

Securities Code: 5947
June 7, 2023
To the Shareholders of Rinnai Corporation

Hiroyasu Naito
President
Rinnai Corporation
2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya-shi,
Aichi 454-0802, Japan

**Notice of Convocation of
the 73rd Ordinary General Shareholders' Meeting
to Be Held on June 29, 2023**

You are cordially invited to attend the 73rd Ordinary General Shareholders' Meeting of Rinnai Corporation (the "Corporation"). Details of the meeting are given below.

In convening this General Shareholders' Meeting, we have taken measures for provision in electronic format regarding materials for the General Meeting of Shareholders. This information is posted on the Rinnai Corporation website (see below).

**Rinnai Corporation website:
<https://www.rinnai.co.jp/en/>**

Please go to the above website, select "Investor Relations," then "Stock and bond information," then "General Shareholders' Meeting."

In addition to the above website, items related to the matters subject to the measures for provision in electronic format are posted on the Tokyo Stock Exchange (TSE) website (see below).

**Tokyo Stock Exchange Website (TSE-Listed Company Information Service):
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>**

Please go to the above website, enter "Rinnai" or "5947" (Rinnai securities code) in the box under "Listed Company Search," then select "Basic Information," then "Documents for public inspection/PR information," then "Notice of General Shareholders' Meeting/Informational Materials for a General Shareholders' Meeting," then "Notice of Convocation of the 73rd Ordinary General Shareholders' Meeting."

If you don't plan to attend in person, you can exercise your voting rights digitally (via the Internet or mobile phone) or in writing (post), as stated on pages 4–5. You must exercise your voting rights no later than 5:20 p.m. on Wednesday, June 28, 2023.

[Exercise of voting rights digitally (via the Internet or mobile phone)]

Please access the Corporation's designated website (<https://www.web54.net>) (Japanese only) for exercising voting rights. First use the "**Code**" and "**Password**" shown on the Voting Rights Exercise Form (which will be posted together with the Notice of Convocation), then follow the instructions on the screen and enter your approval or disapproval of the proposal by the above deadline for exercise of voting rights.

If exercising your voting rights via the Internet, please refer to the "Guide to Online Exercising of Voting Rights" (page 4).

[Exercise of voting rights in writing (post)]

Please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form and mail the Form to the Corporation by the above deadline for exercise of voting rights.

1. DATE AND TIME	Thursday, June 29, 2023 at 10:00 a.m.
2. PLACE	Grand Banquet Hall “The Grand Court”, 7th floor, ANA CROWNE PLAZA Hotel Grand Court NAGOYA, 1-1-1, Kanayama-cho, Naka-ku, Nagoya
3. AGENDA	<p>Matters for Reporting:</p> <ol style="list-style-type: none"> 1. The Business Report, report on the Consolidated Financial Statements, and the results of the audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board Member for the 73rd Fiscal Year (April 1, 2022–March 31, 2023). 2. Report on the Nonconsolidated Financial Statements for the 73rd Fiscal Year (April 1, 2022–March 31, 2023). <p>Matters for Resolution: <Corporation’s Proposals> Agenda Item 1: Approval of the proposed appropriation of retained earnings Agenda Item 2: Election of nine (9) directors Agenda Item 3: Election of one (1) Audit & Supervisory Board member Agenda Item 4: Election of one (1) substitute Audit & Supervisory Board Member</p> <p><Shareholder’s Proposals> Agenda Item 5: Implementation of Share Buyback Agenda Item 6: Amendments to the Articles of Incorporation concerning Handling Shares Held by Directors Agenda Item 7: Amendments to the Articles of Incorporation concerning the Composition of Outside Directors The shareholder’s proposals are described in “Shareholder Proposals (Agenda Items 5–7)” (pages 18-24)” of this document.</p>
4. MATTERS TO BE DECIDED UPON CONVOCAION OF THE MEETING (GUIDE TO EXERCISING OF VOTING RIGHTS)	<ol style="list-style-type: none"> (1) If you exercise your voting rights in writing (post) and do not indicate “Approve” or “Disapprove” for any of the proposals on the agenda, we will treat it as if you had indicated “Approve” for the Corporation’s Proposals and “Disapprove” for the Shareholder’s Proposals. (2) If you exercise your voting rights multiple times via the Internet, your final vote shall prevail. (3) If you exercise your voting rights both via the Internet and in writing (post), your final vote shall prevail. If your votes via the Internet and in writing (post) are arrived on same day, the vote exercised online shall prevail.

END

- For those planning to attend the meeting in person, please submit the attached Voting Rights Exercise Form at the reception desk upon your arrival.
- In the event of any modification to the matters subject to the measures for provision in electronic format, a notice of such modification will be posted on the Rinnai Corporation website and the TSE website (see above) showing the information before and after modification.
- 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, regardless of whether or not a request for delivery of such document has been made. Among items related to the matters subject to the measures for provision in electronic format, the following are not included in the Notice of Convocation, according to applicable laws and Article 16 of the Corporation's Articles of Incorporation: System to Ensure Execution of Business and Overview of Its Operational Status, Consolidated Statements of Changes in Shareholders' Equity, Notes to Consolidated Financial Statements, and Nonconsolidated Statements of Changes in Shareholders' Equity, and Notes to Nonconsolidated Financial Statements. Accordingly, Business Reports, Consolidated Financial Statements, and Nonconsolidated Financial Statements included in "Notice of Convocation of the 73rd Ordinary General Shareholders' Meeting: Internet Disclosure Items" are only part of the documents used by the accounting auditor to prepare the Accounting Auditor's Report and by Audit & Supervisory Board members to prepare their audit report.



Guide to Online Exercising of Voting Rights

If you exercise your voting rights both via the Internet and in writing (post), your final vote shall prevail. If your votes via the Internet and in writing (post) are arrived on same day, the vote exercised online shall prevail.

**Exercise deadline: Must be received by
5:20pm, Wednesday, June 28, 2023**

How to read the QR code “Smart Exercise”

Allows you to log onto the Voting Rights Exercise website without entering the Voting Rights Exercise Code and Password indicated on the Voting Rights Exercise Form.

1. Please read the QR code on the bottom right of the Voting Rights Exercise Form.



* “QR Code” is registered trademark of DENSO WAVE INCORPORATED.

2. Then follow the instructions on the screen to enter your votes of approval or disapproval.



You can only exercise your voting rights once using the “Smart Exercise” method. If you wish to change the details of your vote after exercising your voting rights, please access the website for PCs, log in by entering the Voting Rights Exercise Code and Password indicated on the Voting Rights Exercise Form, then exercise your voting rights again.
* Scanning the QR code again will direct you to the website for PCs.

If you have any questions about how to exercise your voting rights online using PC, smartphone, or mobile phone, please contact us directly (see right for contact details).

How to exercise your voting rights by entering your Voting Rights Exercise Code and Password

Voting Rights Exercise website:

<https://www.web54.net>

1. Open the Voting Rights Exercise website.

2. Enter the Voting Rights Exercise Code indicated on the Voting Rights Exercise Form.



Click on
議決権行使コード

Click on
ログイン

3. Enter the Password indicated on the Voting Right Exercise Form.



Click on
パスワード

Set a new
password for
actual use.

Click on
登録

4. Then follow the instructions on the screen to enter your votes of approval or disapproval.

* The above screen images are for illustrative purposes only.

**Stock Transfer Agency Web Support
Sumitomo Mitsui Trust Bank, Limited
(Dedicated line)
Phone number: 0120-652-031 (toll free)
(Reception hours: 9:00 to 21:00)**

Institutional investors can use the electronic voting platform for institutional investors operated by ICJ, Inc.



When exercising voting rights in writing (by post)

Please indicate your approval or disapproval on the enclosed Voting Rights Exercise Form and return it to us by the following exercise deadline.

If no indication of approval or disapproval is made for each proposal, it will be treated as “Approve for the Corporation’s Proposals and “Disapprove” for the Shareholder’s Proposals.

**Exercise deadline: Must be arrived by
5:20pm, Wednesday, June 28, 2023**

Proposals No. 5 through No. 7 were made by shareholders. The Board of Directors of the Corporation opposes these proposals. For details, please refer to pages 18-24.

← Please cut this out and return it to us.

Please indicate your approval or disapproval for each proposal.
 Approve: Make circle in the “賛 (Approve)” column
 Disapprove: Make circle in the “否 (Disapprove)” column

If you **agree with the Corporation’s Proposals** and the opinion of the Board of Directors, please fill out the form as shown on the right.

全社提案			
第1号案	第2号案 (臨時)	第3号案	第4号案
○	○	○	○
○	○	○	○

株主提案		
第5号案	第6号案	第7号案
○	○	○
○	○	○



When attending in person

Please submit the enclosed Voting Rights Exercise Form at the reception desk.

Date: Thursday, June 29, 2023
Location: Grand Banquet Hall “The Grand Court”, 7th floor, ANA CROWNE PLAZA Hotel Grand Court NAGOYA

Guide to Voting

Agenda and referenced items

The Corporation's Proposals (Agenda Items 1–4)

Agenda Item 1

Approval of the proposed appropriation of retained earnings

Appropriation of retained earnings shall be applied as follows:

1. Year-End Dividends

The Corporation regards stable return of profits to shareholders as an important management policy, based on extensive consideration of various factors, including consolidated business performance and payout ratio. Consequently, management has decided to reward shareholders for their support by distributing total annual dividends of ¥160.00 per share, which includes the interim dividend (¥75.00 per share).

(1) Type of dividend assets

Cash

(2) Allocation of dividend assets and sum total

The Corporation intends to pay **¥85.00** per share of common stock, resulting in total dividend payments of **¥4,147,616,905**.

(3) Effective date for dividends from retained earnings

June 30, 2023

Note: On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The year-end dividend for the fiscal year ended March 31, 2023 will be based on the number of shares prior to said stock split, as the record date for dividends is March 31, 2023.

2. Other matters concerning appropriation of retained earnings

For the purpose of ensuring flexibility in capital policy, the Corporation proposes to reverse a part of a general reserve as follows.

(1) Item and amount of surplus to be decreased

General reserve: ¥10,000,000,000

(2) Item and amount of surplus to be increased

Retained earnings carried forward: ¥10,000,000,000

Agenda Item 2

Election of nine (9) directors

The Corporation's five (5) directors will conclude their respective terms in office at the end of the Ordinary General Meeting of Shareholders. In order to strengthen the supervisory and the management policy-making functions of the Board of Directors, the Corporation proposes to increase the number of directors by four (4) and asks shareholders to elect nine (9) directors in total.

The Corporation proposes the following candidates for election.

Candidate Number	Name	Current Title and Responsibility	Type	Attendance at Board of Directors' Meetings
1	Kenji Hayashi	Representative Director, and Chairman	Reappointment	15/15 (100%)
2	Hiroyasu Naito	Representative Director, President and Executive Officer	Reappointment	15/15 (100%)
3	Tsunenori Narita	Representative Director, and Executive Vice President	Reappointment	15/15 (100%)
4	Hideyuki Shiraki	Senior Managing Executive Officer, General Manager of Marketing & Sales Headquarters	New appointment	—
5	Kazuto Inoue	Senior Managing Executive Officer, General Manager of Production Engineering Headquarter	New appointment	—
6	Nobuyuki Matsui	Outside director of the Corporation	Reappointment, Outside director, Independent director	15/15 (100%)
7	Takashi Kamio	Outside director of the Corporation	Reappointment, Outside director, Independent director	14/15 (93%)
8	Tadashi Ogura	—	New appointment, Outside director, Independent director	—
9	Yoko Dochi	—	New appointment, Outside director, Independent director	—

Skills Matrix of Director Candidates

【Areas particularly expected of the relevant directors】

*The following table does not represent all of the candidates' knowledge and experience.

Name	Expertise and Knowledge for Corporate Management								
	Corporate management	Global management	Technology (development/ production/ environmental)	Business plans/Marketing	Finance/ Accounting/ Capital policy	Human resources strategy	Governance/ Legal matters	Sustainability/ ESG	IT/DX
Kenji Hayashi	●	●	—	—	●	●	●	—	—
Hiroyasu Naito	●	●	●	—	●	—	—	●	—
Tsunenori Narita	●	—	●	●	—	●	—	—	—
Hideyuki Shiraki	—	—	—	●	—	●	—	—	●
Kazuto Inoue	—	●	●	—	—	—	—	—	●
Nobuyuki Matsui	—	—	●	—	—	●	●	—	●
Takashi Kamio	●	●	—	●	—	—	●	—	—
Tadashi Ogura	●	—	●	—	—	●	●	—	—
Yoko Dochi	—	●	—	—	●	—	—	●	—

Candidate Number 1	Kenji Hayashi (Date of Birth: Jun. 27, 1949)	Reappointment	
Career Summary and Current Position and Responsibility in the Corporation:			
Apr. 1972	Joined Rinnai Corporation	Jun. 2005	Director, Managing Executive Officer, and General Manager of Related Business Division
Sep. 1978	Director	Jun. 2006	Representative Director, Vice Chairman
Feb. 1980	Director, and General Manager of Corporate Planning Office	Apr. 2017	Representative Director, Chairman (current)
Jun. 1983	Managing Director, and General Manager of Production Technology Division		
Jul. 1992	Managing Director, and General Manager of Related Business Division		
No. of Shares Owned: 7,369,872 shares			
Reason to propose the candidate for election as director:			
<p>Mr. Hayashi has been involved extensively in the management of the Corporation since he joined in 1972. He has been a Director from 1978, and General Manager of Corporate Planning Office (currently, Corporate Planning Headquarters), General Manager of Production Technology Division (currently, Production Engineering Headquarters), and Related Business Division (currently, Corporate Planning Headquarters). He is deeply familiar with the Corporation's business and has a proven ability to solve management issues. It has been concluded, therefore, that Mr. Hayashi is highly qualified to perform his duties as a director. For this reason, management asks shareholders to reelect him to this position.</p>			

