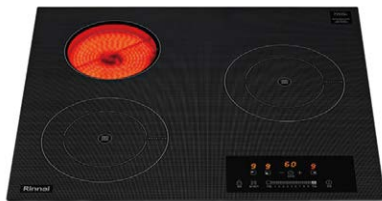
Mainstay products



High-efficiency gas boilers



Gas stoves



Electric stoves



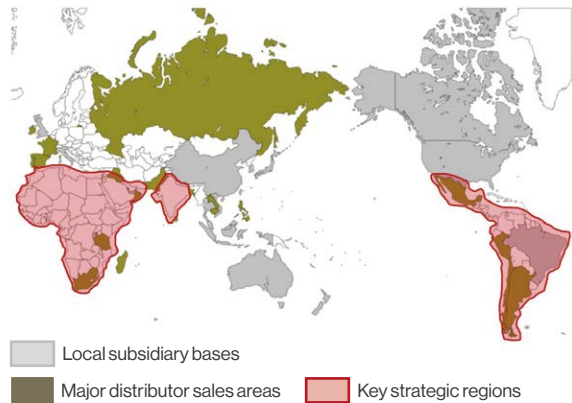
Established: 1974
Fiscal 2025 net sales: **¥31.9 billion**
Operating income: **¥0.9 billion**

Expanding Business Scale

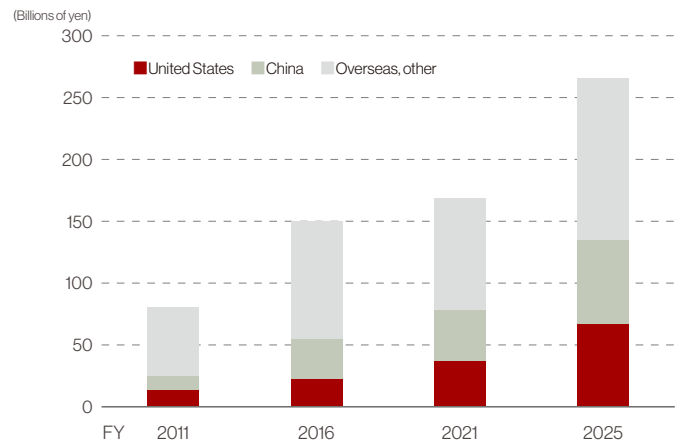
In addition to growing our business in the major areas where we have traditionally operated, we are expanding into new areas. Specifically, during the medium-term business plan (fiscal 2022–fiscal 2026), we strengthened our presence in Latin America, acquiring companies such as Industrias Mas (Mexico) and Thermosolutions Group (Costa Rica) to expand our business scale.

Additionally, during the same period, Rinnai Australia acquired Smart Energy Group, a home energy product sales company. For the Rinnai Group, solar power generation represents a new business domain, embodying our commitment to expanding our business scale.

Key strategic regions targeted under the medium-term business plan



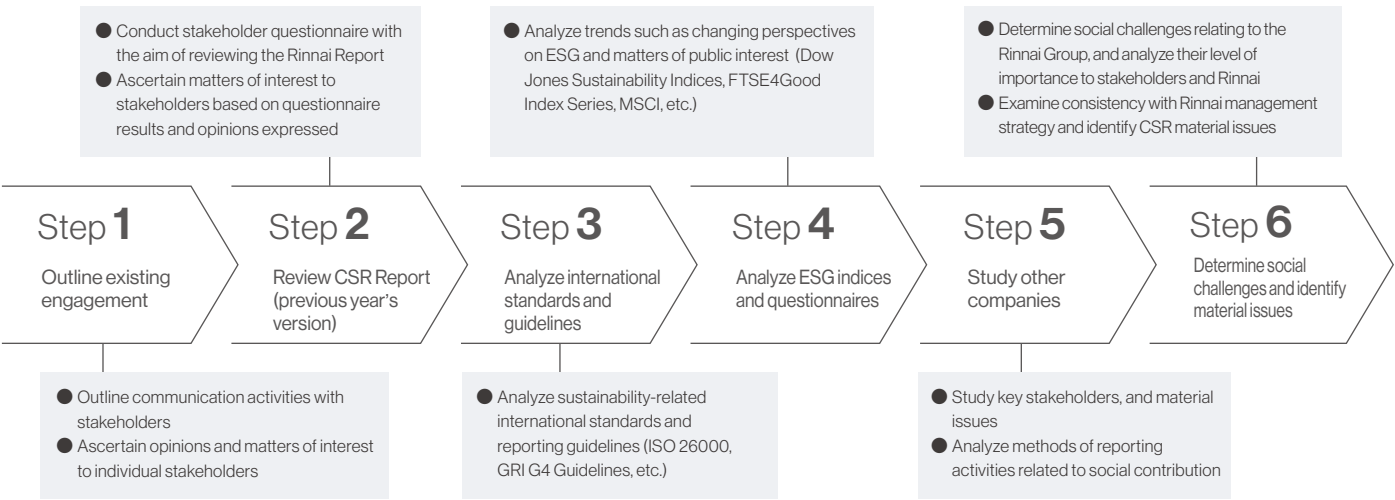
Sales in key countries (Us and China) and other areas



Identifying Material Issues

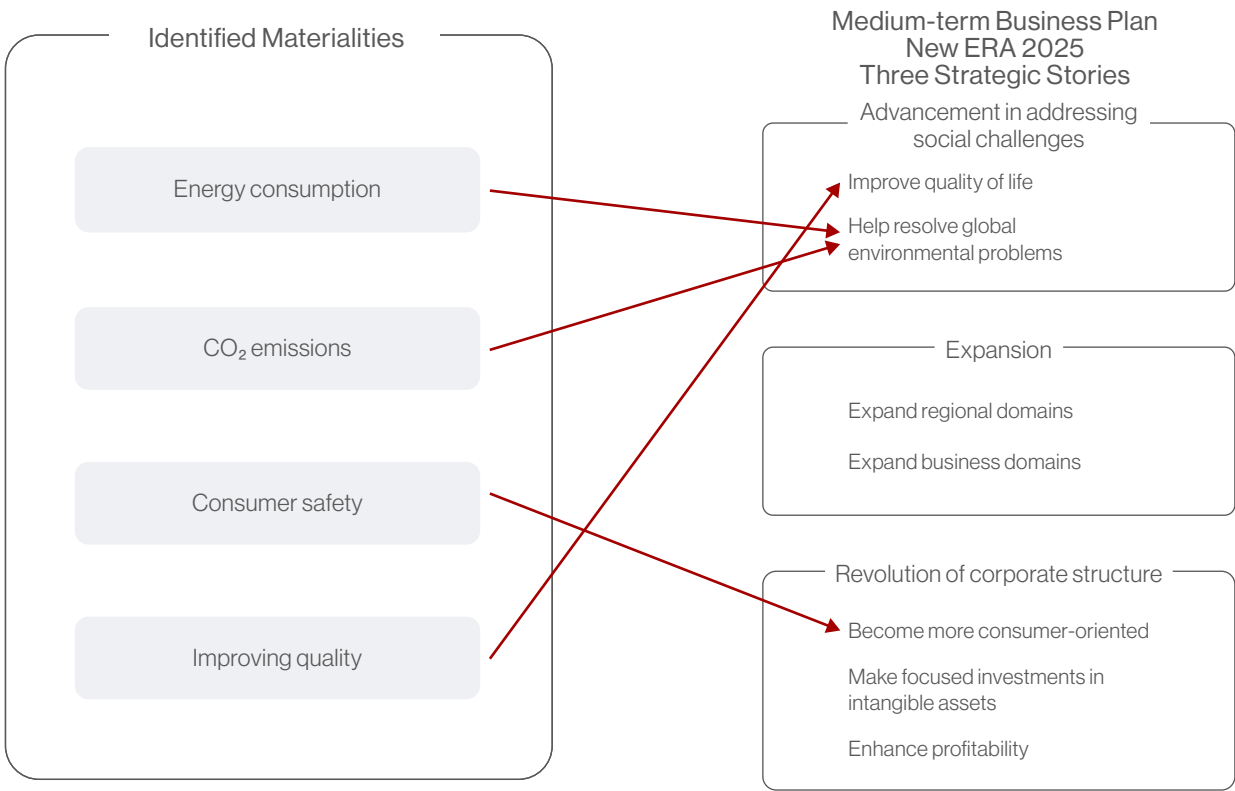
We make every effort to identify social challenges affecting the Rinnai Group through day-to-day communication activities with stakeholders coupled with study and analysis of applicable guidelines and ESG indices. We also identify CSR material issues through the Rinnai Group value creation process in relation to our management strategies, revolving primarily around our Corporate Planning Division.

Identification Process



Relationship Between Identified Materialities and Medium-term Business Plan

The identified materialities are closely related to the three strategic stories of the current medium-term business plan, New ERA 2025.



Materiality Summary

Material Issues	Main Activities and Initiatives	Key Performance Indicators (KPIs) and Issues	Themes covered	Reference page	Related goals
Energy consumption/CO ₂ emissions	Achieving carbon neutrality in business activities and product development	Amount of CO ₂ reduction contribution Fiscal 2026: 8.2 million tons	Environment	31–38	  
Consumer safety/Improving quality	Improving quality of products and workflow from the safety of customer use through to production	Number of defects leading to a recall announcement: 0	Safe and reliable	39–40	 
Health/Housework time reduction	Supporting the health of customers and improving the quality of their lives	Sales of products that contribute to improved quality of life: 200% of fiscal 2021 sales	Improving the quality of life	41–42	 
Work-life balance/Work style reforms	Supporting employee job satisfaction and ease of work Improving employee performance	Employee engagement Positive responses: Up 15 points in fiscal 2026 (compared to fiscal 2021)	Human capital	43–44	 
DX	Utilizing network tools to connect devices and support streamlining of work in all areas of business activities	DX professionals: 10, DX technicians: 50 (fiscal 2026)	DX	45–46	  
Stable procurement	Continuous and stable supply of products as lifestyle essentials to the market	Increase in on-time delivery rate	Suppliers	47–48	 
IR communication activities	Building favorable relationships with shareholders and investors Providing useful information to stakeholders	Increase in the number of IR interviews handled	Shareholders and investors	49–50	

Materiality [Environment] | Materiality Special Feature (1)-1

Rinnai's hybrid water heater, *ECO ONE*, is a product that plays an important role in business activities that contribute to the global environment. In this section, we discuss business strategy with NIPPON GAS CO., LTD., which is making significant efforts to promote the adoption of hybrid water heaters.

VOICE

To prepare for the major changes that lie ahead, NIPPON GAS restructured its organization in January 2024, and in addition to existing gas, electricity, and other retail operations, spun off Energy Sola, which is engaged in the Platform business. To resolve labor shortages, rising costs, and other issues facing the industry, it is vital we promote the consolidation of standardized systems and infrastructure across the entire industry. By establishing our digitally optimized operations as standard infrastructure provided as a platform in various formats, we aim to enhance industry-wide efficiency, while invigorating the industry through friendly competition.

We have participated in an alliance with the TEPCO Group since 2016, and commenced electricity retail sales in 2018. Given the current trend focused on achieving carbon neutrality, the consumption of gas, a fossil fuel, will gradually decline going forward. To ensure customers are using the optimal energy source, we provide energy through various methods, while also proposing hybrid water heaters that are optimal for reducing utility costs.



NIPPON GAS CO., LTD.
Representative Director, Senior Managing
Executive Officer
Sales Headquarters General Manager
Tomonori Tsuchiya



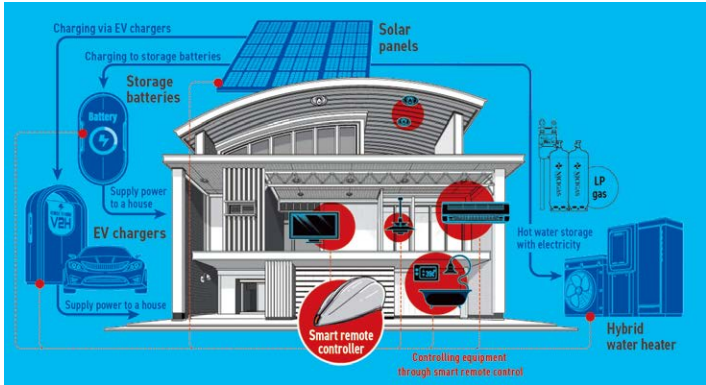
Platform business additional restructuring

The sale of hybrid water heaters has enabled us to further expand our business, as solar power generation and hybrid water heaters are highly compatible, leading to new proposals. We provide the optimal combinations to customers with an interest in the environment, and also clearly explain how utility costs will be lowered to ensure thorough understanding. From the perspective of corporate development, we have been able to diversify delivery methods with gas, electricity, and renewable energy.

