



Rinnai Report 2021 (Integrated Report)

Rinnai

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

Since its founding in 1920, the Rinnai Group has contributed to comfortable lifestyles for people around the world through the provision of gas stoves, water heaters and heating systems.

At present, the Rinnai Group has bases in 18 countries and regions, and deploys products in over 80 countries throughout the world. Rinnai offers optimal solutions suitable for lifestyle cultures, climate conditions and energy requirements in each country of the world to contribute to the realization of healthy and comfortable lifestyles and sustainable societies for people throughout the world.



Fundamental Concept

Quality is our destiny

Company Motto

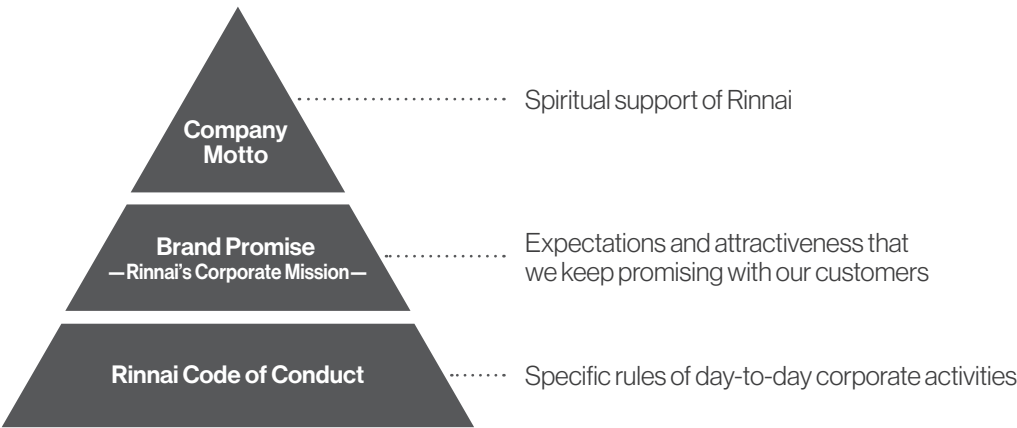


- 和 Harmony: Develop personal character of the highest caliber
- 氣 Spirit: Base your efforts on a consistent philosophy
- 真 Sincerity: Know the fundamentals and consider issues with precision and clarity

Brand Promise —Rinnai’s Corporate Mission—

Creating a healthier way of living

Schematic Diagram of Company Ideals



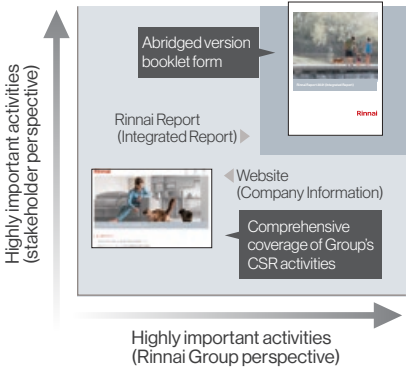
Rinnai Report 2021 (Integrated Report)

Editorial Policy

Rinnai produced the Rinnai Report 2021 (Integrated Report) to convey to stakeholders management’s approach to the realization of a sustainable society, to describe the activities undertaken Groupwide, and to encourage a deeper understanding of the Group’s operations to as many people as possible.

Rinnai’s Activities

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



Scope

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

Reporting Period

This report focuses on events that occurred in fiscal 2021—April 1, 2020, to March 31, 2021—but also touches upon measures implemented and recent activities undertaken since fiscal 2021 as well as future business direction, targets, and plans.

Referenced Guidelines

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

Publication Schedule

August 2021 (Japanese version)
Previous: September 2020, Next: August 2022 (planned)

Important Points Regarding Future Outlook

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

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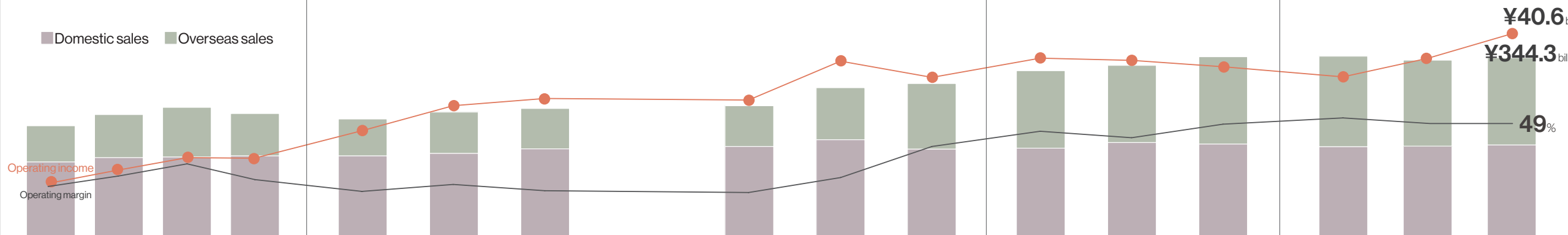





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100 Years of History (Part 1) 1920–2004

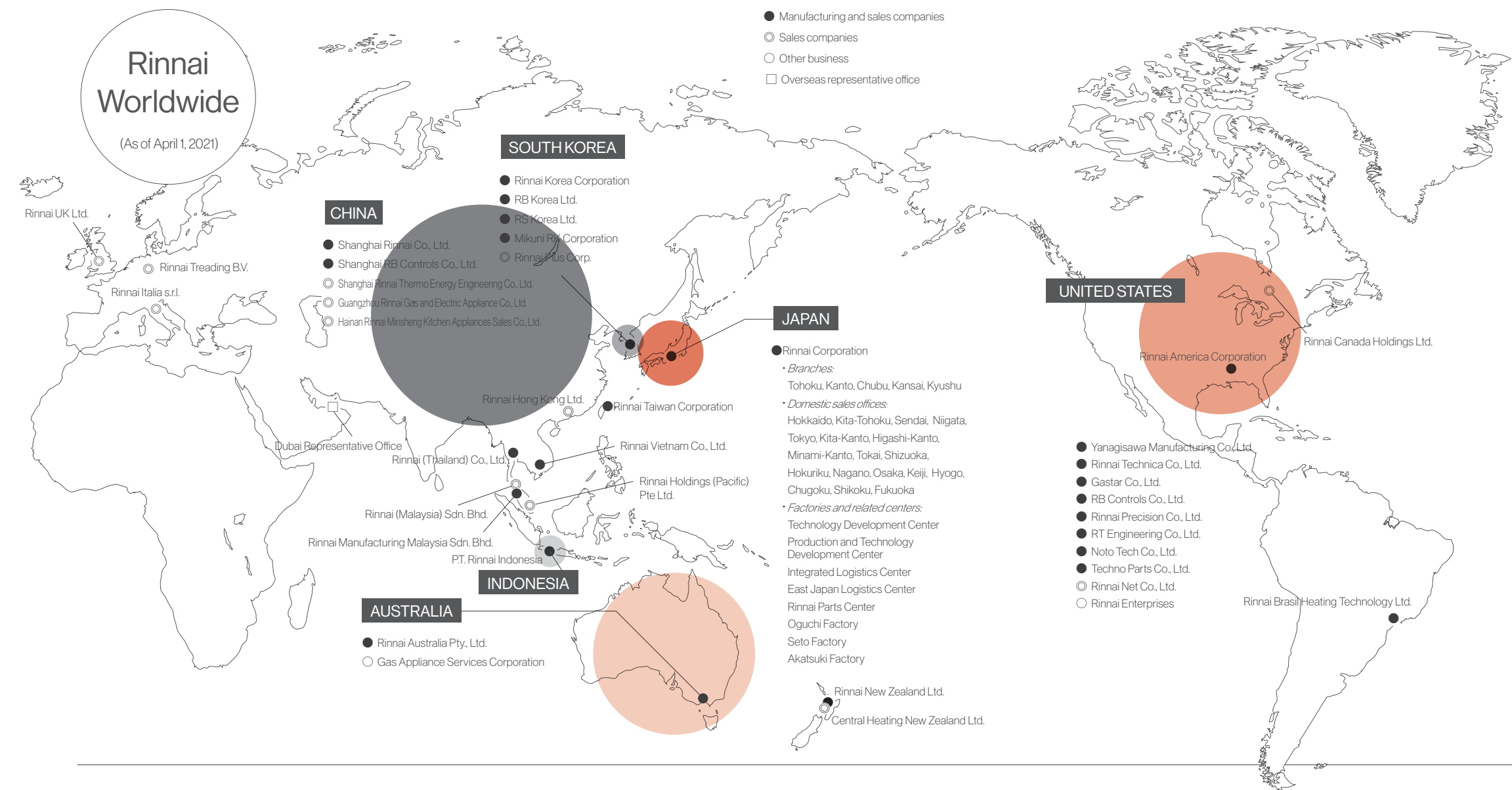
Rinnai commemorated the 100th anniversary of its founding on September 1, 2020.

