

Rinnai Report 2026 (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 and our core technologies in the areas of heat and lifestyles and health and lifestyles, and by solving social issues, including improving quality of life and reducing environmental impact.

Fundamental Concept

Quality is our destiny

Company Motto

眞氣和

和 Harmony:
Develop personal character of the highest caliber

氣 Spirit:
Base your efforts on a consistent philosophy

眞 Sincerity:
Know the fundamentals and consider issues with precision and clarity

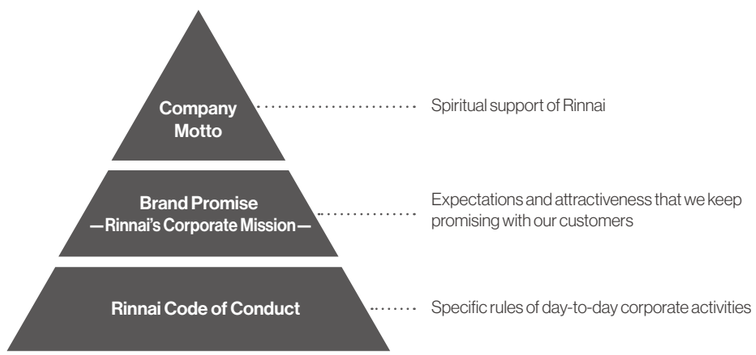
Brand Promise —Rinnai's Corporate Mission—

Creating a healthier way of living

Rinnai Code of Conduct

Rinnai has established the Rinnai Code of Conduct as specific guidelines for conduct based on its Fundamental Concept and Company Motto.
For details, please refer to the Company's website.
https://www.rinnai.co.jp/en/corp/idea/codeofconduct/

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/

Rinnai Report 2026 (Integrated Report)

Editorial Policy

Rinnai produced the Rinnai Report 2026 (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 2026—April 1, 2025, to March 31, 2026—but also touches upon measures implemented and recent activities undertaken since fiscal 2025 as well as future business direction, targets, and plans.

Referenced Guidelines

In preparing this report, Rinnai referred to the GRI Standards, ISO 26000, the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0, and the IFRS Foundation's Integrated Reporting Framework.

Publication Schedule

August 2026 (Japanese version)
Previous: August 2025, Next: August 2027 (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 New Medium-Term Business Plan (FY2027-FY2031)
22 Message from the Chief of Corporate Planning Headquarters
25 Rinnai's Approach to the SDGs Linked to its Management Strategy
27 Overseas Business Strategy / Interview with the Chief of Overseas Business Headquarters
31 Business Expansion in Growth Regions
33 Identifying Material Issues

Materiality

35 Materiality Feature 1: Improve People's Quality of Life (Well-being)
37 Materiality Feature 2: Address Global Environmental Issues
39 Materiality Feature 3-1: Fulfill Our Responsibilities as a Supplier of Essential Daily Goods
40 Materiality Feature 3-2: Fulfill Our Responsibilities as a Supplier of Essential Daily Goods
41 Responses to the Task Force on Climate-related Financial Disclosures
43 Environmental Impact within Rinnai's Value Chain
45 Human Capital
47 AI and Digital
49 Suppliers
51 Shareholders and Investors

Governance

53 Management Structure
57 Leadership
59 Skills Matrix of Directors
60 Message from a Newly Appointed Outside Director
61 Compliance
62 Risk Management

Data Collection

63 Eleven-Year Financial Summary / Human Resource- and Personnel-Related Data / Environmental Data

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		Aspirations unchanged even today
• Saving on fuel costs is an urgent priority	⇒	• Energy conservation and contribution to the global environment
• Achieving the ideal of scientific manufacturing	⇒	• Establishing ideal technology
• Outstanding technology that differs from conventional products and structures	⇒	• Technological advancement through breakthroughs
• We value responsibility and trust as our foundation	⇒	• Building a brand known for safety and peace of mind
• Contributing to society by improving manufacturing efficiency	⇒	• Social contribution through productivity

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-type kerosene gas stove



Schwank gas infrared heater



High-speed gas convection



Gas tabletop cooker with grill and stove



Gas instantaneous water heater



Compact gas water heater



Tabletop cooker with pot bottom temperature sensor



Solar water heater system (Gas water heater + Solar)



Hot water heating system



Dishwasher



High-efficiency *Eco Jozu* water heater



Bathroom TV



Built-in hobs (stovetops)



Hybrid water heater with heating system (gas water heaters + heat pumps)



Range hoods

Rinnai

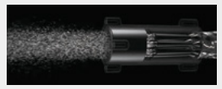
Rinnai renews its brand logo to become a global brand



Gas clothes dryer



IoT and app integration (automatic cooking, weather information integration, etc.)



Ultra-fine bubble water heater

Founded in **1920**

1950 Innovating in combustion technology
Enriching life through heat utilization

1970 Adopting electronic technology
Achieving advanced safety

1990 Innovating in environmental technology
Achieving a life friendly to the earth

2010 Contributing to improved quality of life
Developing products that enhance comfort

2020

Technology Evolution

- Origins in oil-powered appliances
- Alliance with Schwank GmbH
- "Rinnai, a Household Name"
- Taking on the challenge of the hot water field
- Expansion into system products
- Taking on the challenge of a comprehensive heat energy appliance manufacturer
- Creating a healthier way of living

Two facts that make us feel our Purpose

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

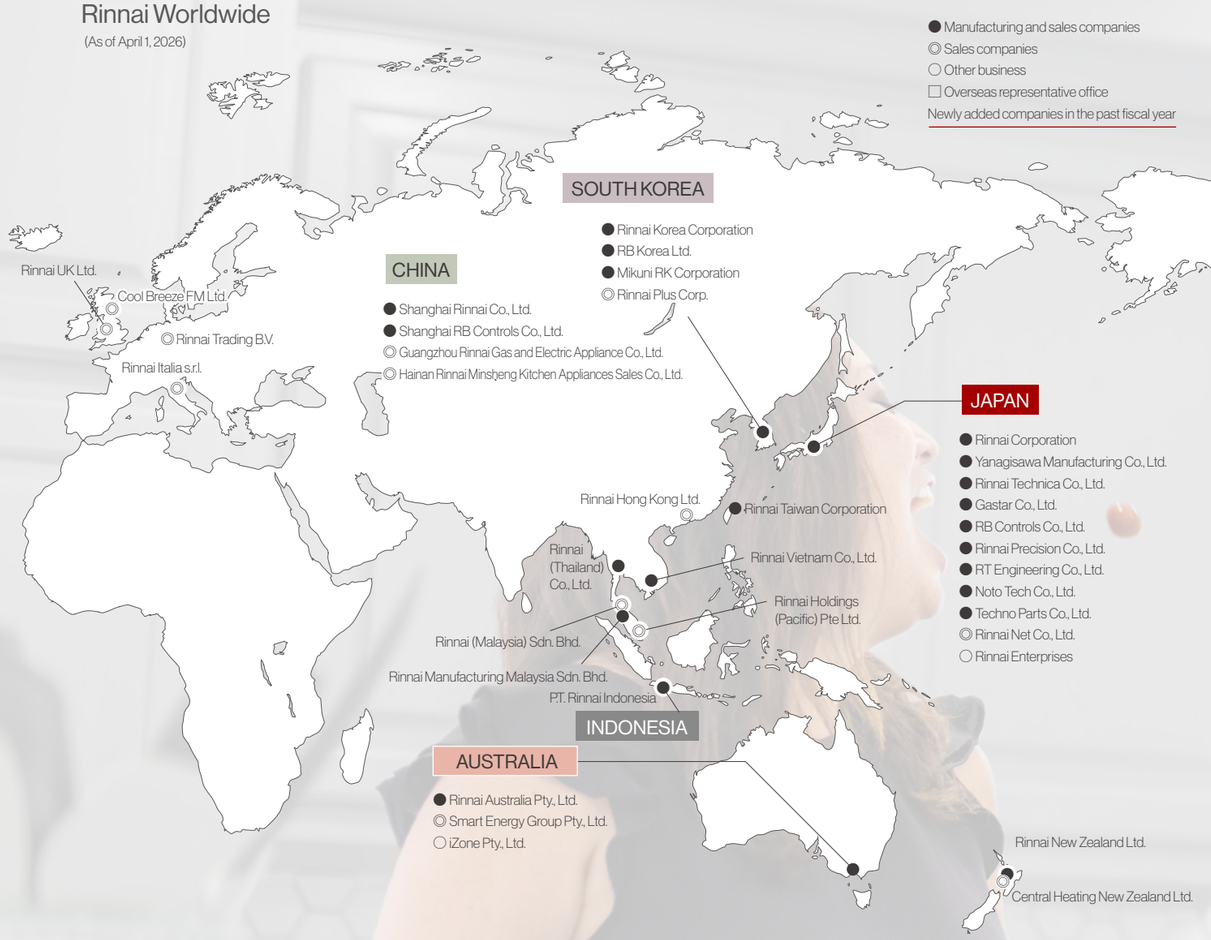
Currently, the volume of CO_2 emitted by Rinnai products used in the market accounts for about 1.5% of Japan's total emissions. While the heat energy appliances we provide are necessary for people to live affluent lives, we also recognize our responsibility as a company to reduce CO_2 emissions and feel that we must develop and promote energy-saving products that reduce CO_2.

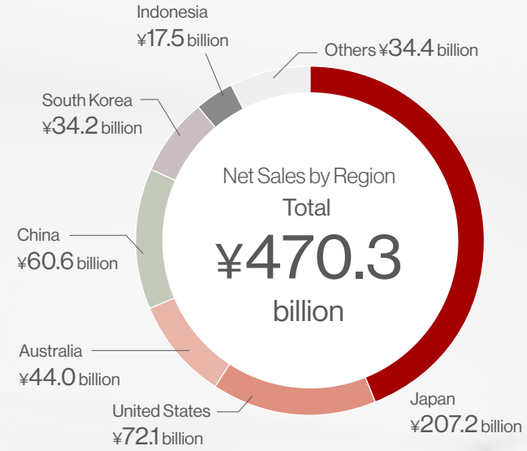
(2) Providing a stable supply of products necessary for daily life

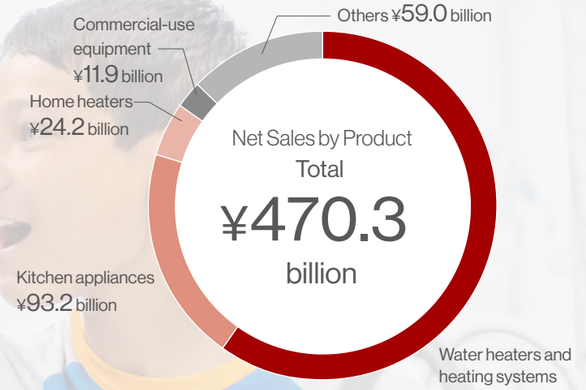
Through the parts shortages and supply constraints caused by the spread of COVID-19, we were reminded that our products are essential goods that support people's daily lives. Based on this experience, we recognize stable supply as an important responsibility that we must fulfill as a company and are working to strengthen our supply system.

Rinnai Worldwide

(As of April 1, 2026)







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 (stovetops), ovens, dishwashers, range hoods, rice cookers, and others



DELICIA built-in gas hob (stovetop) (JAPAN)



Dishwasher (JAPAN)

Home Heaters

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



Wiz Fan Heater (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



Gas clothes dryer (JAPAN)



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

Corporate Data (As of March 31, 2026)

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	11,328 (consolidated), 3,470 (non-consolidated)
Number of Group companies	52 (domestic 12, overseas 40)

Under the new medium-term business plan “accelerate 2030,” we will strengthen the foundation of our existing businesses while expanding our range of electrified products to respond globally to the demands of the times

President Hiroyasu Naito



Fulfilling Our Responsibility to Support People’s Lives While Caring for the Global Environment and Creating Exciting Lifestyles for Our Customers

The Rinnai Group’s brand promise, “Creating a healthier way of living,” is our promise to customers that we will create and deliver healthy and comfortable ways of living. With this compass guiding the direction of the Company, we continue to pursue initiatives that improve customers’ quality of life and convenience and make everyday life more exciting. We have now also clearly articulated our desired future state. Focusing on improving quality of life, addressing global environmental issues, and fulfilling our responsibility as a supplier of essential daily goods, the Rinnai Group will fulfill its promise to customers by developing and providing products that respond to society’s needs and are closely aligned with consumers’ needs.

Brand Promise

Creating a healthier way of living

Rinnai’s Aspiration

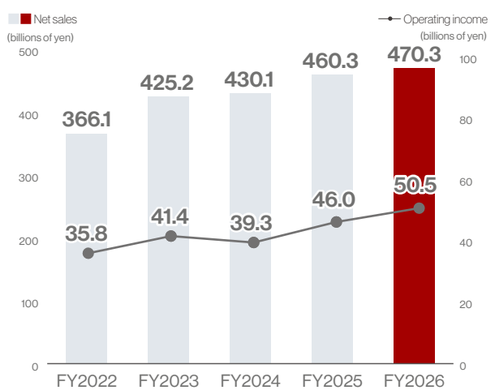
Leveraging diverse energy sources, we will help resolve social challenges related to “heat and lifestyles” and “health and lifestyles.” At the same time, we respect diverse lifestyles and values around the world and will continue creating better ways of living.

Combining Our Individual Strengths to Create “Surprise and Excitement” and Continue Setting New Record Highs

Looking back, the Rinnai Group has continued to set new earnings records despite the COVID-19 pandemic, an increasingly complex global situation, and deteriorating economic conditions. This is attributable not only to the economic resilience of our essential goods business, but also to our continued development of value-added products that capture market needs. In fiscal 2026, the final year of the previous medium-term business plan, New ERA 2025, we once again achieved increases in both sales and profit and met our management targets. Despite the challenging environment continuing from the previous year, the combined strength of our sales, manufacturing, development, and other operations, all focused on added value both in Japan and overseas, enabled us to achieve record highs for all sales and profit indicators. In Japan, products not offered by competitors proved to be a strength, while overseas, our major markets of China and the United States secured profits despite challenging conditions. As a result, net sales were ¥470,392 million (up 2.2% year on year), operating income was ¥50,531 million (up 9.8%), ordinary income was ¥57,686 million (up 14.6%), and profit attributable to owners of parent was ¥36,160 million (up 21.8%). ROE reached 8.6%, achieving our target. However, as previously indicated, ROIC fell short of the target at 11.3%. Going forward, we will focus on optimizing invested capital and profit margins to improve profitability.

New ERA 2025 Targets and Fiscal 2026 Results

	New ERA 2025 Targets	Fiscal 2026 Results
Net sales	¥450.0 billion	¥470.3 billion
Operating income	¥50.0 billion	¥50.5 billion
ROE	8.0%	8.6%
ROIC	19.0%	11.3%



Here, I would like to look back on advancement in addressing social challenges and expansion of business scale, which were strategic stories under New ERA 2025.

For products that help address social challenges, we targeted and achieved a 100% increase in sales (compared to fiscal 2021) for products contributing to improved quality of life and a 70% increase for products that benefit the global environment. In particular, sales were driven by Kanta-kun gas clothes dryers, *ECO ONE* hybrid water heater with heating systems, and water heaters featuring "Air Bubble Technology." These products continue to achieve strong growth, which I attribute not only to recognition of their functionality but also to improvements in our sales capabilities. In our sales activities targeting homebuilders and condominium developers, an increasing number of our products are being selected at the property design stage. These products inherently offer "surprise and excitement" in terms of both functionality and emotional appeal, which leads customers to purchase them. In my message in last year's Integrated Report, I shared an episode from my time on the front lines when premium models offering "surprise and excitement" sold in numbers far beyond my expectations, making me realize the importance of added value. Now, as products that help address social challenges continue to sell strongly, I believe our sales personnel are experiencing the same feeling I had then. I sense that the same thing is happening in development, production engineering, manufacturing, and other areas, with employees becoming more conscious of added value in their work. I am convinced that the accumulation of these individual strengths, creating differentiation from other companies, is what makes Rinnai strong.



ECO ONE X5 plug-in type



Air Bubble products with potential for expansion into a wide range of applications





Commercial hydrogen stove exhibit at Expo 2025 Osaka, Kansai

Under expansion of business scale, we are conducting technological development and demonstration experiments in businesses related to hydrogen appliances. We intend to continue accumulating technological expertise, but the outlook for the hydrogen business remains unclear and uncertain in many respects, including costs, demand forecasts, the regulatory environment, and infrastructure development. Rinnai will closely monitor infrastructure development in particular when making decisions on capital investment related to hydrogen. Meanwhile, *ECO ONE* is a product with the potential for further business expansion through its combination with demand response (DR). We believe applications of DR will continue to expand, including its use as a balancing mechanism to facilitate switching to gas when electricity supply and demand become tight during *ECO ONE* usage, and connecting water heaters with DR functionality via communication networks as a countermeasure against blackouts. Advanced DR initiatives are also progressing in Australia and New Zealand, and we will draw on these as references.

Regarding regional expansion, overseas net sales reached ¥271.7 billion, achieving our target. However, developments in the Chinese market remain an issue. Leveraging our strong local brand, we intend to patiently prepare for a market recovery from a long-term perspective with the spirit of *Un-Don-Kon*,* often cited as a teaching of Omi merchants. To support this approach, we will leverage Rinnai's stable earnings foundation—our defensive (economic resilience) × stock-type business (replacement demand) model—to steadily generate profits from our existing businesses.

* 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.

Pursuing a Global Transformation into a Company That Addresses Social Challenges through the Optimal Combination of Gas and Electricity

In May 2026, the Rinnai Group announced its new medium-term business plan, "accelerate 2030" (hereinafter, the "MTBP"). While further solidifying the business foundations established under New ERA 2025, we will take advantage of the global trend toward carbon neutrality to take on the challenge of creating value in new fields and achieve even greater success. For the final fiscal year of 2031, we have set targets of ¥620.0 billion in consolidated net sales (¥230.0 billion in Japan and ¥390.0 billion overseas) and ¥70.0 billion in operating income.