NIPPON GAS has electricity contracts with over 380,000 customers. We are promoting the sales of solar power generation and storage battery equipment to this customer base.

We are currently developing our own smart remote control that can regulate electricity and gas usage. Hybrid water heaters normally use electricity to boil water, but when demand is high, they switch to gas to cut peak electricity demand, and when there is surplus electricity generated by solar power, they use it to heat hot water and store it in a tank. The hybrid water heater acts as an “energy dam” that stores energy in the form of hot water equivalent to the amount of electricity accumulated in the storage battery. Combining hybrid water heaters with smart remote controls will accelerate the transition to smart homes.

As a gas and electricity retailer, we feel that hybrid water heaters are a very effective system. As a retailer, we can reduce our procurement costs and pass on a portion of those savings to our customers. By using hybrid water heaters, customers can reduce running costs, contribute to the global environment, and help balance energy supply and demand, creating a virtuous cycle.



Smart home model proposed by NIPPON GAS



Expanding sales of ECO ONE hybrid water heaters

Customers who have installed hybrid water heaters frequently report lower utility costs. Those who purchased these units maintain their gas and electricity contracts, resulting in high levels of satisfaction. In fiscal 2025, we sold 5,300 hybrid water heaters, and we are targeting sales of 8,000 units in fiscal 2026.

Hybrid water heaters offer economic efficiency and environmental performance, as well as resilience that maintains lifelines during disasters. As customers come to understand these features, our relationship with them deepens, creating stronger bonds, long-term contracts, and further business opportunities beyond gas, including electricity, solar power, and storage batteries, leading to enduring customer loyalty.

As household energy consumption gradually shifts from gas to electricity, we will adapt to changes in local communities by significantly transforming our business model as a comprehensive energy company. We will propose efficient resource utilization to our customers, while advancing toward the next era leveraging the various delivery methods required to achieve this aim.

Launch of Hybrid Water Heater Demand Response Readiness Field Testing

The Japanese government has made the decision to increase the proportion of renewable energy in its New Basic Energy Plan to 40–50%. However, renewable energy supplies do not always align with demand, potentially leading to power shortages and even the risk of large-scale power outages. There is an increasing focus on demand response (DR) as a power adjustment procurement method to compensate for renewable energy output instability.

As the number of households adopting residential storage batteries, heat pump water heaters, and electric vehicles is expected to increase going forward, the Ministry of Economy, Trade and Industry is leading efforts aimed at the remote operation of DR and DR readiness.

Rinnai plans to sell 300,000 hybrid water heaters annually by 2030 to achieve carbon neutrality by 2050. We have commenced field testing of the DR functionality of Rinnai's ECO ONE hybrid water heater, which can use electricity and gas separately, in collaboration with energy intermediary ENERES Co., Ltd.



ECO ONE hybrid water heater

VOICE

Comments from DR-ready field testing partner ENERES

At ENERES, in addition to our retail electricity business and business supporting the promotion of decarbonization using corporate energy, we are engaged in an aggregation business that bundles dispersed energy sources to regulate the balance between electricity supply and demand. One of these is demand response (DR), which adjusts electricity usage, and is the focus of our collaboration with Rinnai.

Our company has conducted virtual power plant (VPP) verification projects, in which dispersed energy sources are replaced with a single virtual power source, for nearly eight years, including aggregation verification with the Ministry of Economy, Trade and Industry since fiscal 2017, as we have long been focused on the use of heat pump water heaters as residential energy sources. Hybrid water heaters combine gas and heat pump water heater functions, eliminating the worry of hot water running out, making them a critical resource that maintains the convenience of their intended purpose while balancing electricity usage, and I think hybrid water heaters have a significant influence within the energy industry.

As we are not a hardware products manufacturer, we intend to continue collaborating with manufacturers such as Rinnai that possess the capability to develop equipment. From the perspective of the global environment, we hope to work together to consider and promote efforts that contribute to decarbonization.



ENERES Co., Ltd.
General Manager, Business Planning Division and Director,
Mirai Research Institute
Teruo Kobayashi



Operations room

Acquiring Certification for Hydrogen Cooking Appliances with the Aim of Realizing a Hydrogen Society

Rinnai is promoting the development of appliances that envision the realization of a hydrogen society as one means of achieving carbon neutrality. In the cooking appliances field, we launched joint developments related to hydrogen cooking in collaboration with the Toyota Motor Corporation in 2022. Through this collaboration, we established a technology for safely combusting hydrogen, acquiring certification for the hydrogen griller in December 2024, and commercial hydrogen stoves in May 2025.

Certification was acquired from the Japan Gas Appliances Inspection Association (JIA), which also conducts inspections of gas appliances, confirming the safety of hydrogen combustion equipment. This certification, which corresponds to Items 1 and 2 of the Commercial Hydrogen Gas Kitchen Appliance Inspection Regulations, represent a significant step toward realizing a sustainable society. Going forward, we will continue promoting technological developments aimed at realizing carbon neutrality through the development of hydrogen appliances.



Commercial hydrogen stove certified in May 2025

VOICE

Comments from the Japan Gas Appliances Inspection Association, a gas and hydrogen combustion appliances certification institution

The Japan Gas Appliances Inspection Association (JIA) was established as a third-party institution to conduct inspections of gas appliances. We are involved in establishing inspection regulations that define inspection standards and methods, and we conduct inspections and certification of gas appliances at inspection facilities based on these regulations.

In recent years, as efforts to achieve carbon neutrality have accelerated, and following Rinnai's 2022 press release on hydrogen water heaters, we felt it was imperative to establish safety standards for hydrogen combustion appliances. Before hydrogen combustion appliances can be put into practical use, safety standards are required, just as with gas equipment currently on the market, thus there is an urgent need to establish standards ensuring consumers can utilize hydrogen combustion appliances safely.

We believe that by establishing safety standards for commercial hydrogen gas kitchen appliances, including hydrogen grillers and hydrogen stoves, we have taken a step forward in contributing to the safe and secure utilization of hydrogen energy. We will continue to promoting efforts to achieve carbon neutrality going forward.

My hope is that Rinnai will continue developing even more hydrogen combustion appliances and other products, thereby discovering new possibilities for the carbon-neutral society of the future in a wide range of fields.



Japan Gas Appliances Inspection Association
Nagoya Testing Station
Takahiro Sekiyama (left)
Certification Technology Department
Yota Horioka (right)

Responses to the Task Force on Climate-related Financial Disclosures



With the aim of creating a virtuous circle of the environment and the economy which assumes a sustainable company, Rinnai expressed its support for the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD), a taskforce established by the Financial Stability Board (FSB). We are promoting the disclosure of the financial impact on the Company caused by climate change and our approaches to resolve these issues.

Governance

Rinnai reports on environmental issues to management through the Risk Management Committee, ESG Committee, and Environmental Management Committee. The ESG Committee has an ESG Working Group to handle day-to-day improvement activities. In addition, Rinnai is promoting initiatives related to risks and opportunities associated with climate change and reporting to management through the operation of ISO 14001 with the Environmental Management Committee as the secretariat.



Risk Management

Rinnai's risk management is led by its Risk Management Committee. The committee periodically updates Rinnai's risk profile, including risks associated with environmental issues such as climate change, and manages risks by classifying them according to frequency of occurrence and level of impact.

Metrics and Targets

In its approach to climate change risks, Rinnai has prioritized "improving energy efficiency and developing and popularizing environmentally conscious products that achieve this." Rinnai is working to manage environmental issue risks by setting "energy consumption and CO₂ emissions" as material issues and the "amount contributed to reducing CO₂ emissions by using the product" and "sales target for environmentally friendly products" as its main target indicators.

Strategy

As a company that handles heating equipment, we understand that climate change is an important issue, and we assume that climate change will have an impact on Rinnai's business. We are also considering what actions are necessary to address the changes ahead and what the financial impact could potentially be.

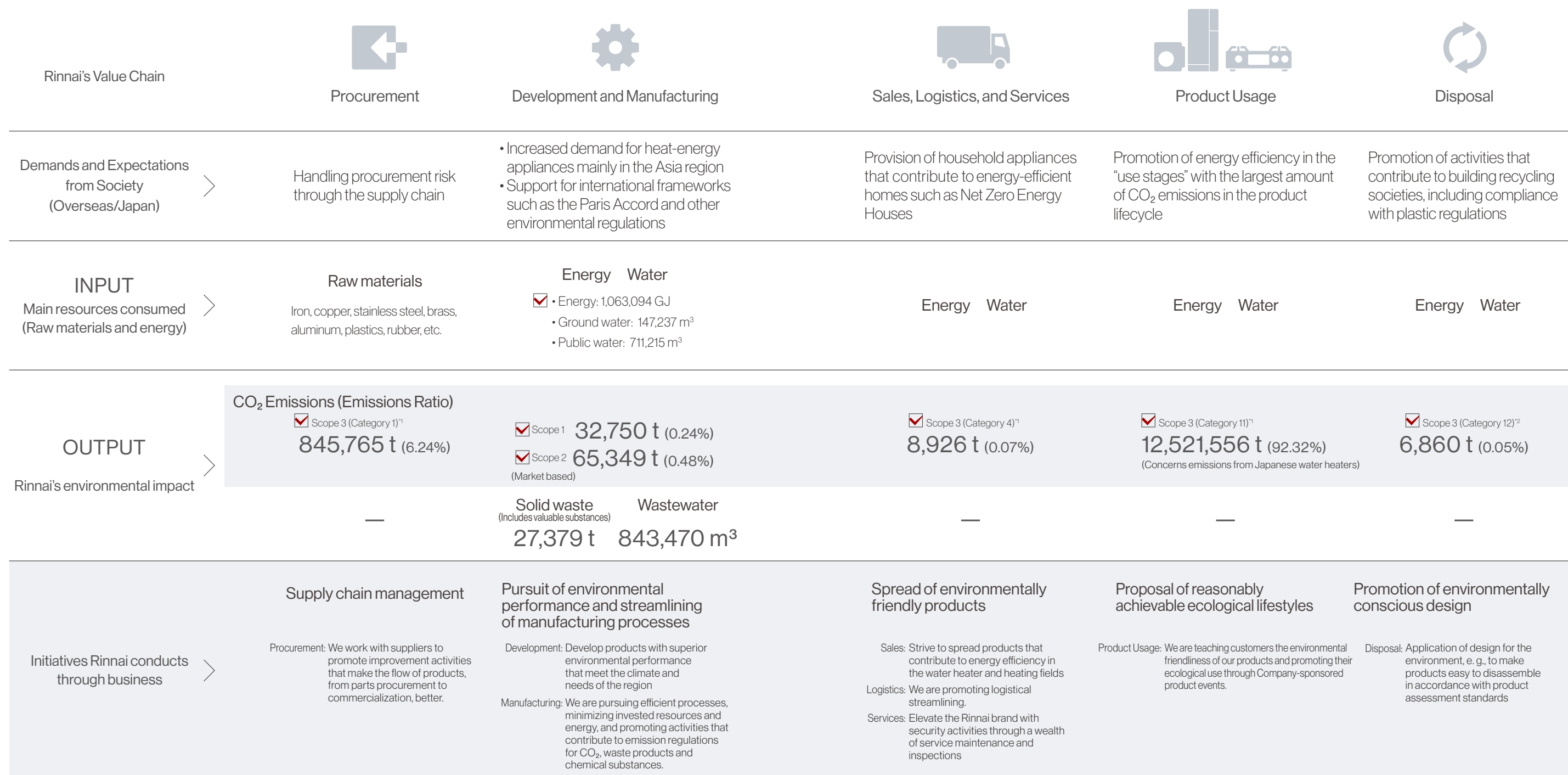
		Impact on Rinnai		Rinnai's response or impact on Rinnai.	Profit Impact (Amount/Duration)	Degree of urgency
		1.5°C scenario* (What Rinnai will do to keep the increase in temperature below 1.5°C)	4°C scenario* (Impact on Rinnai if the temperature rises by 4°C)			
Transition risks	Raw material procurement risks associated with climate change	Risk of procurement cost increases in line with raw material costs that are passed on through carbon pricing (carbon taxes and emissions trading) to suppliers of materials that emit large amounts of greenhouse gases.	—	Convert to recyclable materials	¥(15.4) billion/year	Low
				Reduce procurement costs through independent efforts	¥(1.4) billion/year	Low
	Water heater regulations as a result of water resource depletion	Risk that the sale of water heaters potentially using large amounts of water resources will be restricted as a result of global water shortage problems.	—	Develop water heaters able to restrict the amount of water used.	¥(0.7) billion/5 years	Low
	Gas water heater regulations in line with fossil fuel regulations	Risk of impending necessity of measures for replacing conventional products amid movements toward requiring different methods than in the past for consumers to realize the intended use of water heaters using fossil fuels due to the transition from the conventional concept of a "low-carbon society" focused on energy and resource conservation to the long-term concept goal of a "decarbonized society."	—	Ascertain changing conditions related to energy while developing and establishing technologies focused on essential products.	¥(15.0) billion/year	Medium
Physical risks	Physical risks from natural disasters	—	Risk of supply chain distribution disruptions due to the impact of natural disasters (floods, torrential rains, water shortages and other events).	Enhance response capabilities with business continuity planning (BCP), including decentralized materials procurement sources and production bases.	¥(0.4) billion/year	Medium
	Risk of increased operating costs	—	Risk that air conditioning and cooling equipment operating costs will increase due to a rise in average temperatures.	Promote the introduction of residential power generation through sustainable energy and other measures.	¥(8.6) billion/5 years	Low
Opportunities	Adoption of energy-saving water heaters in line with tightening of environmental regulations (CO ₂)	Current "low-carbon society" initiatives require higher efficiency energy-saving water heaters. Additionally, the advance of technologies such as decarbonized gas for realizing a "decarbonized society" will require more efficient energy-saving water heaters than in the past.	—	Promote the expansion of product lineups and sales of more efficient energy-saving water heaters.	¥8.4 billion/year	Medium
	Adoption of gas boilers in line with tightening of environmental regulations (PM 2.5)	In areas where coal boilers are used, gas boilers that do not generate PM 2.5 will be required.	—	Target areas where environmental regulations have not yet tightened, expanding the adoption of products corresponding to usage environments in those areas.	¥8.4 billion/year	Medium

* 1.5°C and 4°C scenarios
Scenarios used in the Fifth Assessment Report (released in 2014) of the Intergovernmental Panel on Climate Change (IPCC), which estimates the impacts of approximate 1.5°C and 4°C temperature increases due to global warming.

