

**Notice of Convocation of
the 75th Ordinary General Shareholders' Meeting:
Other Information Provided Electronically
(Items Omitted from the Delivery Document)**

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75th Fiscal Year
(April 1, 2024–March 31, 2025)
Rinnai Corporation

Pursuant to applicable laws and the Corporation's Articles of Incorporation, the above items are not included in the Notice of Convocation for shareholders who have made a written request.

At this Ordinary General Shareholders' Meeting, the Corporation will uniformly distribute a document describing items related to the matters subject to the measures for provision in electronic format, excluding the above items, regardless of whether or not a request for delivery of such document has been made.

I. Business Report

System to Ensure Execution of Business and Overview of Its Operational Status

1. An overview of systems to ensure appropriateness of business activities

An overview of systems to ensure that execution of business by directors conforms to legal regulations and the Articles of Incorporation, as well as other systems to ensure appropriateness of business activities, is given below.

(1) System to ensure that execution of business by directors and employees of the Corporation and its subsidiaries conforms to legal regulations and the Articles of Incorporation

- To ensure that directors and employees of the Corporation and its subsidiaries are constantly aware of the need to observe legal regulations and the Articles of Incorporation when executing their duties, the Group has formulated Rinnai Group Code of Ethics, which consists of the Company Motto, Brand Promise, and the Rinnai Code of Conduct. The Corporation and its subsidiaries shall work to ensure that all directors and employees are fully familiarized with the Rinnai Group Code of Ethics.
- In addition to establishing the Business Ethics Committee, we shall formulate basic policy of corporate ethics and promote compliance with those ethics.
- If a director becomes aware of an incident in which there is suspicion of a major legal violation, he or she shall immediately report the incident to the Audit & Supervisory Board and the Board of Directors.
- The Corporation has set up a Corporate Ethics Hotline as an internal reporting system to handle incidents in which there is suspicion of a major legal violation. Operation of the hotline is based on the Corporation's business ethics manual.
- If an Audit & Supervisory Board member believes there is a problem with the internal compliance system or Corporate Ethics Hotline, he or she shall convey his or her opinion and seek measures to correct the situation.

(2) System for storing and managing information related to the execution of duties by directors

- Information related to the execution of duties by directors shall be stored and managed appropriately according to the Corporation's internal procedures for managing paper and electronic documents, in a manner appropriate to its storage medium and in an easily retrievable form.

(3) Regulations and other systems for managing the risk of loss at the Corporation and its subsidiaries

- As part of its risk management system, we shall determine risk management regulations and promote internal checks and awareness activities on a Groupwide basis, according to relevant regulations under the Risk Management Committee chaired by the president. Risk Management Committee shall determine who is responsible for each risk.

(4) System to ensure efficient execution of duties by directors of the Corporation and its subsidiaries

- To ensure that directors execute their duties in an efficient manner, Board of Directors' meetings shall be held on a regular basis to discuss and debate important matters and make executive decisions.
- Directors formulate management strategy and track the progress of management plans at the Groupwide executive meeting held every year.

- Execution of business based on decisions made at Board of Directors' meetings shall be performed by the relevant director according to the Corporation's rules and procedures.
- The Corporation formulates the Group management direction, management plan and management numerical targets in each fiscal year, based on the medium-term management plan, medium-term numerical targets, and management indicators. Each department formulates an action plan, according to the Corporation-wide plan and target for each fiscal year, and the Corporation practices consistent management of each department.

(5) System to ensure appropriate operations in the Corporation and its subsidiaries

- To ensure that business at Rinnai Group companies is conducted appropriately, the Corporation shall formulate Rinnai Code of Conduct to serve as a behavioral guide for Rinnai Group companies. Based on the charter, Group companies shall create their own specific regulations.
- Business control of Rinnai Group companies shall be based on management procedures and the relevant companies' procedures and reporting rules determined by provisions for controlling Rinnai Group companies.
- Internal audits by the Internal Control Office and relevant divisions were carried out in accordance with the business content and operating scale of each Group company.

(6) System applicable to employees who support to Audit & Supervisory Board members; and system to ensure effective execution of instructions to such employees

- The Internal Control Office shall provide support to Audit & Supervisory Board members. An employee assigned to provide support shall give priority to instructions given by the relevant Audit & Supervisory Board member. In the event that a dedicated employee is required due to the nature of the duties, members of the Board of Directors and the Audit & Supervisory Board shall select the employee after proper discussion.
- Changes in personnel and assessment of performance of assigned persons as support staff for Audit & Supervisory Board members shall require the consent of the Audit & Supervisory Board.

(7) System for reporting to Audit & Supervisory Board members; other systems to ensure effective execution of duties by Audit & Supervisory Board members

- Directors and employees shall report immediately to the Audit & Supervisory Board incidents that could cause significant damage to the operations or business performance of the Corporation and its subsidiaries. Moreover, Audit & Supervisory Board members can request reports from directors and employees at any time as required.
- The Audit & Supervisory Board shall hold regular meetings with representative directors, outside directors, the Internal Control Office, and the accounting auditor to exchange opinions and ensure proper communication of intentions.