Historical Overview	<div>Phase 1</div> <div>Founding and Postwar Reconstruction</div> <div>[1920–1949]</div> <div>Childhood friends Hidejiro Naito and Kanekichi Hayashi were inspired by the blue flame of an oil stove outside a shop selling <i>Imagawa-yaki</i> (sweet stuffed pancakes) and decided to start a business. Taking a character from each of their surnames, they named it Rinnai & Co., launching the development and commercialization of oil and gas stoves and oil heaters.</div> <div>After the start of the Sino-Japanese war, the market for oil and gas stoves was suspended due to oil consumption regulations that prioritized military use, thus the Company survived by manufacturing parts for aircraft and other equipment. After the war ended, they relaunched their business with the manufacture of industrial and agricultural equipment, and in 1949, they resumed production of gas and oil stoves as originally intended.</div>	<div>Phase 2</div> <div>Establishing a Corporate Foundation</div> <div>[1950–1965]</div> <div>In 1950, the Company was relaunched as a corporation with the establishment of Rinnai Seisakusho. During the 1950s, sales offices were opened in Tokyo, Osaka, Fukuoka and other urban areas, creating a nationwide sales network.</div> <div>A major turning point came when they encountered Dr. Schwank, developer of the gas infrared ceramic burner. The first major hit product was a gas infrared stove using burners manufactured by Schwank GmbH based on a technology tie-up between the two companies. In the early 1960s, the Inba Factory (later the Asahi Factory) and Oguchi Factory were constructed in response to the strong demand for these stoves.</div>	<div>Phase 3</div> <div>Promoting Business Activities Overseas</div> <div>[1966–1978]</div> <div>The Company, which commemorated its 50th anniversary in 1970, changed its name to its current form, Rinnai Corporation, the following year. A Technology Center was also constructed and a development division was launched to undertake product development, establishing a development-oriented company structure.</div> <div>Overseas development began with the establishment of Rinnai International in Ohio, USA (1967), expanding to Taiwan, Australia, Malaysia, South Korea, New Zealand, Brazil, the United Kingdom and a variety of other locations, where local offices and subsidiaries were established in an effort to improve the culture of everyday life in those areas.</div>	<div>Phase 4</div> <div>Becoming a Listed Company</div> <div>[1979–1987]</div> <div>In 1979, the Company was listed on the Second Section of the Nagoya Stock Exchange, and in 1983, it was listed on the First Section of both the Tokyo Stock Exchange and the Nagoya Stock Exchange. Around the same time, the Company made progress in terms of quality cost delivery (QCD), aiming to develop molds and other critical components that up to that time had been outsourced. In developing new technologies and products, the Company brought new products to market meeting user needs, including the <i>Yukko</i> compact gas water heater (1982) and the push-button gas tabletop cooker (1984). Focusing efforts on enhancing its customer service system, in 1986 the Company launched telephone support available 24 hours a day, 365 days a year.</div>	<div>Phase 5</div> <div>Advancing as a Global Corporation</div> <div>[1988–2004]</div> <div>In fiscal 1989, for the first time the Company achieved its long-sought after sales target of ¥100 billion, and in commemoration of its 70th anniversary a year later, plans were made to construct a new Head Office building that was completed in 1994.</div> <div>In terms of products, the Company promoted added value through safety functions that included gas water heaters equipped with carbon monoxide sensors and hobs (stovetops) equipped with a tempura oil fire prevention function. In response to the rapid development of China and ASEAN countries, the Company established joint manufacturing bases and acquired quality and environmental management certifications, including ISO 9000 and 14000 series in promotion of initiatives undertaken as a global corporation.</div>
	Performance				
Technologies and Products	<div>1921</div> <div><div>●1920</div><div>The Rinnai-type kerosene gas stove registered as a utility model is launched.</div></div> <div><div>●1923</div><div>Gas tabletop stove, gas ranges, gas oven, gas water heater and other product deliveries to gas companies across Japan as overseas exports begin.</div></div> <div><div>●1937</div><div>Sales of oil and gas stoves across north China market from base in Tianjin City are launched.</div></div> <div></div> <div>Rinnai-type kerosene gas stove</div>	<div>1951–</div> <div><div>●1957</div><div>The company forms a technology tie-up with German company Schwank GmbH to manufacture and sell gas infrared burners and to develop heaters and cooking appliances that use them.</div></div> <div></div> <div>Schwank gas infrared heater produced domestically in Japan for the first time</div>	<div>1967–</div> <div><div>●1967</div><div>Technology Development Center opens.</div></div> <div><div>●1971</div><div>Development and sales of high-speed gas convection range, <i>Convec</i>.</div></div> <div><div>●1972</div><div>The company receives the Ota Award from the Japan Gas Association for its high-speed gas convection range, <i>Convec</i>.</div></div> <div></div> <div>High-speed gas convection range, <i>Convec</i></div>	<div>1980–</div> <div><div>●1980</div><div>Full-scale production of built-in equipment begins.</div></div> <div><div>●1983</div><div>A gas instantaneous water heater, <i>UT</i>, equipped with a safety mechanism to prevent incomplete combustion launches.</div></div> <div><div>●1985</div><div>The company receives the Ota Award from the Japan Gas Association for development of a water boiler equipped with a safety mechanism to prevent incomplete combustion.</div></div> <div><div>●1986</div><div>The company receives the Excellent Technology Prize from the Japan Gas Association as well as the first Chunichi Industrial Technology Award for the development of an ultracompact water heater, <i>Yukko</i>.</div></div> <div></div> <div>Gas instantaneous water heater, <i>UT</i></div>	<div>1989–</div> <div><div>●1990</div><div>The Tsukuba Research Center (now Tsukuba Training Center) opens.</div></div> <div><div>●1998</div><div>Gas fan heater and air purifier are combined together.</div></div> <div><div>●1999</div><div>A highly efficient condensing gas water heater is launched.</div></div> <div><div>●2000</div><div>The company receives the Ministry of international Trade and Industry's Energy Conservation Award for its highly efficient condensing gas water heater.</div></div> <div><div>●2003</div><div>The company receives the Energy Conservation Grand Prize (Chairman's Prize) from the Energy Conservation Center for its glass-top stoves with inner flame burners.</div></div> <div></div> <div>Highly efficient condensing gas water heater</div>
	Management and Organization	<div><div>●1920</div><div>The company is incorporated as Rinnai & Co. by founders Hidejiro Naito and Kanekichi Hayashi.</div></div> <div><div>●1938</div><div>Manufacturing of aircraft parts takes place with the factory coming under military supervision.</div></div> <div><div>●1940</div><div>The company changes its name to Rinnai Aircraft Parts Manufacturing.</div></div> <div><div>●1947</div><div>Production of gas and kerosene appliances resumes at the rebuilt Head Office factory.</div></div>	<div><div>●1950</div><div>The company is reorganized as a joint stock company and renamed Rinnai Seisakusho.</div></div> <div><div>●1954</div><div>The Tokyo Sales Office (now the Kanto Branch) opens.</div></div> <div><div>●1956</div><div>The Osaka Sales Office (now the Kansai Branch) opens.</div></div> <div><div>●1957</div><div>The Aichi Factory (now the Chubu Branch) opens.</div></div> <div><div>●1960</div><div>The Inba Factory (later the Asahi Factory) opens.</div></div> <div><div>●1961</div><div>The Fukuoka Sales Office (now the Kyushu Branch) opens.</div></div> <div><div>●1963</div><div>The Sendai Satellite Office (now the Tohoku Branch) opens.</div></div> <div><div>●1963</div><div>The Sapporo Satellite Office (now the Hokkaido Sales Office) opens.</div></div>	<div><div>●1968</div><div>The Niigata Satellite Office (now the Niigata Sales Office) opens.</div></div> <div><div>●1969</div><div>The Nagoya Sales Office (now the Chubu Branch) opens.</div></div> <div><div>●1970</div><div>Rinnai Taiwan Corporation is established.</div></div> <div><div>●1970</div><div>Business partnership with Yanagisawa Manufacturing Co., Ltd.</div></div> <div><div>●1970</div><div>Investment in Yamauchi Yoko (now RT Engineering Co., Ltd.)</div></div> <div><div>●1971</div><div>The name changes to Rinnai Corporation.</div></div> <div><div>●1971</div><div>RB Controls Co., Ltd. is established.</div></div> <div><div>●1971</div><div>Rinnai Australia Pty. Ltd. is established.</div></div> <div><div>●1973</div><div>Rinnai (Malaysia) Sdn. Bhd. is established.</div></div>	<div><div>●1979</div><div>The company is listed on the Second Section of the Nagoya Stock Exchange.</div></div> <div><div>●1979</div><div>Rinnai Precision Co., Ltd. is established.</div></div> <div><div>●1979</div><div>The Seto Factory opens.</div></div> <div><div>●1981</div><div>Japan Ceramics Co., Ltd. is established.</div></div> <div><div>●1981</div><div>Business partnership with Isomura Kiki (now Rinnai Technica Co., Ltd.)</div></div> <div><div>●1983</div><div>The Hiroshima Sales Office (now the Chugoku Branch) opens.</div></div> <div><div>●1983</div><div>The company is listed on the First Section of the Tokyo Stock Exchange and the Nagoya Stock Exchange.</div></div>