Environmental Impact within Rinnai's Value Chain

Rinnai promotes environmental impact reduction initiatives through the value chain ^(see Note 1) in consideration of societal demands and impact on the environment.

Note 1: A series of business activities and value creation processes that companies conduct to provide customers value in the form of products and services.



Rinnai's estimates based on the "Basic Guidelines for Calculating Green House Emissions Through the Supply Chain"
 [Target scope] Rinnai Corporation and consolidated subsidiaries
 (*1. Rinnai Corporation *2. Rinnai Corporation and domestic consolidated subsidiaries)
 [Target period] Domestic: Fiscal 2025 (April 1, 2024–March 31, 2025) *2. Fiscal 2024 (April 1, 2023–March 31, 2024)
 Overseas: January 1, 2024–December 31, 2024
 [CO₂ emissions (units)]: tCO₂e, (%) represents the emissions ratio within each process.

The indicators marked ☒ have received third-party assurance by LRQA Limited.

Affiliated Companies Supporting the Rinnai Group

The Rinnai Group creates products with the support of numerous manufacturing subsidiaries that possess various technological capabilities. These companies are based in and around Aichi Prefecture, where Rinnai's main factories are located, and its surrounding areas, facilitating constant collaboration in the development and manufacturing of products and parts.

Manufacturing Subsidiary Location Map



Rinnai manufactures gas appliances and other combustion equipment, a business that requires meticulous attention to safety. The Rinnai Group believes in manufacturing critical components within the Group, and many of these important parts and units are made by Rinnai manufacturing subsidiaries. This is essentially an in-house production policy, and by ensuring safety, and developing and establishing the technologies ourselves, we are able to achieve even greater advances in quality, cost, and delivery (QCD).

Critical Products and Components Made by Manufacturing Subsidiaries



Components that control gas and water



Commercial-use equipment



Electronic control units



Pipes for gas and water flowing within appliances



Commercial-use equipment



Dedicated cooking containers

Manufacturing Subsidiary Receives Quality Award

Manufacturing subsidiary Rinnai RB Controls Co., Ltd., received the Special Award (Committee Award) in the Business Category at the Product Safety Awards (PS Awards 2024), held by the Ministry of Economy, Trade and Industry (METI). The PS Awards are a program in which METI awards businesses that are proactively working toward product safety, carefully screened from among a wide range of applicants. Rather than product safety, PS Award evaluations focus on the product safety-related activities in which each company is engaged. The Special Award was received in recognition of our implementation of multiple countermeasures aimed at ensuring product safety based on component characteristics, the consolidation of past problems into a "list of don'ts" to prevent recurrence, and training programs aimed at instilling and disseminating knowledge about product safety. The following three points were cited as specific reasons for the selection.



(1) Implementation of multiple countermeasures aimed at ensuring product safety based on component characteristics

To achieve the high quality and safety required for electronic control components in gas combustion equipment, we implemented multiple measures, including failure mode and effects analysis (FMEA) to maintain safety in the event of electronic component failure, and the inclusion in standard design documents of mechanisms ensuring safety through software in the event of microcontroller malfunctions.

(2) Consolidation of past problems into a "list of don'ts" to prevent recurrence

We compiled past problem details, causes, and countermeasures into a technical problem reflection checklist (list of don'ts), which is referenced during the product development and design stages to safeguard against the recurrence of similar errors or oversights, and ensure comprehensive recurrence countermeasures.

(3) Training programs aimed at instilling and disseminating knowledge about product safety

We devise rank-specific training programs related to product safety importance and legalities, as well as training programs for designers taken during the first two years after being assigned to a position with the aim of imparting necessary design knowledge and standardizing technologies.

President's comment on receiving this award

We are a Rinnai manufacturing subsidiary headquartered in Kanazawa, Ishikawa Prefecture, where the two factories we operate are located. Our business involves the manufacture and sale of electronic control units, many of which are installed in customer consumer products. The electronic control units installed in customer products are akin to the human brain in terms of functionality and performance, making them a critical component, which we recognize as even more important due to their deep relevance to product safety.

Rinnai RB Controls was founded in 1971 with the production of electronic ignition systems. By ensuring the reliable ignition of fuel in gas appliances, we established a long history of cultivating a product safety culture, one that places great importance on quality and reliability as aspects of product safety. Several decades later, these systems evolved from electronic ignition devices to electronic control units, achieving multifunctionality and high performance through advances in combustion control, temperature regulation, automated operation control, and remote communication control. Throughout this process, we established systems, methodologies, and rules for product safety starting from the development and design stages. At the same time, we are working to raise employee awareness regarding the importance of product safety through training programs.

We are deeply honored that our efforts have been recognized at the PS Awards. Going forward, we will remain committed to continuously striving for quality improvements enabling us to deliver even greater safety and peace of mind to customers.



RB Controls Co., Ltd.
President
Koji Yokoyama

Opening of Rinnai Aoyama, a Facility Embodying an Improved Quality of Life

Rinnai opened the Rinnai Aoyama showroom in Minami Aoyama (Minato-ku, Tokyo). Rinnai Aoyama features Rinnai products for the kitchen and bathroom in our first showroom facility for consumers. This space embodies products that contribute to Rinnai's efforts to realize an improved quality of life, and being located in Aoyama, it will serve as a communication hub as well as a base for creating new value.

Prior to its opening, an open house was held for the media, during which Rinnai president Naito shared his thoughts on Rinnai Aoyama, which are provided here as an introduction of this new facility.

©photo by yansu

What we value most is delivering surprise and excitement to our customers. We are committed to developing products that are both functional, and make customers feel satisfied the moment they use them. To this end, we are thoroughly committed to the pursuit of high quality. We place importance on value that can be appreciated with the five senses, including designs cherished over time, products that are pleasant to operate, and meticulous attention to detail.



President Naito addresses the media



Open house event

This showroom displays a variety of carefully selected products, including *G:LINE* and *DELICIA* cooking appliances, the *Kanta-kun* gas clothes dryer, which has garnered a strong reputation among a great many customers, the Micro Bubble Bath unit that never fails to impress me, and the *ECO ONE* hybrid water heater with heating system.

There is a deep significance in our selecting Aoyama as the location for this showroom. Aoyama is a creative hub where culture and information related to clothing, food, and shelter intersect, giving rise to new value. It is also a place where diverse perspectives and talent from within and outside Japan converge.

I hope the interactions and dialogues that will take place here lead to new discoveries and inspiration with regard to the future of heat and lifestyles. At the same time, we want to use this facility as a base from which we will share Japan's rich food culture and values related to housing with the wider world.

Rinnai Aoyama represents a new challenge in our history, which spans more than a century. Our hope is that Rinnai Aoyama will go beyond merely being a space for displaying products to become a collaborative space where we explore the future possibilities of heat and lifestyles together with customers, experts from various fields, and creators.

From this new facility in Aoyama, Rinnai will disseminate the value of Japan's rich food and housing culture to the wider world, and continue creating new value through dialogue with all our stakeholders. We will continue taking on new challenges, going beyond the framework of a heating equipment manufacturer to become a true partner closely connected to daily lifestyles.



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Rinnai Aoyama

<https://aoyama.rinnai.jp/en>

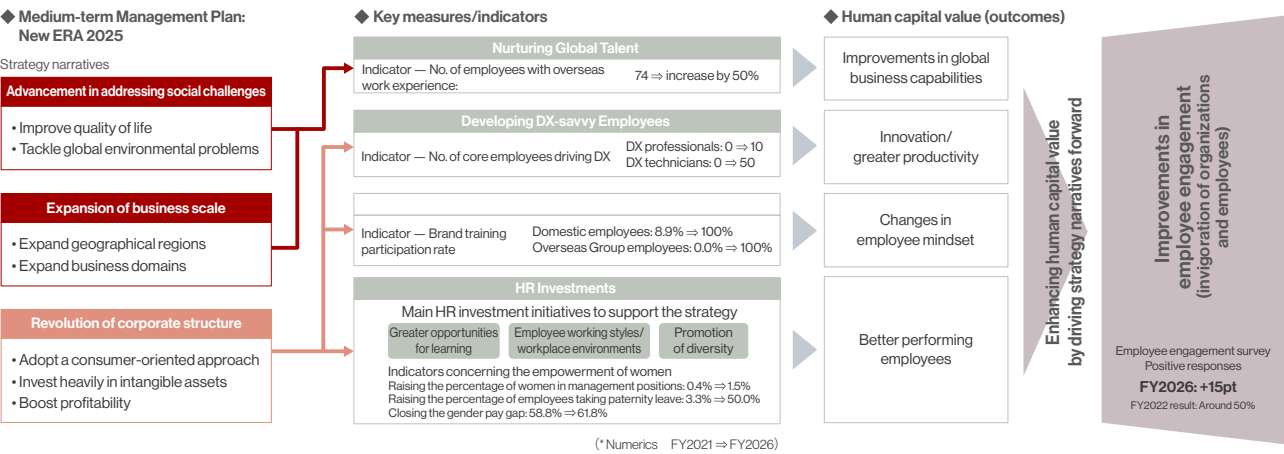
Forest Hills East Building 1F/4F,
4-18-11 Minami-Aoyama, Minato-ku,
Tokyo 107-0062, Japan
1F: Free admission/4F: Reservation required
Open: Tuesday–Saturday, 10:00–17:00
Closed: Sundays, Mondays, national holidays, Golden Week, summer
holidays, and New Year's

Materiality [Human Capital]

Rinnai’s Human Capital Strategy

In our Medium-term Management Plan, New ERA 2025, we formulated a set of strategy narratives around how we intend to contribute to “Advancement in addressing social challenges”, “Expansion of business scale”, and “Revolution of corporate structure.” The aim of the plan is to achieve sustainable and sound long-term growth. In order to put these strategy narratives into practice as the first step towards growth for the next generation, it is absolutely essential that we mobilize the strengths of our employees—the driving force of growth—and constantly embrace challenges. We intend to actively invest in human capital tied to our management strategy, and not only will we aim to achieve corporate growth by furthering our strategy narratives, but we will facilitate employee growth and higher levels of engagement by driving this process forward.

Outline of Human Capital Strategy (metrics and targets)



Key Measures (HR development policy, workplace environment development policy)

Nurturing Global Talent

Considering that overseas sales account for more than 50% of our total revenue, growth in international markets is a major driver accelerating the expansion of our business scale. To expand our presence overseas more aggressively than ever before, guaranteeing the quality and quantity of global talent will be a key element in our human resources strategy.

At Rinnai, we clarify positions needed by country and department, develop programs for overseas talent development, and establish an overseas talent pool. We will continue to enhance our support for employee training, increase our competitiveness in the global marketplace, and focus more than ever on advancing our overseas business to ensure sustainable growth and competitiveness.

[Major initiatives and achievements] Employees with overseas secondment experience Fiscal 2023: 109 ⇒ Fiscal 2024: 120 ⇒ Fiscal 2025: 124

Developing DX-savvy Employees

In a society characterized by changing buying behaviors and distribution structures, it is crucial that we fundamentally reassess our conventional business and operating processes and transform our corporate structure. In 2024, we introduced an internal awards program to highlight outstanding Rinnai Group DX initiatives, foster a corporate culture of friendly competition, and encourage more effective DX activities.