(8) System to ensure that individuals who have made reports to the Audit & Supervisory Board as described in (7) above will not be treated unfavorably (put at a disadvantage) on the basis of such reports

- Every effort shall be made to ensure that directors and employees of the Corporation and its subsidiaries who report information to a member of the Audit & Supervisory Board will not be treated unfavorably on the basis of

the report given.

(9) Matters concerning expenses incurred by a member of the Audit & Supervisory Board in the process of executing duties

- Total costs incurred in the process of executing duties by a member of the Audit & Supervisory Board shall be covered by the Corporation based on application by said member.

2. An overview of the operational status of systems to ensure appropriateness of business activities

An overview of operational status of systems to ensure appropriateness of business activities in the fiscal year under review is given below.

(1) Matters related to compliance

- We worked to instill a deeper awareness of the Rinnai Code of Conduct and appropriate behavior among all employees. We conducted a survey to gauge the level of employee awareness and disclosed the results.
- As part of our main internal compliance education activities, we conducted internal training for management on the themes of handling personal information and protecting trade secrets. We also invited consulting lawyers to conduct harassment prevention training and thus raise awareness.
- As for our whistleblowing system, we established corporate ethics counseling contact points inside and outside the Corporation and appointed an outside law firm to handle external inquiries. However, there were no logged reports of suspected serious legal or regulatory violations during the fiscal year under review.

(2) Matters related to risk management

- The Risk Management Committee, which is comprised of executive officers and divisional heads and chaired by the president, met regularly (four times per year). A person with responsibility in each department gave a report on the implementation status of in-house checks and associated improvements pertaining to risk-related issues (including cyber security, response in the event of natural disaster) within the Corporation and at Group companies. The content was reviewed, information was shared, and efforts were made to prevent potential risks from becoming reality.

(3) Matters related to execution of duties by directors

- During the fiscal year in review, the Board of Directors met 14 times to discuss and approve key agenda items and receive business reports.
- The executive meeting, attended by executives responsible for operating divisions at the Corporation and at Group companies, met regularly to review progress on annual business plans and confirm status toward achieving goals and any issues requiring attention.
- The minutes of Board of Directors' meetings and Executive Committee meetings, along with approval documents, in written form were properly stored and managed.

(4) Matters related to appropriateness of the Group's business

- Key business management issues at Group companies were properly handled in accordance with approval rules established under the Corporation's management rules. Also, through regular opportunities to provide updates on business activities and the delivery of monthly business reports, the Corporation was able to confirm the status of progress on fiscal management plans and pinpoint issues requiring attention.
- Internal audits by the Internal Control Office were carried out based on

plans drafted to match the business content and operating scale of each Group company. In addition, to ensure the effectiveness of internal audits, the Corporation reports regularly (twice a year) to management and the Audit & Supervisory Board on the status of internal control audits. Details of internal control reports are also conveyed to the Board of Directors.

(5) Matters related to ensuring the effectiveness of audits by members of the Audit & Supervisory Board

- Members of the Audit & Supervisory Board held regular meetings based on the audit plan determined by the Audit & Supervisory Board. Members of the Audit & Supervisory Board attended meetings of the Board of Directors, Executive Committee, Risk Management Committee, and other bodies and stated their opinions, as necessary. They also looked over approval documents, monthly business reports, and records of important meetings to verify their contents. Furthermore, members of the Audit & Supervisory Board communicated with the accounting auditor and exchanged opinions regarding the audit plan proposed by the accounting auditor and the results obtained through the audit. In addition, members of the Audit & Supervisory Board exchanged opinions with the representative director, outside directors, and the Internal Control Office.

Our subsidiary, Rinnai Brasil Heating Technology Ltd., received an administrative order regarding the Competition Protection Law from the local Administrative Council for Economic Defense on September 5, 2024. That company is taking various preventive measures to avoid a recurrence. Such measures include conducting internal education by lawyers specializing in compliance and revising some regulations to conform with current laws. Rinnai Corporation takes this administrative order with utmost seriousness and sincerity. To prevent incidents from occurring in the future, we will conduct internal training on competition laws in each country and work to further strengthen the compliance framework across the entire Rinnai Group.

II. Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity Year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current term	6,484	8,428	342,493	(10,936)	346,470
Dividends paid			(9,940)		(9,940)
Net income attributable to owners of the parent company			29,691		29,691
Acquisition of treasury stock				(10,001)	(10,001)
Disposition of treasury stock		5		769	775
Cancellation of treasury stock		(9,316)		9,316	—
Transfer from earned surplus to capital surplus		9,310	(9,310)		—
Net other changes than shareholders' equity during the current term					
Total net changes during the current term	—	—	10,439	84	10,524
Balance at the end of current term	6,484	8,428	352,932	(10,851)	356,994

(Millions of yen)

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain (loss) on marketable securities	Foreign exchange translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of current term	8,690	22,671	9,941	41,304	49,663	437,438
Dividends paid						(9,940)
Net income attributable to owners of the parent company						29,691
Acquisition of treasury stock						(10,001)
Disposition of treasury stock						775
Cancellation of treasury stock						—
Transfer from earned surplus to capital surplus						—
Net other changes than shareholders' equity during the current term	(251)	6,685	1,113	7,547	6,208	13,756
Total net changes during the current term	(251)	6,685	1,113	7,547	6,208	24,280
Balance at the end of current term	8,438	29,357	11,055	48,851	55,872	461,718

Notes to Consolidated Financial Statements

[Notes to Significant Accounting Policies of Consolidated Financial Statements]

1. Scope of Consolidation

(1) Number of consolidated subsidiaries and names of major companies

Consolidated subsidiaries: 41 companies

Major consolidated subsidiaries: RB Controls Co., Ltd., Gastar Co., Ltd.,
and Shanghai Rinnai Co., Ltd.