Candidate Number 2	Hiroyasu Naito (Date of Birth: Apr. 20, 1955)	Reappointment	
Career Summary and Current Position and Responsibility in the Corporation:			
Apr. 1983	Joined Rinnai Corporation	Jun. 2003	Managing Director, General Manager of Corporate Planning Division and concurrently General Manager of General Affairs Division
Jun. 1991	Director, Deputy General Manager of Technology Research Headquarters and concurrently General Manager of New Technology Development Division	Jun. 2005	Director, Managing Executive Officer, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division
Jul. 1998	Director, General Manager of Technology Research Headquarters	Nov. 2005	Representative Director, President and Executive Officer (current)
Jul. 2001	Director, General Manager of Corporate Planning Division and concurrently General Manager of General Affairs Division		
Current Representation in Other Companies: Outside director at Nagoya Railroad Co., Ltd.			
No. of Shares Owned: 1,530,540 shares			
Reason to propose the candidate for election as director:			
<p>Mr. Naito has been extensively involved in the management of the Corporation since he joined in 1983. He has been a Director from 1991, and General Manager of Research & Development Headquarters, Corporate Planning Division (currently, Corporate Planning Headquarters), and General Affairs Division. He is also deeply familiar with the Corporation's business and has a proven ability to solve management issues. It has been concluded, therefore, that Mr. Naito is highly qualified to perform his duties as a director. For this reason, management asks shareholders to reelect him to this position.</p>			

Candidate Number 3	Tsunenori Narita (Date of Birth: Jun. 15, 1948)		Reappointment
Career Summary and Current Position and Responsibility in the Corporation:			
Apr. 1967	Joined Rinnai Corporation	Apr. 2010	Representative Director,
Jun. 1988	Director, General Manager of		Executive Vice President;
	Technology Research		responsible for Research &
	Headquarters and concurrently		Development Headquarters,
	General Manager of Quality		Production Headquarters,
	Assurance Division		Overseas Business Headquarters
Jun. 2001	Managing Director, General		and Customer Division, and
	Manager of Production		General Manager of Marketing &
	Headquarters		Sales Headquarters
Jun. 2005	Director, Managing Executive	Oct. 2010	Representative Director,
	Officer, and General Manager of		Executive Vice President;
	Production Headquarters		responsible for Research &
			Development Headquarters,
Nov. 2005	Director, Managing Executive		Production Headquarters,
	Officer, in charge of domestic		Overseas Business
	business, and concurrently		Headquarters, and General
	General Manager of Marketing &		Manager of Marketing & Sales
	Sales Headquarters		Headquarters
Apr. 2006	Director, Senior Executive Officer,	Apr. 2016	Representative Director,
	in charge of domestic business,		Executive Vice President,
	and concurrently General		President's Assistant, in charge
	Manager of Marketing & Sales		of Production Headquarters and
	Headquarters		Overseas Business Headquarters
Apr. 2009	Director, Executive Vice President;	Apr. 2018	Representative Director,
	responsible for Research &		Executive Vice President,
	Development Headquarters,		President's Assistant (current)
	Production Headquarters,		
	Overseas Business Headquarters		
	and Customer Division, and		
	General Manager of Marketing &		
	Sales Headquarters		
No. of Shares Owned: 27,490 shares			
Reason to propose the candidate for election as director:			
Mr. Narita has been extensively involved in the management of the Corporation since he joined in 1967. He has been a Director and General Manager of Technology Research Headquarters (currently, Research & Development Headquarters) from 1988, and General Manager of Production Headquarters and Marketing & Sales Headquarters. He is also deeply familiar with the Corporation's business and has a proven ability to solve management issues. It has been concluded, therefore, that Mr. Narita is highly qualified to perform his duties as a director. For this reason, management asks shareholders to reelect him to this position.			

Candidate Number 4	Hideyuki Shiraki (Date of Birth: Jun. 23, 1966)	New appointment
Career Summary and Current Position and Responsibility in the Corporation:		
Apr. 1989	Joined Rinnai Corporation	Jun. 2020
Apr. 2017	Executive Officer, General Manager of Kanto Branch Office, Marketing & Sales Headquarters	Managing Executive Officer, General Manager of Marketing & Sales Headquarters
Apr. 2019	Executive Officer, Deputy General of Marketing & Sales Headquarters, concurrently, General Manager of Kanto Branch Office	Apr. 2023
		Senior Managing Executive Officer, General Manager of Marketing & Sales Headquarters (current)
No. of Shares Owned: 5,761 shares		
Reason to propose the candidate for election as director:		
Mr. Shiraki has gained significant experience in the Marketing & Sales Headquarters since joining the Corporation in 1989, serving as Executive Officer, Manager of the Kanto Branch Office, and Deputy General Manager of the Marketing & Sales Headquarters since 2017, Managing Executive Officer since 2020, and Senior Managing Executive Officer since 2023. He is deeply familiar with the Corporation's business and has a proven ability to solve management issues. It has been concluded, therefore, that Mr. Shiraki is properly qualified to perform his duties as a director. For this reason, management asks shareholders to newly elect him to this position.		

Candidate Number 5	Kazuto Inoue (Date of Birth: Nov. 12, 1961)	New appointment
Career Summary and Current Position and Responsibility in the Corporation:		
Apr. 1985	Joined Rinnai Corporation	Apr. 2017
Apr. 2008	Vice President of Rinnai Korea Corporation	Executive Officer, Deputy General Manager of Production Headquarters
Jun. 2012	President of Rinnai Precision Co., Ltd.	Apr. 2018
Apr. 2016	Executive Officer of the Corporation, General Manager of Production Control Division, Production Headquarters	Executive Officer, General Manager of Production Engineering Headquarters
		Apr. 2021
		Managing Executive Officer, General Manager of Production Engineering Headquarters
		Apr. 2023
		Senior Managing Executive Officer, General Manager of Production Engineering Headquarters (current)
No. of Shares Owned: 5,164 shares		
Reason to propose the candidate for election as director:		
Mr. Inoue has gained significant experience in the Production Headquarters since joining the Corporation in 1985, serving as Vice President (locally based) of Rinnai Korea Co., Ltd. (subsidiary of the Corporation) since 2008, then as President of Rinnai Precision Co., Ltd. As Executive Officer, he served as General Manager of Production Control Division, Production Headquarters, and Deputy General Manager of Production Headquarters since 2016. As Managing Executive Officer since 2021 and Senior Managing Executive Officer since 2023, he served as General Manager of Production Engineering Headquarters. He is deeply familiar with the Corporation's business and has a proven ability to solve management issues. It has been concluded, therefore, that Mr. Inoue is properly qualified to perform his duties as a director. For this reason, management asks shareholders to newly elect him to this position.		

Candidate Number 6	Nobuyuki Matsui (Date of Birth: May 7, 1943)	Reappointment, Outside, Independent
Career Summary and Current Position and Responsibility in the Corporation:		
Apr. 1985	Professor at Department of Electrical Engineering in Nagoya Institute of Technology	Apr. 2012 Professor at Chubu University Jun. 2014 Outside director, Rinnai Corporation (current)
Jan. 2004	President at Nagoya Institute of Technology	Apr. 2021 President at International Professional University of Technology in Nagoya (current)
Apr. 2010	Auditor at Aichi University of Education, Adviser of Aichi Prefectural Government Office (Industrial Labor Section)	
Current Representation in Other Companies: Outside director at Aichi Tokei Denki Co., Ltd, President at International Professional University of Technology in Nagoya		
No. of Shares Owned: 0 shares		
Reason to propose the candidate for election as outside director and expected role: Mr. Matsui has not been involved in the management of a company except as an outside director, but he has been a professor at Nagoya Institute of Technology as well as its president and has great knowledge as a scholar. Management expects this background will enable him to suitably execute his duties as an outside director. For this reason, management asks shareholders to reelect him to this position. If he is elected, he will be engaged as a member of the Nomination Advisory Committee and Chairman of the Compensation Advisory Committee to select director candidates and decide directors' compensation from an objective and neutral standpoint.		
Candidate Number 7	Takashi Kamio (Date of Birth: Nov. 27, 1942)	Reappointment, Outside, Independent
Career Summary and Current Position and Responsibility in the Corporation:		
Apr. 1965	Joined Toyota Motor Co., Ltd. (currently, Toyota Motor Corporation)	Jun. 2006 Director at Nakanihon Kogyo Co., Ltd.
Jun. 1996	Director at Toyota Motor Corporation	May 2010 Advisor at Toyota Motor Corporation
Jun. 1999	Managing Director at Toyota Motor Corporation	Jun. 2010 Senior Advisor at Towa Real Estate Co., Ltd.
Jun. 2001	Senior Managing Director at Toyota Motor Corporation	Jun. 2011 Audit & Supervisory Board Member at Central Nippon Expressway Company Limited
Jun. 2005	Senior Advisor at Toyota Motor Corporation President at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan Co., Ltd.)	Jun. 2016 Outside director, Rinnai Corporation (current)
Current Representation in Other Companies: Chairman of Sasaeai, specified nonprofit corporation		
No. of Shares Owned: 0 shares		
Reason to propose the candidate for election as outside director and expected role: Mr. Kamio served as a senior managing director at Toyota Motor Corporation and as president at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan Co., Ltd.), which allowed him to accumulate extensive experience and wide-ranging knowledge. Management believes this background will enable him to suitably execute his duties as an outside director. For this reason, management asks shareholders to reelect him to this position. If he is elected, he will be engaged as a member of the Nomination Advisory Committee and Compensation Advisory Committee to select director candidates and decide directors' compensation from an objective and neutral standpoint.		

Candidate Number 8	Tadashi Ogura (Date of Birth: Jan. 7, 1951)	New appointment, Outside, Independent																
<p>Career Summary and Current Position and Responsibility in the Corporation:</p> <table border="0"> <tr> <td data-bbox="240 353 379 387">Apr. 1975</td> <td data-bbox="395 353 821 454">Joined Nippon Toki Co., Ltd. (currently, NORITAKE CO., LIMITED)</td> <td data-bbox="837 353 976 387">Jun. 2011</td> <td data-bbox="992 353 1385 454">Director & Vice President, Executive Officer at NORITAKE CO., LIMITED</td> </tr> <tr> <td data-bbox="240 465 379 499">Jun. 2005</td> <td data-bbox="395 465 821 521">Director at NORITAKE CO., LIMITED</td> <td data-bbox="837 465 976 499">Apr. 2012</td> <td data-bbox="992 465 1385 544">Representative Director & Vice President, Executive Officer at NORITAKE CO., LIMITED</td> </tr> <tr> <td data-bbox="240 555 379 589">Apr. 2008</td> <td data-bbox="395 555 821 633">Director, & Managing Executive Officer at NORITAKE CO., LIMITED</td> <td data-bbox="837 555 976 589">Jun. 2013</td> <td data-bbox="992 555 1385 633">Representative Director & President, Executive Officer at NORITAKE CO., LIMITED</td> </tr> <tr> <td data-bbox="240 645 379 678">Jun. 2010</td> <td data-bbox="395 645 821 745">Director, & Senior Managing Executive Officer at NORITAKE CO., LIMITED</td> <td data-bbox="837 645 976 678">Jun. 2018</td> <td data-bbox="992 645 1385 723">Representative Director & Chairman at NORITAKE CO., LIMITED (current)</td> </tr> </table>			Apr. 1975	Joined Nippon Toki Co., Ltd. (currently, NORITAKE CO., LIMITED)	Jun. 2011	Director & Vice President, Executive Officer at NORITAKE CO., LIMITED	Jun. 2005	Director at NORITAKE CO., LIMITED	Apr. 2012	Representative Director & Vice President, Executive Officer at NORITAKE CO., LIMITED	Apr. 2008	Director, & Managing Executive Officer at NORITAKE CO., LIMITED	Jun. 2013	Representative Director & President, Executive Officer at NORITAKE CO., LIMITED	Jun. 2010	Director, & Senior Managing Executive Officer at NORITAKE CO., LIMITED	Jun. 2018	Representative Director & Chairman at NORITAKE CO., LIMITED (current)
Apr. 1975	Joined Nippon Toki Co., Ltd. (currently, NORITAKE CO., LIMITED)	Jun. 2011	Director & Vice President, Executive Officer at NORITAKE CO., LIMITED															
Jun. 2005	Director at NORITAKE CO., LIMITED	Apr. 2012	Representative Director & Vice President, Executive Officer at NORITAKE CO., LIMITED															
Apr. 2008	Director, & Managing Executive Officer at NORITAKE CO., LIMITED	Jun. 2013	Representative Director & President, Executive Officer at NORITAKE CO., LIMITED															
Jun. 2010	Director, & Senior Managing Executive Officer at NORITAKE CO., LIMITED	Jun. 2018	Representative Director & Chairman at NORITAKE CO., LIMITED (current)															
<p>Current Representation in Other Companies: Representative Director & Chairman at NORITAKE CO., LIMITED</p>																		
<p>No. of Shares Owned: 0 shares</p>																		
<p>Reason to propose the candidate for election as outside director and expected role: Mr. Ogura has served as Representative Director and Chairman of NORITAKE CO., LIMITED and other important positions, which allowed him to accumulate extensive experience and wide-ranging knowledge. Management believes this background will enable him to suitably execute his duties as an outside director. If he is elected, Mr. Ogura will serve as a member of the Nomination Advisory Committee and Compensation Advisory Committee to select candidates of director and executive, and decide directors' compensation from an objective and neutral standpoint.</p>																		

Candidate Number 9	Yoko Dochi (Date of Birth: Oct. 3, 1964)	New appointment, Outside, Independent
Career Summary and Current Position and Responsibility in the Corporation:		
<p>Apr. 1975 Joined The Bank of Tokyo, Ltd. (currently, MUFG Bank, Ltd.)</p> <p>Apr. 1993 Deputy General Manager of Finance Development Division at The Bank of Tokyo</p> <p>Sept. 1996 Joined World Bank Group (WBG)</p> <p>Sept. 1998 Investment Officer of International Finance Corporation under WBG</p> <p>May 2001 Joined Toyota Motor Europe S.A./N.V.</p> <p>Jan. 2013 General Manager of Investor Relations at Toyota Motor Europe S.A./N.V.</p> <p>Jan. 2015 General Manager of Global Treasury and Investor Relations at Toyota Motor Europe S.A./N.V.</p>	<p>Jun. 2018 In charge of Investors Relations and Accounting Division, and Stock Group at Toyota Motor Corporation</p> <p>Nov. 2018 Joined SoftBank Group Corp. In charge of Finance, General Manager of Investor Relations</p> <p>Feb. 2020 Joined SoftBank Group International Managing Partner, Head of Investor Relations</p> <p>Jun. 2020 Outside Director of NIPPO LTD. (current)</p>	
Current Representation in Other Companies: Outside Director of NIPPO LTD. Trustee of Daiwa Anglo-Japanese Foundation		
No. of Shares Owned: 0 shares		
Reason to propose the candidate for election as director:		
Ms. Dochi has been in charge of investor relations at Toyota Motor Corporation and SoftBank Group Corp. for over 20 years, which allowed her to accumulate extensive experience and deep insights about investor relations and ESG. She is also well-versed in accounting and financial matters and has knowledge of international organizational management. It has been concluded, therefore, that Ms. Dochi is properly qualified to perform her duties as an outside director. For this reason, management asks shareholders to newly elect her to this position.		