100 Years of History (Part 2) 2005–2020
Promoting Medium-term Business Plans Under a New Structure

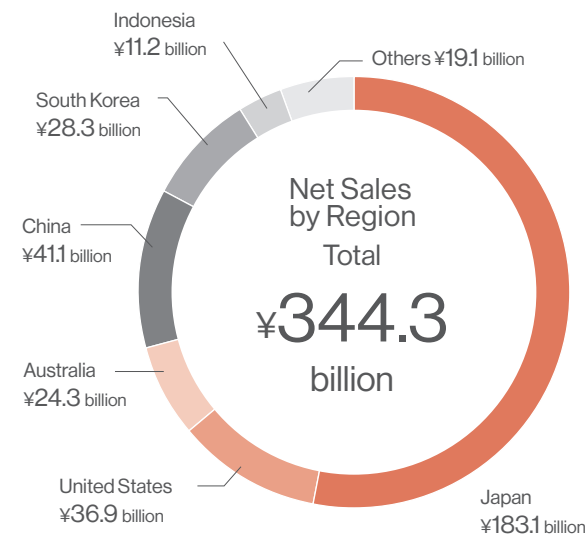
Medium-term Business Plans	<div>Phase 6</div> <div>V-Shift Plan</div> <div>[2006–2008]</div> <div>In 2005, the current President Hiroyasu Naito was appointed. His first policy was to “focus on a high-value-added and differentiated product strategy centered on new technologies.” This concept was made into concrete measures and incorporated into the “V-shift Plan” medium-term business plan. With “V” representing value, the plan, simply put, aimed to transition from quantity to quality. In line with the policies of switching from “a focus on sales and market share to added value and profits” and from an “omnidirectional strategy to selection and concentration,” the Company revised its cost structure and attempted to realize manufacturing innovations.</div>	<div>Phase 7</div> <div>Reform & Breakthrough</div> <div>[2009–2011]</div> <div>Under the medium-term business plan launched in 2009 entitled “Reform & Breakthrough,” the Company aimed to become a comprehensive heat energy appliance manufacturer contributing to people’s lifestyles throughout the world, establishing a presence with a unique business model appealing to both people and business partners. While accelerating manufacturing that placed top priority on the environment, the Company aimed for a lean corporate structure and the thorough elimination of wasteful business activities. At the same time, cooperation and collaborations were strengthened among Group companies in Japan and overseas, sharing the same ideals in an effort to promote the consolidation of a structure as a comprehensive heat energy appliance Group.</div>	<div>Phase 8</div> <div>Jump UP 2014</div> <div>[2012–2014]</div> <div>Launched directly after the Great East Japan Earthquake, “Jump UP 2014” aimed to establish a corporate structure able to supply appliances optimized from an environmental standpoint to global markets in light of social needs for the best energy mix. The Company stepped up its pursuit of zero defects in response to Rinnai fans who valued the brand for its safe and trouble-free products. Innovations aimed at revising development, manufacturing and sales processes enhanced mobility. Organizational capabilities were taken to a new level through Group coordination and strategic human resource development in response to globalization and increasing sophistication. While focusing efforts on these initiatives, the Company engaged in the long-term enhancement of its corporate value.</div>	<div>Phase 9</div> <div>Evolution and Succession 2017</div> <div>[2015–2017]</div> <div>The Company views “succession” as indispensable for its business. With its origin in the concept “quality is our destiny,” Rinnai’s mission is to “utilize heating to provide society with a comfortable way of life” in all global markets. At the same time, with regard to “evolution,” in order to respond to liberalization in the energy markets, shrinking workforces and other rapid changes in the business environment, this plan targeted business model innovations through the promotion of product sophistication in Japan and, overseas, the smooth horizontal deployment of technologies and products created by Group companies. The plan also aimed to establish the Rinnai brand as a comprehensive heat energy appliance manufacturer.</div>	<div>Phase 10</div> <div>G-shift 2020</div> <div>[2018–2020]</div> <div>Focused on the 100th anniversary of Rinnai’s founding, this plan introduced the Group slogan “innovating technologies for the next generation and strengthening overseas growth strategies to leap forward as a global brand.” The “G-shift” medium-term business plan name represents three core policies aimed at promoting global strategies leveraging the Group’s network, the shift to a new generation that passes on traditions accumulated over the past 100 years and breaks common sense, and the establishment of a corporate governance system meeting the demands of society and modern times. In 2019, the Company formulated the brand promise “Creating a healthier way of living” to further clarify its stance.</div>																																																																																		
	<div>Performance</div> <div><div><div>Domestic sales</div><div>Overseas sales</div></div><div><div>Operating income</div><div>Operating margin</div></div><table><tr><th>Fiscal Year</th><th>Domestic sales (billion yen)</th><th>Overseas sales (billion yen)</th><th>Operating income (billion yen)</th><th>Operating margin (%)</th></tr><tr><td>2006</td><td>~100</td><td>~50</td><td>~150</td><td>~15%</td></tr><tr><td>2007</td><td>~110</td><td>~60</td><td>~170</td><td>~16%</td></tr><tr><td>2008</td><td>~120</td><td>~70</td><td>~190</td><td>~17%</td></tr><tr><td>2009</td><td>~110</td><td>~60</td><td>~170</td><td>~16%</td></tr><tr><td>2010</td><td>~130</td><td>~80</td><td>~210</td><td>~18%</td></tr><tr><td>2011</td><td>~140</td><td>~90</td><td>~230</td><td>~19%</td></tr><tr><td>2012</td><td>~130</td><td>~80</td><td>~210</td><td>~18%</td></tr><tr><td>2013</td><td>~140</td><td>~90</td><td>~230</td><td>~19%</td></tr><tr><td>2014</td><td>~160</td><td>~110</td><td>~270</td><td>~22%</td></tr><tr><td>2015</td><td>~150</td><td>~100</td><td>~250</td><td>~21%</td></tr><tr><td>2016</td><td>~170</td><td>~120</td><td>~290</td><td>~24%</td></tr><tr><td>2017</td><td>~160</td><td>~110</td><td>~270</td><td>~23%</td></tr><tr><td>2018</td><td>~170</td><td>~120</td><td>~290</td><td>~24%</td></tr><tr><td>2019</td><td>~160</td><td>~110</td><td>~270</td><td>~23%</td></tr><tr><td>2020</td><td>~170</td><td>~120</td><td>~290</td><td>~24%</td></tr><tr><td>2021</td><td>~180</td><td>~130</td><td>~310</td><td>~25%</td></tr></table></div> <div>2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 (FY)</div> <div>¥40.6 billion</div> <div>¥344.3 billion</div> <div>49%</div>	Fiscal Year	Domestic sales (billion yen)	Overseas sales (billion yen)	Operating income (billion yen)	Operating margin (%)	2006	~100	~50	~150	~15%	2007	~110	~60	~170	~16%	2008	~120	~70	~190	~17%	2009	~110	~60	~170	~16%	2010	~130	~80	~210	~18%	2011	~140	~90	~230	~19%	2012	~130	~80	~210	~18%	2013	~140	~90	~230	~19%	2014	~160	~110	~270	~22%	2015	~150	~100	~250	~21%	2016	~170	~120	~290	~24%	2017	~160	~110	~270	~23%	2018	~170	~120	~290	~24%	2019	~160	~110	~270	~23%	2020	~170	~120	~290	~24%	2021	~180	~130	~310	~25%	<div>Technologies and Products</div> <div><div><div>2005 The company receives the Technology Prize from the Japan Gas Association for its Eco-Jozu condensing dual water heater/space heaters.</div><div>2006 The company receives the Technology Prize from the Japan Gas Association for its bathroom heater/dryer with mist sauna function.</div><div>2007 Built-in hob (stovetop) DELICIA series is launched.</div><div>2008 Dishwasher with baking soda washing mode is released.</div><div>2008 Rinnai Indonesia wins Best Brand Award.</div><div>2008 Rinnai gas tankless water heater receives the Super Nova Star Award (an energy-saving award) from the Alliance to Save Energy in the United States.</div></div><div></div><div><div><div>2010 The Production and Technology Development Center opens.</div><div>2010 Commercialization of home-use hybrid water heaters combining heat pumps and gas water heaters.</div></div><div></div><div><div><div>2014 The company receives the Ministry of International Trade and Industry's Energy Conservation Award for ECO ONE, a hybrid water heater with heating system.</div><div>2014 The company's hybrid water heater with heating system for Hokkaido receives the Kitaguni Energy conservation and New Energy Grand Prize.</div></div><div></div><div><div><div>2016 DELICIA dedicated app “DELICIA APP” with cooking support function distribution is launched (“+ R RECIPE” from 2020 onward).</div><div>2017 Third-generation “ECO ONE” hybrid water heater and heating system wins Energy Conservation Grand Prize Energy Conservation Center Chairman's Award.</div><div>2017 High-quality and luxury kitchen appliance series G-LINE is launched.</div></div><div></div><div></div></div></div></div></div>
Fiscal Year	Domestic sales (billion yen)	Overseas sales (billion yen)	Operating income (billion yen)	Operating margin (%)																																																																																			
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Rinnai Group Profile