Thermosolutions Group SA is newly included in the scope of consolidation due to the acquisition of its shares on March 7, 2024. Smart Energy Group, SEG Investment Holdings Limited, SEG People Limited, and Smart Energy Retail Co., Ltd. are also newly included in the scope of consolidation due to the acquisition of their shares on August 1, 2024.

Jordans NNW Co., Ltd. and Gas Appliance Services Co., Ltd., which were consolidated subsidiaries at the previous fiscal year, are excluded from the scope of consolidation from the current fiscal year, due to liquidation of these companies.

(2) Major nonconsolidated subsidiaries:

Nonconsolidated subsidiary: Rinnai UK Ltd.

Reason for exclusion: The above nonconsolidated subsidiary is excluded from the scope of consolidation because its activities have not been deemed material, and total assets, net sales, net income and earned surplus of the nonconsolidated company are not significant compared to the consolidated amounts.

2. Application of Equity Method

(1) Number and names of nonconsolidated subsidiaries and affiliated companies for which the equity method is applied:

Number of nonconsolidated subsidiaries for which the equity method is applied: 0

(2) Major nonconsolidated subsidiaries and affiliated companies for which the equity method is not applied:

Name of major nonconsolidated subsidiary: Rinnai UK Ltd.

Name of major affiliated company: Mikuni RK Corporation

Reason for exclusion: The above companies are excluded from application under the equity method because their net income and earned surplus are not significant compared with the consolidated amounts and their activities are not deemed material.

3. Fiscal Year-End of Consolidated Subsidiaries

Subsidiaries for which the fiscal year-end date differs from the date of the consolidated term (fiscal year-end date: December 31): Rinnai Australia Pty., Ltd., Rinnai America Corporation, Rinnai New Zealand Ltd., Rinnai Holdings (Pacific) Pte Ltd., Rinnai Hong Kong Ltd., Rinnai Taiwan Corporation, Rinnai Korea Corporation, Shanghai Rinnai Co., Ltd., Rinnai (Thailand) Co., Ltd., Rinnai Viet Nam Co., Ltd., RB Korea Ltd., Rinnai Canada Holdings Ltd., Rinnai Brazil Heating Technology Ltd., P.T. Rinnai Indonesia, Rinnai Italia s.r.l., Guangzhou Rinnai Gas and Electric Appliance Co., Ltd, Rinnai Manufacturing Malaysia Sdn Bhd, Central Heating New Zealand Ltd., Industrias Mass S.A. de C.V., Thermosolutions Group SA, Smart Energy Group, iZone Pty., Ltd., and other nine companies.

In preparing its consolidated financial reports, the Corporation uses financial statements available as of the settlement date. However, the Corporation addresses adjustments necessary from a consolidated perspective should material transactions occur between January 1 and the consolidated fiscal year-end of March 31.

4. Matters Concerning Accounting Policies

(1) Valuation standards and calculation methods for significant assets

(a) Securities and investments in securities

Other securities than stocks without market value are stated at market value.

(Unrealized gain or loss, net of income taxes is reported in net assets, while any cost of sales is calculated based on the moving-average cost method.)

Stocks without market value are stated at cost using the moving-average cost method.

(b) Inventories

Products

Valued at cost using the first-in, first-out method (balance sheet amount is written-down to net selling value if profitability of assets has decreased).

Raw materials and stores

Valued at cost using the last purchase price method (balance sheet amount is written-down to net selling value if profitability of assets has decreased).

(2) Depreciation of fixed assets

Property, plant and equipment (excluding leased assets)

The Corporation and its domestic consolidated subsidiaries use the declining-balance method (but the straight-line method for buildings, not including attachments, acquired on or after April 1, 2007, and for facilities attached to buildings and structures that were acquired on or after April 1, 2016). Overseas subsidiaries use the straight-line method.

The estimated useful lives of principal items are as follows:

Buildings and structures: 7–50 years

Machinery, equipment and vehicles: 7–17 years

Tools, furniture, and fixtures: 2–15 years

Intangible fixed assets (excluding leased assets)

The Corporations use the straight-line method.

However, software for internal use is amortized over the useful period (five years) of software used by each of the Corporations.

Leased assets

Leased assets are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value.

(3) Accounting for major accruals

Allowances for doubtful accounts

The Corporations provide for possible loan losses and records on the books the amounts that are unlikely to be recovered. Primarily, this consists of an allowance for general claims, calculated according to historical loss ratios, and an allowance for specific claims, such as bankrupted or doubtful loans calculated based on the potential to recover respective credits.