Notes:

1. No candidate has any particular interest in the Corporation.
2. Mr. Matsui, Mr. Kamio, Mr. Ogura and Ms. Dochi are candidates for the position of outside director.
3. Mr. Ogura is scheduled to retire as Representative Director & Chairman of NORITAKE CO., LIMITED at the conclusion of that company's Ordinary General Meeting of Shareholders to be held in June 2023.
4. Mr. Matsui and Mr. Kamio are currently outside directors of the Corporation. At the end of this year's Ordinary General Meeting of Shareholders, their terms in office will be as follows:
Nobuyuki Matsui: Nine (9) years
Takashi Kamio: Seven (7) years
5. Mr. Kamio is Chairman of Sasaeai, a specified nonprofit corporation to which the Corporation makes donations. Since the donations only amount to ¥50,000 per year, however, this is deemed to have no impact on Mr. Kamio's impartiality.
6. The Corporation concluded agreements with Mr. Matsui and Mr. Kamio in accordance with the first paragraph of Article 427 of the Companies Act that limits liability for damages caused by failure of duties to an amount determined by legal provisions. If they are reelected and appointed as outside directors, this agreement with them will remain in force. If the elections of Mr. Ogura and Ms. Dochi are approved, the Corporation intends to enter into similar liability limitation agreements with both of them.

7. The Corporation concluded liability insurance contracts for officers with an insurance company in accordance with the first paragraph of Article 430-3 of the Companies Act that compensates court costs and damages which the insured bear due to lawsuits related to the Corporation, third-party proceedings, and shareholder-derived suits. If each candidate is elected and appointed as a director, he becomes an insured person under the insurance contract. The Corporation plans to update the insurance contract with the same content at the next contract renewal.
8. The Corporation has notified the Tokyo Stock Exchange and the Nagoya Stock Exchange that Mr. Matsui and Mr. Kamio fulfill the requirements for a position as an independent directors. If they are reelected and appointed as outside directors, the Corporation will maintain them as independent directors. If the elections of Mr. Ogura and Ms. Dochi are approved, the Corporation intends to register both of them as independent directors with the Tokyo Stock Exchange and the Nagoya Stock Exchange.
9. If the elections of Mr. Matsui and Mr. Kamio are approved, they will serve as members of the Nomination Advisory Committee and the Compensation Advisory Committee and will be involved in the selection of executive candidates and the determination of executive compensation and other matters from an objective and neutral standpoint. And if the election of Mr. Ogura is approved, he will also serve as a member of the Nomination Advisory Committee and the Compensation Advisory Committee and will be involved in the selection of executive candidates and the determination of executive compensation and other matters from an objective and neutral standpoint.
10. On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figures for “No. of shares owned” are for after the stock split.

Agenda Item 3

Election of one (1) Audit & Supervisory Board member

Haruhiko Ishikawa, Audit & Supervisory Board Member, will resign his post at completion of the Ordinary General Meeting of Shareholders, and the Corporation asks shareholders to elect one (1) substitute Audit & Supervisory Board member.

The term of office of the substitute Audit & Supervisory Board member is until the term of retiring member expires, in accordance with the Corporation's Articles of Incorporation.

This item has already been agreed upon by members of the Audit & Supervisory Board.

The Corporation proposes the following candidate for election as the Audit & Supervisory Board member.

Masanori Shimizu (Date of Birth: Dec. 20, 1961)	New appointment
Career Summary and Current Position in the Corporation:	
Apr. 1984 Joined Rinnai Corporation	Apr. 2021 Executive Officer, Deputy General Manager of Quality Assurance Headquarters, concurrently
Apr. 2016 Executive Officer, General Manager of Technology Development Division, Research & Development Headquarters	General Manager of Quality Assurance Division
	Apr. 2022 Senior Executive Officer, General Manager of Quality Assurance Headquarters
No. of Shares Owned: 3,298 shares	
Reason to propose the candidate for election as Audit & Supervisory Board member:	
Mr. Shimizu has gained significant experience in the Research & Development Headquarters since joining the Corporation in 1984. As an Executive Officer, he has served as General Manager of the Technology Development Division of the Research & Development Headquarters since 2016, and Deputy General Manager of the Quality Assurance Headquarters since 2021. And as a Senior Executive Officer, he has served as General Manager of Quality Assurance Headquarters since 2022. He also has practical experience and knowledge not only in product development work but also in technology development and quality assurance. For this reason, management asks shareholders to newly elect him as an Audit & Supervisory Board member.	

Notes:

1. Masanori Shimizu has no particular interest in the Corporation.
2. The Corporation concluded liability insurance contracts for officers with an insurance company in accordance with the first paragraph of Article 430-3 of the Companies Act that compensates court costs and damages which the insured bear due to lawsuits related to the Corporation, third-party proceedings, and shareholder-derived suits. If Mr. Shimizu assumes the position of Audit & Supervisory Board member, he becomes an insured person under the insurance contract.
3. On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figure for "No. of Shares Owned" is for after the stock split.

Agenda Item 4

Election of one (1) substitute Audit & Supervisory Board member

In case of a vacancy on the Audit & Supervisory Board, which is required by law to maintain a specific number of members, the Corporation will ask shareholders to elect one (1) substitute Audit & Supervisory Board member.

This item has already been agreed upon by members of the Audit & Supervisory Board. The Corporation proposes the following candidate for election as the substitute Audit & Supervisory Board member.

Yoshirou Ishikawa (Date of Birth: Mar. 22, 1951)	Reappointment, Outside, Independent
Career Summary and Current Position in the Corporation:	
Jul. 2001 Commissioner's Secretariat at National Tax Agency, Internal Inspector at Nagoya Regional Taxation Bureau	Jul. 2009 District Director at Gifu-minami Tax Office Aug. 2011 President, Yoshirou Ishikawa certified tax accountant office (current)
Jul. 2005 Special Examiner, Large Enterprise Examination Department at Nagoya Regional Taxation Bureau	Oct. 2011 Executive director, General incorporated association Nakagawa houjinkai (current)
Jul. 2008 Appeals Judge at Nagoya National Tax Tribunal	
Current Representation in Other Companies: Executive director, General incorporated association Nakagawa houjinkai	
No. of Shares Owned: 0 shares	
Reason to propose the candidate for election as substitute outside Audit & Supervisory Board member: Mr. Ishikawa has not been involved in the management of a company, but he has vast experience and has acquired significant knowledge as a tax accountant. Management believes this background will enable him to suitably execute his duties as an outside member of the Audit & Supervisory Board, and management asks shareholders to elect him to substitute for this position.	

Notes:

1. Yoshirou Ishikawa has no particular interest in the Corporation.
2. Mr. Ishikawa is a candidate for the position of substitute outside member of the Audit & Supervisory Board.
3. Mr. Ishikawa is scheduled to retire as Executive Director of Nakagawa houjinkai (general incorporated association) at the conclusion of that association's Ordinary General Meeting of Shareholders to be held in June 2023.
4. If Mr. Ishikawa is elected and appointed as a member of the Audit & Supervisory Board, the Corporation will conclude an agreement with him in accordance with the Paragraph 1 of Article 427 of the Companies Act that limits liability for damages caused by failure of duties to an amount determined by legal provisions.
5. The Corporation concluded liability insurance contracts for officers with an insurance company in accordance with the first paragraph of Article 430-3 of the Companies Act that compensates court costs and damages which the insured, the Corporation's directors, bear due to lawsuits related to the Corporation, third-party proceedings, and shareholder-derived suits. If Mr. Ishikawa is elected and appointed as a member of the Audit & Supervisory Board, he becomes an insured person under the insurance contract.
6. If Mr. Ishikawa assumes the position of member of the Audit & Supervisory Board, the Corporation plans to notify the Tokyo Stock Exchange and the Nagoya Stock Exchange that he satisfies the conditions for independent auditor.

Shareholder's Proposals (Agenda Items 5–7)

Proposals described in Agenda Items 5, 6, and 7 were made by one shareholder. The Board of Directors opposes all of these proposals. Outlines of proposals and the reasons for proposal have been provided in their original form as submitted by the proposing shareholder.

Agenda Item 5

Implementation of Share Buyback

(1) Outline of Proposal

1. Share Buyback: The Company shall, in accordance with Article 156, Paragraph 1 of the Companies Act, acquire its own common shares through the delivery of monies, with a limit on total number of shares of 15,000,000 and a total acquisition price of ¥50,000,000,000 within one year from the conclusion of the AGM.
2. Other Retained Earnings: The Company shall withdraw ¥50,000,000,000 from general reserve and transfer the same amount to retained earnings brought forward.

(2) Reasons for Proposal

In recent years, the Company has steadily implemented measures such as expanding into overseas markets, increasing the ratio of high value-added products, and reducing costs. As a result, the Company's sales doubled and operating income tripled in the past 20 years, and its ROIC ("Return on Invested Capital"), which is considered a measure of business competence, dramatically improved. Additionally, the Company was quick to recognize changes in the external environment and launched a hybrid water heater which uses both gas and electricity in 2010, a market that is expected to grow in earnest in the future. Also, the Company has already developed the world's first hydrogen water heater last year, which is expected to be needed by society in the future.

On the other hand, despite the company's remarkable growth, PBR ("Price to Book Ratio"), an indicator of the capital market's evaluation of companies, was 1.3 times in 2006, when the current top management took over, and remained at the same level as of March 31, 2023. Also, compared to competitors in the water heater industry in the United States and Europe, the Company's PBR is far lower (i.e., undervalued). The main reason is that ROE ("Return on Equity"), which is highly correlated with PBR, has been stagnant as capital efficiency has declined due to the continuous accumulation of underutilized financial assets. In fact, the Company's average ROE over the last five years is 7.1%, excluding the fiscal year ended March 2021, when there was a stay-at-home demand due to the Covid pandemic.

"The Ito Review" published in 2014 by the Ministry of Economy, Trade and Industry notes that "the first step in receiving recognition from global investors is for a company to commit to achieving a minimum ROE of 8%. Companies should further strive to achieve a higher ROE appropriate to their specific business and that will contribute to sustainable growth". In our April 2022 public presentation, we stated that the Company's current capital policy assumes an excessive level of required cash (i.e., a majority of net assets) and is designed to cover all funding needs with shareholders' equity, while there are alternative funding methods with less than 1% funding costs, and that the management needs to revise such a capital policy to run the company with an awareness of the cost of capital.

Considering the nature of the Company's business and its capabilities, we believe that it is quite possible to set a minimum ROE target of 12% and aim for 15% to 20% in the medium to long term. We believe that the Company's commitment to ROE targets, after a fundamental review of its current capital policy, including revisiting the level of required cash, will contribute to enhancing the Company's corporate value. We propose that the

Company, as part of the above process, implement a share buyback which can be implemented immediately, as long as its share price remains at a cheap level.

Opinions of the Corporation's Board of Directors on Agenda Item 5

(1) Opinion of the Board of Directors

The Board of Directors opposes this Shareholder Proposal.

(2) Reasons for opposition

We have formulated a medium-term business plan, New ERA 2025 (hereinafter, "Plan"), which covers the period from fiscal 2022 to 2026 (April 1, 2021–March 31, 2026). Under the plan, we are making steady progress toward "Advancement in addressing social challenges" through "Expansion of business scale," and "Revolution of corporate structure."

During the five-year period of the Plan, we plan to make investments totaling ¥205 billion, which is much more than we invested in the previous five years. As necessary investments to achieve the financial targets of the plan, we have made steady investments to build the Kasugai Logistics Center and expand local production capacity in the United States and China. We also view the period covered by the Plan as an important period of change in our business environment. Therefore, we have positioned it as a key period for ensuring our business survival and competitiveness from a long-term perspective by investing funds to become carbon neutral, address digital transformation (DX), and respond to changes in consumer lifestyles. In April 2023, for example, we acquired land and a building in Minami Aoyama, Tokyo to strengthen our consumer contact points. As a result, cumulative capital investments have reached ¥49.2 billion in the first two years of the Plan (ended March 2023), and we plan to make capital investments of a further ¥50 billion in the current fiscal year (ending March 2024). We will continue aggressively making necessary investments with a view to improving corporate value over the medium and long terms.

We also consider shareholder return to be an important management issue. When we drafted the Plan, we set a shareholder return policy that calls for at least ¥60 billion in total return (dividends and share buybacks) over the five-year period of the Plan and a five-year average total return ratio of 40% or higher. Under this policy, we paid annual dividends of ¥140.00 per share in the fiscal year ended March 2022, up ¥15.00 year on year, and ¥160.00 per share in the year ended March 2023, up ¥20.00. We also conducted share buybacks worth ¥17.4 billion in the year ended March 2022 and ¥10.0 billion in the year ended March 2023. As a result, cumulative shareholder returns for the first two years of the Plan (April 2021–March 2023) amounted to ¥42.2 billion, and the total return ratio reached 84.7%, far exceeding the target under the shareholder return policy stated in the Plan.

On May 10, 2023, we announced its new capital policy. Under the new policy, we added ROE as a performance indicator. We aim to achieve an ROE target of 8% for fiscal 2026 (ending March 2026) and target further improvements during the period of the next medium-term business plan. In addition, we decided to raise the dividend payout ratio in stages (to 40% level in fiscal 2026), in order to further strengthen shareholder return. Our basic policy for improving ROE is to target "sustainable medium-to long-term profit growth." Under this policy, we will achieve by strengthening our earning power to deliver steady profit growth and gradually raising the dividend payout ratio, while enhancing efficiency through flexible share buybacks, targeting ROE of 8% in fiscal 2026. Based on this new capital policy, the Board of Directors decided on May 10, 2023, to conduct a share buyback of ¥10 billion (maximum) and cancel the shares bought back.

With respect to cash requirements, our approach is to increase shareholder returns while maintaining a financial base that enables us to fulfill our responsibility to handle daily necessities while providing the funding flexibility to ensure that we do not miss opportunities for M&As and capital alliances, and placing top priority on

investments in future growth and making strategic expenditures.