Corporate Data (As of March 31, 2021)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,459,746,974
Head office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802, Japan
Telephone	(From outside Japan): +81-52-361-8211
Number of employees	10,386 (consolidated), 3,722 (non-consolidated)
Number of Group companies	46 (domestic 12, overseas 34)



Water Heaters and Heating Systems

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



Kitchen Appliances

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



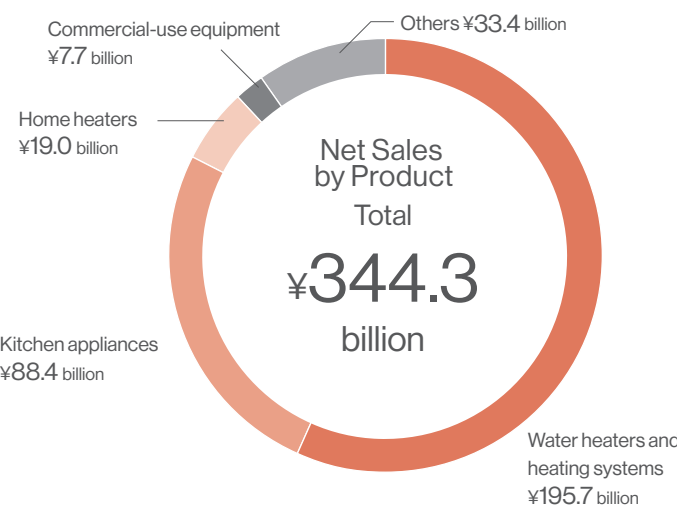
Home Heaters

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



Commercial-Use Equipment, Others

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



Value Creation Process

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

Rinnai Group Value Creation Process

External Environment / Social Issues

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

Invested Capital (Fiscal 2021)

Human capital	Employees ^{*1} :	10,386 people
	Employed (Rinnai non-consolidated) ^{*1} :	101 people
	Training and development expenses: (Rinnai non-consolidated) ^{*1}	¥99 million
Intellectual capital	Overseas trainees (Rinnai non-consolidated):	0 people
	Development headquarters staff: (Rinnai non-consolidated) ^{*1}	499 people
	R&D expenses (Rinnai non-consolidated):	¥7,906 million
	ISO 9001 certification acquisition: (number of companies) ^{*1}	17 companies
Financial capital	ISO 14001 certification acquisition: (number of companies) ^{*1}	15 companies
	ROE	8.4%
	ROIC	17.6%
Manufactured capital	Equity ratio	68.8%
	Rinnai Group production bases: (number of companies) ^{*1}	25 companies
	Production group staff (Rinnai non-consolidated) ^{*1} :	1,583 people
Natural capital	Capital expenditure (Rinnai non-consolidated):	¥6,169 million
	Input energy:	1,100,713 GJ
	Water used: Ground water:	162,990 m³
Social and relationship capital	Public water:	595,343 m³
	Rinnai brand, external evaluations, stakeholder engagement, Rinnai Group Code of Ethics	

^{*1} As of March 31, 2021

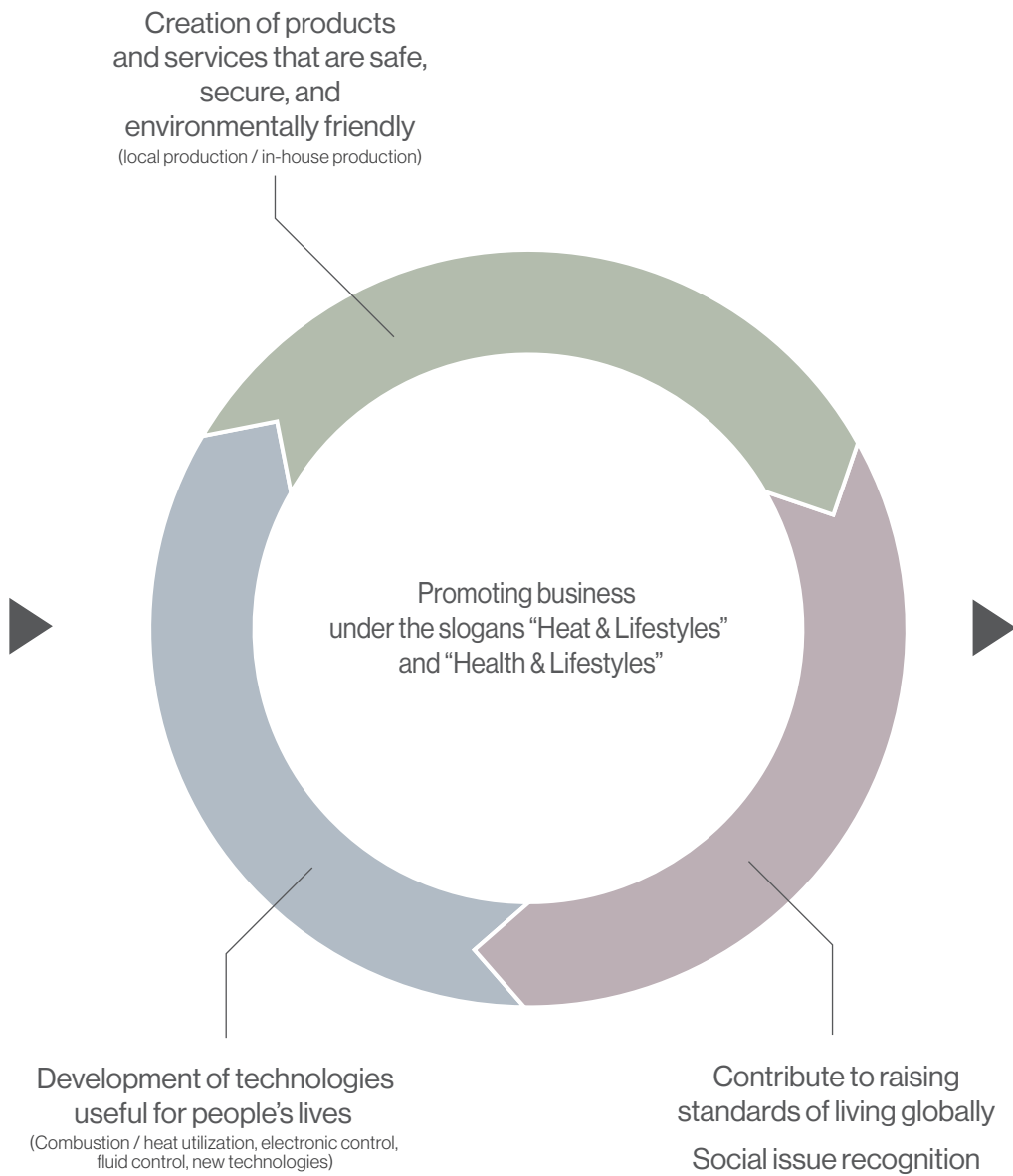
Risks

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

Opportunities

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

Business Activities



Value Provided

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

Fiscal 2021 Achievements

Main products and services
Gas stoves, range hoods, water heaters, hot water floor heaters, gas clothes dryers, dish washers
Consolidated net sales
¥343,364 million
Operating income
¥40,690 million
Operating income ratio
11.8%
Net income attributable to owners of the parent company
¥27,581 million
Net assets (equity ratio)
¥371,318 million (68.8%)
Dividend per share
(annual) ¥125
Amount contributed to reducing CO₂ emissions[*]
4.50 million tons
Announcements of product recalls due to defects:
0 case

^{*}Consolidated basis



Creating a Healthier Way of Living Toward a New ERA for Rinnai Creating Healthy and Comfortable Lifestyles

President **Hiroyasu Naito**

Cost Reductions and Expanding Demand Result in Record-high Performance

I would like to start by expressing my sincerest condolences to everyone who succumbed to COVID-19 and extend my deepest sympathies to those affected and their families. I would also like to convey my heartfelt gratitude to all staff at medical institutions, government agencies and other organizations engaged in daily efforts to prevent the further spread of infection.