From a medium- to long-term management perspective, contributing to carbon neutrality is an important issue that we must address as a manufacturer. However, even if technological development pushes gas combustion efficiency to its limits, there is a limit to how much CO_2 emissions can be reduced. In recent years, there has also been growing demand for support for diverse heat sources, including electrification. Accordingly, under this MTBP, we have adopted a strategy of expanding our lineup of electrified products while strengthening the foundations of our existing businesses. As a Group that understands the advantages and disadvantages of gas and has continuously refined its technologies, we concluded that responding to society's needs through both gas and electricity is currently the optimal solution. We will protect the earnings base of our existing businesses and steadily generate profits while investing globally in the expansion of electrified products and other growth initiatives. Over the next five years, it will be extremely important to bring products that contribute to carbon neutrality to market, and enhancing our product lineup will be key. We will therefore focus on expanding electrified products by developing distinctive products that are compatible with gas. Through this business strategy and the challenges for the future described later, we are determined to transform our portfolio and evolve into a company that addresses social challenges and responds more effectively to the demands of the times.

Expand lineup of electrified products (carbon neutrality)

Solidify our foundations and achieve sustainable growth in existing businesses

In a carbon-neutral society, heat pump technology is expected to become mainstream going forward, particularly in developed countries. We will leverage Rinnai's technological advantage in being able to offer a wide range of heat pump water heaters without being limited to a specific refrigerant to expand our heat pump business. In the United States in particular, the Department of Energy is planning to tighten thermal efficiency standards for water heaters, and the water heater market is expected to undergo a once-in-a-century transformation during the period of the MTBP. We will firmly seize this opportunity, targeting the United States as a key region for sales growth as we work toward achieving our overseas net sales target.

Meanwhile, in some overseas regions, the use of gas appliances is expanding, creating demand for gas appliances with more advanced functionality than the products traditionally used in those markets. While environmental performance is a fundamental requirement, we will roll out products tailored to the circumstances of each region.

Main fields we should focus on



Rinnai established the Innovation Center in April 2025. The Center is focusing on deepening heat pump technologies and conducting research and development aimed at creating new value. We are currently generating ideas and taking on challenges for the future with the aim of developing technologies and businesses that are compatible with our existing businesses. We have high expectations for creating value that contributes to addressing social challenges by leveraging Rinnai's strengths, including its proprietary technologies and sales channels, and one potential area is water treatment equipment. Around the world, social challenges related to water are becoming increasingly apparent, including projected shortages of usable water resources, making water an increasingly important issue. For us, as a company engaged in water heaters—essential infrastructure equipment that manages water in the home—expanding into water-related businesses is highly compatible with our existing operations. We currently provide value through ultra-fine bubbles, such as reducing the time spent on household chores and enabling higher-quality lifestyles. Looking ahead, we aim to develop technologies that can help resolve the serious social challenges facing the world's water resources.

Create new value



Ultra-fine bubble dishwasher

The Vitality and Challenges of Each Employee Are the Driving Force for Pioneering the Rinnai Group's Future

Under the previous MTBP, we made strategic investments in human capital, focusing on creating an environment in which individuals could experience personal growth through systems and education. I feel that our five years of initiatives have energized our people, but to fully execute the strategies for the future described thus far, it is essential that we maximize the potential of every employee. The proactive challenges undertaken by individuals will be the driving force for pioneering a new future for the Rinnai Group. Under this MTBP, we continue to focus on developing global human resources in order to increase the proportion of net sales generated in growing overseas markets. To deploy Japan's advanced quality technologies overseas and build strong, competitive manufacturing sites, our manufacturing personnel in Japan need to go to local sites and firmly establish our approach to quality and our technologies. Accordingly, in Japan, we will open these opportunities broadly rather than limiting them to specific employees as we seek to develop and secure global human resources. I want employees to take on these challenges as an opportunity to test their abilities, grow, and broaden their future possibilities. We will also identify and develop people capable of taking on challenges for the future through initiatives in new businesses, enhance development programs for younger employees, and further improve the environment and expand development opportunities to promote the advancement of women.



Installation training at Rinnai America



Workshop on women's advancement

I believe that harnessing the initiative of each employee as a source of vitality to achieve steady business growth will contribute to achieving the ROE target set under this MTBP. Without relying on share buybacks, we will secure profitability exceeding the cost of capital and aim to achieve ROE of 10% in fiscal 2031. We also aim to improve ROIC to 15%, although, as under the previous MTBP, geopolitical risks and other factors continue to make inventory management extremely challenging. We will seek to optimize inventory flexibly in response to market conditions and thereby improve ROIC. Regarding shareholder returns, we plan to maintain a dividend payout ratio of around 40% throughout the MTBP period, with progressive dividends as a basic principle.

Regarding governance, we will build on and strengthen our initiatives to date, establishing a foundation for the steady execution of the MTBP and sustainable enhancement of corporate value. During the previous MTBP period, we changed the composition of the Board of Directors and stimulated discussion in an environment where diverse opinions are respected. This has provided a foundation for accurately reflecting changing lifestyles and society's needs in our management strategies, and will continue to drive Rinnai's efforts to take on new challenges.

ROE	Fiscal 2031 target: 10%
ROIC	Fiscal 2031 target: 15%

Aim to achieve sustainable growth of ROE and ROIC through secured profits exceeding the cost of capital

Realizing Rinnai's Aspiration requires the vitality and willingness to take on challenges of each and every employee, as well as an environment in which they can demonstrate these qualities. In fact, our decision to expand from a business focused solely on developing gas appliances into the development of electric heat pump water heaters, culminating in the manufacture and sale of *ECO ONE*, which contributes to addressing environmental issues, provided a major source of inspiration for our employees. We will create an environment that fosters this vitality and willingness to take on challenges, devote efforts to developing our people, create exciting lifestyles that our customers can enjoy every day, and achieve sustainable growth for the Rinnai Group. At the same time, the recall of bathroom heater/dryers (announced in April 2025) provided an opportunity to reflect on the value of quality that has long supported the Rinnai Group. The incident impressed upon us once again that failures caused by deterioration over time can pose a threat to safety and that we must focus on product design that ensures such deterioration does not compromise safety during use. Our response to the recall has proceeded smoothly, and inspections by employees had entered the final stages by the end of 2025. We will continue to return to the fundamentals of quality control, do what needs to be done, and take measures to prevent recurrence.

As a supplier of essential daily goods, Rinnai will continue to pursue the technologies and quality demanded by the times, with both officers and employees working to provide a high quality of life to people living in diverse regions around the world. We look forward to the continued guidance and support of all our stakeholders.



Value Creation Process

The Rinnai Group engages in corporate management with a focus on ESG indicators to ascertain the environmental impacts of social issues and business activities as well as the opinions and expectations of related stakeholders. By implementing a value creation process driven by strategic management focused on ESG indicators, we seek to realize sustainable corporate growth and to contribute to the SDGs and other international initiatives.

Rinnai Group Value Creation Process

External Environment / Social Issues

Climate change, global warming	Rinnai handles water heaters and heating units that account for a large proportion of residential energy usage.
Product usage risks	Product usage risks relevant to our Company include fires caused by gas stoves and "heat shock" occurring in the bathroom.
Decline in quality of lifestyle due to changes in work styles	A declining birthrate, aging population, and rise in dual income households are spurring demand for products that cut time spent on household chores.

Invested Capital (Fiscal 2026)

Human capital	Employees	11,328
	Employed (Rinnai non-consolidated)	120
	Training and development expenses (Rinnai non-consolidated)	¥197 million
Intellectual capital	Product development staff (Rinnai non-consolidated)	498
	Production technology development staff (Rinnai non-consolidated)	187
	R&D expenses (Rinnai non-consolidated)	¥10,483 million
	ISO 9001 certifications	20 companies
	ISO 14001 certifications	15 companies
Financial capital	ROE	8.6%
	ROIC	11.3%
	Equity ratio	67.3%
Manufactured capital	Rinnai Group production bases	26 companies
	Production group staff (Rinnai non-consolidated)	1,504
	Capital expenditures (Rinnai non-consolidated)	¥8,235 million
Natural capital	Input energy	1,086,136 GJ
	Water used: Ground water	211,650 m^3
	Public water:	733,364 m^3
Social and relationship capital	Rinnai brand, external evaluations	
	Stakeholder engagement	
	Rinnai Group Code of Ethics	

Risks

[Domestic] Expansion of thermal energy systems centered on electric power

[Domestic] Decline in prices of gas appliances at request of customers

[Domestic] Declining birthrate, aging population, declining number of households, declining working hours, intensifying competition to secure human resources

Opportunities

Growing demand for energy-saving products through the strengthening of environmental policies

Growing safety- and accident prevention-related demand as a social issue

[Overseas] Expanded natural gas and hydrogen usage

[Overseas] Improvement of living standards

Progress in evaluation of corporate ESG initiatives

Business Activities

Creation of safe, secure, and environmentally friendly products and services
(local production/in-house production)

Promoting business under the slogans "Heat & Lifestyles" and "Health & Lifestyles"

Development of technologies useful for people's lives
(combustion technology, heat transfer technology, fluid technology, IoT technology, electronic control technology)

Contribution to improving global living standards

Recognition of social issues

Value Provided

Environmental contribution

Providing lifestyles that reduce consumption of energy in everyday living and impact on the environment

Safety and peace of mind

Supporting lifestyles to prevent and avoid potential risks in the home

Quality of life

Proposing lifestyles that reduce the burden and time required for household chores

Fiscal 2026 Achievements

Consolidated net sales	¥470,392 million
Operating income	¥50,531 million
Operating income ratio	10.7%
Net income attributable to owners of the parent company	¥36,160 million
Net assets (equity ratio)	¥494,124 million (67.3%)
Dividend per share (annual)	¥100
Sales of products contributing to improved quality of life	¥155,000 million
Sales of products that benefit the global environment	¥203,000 million
Contribution to reducing CO_2 (excluding Japan)	3.81 million tons
Announcements of product recalls due to defects:	1 case

Technological and manufacturing capabilities that support heat and lifestyles

Acting under the fundamental concept of "Quality is our destiny," since our founding we have internally honed core technologies related to heat and have engaged in in-house development and production of key units related to quality and performance. Through an integrated production system and relentless technological innovation, we contribute to safe, secure, comfortable living and a sustainable society.

Fundamental Concept: **Quality is our destiny**

Core technologies related to heat

- Combustion technology
- Heat transfer technology
- Fluid control technology
- Electronic control technology
- IoT technology

In-house development of key units


Burners


Heat exchangers


Electronic units


Gas control components


Water control components

In-house production and integrated production system

Molds



Facilities



Information systems



Stamping → Sheet metal fabrication → Cutting → Coating and surface treatment → Assembly → Quality control

Provision of value to customers

Safety and peace of mind	Energy saving and low carbon	Comfort	Resilience	Health and well-being
High reliability and long-term durability	Contribution to CO_2 reduction through high efficiency	Ease of use and comfortable living	Contribution to stable supply and to disaster readiness/mitigation	Value creation that contributes to health and lifestyles

Efforts to evolve technological capabilities

1 Research and development centered on the Innovation Center

Our Product Development Division and Research & Development Division work together to achieve carbon neutrality and improve people's quality of life. We work to create new value by accelerating the exploration and commercialization of advanced technologies.



2 Promotion of co-creation and collaboration

We promote co-creation and collaboration with universities, research institutions, companies, startups, local government bodies, and other diverse partners. Since May 2025, we have been working to improve people's quality of life and address global environmental issues in designated joint research with Nagoya University.



3 Research and development of advanced technology

Hydrogen combustion technology	Air Bubble Technology	Well-being domain
Research and development of combustion technology for the utilization of hydrogen	New value creation through bubbles	Technology development that leads to the enhancement of health and quality of life

4 External evaluations and awards


Hybrid water heater DR field test "Demand Side Management Award" (2026)


In-bathtub ECG module "CEATEC AWARD 2025 Innovation Award"

Accumulation and evolution of technology (major milestones)

–2000s Establishment of basic technologies	2000s Enhancement of efficiency	2010s Hybrid and electrification support	2020s Toward new value creation	2030s Moving from accelerate 2030 to the next stage
Establishment of basic technologies for heating equipment that pursues safety and reliability	Development of high-efficiency equipment such as *Eco Jozu*; contribution to the global environment	Development of hybrid water heaters and other equipment that supports the era of diverse energy usage	Acceleration of technology development aimed at well-being-related and CO_2-free products	Continued creation of new value through technology and co-creation aimed at sustainable growth

Foundation supporting research and development and production technology

Human resource and organizational capabilities	Global network	Intellectual property and digital infrastructure
An organizational culture in which diverse professional human resources collaborate, strive, and learn	Sites and partnerships in 20 countries	Strategic utilization of intellectual property and innovation of development and production through digital technology

accelerate 2030

(accel) Anchor the Core and Create Expanding Leap

Strengthen existing core businesses to deliver continued expansion

In this medium-term business plan, we define the next five years as a critically important period to further strengthen the foundations established under New ERA 2025, create new businesses, and expand into new regions to accelerate sustainable growth.

Areas in which Rinnai can contribute

- Improve people's quality of life (well-being)
- Address global environmental issues in response to each country's energy policies
- Fulfill our responsibilities as a supplier of essential daily goods

Medium-Term Business Plan "accelerate 2030": Business Strategies

Respond to change

Expand lineup of electrified products (carbon neutrality)

- Enter the electrification market in earnest in light of national energy policies
- Roll out products tailored to regional characteristics centered on heat pump water heaters
- Build a competitive advantage by leveraging core technologies and sales networks developed in gas appliances

Strongly protect

Solidify our foundations and achieve sustainable growth in existing businesses

- Strengthen earnings base through continued launch of strategic products
- Incorporate new needs and technologies to address evolving lifestyles
- Deploy high-value-added products tailored to demand in growth markets

Challenges for the future

Create new value

New Businesses

- Leverage strengths to tackle new fields
- Create new value by fusing proprietary technologies with advanced innovations

Step up use of external resources
Accelerate execution

Build stronger foundation

Strengthen our management foundation

- Strengthen stability of product supply
- Reinforce human capital
- Rebuild business processes through AI and digital technologies
- Strengthen Governance

Rinnai's aspiration

Support people around the world / Improve people's quality of life / Emphasize people's safety and security

We respect diverse lifestyles and values around the world and will continue creating better ways of living

Contribute to the global environment / Drive technological progress and innovation / Take on new business frontiers

Financial targets

Profitability

	Fiscal 2031 target	Fiscal 2026 actual
Consolidated net sales	¥620.0 billion Japan ¥230.0 billion Overseas ¥390.0 billion	¥470.3 billion Japan ¥198.6 billion Overseas ¥271.7 billion
Operating income	¥70.0 billion	¥50.5 billion
ROIC (Return on invested capital)	15.0%	11.3%

Financial strength

	Fiscal 2031 target	Fiscal 2026 actual
ROE (Return on equity)	10.0%	8.6%
Dividend payout ratio	40.0% level (Progressive dividend as a basic principle)	38.5%

Non-financial targets

Environmental contributions

	Fiscal 2031 target	Fiscal 2026 actual
CO_2 emissions from business activities (Group target)	50%*1	91%*1
CO_2 emissions from business activities (parent company only)	50%*1	101%*1
CO_2 emissions during product use (parent company only)	67%*1	74%*1
CO_2 reduction contribution during product use (overseas group companies)	10.8 million tons CO_2	3.81 million tons CO_2

*1 Fiscal 2031 (March 2031) interim target in RIM2050 (vs fiscal 2021 (March 2021))

Social contributions

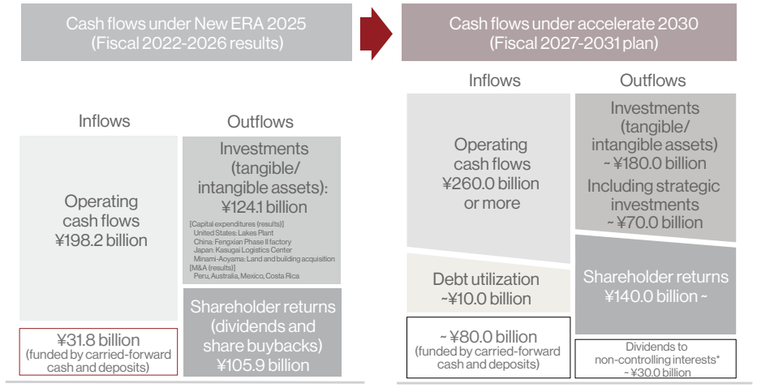
	Fiscal 2031 target	Fiscal 2026 actual
Growth rate of quality-of-life-enhancing products (value basis)	Vs fiscal 2026 1.5 times	Vs fiscal 2021 2.0 times
Growth rate of environmentally beneficial products (value basis)	Vs fiscal 2026 1.5 times	Vs fiscal 2021 1.7 times
Employee engagement score	61% or more*2	56%*2

*2 Positive response rate (parent company only)

accelerate 2030 Medium-Term Business Plan Capital Policy

Capital allocation

With over 260 billion yen in operating cash flow over the next five years as a source of funds, we will allocate up to ¥180 billion to growth investments and over ¥140 billion to shareholder returns. We aim to enhance our profitability and financial strength through returns and through disciplined investment with a focus on returns.