We acknowledge that conducting a large share buyback as suggested in the Shareholder Proposal will improve ROE. However, this alone will not result in medium- to long-term improvements in corporate value and may distort our financial base and constrain investment activities aimed at sustainable growth. We believe maintaining a good balance between steady profit growth—by further strengthening our earning power—and shareholder return is important to enhance corporate value. Accordingly, rather than conducting a share buyback at the time or in the amount stipulated in the Shareholder Proposal, we believe it is appropriate, under our Plan and capital policy, to conduct share buybacks in the manner that takes into account overall conditions surrounding the Corporation, including business performance, business investments, financial position, and share price.

Therefore, the Board of Directors opposes this Shareholder Proposal.

Agenda Item 6

Amendments to the Articles of Incorporation concerning Handling Shares Held by Directors

(1) Outline of Proposal

Article 12 of the Company's Articles of Incorporation is hereby amended as follows to provide for the handling of shares held by the Company's directors.

(Underlines indicate amendments.)

Before change	After change
(Share Handling Regulations) Article 12. The handling and handling fees of shares of the Company shall be governed by the Share Handling Regulations established by the board of directors, in addition to laws and regulations or these Articles of Incorporation.	(Share Handling Regulations) Article 12. The handling and handling fees of shares of the Company shall be governed by the Share Handling Regulations established by the board of directors, in addition to laws and regulations or these Articles of Incorporation.
<u>2 (Addition)</u>	<u>2 The handling of shares held by directors shall be in accordance with the shareholding guidelines established by the board of directors.</u>

(2) Reasons for Proposal

We believe that the greatest weakness of Japanese boards of directors lies in the small number of shares held by each director and the resulting lack of a shareholder perspective. At the Company, with the exception of those from the founding family, the majority of directors' economic benefits are tied to base remuneration and short-term performance, which we believe is insufficiently correlated with medium- to long-term corporate value improvement.

In the United States and Europe, almost all major listed companies have adopted shareholding guidelines that stipulate a certain amount of shares that are considered necessary to share value with shareholders, as well as a requirement for continued shareholding for a certain period of time. After a grace period of several years, in most cases, top management team members are required to hold 3 to 5 times their base compensation in shares, and outside directors are required to hold shares equivalent to their base compensation.

We propose that the board of directors and other managers of the Company not be bound by the norms of the past, but instead aim for a level of ownership that is no less than world class, and demonstrate that commitment through appropriate disclosure. Therefore, we propose that the Company establish stock ownership guidelines.

Opinions of the Corporation's Board of Directors on Agenda Item 6

(1) Opinion of the Board of Directors

The Board of Directors opposes this Shareholder Proposal.

(2) Reasons for opposition

We have established a policy on determining compensation for directors under the basic principle of fostering steady improvements in medium- to long-term corporate value while ensuring sufficient transparency and objectivity for the Corporation to fulfill its obligations to shareholders and other stakeholders.

Compensation for directors (excluding outside directors) consists of basic compensation, which is fixed, and performance-linked compensation, with the ratio of fixed to performance-linked compensation set at around 70:30. Our aim here is to properly motivate directors to improve corporate value and achieve targeted goals. Performance-linked compensation consists of an annual bonus (intended to encourage the achievement of solid performance targets for each fiscal year) and restricted shares (intended to steadily increase corporate value and share common interests with shareholders through medium- to long-term share ownership). The ratio of annual bonus to restricted shares is set at around 20:10. We have introduced a similar system for executive officers, who we regard as a pool of candidates for future internal directors, so that they, along with directors, can work to continuously enhance corporate value.

In addition, we established the Compensation Advisory Committee, the majority of whose members are independent outside directors. The Board of Directors determines compensation and other policies after deliberation by the Compensation Advisory Committee, thereby ensuring objectivity and transparency in compensation. In the decision-making process, we also verify the appropriateness of compensation by continuously reviewing compensation levels and composition ratios through objective comparisons with other corporate groups of similar size to the Rinnai Group. On the other hand, compensation for outside directors is limited to fixed basic compensation only, with the aim of encouraging such directors to properly fulfill their duty to supervise and give advice to management from a position independent of executive management.

As of March 31, 2023, the Chairman and President of the Corporation already held approximately 7.36 million and 1.53 million shares, respectively, of the Corporation's stock (after the stock split). Therefore, they have a similar viewpoint as shareholders with respect to seeking medium- to long-term improvement in corporate value.

As stated above, Board of Directors has decided that the current compensation ratio, which is determined by the Board of Directors after deliberation by the Compensation Advisory Committee, ensures objectivity and transparency. With respect to compensation ratios, the Board also believes the Corporation has proper mechanisms in place to ensure that its management team and its shareholders possess shared values. On the other hand, the Shareholder Proposal requests establishment of stock ownership guidelines without specifying the specifics of such guidelines, and thus lacks substance. Under the current compensation system for directors, we have determined that there is no need to stipulate in the Articles of Incorporation the establishment of guidelines that specifically provide only for stock compensation.

Therefore, the Board of Directors opposes this Shareholder Proposal.

Agenda Item 7

Amendments to the Articles of Incorporation concerning the Composition of Outside Directors

(1) Outline of Proposal

Article 19 of the Company's Articles of Incorporation shall be amended as follows so that the majority of the directors of the Company are outside directors.

(Underlines indicate amendments.)

Before change	After change
(Share Handling Regulations) Article 19. The number of directors of the Company shall be 10 or less.	(Share Handling Regulations) Article 19. The number of directors of the Company shall be 10 or less.
<u>2</u> (Addition)	<u>2 As long as the company remains a listed company, the majority of the directors of the company shall be outside directors defined according to Article 2, Paragraph 1, Item 15 of the Companies Act.</u>

(2) Reasons for Proposal

While we appreciate the Company's current effort to expand the number of outside directors, we believe that a more independent and diverse board of directors will help the Company, whose founding family has a strong influence, to reduce governance risk over the next 10 to 20 years and increase the company's resilience.

A diverse board means a board that is able to make management decisions based on a wide range of perspectives, such as skills, experience, age, nationality, and gender, while an independent board means a board comprising at least a majority of independent directors. The required elements of "diversity" vary from company to company. However, we believe that a universal and urgent agenda should be for boards to "include women and highly skilled investors and analysts".

Principle 4.8 of the Corporate Governance Code states, "Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid-to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors".

The Company is one of Japan's leading comprehensive makers of heating equipment. We expect the Company to be a role model of corporate governance in the capital market as well.

Opinions of the Corporation's Board of Directors on Agenda Item 7

(1) Opinion of the Board of Directors

The Board of Directors opposes this Shareholder Proposal.

(2) Reasons for opposition

The Corporation established the Nominating Advisory Committee, the majority of whose members are independent outside directors, as an advisory body to the Board of Directors for the purpose of further ensuring objectivity and transparency in the selection of directors. Selection of candidates for the Board of Directors is decided by the Board of Directors after deliberation by the Nominating Advisory Committee, and the same decision-making process is used for director candidates to be presented at this General Meeting of Shareholders.

The Nominating Advisory Committee discusses the composition of the Board of Directors, making sure to include members with skills that benefit the oversight function to ensure sustainable enhancement of corporate value. These include members with skills in corporate management, global management, human resources strategy, governance/legal matters, and sustainability/ESG. The Board of Directors, constituted according to this approach, has always engaged in constructive discussions aimed at implementing the Corporation's management philosophy and sustainably enhancing its corporate value. The Board also emphasizes a balance between investments in R&D and human resources and capital expenditures, as well as returning profits to shareholders.

In addition, the composition of the Board of Directors proposed by the Corporation at this General Meeting of Shareholders has a total of nine directors, of whom four are independent outside directors, with the aim of strengthening the Board's supervisory function and management policy formulation function.

All of the five candidates for the Board of Directors (excluding independent outside directors) are familiar with the Corporation's business and have diverse skills, with knowledge and experience in technology (development/production/environmental), business plans/marketing, finance/accounting/capital policy, and human resources strategy, respectively. We also plan to propose the appointment of four independent outside directors, including one female, at this General Meeting of Shareholders, ensuring that outside directors are independent as well as diverse. Specifically, Mr. Hideyuki Shiraki, a new candidate for director, has special expertise in business plans/marketing, and Mr. Kazuto Inoue has solid management experience in the field of technology (development/production/environmental). Meanwhile, Mr. Tadashi Ogura, a new candidate for independent outside director, has special expertise in corporate management and governance/legal matters, and Ms. Yoko Dochi has deep insights especially in the fields of finance/accounting/capital policy and sustainability/ESG. We believe that having these candidates participate in management will further strengthen the functions of our Board of Directors.

As described above, the Board of Directors, consisting of directors proposed by the Corporation, maintains a sufficient degree of independence. We believe that the composition of the Board is optimal and diverse with respect to supervising the execution of management to achieve the targets of the Plan and thus sustainably enhance our corporate value. This will benefit all shareholders.

On the other hand, the provision in the Articles of Incorporation stipulated in the Shareholder Proposal may limit the selection range of director candidates and hinder our ability to consider and form an optimal Board of Directors at some point in the future.

Therefore, the Board of Directors opposes this Shareholder Proposal.

The skills matrix of the Corporation's director candidates is shown on page 8

END.

Business Report (April 1, 2022, to March 31, 2023)

1. Consolidated Business Overview

(1) Consolidated Business Results

In the period under review, the global economy continued facing challenging conditions, including rising global prices, supply chain disruptions, the protracted situation in Ukraine, and deteriorating business confidence, as the spread of COVID-19 became increasingly normalized. In the domestic economy, conditions remained unpredictable as consumer spending and corporate earnings stagnated against a backdrop of sharp exchange rate fluctuations and rising prices of raw materials, energy, and other commodities.

In the domestic housing-related industry, new housing starts weakened, especially for owner-occupied dwellings, but the household appliance sector remained firm, particularly in the renovation category.

Under these circumstances, the Rinnai Group pursued three key strategies under its medium-term business plan, New ERA 2025: “Advancement in addressing social challenges,” “Expansion of business scale,” and “Revolution of corporate structure.” During the period under review, for example, we launched products that improve quality of life and help protect the global environment, such as the Ultra Fine Bubble water heater and ECO ONE X5 hybrid water heater with heating system. We also commissioned a new plant in the growing U.S. market and expanded our business through the development of 100% hydrogen combustion technology for residential water heaters. In these and other ways, we made steady progress in fulfilling our promise to our customers (“Creating a healthier way of living”) and achieving sustainable and solid long-term growth.

For the period, domestic sales of water heaters increased year on year thanks to Groupwide efforts to resolve supply delays, while higher sales of mainstay products, particularly in the United States and China, led to a year-on-year increase in overseas sales, which also benefited from foreign exchange factors. On the earnings side, we posted an increase in operating income thanks to the increase in revenue and growth in sales of high-value-added products, and cost reduction efforts. This was despite soaring raw material prices, distribution costs, and energy costs, as well as higher expenses associated with the commissioning of a new plant in the United States.

As a result, consolidated net sales for the year amounted to ¥425,229 million, up 16.1% from the previous year. Operating income rose 15.5%, to ¥ 41,418 million, and ordinary income climbed 14.1%, to ¥44,565 million. Net income attributable to owners of the parent company grew 9.9%, to ¥26,096 million.

	72nd fiscal year (Year ended March 31, 2022)	73rd fiscal year (Year ended March 31, 2023)	YOY change	
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	366,185	425,229	59,044	16.1%
Operating income	35,864	41,418	5,554	15.5%
Ordinary income	39,060	44,565	5,505	14.1%
Net income attributable to owners of the parent company	23,748	26,096	2,348	9.9%

Our consolidated results by geographical segment were as follows:

<p>Japan</p> <p>Net sales ¥196,838 million (YOY change: +14.8%)</p>	<p>In Japan, we posted a substantial increase in sales of mainstay water heaters, centered on hybrid and other models with heating systems, as we worked to strengthen our production system to eliminate supply delays. Despite continued high costs of procuring raw materials and parts, as well as distribution and energy costs, we reported higher sales of mainstay products and benefited from the weaker yen and cost reduction efforts. As a result, sales in Japan rose 14.8%, to ¥196,838 million, and operating income jumped 35.3%, to ¥23,597 million.</p>	<p>Net Sales (Billions of yen)</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net Sales (Billions of yen)</th> </tr> </thead> <tbody> <tr> <td>72nd fiscal year Fiscal 2022</td> <td>171.5</td> </tr> <tr> <td>73rd fiscal year Fiscal 2022</td> <td>196.8</td> </tr> </tbody> </table>	Fiscal Year	Net Sales (Billions of yen)	72nd fiscal year Fiscal 2022	171.5	73rd fiscal year Fiscal 2022	196.8
Fiscal Year	Net Sales (Billions of yen)							
72nd fiscal year Fiscal 2022	171.5							
73rd fiscal year Fiscal 2022	196.8							
<p>United States</p> <p>Net sales ¥55,750 million (YOY change: +24.6%)</p>	<p>Despite temporary delays in the supply of tankless water heaters from Japan due to tight parts procurement and disruptions in international logistics, local sales of water heaters increased thanks to the commissioning of a new plant in April 2022 and increased supply from Japan. Although worsening housing market conditions led to stagnation in demand in the second half of the year, total U.S. sales increased 24.6%, to ¥55,750 million. However, these factors did not fully compensate for higher expenses associated with the new plant and higher logistics costs. Consequently, operating income fell 85.1%, to ¥313 million.</p>	<p>Net Sales (Billions of yen)</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net Sales (Billions of yen)</th> </tr> </thead> <tbody> <tr> <td>72nd fiscal year Fiscal 2022</td> <td>44.7</td> </tr> <tr> <td>73rd fiscal year Fiscal 2022</td> <td>55.7</td> </tr> </tbody> </table>	Fiscal Year	Net Sales (Billions of yen)	72nd fiscal year Fiscal 2022	44.7	73rd fiscal year Fiscal 2022	55.7
Fiscal Year	Net Sales (Billions of yen)							
72nd fiscal year Fiscal 2022	44.7							
73rd fiscal year Fiscal 2022	55.7							
<p>Australia</p> <p>Net sales ¥27,655 million (YOY change: +7.3%)</p>	<p>Sales in Australia increased 7.3%, to ¥27,655 million, due to growth in sales of commercial air conditioners and tank-based water heaters, as well as foreign exchange factors. This was despite lower sales of mainstay products due to delays in the supply of tankless water heaters and room heaters from Japan amid inflation and weak housing market conditions. However, the decline in sales (in local-currency terms) and soaring raw material prices and logistics costs led to a 27.2% fall in operating income, to ¥1,180 million.</p>	<p>Net Sales (Billions of yen)</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net Sales (Billions of yen)</th> </tr> </thead> <tbody> <tr> <td>72nd fiscal year Fiscal 2022</td> <td>25.7</td> </tr> <tr> <td>73rd fiscal year Fiscal 2022</td> <td>27.6</td> </tr> </tbody> </table>	Fiscal Year	Net Sales (Billions of yen)	72nd fiscal year Fiscal 2022	25.7	73rd fiscal year Fiscal 2022	27.6
Fiscal Year	Net Sales (Billions of yen)							
72nd fiscal year Fiscal 2022	25.7							
73rd fiscal year Fiscal 2022	27.6							