In terms of human resources, we have defined two types of core employees that will lead the Company’s digital transformation—DX professionals and DX technicians—and have launched specialized training programs for both. We are also making efforts to educate employees on IT literacy and have begun providing basic training in line with our definition of the IT skills required of all employees using computers in their work. Going forward, the Company as a whole will work towards improving the skills needed to create new business and streamline management.

[Major initiatives and achievements] Core human resource certifications DX professionals: 4 people (achievement rate: 40%), DX technicians: 41 people (achievement rate: 82%)

Brand Penetration

Rinnai promotes and develops consistent domestic and overseas brand strategies. In fiscal 2025, we launched an official Rinnai Corporation brand social media account. We expect this will provide opportunities for the proactive dissemination of our vision of healthier and more comfortable lifestyles worldview, and a deeper understanding of the Rinnai brand among a greater number of stakeholders. Since the initial formulation of our new brand, an element essential for the successful establishment of the Rinnai brand is that each and every employee understands and embodies through their work our brand promise, “Creating a healthier way of living.” To this end, we continue to implement brand awareness training focused on employees, and going forward, we will work to firmly establish Rinnai as everyone’s brand of choice.

[Major initiatives and achievements] Employee understanding of brand (affirmative response) Fiscal 2023: 60% ⇒ Fiscal 2024: 56% ⇒ Fiscal 2025: 61%

HR Investments to Support the Strategy

(Greater opportunities for learning, Promotion of diversity, Employee working styles/workplace environments)

Alongside our global, DX, and branding initiatives, we are also undertaking medium- to long-term HR investments with the intention of enhancing employee performance, which is essential to the execution of our management strategies. We believe that for a company to grow, it is vital that employees feel empathy for its policies and strategies, take pride in their work, and approach their responsibilities in a self-directed manner. Since fiscal 2022, Rinnai has been conducting an employee engagement survey for all employees to clarify the current issues in each organization and implement invigoration measures. In the third engagement survey conducted in January 2025, overall engagement improved seven points (from 47 points in the second survey, to 54 points in the third survey) driven by invigorated communications, particularly at manufacturing sites. At the same time, in other workplaces, significant improvements have yet to be achieved. We believe these environments still struggle to overcome anxiety about the Company and their own careers, as well as a mindset focused solely on maintaining the status quo. Accordingly, we will continue making human resource investments to support a strategy focused on greater opportunities for learning, promoting diversity, and employee working styles and workplace environments to both drive corporate growth and improve employee engagement.

Greater opportunities for learning

We recognize that investment in employee education is particularly critical within our human capital strategy and provide therefore proactive educational opportunities to support the improvement and growth of our employees’ capabilities. Rinnai’s training and education expenses have been steadily increasing over the past few years, as shown in the figure on the right. We are also expanding self-improvement programs to encourage study that contributes to employees’ future careers. Approximately 69% of applicants have transitioned from traditional distance learning programs to newly expanded subscription-based e-learning and English conversation courses, enabling employees to take the initiative in their own learning.

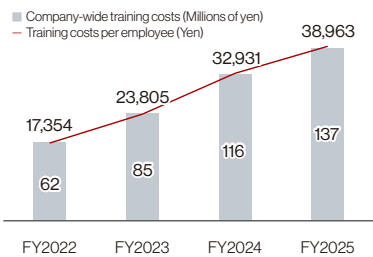
Additionally, fiscal 2025 marks the third year since the launch of a core talent development project in 2021 to identify and develop leaders who will take on executive roles in the future. Similarly, we implemented pre-management education as a measure to improve management skills at an early stage, with the aim fostering talent development from multiple perspectives. Going forward, we will continue investing in education and training in an effort to develop the capabilities of our employees and organization.

[Major initiatives and achievements]

Core talent pool: 63 people (+15 people YoY)

Pre-management training participants: 108 people (+53 people YoY)

Company-wide training costs and training costs per employee



Promotion of diversity

Rinnai is introducing various initiatives to spark new ideas by utilizing human resources with diverse values and experiences. In particular, we recognize that there is still room for improvement in terms of utilizing the capabilities of female employees. In fiscal 2025, to further cultivate our corporate culture, we implemented Company-wide training for all employees, which included video messages from top management, and programs to inculcate a deeper understanding of unconscious bias. In terms of the working environment, we are also encouraging male employees to take childcare leave while expanding the use of paid time off and reviewing family allowances. At present, as we are only halfway to our objectives, to address the challenges associated with promoting women’s participation in the workplace, we will continue to proactively promote the participation of all employees and a transformation in their awareness to enhance the innovation capabilities and competitiveness of the entire organization.

[Major initiatives and achievements]

Number/ratio of women hired for general positions Fiscal 2023: 9 women/13%, ⇒ Fiscal 2024: 11 women/11% ⇒ Fiscal 2025: 25 women/27%

Number/ratio of women who transferred position Fiscal 2023: 4 women/13%, ⇒ Fiscal 2024: 10 women/34% ⇒ Fiscal 2025: 10 women/43%

Number/ratio of female managers Fiscal 2023: 4 women/0.6%, ⇒ Fiscal 2024: 7 women/1.0% ⇒ Fiscal 2025: 9 women/1.2%

Number/ratio of male employees taking childcare leave Fiscal 2023: 18 men/22%, ⇒ Fiscal 2024: 33 men/36% ⇒ Fiscal 2025: 50 men/64%

Employee working styles/workplace environments

We aim to improve employee engagement and productivity through initiatives such as health support and revisions to the personnel system. Rinnai is proactively developing health support programs as part of the employee benefits services available to all employees. We also support employee health and stress management by providing regular health checkups, stress checks, and healthy food options in our newly renovated staff cafeteria. Regarding the personnel system, we felt it was necessary to revise programs to be better suited to employees’ working styles and the changing times. To this end, we introduced a paid time off program, reviewed family allowances, and revised working styles for reemployed people. We will continue listening to the opinions of our employees, striving to improve their work-life balance and ensuring they are able to work in a more fulfilling environment.

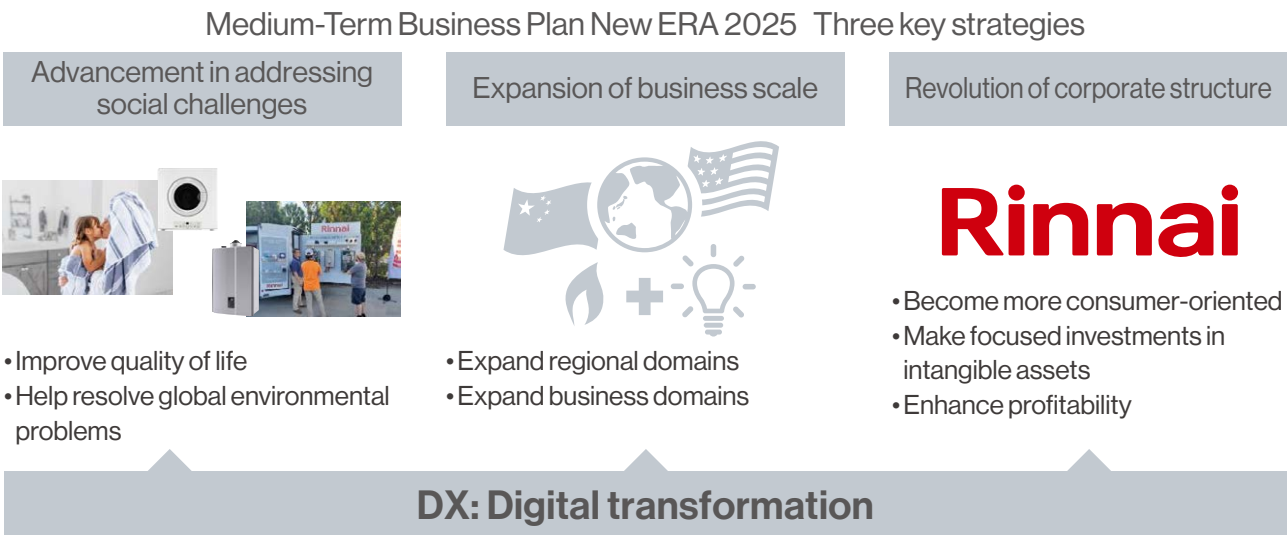
[Major initiatives and achievements]

Employee benefits service users 2,986 people (+888 people YoY)

Materiality [DX]

Rinnai DX Initiatives

Under the medium-term business plan New ERA 2025, we formulated three strategic stories centered on “Advancement in addressing social challenges,” “Expansion of business scale,” and “Revolution of corporate structure.” We recognize that advances in data utilization and the evolution of digital technologies will have a major impact on lifestyles and society, as well as the competitive environment in business areas such as product and sales planning. Through the promotion of digital transformation (DX), we will ensure the successful execution of our strategies, including the achievement of numerical targets. We aim to contribute to the resolution of social issues by strengthening touchpoints with customers and business partners, and the timely provision of products and services that contribute to an improved quality of life. We will also thoroughly review business processes in business and administrative divisions through the use of data and digital technologies, leading to the transformation of our corporate structure and business scale expansion.



Examples of Initiatives 1

Rinnai facilitates an environment in which consumers can utilize products comfortably and conveniently in everyday life through the Rinnai App, which enables users to operate water heaters, bathroom heater/dryers, floor heating systems, panel heaters, and other appliances, as well as the +R RECIPE cooking assistance app, which works in conjunction with gas tabletop stoves, all of which is controlled using a smartphone.

In terms of products, we leverage usage status, frequency, time of day, and other insights derived from sensor data and product usage to formulate hypotheses regarding customer needs. This enables us to improve functionality and lines of flow, driving product planning and new service development.

We will propose ways of using Rinnai products that match customer lifestyles and solve their problems, leading to an improved quality of life and business domain expansion.

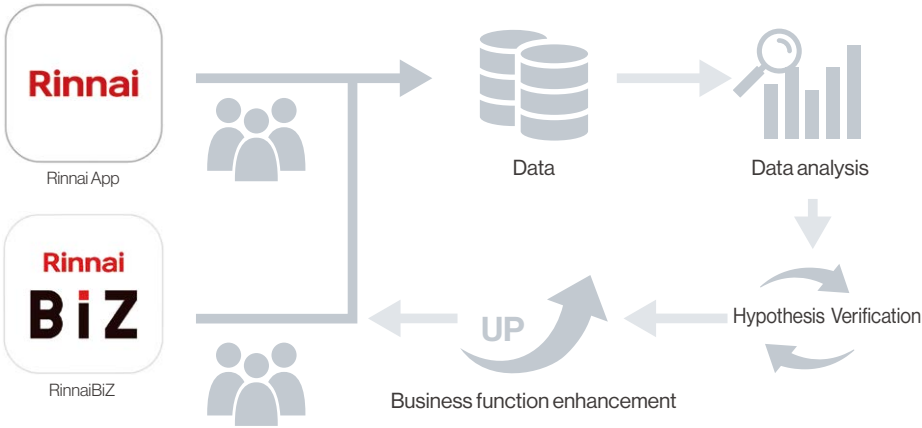


Examples of Initiatives 2

We have released “RinnaiBiZ,” a new information communication platform connecting business partners with Rinnai. The site provides the latest product information, replacement and inventory searches, catalog browsing, building information, and other business support services, as well as a variety of content to enhance sales. We will build an optimal cycle of information dissemination, proposals, and business support to enhance profitability by analyzing the information accumulated through daily sales activities and the usage status of RinnaiBiZ.



Rinnai's DX collects various types of information obtained through business activities and repeatedly makes hypotheses and verifies them based on findings from data analysis to improve business functionality. The Company aims to build a virtuous cycle in which the provision of attractive services leads to an increase in the number of users, and in turn an increase in the amount of information that can be obtained further accelerates the upgrading of functionality.



To aggressively promote DX, we are working on the establishment of a framework, human resource development and technology environment, and data management infrastructure. In terms of promotion structure, DX promotion personnel are assigned to each business and administrative division, and we are building a Company-wide framework to unite the entire Company through cross-functional projects.

For human resource development, we have defined “DX business personnel” to lead business transformation and DX technology personnel to create strategies through the use of digital technology as “DX promotion core personnel” and are working to cultivate them. At the same time, we are striving to improve skills Company-wide to ensure that we have the competencies to respond to business models that utilize digital technology.