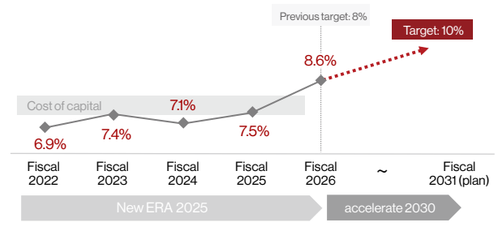


*Group fund reallocation: Cash and deposits held by consolidated subsidiaries that are not attributable to owners of the parent company

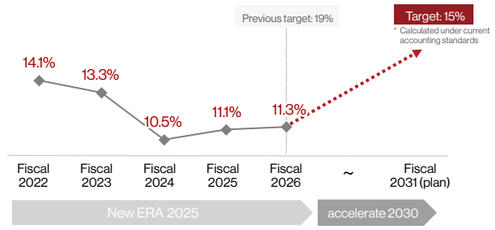
ROE and ROIC targets

We have set ROE of 10.0% and ROIC of 15.0% as targets for fiscal 2031. We aim to ensure a level of profitability that exceeds the cost of capital and, through growth investments that are mindful of recovering past investments and generating returns, to achieve sustainable improvements in capital efficiency.

ROE



New Medium-Term Business Plan



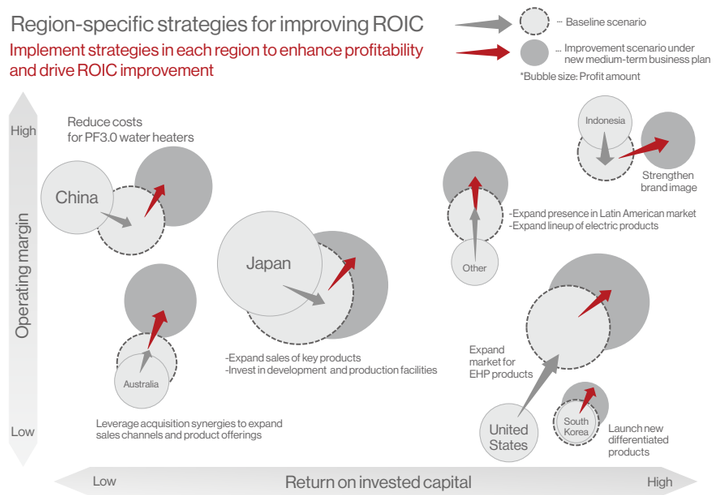
Measures to improve capital efficiency (ROIC improvement)

The main reasons for failure to meet ROIC targets are a decline in fixed asset turnover due to upfront investments and an increase in inventories to ensure stable supply.

We will work toward the recovery of past investments, implement region-specific profitability improvement measures, and connect these measures to improvement of ROIC.

Region-specific strategies for improving ROIC

Implement strategies in each region to enhance profitability and drive ROIC improvement



Message from the Chief of Corporate Planning Headquarters



While improving on issues in the previous medium-term business plan, we will promote the creation of existing businesses and new domains to accelerate sustainable growth.

Director and Senior Managing Executive Officer
Chief of Corporate Planning Headquarters
Hirohisa Ooi

A look back at the previous medium-term business plan

The previous medium-term business plan (hereinafter “the previous plan”) covered a tough five-year period of worldwide turmoil in which we reacted to the COVID-19 pandemic and resulting component procurement difficulties. Despite this, we were generally able to achieve the plan’s figures thanks to the organizational skills and strengths that our Group has steadily built up through departments aligning to solve problems and respond to changes. However, our failure to hit our planned numbers for ROIC and environmental targets is a matter calling for reflection.

In the case of ROIC, capital efficiency deteriorated due to the intentional accumulation of component and product inventories in response to market turmoil under the pandemic, high unit prices in line with higher product functionality, and increased numbers of high value-added products, as well as the impacts of upfront investment for large-scale factory construction in the United States and China and logistics efficiency enhancements in Japan. However, we consider all of these investments as assets that contribute to profits. Restated, inventories are assets that lead to high financial performance. Regarding investment, we did not achieve recovery under the previous plan, but our accelerate 2030 plan (hereinafter “the current plan”) will contribute to profits.

Two factors underlie the non-achievement of our environmental target of an 8.2-million-ton contribution to CO_2 emissions reduction. One is that the proliferation of water heaters fell below expectations due to slowdown in China’s real estate market and in the economy itself. The other is that new construction starts have stagnated in the United States under high interest rates, and the switch from tank-based to tankless water heaters has stalled. Although the outlook for social conditions will remain uncertain for some time, we are confident that our products, which offer convenience and contribute to the global environment, will find acceptance and will promote CO_2 reduction.

The increasingly uncertain business environment and the new medium-term business plan

The business environment has increased in uncertainty from the period of the previous plan. Decarbonization efforts face differences in commitment and even pushback in some countries and regions. Globally, however, decarbonization regulations are being strengthened and energy sources are undergoing definite change, with adaptation presenting both risks and major opportunities. Our current plan clarifies that we will advance research and development of technology without a bias towards gas. From my long experience overseeing manufacturing, I follow the general rule that it is necessary to read ahead and seize the lead. Going beyond this, however, we aim to achieve our plan without losing sight of how we can grasp changes as quickly as possible and respond to them quickly and flexibly.

In the area of geopolitical risks, unpredictable events occur frequently these days and the business environment is only increasing in uncertainty. During the pandemic, delays in product supply had occurred and we keenly felt our responsibilities as a company supplying products essential to people's lives. Under the current plan, we will strengthen our structures for the procurement of raw materials and parts, operation of production facilities, and the supply chain so that we can provide products stably under any conditions.

Business strategy under accelerate 2030

Without expectations for growth in the domestic market, we will achieve the management numerical targets set out in our current plan mainly through the expansion of overseas markets. In the United States in particular, we are taking the 2029 strengthening of water heater thermal efficiency regulations as an opportunity to expand our heat pump water heater market share. In China, where inland cities present greater room for growth than coastal areas, we will expand our sales channels using fast-growing online sales. In Latin America, we will expand our gas business through multiple sites that were established through M&A and other means under the previous medium-term business plan. In Southeast Asia, where electric equipment is common, we will strengthen our presence in such products and will enhance our lineup that meets local needs for convenience and safety. We will advance our current plan under a business strategy of three directions and the strengthening of their supporting foundation.

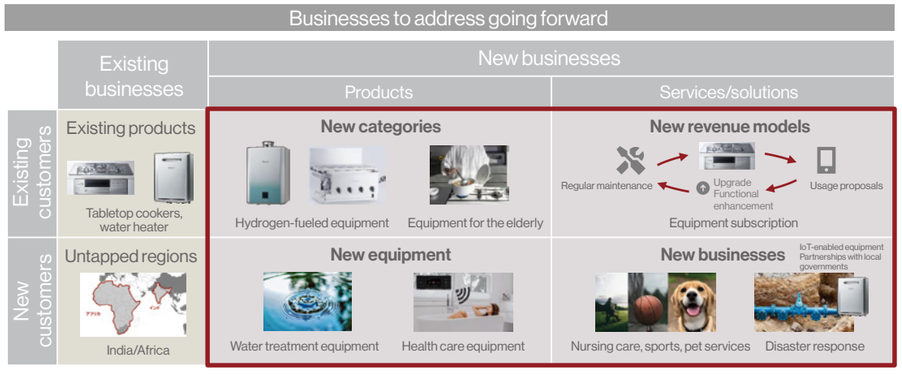
As noted already, energy sources are changing, and thinking about how to engage in business as a company dealing in essential goods has led us to a policy of expansion of electrified products. We have already made some efforts in the area of electrification, but have decided that the area's time has now arrived.

At the same time, we will also maintain the gas products that form a strong revenue base. To differentiate ourselves from other industry players, however, we will add unique value to our offerings and will provide safe and secure products that customers will purchase even at a premium, as we strive to strengthen the foundation of our existing business and achieve sustainable growth.

However, there are limits to growth from strengthening existing business, necessitating the creation of new value. It is our policy to create new business as an extension of the core technologies and existing sales networks that are the Rinnai Group's strengths. The Innovation Center that we launched in 2025 conducts future-oriented research separately from the Development Division behind our existing businesses. As an organization, it demonstrates a transformation from Rinnai's existing strength in development for mass production to an added strength in applied research. Collaboration with universities and companies engaged in basic research as our foundation for applied research is also becoming frequent. In the past, Rinnai had not frequently engaged in collaboration outside the Company. Looking ahead, we will work to create new value by strengthening collaboration with industry, government, and academia, drawing on our strengths to enhance synergies.

Supporting these three business strategies requires that we make people, goods, and money function in a balanced and powerful manner—in other words, that we strengthen our management foundation. In the area of human resources, it is essential that we nurture global human resources if we are to expand our overseas markets. For employees who were raised within the culture and education of Japan, which does not border another country, we are deploying a structure for gradual accumulation of experience overseas according to level within the Company, with an emphasis on natural familiarization over studying. Regarding goods and money, we view these as key factors in relation to capital policy, particularly capital efficiency, as follows.



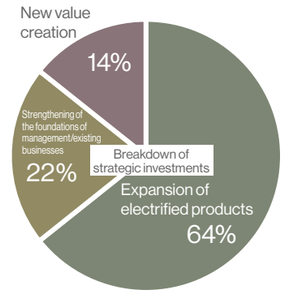


Enhancement of capital efficiency in the capital policy of the accelerate 2030 plan

The Rinnai Group has set target figures for ROE and ROIC as indicators of capital efficiency. Our basic approach to achieving the targets is to improve our earning capability together with shareholder returns through dividends and share buybacks. Restated, to steadily advance our business strategy we will work responsibly to enhance capital efficiency, placing the spotlight on active investments (strategic investments) while staying aware of balancing this with shareholder returns.

Tackling electric products in earnest under the current plan, we will expand investment in electrified products in terms of both development and production facilities. We will also invest in acquiring a sales network aimed at expanding overseas markets, in the development and manufacture of gas water heaters and gas tabletop cookers that address changes in energy usage, and in development and production facilities for core technologies that add value to existing products. In new businesses, our focus will be on investment in applied research. While we will not be able to monetize all of these during the current plan period, we will carry out strategic investments that include sowing seeds from a long-term perspective. We will also reflect on turmoil occurring in product supply in the past and will pursue improvements in our production structure. Product inventory is the result of a production structure linking sales methods and manufacturing methods. Rinnai has repeatedly held discussions with suppliers to pin down ways of holding component inventories and improving procurement methods. Looking ahead, we will rethink our methods of manufacturing and selling throughout the supply chain, including sales partners, to optimize inventories and achieve a stable supply of products. By doing so, we believe we can make a stable supply system stronger without excessive investment of our own funds. As mentioned above, we will continue to undertake enhancement of ROIC in terms of both selection of investments and improvement of our production structure. To close, I will explain the directions of our ROIC improvement measures by region. In the United States, our largest priority region, while growing profit we will improve both invested capital turnover and operating margin. In China, a harsh market environment will continue. However, our operating margin is high and can be sustained, we believe. We will make maximal use of our invested production facilities and improve our invested capital turnover. In Japan, we will improve our operating margin while working to improve invested capital turnover through the pursuit of production structure improvements. We will solidly execute different measures by region without straying from our direction.

Strategic investment:
Investments to strengthen competitiveness and support future growth (M&As, etc.)



[Investment examples]

Expansion of electrified products

Increase investments in development of electrified products for overseas markets and in production facilities

Strengthening foundations of existing businesses

Increase added value of IoT-enabled devices
Build foundations in untapped regions

New value creation

Utilize external resources, etc.

In its accelerate 2030 medium-term business plan, Rinnai has set numerical targets for solutions to social issues. We seek to increase the growth rate of quality-of-life-enhancing products and the growth rate of environmentally beneficial products to 1.5 times their fiscal 2026 levels in fiscal 2031. Through the proliferation of quality-of-life-enhancing products and environmentally beneficial products, Rinnai will work to achieve the SDGs.

As the products that Rinnai provides directly connect to the SDGs, we believe that continuing to popularize and expand these products will lead to the resolution of social issues. As an example, we believe that replacement of water heaters with energy-saving models will reduce the burden on the global environment, and that building a world in which gas clothes dryers, dishwashers, and stoves with automatic cooking functions are widely used will equalize housework roles and advance the movement toward gender equality.



Products Provided by Rinnai and their Connection to the SDGs

Product	Theme	Contribution	Goal
Hybrid water heaters	Energy efficiency	Contribution to the global environment through higher energy efficiency in water heaters	7, 13
	Resilience	Contribution to the securing of lifelines during emergencies through gas-electric hybrids	11
Fine bubble products	Health promotion and relaxing bathing	Products that embody a "health and lifestyles"	3
	Cleansing effect	Reduction in the amount of water used for cleaning through bubble cleansing effect	6
Gas clothes dryers	Reduced time spent on housework	Contribution to reduced housework burden through powerful gas drying that shortens time spent on laundry	5
Dishwashers/dryers	Reduced water usage	Contribution to conservation of water resources through reduced water usage when washing dishes	6
	Reduced time spent on housework	Contribution to reduced housework burden through automation of dishwashing	5
Stoves with automatic cooking functions	Reduced time spent on housework	Contribution to reduced housework burden through automation of cooking	5
Bathroom heater/dryers	Prevention of heat shock	Contribution to heat shock prevention through elimination of temperature differences by bathroom heaters	3
Gas-tankless water heaters	Energy efficiency	Contribution to the global environment through higher energy efficiency in water heaters	7, 13
Gas boilers	Air pollution countermeasures	Contribution to control of air pollution through switch from coal to gas as the fuel in water heaters with heating systems	3, 11

Contribution to securing lifelines after disasters through gas-electric hybrid equipment: Hybrid water heaters

Hybrid water heaters take advantage of the characteristics of gas and electricity to supply hot water efficiently, thereby contributing to the reduction of energy consumption and CO_2 emissions in everyday life. In normal circumstances, their energy-conserving operation reduces environmental impact. In the event of an emergency, both gas and electricity can be used, providing peace of mind by maintaining hot water supply even if the lifeline of gas or electricity is stopped. This enhancement of resilience in the case of disaster or other occurrence is an important factor in realizing a sustainable society and contributes to improved quality of life and to the global environment.



Hybrid water heaters

Contribution to reduced housework burden through powerful gas drying that shortens time spent on laundry: Gas clothes dryers

Gas clothes dryers dry clothes quickly through powerful warm air, achieving a stable washing environment unaffected by weather or time of day. This significantly cuts the time from washing to drying, reducing the burden of everyday housework and supporting a lifestyle that helps the whole family get involved in housework. By reducing outdoor drying, the dryers aid in keeping clothes free of pollen and outdoor air pollution, which supports comfortable and hygienic living. Enhancing these conveniences improves the quality of life while also building a foundation for diverse lifestyles, contributing to the realization of a sustainable society.



Gas clothes dryers

Deploying differentiated products in existing markets while making a major shift from gas equipment alone to electrification



Managing Executive Officer, Chief of Overseas Business Headquarters
Hayao Nishizawa

Achieving results even against headwinds under the five years of the previous plan

Our previous New ERA 2025 medium-term business plan launched amid the COVID-19 pandemic and moved forward under a harsh environment for overseas businesses, including supply delays caused by component shortages and logistics disruptions. Business conditions continued to deteriorate in our key market of China, while in the United States we missed sales opportunities due to the inability to supply enough products. Yet despite these headwinds, we achieved overseas sales of ¥270 billion against a target of ¥250 billion. The overseas business also secured a profit in that challenging environment and, seen as a whole, achieved what can be considered a satisfactory outcome. Rather than being at the mercy of the market environment, during the five-year period the business adapted flexibly to its assessments of conditions in regions, with the result that it successfully achieved sales and profit goals.

A new foundation for growth opened up through M&A in Latin America

Looking back on the previous medium-term business plan, one major achievement has been our M&A actions in Latin America. We were able to make well-timed investments in Mexico in 2021, Costa Rica in 2024, and Peru in 2025, regions in which we have not yet built a sufficient business base. MT Industrial in Peru is the largest player in the country. I believe that the capture of sales channels, brands, and a customer base all in one through this acquisition is very significant for us. Gaining these assets has not only increased sales but has also had the major effect of establishing a foothold in a market that we had not yet sufficiently addressed, creating space for future growth. Latin America will continue to be a region with considerable room for expansion. We will connect the foundation we have created under the previous medium-term plan to further growth.

Competitive advantage supported by the “Japan brand” and high quality

Rinnai is appreciated in overseas markets for more than simply its supply of products. We have a great strength in our ability to deliver products optimally matched to varied lifestyles, housing conditions, price ranges, and regulations depending on country and region. Our customers often report that Rinnai understands consumers, the result of an understanding of markets that we have built up over the years. Rinnai is also recognized as a company that provides high-quality “Japan brand” products, and our products are chosen even at somewhat higher prices. This structure by which we are able to sell at a higher price because of high quality is a vital foundation underlying the profit-generating strength of our overseas business. Our competitive advantage arises from our building trust through quality while carefully addressing the value required by individual markets.

How we performed well in the Chinese market despite headwinds

The Chinese market underwent major changes during the period of the previous medium-term business plan. Demand decreased from its peak in 2023, weighed down by significant external factors including a downturn in the real estate market. While the outlook remains uncertain, the Chinese market itself remains vast and there is still room for growth. One reason why we were able to maintain a degree of positive results was our response to changes in distribution in the market. We were able to capably ride the changes in distribution structure as it transitioned from retail store-centered sales to mass-market retail sales, online sales, and online sellers’ physical store sales. The market is certainly becoming more challenging, but my honest self-evaluation is that we have been relatively successful within that. We have stayed competitive while changing how we sell in line with changes in the environment.

Building on the performance of cost strategy products to achieve further revenue growth through version upgrades

Our Platform 2.0 strategic product (hereinafter “PF2.0”) has supported the profitability of our Chinese business. PF2.0 contributed significantly to cost reductions and played a key role in securing profit even under a tough market environment. We are now developing a next-generation successor model, which we expect will deliver cost reduction effects at least on par with PF2.0. What is important is not simply reflecting the amount of cost reductions in prices but rather capturing the saved costs as profit and reinvesting that in sales promotion and expansion. In China, we have also worked to strengthen budget management at our sales sites, clarify limits on allowable expenses, and otherwise control costs. By combining our ability to sell at higher prices through brand power, cost reductions through PF, and thorough expense management, we plan to even further strengthen the earnings base of our Chinese business.