<p>China</p> <p>Net sales ¥66,150 million (YOY change: +25.3%)</p>	<p>In China, our business was affected by temporary restrictions on production and sales activities due to the stagnant housing market caused by stricter policies for developers and lockdowns in Shanghai related to COVID-19. After the lockdowns were lifted, however, we benefited from a rebound in production and sales activities, as well as growth in sales of high-value-added products, such as gas water heaters with built-in quick-heating units. Accordingly, sales in China, increased 25.3% to ¥66,150 million, and operating income jumped 56.5% to ¥10,569 million.</p>	<p>Net Sales (Billions of yen)</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net Sales (Billions of yen)</th> </tr> </thead> <tbody> <tr> <td>72nd fiscal year Fiscal 2022</td> <td>52.7</td> </tr> <tr> <td>73rd fiscal year Fiscal 2022</td> <td>66.1</td> </tr> </tbody> </table>	Fiscal Year	Net Sales (Billions of yen)	72nd fiscal year Fiscal 2022	52.7	73rd fiscal year Fiscal 2022	66.1
Fiscal Year	Net Sales (Billions of yen)							
72nd fiscal year Fiscal 2022	52.7							
73rd fiscal year Fiscal 2022	66.1							
<p>South Korea</p> <p>Net sales ¥32,094 million (YOY change: -0.1%)</p>	<p>In South Korea, weakening market sentiment due to rising prices and interest rates, as well as a decrease in housing sales and a reduction in government subsidies for eco-friendly products, caused the market to contract and led to a decline in sales of mainstay boilers, which was not compensated for by sales of other products. Consequently, sales in South Korea edged down 0.1%, to ¥32,094 million. Operating income fell 32.3%, to ¥705 million, due to lower sales of mainstay products and repair and inspection expenses for commercial fryers.</p>	<p>Net Sales (Billions of yen)</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net Sales (Billions of yen)</th> </tr> </thead> <tbody> <tr> <td>72nd fiscal year Fiscal 2022</td> <td>32.1</td> </tr> <tr> <td>73rd fiscal year Fiscal 2022</td> <td>32.0</td> </tr> </tbody> </table>	Fiscal Year	Net Sales (Billions of yen)	72nd fiscal year Fiscal 2022	32.1	73rd fiscal year Fiscal 2022	32.0
Fiscal Year	Net Sales (Billions of yen)							
72nd fiscal year Fiscal 2022	32.1							
73rd fiscal year Fiscal 2022	32.0							
<p>Indonesia</p> <p>Net sales ¥16,203 million (YOY change: +19.3%)</p>	<p>Despite weak sales of mainstay tabletop stoves, sales of built-in hobs (stovetops) and range hoods increased on the back of strong demand thanks to sales promotion activities and an expanded product lineup. As a result, sales in Indonesia increased 19.3% to ¥16,203 million. However, operating income declined 15.1%, to ¥2,400 million, due to continued high raw material prices, especially for steel.</p>	<p>Net Sales (Billions of yen)</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net Sales (Billions of yen)</th> </tr> </thead> <tbody> <tr> <td>72nd fiscal year Fiscal 2022</td> <td>13.5</td> </tr> <tr> <td>73rd fiscal year Fiscal 2022</td> <td>16.2</td> </tr> </tbody> </table>	Fiscal Year	Net Sales (Billions of yen)	72nd fiscal year Fiscal 2022	13.5	73rd fiscal year Fiscal 2022	16.2
Fiscal Year	Net Sales (Billions of yen)							
72nd fiscal year Fiscal 2022	13.5							
73rd fiscal year Fiscal 2022	16.2							

Consolidated net sales and operating income by reporting segment

(Millions of yen)

	72nd fiscal year (previous fiscal year) (April 1, 2021, to March 31, 2022)		73rd fiscal year (current fiscal year) (April 1, 2022, to March 31, 2023)		YOY change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Japan	171,533	17,439	196,838	23,597	14.8%	35.3%
United States	44,752	2,108	55,750	313	24.6	-85.1
Australia	25,764	1,620	27,655	1,180	7.3	-27.2
China	52,778	6,752	66,150	10,569	25.3	56.5
South Korea	32,124	1,041	32,094	705	-0.1	-32.3
Indonesia	13,587	2,826	16,203	2,400	19.3	-15.1
Others	25,644	4,280	30,537	4,875	19.1	13.9
Adjustments	—	(205)	—	(2,223)	—	—
Net sales on the consolidated statements of income	366,185	35,864	425,229	41,418	16.1	15.5

- Notes: 1. "United states" includes sales from subsidiaries in Canada and Mexico, which conduct integrate business activities based on comprehensive sales strategies.
2. "Australia" includes sales from a subsidiary in Malaysia, which complements the production system, and conducts integrate business activities.
3. "Others" include sales from subsidiaries in Taiwan, Thailand, Vietnam, New Zealand, Brazil and other regions.
4. "Net sales" are sales to external customers, and "Adjustments" under "Operating income" are the intersegment transactions to eliminate.

A breakdown by product shows that sales in the water heaters segment totaled ¥258,658 million, up 22.6% year-on-year; kitchen appliances, ¥91,780 million, up 7.3%; air conditioning appliances, ¥21,941 million, up 3.9%; commercial-use equipment, ¥10,669 million, up 18.5%; other products, ¥42,179 million, up 6.8%.

Net sales by product

(Millions of yen)

	72nd fiscal year (previous fiscal year) (April 1, 2021, to March 31, 2022)		73rd fiscal year (current fiscal year) (April 1, 2022, to March 31, 2023)		YOY change
	Amount	% of total	Amount	% of total	(%)
Water heaters	211,026	57.6	258,658	60.8	22.6
Kitchen appliances	85,531	23.4	91,780	21.6	7.3
Air conditioning appliances	21,109	5.8	21,941	5.2	3.9
Commercial-use equipment	9,007	2.5	10,669	2.5	18.5
Others	39,509	10.8	42,179	9.9	6.8
Total	366,185	100.0	425,229	100.0	16.1

(2) Consolidated Capital Expenditures

In the period under review, the Group's total capital expenditures amounted to ¥26,521 million. Funds were applied primarily to investments in buildings to expand production facilities in Japan and overseas; tools and fixtures, including molds for new products; and renewal and rationalization of machinery and equipment aimed at cost reduction and quality improvement.

(3) Consolidated Fund Procurement

There was no significant new fund procurement during the period under review.

(4) Issues Requiring Our Attention

Looking ahead, we expect the operating environment to be highly uncertain, reflected by deteriorating business confidence stemming from rising prices and interest rates globally, as well as an unstable financial system and the protracted situation in Ukraine. Under these conditions, we expect the costs of procuring raw materials and components, and energy costs to remain high, while the structure of demand will change as we enter the post-COVID era and the market shifts from fossil fuels to renewable energy. Accordingly, we predict that business conditions will remain challenging.

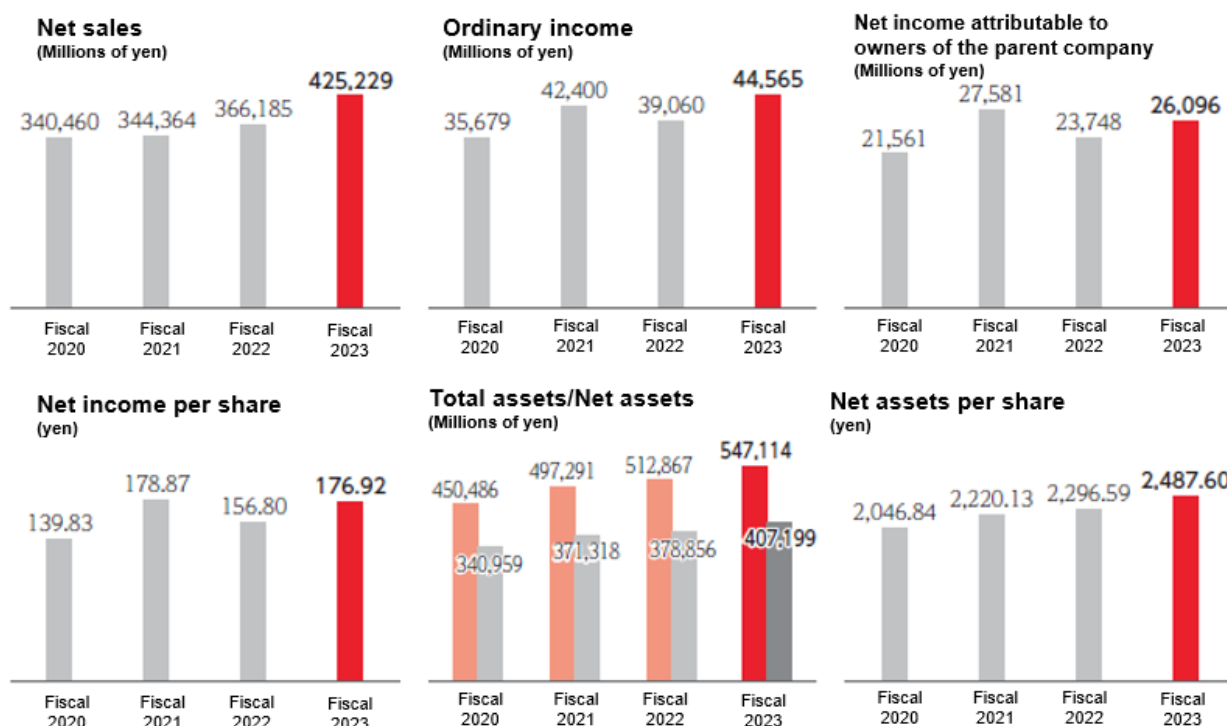
In response, the Rinnai Group, committed to creating healthy and comfortable lifestyles, will provide a variety of products and services with the themes of “improving quality of life” and “help resolve global environmental problems” under its medium-term business plan, New ERA 2025. In Japan, we will step up sales of product lines that are highly distinctive in our business. These include gas clothes dryers and dishwashers that help improve quality of life, as well environmentally friendly and energy-efficient water heaters, such as ECO ONE, a hybrid water heater with heating system that helps combat global warming. We will also work to further strengthen our supply chain to ensure a more stable supply of our products, which are daily necessities. Overseas, we will engage in sales promotion activities to expand demand for tankless water heaters in the United States, our main market for those products, while in China we will strengthen Internet sales, which are expected to grow, and expand the capacity of local production plants to broaden our range of offerings. At the same time, we will continue expanding our business into emerging countries and untapped regions. We will also promote products in countries and regions that are working progressively to realize a decarbonized society as indicated in our carbon neutrality declaration, RIM 2050.

Our consolidated forecasts for the year ending March 31, 2024 are as follows: Net sales of ¥440.0 billion (up 3.5% year on year), operating income of ¥43.0 billion (up 3.8%), ordinary income of ¥46.0 billion (up 3.2%), and net income attributable to owners of the parent company of ¥26.5 billion (up 1.5%).

(5) Changes in Performance and Assets (Millions of yen / except where noted)

	70th fiscal year (Year ended March 31, 2020)	71st fiscal year (Year ended March 31, 2021)	72nd fiscal year (Year ended March 31, 2022)	73rd fiscal year (Year ended March 31, 2023) (current fiscal year)
Net sales	340,460	344,364	366,185	425,229
Ordinary income	35,679	42,400	39,060	44,565
Net income attributable to owners of the parent company	21,561	27,581	23,748	26,096
Net income per share (yen)	139.83	178.87	156.80	176.92
Total assets	450,486	497,291	512,867	547,114
Net assets	340,959	371,318	378,856	407,199
Net assets per share (yen)	2,046.84	2,220.13	2,296.59	2,487.60

- Notes: 1. Net income per share is calculated using the average number of shares outstanding during the fiscal year, and net assets per share is calculated using the number of shares outstanding at fiscal year-end. Number of outstanding shares excludes treasury stock.
2. On April 1, 2023, the Corporation conducted a 3-for-1 stock split of shares of common stock. The above figures for “Net income per share” and “Net assets per share” are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2020.



(6) Significant Subsidiaries (As of March 31, 2023)

Name	Capital	Corporation Holdings	Primary Business
Yanagisawa Manufacturing Co., Ltd.	¥150 million	100.0%	Manufacture and sale of gas appliances
Rinnai Technica Co., Ltd.	¥200 million	100.0%	Manufacture and sale of gas appliances
RB Controls Co., Ltd.	¥150 million	100.0%	Manufacture and sale of electronic control units
Rinnai Precision Co., Ltd.	¥128 million	100.0%	Manufacture and sale of gas appliance components
Gastar Co., Ltd.	¥2,450 million	90.0%	Manufacture and sale of gas appliances
Rinnai Net Co., Ltd.	¥300 million	100.0%	Sale of gas appliances
Rinnai Australia Pty., Ltd.	A\$20 million	*100.0%	Manufacture and sale of gas appliances
Rinnai America Corporation	US\$81 million	100.0%	Manufacture and sale of gas appliances
Rinnai Korea Corporation	15,107 million won	*100.0%	Manufacture and sale of gas appliances
Shanghai Rinnai Co., Ltd.	74 million yuan	50.0%	Manufacture and sale of gas appliances
P.T. Rinnai Indonesia	3,085 million rupiah	52.0%	Manufacture and sale of gas appliances

* Percentage of shares includes shares held indirectly by subsidiaries.