The global economy continues to be dramatically affected by COVID-19, and despite growing signs of a gradual resumption in economic activities, conditions remain serious. Amid these circumstances, the Rinnai Group commemorated the 100th anniversary of its founding in September 2020. This is wholly the result of tireless efforts by our predecessors and the unwavering support of our stakeholders.

In fiscal 2021, the final year of the “G-shift 2020” medium-term business plan, under the slogan “heat and lifestyles” and “health and lifestyles,” we provided existing products and services while making an effort to create original products and services incorporating new technologies into Rinnai core technologies. At the beginning of the fiscal year, in light of the impact of COVID-19, we anticipated recording the first operating

loss since our public listing. However, we made exhaustive efforts to realize Groupwide cost reductions and captured stay-at-home demand driven by the impact of stimulus payments and other benefits. In Japan, we saw extremely robust sales of high-value-added water heaters, gas clothes dryers contributing to shorter laundry times, and built-in hobs (stovetops) with automatic cooking functions.

At the same time, overseas sales of tankless water heaters were firm in the United States and Australia. In the United States, an increasing number of people migrated from city centers to suburban areas, and in line with an increased demand for pre-owned homes, there was a growing trend in the purchase of tankless water heaters to replace conventional water heaters, even when products were on backorder status. In China, internet sales in particular expanded, while in Indonesia, sales of built-in hobs (stovetops) were strong, as operating income increased on vigorous worldwide stay-at-home demand. As a result, net sales in fiscal 2021 amounted to ¥344,364 million (up 1.1% year on year), with operating income of ¥40,690 million (up 18.2%), resulting in record-high performance.



The 100 Anniversary Commemoration Ceremony held on September 1, 2020, was streamed online to all Rinnai workplaces due to COVID-19



Kenji Hayashi, Representative Director and Chairman



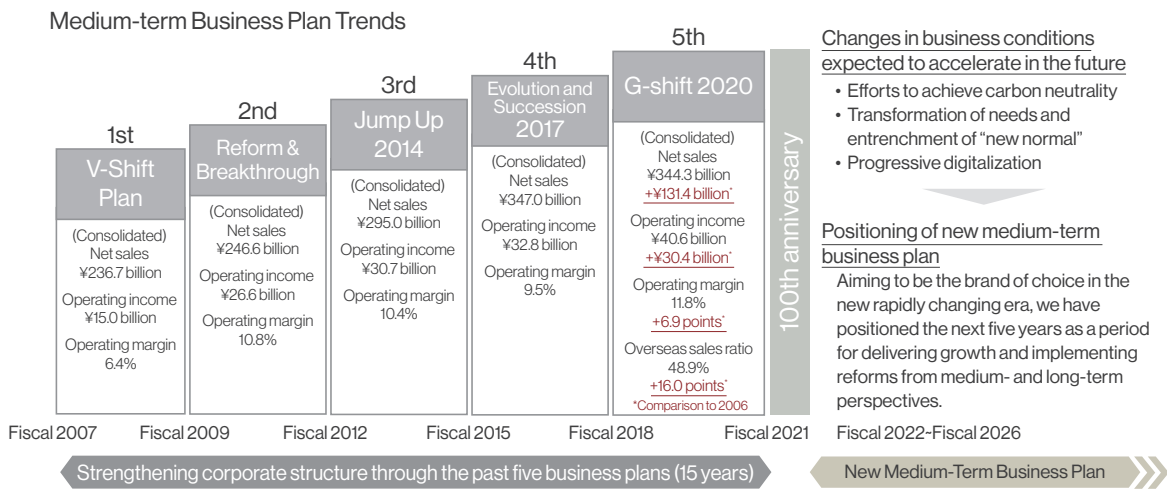
Hiroyasu Naito, Representative Director, President and Executive President

In the 15 Years Since Being Appointed President, Rinnai Has Undergone Enormous Changes Enabling the Company to Gain a Firm Footing

Since joining Rinnai, I have had the privilege of gaining experience in sales, development, manufacturing, quality assurance and a variety of other divisions, and I feel blessed to have grasped a sense of each workplace. After being appointed President in 2005, we transitioned from an initial focus on sales as the top priority to an emphasis on profits. This was the result of a strong shock I received upon visiting a retailer selling Rinnai products at giveaway prices with a mountain of products stacked up in the backroom. I decided “we must enhance added value and ensure profits,” which led to a significant change in policy. Despite this sudden change, we were fortunate not to have recorded an operating loss that

year amid the impact of harsh winter conditions among other factors.

We have completed five medium-term business plans during the past 15 years, changing direction in the initial “V-shift Plan” with a focus on profit structure. Next, under the “Reform & Breakthrough Plan,” we raised the operating margin into the 10% range. Under the “Jump UP 2014” and “Evolution and Succession” plans, we increased the overseas sales ratio to approximately 50%. The “G-shift 2020” plan prepared for our 100th anniversary while simultaneously aiming to build the Rinnai brand. Overall, I think we have been able to steadily gain a firm footing during the past 15 years.



Formulation of the New Medium-term Business Plan “New ERA 2025”

“New ERA 2025” is Rinnai’s first five-year medium- to long-term business plan. Starting in 2021, exactly 101 years since our founding, we view this as a new medium-term business plan for a new ERA in which we aim to achieve:

- Expansion of business scale and
- Revolution of corporate structure leading to
- Advancements in addressing social challenges

■ Expansion of Business Scale

In terms of business domain expansion, the United States and China will become important strategic markets going forward. In the United States, we established an Innovation Center in 2020, and while aiming to enhance our local technological capabilities and competitiveness, we have also begun to focus attention on the Central and South America regions where we have yet to develop business. Construction of the Griffin Factory is scheduled for completion in October 2021, which will enable us to meet growing demand for tankless water heaters.

In China, which has emerged as the world’s largest market due to the expansion of its middle class, we will strengthen marketing efforts in particular, aiming to differentiate Rinnai from global competitors. In the growing China e-commerce market, the internet sales ratio is also on the rise and we have captured the top share of water heater sales proceeds at large

■ Revolution of Corporate Structure

Amid an increasing focus on ESG, the SDGs and sustainability, the valuation of intangible assets such as human resources, technologies and brands, collectively referred to as “non-financials” is changing—this is the essence of Rinnai’s strengths. I take pride in the fact that all Rinnai employees are facing the right direction, as seen in their commitment to compliance and the advanced technologies that underpin our product quality.

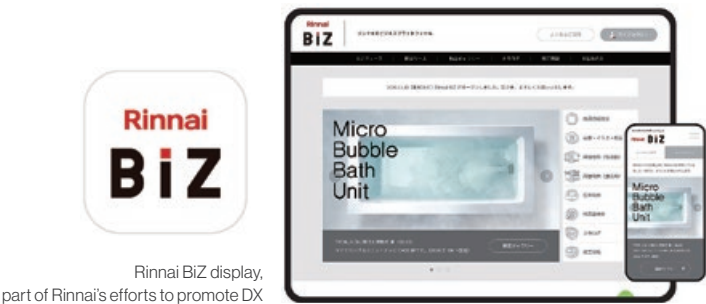
Since our beginning, in the pursuit of quality, Rinnai has visualized various aspects of its business, promoting digital transformations (DX) in pursuit of a rationalized approach to business, including current efforts to reduce workloads using IT, and incorporated this experience into everything we do. Rather than focusing solely on manufacturing activities, we launched the “Rinnai BiZ” platform as one example of marketing efforts directly linked to customers, and are developing a new customer-oriented sales approach.

e-commerce events, with plans to complete Phase 2 construction at the Fengxian Factory in February 2023.

Rinnai products with a high market share in countries throughout the world incorporate advanced technological capabilities backed by complex functions no other company can easily replicate. Going forward, we will also enhance our brand power overseas on the basis of outstanding product appeal.

Within business domain expansion, in addition to “heat and lifestyles,” we will also maintain a strong awareness of “health and lifestyles.” In terms of the revolution of our corporate structure, we will make efforts to become more consumer-oriented, mainly through the establishment of new sections including a New Business Strategy Office and Marketing Office, as well as new marketing approaches involving the ascertainment of user needs and measures aimed at enhancing our brand image through products.

Since being appointed President, I have promoted the transition to a Company that generates profits, and going forward, we will continue aiming to further enhance our earning power through initiatives focused on high-value-added product strategies and rigorous cost reductions. We will also increase the return on invested capital (ROIC) through the efficient investment of management capital. Going forward, we must optimally allocate capital while steadily capturing risk premiums in line with an increasing overseas sales ratio. Further, we will increase shareholder returns, aiming for a total return ratio over 40%.