Sales through the physical store of an online seller at Shanghai Rinnai

Restructuring Rinnai America: Reduction activities and reform of profitability

At Rinnai America, we increased sales during the previous medium-term business plan period, but issues remained in terms of profit. In addition to the loss of sales opportunities due to component supply issues, background factors included the effects of tariffs, higher labor costs, and a structure dependent on the supply of parts and materials from Japan. In recent years in particular, there have been cases in which profit has not sufficiently followed the expansion of sales.

In response, we are taking actions including organizational reviews, optimization of personnel, and reduction of fixed costs. We are also trying to restructure our overseas site management structures into right-sized, efficient organizations, and are making course corrections to improve profitability. The United States market has considerable room for growth, and we believe our top priority now is to transform our structure into one capable of generating a solid profit in that market.



Exhibit by Rinnai America

Start of the accelerate 2030 new medium-term business plan —Toward further growth in our overseas business



The accelerate 2030 new medium-term business plan that began in fiscal 2027 positions our overseas business as a key pillar supporting further growth. The plan sets forth three growth strategies: "Expand lineup of electrified products," "Solidify our foundations and achieve sustainable growth in existing businesses," and "Create new value." Under the previous medium-term plan, we promoted the achievement of sales and profit targets and the development of a growth foundation even amid a harsh environment. Under the new medium-term plan, we intend to accumulate clearer drivers of growth atop that foundation. The global housing appliance industry stands at a major turning point at which electrification and high efficiency are advancing simultaneously against a backdrop of carbon neutrality. The basic approach of the new medium-term plan is to take these changes as tailwinds and broaden revenue opportunities in new areas beyond the gas equipment that is our traditional strength.

Growth Strategy (1): "Expand lineup of electrified products"—Growth strategy and path to success capitalizing on transformation in the North American market



Heat pump water heater currently sold in the United States and Oceania

In North America, the water heater market is expected to undergo significant change due to regulatory changes and the increasing replacement of electric storage-type water heaters with heat pumps. Our Company views this change as a growth opportunity and is working to capture the demand. Although we are a latecomer in the electrified equipment field, we will strive for both profitability and competitiveness by enhancing our supply structure and strengthening our product capabilities. In combination with differentiating factors such as Ultra Fine Bubble (UFB) technology, we will advance the development of high-added-value products and continuously build competitive advantage.

Growth Strategy (2): "Solidify our foundations and achieve sustainable growth in existing businesses"—Growth expansion through differentiated products and M&A

In existing markets, we will strive for growth by securing profit in mature markets and expanding business into growth markets. In mature markets, we will enhance profitability through UFB and other differentiated products, and in overseas markets will roll out products including hybrid water heaters and gas clothes dryers developed in Japan. The acquisitions of MT Industrial in Peru and Smart Energy in Australia are good examples of area expansion and business expansion, respectively, and create important foundations for future growth. There is still major room for expansion in Latin America, where we will continue to capture opportunities for development.



The "Sole" brand of MT Industrial in Peru



Australia-based Smart Energy, the Group's first entry into the solar power generation business

Taking on India and Africa anew

While we have explored entry into the Indian and African markets in the past, these forays have not led to the establishment of business as we had hoped. However, the new medium-term plan again positions these two regions as important growth candidates, and we are now reviewing our strategy under the idea of successfully entrenching business this time. In India, restrictions on the import of finished products are tightening. Expanding our business in earnest requires that we establish a local production structure and secure sales channels. Accordingly, we are emphasizing joint ventures and partnerships with local companies and are advancing the creation of a business foundation that will enable sustainable growth.

In Africa, too, we are examining several promising markets, all of which call for a local production business model to accommodate tariffs and regulations. Local negotiations are already underway, and we are seeing greater signs of concrete progress than in the past. Against a backdrop of population growth and economic growth, the region is one in which demand can be expected to grow significantly in the medium and long term. We will position it as a driver of new growth as we steadily build a footing.

Growth Strategy (3): "Create new value"—Further growth through water, commercial-use products, AI, and digital technology

Under "Create new value," we are working to expand revenue opportunities beyond the framework of conventional housing appliances. One such opportunity is the water-related business. The water purifiers and water softeners handled by Rinnai Shanghai and Rinnai Taiwan are products that make use of our Group's affinity with water. These products offer ongoing touchpoints with customers even after sales, and thus can lead to stable revenue. Commercial water heater systems are also an important future growth area. By combining large-capacity water heaters with long-term maintenance contracts for hotels, restaurants, sports gyms, and other users, we are able to pursue the expansion of stock-type revenue. Through the use of AI and digital technologies, we expect the provision of value to expand beyond product sales into areas such as the use of equipment data for failure prediction and maintenance services.



The expanding potential of the water-related business



Commercial water heater system expected to expand stock-type revenue

Course correction and enhancement of growth certainty in key markets

In the Chinese and United States markets that are key to our growth, we are reviewing strategies and taking actions based on the countries' respective business environments. Despite ongoing market environment stagnation, China continues to offer significant demand potential. We will generate profit through next-generation models for cost strategy products, connect that capital to sales promotion measures, and work toward restoration of our top line and expansion of our market share. We aim to return the business to a growth path while maintaining a strong earnings base.

In the United States, the structure of the water heater market is expected to change significantly under future regulatory changes, and our key to growth will lie in whether we can adapt appropriately to the changes. We will optimize our structure and improve profitability while solidly capturing opportunities for market expansion. Through such initiatives, we will expand growth opportunities and improve profitability in the overseas businesses, and will connect these to the sustainable enhancement of our corporate value.

Business Expansion in Growth Regions

Under the previous New ERA 2025 medium-term business plan (FY2022-FY2026), Rinnai accelerated its activity in growth markets and positioned Latin America as a key strategic area. In particular, expansion into the western part of South America, traditionally an underserved region for the Company, is a major theme from the perspective of area expansion. We steadily advanced initiatives aimed at that expansion. Within this, our entry into the Peruvian market and the inclusion of regional leader MT Industrial (hereinafter "MTI") into our Group can be seen as a representative outcome of our simultaneous acquisitions of sales channels and business infrastructure.

At the same time, with the incorporation of companies with existing organizations and cultures into our Group, how employees in the field perceive the incorporation and what changes arise as a result become vital factors in understanding corporate value. In this section, we talk with a key member of MTI.



MT Industrial **Akinori Ando**

Strengths and business structure of the company

MTI has established a strong business model that combines sales power and service with a directly-operated network of over 30 stores in Peru. Its main products are residential appliances including kitchen appliances and water heaters, with high market shares of 50-70% in some product areas. What is noteworthy is that MTI goes beyond standalone product sales to provide a complete package that includes installation and after-sales service. I think that customers feel a sense of security in the ability to entrust everything to the brand, from purchase through use, which leads to trust in the brand. This fusion of sales and service can be seen as the core of the company's competitiveness.

Distribution strength and market dominance

MTI's strength lies not only in its directly managed stores but also in its wide distribution network. By combining mass retailers, small retailers, and even online sales, it covers the entire market and maximizes exposure and sales opportunities for its own products. The sales ratio of MTI's directly managed stores is about 26%, and the company has a structure in place to attentively convey the appeal of its products through direct contact with customers. A major characteristic of this multi-layered sales strategy is that it simultaneously achieves market share maintenance and expansion, highlighting the aspect of MTI as a "market-capturing company" rather than merely a sales company.

Organizational culture and working environments

An appealing point of MTI is that, despite its scale of about 500 people, its internal atmosphere is family-like and flat. Communication occurs readily regardless of department or position, and a friendly atmosphere prevails in workplaces. Employees also have a strong pride in the company's brand, a mindset that directly connects to the high quality of their work. I believe the company's fundamental strength lies in the coexistence of a strong sense of organizational unity and the high capabilities of individual members, fostered by an environment that attracts talented individuals who work with excellent speed and accuracy.

Suitability to the Peruvian market

MTI handles products that accurately capture the characteristics of the Peruvian market. It has carefully incorporated regional needs, such as adopting trivets for woks to match the prevalent Chinese cooking culture and introducing large ovens for cooking whole chickens to accommodate the local food culture. I see another feature in its catering to diverse income levels through a wide product lineup that spans low to high price ranges. This flexible product strategy allows for growth that adapts to social changes and economic development. We expect further demand growth in the Peruvian market, with its large young demographic and continued increase in gas usage.



The brand "Sole," which boasts high recognition locally

Prospects of the company after joining the Rinnai Group

By joining the Rinnai Group, MTI is taking steps toward its next growth stage. Its employees maintain pride in the company's brand while calmly accepting rapid change. At the same time, they have a high interest in new possibilities such as overseas training and expanding career paths. We feel that by incorporating and combining Rinnai's technological capabilities and high-value-added products into MTI's existing sales and service infrastructure, we can create products and services that offer more comfortable living. Through such synergies, we expect MTI to further solidify its position as a regional leader.



Employee briefing session upon joining the Rinnai Group



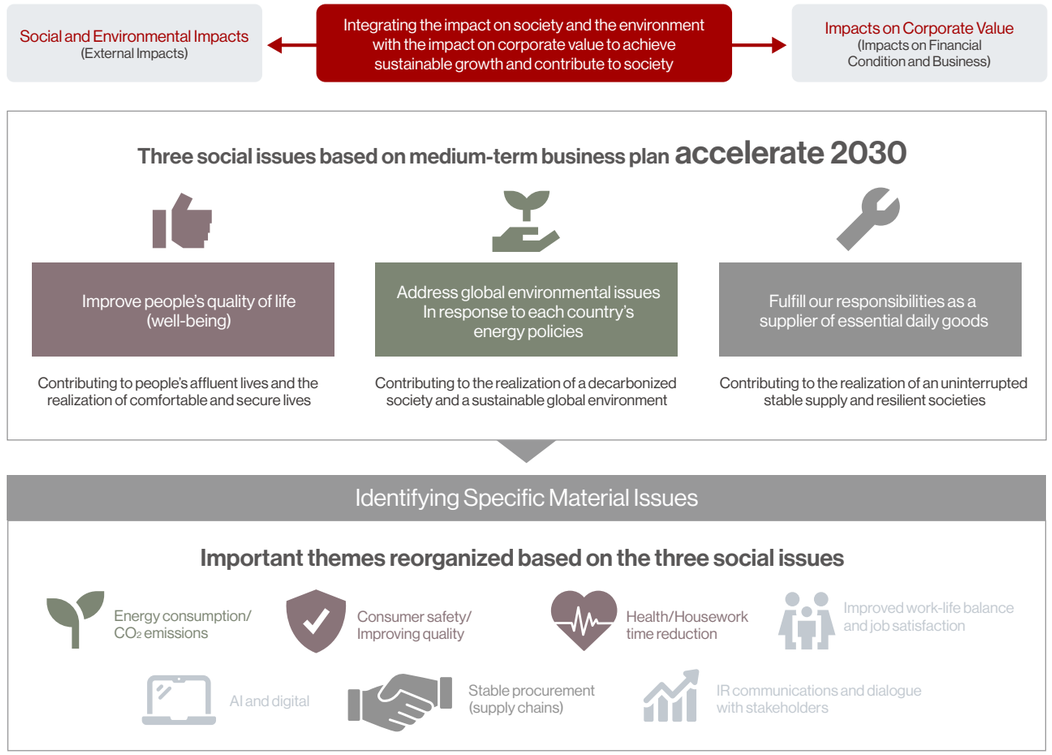
MTI employee group photo

Going beyond merely expanding markets, we will grow while incorporating the strengths of companies rooted in their regions. Our initiative with MTI can also be seen as revealing the essence of Rinnai's strategy in Latin America. How we can leverage intangible values such as the organizational strengths and employee mindsets in the field, in addition to established sales channels and business foundations— beyond the fusion of these lies sustainable growth, we believe.

The trust and the presence that MTI has cultivated in its market, combined with Rinnai's technological capabilities and global expertise, further expand the potential for creating new value. Through such initiatives, MTI will move beyond the simple expansion of its sites to establish a growth foundation in Latin America. We expect the synergistic demonstration of both sides' strengths to further enhance our presence in the region.

1 Approach to Materiality and Material Issue Identification Process

The Group identifies material issues through dialogue with stakeholders and analysis of the external environment, among other means.
Our medium-term business plan accelerate 2030, which kicked off in fiscal 2027, was finalized following discussions by the Board of Directors.
Based on the three social issues outlined in the plan, we are reorganizing our material issues and working to integrate them with our management strategy.



Workflow for Identifying Material Issues



2 List of Material Issues

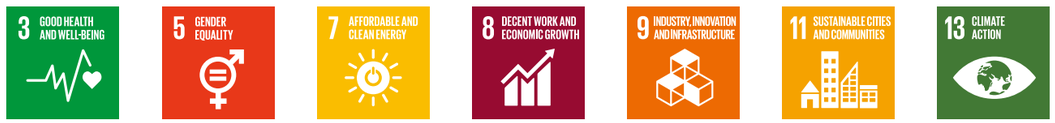
We will achieve sustainable growth and increase corporate value by resolving three social issues.
The specific material issues and main KPIs in medium-term business plan accelerate 2030 are as follows.

Material issues	Main activities/initiatives (KPI)	Reference page
(1) Improve People's Quality of Life (Well-being)		
Consumer safety/Improving quality	• Maintained major quality accidents at 0 (recall announcements)	39–40
Health and reducing time required for household chores, and quality of life	• Growth rate of quality-of-life–enhancing products (value basis): 1.5 times compared to FY2026	35–36
(2) Contributing to addressing global environmental issues		
Energy consumption/CO_2 emissions	• (Rinnai non-consolidated) CO_2 emitted during product use: 67% • (Overseas) Amount contributed to reducing CO_2 emission during product use: 10.8 million t-CO_2 • Growth rate of products that contribute to the global environment (monetary basis): 1.5 times compared to FY2026	37–38 41–44
(3) Fulfill Our Responsibilities as a Supplier of Essential daily Goods		
Strengthening supply chains	• Improvement of on-time delivery rate • Number of cases of significant delivery delays: 0	49–50

Cross-functional foundation (foundation that supports the implementation of measures for all material issues)

Human Capital	AI and digital	Governance and Risk Management	Stakeholder Engagement
Employee engagement/promoting the active participation of diverse human resources	Development of digital human resources and business transformation (number of DX personnel)	Highly transparent management/strengthening risk management	Deepening dialogue and building trust (IR response, etc.)

Relevant SDGs



We aim to realize sustainable societies and improve corporate value by resolving three social issues.

What's Needed to Improve People's Quality of Life

Rinnai's symbolic products that aim to improve quality of life include the hybrid water heater, *ECO ONE*, the high-efficiency water heater, *Eco Jozu*, and products equipped with Air Bubble Technology. Common to all of these is the theme of "bathing," which is important and closely related to people's daily life. We spoke about this to Professor Watanabe of Chukyo University, who has been conducting research on bathing and has produced findings.



We published a press release on February 10, 2026 about Professor Watanabe and his joint collaboration with Rinnai. "Revealing the Possibility that Bathing Contribute to Increasing the Effects of Muscle Training" https://www.rinnai.co.jp/releases/2026/0210/ (available in Japanese only)

VOICE



Professor, Chukyo University
Kohei Watanabe

Deciphering the Body's Invisible Movements

At Chukyo University's School of Health and Sport Sciences, I am mainly conducting research on exercise to help elderly people continue to live healthy lives. In particular, I am accumulating and verifying data with the aim of establishing training methods that are based on scientific evidence rather than mere rules of thumb. What is unique about this method is that it focuses on the function of the nerves rather than the muscles themselves. Since muscles are controlled by nerves, electrically measuring their activity has made it possible to quantitatively evaluate previously invisible changes in bodily functions. This kind of research is directly connected to the social issue of extending healthy life expectancy. I am proceeding by linking practice and research through exercise guidance and measurements for a community of about 400 elderly people.

Thinking Beyond Muscle Training

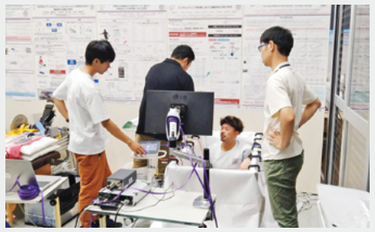
My joint research with Rinnai began after one of my lectures on sports. Initially, the theme was promoting health throughout life, but this developed into a full-fledged collaboration as it connected with my research already underway on the combination of exercise and bathing. The analysis revealed that while strength training is effective in improving muscle strength, it also comes with the risk of increasing blood pressure. This research suggests that adding bathing habits to this may alleviate this adverse effect. Furthermore, it was confirmed that taking a bath after training resulted in a more significant improvement in muscle strength compared to taking a shower alone. It is thought that bathing promotes recovery from fatigue and has a positive effect on the muscle recovery process, increasing the effect of training.

Japan's Bathing Culture and Research Value

Japan's bathing culture is unique globally. The custom of soaking in hot water at around 40 degrees Celsius for a certain period of time is uncommon in other countries. While this culture is a part of daily life, the health benefits have not been fully explained scientifically. This research has great significance in that it can show as data the value that has been previously understood intuitively. In addition, the act of bathing not only provides relaxation and comfort, but also has the potential to play a role in restoring and improving bodily functions, so when combined with exercise, it could represent a new health habit. This type of research has also provided an opportunity to reconsider the value of Japan's lifestyle culture.

Discovery of New Benefits of Bathing

While conducting research, I was also impressed by the fact that Rinnai is not just involved in product development, but is also seriously engaged in the field of life science centered around bathing. In the future, I anticipate that the new health value of combining bathing and exercise will be implemented in a more concrete manner in society. For example, by optimizing bathing temperature and bathing method, it is possible to further enhance the effect of strength training and recovery from fatigue. Furthermore, by disseminating Japan's unique bathing culture to the world along with scientific evidence, we will be able to contribute to the common global issue of extending healthy life expectancy. These initiatives, through industry-academia collaboration, are expected to become a model case for the creation of new value originating from Japan.