In the fiscal year under review, we provided opportunities to improve data utilization and digital technology skills, while cultivating core personnel who will promote DX, and strengthening the promotion system. We will maintain efforts to enhance the quality and quantity of DX promotion core personnel. We also introduced the DX Grand Prize system to recognize departments, divisions, and employees who actively promote DX activities and achieve outstanding results. By sharing best practices throughout the Company, we aim to expand these efforts to encompass the entire Rinnai Group, instill a corporate culture of friendly competition, and establish a virtuous cycle that encourages more effective DX activities. In terms of business restructuring to promote DX, we are working to revamp long-standing legacy systems to enable flexible business operations and advanced data utilization. As part of these efforts, we are also creating a data analytics platform to enable company-wide data utilization with the aim of optimizing business processes, enhancing decision-making, and creating new value through interdepartmental data linkage. Furthermore, we believe that generative AI, which has been rapidly evolving in recent years, is an important technology for improving productivity. Accordingly, we provide a secure environment for the use of generative AI within the Company and are developing functions that leverage generative AI using internal data, thereby expanding internal usage.

In March 2024, Rinnai obtained certification as a DX-certified business operator under the national Digital Transformation (DX) Certification initiative established by the Ministry of Economy, Trade and Industry. We will continue utilizing digital technologies to embody our brand promise, “Creating a healthier way of living.”



DX Grand Prize ceremony

Materiality [Suppliers]

Quality Improvement Activities Conducted in Collaboration with Suppliers

Guided by its fundamental concept of “Quality is our destiny,” Rinnai works together with its partner companies to advance improvements while ensuring they share its commitment of the importance of quality.

Improving the quality of Rinnai’s products is dependent on improvement in the quality level of the parts supplied by its business partners. The Company is not only strengthening its inspection functions for the parts it accepts but also actively focuses on supporting our partner companies’ quality improvement initiatives.

In fiscal 2025, we implemented targeted quality improvement activities for suppliers that manufacture critical safety-related components. We visited not only their domestic offices but also overseas locations, which had been difficult to arrange during the COVID-19 pandemic several years ago. There, we directly discussed quality philosophies and countermeasures for issues identified during on-site inspections with local personnel, enabling us to establish a follow-up structure.

We believe it is of the utmost importance to foster a shared understanding and values regarding quality throughout the entire supply chain and to strengthen a culture that prioritizes quality above all else. Moving forward, we will continue striving to create an environment where we can grow together with our suppliers in the spirit of mutual co-existence and prosperity.



Scene from on-site monitoring



Strengthening relationships with business partners

VOICE



ASAHI KEIKI CO., LTD.
President and Representative Director
Shingo Taga

All for Customers' Safety and Peace of Mind

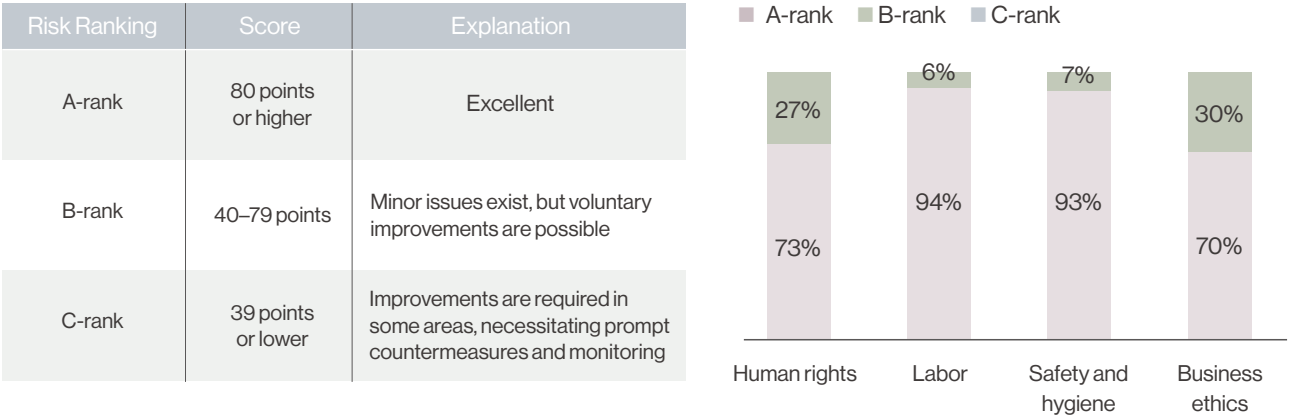
Our company manufactures safety components that protect our customers' lives. We embrace the quality philosophy of “Quality is our life” and endeavor daily to ensure exacting quality control.

We are actively implementing 5S (Sort, Straighten, Shine, Standardize, and Sustain) activities, the foundation of all improvements. From the perspective of pursuing quality, Rinnai’s people pointed out new areas for improvement for us regarding foreign object avoidance and detection and mistake-proofing measures, which we have since implemented. As a result, we take pride in having established a zero-defect system that sets us apart from our competitors. We will continue to strive for zero defects and sustained quality improvement by thoroughly implementing 5S and strengthening our on-site capabilities.

Implementation of CSR Questionnaire

In accordance with the Rinnai Human Rights Policy, which is based on the United Nations Guiding Principles on Business and Human Rights, Rinnai identifies and assesses the negative human rights impacts of its business activities and conducts ongoing human rights due diligence to prevent or mitigate such risks. In fiscal 2025, we requested suppliers respond to a CSR questionnaire, and received replies from 176 suppliers, including information from secondary suppliers and others.

Overall, the results were favorable, despite some minor issues with human rights and business ethics. We are conducting interviews with these business partners to understand their issues and efforts to address them in an effort to prevent recurrence. Moreover, we have no C-rank business partners.



Responsible Mineral Procurement

To fulfill our social responsibility in procurement activities, Rinnai ensures that payments for minerals (tin, tantalum, tungsten, and gold) used in products are not diverted to finance militant forces involved in civil wars and conflicts that cause serious human rights abuses in conflict and high-risk areas by conducting responsible mineral procurement throughout the entire supply chain.

Promoting responsible mineral sourcing requires due diligence that is undertaken throughout the supply chain. We will ask relevant suppliers to provide information on smelters and refiners through the supply chain and aim to procure from issue-free suppliers.

Rinnai uses industry standard survey forms such as the Conflict Minerals Reporting Template (CMRT) published by the Responsible Minerals Initiative (RMI) as survey tools since responsible mineral surveys require the cooperation of all our business partners, down to smelters and refiners.

Survey of Conflict Minerals

Rinnai conducts surveys regarding conflict minerals for its suppliers. In fiscal 2025, survey forms were collected from 176 suppliers who were requested to participate. Approximately 66% use CFS² equipment. We conduct risk analysis and evaluation, and if risks are detected, we request procurement from smelters and refiners without issues.

	FY2025				
	Total	Tin	Tantalum	Tungsten	Gold
Number of designated smelters ¹	356	88	36	53	179
Number of CFS ² certified smelters	234	71	34	35	94
CFS ² occupancy rate	66%	81%	94%	66%	53%
Survey response rate	100%	–	–	–	–

¹ Smelters and refiners in Rinnai’s supply chain are recognized under RMI³.
² Conflict-free smelter. Smelters and refiners that have been audited and certified as conflict-free.
³ Responsible Minerals Initiative (RMI). This is an organization promoting the responsible sourcing of minerals in collaboration with companies throughout the world.

Materiality [Shareholders and Investors]

Dialogue on Corporate Initiatives for Longer-Term Business Growth

FY2025 Status of Dialogue with Shareholders and Investors

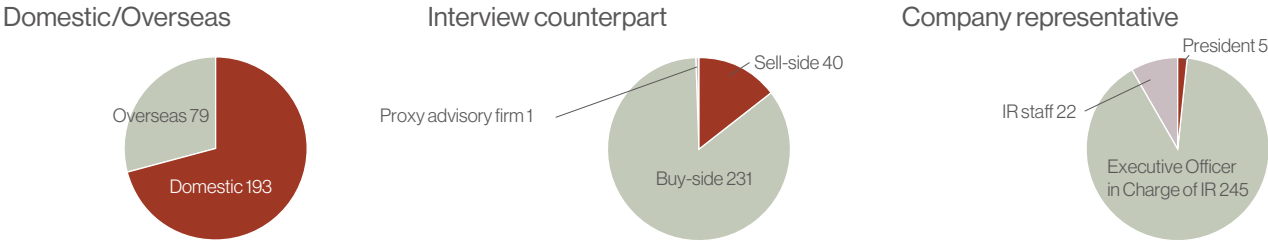


Announcement of Rinnai's year-end financial results

We disclose information in an appropriate, timely, fair, and impartial manner, and engage in IR activities with an emphasis on two-way communication in order to earn the trust of shareholders and investors. We held results briefings for analysts and institutional investors four times a year (increased from twice a year), followed by detailed IR meetings with each company. We then provide feedback on the discussions to the Board of Directors for further deliberation. We also provide information through the publication of biannual shareholder reports and issuance of presentation materials for results briefings and the like on our website.

Through various opportunities to meet with them, shareholders and investors are able to understand our business growth strategies from a longer-term perspective and to hold expectations for stable shareholder returns.

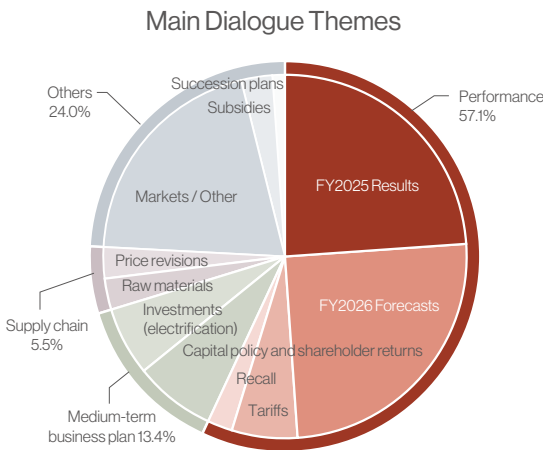
The summary of dialogues with shareholders and investors is as follows (272 times).



Fiscal 2025 Key Dialogue Themes and Areas of Interest

In addition to customary questions regarding business performance and plans, in fiscal 2025 institutional investors and analysts also touched on topical issues related to U.S. tariffs and the Company's recall as well as raw material prices and price revisions and other matters highly likely to impact earnings.

There were wide-ranging discussions on capital policy and growth strategy, with many exchanges regarding the use of funds, including share buybacks, dividend increases, and investments. As a result, there seemed to be a lot of attention on how ROE and ROIC will fluctuate in the future.



Enhancing Communication with Shareholders and Investors



In April 2025, we held a tour for institutional investors featuring visits to the Oguchi, the Akatsuki, and the Seto factories, which are the main production facilities for our flagship products. On a regular basis, institutional investors show interest in what kind of factories and equipment Rinnai possesses, the working environment for employees, and what the Company's technological capabilities and production capacity are like. Through this tour of our three main factories, we are confident that the participants gained insight into Rinnai's manufacturing processes and the appeal of the Company. We believe that by sparking their interest, it may lead them to consider investing or increasing their investments in Rinnai in the future.

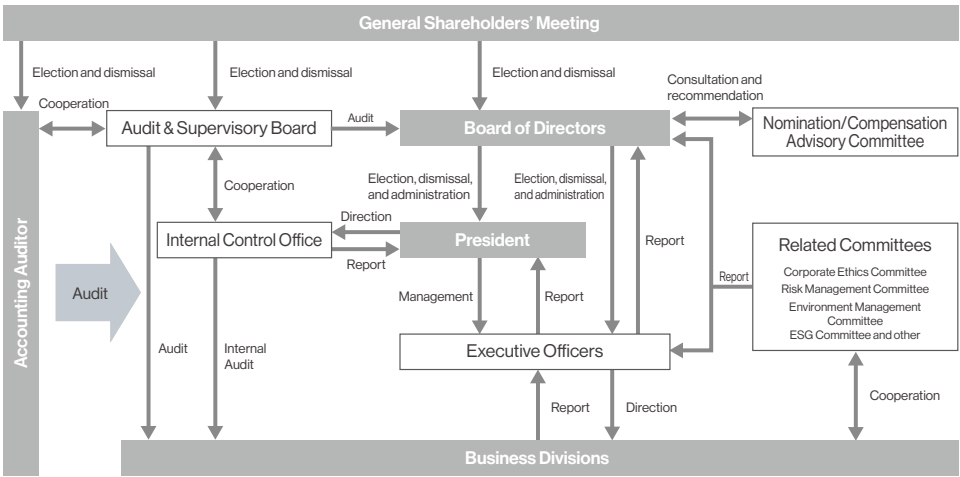


In May 2024, Rinnai participated in the 15th anniversary event of the Commons Festa. The Commons Festa serves as a forum for interaction between companies included in the "Commons 30" equity fund managed by institutional investor Commons Asset Management, Inc., individual investors, and their families.