(7) Principal Business (As of March 31, 2023)

The Group is primarily engaged in the manufacture and sale of gas appliances and related businesses. Principal products by division are as follows:

Division	Principal Products
Water heaters	Water heaters, water heaters with bath-filling system, water heaters with heating system, and hybrid water heaters with heating system
Kitchen appliances	Tabletop cookers, built-in hobs (stovetops), ovens, dishwashers, range hoods, and rice cookers
Air conditioning appliances	Fan heaters, fanned flue heaters, and infrared heaters
Commercial-use equipment	Commercial-use ceramics griller, commercial-use ranges, and Commercial-use rice cookers
Others	Clothes dryers, infrared burners, and components

(8) Major Offices and Production Facilities (As of March 31, 2023)**(a) Rinnai Corporation**

	Name	Address
Head office and related centers	Head office	Nakagawa-ku, Nagoya-shi, Aichi
	Technology Development Center	Oguchi-cho, Niwa-gun, Aichi
	Production Technology Center	Komaki-shi, Aichi
	Kasugai Logistics Center	Kasugai-shi, Aichi
	Atsugi Logistics Center	Atsugi-shi, Kanagawa
Factories	Oguchi Factory	Oguchi-cho, Niwa-gun, Aichi
	Seto Factory	Seto-shi, Aichi
	Akatsuki Factory	Seto-shi, Aichi
Sales branches	Tohoku	Wakabayashi-ku, Sendai-shi, Miyagi
	Kanto	Shinagawa-ku, Tokyo
	Chubu	Nakagawa-ku, Nagoya-shi, Aichi
	Kansai	Yodogawa-ku, Osaka-shi, Osaka
	Kyushu	Hakata-ku, Fukuoka-shi, Fukuoka

(b) Subsidiaries

Name	Address
Yanagisawa Manufacturing Co., Ltd.	Kadoma-shi, Osaka
Rinnai Technica Co., Ltd.	Minato-ku, Tokyo
RB Controls Co., Ltd.	Kanazawa-shi, Ishikawa
Rinnai Precision Co., Ltd.	Komaki-shi, Aichi
Gastar Co., Ltd.	Yamato-shi, Kanagawa
Rinnai Net Co., Ltd.	Nakagawa-ku, Nagoya-shi, Aichi
Rinnai Australia Pty., Ltd.	Melbourne, Victoria, Australia
Rinnai America Corporation	Peachtree City, Georgia, United States
Rinnai Korea Corporation	Incheon, South Korea
Shanghai Rinnai Co., Ltd.	Shanghai, People's Republic of China
P.T. Rinnai Indonesia	Jakarta, Indonesia

(9) Number of Consolidated Employees (As of March 31, 2023)

Number of employees	Increase (decrease) from previous fiscal year-end
11,150	+373

Notes: The above figures do not include temporary employees.

The average number of temporary employees during the fiscal year was 1,581.

2. Stock Information (As of March 31, 2023)

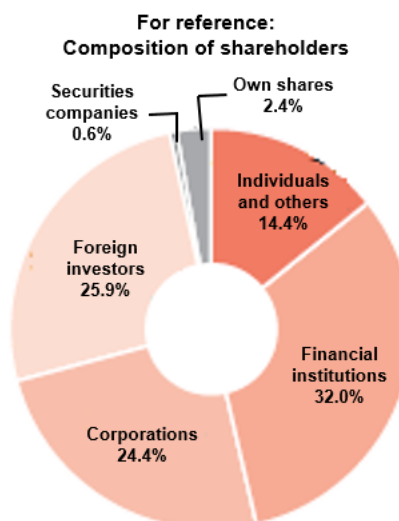
(a) Number of authorized shares: 200,000,000

(b) Number of issued shares: 48,795,493
(Excluding 1,225,564 shares of treasury stock)

(c) Number of shareholders: 4,736

Notes:

- Pursuant to Article 184, Paragraph 2, of the Companies Act, the Corporation on April 1, 2023, amended Article 6 of its Articles of Incorporation, thus increasing the total number of authorized shares by 400,000,000, to 600,000,000 shares.
- On April 1, 2023, the Corporation executed a 3-for-1 stock split of shares of common stock. As a result, the total number of issued shares increased by 100,042,114, to 150,063,171 shares.



(d) Major shareholders (top 10)

Name of shareholders	Number of shares (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,416	17.24
Naito Co., Ltd.	6,215	12.73
Custody Bank of Japan, Ltd. (Trust Account)	4,200	8.60
Kenji Hayashi	2,456	5.03
Rinnai Scholarship Foundation	1,400	2.86
Misaki Engagement Master Fund	1,137	2.33
Tokyo Gas Company, Limited	784	1.60
BBH (LUX) FOR FIDELITY FUNDS—SUSTAINABLE WATER AND WASTE POOL	591	1.21
Makoto Naito	570	1.16
Yukimi Naito	550	1.12

Notes:

- Treasury stocks (1,225,564 shares) held by the Corporation are excluded from the above figures.
- Shareholding ratios are calculated by number of shares excluding treasury stock.

(e) Status of stocks delivered to Directors and Audit & Supervisory Committee Member as compensation for the execution of their duties during the fiscal year

	Number of shares	Person to be delivered
Directors (excluding outside directors and directors who hold more than a certain number of stocks)	832	1

Note: Please refer to page 36 “(4) Remuneration for Directors and Audit & Supervisory Board Members” regarding the Corporation’s stock compensation.

(f) Other significant matters related to stocks

1. At its meeting held on May 10, 2022, the Board of Directors of the Corporation resolved a 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 implemented a share buyback as follows.

(1) Type of shares acquired	Common stock of the Company
(2) Total number of shares acquired	1,010,200 shares
(3) Total value of shares acquired	¥9,999,763,962
(4) Acquisition period	May 11–September 22, 2022

2. The Corporation disposed 4,933 shares of common stock from treasury stocks on July 28, 2022, to grant restricted stock for directors (excluding outside directors and directors who hold more than a certain number of stocks) and executive officers who do not concurrently serve as directors.

3. Stock Acquisition Rights

There is no applicable information.

4. Officers of Rinnai Corporation

(1) Names of Directors and Audit & Supervisory Board Members

(As of March 31, 2023)

Position	Name	Position at Other Institutions or Major Profession
Representative Director, and Chairman	Kenji Hayashi	
Representative Director, President and Executive Officer	Hiroyasu Naito	Outside director at Nagoya Railroad Co., Ltd.
Representative Director and Executive Vice President	Tsunenori Narita	Assistant to the President
Director	Nobuyuki Matsui	Outside director at Aichi Tokei Denki Co., Ltd. President at International Professional University of Technology in Nagoya
Director	Takashi Kamio	Chairman of Sasaeai, specified nonprofit corporation
Standing Audit & Supervisory Board Member	Haruhiko Ishikawa	
Standing Audit & Supervisory Board Member	Kinji Mori	
Audit & Supervisory Board Member	Masaaki Matsuoka	Certified public accountant Audit & Supervisory Board member at Kanemi Co., Ltd., Outside director (Audit & Supervisory Board member) at Mitachi Co., Ltd.
Audit & Supervisory Board Member	Ippei Watanabe	Lawyer Outside director (Audit and Supervisory Committee member) at Howa Machinery, Ltd.

- Notes:
1. Nobuyuki Matsui and Takashi Kamio are outside directors.
 2. Masaaki Matsuoka and Ippei Watanabe (Audit & Supervisory Board members) serve as outside auditors.
 3. Mr. Matsuoka is a certified public accountant and has considerable knowledge about accounting and finance.
 4. Mr. Watanabe is a licensed attorney at law and has considerable knowledge of corporate and legal affairs.
 5. The Corporation has notified the Tokyo Stock Exchange and the Nagoya Stock Exchange that Mr. Matsui, Mr. Kamio (directors), and Mr. Matsuoka and Mr. Watanabe (Audit & Supervisory Board members) satisfy the conditions for being independent directors/auditors.
 6. Katsuhiko Shinji retired due to his resignation at completion of the 72nd Ordinary General Shareholders' Meeting held on June 29, 2022.
 7. Kinji Mori was newly elected to his current position at the 72nd Ordinary General Shareholders' Meeting held on June 29, 2022.

(2) Summary of liability-limiting agreements

In accordance with the provisions of Article 427, Paragraph 1, of the Companies Act, two outside directors and two outside members of the Audit & Supervisory Board have signed agreements that limit liability for damages as provided for in Article 423, Paragraph 1, of the same law. The limit of liability for damages, based on these agreements, is an amount prescribed by law.

(3) Summary of liability insurance contract for officers

The Corporation concluded liability insurance contract for officers with an insurance company in accordance with the first paragraph of Article 430-3 of the Companies Act for all of the Corporation's directors, Audit & Supervisory Board members, executive officers, and important employees. The insurance contracts compensate court costs and damages which the insured bear due to lawsuits related to the Corporation, third-party proceedings, and shareholder-derived suits. As a measure that does not impair the appropriateness of the insured person's job execution, damage caused by an insured person's crime are excluded from compensation. The Corporation pays all insurance premiums of the contracts.

(4) Remuneration for Directors and Audit & Supervisory Board Members

a. Total amount of remuneration for fiscal 2023, ended March 31, 2023

	Total Remuneration (Millions of yen)	Total Remuneration by Item (Millions of yen)			Recipients (persons)
		Basic component	Annual bonus	Restricted stock	
Directors (including outside directors)	286 (16)	199 (16)	79 (-)	7 (-)	5 (2)
Audit & Supervisory Board members (including outside members)	44 (12)	44 (12)	- (-)	- (-)	5 (2)
Total (including outside members)	330 (28)	243 (28)	79 (-)	7 (-)	10 (4)

- Notes: 1. Compensation for directors does not include the employee portion in the case of directors who serve concurrently as employees.
2. Per resolution of the 71th Ordinary General Shareholders' Meeting held on June 29, 2021, basic component shall not exceed ¥370 million per year (including ¥50 million for outside directors), annual bonuses shall not exceed ¥220 million per year, restricted-stock compensation shall not exceed ¥120 million per year, and the maximum number of shares allotted to directors shall not exceed 20,000 shares per year (outside directors are not eligible for this compensation). (After adjustment for a 3-for-1 stock split of the Corporation's common stock, effective April 1, 2023, the maximum was increased to 60,000 shares per year.) At the end of the 73rd Ordinary General Shareholders' Meeting, the Corporation had five (5) directors (including two (2) outside directors).
3. The amount of performance-linked compensation (annual bonus) is determined based on the degree of achievement of targets for consolidated operating income and non-consolidated operating income, which are key performance indicators. The Corporation's financial results for the fiscal year under review are shown in the "Consolidated Statements of Income" on page 44 and the "Statements of Income" on page 46.
4. Non-monetary compensation consists of shares of the Corporation's stock. Terms and conditions for allotment of such compensation are as described in "b. Policies regarding officers' compensation" as follows. The delivery status of such compensation in the fiscal year under review is shown in "Status of stocks delivered to Directors and Audit & Supervisory Committee Member as compensation for the execution of their duties during the fiscal year" on page 33.
5. Per resolution of the 58th Ordinary General Shareholders' Meeting held on June

27, 2008, the combined compensation for Audit & Supervisory Board members is limited to ¥5 million per month. At the end of the 58th Ordinary General Shareholders' Meeting, the Corporation had four (4) members of Audit & Supervisory Board.

6. As of March 31, 2023, the Corporation had five (5) directors, including two (2) outside directors, and four (4) Audit & Supervisory Board members, including two (2) from outside.

b. Policies regarding officers' compensation

At its meeting held on May 12, 2021, the Corporation's Board of Directors resolved to adopt policies on determining compensation for individual directors and rules for officer compensation. The Corporation's policy for determining the content of compensation of directors shall be decided by resolution of the Board of Directors after objective deliberation by the Compensation Advisory Committee, the majority of whom are outside officers. Individual director compensation for the fiscal year under review was determined by deliberation at the meeting of Compensation Advisory Committee, which was delegated the authority based on the resolution made by the Board of Directors at its meeting held on June 29, 2022, in accordance with the aforementioned policies on determining officers' compensation and rules for officer compensation.

Since the amount of compensation for each individual director is determined through procedures based on such objective deliberations, the Board of Directors has determined that the content of compensation is in line with the Corporation's determination policies.

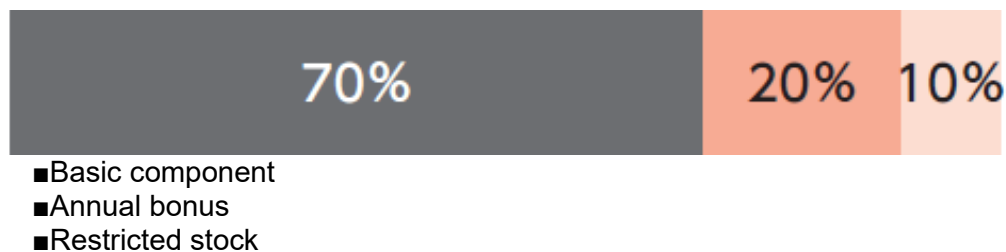
A summary of the Corporation's policies on determining compensation for individual directors is given below.

1. Basic principles on determining compensation for directors)
 - (1) Promoting solid corporate value creation over the medium to long term
 - The level and composition of compensation are set so that directors will be strongly motivated to realize increased corporate value and attain goals through the concerted efforts of the entire Corporation.
 - Directors will be motivated to routinely attain performance targets every fiscal year and create corporate value over the medium to long term by exercising appropriate quantitative evaluation on the basis of financial performance indicators and assessment of medium- to- long-term efforts on compensation.
 - Steady improvement of corporate value is sought through directors holding the Corporation's shares for the medium to long term, thus having common interests with shareholders.
 - (2) Securing objectivity and transparency to underline our accountability to a broad range of stakeholders, including shareholders
 - Policies on determining compensation are deliberated by the Compensation Advisory Committee, mainly composed of outside directors, and then ratified by the Board of Directors based on the Committee's recommendations.
 - The level and composition ratio of compensation are continuously validated by an objective comparison with those of comparable companies.
2. Structure of compensation
 - Compensation for directors consists of a basic component (fixed compensation) and a performance-linked component in a ratio of approximately 70:30 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 Corporation's shares for the medium to long term.
 - Compensation for outside directors is limited to a basic component (fixed compensation) only, in order to promote proper conduct of their duties to

supervise and give advice to management from a position independent of executive management.