Research in progress

Rinnai's Initiatives Related to Bathing

The value of bathing revealed through this research has great potential as a healthy habit that can be easily practiced in daily life. Rinnai's hybrid water heater, *ECO ONE*, along with ultra-fine bubble water heaters and microbubble bath units featuring Air Bubble Technology, play a role in reducing environmental impacts by improving energy efficiency and improving the quality of bathing itself. These products are beginning to take on a new meaning, not only by providing hot water but also by supporting the value of bathing as a time to restore the mind and body. These technologies, which can be easily incorporated into daily life, are garnering attention as solutions that balance health and comfort.

In the future, I hope that by combining the health value of bathing with technology, it will be possible to spread a new lifestyle originating from Japan to the world. While showering is the mainstream culture overseas, if the effects of bathing on bodily functions become clearer, its value will likely become even more widely accepted. Rinnai's technology can become the foundation that supports the widespread adoption of bathing, and the company can present a new approach to water that balances environmental performance and health value. The possibility of contributing to the health of people around the world through the familiar lifestyle habit of bathing is currently expanding.



ECO ONE hybrid water heater



Product equipped with Air Bubble Technology

Contributing to Global Environmental Issues with Hydrogen Technology

One of the areas in which Rinnai aims to address global environmental issues. Following the 2021 announcement of RIM 2050, our manifesto for achieving carbon neutrality, we have been advancing technological development for hydrogen, a potential key energy source for the future.
We are currently advancing the development and demonstration experiments of essential household and kitchen appliances, such as water heaters, stovetops, and grills, participating in projects aimed at realizing a hydrogen-based society. Among these, the Low-Carbon Hydrogen Model Town Pilot Project in Chita City, led by the Aichi Prefectural Government's Bureau of the Environment, launched on April 23, 2026.

Overview of the Hydrogen Model Town Pilot Project

This demonstration experiment in Chita City aims to expand the supply and use of hydrogen across the entire region, starting from a hydrogen station, and ultimately lead to hydrogen's implementation in society. In addition to fuel cell vehicles, we are utilizing low-carbon hydrogen across a wide range of applications, including public facilities and homes, aiming to achieve both upgrade energy use and achieve decarbonization.



Chita Hydrogen Station, which served as the venue

Advanced Model for Integrated Verification of "Make, Transport, and Use"

A key feature of this experiment is the integrated verification of the entire process, spanning from hydrogen production and supply to end-use. Practical verification is underway with an eye toward future societal implementation by establishing a model for the everyday use of hydrogen within an actual city.

Demonstrating Hydrogen Utilization in Areas Close to Daily Life

In this project, Rinnai is participating primarily in the "use" phase by supplying hydrogen-powered water heaters, stovetops, and grills. We will conduct trials in public facilities, food service settings, and eventually private homes, gathering insights on the practicality of hydrogen use in daily life, associated challenges, and the creation of added value.



Opening ceremony



Plum House, site of the demonstration experiment

VOICE

Participation in and Expectations for Demonstration Projects Aimed at the Societal Implementation of Low-Carbon Hydrogen



Global Warming Prevention Division, Bureau of the Environment, Aichi Prefectural Government
Yohei Tomita

Leveraging a project commissioned by the Ministry of the Environment, Aichi Prefecture is implementing the Hydrogen Model Town Pilot Project in collaboration with 17 companies and organizations. The initiative aims to deploy hydrogen stations as regional hydrogen supply hubs and supply low-carbon hydrogen at low cost to a wide range of users, including not only fuel cell vehicles (FCVs) but also public facilities and homes.

In this demonstration project, Rinnai is installing hydrogen grills, stovetops, and water heaters in public facilities and private homes, and is evaluating factors such as CO_2 emission reductions and the unique added value offered by hydrogen-fueled appliances.

As Rinnai's hydrogen appliances will be used in locations close to the prefecture's residents, I hope they will help people feel the arrival of a hydrogen-based society as something tangible in their daily lives. I would also like to take this opportunity to express my gratitude for Rinnai's active cooperation in raising awareness about this project and the use of hydrogen, including through your participation in events.

I look forward to your continued contributions to promoting carbon neutrality in the prefecture as a leader in the field of water heating and kitchen appliances.

Intensifying Efforts Toward the Realization of Hydrogen Societies

The insights gained from this demonstration will be incorporated into future product development and business expansion, leading to the creation of new value through the use of hydrogen. Building on the thermal energy technologies it has cultivated over the years, Rinnai will continue to take on challenges in the new energy field of hydrogen, contributing to the realization of sustainable societies.



Hydrogen water heater



Hydrogen stovetop



Hydrogen grill

Contributing to the Stable Supply of Products

Fulfilling Quality Responsibilities and Strengthening the System for Continuous Supply

Rinnai announced a recall of its bathroom heater/dryers on April 15, 2025. We are conducting inspections and repairs on these bathroom heater/dryers that have been in use for over 10 years, as it has been determined that, in very rare cases, deterioration over time can lead to a fire.

Approximately one year has passed since the recall was announced. Out of approximately 370,000 affected units, 223,000 have been registered for the recall and repairs have been completed on 219,000 units, resulting in a completion rate of 97.9% relative to the number of registered units (as of March 31, 2026). Temporary staffing arrangements have now concluded, and repairs are being handled within the scope of our standard after-sales services.



Rinnai bathroom heater/dryer

We take this matter very seriously and sincerely apologize for the significant inconvenience caused to our customers. We will strive to take measures to prevent a recurrence of a similar situation in the future. To rigorously ensure product safety, we are committed to implementing thorough risk management and establishing quality that earns the trust of our customers.

Rinnai's Quality Initiatives: Comments from the Quality Manager



Executive Officer
Chief of Quality Assurance Headquarters

Keiichi Mizutani

Recognizing the serious nature of the issues revealed by the recall of our bathroom heater/dryers, we will fundamentally review our approach to quality. We take very seriously the fact that there were issues, particularly regarding safety design that accounts for aging and actual usage conditions, as well as the approach to verification during the design phase. Moving forward, we will place the highest priority on product safety and ensure the elimination of potential risks starting from the design stage by comprehensively identifying hazards and conducting rigorous verification using methods such as Fault Tree Analysis (FTA). Furthermore, to identify market-related defects and customer feedback more swiftly and accurately, we are building an integrated quality data platform leveraging AI and digital technologies. By cross-analyzing and visualizing data such as complaints, repair records, and IoT logs, we will enhance our mechanisms for defect prevention and early detection.

Furthermore, recognizing that ensuring quality is not the responsibility of a single department but a critical issue requiring a unified, company-wide effort, encompassing development, manufacturing, and service, we will work to strengthen our quality assurance system. In addition, we are working to establish quality control systems at our overseas locations that match the standards in Japan, covering everything from design verification and process management to supplier management and after-sales service, with the aim of achieving consistent, high-quality standards on a global scale. Rinnai has committed to a company-wide quality transformation. We aim to fulfill our corporate responsibilities by prioritizing safety and peace of mind above all else, while delivering quality and value that exceed customer expectations and ensuring we remain a company trusted for the long term.

Contributing to Disaster Relief

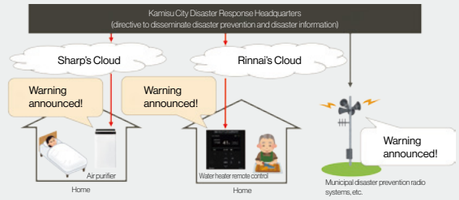


In its medium-term business plan, Rinnai identifies its responsibility as a supplier of essential daily goods as a material social issue. In particular, amid the increasing severity of natural disasters, there is demand to go beyond the stable supply of products and play a role in supporting people's safety and peace of mind, even during disasters.

Guided by this philosophy, we are advancing initiatives to enhance resilience through products closely integrated into people's daily life. We envision a society where equipment used in everyday life functions as vital information infrastructure to protect lives during emergencies. Here, we present a detailed picture of the social value we aim to create through initiatives undertaken in collaboration with local communities and governments.

Promptly and reliably delivering evacuation information issued by local governments to residents during a disaster is crucial for saving lives. At the same time, this addresses the social issue of a lack of means for conveying information indoors. On the other hand, conventional information dissemination methods, such as municipal disaster prevention radio systems, television, and radio, face challenges. For instance, audio often fails to reach people indoors, and alerts may go unnoticed if the devices are not powered on. Focusing on this Rinnai has explored the potential of utilizing water heater remote controls, which are used daily and installed in many households, as a new mode for information transmission. We aim to create a system that reliably delivers information, even during activities like cooking or bathing, through the appliances people encounter in their daily lives.

In March 2026, Rinnai participated in a demonstration experiment conducted during a tsunami evacuation drill in Kamisu City, Ibaraki Prefecture, utilizing water heater remote controllers equipped with IoT and voice output capabilities. In this experiment, which simulated a large-scale earthquake and the issuance of a tsunami warning, an audio message urging evacuation was broadcast from remote control units installed in the participants' homes. We determined that the mechanism conveys crisis information directly within living spaces by linking it with the municipal disaster prevention radio system. In this drill involving approximately 1,400 participants, the effectiveness of the hot water system remote controls was demonstrated. Residents provided positive feedback, noting that the alerts were noticeable even in rooms where radio signals are hard to hear and that the voice notifications made it easier to take appropriate action.



Mechanisms of the Voice Output Remote Control Demonstration Experiment

This initiative is highly significant in demonstrating that products supporting daily life can function as life-saving infrastructure during emergencies. Water heater remote controls are installed in areas where sound is easily blocked, such as bathrooms and kitchens, and hold promise as a new means of information transmission in the field of disaster prevention. Moving forward, we will proceed with building a more practical system, keeping in mind the use of collaborative platforms promoted by industry associations and connectivity with equipment from other companies and municipal systems. As a company that is closest to everyday life, Rinnai aims to provide products and services that contribute to ensuring safety and peace of mind, not only in ordinary times but also during disasters.



Water heater remote control installed in a resident's home



Residents heading to an evacuation center following an order

Responses to the Task Force on Climate-related Financial Disclosures

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

To realize a virtuous cycle between the environment and the economy based on a sustainable society, we have expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). We are actively disclosing information regarding the financial impact of climate change on our business as well as our initiatives to address these challenges.

Governance

We report to the Board of Directors on environmental issues through the Risk Management Committee, the ESG Committee, and the Environmental Management Committee. The ESG Working Group functions as the operational body for improvement activities implemented by the ESG Committee. Furthermore, through ISO 14001-compliant operations, with the Environmental Management Committee serving as the secretariat, we advance initiatives addressing risks and opportunities associated with environmental issues, such as climate change, and report on these matters to the Board of Directors.



Risk Management

We manage risk through the Risk Management Committee. We regularly update the risks associated with our operations, including those related to environmental issues such as climate change, and classify them based on frequency and impact to ensure effective risk management.

Indicators and Targets

To address climate change risks, we recognize the importance of improving energy efficiency and developing and promoting eco-friendly products that achieve this. Accordingly, we have designated energy consumption and CO2 emissions as a material issue and established amount of CO_2 reduction contribution during product use and sales targets for products that benefit the environment as KPI in our efforts to manage environmental risks.

Strategy

We recognize the impact of climate change-related risks and opportunities on Rinnai's business as a major management issue and take these into account when examining our business strategies. In conjunction with the formulation of our new medium-term business plan accelerate 2030, we are reviewing impacts on profits, taking into account anticipated changes in the external environment and business structure.

		Impacts on Rinnai		Rinnai's response or the impact on Rinnai	Impacts on profit (monetary amount/ period)	Urgency
		1.5°C scenario* (what Rinnai will do to limit the temperature rise to below 1.5°C)	4°C scenario* (impacts on Rinnai if temperatures rise by 4°C)			
Transition risks	Raw material procurement risks associated with climate change	There is a risk of rising procurement costs as price increases for raw materials are passed on, driven by the application of carbon pricing (such as carbon taxes or emissions trading) to suppliers of materials with high greenhouse gas emissions.	—	Switch to recyclable materials.	¥(15.4) billion/year	Low
				Reduce procurement costs through self-led efforts.	¥(1.4) billion/year	Low
	Regulations on water heaters due to water resource depletion	Amid the global water scarcity crisis, there is a risk that regulations could be imposed on the sale of water heaters, given their potential for high water consumption.	—	Develop a water heater capable of controlling water usage.	¥(0.7) billion over 5 years	Low
	Regulations on gas water heaters due to fossil fuel restrictions	The shift from the "low-carbon society" concept, centered on energy and resource conservation, to the long-term goal of a "decarbonized society" is driving a change in how fossil-fuel-based gas water heaters meet consumer needs, creating a risk that these products will face pressure to be replaced by alternative solutions.	—	While monitoring changes in the energy landscape, develop and establish technologies with a focus on the necessary products.	¥(15.0) billion/year	Medium
Physical risks	Logistics risks associated with natural disasters	—	There is a risk that supply chains cannot be maintained due to the impact of natural disasters (such as floods, torrential rains, or water shortages).	Enhance response capabilities through a Business Continuity Plan (BCP) (e.g., by diversifying material suppliers and production bases).	¥(0.4) billion/year	Medium
	Risk of increased operating costs	—	There is a risk of rising operating costs for air conditioning and cooling systems due to the increase in average temperatures.	Promote the adoption of on-site power generation using renewable energy and other sources.	¥(8.6) billion over 5 years	Low
Opportunities	Spread of energy-saving water heaters due to strengthened environmental regulations (CO_2)	As we move toward a "low-carbon society" currently, there is demand for more efficient, energy-saving water heaters. Additionally, as technologies such as those utilizing decarbonized gases advance in the pursuit of a decarbonized society, there is a continued demand for energy-saving water heaters.	—	Expand our lineup of highly efficient, energy-saving water heaters and increase their sales.	¥10.0 billion/year	Medium
	Widespread adoption of gas boilers driven by stricter environmental regulations (PM2.5)	In areas where coal-fired boilers are used, there is demand for gas-fired boilers that do not generate PM2.5.	—	Target areas where environmental regulations are not yet advanced and expand the adoption of products suited to the usage environments of those regions.	¥10.0 billion/year	Medium

*1.5°C scenario/4°C scenario:
Predictive scenarios used in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (published in 2014) to project the impacts associated with global temperature increases of approximately 1.5°C and approximately 4°C.

Environmental Impact within Rinnai's Value Chain

Rinnai promotes activities to reduce environmental impacts throughout the value chain*, taking into account the demands and expectations of society and effects on the global environment.

*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 Value Chain	Procurement	Development and Manufacturing	Sales, Logistics, and Services	Product Usage	Disposal
Demands and Expectations from Society (Overseas/Japan)	Handling procurement risk through the supply chain	• Increased demand for heat-energy appliances mainly in the Asia region • Support for international frameworks such as the Paris Accord and other environmental regulations	Provision of household appliances that contribute to energy-efficient homes such as Net Zero Energy Houses	Promotion of energy efficiency in the "use stages" with the largest amount of CO_2 emissions in the product lifecycle	Promotion of activities that contribute to building recycling societies, including compliance with plastic regulations
INPUT Main resources consumed	Raw materials Iron, copper, stainless steel, brass aluminum, plastics, rubber, etc.	Energy Water ☑ • Energy: 1,086,136 GJ • Ground water: 211,650 m^3 • Public water: 733,364 m^3	Energy Water	Energy Water	Energy Water
OUTPUT Rinnai's environmental impact	CO_2 Emissions (Emissions Ratio) ☑ Scope 3 (Category 1)*1 867,843 t (6.41%)	☑ Scope 1 33,867 t (0.25%) ☑ Scope 2 (market based) 60,870 t (0.45%) Solid waste (including valuable substances) 26,918 t Wastewater 929,487 m^3	☑ Scope 3 (Category 4)*1 8,469 t (0.06%)	☑ Scope 3 (Category 11)*1 12,481,465 t (92.14%) (Concerns emissions from Japanese water heaters)	☑ Scope 3 (Category 12)*2 7,186 t (0.05%)
Initiatives Rinnai conducts through business	Supply Chain Management Procurement: We work with suppliers to promote improvement activities that make the flow of products, from parts procurement to commercialization, better.	Pursuit of environmental performance and streamlining of manufacturing processes Development: Develop products with superior environmental performance that meet the climate and needs of the region Manufacturing: We are pursuing efficient processes, minimizing invested resources and energy, and promoting activities that contribute to emission regulations for CO2, waste products and chemical substances.	Spread of environmentally friendly products Sales: Strive to spread products that contribute to energy efficiency in the water heater and heating fields Logistics: We are promoting logistical streamlining. Services: Elevate the Rinnai brand with security activities through wealth of service maintenance and inspections	Proposal of reasonably achievable ecological lifestyles Product usage: We are teaching customers the environmental friendliness of our products and promoting their ecological use through Company-sponsored product events.	Promotion of environmentally conscious design Disposal: Application of design for the environment, e. g., to make products easy to disassemble in accordance with product assessment standards

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 2026 (April 1, 2025–March 31, 2026) *2. Fiscal 2025 (April 1, 2024–March 31, 2025)
Overseas: January 1, 2025–December 31, 2025
[CO_2 emissions (units)]: tCO_2e, (%) represents the emissions ratio within each process.

The indicators marked ☑ have received third-party assurance by LQA Limited.