Participating in such events where we are able to interact with many investors provides an excellent opportunity to showcase Rinnai's appeal. We intend to continue valuing these communication forums moving forward.

Management Structure

Corporate Governance Structure



Audit System for Monitoring and Supervising Management

Rinnai recognizes the reinforcement and enhancement of its corporate governance to be important management priorities from the perspectives of strengthening competitiveness and continually improving corporate value of the Group. We aim to conduct highly transparent management by providing swift and precise disclosure of wide-ranging information to all of our diverse stakeholders while endeavoring to enhance the functionality of internal bodies, such as our Board of Directors and Audit & Supervisory Board.

Audit & Supervisory Board members attend Board of Directors' meetings and other important meetings to monitor director and executive organization execution of duties and development and operation of the internal control system. In addition to these duties, external account auditors audit the Company's accounts and verify from a third-party perspective the legality of the internal control system as it relates to financial accounts.

Board of Directors

Rinnai's Board of Directors is comprised of nine members, four of whom are outside directors, and meets once a month in principle. The Board makes decisions regarding major management issues and also oversees business execution by Board members. In addition to resolutions on matters such as M&A deals, the Board of Directors also discusses measures aimed at realizing management that is conscious of capital costs and stock price, evaluates the effectiveness of the Board of Directors, and reports on feedback from dialogues with investors.

Evaluating Board of Directors Effectiveness

Rinnai evaluates the effectiveness of the Board of Directors through questionnaires targeting directors and Audit and Supervisory Committee members. In the fiscal 2025 effectiveness evaluation, benchmarks were met or exceeded in all categories, confirming the effectiveness of the Board of Directors. The questionnaires also include an open-ended comment section to gather specific comments, opinions, and suggestions for the Board of Directors, and on the basis of this feedback, we implement initiatives that include numerous discussions focused on issues raised in the submitted opinions. In maintaining these efforts, improvements have been observed, including an increase in comments and questions during Board of Directors' meetings from outside executives that draw on their expertise, and more lively discussions reflecting perspectives from within and outside Rinnai.

Nomination Advisory Committee and Compensation Advisory Committee

Rinnai established a Nomination Advisory Committee and a Compensation Advisory Committee comprising a majority of outside independent directors and chaired by outside directors as advisory bodies to the Board of Directors to ensure a higher degree of objectivity and transparency in the process of determining nominations and compensation for senior management and directors. Nominations and compensation of directors and executive officers are discussed by the respective advisory committee, with a final decision made by the Board of Directors.

Remuneration for Directors and Audit & Supervisory Board Members (Fiscal 2025)

Category	Total Remuneration (Millions of yen)	Total Remuneration by Item (Millions of yen)			Recipients (persons)
		Basic Component	Annual Bonus	Restricted Stock	
Directors (including outside directors)	461 (38)	290 (38)	142 (—)	28 (—)	10 (5)
Audit & Supervisory Board members (including outside members)	50 (15)	50 (15)	— (—)	— (—)	5 (2)
Total (including outside members)	511 (53)	340 (53)	142 (—)	28 (—)	15 (7)

Director Compensation System

Structure of compensation

Compensation for directors consists of a basic component (fixed compensation) and a performance-linked component in a ratio of approximately 60:40 for the purpose of providing a sound motivation for increased corporate value and target achievement. Performance-linked compensation consists of an annual bonus, designed to promote steady attainment of performance targets every fiscal year, and a restricted stock compensation, designed to seek steady improvement of corporate value through sharing interests with shareholders by holding the Company's shares for the medium to long term.

Composition of Compensation



Annual Remuneration General Summary

- Consisting of a financial evaluation portion (80%) and a nonfinancial evaluation portion (20%)
- The financial evaluation portion varies between 0 and 200% of the standard amount, depending on the degree to which operating income and ROE targets have been achieved.
- The non-financial evaluation portion varies between 0 and 200% of the standard amount, depending on the degree of improvement in employee engagement (+ qualitative evaluations).

Restricted Stock Compensation General Summary

- Fixed + qualitative evaluation (considers total shareholder return)

Stock ownership guidelines

Effective the 75th fiscal year (ended March 31, 2025), the Corporation will establish the following guidelines for the number of shares of its stock to be held by directors during their terms of office, with the aim of steadily increasing corporate value and further promoting common interests between directors and shareholders.

- President and representative directors: Shares equivalent to 1.5 times the amount of base compensation by the end of three years after assuming office
- Other directors (excluding outside directors): Shares equivalent to one time the amount of base compensation by the end of three years after assuming office

Process of determining compensation

Policies on determining compensation for directors are deliberated objectively at a meeting of the Compensation Advisory Committee, composed of a majority outside directors, and ratified by resolution of the Board of Directors based on the Committee's recommendations. The amount of each director's compensation, including an assessment of a non-financial evaluation portion of annual bonuses and additional delivery of restricted stock based on corporate value evaluation, is determined by deliberation of the Compensation Advisory Committee to which the Board of Directors has resolved to delegate authority.

Members

- Takashi Kamio, Outside Director (Chairman of the Committee)
- Kumi Sato, Outside Director
- Tadashi Ogura, Outside Director
- Hiroyasu Naito, President and Representative Director

Governance

Leadership (As of July 1, 2025)

Board of Directors

Kenji Hayashi	Representative Director, Chairman of the Board
Career Summary and Current Position in the Corporation:	
Apr. 1972	Joined Rinnai Corporation
Sept. 1978	Director
Feb. 1980	Director, and General Manager of Corporate Planning Office
Jun. 1983	Managing Director, and General Manager of Production Technology Division

Hiroyasu Naito	Representative Director and President and Executive President
Career Summary and Current Position in the Corporation:	
Apr. 1983	Joined Rinnai Corporation
Jun. 1991	Director, Deputy General Manager of Technology Research Headquarters, and concurrently General Manager of New Technology Development Division
Jul. 1998	Director, General Manager of Technology Research Headquarters
Jul. 2001	Director, General Manager of Corporate Planning Division and concurrently, General Manager of Administration Division
Jun. 2003	Managing Director, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division
Jun. 2005	Director, Managing Executive Officer, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division
Nov. 2005	Representative Director, President and Executive Officer of the Corporation (current)
Current Representation in Other Companies: Outside Director at Nagoya Railroad Co., Ltd.	

Tsunenori Narita	Representative Director and Executive Vice President, President's assistant
Career Summary and Current Position in the Corporation:	
Apr. 1967	Joined Rinnai Corporation
Jun. 1988	Director, General Manager of Technology Research Headquarters and concurrently General Manager of Quality Guarantee Division
Jun. 2001	Managing Director, General Manager of Production Headquarters
Jun. 2005	Director, Managing Executive Officer, and General Manager of Production Headquarters
Nov. 2005	Director, Managing Executive Officer, in charge of domestic business, and concurrently General Manager of Marketing & Sales Headquarters
Apr. 2006	Director, Senior Executive Officer, in charge of domestic business, and concurrently General Manager of Marketing & Sales Headquarters
Apr. 2009	Director, Executive Vice President; responsible for Research & Development Headquarters, Production Headquarters, Overseas Business Headquarters and Customer Division, and General Manager of Marketing & Sales Headquarters
Apr. 2010	Representative Director, Executive Vice President; responsible for Research & Development Headquarters, Production Headquarters, Overseas Business Headquarters and Customer Division, and General Manager of Marketing & Sales Headquarters
Oct. 2010	Representative Director, Executive Vice President; responsible for Research & Development Headquarters, Production Headquarters, Overseas Business Headquarters, and General Manager of Marketing & Sales Headquarters
Apr. 2016	Representative Director, Executive Vice President, President's Assistant, in charge of Production Headquarters and Overseas Business Headquarters
Apr. 2018	Representative Director, Executive Vice President, President's Assistant (current)

Hideyuki Shiraki	Director, Senior Managing Executive Officer
Career Summary and Current Position and Responsibility in the Corporation:	
Apr. 1989	Joined Rinnai Corporation
Apr. 2017	Executive Officer, General Manager of Kanto Branch Office, Marketing & Sales Headquarters
Apr. 2019	Executive Officer, Deputy General of Marketing & Sales Headquarters, concurrently, General Manager of Kanto Branch Office
Jun. 2020	Managing Executive Officer, General Manager of Marketing & Sales Headquarters
Apr. 2023	Senior Managing Executive Officer, General Manager of Marketing
Jun. 2023	Director, Senior Managing Executive Officer, General Manager of Marketing (current)
Apr. 1985	Joined Rinnai Corporation
Apr. 2008	Vice President of Rinnai Korea Corporation
Jun. 2012	President of Rinnai Precision Co., Ltd.
Apr. 2016	Executive Officer of the Corporation, General Manager of Production Control Division, Production Headquarters
Apr. 2017	Executive Officer, Deputy General Manager of Production Headquarters
Apr. 2018	Executive Officer, General Manager of Production Engineering Headquarters
Apr. 2021	Managing Executive Officer, General Manager of Production Engineering Headquarters
Apr. 2023	Senior Managing Executive Officer, General Manager of Production Engineering Headquarters
Jun. 2023	Director, Senior Managing Executive Officer, General Manager of Production Engineering Headquarters (current)

Takashi Kamio	Outside Director, Independent Officer
Career Summary and Current Position in the Corporation:	
Apr. 1965	Joined Toyota Motor Co., Ltd.
Jun. 1996	Director at Toyota Motor Corporation
Jun. 1999	Managing Director at Toyota Motor Corporation
Jun. 2001	Senior Managing Director at Toyota Motor Corporation
Jun. 2005	Senior Advisor at Toyota Motor Corporation
Jun. 2006	President at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan Co., Ltd.)
May 2010	Director at Nakanishin Kogyo Co., Ltd.
Jun. 2010	Advisor at Toyota Motor Corporation
Jun. 2011	Senior Advisor at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan Co., Ltd.)
Jun. 2016	Audit & Supervisory Board Member at Central Nippon Expressway Company Limited
Jun. 2024	Outside Director, Rinnai Corporation (current)
Jun. 2024	Outside director, Chairman of the Nomination Advisory Committee and the Compensation Advisory Committee of Rinnai Corporation
Mar. 2025	Chief outside director, Chairman of the Nomination Advisory Committee and the Compensation Advisory Committee of Rinnai Corporation (current)
Current Representation in Other Companies: Chairman of Sasaeai, specified nonprofit corporation	

Yoko Dochi	Outside Director, Independent Officer
Career Summary and Current Position and Responsibility in the Corporation:	
Apr. 1987	Joined The Bank of Tokyo, Ltd. (currently, MUFG Bank, Ltd.)
Sept. 1996	Joined World Bank Group (WBG)
May 2001	Joined Toyota Motor Europe S.A./N.V.
Jan. 2015	General Manager of Global Treasury and Investor Relations at Toyota Motor Europe S.A./N.V.
Mar. 2018	In charge of Investors Relations and Accounting Division, and Stock Group at Toyota Motor Corporation
Nov. 2018	Joined SoftBank Group Corp. Managing Director, in charge of Finance, General Manager of Investor Relations
Feb. 2020	Joined SoftBank Group International Managing Partner, Head of Investor Relations
Jun. 2020	Outside Director of NIPPO LTD. (current)
Jun. 2023	Outside Director, Rinnai Corporation (current)
Mar. 2024	Outside Audit & Supervisory Board Member at Kirin Holdings Company, Limited (current)
Current Representation in Other Companies: Outside Director of NIPPO LTD. Trustee of Daiwa Anglo-Japanese Foundation Outside Audit & Supervisory Board Member at Kirin Holdings Company, Limited	

Kazuto Inoue	Director, Senior Managing Executive Officer
Career Summary and Current Position and Responsibility in the Corporation:	
Apr. 1985	Joined Rinnai Corporation
Apr. 2008	Vice President of Rinnai Korea Corporation
Jun. 2012	President of Rinnai Precision Co., Ltd.
Apr. 2016	Executive Officer of the Corporation, General Manager of Production Control Division, Production Headquarters
Apr. 2017	Executive Officer, Deputy General Manager of Production Headquarters
Apr. 2018	Executive Officer, General Manager of Production Engineering Headquarters
Apr. 2021	Managing Executive Officer, General Manager of Production Engineering Headquarters
Apr. 2023	Senior Managing Executive Officer, General Manager of Production Engineering Headquarters
Jun. 2023	Director, Senior Managing Executive Officer, General Manager of Production Engineering Headquarters (current)