Accrued employees' bonuses

Accrued employees' bonuses are provided for at the estimated amounts, which are to be paid for services rendered prior to the term-end.

Allowance for product guarantee

The Corporation and some of its consolidated subsidiaries, as contingency against future outlays of free-of-charge repair costs for their products, have estimated a future product guarantee expense amount based on past performance. For items where individual amounts can be reasonably estimated, we have provided an

allowance for product guarantee to cover losses expected to occur in the next and subsequent consolidated fiscal years.

Allowances for environmental measures

Allowances for environmental measures are provided for at the reasonable estimated amounts, which are to be paid for future environmental measures.

Allowance related antimonopoly law

One consolidated subsidiary estimated future losses related to antimonopoly law, and has a provision.

(4) Basis for recording important income and expenses

The main performance obligations of the principal operations of the Corporation and its consolidated subsidiaries related to revenues arising from contracts with customers and the usual time at which such performance obligations are fulfilled (the normal time at which revenues are recognized) are as follows.

Sales of products and merchandise

The Group primarily manufactures and sells heat-related products and recognizes revenue from these sales at the time of delivery of the products. The customer obtains control of the products at the time of delivery. For sales in Japan, revenue from such products is recognized at the time of shipment since the period between the time of shipment and the time of delivery is a normal period.

Under its product sales contract, the Corporation has a product warranty obligation to repair or replace, free of charge, any product due to failure or defects that occur after delivery. This warranty obligation is recognized as an allowance for product guarantee because it provides assurance to the customer that the product will perform as intended according to the specifications set forth in the contract with the customer.

Revenue is recognized based on the transaction price set in the contract with the customer. When a product is sold with a rebate, which is conditional on the customer purchasing a certain amount of the product within a certain period of time, the transaction price is calculated based on the consideration promised to the customer in the contract, less the estimated amount of rebate.

Since considerations for transactions are received within one year of fulfillment of the performance obligation, they do not include a significant financial component.

(5) Method and Period of Goodwill Amortization

Amortization of goodwill is calculated by the straight-line method over a period of five or ten years.

(6) Other Significant Accounting Policies

Translation of major foreign-currency assets and liabilities

Claims and credits denominated in foreign currencies are translated into yen at spot market exchange rates prevailing at the term-end, and gains or losses are credited or charged to income as incurred.

The assets and liabilities of overseas subsidiaries are translated into yen at the spot rates prevailing at the term-end, while earnings and expenditures are translated into yen amounts at the average exchange rate for the term. Differences arising from translation are included in non-controlling interests and in the foreign exchange translation adjustment of net assets on the consolidated balance sheets.

Hedge-accounting methods

Hedge-accounting method

The Corporation applies deferred hedge accounting. In addition, receivables and payables in foreign currencies are valued at historical rates when they are properly hedged under the hedge accounting rules.

Exchange contracts on transactions undertaken among consolidated companies are accounted for at fair value and gains or losses are recognized as incurred. There were no applicable items at the end of the fiscal year under review.

Hedging method and hedging targets

Hedging methods and hedging targets for which hedge accounting was applied in the year under review are as summarized below.

- Hedging method: Forward exchange contracts
- Hedging targets: Anything with the potential for loss due to fluctuations in currency prices

Hedging policy

The purpose is to avert risk prompted by fluctuating exchange rates, within the targeted claims and obligations. No speculative trading is conducted.

Method for effectively assessing hedge transactions

The Corporations utilize forward exchange contracts that ensure effective hedging.

Other

The Corporations execute derivative transactions within limits determined by their corporate rules.

Accounting standard for assets and liabilities related to retirement benefits

Assets and liabilities related to retirement benefits are booked according to projected retirement benefit obligations and pension plan assets at fiscal year-end. Note that, in calculating retirement benefit obligations, the Corporation applied the benefit formula standard for attributing projected retirement benefits to a period up to the fiscal year in review.

Prior service costs are expensed using the straight-line method over a fixed period (five years) within the average remaining service period of employees at the time the costs are incurred.

Actuarial differences are proportional amounts calculated by the straight-line method over a fixed period (10 years) within the average remaining service period of employees at the time such gains or losses are realized in each fiscal year and expensed from the fiscal year following the one in which the difference occurred.

Unrecognized actuarial differences and unrecognized prior service costs are adjusted for tax effect and booked in the net assets section as a component of other accumulated comprehensive income with said amounts recorded as an accumulated retirement benefit adjustment increase or decrease (Remeasurements of defined benefit plans).

[Changes in Accounting Policies]

(Application of the Accounting Standard for Current Income Taxes)

Effective the beginning of the current fiscal year, the Corporation has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter, the "Revised Accounting Standard 2022").

Amendments to categories in which current income taxes apply (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of Paragraph 20–3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of Paragraph 65–2 of the Implementation

Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, the “Revised Implementation Guidance 2022”). This change in accounting policies had no impact on the Corporation’s consolidated financial statements for the current fiscal year.

For the amendment related to the revised accounting treatment for consolidated financial statements (when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies have been deferred for tax purposes), the Revised Implementation Guidance 2022 has been adopted from the beginning of the current fiscal year.