More detailed environmental information is available on our corporate website. https://www.rinnai.co.jp/csr/data-environment/ (available in Japanese only)

Rinnai's Human Capital Strategy

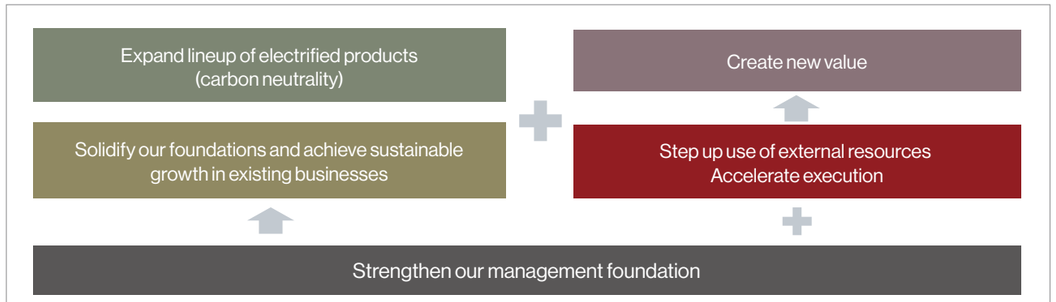
Under medium-term business plan accelerate 2030, we aim to become a company that respects diverse lifestyles and values around the world and will continue creating better ways of living. even in a carbon-neutral society. We are working to achieve sustainable growth by transforming our business portfolio, including expanding our electrified products and creating new value, and strengthening our management foundation to support this.

Regarding investment in human capital, our focus is on human resource development and staffing. We are working to develop and acquire human resources who can promote business in global markets, discover and develop human resources who can take on new businesses and growth fields, and create an environment in which diverse human resources, with a focus on women's empowerment, can demonstrate their abilities.

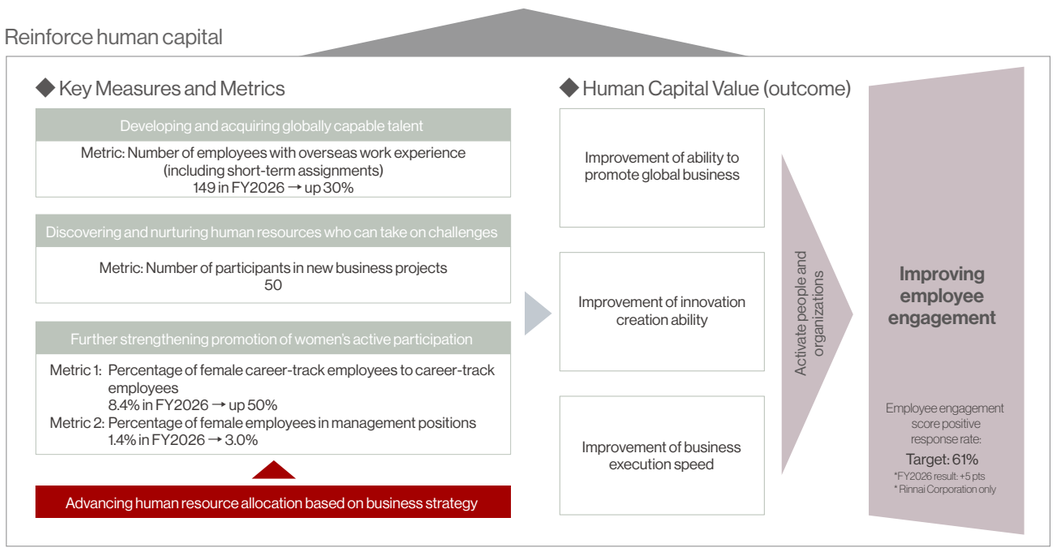
Through these measures, we aim to increase our ability to promote global business, create innovation, and speed up business execution, revitalizing our people and organization, and improving employee engagement.

Outline of Human Capital Strategy (metrics and targets)

Medium-term Business Plan accelerate 2030



Reinforce human capital



Key Measures

Developing and acquiring globally capable talent

For Rinnai, growth in global markets continues to be an important driver of business expansion. We recognize that retaining and developing globally capable talent is an important issue in our human capital strategy.

Given this environment, we are in a phase where we are expanding our business in growth markets, building business foundations in unexplored areas, and undergoing a generational change in the human resources that have supported our overseas business. The challenge we face is to realize a smooth generational transition while passing on knowledge and experience.

To address this, we are proceeding with the systematic placement of mid-level personnel in important positions at local subsidiaries, and are also developing a system to gradually provide overseas experience to young employees by utilizing short-term trainee dispatch and other means. Through these initiatives, we aim to form a human resource base that can independently manage business operations in each region, strengthen our human resources base that can respond to changes in the business environment, and ensure access to a sustainable supply of human resources.

Discovering and nurturing human resources who can take on challenges

In order for Rinnai to continue to be a company chosen by customers in the future, we are working to create new domains (businesses and regions) as a key measure to accelerate our sustainable growth. Based on this policy, we have positioned the discovery and development of human resources capable of taking on challenges who will be responsible for creating new businesses as an important issue in our human capital strategy. In addition to traditional work, we recognize that in order to create new value, it is essential for our employees to set their own challenges and accumulate experience through trial and error to tackle commercialization.

For this reason, we have introduced a system for examining and verifying new business creation, and are working not only to create ideas, but also to accumulate experience and develop human resources through work implementation. At the same time as expanding the range of human resources responsible for creating new value, we will improve our ability to create innovations and execute business by developing human resources who can take on challenges independently.

Further strengthening promotion of women's active participation

As a foundation that supports our business strategy, we are working to create a work environment where diverse human resources can make the most of their abilities. As part of this, promoting the active participation of women is positioned as an important initiative from the perspective of drawing out the capabilities of human resources that have not been fully utilized in the past and aiming to improve the way we utilize human resources.

In the previous medium-term management plan NEW ERA 2025, we advanced a plan for promoting women to managerial positions and actively recruited and promoted women to career-track positions. As a result, the number of women in career-track positions has increased from 100 to 204, as we continue to expand our human resources base.

On the other hand, we are still in the process of promoting female employees to managerial positions. We recognize that there are still factors that constrain the active participation of human resources, such as work styles and workplace practices that rely on long working hours, as well as career development and opportunities to gain experience. This structure can be a factor that inhibits the success of diverse human resources, not just women.

In light of these challenges, we are expanding the pool of candidates for future managerial positions by continuing to hire and train female career-track employees, as well as holding workshops to foster career awareness and reviewing work styles and workplace culture. Additionally, by encouraging men to take childcare leave and creating a work environment that accepts diverse work styles regardless of gender or life stage, we are working to change the mindset and behavior of the entire organization.

Through these initiatives, we will transform our organization into one where diverse human resources can develop medium- to long-term careers and thrive under appropriate evaluation and opportunities. In turn, this will help to maximize the potential of human resources and improve our ability to execute business strategies.

Advancing human resource allocation based on business strategy

To steadily execute our business strategies, we recognize that it is important to improve the quality of decision-making regarding human resources and utilize talent appropriately in response to changes in the business environment. Based on this approach, we are working to improve decision-making regarding personnel through the integration and visualization of human resources data.

In our human resources management up until now, data on human resources has been scattered, making it difficult to fully understand and utilize the skills and work experience of individual employees. As a result, decisions such as assignments, training, and succession planning tended to depend on the experience and sensibilities of each department and manager, resulting in a situation where business strategy and human resources measures were not always fully linked.

In light of these issues, we are integrating and visualizing human resources data and using it for decision-making such as assignments, training, and succession planning, thereby advancing human resources management that is linked to business strategy. Additionally, we aim to build a dynamic talent portfolio by flexibly reviewing our human resources structure in response to changes in the business environment and conducting appropriate assignments and training.

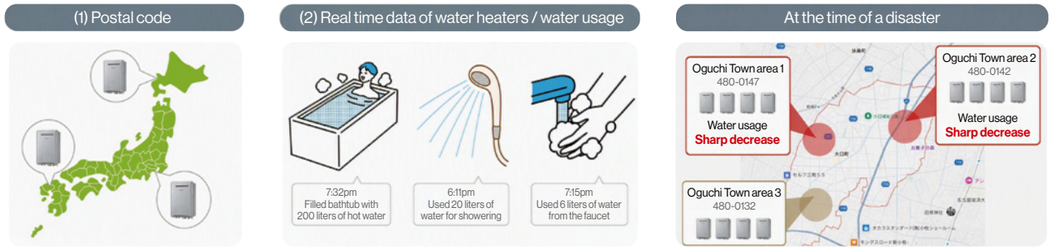
Through these efforts, we will increase the effectiveness of human resource allocation based on business strategies, strengthen our organizational foundation to respond to changes in the environment, and improve our business execution capabilities.

Initiatives in AI and Digital Technologies

Under the business strategy medium-term business plan accelerate 2030, we have outlined objectives to “solidify our foundations and achieve sustainable growth in existing businesses” and “strengthen our management foundation.” We aim to remain a company that achieves sustainable and steady growth by leveraging data, AI, and digital technologies to resolve social issues. As for “solidify our foundations and achieve sustainable growth in existing businesses,” we aim to become a brand that is consistently chosen by integrating and analyzing data gathered through customer touchpoints, offering even more attractive products and services, and repeating this cycle. In regard to “strengthen our management foundation,” we will promote digital transformation (DX) and leverage data, AI, and digital technologies to streamline operations and contribute to the achievement of numerical targets.

Example 1

We are working to create new products and services by leveraging data on product usage and data obtained from sensors. As one example, we received the Minister of State for Disaster Management Award (Grand Prize) at the New Comprehensive Disaster Prevention Information System (SOBO-WEB) Ideathon 2025, organized by the Cabinet Office. Rinnai was highly evaluated for its focus on strengthening resilience, which contributes to the safety and security of consumers and the improvement of their quality of life. Specifically, we can estimate areas experiencing water outages during a disaster by analyzing water heater installation locations and operational data in real time. Furthermore, by combining this with external data such as traffic information, evacuation sites, and medical facilities, we expect to facilitate a faster recovery and assist in prioritizing tasks. Moving forward, we will continue to contribute to resolving social issues through the use of data while delivering value that supports safe and secure living.

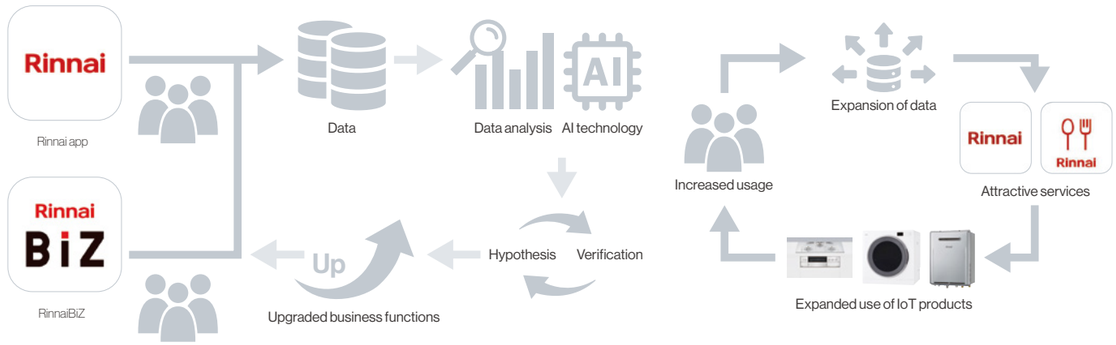


Example 2

We launched RinnaiBiZ as a new information communication platform connecting Rinnai with its business partners. Through it, we provide a wide range of content to help boost sales and support operations in the field, including the latest product information, replacements and inventory searches, catalog browsing, and business support services like installation details. By analyzing the data accumulated through daily sales activities and the usage of RinnaiBiZ, we are working to build an optimal information dissemination, proposal, and business support cycle and, in the process, strengthen our profitability.



Rinnai’s DX collects various types of data available through its business activities and enhances business functions by repeatedly formulating and verifying hypotheses based on insights gained from its analysis. We aim to establish a virtuous cycle in which providing attractive services leads to an expanded user base, and the resulting increase in available data further accelerates function improvements.



To powerfully advance DX, we are establishing a foundational framework starting in fiscal 2027 that categorizes initiatives into five areas: Design DX, Manufacturing DX, Sales DX, Customer engagement DX, and Indirect DX. We will assign dedicated DX personnel to each business department and drive these efforts with the business and administrative divisions playing a central role.

For human resource development, we have defined DX professionals, those who lead business transformation, and DX technicians, those who create strategic narratives through the use of digital technologies, as DX promotion core personnel talent, 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. 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 this project, 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. 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 addition, we will evaluate and verify AI agents, select model business processes for their use, and conduct pilot implementations.

In March 2024, Rinnai obtained certification as a DX-certified business operator under the national 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認定

Activities Undertaken with Business Partners to Strengthen Competitiveness

The business environment surrounding Japan's manufacturing industry is undergoing significant changes, driven by factors such as the rising costs of raw materials and labor. Amid these shifting tides, we are focusing, with the understanding of our business partners, on simultaneously strengthening our competitiveness and ensuring stable procurement.

While timely parts supply from business partners is essential to meeting customer needs, the processing of a wide variety of stamped parts inevitably entails the challenge of mold changeovers. Shortening changeover time contributes significantly to enhancing competitiveness and ensuring stable supply.

For fiscal 2026, rather than simply asking our partner companies, which supply us with many components, to enhance their competitiveness, we actively participated in the changeover improvement projects they were undertaking. By directly discussing improvement methodologies with personnel on the ground, we were able to collaborate effectively toward achieving our targets. In addition, we share our requests to business partners based on our purchasing policy (Supplier Code of Conduct) and work to embed respect for human rights and appropriate labor practices through dialogue and improvement activities with them.

We share a common understanding and set of values regarding QCD across our entire supply chain. We are committed to creating an environment where we can continue to grow alongside our business partners in a spirit of mutual prosperity amid changing times.



Frontline patrol

VOICE



Representative Director and President
Chuo Koki Co., Ltd.

Minoru Kano

Tackling the Greatest Challenge in Stamping

With 2026 marking our 60th anniversary, we engage in high-mix production involving 1,000 different items daily. However, the decline in operating rates caused by mold changeovers, occurring 150 to 200 times a day, posed a significant challenge.

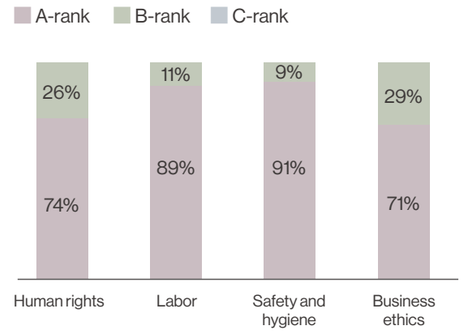
Consequently, in 2025, we implemented a changeover reform project that included layout modifications, the close positioning of molds, and a review of tooling. With Rinnai's participation, we achieved positive results by reducing the time required for a one-off changeover to under five minutes. In fiscal 2027, we will further deepen our collaboration and implement initiatives to optimize production instructions and reform setup processes for sequentially-fed press dies.

We will continue to work on strengthening our operational capabilities on the production floor.

Implementation of CSR Questionnaire

In accordance with the Rinnai Human Rights Policy, we identify and assess the negative human rights impacts of our business activities and conduct ongoing human rights due diligence to mitigate such risks. In fiscal 2026, we requested all suppliers of mass produced parts respond to a CSR questionnaire, and received replies from 185 suppliers. Overall, the results were favorable, despite some minor issues with human rights and business ethics. We are conducting interviews with these business partners and efforts to address them in an effort to prevent recurrence. Moreover, we have no C-rank business partners.

Risk Ranking	Score	Explanation
A-rank	80 points or higher	Excellent
B-rank	40–79 points	Minor issues exist, but voluntary improvements are possible
C-rank	39 points or lower	Improvements are required in some areas, necessitating prompt countermeasures and monitoring



Responsible Minerals Procurement

We promote responsible mineral sourcing throughout our supply chain to ensure that the minerals used in our products (tin, tantalum, tungsten, and gold) do not serve as a source of funding for armed groups in conflict-affected and high-risk areas. Therefore, we gather information on smelters and refiners through our relevant business partners and promote procurement from those that meet standards. Rinnai uses industry standard survey forms such as the Conflict Minerals Reporting Template (CMRT) published by the Responsible Minerals Initiative (RMI).

Survey of Conflict Minerals

Rinnai conducts surveys regarding conflict minerals for its suppliers. In fiscal 2026, survey forms were collected from 174 suppliers and the CFS occupancy rate was 65%. We conduct risk evaluation, and if risks are detected, we request procurement from smelters and refiners without issues.

	FY2026				
	Total	Tin	Tantalum	Tungsten	Gold
Number of designated smelters*1	362	79	47	57	179
Number of CFS*2 certified smelters	235	58	42	39	96
CFS*2 occupancy rate	65%	73%	89%	68%	54%
Survey response rate	100%	—	—	—	—

*1 Smelters and refiners in Rinnai's supply chain are recognized under RMI*3.
*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.

Dialogue on Corporate Initiatives for Longer-Term Business Growth

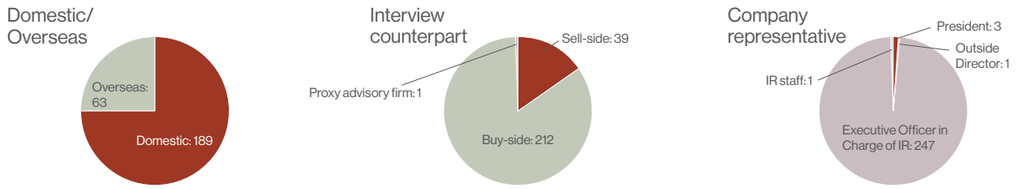
Status of Dialogue with Shareholders and Investors



Year-end financial results announcement

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 hold results briefings for analysts and institutional investors four times 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 news releases, 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 (252 times)

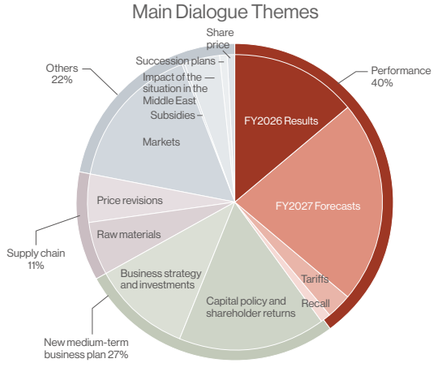


Fiscal 2026 Key Dialogue Themes and Areas of Interest

In addition to customary questions regarding business performance and the like, in fiscal 2026 institutional investors and analysts also discussed matters with a significant direct impact on earnings, such as U.S. tariffs, rising raw material prices, and price revisions, as well as the content of the new medium-term business plan. Attention was also focused on the impact of unstable global conditions on the Company's performance and its plans for fiscal 2027.