Tadashi Ogura	Outside Director, Independent Officer
Career Summary and Current Position and Responsibility in the Corporation:	
Apr. 1975	Joined Nippon Toki Co., Ltd. (currently, NORITAKE CO., LIMITED)
Jun. 2005	Director at NORITAKE CO., LIMITED
Apr. 2008	Director, & Managing Executive Officer at NORITAKE CO., LIMITED
Jun. 2010	Director, & Senior Managing Executive Officer at NORITAKE CO., LIMITED
Jun. 2011	Director & Vice President, Executive Officer at NORITAKE CO., LIMITED
Apr. 2012	Representative Director & Vice President, Executive Officer at NORITAKE CO., LIMITED
Jun. 2013	Representative Director & President, Executive Officer at NORITAKE CO., LIMITED
Jun. 2018	Representative Director & Chairman at NORITAKE CO., LIMITED (current)
Jun. 2021	Outside Director at Meiko Trans Co., Ltd. (current)
Jun. 2023	Outside Director, Rinnai Corporation (current)
Current Representation in Other Companies: Representative Director & Chairman at NORITAKE CO., LIMITED	

Kumi Sato	Outside Director, Independent Officer
Career Summary and Current Position and Responsibility in the Corporation:	
1989	Editor-in-chief and publisher of an English-language magazine "AVENUES"
2005	Producer, Friendship Film Festival of the 2005 World Exposition, Aichi, Japan
Apr. 2012	Professor, Faculty of Global and Media Studies, Kinjo Gakuin University
Apr. 2014	Event Director, Aichi International Women's Film Festival (Aichi Gender Equality Foundation)
Apr. 2021	Professor, Faculty of Technology, International Professional University of Technology in Nagoya (current)
Jun. 2024	Outside Director, Rinnai Corporation (current)
Current Representation in Other Companies: Professor, Faculty of Technology, International Professional University of Technology in Nagoya	

Audit & Supervisory Board Members

Masanori Shimizu	Standing Audit & Supervisory Board Member
Career Summary and Current Position in the Corporation:	
Apr. 1984	Joined Rinnai Corporation
Apr. 2016	Executive Officer, General Manager of Technology Development Division, Research & Development Headquarters
Apr. 2021	Executive Officer, Deputy General Manager of Quality Assurance Headquarters, concurrently General Manager of Quality Assurance Division
Apr. 2022	Senior Executive Officer, General Manager of Quality Assurance Headquarters
Jun. 2023	Standing Audit & Supervisory Board Member (current)
Atsuo Kashima	Standing Audit & Supervisory Board Member
Career Summary and Current Position in the Corporation:	
Apr. 1986	Joined Rinnai Corporation
Apr. 2018	General Manager of Accounting Division
Apr. 2021	Executive Officer, General Manager of Accounting Division
Apr. 2024	Assistant to Chief of Corporate Management Headquarters
Jun. 2024	Standing Audit & Supervisory Board Member (current)

Masaaki Matsuoka	Outside Independent Audit & Supervisory Board Member
Career Summary and Current Position in the Corporation:	
Sept. 1976	Registration of a certified public accountant
Jul. 1988	Partner at Deloitte Tohmatsu LLC (Now, Deloitte Touche Tohmatsu LLC)
Jun. 2014	Retired from Deloitte Touche Tohmatsu LLC
Jul. 2014	Established Masaaki Matsuoka CPA office (current)
Jun. 2016	Audit & Supervisory Board Member (current)
Aug. 2020	Outside director of MITACHI CO., LTD. (current)
May 2023	Outside director of Kanemi Co., Ltd.
Current Representation in other companies President of Masaaki Matsuoka CPA office Outside Audit & Supervisory Board Member at Mitachi Co., Ltd.	
Ippei Watanabe	Outside Independent Audit & Supervisory Board Member
Career Summary and Current Position in the Corporation:	
Apr. 1978	Registration of attorney
	Joined Saij & Ohta Law firm
Jun. 1991	Established Ohta & Watanabe Law firm (currently, TRUTH & TRUST Law Office) (current)
Jun. 2016	Audit & Supervisory Board Member (current)
Jan. 2020	Established TRUTH & TRUST LPC; President (current)
Current Representation in other companies President of TRUTH & TRUST Law Office	

Executive Officers (excluding concurrent directors)

Managing Executive Office	Chuji Nakashima	Chief of Quality Assurance Headquarters
Managing Executive Office	Hirohisa Ooi	Chief of Production Headquarters and Chief of Corporate Planning Headquarters
Managing Executive Office	Takuya Ogawa	Chief of Administration Headquarters and General Manager of Personnel Affairs Division
Managing Executive Office	Yoshihiko Takasu	Chief of Innovation Center and General Manager of Research & Development Division
Managing Executive Office	Hayao Nishizawa	Chief of Overseas Business Headquarters and General Manager of Second Sales Division
Managing Executive Office	Kenji Endo	Chief of Research & Development Headquarters
Executive Officer	Katsunori Tanioka	Deputy Chief of Marketing & Sales Headquarters
Executive Officer	Hiroyuki Hoyano	Branch Office Manager of Kanto Branch Office, Marketing & Sales Headquarters
Executive Officer	Yasunobu Takemoto	Deputy Chief of Research & Development Headquarters and General Manager of Engineering Development Division

Governance

Skills Matrix of Directors

	Corporate management	Global management	Technology <Development/ Production/ Environment (E)>	Business Plans/ Marketing	Finance/ Accounting/ Capital Policy	Human Resources Strategy (S)	Governance (G)/ Legal matters/ Risk management	Sustainability	IT/Digital Transformation (DX)
Kenji Hayashi	●	●	—	—	●	●	●	—	—
Hiroyasu Naito	●	●	●	—	●	—	—	●	—
Tsunenori Narita	●	—	●	●	—	●	—	—	—
Hideyuki Shiraki	—	—	—	●	—	●	—	—	●
Kazuto Inoue	—	●	●	—	—	—	—	—	●
Takashi Kamio	●	●	—	●	—	—	●	—	—
Tadashi Ogura	●	—	●	—	—	●	●	—	—
Yoko Dochi	—	●	—	—	●	—	●	●	—
Kumi Sato	—	●	—	—	—	●	—	●	●

* This table does not show all of the skills possessed by each Director.

Reasons behind Selecting Eight-Point Skills Matrix

Skill items	Reasons for selecting items (Requirements for achieving the medium-term business plan "New ERA 2025")
Corporate management	It is vital for Rinnai, which seeks to address global social challenges through core technologies under the business themes of "heat and lifestyles" and "health and lifestyles," to have directors who possess a wealth of knowledge in consumer services as well as management experience at manufacturing companies, research facilities and other organizations.
Global management	Rinnai must have directors who possess overseas business management experience and a deep understanding of and involvement at the local level, that is, the local lifestyle and culture and the environment, to support business expansion in global markets, particularly Japan, the United States and China, and to support sustainable growth.
Technology <Development/Production/ Environment (E)>	Basic research into the use of all sorts of energy sources and component development as well as measures to maintain a highly reliable production system are essential to an expanded lineup of products that contribute to "heat and lifestyles" and "health and lifestyles," and Rinnai must therefore have directors with demonstrated knowledge and experience in development, production and the environment.
Business Plans/Marketing	Rinnai must have directors with demonstrated knowledge and experience in business planning and marketing to gather information on the real needs of consumers and develop product planning and sales planning matched to these needs, and to reinforce business activities related to direct sales.
Finance/Accounting/ Capital Policy	Rinnai must have directors with demonstrated knowledge and experience in financial, accounting and capital policy disciplines for optimum allocation to strategic investments, return to shareholders and risk-responsive capital from the current added-value and profit-emphasis management perspective as well as a medium-term perspective.
Human Resources Strategy (S)	Rinnai must have directors with solid knowledge and experience in human resource strategy and development to reform its human resource system to support employees' challenges and self-realization, propose new workstyles and improve brand power, and solidify the foundation for sustainable growth.
Governance (G)/Legal matters/ Risk management	Rinnai must have directors with demonstrated knowledge and experience in corporate governance, risk management and legal matters to maintain the appropriate global governance structure and keep business activities going in a fair and equitable workplace environment.
Sustainability	Directors with solid knowledge and experience in the field of ESG and sustainability are needed to solve social issues as well as to incorporate them into business activities as earnings opportunities toward the realization of a sustainable society.
IT/Digital Transformation (DX)	Rinnai must have directors with demonstrated knowledge and experience in IT and DX, not only to promote digital transformation throughout the Corporation but also to establish an information infrastructure to thwart cyberattacks and to utilize leading-edge information technologies.

Communication with Outside Executives

To strengthen the supervisory function of the Board of Directors and promote the substantive contribution of outside executives (outside directors and outside Audit & Supervisory Board members) to management, we actively provide opportunities for them deepen their understanding of the business. In December 2024, we held a product experience session for outside executives at Hot.Lab, our showroom for clients. This session provided outside executives with an opportunity to enhance their product knowledge and business understanding by seeing, touching, and experiencing key products from our sales division firsthand, while engaging in dialogue with the responsible executive officers.



In particular, during the cooking demonstration of our top-of-the-line, built-in gas hob (stovetop) *DELICIA*, the outside directors gave high marks to the light weight of the dedicated cookware and the wide range of functions enabled through app integration. They also experienced firsthand the practicality of the "Easy Clean" technology, which prevents stains from sticking on the stovetop surface, as well as the outstanding finish of clothing dried with the *Kanta-kun* gas clothes dryer. These experiences reaffirmed their appreciation of the high added value of Rinnai's products and its technological capabilities.



In addition to such product experience sessions, we regularly organize tours of production facilities and key business sites for our outside executives, along with opportunities to exchange views with on-site personnel. This enables outside executives to gain a profound understanding of the heart of our business activities and gain critical information for making appropriate management decisions. At the same time, they serve as opportunities for communication among outside executives themselves.

Governance

Compliance

Rinnai thoroughly instills compliance in all its executives and employees to ensure it is a sound corporate group that is trusted by society. We are enhancing our corporate culture of compliance and creating an environment in which all executives and employees can fulfill their social responsibilities and approach their work in a forward-looking manner.

Rinnai Group Code of Ethics

The Rinnai Group has compiled behavioral standards that all executives and employees must obey in the “Code of Ethics,” a small booklet that includes the “Rinnai Code of Conduct” as a guideline for specific daily activities.

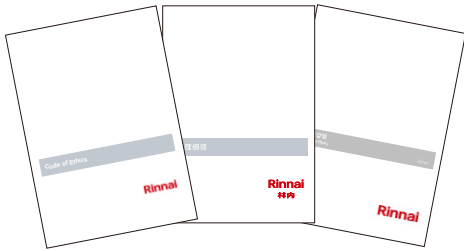
In addition, an English-language version of the “Code of Ethics” is issued to Group companies, and in countries where the official language is not English, the manual is translated into the local language of that country.

Each year, Rinnai conducts Code of Conduct awareness activities for all Group employees including those outside of Japan.

Furthermore, in Japan we have created the “Rinnai Code of Conduct Guidebook” as a tool to deepen understanding of the content in the “Rinnai Code of Conduct” and we also implement tests using e-learning to confirm the level of understanding.



Code of Ethics summary awareness meeting (Industrias Mass)



Rinnai Group Code of Ethics (English, Chinese and Korean versions)



Code of Ethics summary awareness meeting (Rinnai (Thailand))



Rinnai New Zealand written pledges

Risk Management

Risk Management Policy

As society becomes increasingly complex, companies face a variety of risks. As a manufacturer of thermal energy equipment that supports people's daily lives, we believe it is our social responsibility to continue to provide products in a stable manner. We are committed to risk management to live up to the trust of our customers and society and to conduct stable business activities.

Promotion Structure

Rinnai’s Risk Management Committee is comprised mainly of executive officers and divisional heads with the President serving as Chairman. The Risk Management Committee identifies risks that may affect life, Rinnai’s reputation, business activities, and assets, and prepares a List of Material Risks, which evaluates the importance of each item in terms of magnitude of impact and potential frequency of occurrence. The Committee also determines which business divisions have a primary responsibility for each type of risk. These divisions discuss and work on developing mechanisms to prevent risks from materializing, rapidly resolve crises, minimize any damage that may occur as a result, and prevent recurrences.

The Committee works with all divisions and Group companies to mitigate risks and enhance risk response capabilities.

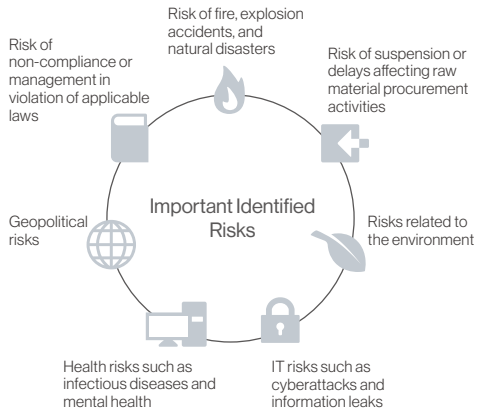
Material Risks (Excerpted)		
Management Risk	• Compliance • Product accident defects • Environment • Labor-related	• Intellectual property • Supply chain • Market environment, etc.
Financial Risk	• Foreign exchange rates	• Taxation, etc.
Accident and Disaster Risk	• Production shutdowns, etc.	
IT Risk	• Cyberattacks	• Information leakage, etc.
Health Risk	• Infectious diseases	• Mental health, etc.
Country Risk	• Geopolitical risk, etc.	