■ Advancement in Addressing Social Challenges

At present, decarbonization movements are accelerating throughout the world. Up to now, Rinnai materiality has focused on the environment and initiatives aimed at resolving environmental issues through our core businesses, including improving functionality, expanding lineups and promoting sales of environmentally friendly products such as *ECO-ONE* and *Eco Jozu*. However, going forward, we must take even further steps.

For example, major gas companies are launching initiatives aimed at “methanation,” a process whereby CO₂ and hydrogen are used to create methane. If these efforts are successful, conventional gas appliances will be able to utilize methane, which will reduce CO₂ emissions. To realize zero CO₂ emissions, we must explore the potential of all types of energy equipment. To this end, Rinnai established the Integrated Strategy Division, a specialized unit promoting the verification of various methods contributing to the realization of a carbon-free society.

All nations throughout the world are exploring methods for achieving future carbon neutrality, and to this end, Rinnai will propose specific target indicators. In the United States, the adoption of tankless water heaters, and in China and Mongolia, the transition from coal to gas as a primary energy source will suppress both CO₂ emissions and PM2.5. In this way, we expect that as Rinnai products spread to all corners of the globe, CO₂ emissions will be reduced and air pollution issues will be resolved.



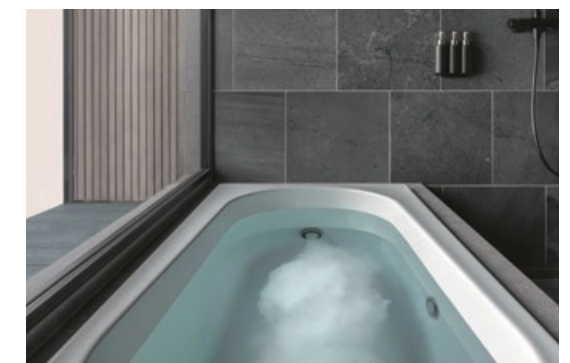
ECO ONE hybrid water heater and heating system

Having continually thought about areas in which to expand the potential for these products, in addition to “heat and lifestyles,” we came up with the slogan “health and lifestyles.” For example, the *Kanta-Kun* gas clothes dryer offers the advantage of strong antibacterial properties that surpass those of electric clothes dryers, enabling people who suffer from hay fever to avoid line-drying their clothes outside. The Micro Bubble Bath unit soothes both mind and body, leaving users feeling refreshed. Each of these products contributes to resolving issues related to modern human “health and lifestyles.”



Gas clothes dryer *Kanta-kun*

Neither *Kanta-Kun* nor Micro Bubble Bath units are completely new products, but rather, they are improvements on existing products. Even though they incorporate only slight changes, they are perceived by consumers as being altogether different. In Japan, where reducing the number of hours worked is becoming an acute problem, the value offered by *Kanta-Kun* has increased significantly. In other words, this indicates that customers are not satisfied with their current lifestyles. In identifying potential issues such as these, we want to develop products that enhance quality of life enabling advancements in addressing social challenges.



Microbubble bath unit

Targeting Sustainable Growth through the Ongoing Provision of Products Essential for Society

Our challenge for the future is the need to create new products that will become pillars of our business. In the Japan market going forward, as sales of conventional water heaters and kitchen appliances alone are expected to decline, we see a major opportunity to capitalize on products such as *Kanta-Kun* and Micro Bubble Bath units that will become the next pillars of our business. In product development up to now, we have searched for areas completely different from those in which we have already found success, but rather than ending this search when we create a hit product, we want to thoroughly explore peripheral demand as well.

In one sense, Rinnai’s products are unglamorous, but COVID-19 has reminded us that our products are essential and needed by people throughout the world. I want Rinnai employees to once again feel the joy of being involved in work that is indispensable to society.

Having expanded our business domain from “heat and lifestyles” to “health and lifestyles,” going forward, we aim to realize our brand promise of creating a healthier way of living through dedication to our mission of enriching people’s lives by creating even more appealing products.



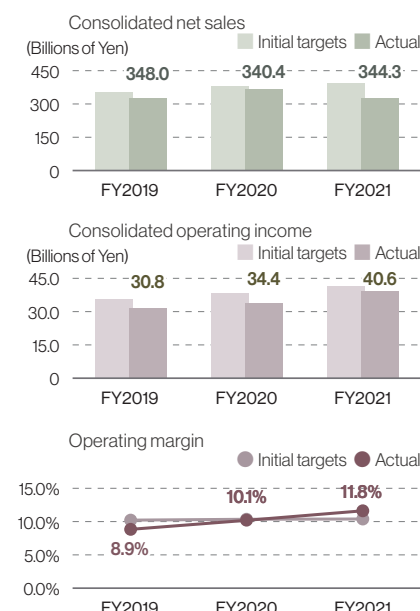
Medium-term Management Plans

Review of Previous Medium-Term Business Plan (G-shift 2020)

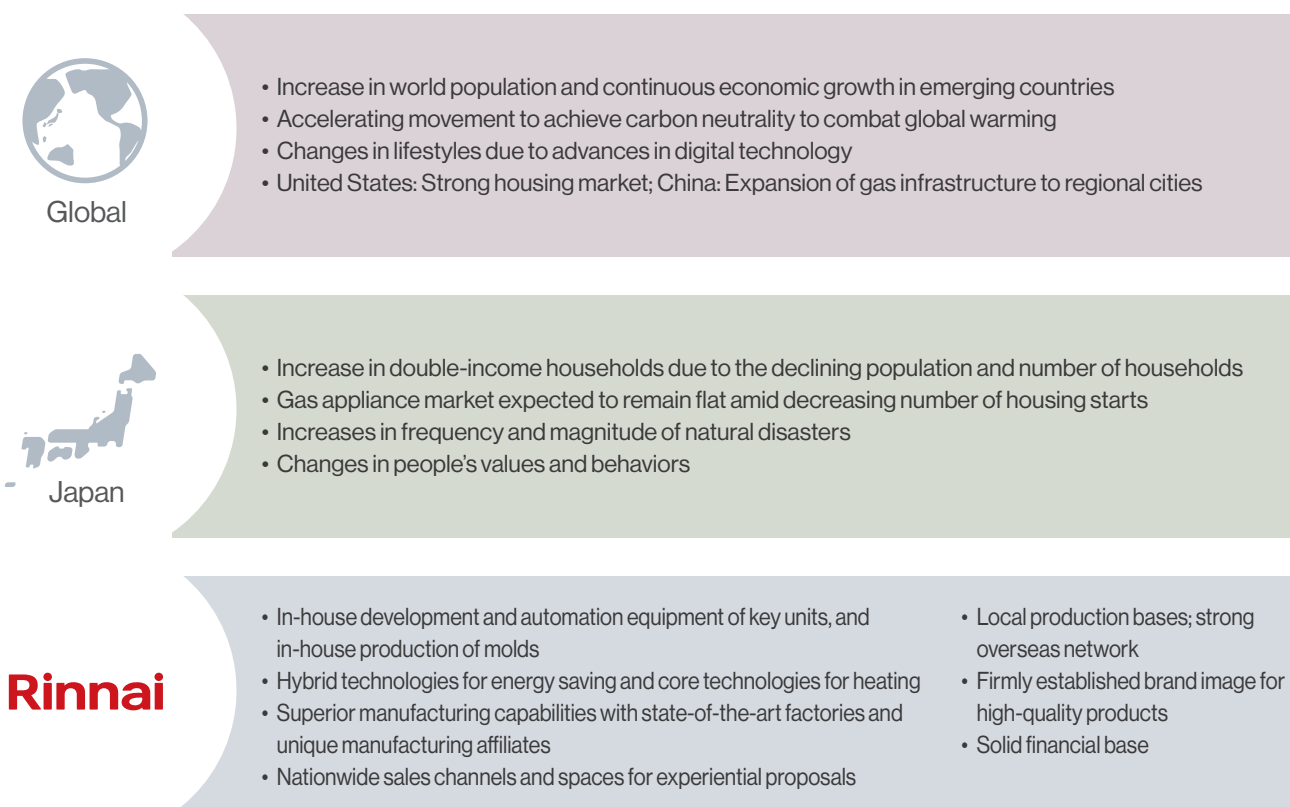
Fiscal 2019 Sales up; income down	Japan: Weak performance by main products due to <u>industry shrinkage and price competition</u> Overseas: <u>Decline in income due to upfront investments</u> despite ongoing growth in sales
Fiscal 2020 Sales down; income up	Japan: Improved income amid changing conditions stemming from <u>consumption tax hike</u> Overseas: Performance in some areas weakened by <u>intensifying competition and depreciation of local currencies</u>
Fiscal 2021 Sales up; income up Record-high earnings	COVID-19 pandemic impacted the entire world Japan: Performance driven by strong sales of <u>growth items</u> , stay-at-home demand, and cold snap Overseas: Sales growth in the <u>United States</u> ; recovery in China and elsewhere <u>exceeded initial expectations</u>

Looking back on Fiscal 2019–Fiscal 2021 (from Apr 1, 2018 to Mar. 31, 2021)

- Failed to achieve plan's initial targets for net sales and operating income due to major changes in the business environment
- Greater-than-expected improvement in profit structure, owing to corporate efforts including cost reductions
- Reached new record-high income, and reinforced the foundation for the next 100 years



External Business Trends and Rinnai Group Strengths



New Medium-Term Business Plan (2021–2025)

New ERA 2025

New Expansion, Revolution and Advancement

We have positioned the year 2021 (101 years since our foundation) as the start of a New ERA.