This change in accounting policies has been applied retrospectively. Hence, the consolidated financial statements for the previous fiscal year have been modified retrospectively.

[Notes to Revenue Recognition]

1. Breakdown of revenue from contracts with customers

The Group is engaged in the business of manufacturing and selling heat-related products and parts and other peripheral businesses.

Below is a breakdown of revenues by product category.

Year ended March 31, 2025 (From April 1, 2024 to March 31, 2025) (¥ millions)

	Reportable Segments						Others	Total
	Japan	United States	Australia	China	South Korea	Indonesia		
Water heaters	108,228	57,655	17,195	62,585	14,171	203	17,690	277,731
Kitchen appliances	57,970	—	—	3,242	10,541	14,443	10,068	96,266
Air conditioning appliances	5,693	3,263	11,331	—	—	—	1,722	22,010
Commercial-use equipment	2,288	392	2,081	—	4,801	1,741	431	11,738
Others	29,549	5,145	5,997	2,767	5,203	622	3,286	52,572
Total	203,731	66,457	36,605	68,596	34,719	17,010	33,198	460,319

Notes: 1. The above figures indicate amounts after elimination of intersegment transactions.

2. “United States” include sales from subsidiaries in Canada, Mexico and Costa Rica, which conduct integrated business activities based on comprehensive sales strategies.

3. “Australia” include sales from a subsidiary in Malaysia, which complements the production system, and conducts integrate business activities.

4. “Others” indicate geographical segments which are not included in reportable segments, and include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.

2. Basis for understanding revenue from contracts with customers

Information that provides a basis for understanding revenues from contracts with customers is described in “Notes to Significant Accounting Policies of Consolidated Financial Statements, 4. Matters concerning accounting policy, (4) Standards for recording important income and expenses.”

3. Information for understanding revenues for the fiscal year under review and thereafter (consolidated basis)

(1) Balance of contract assets, contract liabilities, etc.

Below is a breakdown of receivables, contract assets, and contract liabilities arising from contracts with customers.

In the Consolidated Balance Sheets, receivables and contract assets arising from contracts with customers are included in “Notes and accounts receivable and contract assets” and “Electronically recorded monetary claims,” and contract liabilities are included in “Other” under current liabilities.

	(¥ millions)
	Fiscal 2025 (at March 31, 2025)
Receivable arising from contracts with customers (at beginning of period)	104,532
Receivable arising from contracts with customers (at end of period)	106,752
Contract assets (at beginning of period)	41
Contract assets (at end of period)	48
Contract liabilities (at beginning of period)	3,153
Contract liabilities (at end of period)	2,663

Notes: 1. Contract liabilities relate to payments received in advance of performance under the contract and are reversed upon recognition of revenue.

2. Of the revenue recognized in the year under review, the amount included in contract liabilities at the beginning of the period was ¥1,984 million.

(2) Transaction prices allocated to remaining performance obligations

The Corporation and its consolidated subsidiaries apply the practical expedient method in noting transaction price allocated to remaining performance obligations and do not include contracts with an initial expected term of one year or less in the notes. At the end of the fiscal year under review, unfulfilled performance obligations amounted to ¥36 million, all of which are expected to be recognized as revenue within one year after the balance sheet date.

[Notes on Accounting Estimates]

Allowance for product guarantee

1. Amount recorded in the consolidated financial statements for the fiscal year in review

Allowance for product guarantee: ¥7,929 million

2. Other information to help readers gain a better understanding of the consolidated financial statements

The Corporation and some of its consolidated subsidiaries, as contingency against outlays of free-of-charge repair costs for their products, have provided an allowance for product guarantee to cover losses expected to occur in the next and subsequent consolidated fiscal years.

The allowance for product guarantee is primarily calculated based on historical rates of actual repair costs. For individual cases, the estimated costs are recorded based on anticipated future costs of parts, labor hours and wages, and other related costs specific to each case. These individual estimates are reasonably calculated based on various information, such as the scope and number of units subject to inspection and repair, the expected inspection rate, unit costs of parts, required labor hours and wages, and other incidental expenses.

Within the allowance for product guarantee, the portion for which individual estimates are made is based on future assumptions that carry relatively high uncertainty. As such, changes in unforeseeable conditions may result in actual costs differing from the estimates, potentially requiring additional provisions or reversals of previously recorded amounts.

[Notes to Consolidated Balance Sheets]**1. Assets pledged as collateral and related liabilities***(Millions of yen)*

Pledged assets:

Cash and deposits	9
Land	2,297
Total	2,306

Liabilities related to pledged assets:

Accrued payables	1
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2. Accumulated depreciation of property, plant, and equipment

Accumulated depreciation of property, plant, and equipment amounted to ¥162,292 million.

3. Trade notes receivable discounted

Trade notes receivable discounted amounted to ¥55 million.

[Note on Consolidated Statements of Income]**(Loss Related to Antimonopoly Law)**

On September 5, 2024, Rinnai Brasil Heating Technology Ltd., a subsidiary of Rinnai Corporation, received an administrative order from Brazil's Administrative Council for Economic Defense regarding that nation's antimonopoly law. The Corporation has made a provision for the estimated losses that may arise in the future in connection with the alleged violation of that law.