- The composition of compensation and summary of each component are as follows:

Composition of compensation



Summary of each component

Type of compensation	Summary
Basic compensation	Cash compensation paid monthly in a fixed amount based on position and duties
Annual bonus	<p>Cash compensation designed to promote steady attainment of performance targets every fiscal year and corporate value creation over the medium to long term</p> <p>Consisting of a corporate performance-linked component (80%) and an individual performance-evaluation component (20%)</p> <ul style="list-style-type: none"> • The corporate performance-linked component will range from 0% to 150% of the standard amount, depending on the degree of attainment of targeted consolidated operating income and non-consolidated operating income, which are key performance indicators of the Corporation • The individual performance component will range from 0% to 150% of the standard amount, depending on major indicators of each director's area of responsibility and an evaluation of efforts towards medium- to long-term growth and ESG, etc. • Determined amounts will be paid as a lump-sum cash payment after the end of each fiscal year
Restricted stock	<p>Stock-based compensation designed to contribute to steady improvement of corporate value through shared interests with shareholders by holding the Corporation's shares for the medium to long term</p> <ul style="list-style-type: none"> • Basically, restricted stocks are granted every fiscal year, and transfer restrictions will be lifted in the event of a director's resignation

If any individual director holds a number of shares exceeding a specified number over the medium to long term, the director may not be eligible to receive the restricted stock and receive only an annual bonus as a performance-linked compensation incentive given the purposes of performance-linked compensation and effectiveness as incentive. Directors eligible to receive restricted stocks are identified at a meeting of the Compensation Advisory Committee, and then ratified by the Board of Directors.

3. Level of compensation

The level of compensation for directors (excluding outside directors) is set so that directors are strongly motivated to realize increased corporate value and attain

goals through the concerted efforts of the entire Corporation. It is determined on the basis of position and duties and by using objective data on executive compensation gathered through a survey conducted by an outside expert agency (Willis Towers Watson's Executive Compensation Data) and using those of selected comparable companies as a benchmark.

4. Process of determining compensation

Policies on determining compensation for directors are deliberated objectively at a meeting of the Compensation Advisory Committee, composed of a majority outside directors, and ratified by resolution of the Board of Directors based on the Committee's recommendations. The amount of each director's compensation, including an assessment of an individual performance-evaluation component, is determined by deliberation of the Compensation Advisory Committee to which the Board of Directors has resolved to delegate authority, ensuring more objectivity and transparency in the process of determining compensation.

Deliberations of the Compensation Advisory Committee are conducted from an objective viewpoint and by referring to expertise about compensation systems. Accordingly, information is obtained from an outside expert agency (Willis Towers Watson in fiscal 2023) when necessary.

The following are the members of the Compensation Advisory Committee who deliberated policies for the 73rd fiscal year and their activities during the fiscal year.

(Members)

- Hiroyasu Naito, President and Representative Director
- Nobuyuki Matsui, Outside Director (Chairman of the Committee)
- Takashi Kamio, Outside Director

(Activities)

May 18, 2022: Decision of annual bonus for the 72nd fiscal year, and deliberation on compensation policies for the 73rd fiscal year

June 29, 2022: Deliberation on selection of Compensation Advisory Committee Chairman and individual amounts of compensation for officers (directors) for the 73rd fiscal year

(5) Items Related to Outside Executives**a. Status of important concurrent positions at other entities, and relationships with Corporation and those entities**

Title	Name	Main concurrent position	Relationship with the Corporation
Director	Nobuyuki Matsui	<ul style="list-style-type: none">- Outside director at Aichi Tokei Denki Co., Ltd.- President at International Professional University of Technology in Nagoya	The Corporation has no special relationships with Aichi Tokei Denki or International Professional University of Technology in Nagoya
Director	Takashi Kamio	<ul style="list-style-type: none">- Chairman of Sasaeai, a specified nonprofit corporation	The Corporation makes donations to Sasaeai, but the amounts are only ¥50,000 per year
Audit & Supervisory Board member	Masaaki Matsuoka	<ul style="list-style-type: none">- Certified public accountant- Audit & Supervisory Board member at Kanemi Co., Ltd.- Outside director (Audit & Supervisory Board member) at Mitachi Co., Ltd.	The Corporation has no special relationships with Kanemi or Mitachi
Audit & Supervisory Board member	Ippei Watanabe	<ul style="list-style-type: none">- Lawyer- Outside director at Howa Machinery, Ltd. (Audit and Supervisory Committee member)	The Corporation has no special relationships with Howa Machinery

b. Main activities in fiscal year

Title	Name	Attendance at Board of Directors' meetings	Attendance at Audit & Supervisory Board meetings	Main Activities and Job Summary of Expected Role as Outside Directors
Director	Nobuyuki Matsui	15/15 (100%)	—	Express opinions at Board of Directors' meetings from a scholarly perspective based on his experience as a professor and university president. In particular, to supervise and provide advice as an expert in technology and technological development to ensure the adequacy and suitability of decision-making. Engaged as a member of the Nomination Advisory Committee and Chairman of the Compensation Advisory Committee to select director candidates and decide directors' compensation from an objective and neutral standpoint.
Director	Takashi Kamio	14/15 (93%)	—	Express opinions at Board of Directors meetings based on his extensive experience and wide-ranging insight as a director of other companies. In particular, supervise and provide advice as an expert in company management to ensure the adequacy and appropriateness of decision-making. Engaged as a member of the Nomination Advisory Committee and Compensation Advisory Committee to select director candidates and decide directors' compensation from an objective and neutral standpoint.
Audit & Supervisory Board member	Masaaki Matsuoka	15/15 (100%)	16/16 (100%)	Provide impartial advice from accounting and taxation perspectives to ensure the adequacy and appropriateness of decision-making. Make necessary remarks as appropriate at the meeting of Audit & Supervisory Board members.
Audit & Supervisory Board member	Ippei Watanabe	15/15 (100%)	16/16 (100%)	Provide impartial advice from legal perspective to ensure the adequacy and appropriateness of decision-making. Make necessary remarks as appropriate at the meeting of Audit & Supervisory Board members.

5. Status of Accounting Auditor

(1) Name of accounting auditor

Deloitte Touche Tohmatsu LLC

(2) Compensation to accounting auditor in the year under review (Millions of yen)

Compensation for services as accounting auditor	58
Total monetary and other financial profits paid by the Corporation and its subsidiaries	67

- Notes: 1. Under the agreement between the Corporation and its accounting auditor, there is no clear distinction between compensation for audits under the Companies Act and audits under the Financial Instruments and Exchange Law. For this reason, only the total compensation amounts to the accounting auditor are listed here.
2. Among major subsidiaries, overseas subsidiaries have different accounting auditors.

(3) Reason Audit & Supervisory Board Agrees to Compensation for Accounting Auditor

The Audit & Supervisory Board reviewed and discussed such aspects as the content of the audit plan by the accounting auditor, the execution of duties by the accounting auditor, and the basis for calculation of compensation estimates, and agreed that compensation to the accounting auditor was in line with Article 399, Paragraph 1 of the Companies Act.

(4) Policy on removal or non-reappointment of accounting auditor

If the Audit & Supervisory Board finds it necessary, due to an obstacle that prevents the accounting auditor from properly executing their required duties or due to some other issue of consequence, the Audit & Supervisory Board will prepare the content of an agenda item on the dismissal or non-reappointment of the accounting auditor to be put before the Ordinary General Meeting of Shareholders.

In addition, the Audit & Supervisory Board will dismiss the accounting auditor upon the consent of all members of the Audit & Supervisory Board, if the accounting auditor falls subject to any of the provisions in Article 340, Paragraph 1 of the Companies Act. In this event, a member of the Audit & Supervisory Board, chosen among board members, will give a report on the purpose for dismissing the accounting auditor and associated background at the first Ordinary General Meeting of Shareholders that convenes after the dismissal.

Consolidated Balance Sheets

(As of March 31, 2023)

(Millions of yen)

ASSETS		LIABILITIES	
Current assets	341,520	Current liabilities	112,868
Cash and deposits	150,883	Notes and accounts payable	26,205
Notes and accounts receivable, and contract assets	78,886	Electronically recorded monetary claims	37,851
Electronically recorded monetary claims	10,413	Other payables	20,785
Marketable securities	7,737	Accrued consumption taxes	1,270
Products	53,265	Accrued income taxes	6,665
Raw materials and stores	39,562	Accrued employees' bonuses	5,365
Other	6,141	Allowance for product guarantee	4,706
Less allowance for doubtful accounts	(5,369)	Other	10,018
Fixed assets	205,593	Long-term liabilities	27,045
Property, plant and equipment	118,166	Deferred tax liabilities	11,497
Buildings and structures	50,200	Allowance for environmental measures	2,255
Machinery, equipment and vehicles	19,875	Net defined benefit liabilities	8,827
Tools, furniture and fixtures	4,668	Other	4,465
Land	4,588	Total liabilities	139,914
Leased assets	12,954	NET ASSETS	
Construction in progress	3,743	Shareholders' equity	337,569
Intangible fixed assets	83,683	Common stock	6,484
Investments and advances	48,205	Capital surplus	8,428
Investments in securities	26,372	Earned surplus	334,946
Net defined benefit assets	4,774	Treasury stock	(12,290)
Deferred income taxes	4,379	Other accumulated comprehensive income	26,582
Other	(47)	Unrealized gain on marketable securities	6,161
Less allowance for doubtful accounts		Foreign exchange translation adjustment	14,248
		Remeasurements of defined benefit plans	6,171
		Non-controlling interests	43,048
		Total net assets	407,199
Total assets	547,114	Total liabilities and net assets	547,114

Consolidated Statements of Income

(Year ended March 31, 2023)

(Millions of yen)

Net sales		425,229
Cost of sales		286,834
Gross profit		138,394
Selling, general and administrative expenses		96,975
Operating income		41,418
Other income		
Interest income	1,690	
Dividends received	445	
Foreign exchange income	514	
Other	1,129	3,779
Other expenses		
Interest expenses	73	
Loss on retirement of fixed assets	225	
Fair value fluctuation amount related to contingent consideration	141	
Other	192	633
Ordinary income		44,565
Income before income taxes		44,565
Income taxes (current)	11,761	
Income taxes (deferred)	(192)	11,569
Net income		32,995
Net income attributable to non-controlling interests		6,898
Net income attributable to owners of the parent company		26,096

Nonconsolidated Balance Sheets

(As of March 31, 2023)

(Millions of yen)

ASSETS		LIABILITIES	
Current assets	133,053	Current liabilities	51,344
Cash and deposits	42,472	Accrued payable	15,373
Notes receivable	2,928	Electronically recorded monetary claims	21,267
Accounts receivable	48,503	Lease obligations	35
Electronically recorded monetary claims	9,202	Other payables	4,793
Marketable securities	5,999	Accrued expenses	732
Products	13,412	Accrued income taxes	4,560
Raw materials and stores	8,027	Deposits payable	152
Other	2,515	Accrued employees' bonuses	2,766
Less allowance for doubtful accounts	(9)	Allowance for product guarantees	754
Fixed assets	153,174	Other	908
Property, plant and equipment	52,041	Long-term liabilities	8,337
Buildings	23,487	Lease obligations	35
Structures	1,996	Accrued employees' retirement benefits	3,534
Machinery and equipment	4,668	Other	4,767
Vehicles and delivery equipment	77	Total liabilities	59,682
Tools, furniture and fixtures	2,121	NET ASSETS	
Land	12,731	Shareholders' equity	220,583
Leased assets	64	Common stock	6,484
Construction in progress	6,892	Capital surplus	8,743
Intangible fixed assets	1,585	Capital reserve	8,743
Software	1,241	Earned surplus	217,645
Other	344	Legal reserve	1,614
Investments and advances	99,546	Other legal reserve:	216,030
Investments in securities	47,063	General reserve	180,000
Stocks of affiliated companies	32,353	Retained earnings carried forward	36,030
Investments in affiliated companies	1,870	Treasury stock	(12,290)
Prepaid pension expenses	17,532	Other adjustments	5,961
Other	744	Unrealized gain on marketable securities	5,961
Less allowance for doubtful accounts	(18)	Total net assets	226,544
Total assets	286,227	Total liabilities and net assets	286,227

Nonconsolidated Statements of Income

(Year ended March 31, 2023)

(Millions of yen)

Net sales		242,442
Cost of sales		183,547
Gross profit		58,895
Selling, general and administrative expenses		39,024
Operating income		19,871
Other income		
Interest income and dividends received	3,611	
Other	1,601	5,213
Other expenses		
Loss on retirement of fixed assets	178	
Other	109	287
Ordinary income		24,796
Income before income taxes		24,796
Income taxes		
Current	6,196	
Deferred	69	6,265
Net income		18,530

(Translation: Accounting auditor's audits of consolidated financial statements)

ACCOUNTING AUDITOR'S REPORT

May 12, 2023

To the Board of Directors of
Rinnai Corporation:

Deloitte Touche Tohmatsu LLC
Nagoya Office
Designated Limited Liability Partner, Engagement Partner,
Certified Public Accountant: Haruhisa Suzuki
Designated Limited Liability Partner, Engagement Partner,
Certified Public Accountant: Kouji Kitaoka

Auditor's Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we, Deloitte Touche Tohmatsu LLC ("the Auditor") have audited the consolidated financial statements of Rinnai Corporation (the "Corporation") and its consolidated subsidiaries, for the fiscal year ended March 31, 2023, namely, consolidated balance sheets, consolidated statements of income, consolidated statements of changes in shareholders' equity, notes to the consolidated financial statements, and other notes.

In the Auditor's opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation and its consolidated subsidiaries as of March 31, 2023, and the results of their operations for the year then ended, in conformity with accounting principles generally accepted in Japan.

Basis for Auditor's Opinion

The Auditor conducts its audit in accordance with auditing standards generally accepted in Japan. The Auditor's responsibility with respect to auditing standards is described in "Auditor's responsibility on auditing consolidated financial statements". According to regulations on professional ethics in Japan, the Auditor is independent from the Corporation and its consolidated subsidiaries, and fulfills its responsibility in an ethical manner. The Auditor believes the audit it has performed provides an adequate and reasonable basis for opinion.

Other Information

Other information comprises business report and its attachments. It is the responsibility of management to prepare and disclose the above information. The Audit & Supervisory Board and Audit & Supervisory Board Members are responsible for monitoring the execution of directors' duties in preparing and implementing the reporting process.

The Auditor's opinion on the consolidated financial statements does not cover other information, and the Auditor does not express its opinion on other information.

It is the responsibility of the Auditor to audit consolidated financial statements, and examine if there are significant differences between other information and consolidated financial statements or knowledge gained through audit process. In addition, the Auditor pays attention to other sign of significant mistakes than significant differences.

If the Auditor conclude that there are any significant mistakes in other information based on the works performed, it is required to report that fact.