We will achieve Advancement in addressing social challenges through Expansion of business scale and Revolution of corporate structure.

Corporate Vision

Brand Promise

Creating a healthier way of living

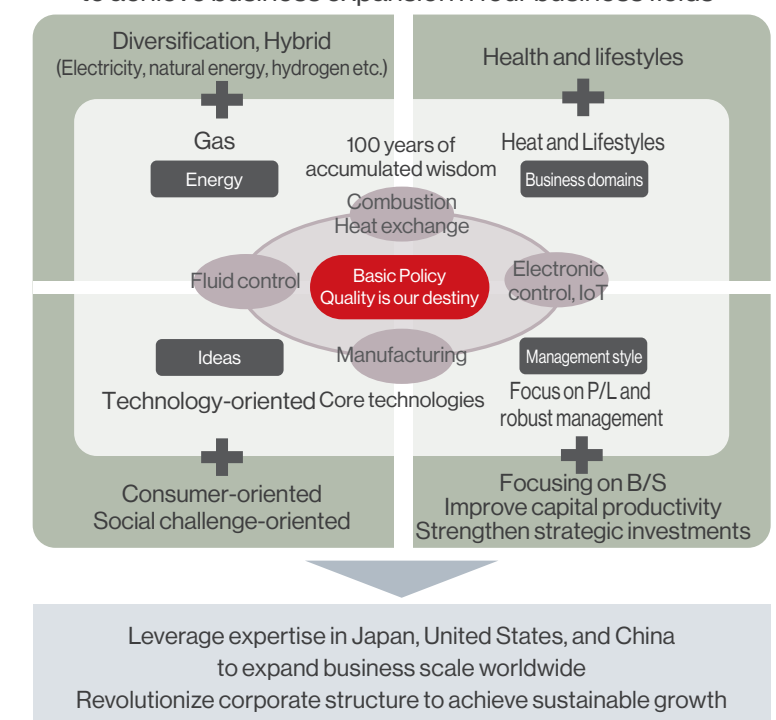
Social Challenges Rinnai should embrace

- ◆ Improve quality of life
- ◆ Help resolve global environmental problems

Corporate Vision

We will utilize various kinds of energy resources and our own core technologies to address social challenges in our business field “heat and lifestyles” and achieve a sustainable, steady, long term growth.

Leverage our core technologies to achieve business expansion in four business fields



Key Strategies

We have formulated three key strategies: Help resolve social issues, expand business scale, and revolutionize corporate structure.

Advancement in addressing social challenges

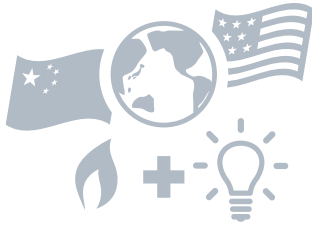
- Improve quality of life
- Help resolve global environmental problems

Expansion of business scale

- . Expand regional domains
- . Expand business domains

Revolution of corporate structure

- Become more consumer-oriented
- Make focused investments in intangible assets
- Enhance profitability



Rinnai

Numerical Targets for Fiscal 2026 (Consolidated)

Expansion of business scale

Expand regional domains
Expand business domains

Consolidate Net Sales: **¥450 billion**
(Japan: ¥200 billion;
overseas: ¥250 billion)

Revolution of corporate structure

Become more consumer-oriented
Make focused investments in intangible assets
Enhance profitability

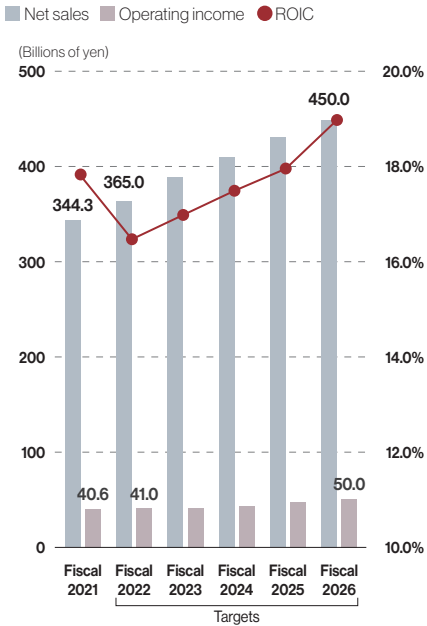
Operating Income: **¥50 billion**
Return on invested capital (ROIC): **19.0%**
Total return ratio (five-year average): **40.0%**

Advancement in addressing social challenges

Improve quality of life
Help resolve global environmental problems

Sales of products that improve quality of life and benefit the global environment (compared with fiscal 2021): **50% up**
Contribution to CO₂ emission reduction: **7 million tons**

Net Sales, Operating Income, ROIC Plan (image)



Eight Priority Measures

1	Expand range of products that improve quality of life and benefit the environment
2	Expand R&D domains and build next-pillar businesses
3	Strengthen manufacturing system to support long-term profits
4	Strengthen global framework
5	Deploy digital transformation (DX) to achieve business restructuring and strengthen cyber-security measures
6	Proliferate the Rinnai brand both internally and externally
7	Improve the value of our human resources
8	Improve our ESG (environment, social, governance) evaluation

Connection between Medium-Term Business Plan and ESG

ESG item	Main initiatives	Connection with Medium-Term Business Plan (three key strategies)	Benefiting SDGs
Environment	Popularize energy-saving water heaters to reduce CO ₂ emissions → 2025 target: 7 million tons Develop and promote energy-saving equipment Expand R&D investments targeting a carbon-free society	Advancement in addressing social challenges (help resolve global environmental problems) Expansion of business scale (regional expansion) Revolution of corporate structure (focused investments in intangible assets)	13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY
Social	Create products that improve quality of life Make efforts to improve human resource value → Invest in human resource growth, review personnel system, and promote health management Create environments for diverse work styles	Advancement in addressing social challenges (improved quality of life) Expansion of business scale (expansion of business domains) Revolution of corporate structure (becoming more consumer-oriented) Revolution of corporate structure (focused investments in intangible assets)	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY
Governance	Instill compliance Strengthen cybersecurity measures Implement each principle of Corporate Governance Code Introduce performance-linked and stock-based compensation Establish Nomination Advisory Board and Compensation Advisory Board	Revolution of corporate structure	

Message from the General Manager of Corporate Planning Headquarters

We will continue striving for “advancement in addressing solving social challenges” to continue to be a “company of choice” in the world.

Takuya Ogawa

Senior Executive Officer
General Manager of Corporate Planning Headquarters



Previous G-Shift 2020 and New “New ERA 2025” Medium-term Business Plans

Rinnai’s previous medium-term business plan, G-shift 2020 (fiscal 2019- fiscal 2021), had a rigorous start due to a shrinking domestic market and resulting price competition, as well as the front-loaded burden overseas of investments. Yet we ultimately achieved record profits through thorough cost reduction efforts and by capturing stay-at-home demand in Japan and abroad. As the culmination of the 100th anniversary of our founding, we made progress in improving our profit structure and strengthened our earning power over the past three years.

In formulating New ERA 2025, our new medium-term business plan, we considered the significant changes in the business environment that should be expected in the future, such as the advent of carbon neutrality, the new normal society, and the advance of digitalization. As a result of active discussions through Rinnai, we decided to set a five-year period (fiscal 2022- fiscal 2026) as the plan horizon because we believe there are many issues that cannot be addressed in a near-sighted manner and that must be tackled from a medium- to long-term perspective.