[Notes to Consolidated Statements of Changes in Shareholders' Equity]**1. Class and number of shares issued at the fiscal year-end, March 31, 2025**

Common stock: 143,888,571 shares

2. Items regarding dividends**(1) Dividends paid**

Resolution	Type of stock	Total dividends	Dividend per share	Record date	Effective date
General shareholders' meeting on June 27, 2024	Common stock	¥4,296 million	¥30	March 31, 2024	June 28, 2024
Directors' meeting on November 7, 2024	Common stock	¥5,644 million	¥40	September 30, 2024	December 6, 2024
Total	—	¥9,940 million	—	—	—

(2) The effective date for dividends with a record date of March 31, 2024, shall be a date after the close of books for said consolidated period.

Its resolution regarding dividends of common stock is scheduled at the general shareholders' meeting at June 25, 2025, as follows. The Corporation plans to use earned surplus as the source of dividends.

Resolution	Type of stock	Total dividends	Dividend per share	Record date	Effective date
General shareholders' meeting on June 25, 2025	Common stock	¥5,625 million	¥40	March 31, 2025	June 26, 2025

[Notes to Financial Products]

1. Status of Financial Products

Fund management within the Rinnai Group is executed mainly by deposits, augmented by safe, short-term investments in securities.

The Corporation reduces its client credit risk with regard to notes and accounts receivable and electronically recorded monetary claims in accordance with its rules for sales credits. Investment securities held by the Corporation are mainly stocks or bonds, and the Corporation evaluates the fair value of marketable securities on a quarterly basis.

2. Fair Values of Financial Products

The stated values, fair values, and difference between stated and fair values of relevant items in the consolidated balance sheets for the year ended March 31, 2025, are shown below.

(Millions of yen)

	Balance sheet amount	Fair value	Difference
Marketable securities and investment securities	39,362	39,362	-
Other securities			

- Notes: 1. Cash is omitted, and specific components (such as deposits, notes receivable, accounts receivable and contract assets, electronically recorded receivables, negotiable certificates of deposit included in securities, notes and accounts payable, electronically recorded payables, accounts payable, accrued consumption taxes, and accrued income taxes) are also omitted because they are all settled over short-term periods and their market values mostly in line with book values.
2. Stocks without market prices are not included in "Marketable securities and investment securities." The amount recorded in the Consolidated Balance Sheets of such stocks is shown below.

	March 31, 2025 (¥ millions)
Unlisted stocks	544

3. Breakdown of the fair value of financial products by level

The fair value of financial products is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Calculated based on quoted market prices for assets or liabilities formed in an active market and subject to fair value calculations, among inputs used to calculate observable fair value

Level 2 fair value: Calculated using inputs for fair value calculations other than Level 1 inputs calculations, among inputs used to calculate observable fair value

Level 3 fair value: Calculated using inputs for unobservable fair value calculations

When multiple inputs that have a significant impact on fair value calculations are used, fair value is classified to the level with the lowest priority in fair value calculation, among the levels to which each of those inputs belongs.

Financial products recorded in consolidated balance sheets at fair value

	Fair value (¥ millions)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Other securities				
Stocks	19,720	—	—	19,720
Bonds	—	19,641	—	19,641

Note: Valuation methods used to calculate fair value and inputs related to fair value calculation

Marketable securities and investment securities

Listed stocks, bonds and investment trusts are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified in the Level 1 category.

On the other hand, bonds held by the Corporation are classified in the Level 2 category because they are infrequently traded in the market and are not given quoted prices in active markets.

[Notes on rental properties]

The Corporation and some of its consolidated subsidiaries own commercial facilities (including land) for rental purposes in Tokyo and other areas. Rental income from those properties in the fiscal year under review was ¥38 million (rental income recorded under other income and major rental expenses recorded under other expenses), and the impairment loss was ¥61 million (recorded under extraordinary losses).

The consolidated balance sheet amounts, changes during the period, and market value of such rental properties are shown below.

		(¥ millions)
		Fiscal 2025
Consolidated balance sheet amount		
	Beginning of period	25,722
	Change during period	+217
	End of period	25,940
Market value at end of period		28,425

Notes:

1. Consolidated balance sheet amounts refer to the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. The main increase/decrease during the fiscal year under review was the acquisition of real estate (¥570 million).
3. The market value of real estate at the end of the period was mainly calculated in-house based on a real estate price survey report by an outside real estate appraiser (adjusted using indexes, etc.).

[Note to Per Share Data]

1. Net assets per share: ¥2,885.72
2. Net income per share: ¥209.66

[Notes to Significant Subsequent Events]***Share buyback and Cancellation***

At its meeting held on May 9, 2025, the Board of Directors of the Corporation resolved the following matter related to a share buyback pursuant to Article 156 of the Companies Act of Japan as applied to Article 165 (Paragraph 3) of the same Act, and a cancellation of those shares pursuant to the Article 178 of the same Act.

1. Reason for share buyback and cancellation

To improve shareholder return and capital efficiency and thus further enhance corporate value.