Promotion of Business Continuity

In the event of a major risk such as a natural disaster, fire, or infectious disease materializing, we envision that business operations may be suspended for a long time, resulting in significant losses and having a serious impact on stakeholders. We position cases where there is a risk of interruption in the manufacture or supply of products vital to customers as important issues for business continuity management and are formulating and reviewing business continuity planning (BCP).

Response to Natural Disasters

Rinnai’s business sites are concentrated in the Chubu region. To prepare for a Nankai Trough Mega Earthquake that is said to occur within the next 30 years, we are promoting Companywide seismic and disaster prevention measures and reviewing our BCP. In addition, all employees participate in annual drills using the safety confirmation system.



Data Collection

Eleven-Year Financial Summary

		FY2015 ^{*1}	FY2016 ^{*1}	FY2017 ^{*1}	FY2018 ^{*1}		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Net sales	(Millions of yen)	295,022	319,935	330,256	347,071		348,022	340,460	344,364	366,185	425,229	430,186	460,319
Operating income	(Millions of yen)	30,787	34,593	34,056	32,849		30,879	34,422	40,690	35,864	41,418	39,362	46,005
Operating income margin	(%)	10.4	10.8	10.3	9.5		8.9	10.1	11.8	9.8	9.7	9.2	10.0
Ordinary income	(Millions of yen)	32,938	35,807	35,280	34,286		33,318	35,679	42,400	39,060	44,565	46,071	50,323
Net income attributable to owners of the parent company	(Millions of yen)	20,647	22,710	22,322	21,194		20,480	21,561	27,581	23,748	26,096	26,667	29,691
Total net assets	(Millions of yen)	261,414	271,709	290,638	307,965		320,696	340,959	371,318	378,856	407,199	437,438	461,718
Total assets	(Millions of yen)	355,140	368,084	402,107	422,422		430,885	450,486	497,291	512,867	547,114	577,088	606,586
Net assets per share	(Yen)	1,580.81	1,641.41	1,748.54	1,863.06		1,939.93	2,046.84	2,220.13	2,296.59	2,487.60	2,707.86	2,885.72
Net income per share	(Yen)	132.34	145.57	143.09	136.80		132.82	139.83	178.87	156.80	176.92	184.75	209.66
Equity ratio	(%)	69.4	69.6	67.8	68.0		69.4	70.1	68.8	66.9	66.6	67.2	66.9
Return on equity	(%)	8.8	9.0	8.4	7.6		7.0	7.0	8.4	6.9	7.4	7.1	7.5
Cash flows from operating activities	(Millions of yen)	25,671	36,066	39,554	29,914		29,479	37,694	49,491	28,696	19,387	43,347	57,502
Cash flows from investing activities	(Millions of yen)	(23,649)	(17,770)	(17,732)	(12,190)		(7,288)	(7,124)	(15,820)	(25,486)	(30,087)	(19,968)	(22,685)
Cash flows from financing activities	(Millions of yen)	(8,659)	(6,554)	(5,217)	(11,725)		(6,150)	(6,436)	(7,269)	(27,109)	(21,313)	(23,664)	(26,503)
Cash and cash equivalents at end of year	(Millions of yen)	69,340	79,600	95,297	101,697		116,133	140,138	166,524	147,972	120,213	123,829	136,300
Capital expenditures	(Millions of yen)	13,774	16,938	20,664	16,105		13,481	10,580	13,301	22,682	26,521	41,114	16,300
Research and development expenses	(Millions of yen)	8,895	9,113	9,340	9,918		9,503	9,308	11,802	12,762	13,458	14,302	14,939
Dividends	(Yen)	25.3	27.3	28.6	30.0		31.3	32.6	41.6	46.6	53.3	60.0	80.0
Payout ratio	(%)	19.1	18.8	20.0	21.9		23.6	23.4	23.3	29.8	30.1	32.5	38.2
Number of outstanding shares	(Shares)	156,649,389	156,649,389	156,649,389	154,849,389		154,849,389	154,849,389	154,849,389	150,063,171	150,063,171	146,677,171	143,888,571
Closing price at the end of the period	(Yen)	2,970	3,313	3,077	3,367		2,610	2,550	4,130	3,057	3,235	3,484	3,456
Market capitalization	(Millions of yen)	465,249	519,032	481,958	521,326		404,157	394,866	639,528	458,693	485,454	511,023	497,279

^{*1} We have applied the Partial Revisions to Accounting Standards for Tax Effect Accounting (Corporate Accounting Standards No. 28, February 16, 2018) since fiscal 2019. As such, figures for fiscal 2015–fiscal 2018 have been adjusted to retroactively apply said accounting standards.
^{*2} On April 1, 2023, we conducted a three-for-one stock split of our common stock. Performance prior to the stock split is shown based on the post-split conversion.

Data Collection

Human Resource- and Personnel-Related Data

		Fiscal 2023	Fiscal 2024	Fiscal 2025
Newly recruited employees	Male	89	76	105
	Female	14	18	24
	Subtotal	103	94	129
Mid-career recruitment	Male	5	9	10
	Female	6	3	1
	Subtotal	11	12	11
Mid-career recruitment ratio (%)	Subtotal	10	11	10
Temporary staff	Subtotal	181	168	184
Average working years	Male	19.1	19.5	19.4
	Female	16.2	16.9	17.8
	Subtotal	18.3	18.8	18.9
Average age (Years old)	Male	41.4	41.7	41.6
	Female	37.3	37.9	38.4
	Subtotal	40.2	40.6	40.7

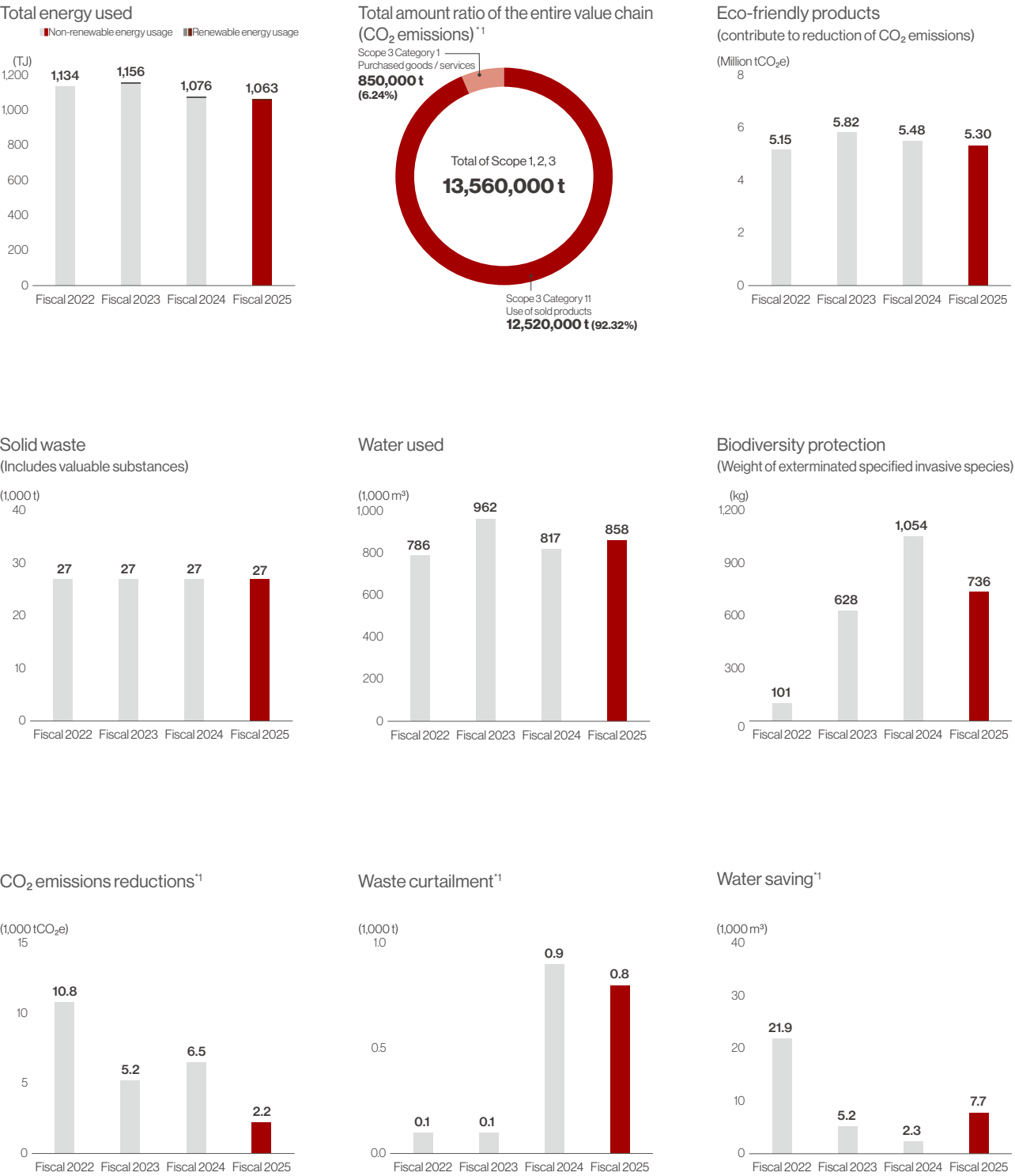
		Fiscal 2023	Fiscal 2024	Fiscal 2025
Paid leave	Maximum number of days added with paid leave	20	20	20
	Average number of days taken with paid leave	11.6	13.9	13.6
	Utilization ratio (%)	61	73	72
Employment of persons with disabilities	Number of persons with disabilities	79	93	91
	Employment rate (%)	2.19	2.62	2.58
Number of OJT accidents	Number of accidents	25	23	24
* Includes domestic consolidated subsidiaries	Number of disasters(%) (LTIFR)	0.74	0.38	0.39
Number of employees on mental health leave		21	30	27
Periodic health checkup participation ratio		100	100	100
Secondary health checkup participation ratio		91.7	95.8	100
Smoking ratio		19.4	19.0	19.6
Participation ratio in measures ^{*1} for high-risk individuals ^{*2} (%)		100	100	100
Stress check test taker ratio (%)		95.8	98.6	99.2
Number of employees who used childcare leave		64	56	37
Number of employees who took childcare leave of absence	Male	18	33	50
	Female	91	76	63
	Subtotal	109	109	113
Proportion of employees who took maternity leave (%)	Male	21.7	35.8	64.1
	Female	106.4	109.5	87.9
Proportion of employees who return to work after taking parental leave (%)	Male	100	100	96
	Female	98	100	100
	Subtotal	99	100	99
Number of employees who used shortened work hours	Male	2	1	0
	Female	215	174	170
	Subtotal	217	175	170
Number of employees who used family care leave	Male	4	7	7
	Female	59	94	101
	Subtotal	63	101	108
Number of employees who used nursing leave	Male	4	5	7
	Female	9	33	41
	Subtotal	13	38	48
Number of employees who took nursing leave of absence	Male	1	0	0
	Female	0	0	1
	Subtotal	1	0	1
Number of employees who used our reemployment (Come Back) system	Male	0	1	0
	Female	1	0	0
	Subtotal	1	1	0
Number of employees who used the work from home program	Male	806	495	434
	Female	233	148	133
	Subtotal	1,039	643	567

^{*1} Employees who have two or more of the "Recommended Value for Medical Examination" items and have at least one untreated item.
^{*2} Measures to prevent aggravation of health insurance

Working Hours		Fiscal 2023	Fiscal 2024	Fiscal 2025
Annual total actual working hours per employee		2046.1	2018.6	2001.4
Annual non-scheduled working hours per employee		244.6	193.7	203.8
Average overtime per month (Hours)		20.4	15.8	16.6
Average annual salary		6,671,135	6,784,474	7,142,237

Others (Social Contribution and Compliance)		Fiscal 2023	Fiscal 2024	Fiscal 2025
Number of whistleblower incidents * Includes domestic consolidated subsidiaries		16	8	9
Criminal charges for compliance-related accidents and incidents (Number of cases)		0	0	0
Total expenditure on social contribution activities (Millions of yen)		24	12	22
Political contributions and lobbying activities expenditures (Millions of yen)		1.2	0.7	0.5

Environmental Data



[Target scope] Rinnai Corporation and consolidated subsidiaries
^{*1} Not an increase or decrease in the total amount, only the effect size evaluated by the improvement activities of each site is recorded.

Rinnai Corporation

<https://www.rinnai.co.jp/en/>