There were also many discussions on capital policy, including future shareholder return policies and growth investments, with interest focused on future growth strategies and cash allocation.

Main Dialogue Themes



Enhancing Communication with Shareholders and Investors



In July 2026, we established a new For Individual Investors category (Japanese only) within the Investor Relations section of our corporate website with the aim of enhancing information disclosure and strengthening communication with individual investors.

In recent years, amid the launch of the new NISA program and growing participation in investment, particularly among younger generations, the importance of providing clear and accessible information to individual investors has increased. In response to these changes, we are promoting initiatives aimed at strengthening communication with individual investors.

As part of these initiatives, we launched the Rinnai in 5 Minutes page (Japanese only). It provides easy-to-understand information on topics including our brand history, business activities, strengths, and financial and non-financial information, enabling even those unfamiliar with Rinnai to gain an overview of the Company in a short period of time.



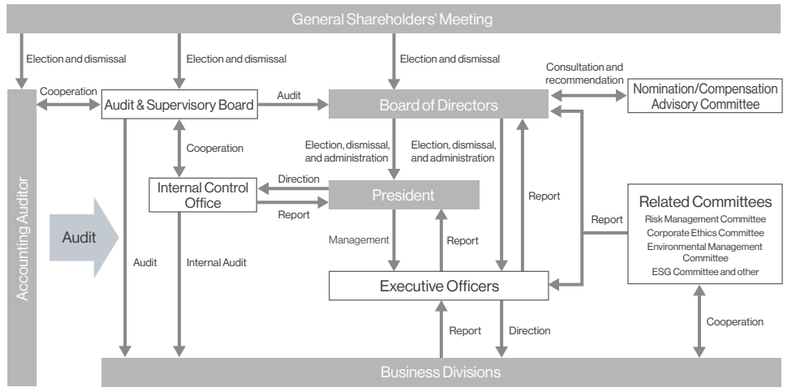


Rinnai in 5 Minutes | Investor Relations | Rinnai Corporation
https://www.rinnai.co.jp/ir/individual/ (available in Japanese only)

Going forward, we will continue working to enhance information disclosure and strengthen communication with all stakeholders, including shareholders and investors, in order to promote a better understanding of the Company.

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, account auditors conduct audits and verify from a third-party perspective the legality of the internal control system as it relates to financial accounts.

History of Strengthening Corporate Governance

Rinnai has continuously worked to strengthen corporate governance as a management foundation that supports sustainable growth and the enhancement of corporate value over the medium to long term. To date, we have progressively implemented measures including the establishment of the Nomination Advisory Committee and Compensation Advisory Committee, revisions to the executive compensation system, improvements in the independence and diversity of the Board of Directors, and the development of a sustainability promotion structure. Through these initiatives, we are working to enhance the transparency and objectivity of management, improve the effectiveness of the Board of Directors, and achieve sustainable enhancement of corporate value.

Through Fiscal 2021

- Began evaluating the effectiveness of the Board of Directors (2017)
- Began holding outside executive meetings (2019)
- Established the Nomination/Compensation Advisory Committee (2021)
  - Composition (common to nomination and compensation)
    Chair: President and Representative Director
    Members: Two outside directors

Fiscal 2022

- Developed and disclosed the Directors' Skills Matrix
- Revised the executive compensation system
  - Introduced a performance-linked compensation system that includes stock compensation
    (Fixed compensation : Bonuses : Stock compensation = 7 : 2 : 1)
  - Revised the executive compensation table
- Established an IR department within the Head Office administrative division
- Began holding regular SR meetings with investors

Fiscal 2023

- Established the ESG Committee
  Chair: President and Representative Director

Fiscal 2024

- Increased the number of outside directors (from 2 to 4)
- Appointed a female director (1)
- Changed the chair of the Compensation Advisory Committee to an outside director
- Disclosed measures aimed at realizing management that is conscious of capital costs and stock price
- Revised the criteria for matters to be submitted to the Board of Directors (strengthening the monitoring system)

Fiscal 2025

- Appointed a Chief outside director
- Increased the number of female directors (from 1 to 2)
- Changed the chair of the Nomination Advisory Committee to an outside director
- Revised the executive compensation system
  - Increased the proportion of stock compensation
    (10% → approximately 20%)
  - Adopted TSR as an evaluation indicator for stock compensation
  - Revised the executive compensation table
- Introduced malus and clawback provisions
- Introduced stock ownership guidelines for executives

Fiscal 2026

- Held multiple meetings with outside executives to discuss the formulation of the medium-term business plan

*Fiscal 2027
- Disclosed the succession plan

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.

Board of Directors Composition, etc.

Number of directors*: 9

Number of Board of Directors meetings: 13 (fiscal 2026 actual)

Ratio of outside directors*: 44% (4 of 9)



Ratio of female directors*: 22% (2 of 9)

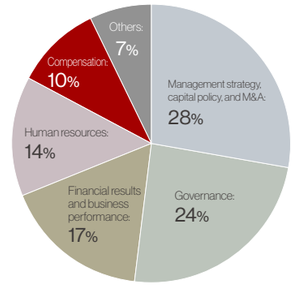


*As of July 2026

Deliberation and Oversight by the Board of Directors

The Board of Directors deliberates on and oversees a wide range of matters, including management strategy, capital policy and M&A, governance, financial results and business performance, and human resources. In fiscal 2026, discussions on business strategy and capital policy increased as we worked to formulate the new medium-term business plan, and considerable time was devoted to discussions aimed at enhancing corporate value over the medium to long term. We also continue to improve the operation of the Board of Directors, including by reviewing the criteria for matters to be submitted to the Board, with the aim of strengthening its monitoring function. In addition, we are working to ensure highly effective decision-making by reviewing the annual agenda and, for important matters, holding multiple rounds of discussions before adopting resolutions.

Breakdown of Board of Directors Agenda Items



*Based on the number of agenda items considered by the Board of Directors in fiscal 2026

Main Matters Deliberated by the Board of Directors

Management strategy, capital policy, and M&A	Progress in formulating the next medium-term business plan; annual management targets; establishment of borrowing limits; interim dividends; shareholder return policy; acquisition and cancellation of treasury shares; corporate acquisitions (MT Industrial S.A.C., etc.); progress and status reports on M&A deals; etc.
Governance	Evaluation of the effectiveness of the Board of Directors; status of cross-shareholdings; ESG Committee activities; status of IR activities; status of the Company's shareholders; etc.
Financial results and business performance	Consolidated financial statements; financial results and semiannual reports; monthly business performance; Annual Securities Report; etc.
Human resources	Executive appointments and organizational changes; executive officer appointments; appointments of officers at Group companies; advisory agreements; etc.
Compensation	Director compensation; disposal of treasury shares as restricted stock; etc.
Others	Recall, inspection, and repair of bathroom heater/dryers; Board of Directors' opinion on shareholder proposals; donations; etc.

*Based on Board of Directors activities in fiscal 2026

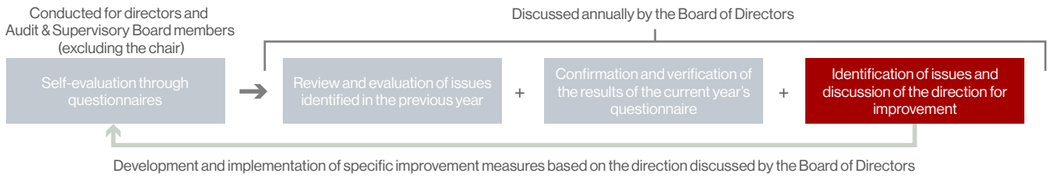
Nomination Advisory Committee and Compensation Advisory Committee

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 of directors, Audit & Supervisory Board members, and executive officers and compensation of directors and executive officers are discussed by the respective advisory committee, with a final decision made by the Board of Directors.

Evaluating Board of Directors Effectiveness

Rinnai evaluates the effectiveness of the Board of Directors annually through questionnaires targeting directors and Audit & Supervisory Board members, which include an open-ended comment section to gather specific evaluations, opinions, and suggestions. The results of the effectiveness evaluation are shared with the Board of Directors as a matter for reporting, and after discussing measures to address identified issues, improvement measures are formulated and implemented based on those discussions.

Process for Evaluating Board of Directors Effectiveness



Results of the Fiscal 2026 Effectiveness Evaluation

The effectiveness evaluation found that the Company's Board of Directors engages in open and constructive discussions and that the composition, operation, and supervisory functions of the Board are effective. In particular, the opportunities provided for outside executives to exchange views among themselves and the sharing with the Board of Directors of feedback from dialogues with investors were highly evaluated. At the same time, there were calls for further enhancement of discussions on corporate strategy aimed at increasing corporate value over the medium to long term, including the long-term vision, growth strategies, and capital policy. In response to these results, we have begun initiatives to expand opportunities for strategic discussion and enhance the topics discussed, including reflecting them in the Board of Directors' agenda for the following fiscal year, thereby further enhancing deliberations by the Board of Directors.

Enhancing Effectiveness through Dialogue with Outside Executives

Separate from meetings of the Board of Directors, Rinnai holds Outside Executive Meetings as opportunities to report on and exchange opinions regarding important management themes and matters raised by outside directors and outside Audit & Supervisory Board members. Depending on the topic, the executive officer in charge or Chief of the relevant headquarters attends to explain the business environment, management issues, and progress of important measures. Through active discussions with outside executives, we are working to enhance the management supervisory function.

In fiscal 2026, in addition to explaining the annual plan, we held several such meetings to review the previous medium-term business plan and discuss the formulation of the new medium-term business plan. At Outside Executive Meetings, we engage in open discussions on medium- to long-term management issues and bring together the opinions and perspectives of outside executives, thereby contributing to constructive and effective discussions by the Board of Directors.



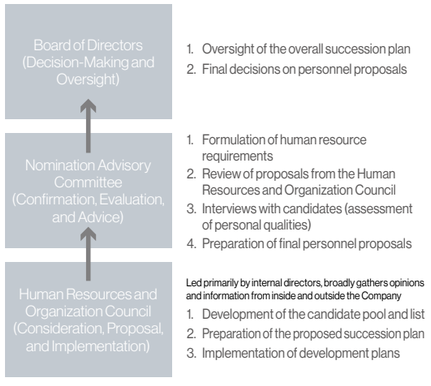
Succession Plan for Senior Management

The succession plan for senior management, including the top management position, is one of the most important issues required under the Corporate Governance Code. Rinnai formulates and operates its succession plan under a framework centered on the Human Resources and Organization Council and the Nomination Advisory Committee, while ensuring transparency and objectivity.

The Human Resources and Organization Council, which is composed mainly of internal directors, selects future candidates for top management and other senior management positions based on human resource requirements and systematically develops these candidates. The Nomination Advisory Committee periodically reviews these activities and, in addition to making recommendations on important personnel matters, including the top management position, deliberates each year on whether current directors should be reappointed and submits its recommendations to the Board of Directors. The Board of Directors continuously oversees these matters and the operation of the succession plan and makes final decisions on important personnel matters, including the top management position.

Through these processes, Rinnai seeks to reduce the risks associated with changes in top management and strengthen its management structure to support sustainable growth and the enhancement of corporate value.

Roles and Processes in the Succession Plan



Executive 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), Rinnai 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

Malus and clawback provisions

With respect to annual bonuses, the Company has introduced a system under which, if there is a material revision to figures in the financial statements used as the basis for calculating the bonus or if a recipient is found to have committed a material violation of laws, regulations, or internal rules, the Board of Directors may, by resolution based on a recommendation following deliberation by the Compensation Advisory Committee, reduce or withhold the annual bonus or require repayment of all or part of it. Under the restricted stock compensation system, the restricted stock allotment agreement also includes provisions allowing the Company to acquire without consideration all shares granted to a recipient in the event of misconduct, such as a violation of laws, regulations, or internal rules.

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 of 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

- Tadashi Ogura, Chief outside director (Chairman of the Committee)
- Nobuaki Katoh, Outside Director
- Kumi Sato, Outside Director
- Hiroyasu Naito, President and Representative Director

*As of July 2026

Leadership (as of July 1, 2026)

Board of Directors

Kenji Hayashi — Representative Director, and Chairman

Career Summary and Current Position in the Corporation:

Apr. 1972 Joined Rinnai Corporation
Sep. 1978 Director
Feb. 1980 Director, and General Manager of Corporate Planning Office
Jun. 1983 Managing Director, and General Manager of Production Technology Division
Jul. 1992 Managing Director, and General Manager of Related Business Division
Jun. 2005 Director, Managing Executive Officer, and General Manager of Related Business Division
Jun. 2006 Representative Director, Vice Chairman
Apr. 2017 Representative Director, Chairman (current)

Hiroyasu Naito — Representative Director, President and Executive President

Career Summary and Current Position in the Corporation:

Apr. 1983 Joined Rinnai Corporation
Jun. 1991 Director, Deputy Chief of Technology Research Headquarters and concurrently General Manager of New Technology Development Division
Jul. 1998 Director, Chief of Technology Research Headquarters
Jul. 2001 Director, General Manager of Corporate Planning Division and concurrently General Manager of General Affairs Division
Jun. 2003 Managing Director, General Manager of Corporate Planning Division and concurrently General Manager of General Affairs 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 President (current)

Current Representation in Other Companies: Outside director at Nagoya Railroad Co., Ltd.

Hideyuki Shiraki — Director, Senior Managing Executive Officer

Career Summary and Current Position 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 Chief of Marketing & Sales Headquarters, concurrently, General Manager of Kanto Branch Office
Jun. 2020 Managing Executive Officer, Chief of Marketing & Sales Headquarters
Apr. 2023 Senior Managing Executive Officer, Chief of Marketing & Sales Headquarters
Jun. 2023 Director, Senior Managing Executive Officer, Chief of Marketing & Sales Headquarters (current)

Kazuto Inoue — Director and Senior Managing Executive Officer

Career Summary and Current Position 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 Chief of Production Headquarters
Apr. 2018 Executive Officer, General Manager of Production Engineering Division
Apr. 2021 Managing Executive Officer, Chief of Production Engineering Headquarters
Apr. 2023 Senior Managing Executive Officer, Chief of Production Engineering Headquarters
Jun. 2023 Director and Senior Managing Executive Officer, Chief of Production Engineering Headquarters
Apr. 2026 Director and Senior Managing Executive Officer, Chief of Production Headquarters (current)

Hirohisa Ooi — Director, Senior Managing Executive Officer

Career Summary and Current Position in the Corporation:

Apr. 1989 Joined Rinnai Corporation
Jul. 2014 General Manager of Production Control Division, Production Headquarters
Apr. 2016 President of Noto Tech Co., Ltd.
Apr. 2018 President of RB Controls Co., Ltd.
Apr. 2019 Executive Officer of the Corporation, Chief of Production Headquarters, and General Manager of Production Control Division
Apr. 2020 Executive Officer, Chief of Production Headquarters
Apr. 2021 Senior Executive Officer, Chief of Production Headquarters
Apr. 2023 Managing Executive Officer, Chief of Production Headquarters
Apr. 2025 Managing Executive Officer, Chief of Production Headquarters and Corporate Planning Headquarters
Apr. 2026 Senior Managing Executive Officer, Chief of Corporate Planning Headquarters
Jun. 2026 Director, Senior Managing Executive Officer, Chief of Corporate Planning Headquarters (current)

Tadashi Ogura — Independent outside director of the Corporation

Career Summary and Current Position 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
Jun. 2021 Outside director at Meiko Trans Co., Ltd.
Jun. 2023 Outside director, Rinnai Corporation
Jun. 2026 Chief Outside Director, Chairman of the Nomination Advisory Committee and the Compensation Advisory Committee of Rinnai Corporation (current)

Yoko Dochi — Independent outside director of the Corporation

Career Summary and Current Position 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 N.V./S.A.
Jan. 2015 General Manager of Global Treasury and Investor Relations at Toyota Motor Europe N.V./S.A.
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
Jun. 2020 Outside director of Nippo Ltd.
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: Trustee of Daiwa Anglo-Japanese Foundation, Outside audit & supervisory board member at Kirin Holdings Company, Limited

Kumi Sato — Independent outside director of the Corporation

Career Summary and Current Position 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

Nobuaki Katoh — Outside Director, Independent Officer

Career Summary and Current Position in the Corporation:

Apr. 1971 Joined Nippondenso Co., Ltd. (currently, DENSO CORPORATION)
Jun. 2000 Director, DENSO CORPORATION
Jun. 2004 Managing Director, DENSO CORPORATION
Jun. 2005 President, DENSO INTERNATIONAL EUROPE B.V.
Jun. 2007 Senior Managing Director, DENSO CORPORATION
Jun. 2008 President, DENSO CORPORATION
Jun. 2011 Outside Audit & Supervisory Board Member, TOYOTA BOSHOKU CORPORATION
Jun. 2015 Chairman, DENSO CORPORATION
Jun. 2016 Outside Audit & Supervisory Board Member, KDDI CORPORATION
May 2017 Chairman, Aichi Employers' Association
Jun. 2017 Outside Director, TOYOTA BOSHOKU CORPORATION
Jun. 2018 Advisor, DENSO CORPORATION
Jun. 2021 Outside Director, Sumitomo Mitsui Trust Group, Inc.
Jun. 2026 Outside Director, Rinnai Corporation (current)

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, and concurrently General Manager of Quality Assurance Division
Apr. 2022 Senior Executive Officer, General Manager of Quality Assurance Headquarters
Apr. 2023 Assistant to Chief 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 (current 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.