2. Details of share buyback

(1) Type of shares to be acquired	Common stock of the Corporation
(2) Total number of shares to be acquired	4,000,000 shares (maximum) (2.84% of total shares issued and outstanding (excluding treasury stock))
(3) Total value of shares to be acquired	¥10 billion (maximum)
(4) Acquisition period	May 12, 2025–November 28, 2025
(5) Acquisition method	Open-market purchase through discretionary trading

3. Details of Cancellation

(1) Type of shares to be cancelled:	Common stock of the Corporation
(2) Total number of shares to be cancelled:	All of the shares acquired as described in 2. above
(3) Planned cancellation date:	December 15, 2025

[Other Note]

Amounts less than one million yen are omitted from the financial statements.

III. Financial Statements

Nonconsolidated Statements of Changes in Shareholders' Equity

Year ended March 31, 2025

(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Earned surplus		Total earned surplus
		Capital reserve	Other capital surplus	Total capital surplus		General reserve	Other legal reserve	
Balance at the beginning of current term	6,484	8,743	—	8,743	1,614	170,000	46,738	218,353
Net changes during the current term								
Dividends paid							(9,940)	(9,940)
Net income							22,598	22,598
Reversal of general reserve						(10,000)	10,000	—
Acquisition of treasury stock								
Disposition of treasury stock			5	5				
Cancellation of treasury stock			(9,316)	(9,316)				
Transfer from earned surplus to capital surplus			9,310	9,310			(9,310)	(9,310)
Net changes other than shareholders' equity during the current term								
Total net changes during the current term	—	—	—	—	—	(10,000)	13,346	3,346
Balance at the end of current term	6,484	8,743	—	8,743	1,614	160,000	60,084	221,699

(Millions of yen)

	Shareholders' equity		Other adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on marketable securities	Total other adjustments	
Balance at the beginning of current term	(10,936)	222,645	8,409	8,409	231,055
Net changes during the current term					
Dividends paid		(9,940)			(9,940)
Net income		22,598			22,598
Reversal of general		—			—
Acquisition of treasury stock	(10,001)	(10,001)			(10,001)
Disposition of treasury stock	769	775			775
Cancellation of treasury stock	9,316	—			—
Transfer from earned surplus to capital surplus		—			—
Net changes other than shareholders' equity during the current term			(233)	(233)	(233)
Total net changes during the current term	84	3,431	(233)	(233)	3,197
Balance at the end of current term	(10,851)	226,076	8,176	8,176	234,252

Nonconsolidated Financial Statements

[Notes to Significant Accounting Policies of Nonconsolidated Financial Statements]

1. Valuation Standards and Calculation Methods for Significant Assets

(1) Securities and investments in securities

Stocks of subsidiaries and affiliates are stated at cost using the moving-average cost method.

Other securities than stocks without market value are stated at market value.

(Unrealized gain or loss, net of income taxes is reported in net assets, while any cost of sales is calculated based on a moving-average cost method.)

Stocks without market value are stated at cost using the moving-average cost method.

(2) Inventories

Products

Valued at cost using the first-in, first-out method (balance sheet amount is written-down to net selling value if profitability of assets has decreased).

Raw materials and stores

Valued at cost using the last purchase price method (balance sheet amount is written-down to net selling value if profitability of assets has decreased).

2. Depreciation of fixed assets

Property, plant and equipment (excluding leased assets)

The Corporation uses the declining-balance method for depreciating tangible fixed assets (but the straight-line method for buildings, not including attachments, acquired on or after April 1, 2007, and for facilities attached to buildings and structures that were acquired on or after April 1, 2016).

The estimated useful lives of principal items are as follows:

Buildings: 7–50 years

Machinery and equipment: 10–17 years

Tools, furniture, and fixtures: 2–15 years

Intangible fixed assets (excluding leased assets)

The Corporation uses the straight-line method.

However, software for internal use is amortized over the useful period (five years) of software used by the Corporation.

Leased assets

Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value.

3. Translation of Major Foreign-Currency Assets and Liabilities

Claims and credits denominated in foreign currencies are translated into yen at spot market exchange rates prevailing at the term-end, and gains or losses are credited or charged to income as incurred.

4. Accounting for Major Accruals

Allowances for doubtful accounts

The Corporation provides for possible loan losses and records on the books the amounts that are unlikely to be recovered. Primarily, this consists of an allowance for general claims, calculated according to historical loss ratios, and an allowance for specific claims, such as bankrupted or doubtful loans calculated based on the potential to recover respective credits.

Accrued employees' bonuses

Accrued employees' bonuses are provided for at the estimated amounts, which are to be paid for services rendered prior to the term-end.

Allowance for product guarantees

The Corporation, as contingency against future outlays of free-of-charge repair costs for their products, has estimated a future product guarantee expense amount based on past performance. For items where individual amounts can be reasonably estimated, we have provided an allowance for product guarantee to cover losses expected to occur in the next and subsequent non-consolidated fiscal years.

Accrued employees' retirement benefits

Pension costs for employees are accrued based on the projected benefit obligations and pension assets at the term-end. Note that, in calculating retirement benefit obligations, the Corporation applied the benefit formula standard for attributing projected retirement benefits to a period up to the fiscal year in review.

Actuarial differences are proportional amounts calculated by the straight-line method over a fixed period (10 years) within the average remaining service period of employees at the time such gains or losses are realized in each fiscal year and expensed from the fiscal year following the one in which the difference occurred.