The Auditor does not have any matters to report regarding other information.

Responsibility of Management, Audit & Supervisory Board, and Audit & Supervisory Board Members, for Consolidated Financial Statements

It is the responsibility of management to prepare and properly disclose consolidated financial statements, in accordance with corporate accounting standards generally accepted in Japan. This responsibility includes establishment and operation of an internal control system that management deems necessary to ensure preparation and proper disclosure of consolidated financial statements without material misstatement

due to fraudulent activity or error.

In preparing consolidated financial statements, management is responsible for evaluating the appropriateness of such statements based on going concern assumptions, and for disclosing going concern matters if necessary, in accordance with corporate accounting standards generally accepted in Japan.

The Audit & Supervisory Board and Audit & Supervisory Board Members are responsible for monitoring the execution of directors' duties in preparing and implementing the financial reporting process.

Auditor's Responsibility on Auditing Consolidated Financial Statements

It is the responsibility of the Auditor to obtain reasonable assurance about whether the overall presentation of consolidated financial statements is free of material misstatement due to fraudulent activity or error, and express an opinion by auditor's report on the consolidated financial statements from an independent perspective, based on its audit. Misstatements can arise from fraudulent activity or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of the users of consolidated financial statements.

The Auditor performs audits as follows, using professional judgement and maintaining professional skepticism throughout the audit, in accordance with auditing standards generally accepted in Japan.

- The Auditor identifies and evaluates the risk of material misstatement in the consolidated financial statements due to fraudulent activity or error. The Auditor plans and performs auditing procedures while addressing the risk of material misstatement. The auditing procedures are selected and applied, based on the Auditor's judgement. The Auditor obtains adequate and reasonable audit evidence before making opinions.
- The purpose of an audit is not to express an opinion on the effectiveness of the internal control system, and when evaluating risk, the Auditor examines the internal control system pertaining to the audits of consolidated financial statements so that auditing procedures appropriate to the situation may be designed.
- The Auditor evaluates the appropriateness of the accounting policies used and their method of application as well as the reasonableness of estimates made by management and the applicability of related financial notes.
- The Auditor makes conclusions with respect to the appropriateness of preparing consolidated financial statements based on going concern assumptions. The Auditor also makes conclusions, based on audit evidence at hand, about the risk of material uncertainty regarding events and/or circumstances that could cause material doubt about the going concern assumption. If material uncertainty about going concern assumptions is recognized, the Auditor is required to call attention to notes to the consolidated financial statements in its Accounting Auditor's Report. If the notes to the consolidated financial statements regarding material uncertainty are deemed to be inappropriate, the Auditor is required to modify the opinion about the consolidated financial statements. The Auditor's conclusions are based on audit evidence obtained by the date of its auditor's report. Depending on future events or circumstances, however, the Corporation may not be able to survive as a going concern.
- The Auditor evaluates whether or not the presentation of the consolidated financial statements and notes comply with corporate accounting standards generally accepted in Japan. The Auditor also evaluates the presentation, composition, and contents of the consolidated financial statements (including related notes) and assesses whether or not such statements properly reflect underlying transactions and accounting events.
- In order to express opinions about the consolidated financial statements, the Auditor is required to obtain adequate and reasonable audit evidence regarding the financial information of the Corporation and its consolidated subsidiaries. The Auditor is responsible for instruction, supervision, and implementation of audits of the consolidated financial statements. The Auditor is solely responsible for its auditing opinion.

The Auditor make reports to the Audit & Supervisory Board and Audit & Supervisory

Board Members about the following: scope and timing of planned audits, important findings (including material deficiencies in internal control recognized during the auditing process), and other items as required under auditing standards.

In its report to the Audit & Supervisory Board and Audit & Supervisory Board Members, the Auditor confirms that it has complied with regulations on professional ethics in Japan concerning independence. Its report also includes matters deemed reasonably to affect the Auditor's independence, as well as details of safeguards, if taken, to reduce or avoid impeding factors.

Financial Interest

Neither the firm nor its engagement partners have any financial interest in the Corporation and its consolidated subsidiaries for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in Japanese.

(Translation: Accounting auditor's audits of financial statements)

ACCOUNTING AUDITOR'S REPORT

May 12, 2023

To the Board of Directors of
Rinnai Corporation:

Deloitte Touche Tohmatsu LLC
Nagoya Office
Designated Limited Liability Partner, Engagement Partner,
Certified Public Accountant: Haruhisa Suzuki
Designated Limited Liability Partner, Engagement Partner,
Certified Public Accountant: Kouji Kitaoka

Auditor's Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we, Deloitte Touche Tohmatsu LLC ("the Auditor") have audited the financial statements of Rinnai Corporation (the "Corporation"), for the fiscal year ended March 31, 2023, namely, nonconsolidated balance sheets, nonconsolidated statements of income, nonconsolidated statements of changes in shareholders' equity, notes to nonconsolidated financial statements, and other notes and attachments.

In the Auditor's opinion, the financial statements and attachments referred to above present fairly, in all material respects, the financial position of the Corporation as of March 31, 2023, and the results of their operations for the year then ended, in conformity with accounting principles generally accepted in Japan.

Basis for Auditor's Opinion

The Auditor conducts its audit in accordance with auditing standards generally accepted in Japan. The Auditor's responsibility with respect to auditing standard is described in "Auditor's responsibility on auditing financial statements". According to regulations on professional ethics in Japan, the Auditor is independent from the Corporation, and fulfills its ethical manner. The Auditor believes the audit it has performed provides an adequate and reasonable basis for opinion.

Other Information

Other information comprises business report and its attachments. It is the responsibility of management to prepare and disclose the above information. The Audit & Supervisory Board and Audit & Supervisory Board Members are responsible for monitoring the execution of directors' duties in preparing and implementing the reporting process.

The Auditor's opinion on the financial statements does not cover other information, and the Auditor does not express its opinion on other information.

It is the responsibility of the Auditor to audit financial statements, and examine if there are any significant differences between other information and financial statements or knowledge gained through audit process. In addition, the Auditor pays attention to other sign of significant mistakes than significant differences.

If the Auditor conclude that there are any significant mistakes in other information based on the works performed, it is required to report that fact.

The Auditor does not have any matters to report regarding other information.

Responsibility of Management, Audit & Supervisory Board, and Audit & Supervisory Board Members, for Financial Statements

It is the responsibility of management to prepare and properly disclose financial statements, in accordance with corporate accounting standards generally accepted in Japan. This responsibility includes establishment and operation of an internal control system that management deems necessary to ensure preparation and proper disclosure of financial statements without material misstatement due to fraudulent activity or error.

In preparing financial statements, management is responsible for evaluating the

appropriateness of such statements based on going concern assumptions, and for disclosing going concern matters if necessary, in accordance with corporate accounting standards generally accepted in Japan.

The Audit & Supervisory Board and Audit & Supervisory Board Members are responsible for monitoring the execution of directors' duties in preparing and implementing the financial reporting process.

Auditor's Responsibility on Auditing Financial Statements

It is the responsibility of the Auditor to obtain reasonable assurance about whether the overall presentation of financial statements is free of material misstatement due to fraudulent activity or error, and express an opinion by auditor's report on the financial statements from an independent perspective, based on its audit. Misstatements can arise from fraudulent activity or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of the users of financial statements.

The Auditor performs audits as follows, using professional judgement and maintaining professional skepticism throughout the audit, in accordance with auditing standards generally accepted in Japan.

- The Auditor identifies and evaluates the risk of material misstatement in the financial statements due to fraudulent activity or error. The Auditor plans and performs auditing procedures while addressing the risk of material misstatement. The auditing procedures are selected and applied, based on the Auditor's judgement. The Auditor obtains adequate and reasonable audit evidence before making opinions.
- The purpose of an audit is not to express an opinion on the effectiveness of the internal control system, and when evaluating risk, the Auditor examines the internal control system pertaining to the audits of financial statements so that auditing procedures appropriate to the situation may be designed.
- The Auditor evaluates the appropriateness of the accounting policies used and their method of application as well as the reasonableness of estimates made by management and the applicability of related financial notes.
- The Auditor makes conclusions with respect to the appropriateness of preparing financial statements based on going concern assumptions. The Auditor also makes conclusions, based on audit evidence at hand, about the risk of material uncertainty regarding events and/or circumstances that could cause material doubt about the going concern assumption. If material uncertainty about going concern assumptions is recognized, the Auditor is required to call attention to notes to the financial statements in its Accounting Auditor's Report. If the notes to the financial statements regarding material uncertainty are deemed to be inappropriate, the Auditor is required to modify the opinion about the financial statements. The Auditor's conclusions are based on audit evidence obtained by the date of its auditor's report. Depending on future events or circumstances, however, the Corporation may not be able to survive as a going concern.
- The Auditor evaluates whether or not the presentation of the financial statements and notes comply with corporate accounting standards generally accepted in Japan. The Auditor also evaluates the presentation, composition, and contents of the financial statements (including related notes) and assesses whether or not such statements properly reflect underlying transactions and accounting events.

The Auditor makes reports to the Audit & Supervisory Board and Audit & Supervisory Board Members about the following: scope and timing of planned audits, important findings (including material deficiencies in internal control recognized during the auditing process), and other items as required under auditing standards.

In its report to the Audit & Supervisory Board and Audit & Supervisory Board Members, the Auditor confirms that it has complied with regulations on professional ethics in Japan concerning independence. Its report also includes matters deemed reasonably to affect the Auditor's independence, as well as details of safeguards, if taken, to reduce or avoid impeding factors.

Financial Interest

Neither the firm nor its engagement partners have any financial interest in the Corporation for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in Japanese.

(Translation)

Report of the Audit & Supervisory Board

The Audit & Supervisory Board reviewed each member's report regarding the directors' execution of their duties, obligations and responsibilities for the 73rd financial period, from April 1, 2022, through March 31, 2023. Upon deliberation, we created the auditor's report and would like to report as follows:

1. Methods and contents of audits by members of the Audit & Supervisory Board and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board determined the policies of audits and duties of members, and received reports on the status of the implementation of audits and the results from members. In addition, the Audit & Supervisory Board received reports on execution of duties from directors and accounting auditors, and received explanations when necessary.
- (2) According to the policies of audits and duties of members, determined by the Audit & Supervisory Board, members develop the environment for audits, collecting information through communication (in person or via web conferencing system) with directors, executive officers, and employees at the internal auditing division and other divisions, and have audited procedures as follows.
 - (a) Members of the Audit & Supervisory Board also attended important meetings including Board of Directors' meeting (in person or via web conferencing system) and constantly received reports on execution of duties from directors, executive officers, and other employees, and received explanations when necessary. In addition, members reviewed important documents about closing the books and investigated the state of operations and assets of the headquarters and major offices. For subsidiary companies, members received business reports, sharing information (utilizing internet) with directors and members of the audit & supervisory board of subsidiaries when necessary.
 - (b) The internal control system of the Corporation, which is based on the content of resolutions by the Board of Directors and relevant resolutions in accordance with the first and third clauses of Article 100 of the Ordinance for Enforcement of the Companies Act, is necessary for systems to ensure that execution of business by directors conforms to legal regulations and the Articles of Incorporation and systems to ensure appropriateness of the business activities of the Corporation and subsidiary companies described in this business report. Members reviewed regular reports about the formulation and effectiveness of the internal control system, and received explanation when necessary from directors, executive officers, and employees, in order to declare its opinion.
 - (c) Members of the Audit & Supervisory Board monitored and inspected the independence of accounting auditors and execution of adequate audits, and received the report and explanation on execution of duties from accounting auditors when necessary. We also received notice from accounting auditors that they conducted their audits in accordance with the "System to secure adequate execution of duties" (Article 131, accounting and computation rule of the Companies Act) and the "Quality control standard regarding audits" (October 28, 2005, Business Accounting Council), and received explanation when necessary.

Based on measures as stated above, we reviewed the business reports and attachments, nonconsolidated financial statements (nonconsolidated balance sheets, nonconsolidated statements of income, nonconsolidated statements of changes in shareholders' equity, and notes to nonconsolidated financial statements) and attachments, and consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in shareholders' equity and notes to consolidated financial statements), for the fiscal year ended March 31, 2023.

2. Audit results

(1) Audit results of business report and attachments

- a. The business report and the attachments fairly reflect the state of the Corporation, in accordance with legal requirements and the Articles of Incorporation.
- b. There are no exceptions to be made, regarding the overlapping of director duties, and there are no violations of relevant legal requirements or the Articles of Incorporation.
- c. We recognize the appropriateness of resolutions by the Board of Directors' meetings as regarding the internal control system. As to the description in this business report and the execution of directors' duties regarding said internal control system, there are no exceptions to be made.

(2) Audit results of nonconsolidated financial statements and attachments

In our opinion, the auditing methods applied by Deloitte Touche Tohmatsu LLC, accounting auditors and their results are appropriate.

(3) Audit results of consolidated financial statements and attachments

In our opinion, the auditing methods applied by Deloitte Touche Tohmatsu LLC, accounting auditors and their results are appropriate.

May 22, 2023

The Audit & Supervisory Board, Rinnai Corporation.

Haruhiko Ishikawa, Standing Audit & Supervisory Board Member
Kinji Mori, Standing Audit & Supervisory Board Member
Masaaki Matsuoka, Outside Audit & Supervisory Board Member
Ippei Watanabe, Outside Audit & Supervisory Board Member

Note: Masaaki Matsuoka and Ippei Watanabe (Audit & Supervisory Board Members) serve as outside members of the Audit & Supervisory Board, in accordance with the 16th item of Article 2 and the third clause of Article 335 of the Companies Act.

The above represents a translation, for convenience only, of the original report issued in Japanese.

Rinnai Corporation
Notice of Convocation of
The 73rd Ordinary General Shareholders' Meeting

PLACE

Grand Banquet Hall "The Grand Court", 7th floor, ANA CROWNE PLAZA Hotel Grand Court
NAGOYA
1-1-1, Kanayama-cho, Naka-ku, Nagoya

DIRECTIONS

- One-minute walk from South Gate of Kanayama Station (JR line, Meitetsu line, and subway)
- Five-minute ride from Nagoya Station (JR line or Meitetsu line) to Kanayama Station
- Ten-minute ride from Sakae Station (subway) to Kanayama Station

This document has been prepared as a guide for non-Japanese investors and contains forward-looking statements that are based on management's estimates, assumptions, and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of the Japanese-language original.