Ayako Yoshino — Outside Independent Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:

Oct. 2001 Attorney registration Joined Goto Ota & Tateoka Law Office (Currently, Law Firm, Goto Ota & Tateoka Law Office)
Apr. 2005 Outside Audit & Supervisory Board Member of Kono Seiju Co., Ltd. (current)
Jul. 2007 Staff attorney, Law Firm, Goto Ota & Tateoka Law Office (current)
May 2018 Auditor, Specified medical corporation Shusaikai (current)
Jun. 2020 Outside Audit & Supervisory Board Member, AIPHONE CO., LTD.
Jun. 2023 Outside Director, AIPHONE CO., LTD. (current)
Jun. 2026 Audit & Supervisory Board Member, Rinnai Corporation (current)

Current Representation in Other Companies: Staff attorney, Law Firm, Goto Ota & Tateoka Law Office Outside Director, AIPHONE CO., LTD.

Executive Officers (excluding concurrent directors)

Managing Executive Officer	Takuya Ogawa	Chief of Administration Headquarters
Managing Executive Officer	Yoshihiko Takasu	Chief of Innovation Center and General Manager of Research & Development Division
Managing Executive Officer	Hayao Nishizawa	Chief of Overseas Business Headquarters and General Manager of Second Sales Division
Managing Executive Officer	Kenji Endo	Chief of Research & Development Headquarters
Senior 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
Executive Officer	Tetsuaki Okano	Branch Office Manager of Kansai Branch Office, Marketing & Sales Headquarters
Executive Officer	Keiichi Mizutani	Chief of Quality Assurance Headquarters and General Manager of Quality Assurance Division
Executive Officer	Takeshi Umemura	President of Gastar Co., Ltd.

Skills Matrix of Directors

	Corporate management	Global management	Technology (development/ production/ environmental)	Business plans/ Marketing	Finance/ Accounting/ Capital policy	Human resources strategy	Governance/ Legal matters/ Risk management	Sustainability	IT/DX
Kenji Hayashi	●	●	–	–	●	●	●	–	–
Hiroyasu Naito	●	●	●	–	●	–	–	●	–
Hideyuki Shiraki	–	–	–	●	–	●	●	–	●
Kazuto Inoue	–	●	●	–	–	–	–	●	●
Hirohisa Ooi	●	–	–	–	●	●	–	●	–
Tadashi Ogura	●	–	●	–	–	●	●	–	–
Yoko Dochi	–	●	–	–	●	–	●	●	–
Kumi Sato	–	●	–	–	–	●	–	●	●
Nobuaki Katoh	●	●	–	●	–	–	–	–	●

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

Reasons behind skill selections

Skill items	Reasons for selection of items
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." Rinnai must therefore have directors with demonstrated knowledge and experience in development, production, and the environment.
Business planning/Marketing	Rinnai must have directors with demonstrated knowledge and experience in business planning and marketing to gather information on the real needs of consumers, develop product planning and sales planning matched to these needs, and 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 aimed at 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 company-wide digital transformation but also to establish an information infrastructure to thwart cyberattacks and to utilize leading-edge information technologies.

Message from a Newly Appointed Outside Director



Outside Director

Nobuaki Katoh

At Denso, I was involved in production management and component procurement at the Nishio Plant of the company's air conditioning and heating division, launching my corporate life on the front lines of manufacturing. What made a strong impression on me was how the approach of emphasizing quality, cost, and delivery time—QCD—was naturally rooted in every worker in the field. We worked to protect quality, meet delivery dates promised to customers, and build cost competitiveness through repeated improvements. This experience in the field formed the starting point for my judgment in subsequent planning work in business departments, in management planning at the head office, in overseas business, and in management.

Rinnai has long provided value to society through heat energy appliances under the core concept of "Quality is our destiny." The Company's history of over a century is proof that it has maintained product development capabilities, manufacturing capabilities, and talent development that supports these, an accomplishment that I feel is worthy of respect. I personally feel a high affinity between the quality-centric manufacturing culture developed at Denso and the stance taken by Rinnai.

At the same time, I believe that in order for a company to grow sustainably, it must not stop product development. In addition to enhancing and improving existing products, it is important that a company continue to create products imbued with new functionality, convenience, and safety. Moreover, as decarbonization and energy diversification advance, overreliance on a single energy resource can create future risks. I believe that it will be increasingly important that Rinnai, while leveraging the strengths of gas, also engages in electrification-related, hydrogen-related, and other product development in response to social changes.

To create products that impress, it is also vital to go beyond simple improvement of applications and to engage in basic research and development that leads to inventions and discoveries. I believe that human resources who hold a deep interest in markets and customers, grasping the true essence of both together with issues that have yet to materialize, are what form the starting point for new product development. A stance of delving deeply into customers and markets to continually pose questions without settling for the status quo is a critical element common to human resources who achieve growth, whether engineers or office staff.

I see our mission as outside directors as raising the level of governance and enhancing corporate value. Based on my manufacturing and management experience, I want to observe Rinnai from the standpoint of development capabilities, manufacturing capabilities, and talent development, and put forth insights without fear. I will contribute to Rinnai so that it can be a company that is chosen by customers and that continues to provide society with value into the next era.

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.

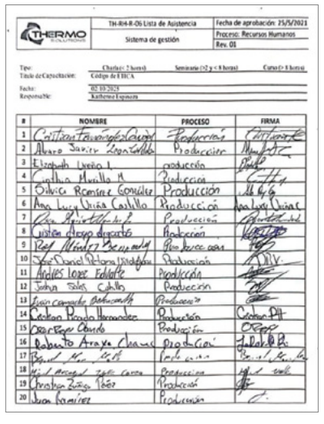
Each year, Rinnai conducts Code of Conduct awareness activities for all Group employees including those outside of Japan. Furthermore, in Japan we have created the Rinnai Code of Conduct Guidebook as a tool to deepen understanding of the content in the Rinnai Code of Conduct and we also implement tests using e-learning to confirm the level of understanding.



Code of Conduct awareness activities (Thailand)



Code of Conduct awareness activities (Brazil)



#	NOMBRE	PROCESO	FIRMA
1	Cristian Fallas Quesada	Producción	
2	Alvaro Saenz Rojas	Producción	
3	Elizabeth Urena L.	producción	
4	Cynthia Murillo A.	Producción	
5	Silvia Romero González	Producción	
6	Ana Lucia Ureña Castillo	Producción	
7		Producción	
8		Producción	
9		Producción	
10		Producción	
11	Andrés Lopez Fallas	Producción	
12		Producción	
13		Producción	
14		Producción	
15		Producción	
16		Producción	
17			
18		Producción	
19		Producción	
20		Producción	

Written pledges (Costa Rica)

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 holds regular meetings of its Risk Management Committee, which 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. Additionally, we are striving to strengthen risk management regarding employee safety and product safety, taking into account trends in regulatory amendments and changing societal demands.

Material Risks (Excerpted)

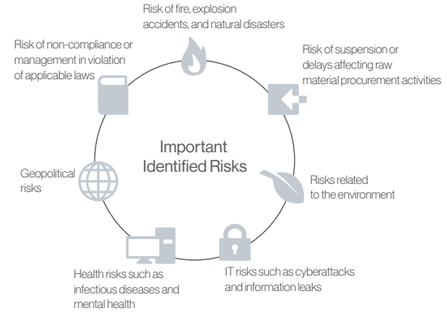
Management Risk	○ Compliance ○ Product accident or defects ○ Environment ○ Labor-related	○ Intellectual property ○ Supply chain ○ Market environment, etc.
Financial Risk	○ Foreign exchange rates	○ Taxation, etc.
Accident and Disaster Risk	○ Production shutdowns, etc.	
IT Risk	○ Cyberattacks	○ Information 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 our business continuity plan (BCP) mainly in our domestic production divisions.

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.



Eleven-Year Financial Summary

		FY2016*1	FY2017*1	FY2018*1	FY2019		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Net sales	(Millions of yen)	319,935	330,256	347,071	348,022		340,460	344,364	366,185	425,229	430,186	460,319	470,392
Operating income	(Millions of yen)	34,593	34,056	32,849	30,879		34,422	40,690	35,864	41,418	39,362	46,005	50,531
Operating income margin	(%)	10.8	10.3	9.5	8.9		10.1	11.8	9.8	9.7	9.2	10.0	10.7
Ordinary income	(Millions of yen)	35,807	35,280	34,286	33,318		35,679	42,400	39,060	44,565	46,071	50,323	57,686
Net income attributable to owners of the parent company	(Millions of yen)	22,710	22,322	21,194	20,480		21,561	27,581	23,748	26,096	26,667	29,691	36,160
Total net assets	(Millions of yen)	271,709	290,638	307,965	320,696		340,959	371,318	378,856	407,199	437,438	461,718	494,124
Total assets	(Millions of yen)	368,084	402,107	422,422	430,885		450,486	497,291	512,867	547,114	577,088	606,586	649,569
Net assets per share	(Yen)	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	3,166.84
Net income per share	(Yen)	145.57	143.09	136.80	132.82		139.83	178.87	156.80	176.92	184.75	209.66	259.96
Equity ratio	(%)	69.6	67.8	68.0	69.4		70.1	68.8	66.9	66.6	67.2	66.9	67.3
Return on equity	(%)	9.0	8.4	7.6	7.0		7.0	8.4	6.9	7.4	7.1	7.5	8.6
Cash flows from operating activities	(Millions of yen)	36,066	39,554	29,914	29,479		37,694	49,491	28,696	19,387	43,347	57,502	49,298
Cash flows from investing activities	(Millions of yen)	(17,770)	(17,732)	(12,190)	(7,288)		(7,124)	(15,820)	(25,486)	(30,087)	(19,968)	(22,685)	(30,905)
Cash flows from financing activities	(Millions of yen)	(6,554)	(5,217)	(11,725)	(6,150)		(6,436)	(7,269)	(27,109)	(21,313)	(23,664)	(26,503)	(21,931)
Cash and cash equivalents at end of year	(Millions of yen)	79,600	95,297	101,697	116,133		140,138	166,524	147,972	120,213	123,829	136,300	134,506
Capital expenditures	(Millions of yen)	16,938	20,664	16,105	13,481		10,580	13,301	22,682	26,521	41,114	16,300	17,628
Research and development expenses	(Millions of yen)	9,113	9,340	9,918	9,503		9,308	11,802	12,762	13,458	14,302	14,939	15,939
Dividends	(Yen)	27.3	28.6	30.0	31.3		32.6	41.6	46.6	53.3	60.0	80.0	100.0
Payout ratio	(%)	18.8	20.0	21.9	23.6		23.4	23.3	29.8	30.1	32.5	38.2	38.5
Number of outstanding shares	(Shares)	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	141,126,771
Closing price at the end of the period	(Yen)	3,313	3,077	3,367	2,610		2,550	4,130	3,057	3,235	3,484	3,456	3,659
Market capitalization	(Millions of yen)	519,032	481,958	521,326	404,157		394,866	639,528	458,693	485,454	511,023	497,279	516,383

*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.

Human Resource- and Personnel-Related Data

Miscellaneous data points

		FY2024	FY2025	FY2026
Newly recruited employees (Persons)	Male	76	105	87
	Female	18	24	33
	Subtotal	94	129	120
Mid-career recruitment (Persons)	Male	9	10	5
	Female	3	1	4
	Subtotal	12	11	9
Mid-career recruitment ratio (%)	Subtotal	11	10	7
Temporary staff (Persons)	Subtotal	168	184	179
Average working years (Years)	Male	19.5	19.4	19.5
	Female	16.9	17.8	18.4
	Subtotal	18.8	18.9	19.2
Average age (Years old)	Male	41.7	41.6	41.5
	Female	37.9	38.4	39.0
	Subtotal	40.6	40.7	40.8

		FY2024	FY2025	FY2026
Paid leave	Maximum number of days added with paid leave	20	20	20
	Average number of days taken with paid leave	13.9	13.6	13.7
	Utilization ratio (%)	73	72	73
Employment of persons with disabilities	Number of persons with disabilities (Persons)	93	91	88
	Employment rate (%)	2.62	2.58	2.49
Number of OJT accidents * Includes domestic consolidated subsidiaries	Number of accidents	23	24	22
	Number of disasters (%) (LTIFR)	0.38	0.39	0.69
Number of employees on mental health leave (Persons)		30	27	29
Periodic health checkup participation ratio (%)		100	100	100
Secondary health checkup participation ratio (%)		96	100	100
Smoking ratio (%)		19.0	19.6	18.8
Participation ratio in measures*1 for high-risk individuals*2 (%)		100	100	100
Stress check test taker ratio (%)		98.6	99.2	97.4
Number of employees who used childcare leave (Persons)		56	37	47
Number of employees who took childcare leave of absence (Persons)	Male	33	50	46
	Female	76	63	95
	Subtotal	109	113	139
Proportion of employees who took maternity leave (%)	Male	35.8	64.1	63.8
	Female	109.5	87.9	102.5
Proportion of employees who return to work after taking parental leave (%)	Male	100	96	100
	Female	100	100	100
	Subtotal	100	99	100
Number of employees who used shortened work hours (Persons)	Male	1	0	1
	Female	174	170	182
	Subtotal	175	170	183
Number of employees who used family care leave (Persons)	Male	7	7	11
	Female	94	101	120
	Subtotal	101	108	131
Number of employees who used nursing leave (Persons)	Male	5	7	8
	Female	33	41	15
	Subtotal	38	48	23
Number of employees who took nursing leave of absence (Persons)	Male	0	0	2
	Female	0	1	0
	Subtotal	0	1	2
Number of employees who used our reemployment (Come Back) system (Persons)	Male	1	0	0
	Female	0	0	3
	Subtotal	1	0	3
Number of employees who used the work from home program (Persons)	Male	495	434	224
	Female	148	133	96
	Subtotal	643	567	320

*1 Employees who have two or more of the "Recommended Value for Medical Examination" items and have at least one untreated item.
*2 Health insurance association measures to prevent the progression of serious illness.

Working Hours and Average Pay

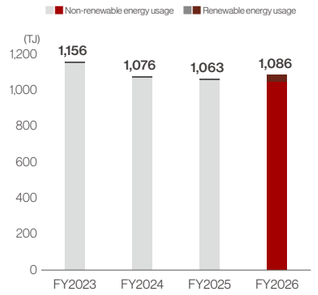
	FY2024	FY2025	FY2026
Annual total actual working hours per employee *Excludes supervisors	2018.6	2001.4	2009.9
Annual non-scheduled working hours per employee *Excludes supervisors	193.7	203.8	209.1
Average overtime per month *Excludes supervisors	15.8	16.6	17.0
Average annual salary (Yen)	6,784,474	7,142,237	7,410,733

Others (Social Contribution and Compliance)

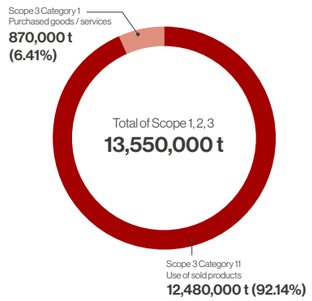
	FY2024	FY2025	FY2026
Number of whistleblower incidents * Includes domestic consolidated subsidiaries	8	9	6
Criminal charges for compliance-related accidents and incidents (Number of cases)	0	0	0
Total expenditure on social contribution activities (Millions of yen)	12	22	18
Political contributions and lobbying activities expenditures (Millions of yen)	0.7	0.5	0.7

Environmental Data

Total energy used

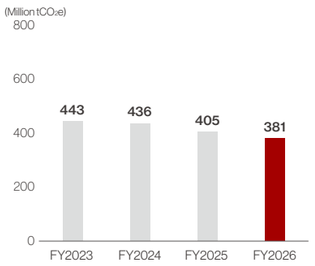


Total amount ratio of the entire value chain (CO_2 emissions)

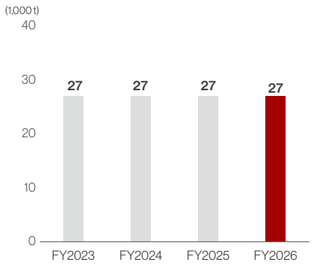


Eco-friendly products

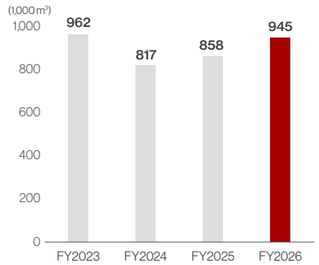
(Contribution to reduction of CO_2 emissions)*1



Solid waste (Includes valuable substances)

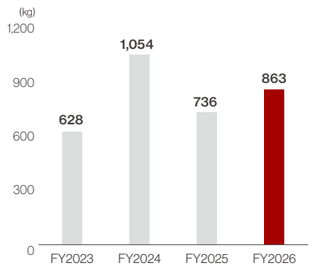


Water used

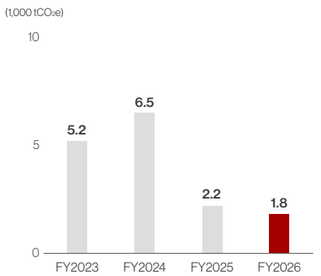


Biodiversity protection

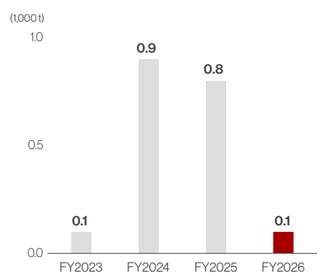
(Weight of exterminated specified invasive species)



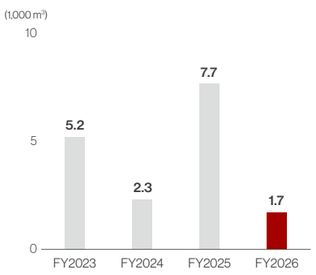
CO_2 emissions reductions*2



Waste curtailment*2



Water saving*2



[Target scope] Rinnai Corporation and consolidated subsidiaries
*1 Estimated reduction in CO_2 emissions compared to products sold in 2005, resulting from performance improvements in equipment such as water heaters (excludes Japan).
*2 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/

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