5. Basis for recording income and expenses

The main performance obligations of the principal operations of the Corporation related to revenues arising from contracts with customers and the usual time at which such performance obligations are fulfilled (the normal time at which revenues are recognized) are as follows.

Sales of products and merchandise

The Corporation mainly manufactures and sells heat-related products and recognizes revenue from these sales at the time of delivery of the products, since the customer obtains control over the products at the time of delivery. For sales in Japan, revenue from such products is recognized at the time of shipment, since the period between the time of shipment and the time of delivery is a normal period.

Under its product sales contract, the Corporation has a product warranty obligation to repair or replace, free of charge, any product due to failure or defects that occur after delivery. This warranty obligation is recognized as an allowance for product guarantee because it provides assurance to the customer that the product will perform as intended according to the specifications set forth in the contract with the customer.

Revenue is recognized based on the transaction price set in the contract with the customer. When a product is sold with a rebate, which is conditional on the customer purchasing a certain amount of the product within a certain period of time, the transaction price is calculated based on the consideration promised to the customer in the contract, less the estimated amount of rebate.

Since considerations for transactions are received within one year of fulfillment of the performance obligation, they do not include a significant financial component.

6. Other Significant Accounting Policies

Accounting for retirement benefits

The accounting method for unrecognized prior service costs and unrecognized actuarial differences for retirement benefits is different from that applied in

preparing the consolidated financial statements.

[Note to Revenue Recognition]

The basis for understanding revenue from contracts with customers is described in “Notes to significant accounting policies, 5. Basis for recognition of revenue and expenses.”

[Notes on Accounting Estimates]

Allowance for product guarantee

1. Amount recorded in the financial statements for the fiscal year in review

Allowance for product guarantee: ¥3,563 million

2. Other information to help readers gain a better understanding of the financial statements

These notes are omitted here because same notes are indicated in the “Notes on Accounting Estimates” section of the Notes to Consolidated Statements.

[Notes to Balance Sheets]

1. Accumulated depreciation of property, plant, and equipment

Accumulated depreciation of property, plant, and equipment amounted to ¥62,661 million.

2. Monetary receivables for affiliates

Short-term monetary receivables ¥10,468 million

Long-term monetary receivables ¥122 million

3. Monetary payables for affiliates

Short-term monetary payables ¥7,361 million

4. Monetary payables for directors and Audit & Supervisory Board members

¥311 million

5. Contingent liabilities

Liability for guarantees	<i>(Millions of yen)</i>
Rinnai Technica Co., Ltd.	1,597
RB Controls Co., Ltd.	846
Rinnai Precision Co., Ltd.	125
Total	2,570
Notes and bills receivable discounted	55

[Note to Statements of Income]

Transaction with affiliates

Operating transactions

Net sales ¥58,268 million

Cost of sales ¥73,256 million

Other transactions ¥8,436 million

[Note to Statements of Changes in Shareholders' Equity]

Class and number of shares of treasury stock at the end of the fiscal year under review

Common stock 3,248,983 shares

[Notes to Tax-Effect Accounting]**Composition of assets and liabilities of deferred income taxes***(Millions of yen)*

Deferred income taxes (assets):	
Valuation decrease on taxable securities	788
Accrued business taxes	282
Allowance for employees' bonuses	899
Allowance for product guarantees	1,082
Accrued employees' retirement benefits	1,122
Other	1,166
Subtotal	5,341
Valuation reserve	(803)
Total deferred income taxes (assets)	4,538
Deferred income taxes (liabilities):	
Prepaid pension costs	5,448
Unrealized gain on marketable securities	3,407
Total deferred income taxes (liabilities)	8,856
Deferred income taxes (liabilities) (net)	4,317

[Notes to Related Party Transactions]**Subsidiaries**

Name of company	Percentage of ownership with voting rights	Relations	Transactions	Amount (¥ millions)	Accounts	Year-end balance (¥ millions)
Rinnai America Corporation	Direct 100%	Sales of products	Sales of products ¹	28,703	Accounts receivable	6,343
Rinnai Technica Co., Ltd.	Direct 100%	Purchase of products	Purchase of products ²	19,464	Accounts payable	1,942
		Concurrent officer positions	Guarantee of liabilities ³	1,597		
		Guarantee of liabilities				

Transaction Conditions

Notes: 1. With regard to the sales of products, transaction conditions are decided by negotiation after the Corporation has offered a price.

2. With regard to the purchase of products, transaction conditions are decided by negotiation after the Corporation has received estimates.

3. The Corporation has guaranteed debts regarding electronically recorded monetary claims, and figures indicate the guaranteed amount at the fiscal year-end. The Corporation does not receive a guarantee charge.

[Notes to Per Share Data]

1. Net assets per share: ¥1,665.62
2. Net income per share: ¥159.58

[Notes to Significant Subsequent Events]***Share buyback and cancellation***

These notes are omitted here because same notes are indicated in “Notes to Consolidated Financial Statements” and “Notes to Significant Subsequent Events.”

[Other Note]

Amounts less than one million yen are omitted from the financial statements.