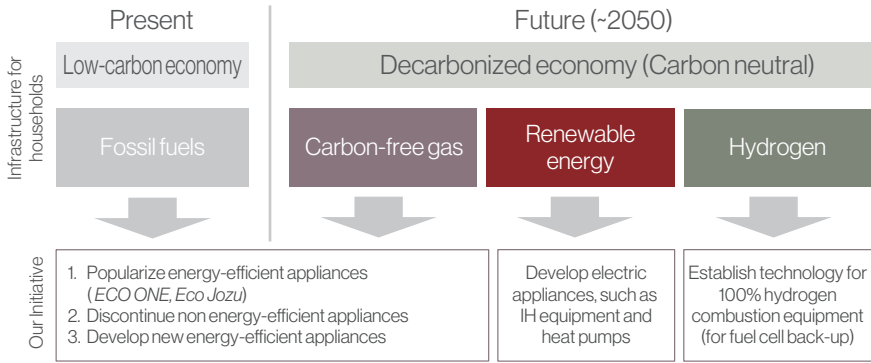
“Advancement in Addressing Solving Social Challenges”

Among the three strategic stories of the new medium-term business plan, “Advancement in addressing social challenges” is positioned as the top priority, and in order to achieve it, I believe we must simultaneously work toward “Expansion of business scale” and “Revolution of corporate structure.”

As for efforts to “improve the quality of life” in “Advancement in addressing solving social challenges,” we need to provide the optimal products for each country as we expand our offerings around the world. We have set four criteria for quality-of-life improvement: 1) reduced stress through improved convenience, 2) Increased safety of living spaces, 3) improved levels of hygiene and health, and 4) enhanced resilience and clarified the specific applicable products for each region. This will lead to “Expansion of business scale.” In addition, to enhance our contribution to “improve the quality of life,” we will also focus on “broadening our reach” to more countries by expanding into existing and new markets in addition to our key strategic markets in the United States and China.

As the same time, we have worked to “help resolve global environmental problems” as a materiality item, but with the Japanese government’s declaration of carbon neutrality for 2050, we are now undertaking even deeper discussions. In the future, residential energy sources are expected to shift to hydrogen, renewable energy (electricity), and carbon-free gas (methanation). Rinnai, as an equipment manufacturer, must keep a close watch over trends in such energy infrastructure.

That said, to develop and provide more thermally efficient equipment regardless of which scenario materializes, we will invest in what we can do quickly, such as accumulating knowledge in each field and enhancing talent for research. By proactively responding now, I am confident that Rinnai will have a great opportunity to contribute to a decarbonized society.







“Become More Customer-oriented” and “Make Focused Investment in Intangible Assets”

One of the important themes of the new medium-term business plan is “revolution of corporate structure” and “become more customer-oriented” is a pillar of that theme.

While we feel that we have achieved a certain degree of success with recent hit products related to saving time and improving health, we will promote value creation by strengthening our marketing capabilities and building new lines of communication with customers. While capturing the needs of the market through the establishment of a new marketing office, we will seek ways to provide useful information and services in the entire process from product selection to use, inspection, trouble-shooting, and disposal within the move toward digital transformation (DX).

With regard to “make focused investment in intangible assets,” up to now our investment has been concentrated in tangible assets such as production

facilities and products, but we believe we need to invest more intensively in intangible assets such as human resources, information technology, core technology (know-how), and branding as a means to strengthen our corporate structure from here on.

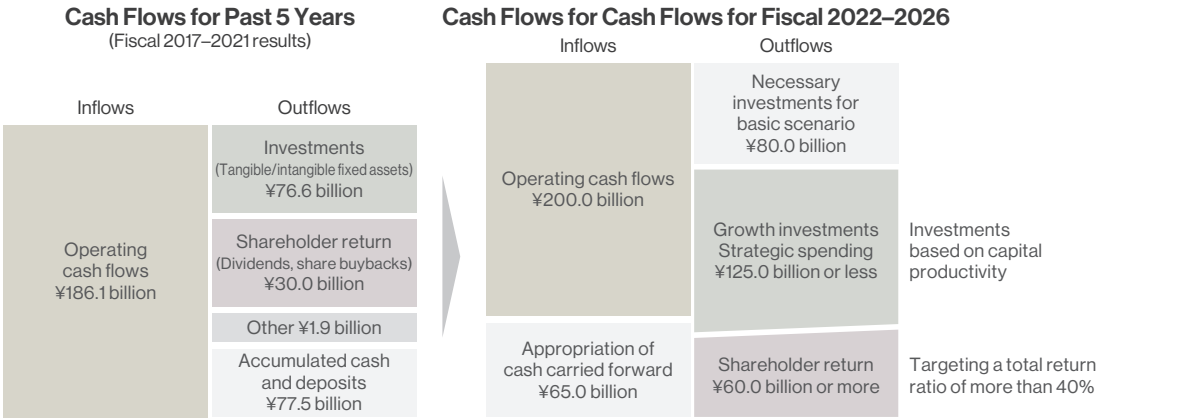
<u>Human Resources</u> (Investment targets) Formulate engagement improvement measures; establish system for self-growth evaluations; build education system; establish workplace environments that welcome new work styles		<u>Information Technology</u> (Investment targets) Develop information infrastructure for strengthening global cooperation; develop technologies for digital transformation	
<u>Core Technology (Know-how)</u> (Investment targets) Build advanced manufacturing system; enhance R&D system focusing on “heat and lifestyles” and “health and lifestyles”		<u>Branding</u> (Investment targets) Popularize global brand image externally; strengthen internal branding	

“Enhance Profitability” and “Capital Policy”

While the revised Corporate Governance Code also requires us to understand the cost of capital and disclose our basic policy on capital measures, we first defined the required cash level as ¥180 billion (working capital plus flexible funds for disaster response, etc.) based on our business performance and financial position as of the end of fiscal 2021. And for the portion exceeding that, we have established a policy of capital allocation during the medium-term business plan period of up to ¥125 billion for investment in future growth and strategic expenses, and more than ¥60 billion for shareholder returns. The total return ratio of over 40%, which is a measure of shareholder return, is double the ¥30 billion of the past five years.

We have been using financial indicators such as ROE and ROIC in the past, but in addition to the existing management policy of focusing on sales and profits, the new medium-term business plan sets the basic policy of capital policy as “to secure a sound financial base, invest for future growth and provide stable returns to shareholders.” With ROIC as the most important indicator, we will aim for well-balanced management looking out over the coming 10 and 20 years.

We will continue to be a company of choice by contributing to improving the quality of life for people around the world and to resolving various social issues, including carbon neutrality.



Message from the President of a US Subsidiary

We will develop our overseas business and deliver the Rinnai brand promise to people around the world.

Frank Windsor President, Rinnai America Corp



Strong Performance Amid the COVID-19 Pandemic

In recent years, the Rinnai Group's overseas sales have comprised just under 50% of its total sales. Yet with the declining birthrate, an aging population, and other issues in the Japanese market, it is difficult to hope for sustained high growth there. In this respect, Rinnai America is well positioned to lead the Group's overseas business, and we recognize that it plays a very important role in terms of the Group's growth strategy (namely the "Expansion of Business Scale" pillar in the new medium-term management plan, New ERA 2025).

In fiscal 2020, the novel coronavirus (COVID-19) pandemic had a tremendous impact on the North American market. First and foremost, we gave top priority to the health and safety of our employees, and also endeavored to support our business partners in various ways so that they could continue their business. Although orders decreased significantly at the beginning of the fiscal year, sales rebounded strongly thanks to stay-at-home demand from June onward, due partly to residential-use products accounting for 80% of our business. And at the end of the year, we were able to substantially beat the previous year's results and ultimately increase our market share in all product categories.

Strengthening Functions as a Business Base

In April 2018, we began production of the first tankless water heater (instantaneous water heater) in North America. The policy of "local production for local consumption," where production is done close to the customer market, is aimed not only at mitigating foreign exchange and supply chain risks, but also at demonstrating Rinnai's commitment to its partners and consumers in North America to be a company that contributes to the local community through employment, tax payments, and so forth. In North America, about 10 million water heaters are sold each year, of which about 86% are tank-based heaters that store hot water in a tank for use. Since 2015, Rinnai America has been actively advertising its tankless models through television commercials, printed materials and online media in an effort to raise consumer awareness of the advantages of tankless models, which are highly environmentally friendly, save space, and never run out of hot water.

The "Try Rinnai Tour" installed a tankless water heater in a large van that embarked on a promotional tour across North America



SENSEI high-efficiency gas tankless water heater



It is also worth noting that in many cases, sales agents and house builders have the decision-making power as to which manufacturer's water heater is installed. Rinnai has exclusive sales contracts with 12 of the top 14 house builders in North America, so when a decision is made to install a tankless water heater, Rinnai's models are always chosen.

Furthermore, Rinnai America is upgrading its headquarters to a state-of-the-art training and research and development (Innovation) center, where it will invite partners in sales and installation and provide a full slate of hands-on training.

At the newly established Innovation Center, we will work to differentiate ourselves from our peers by incorporating the feedback and ideas we have gained through contact with these excellent installers, based on collaboration with our talented development department in Japan. In particular, as skilled workers tend to be in short supply, it is becoming increasingly important to develop products that reduce the time and effort needed for installation.

Rinnai America Going Forward

Rinnai has a solid reputation for high quality backed by advanced technologies both in Japan and overseas. From 2018, Rinnai America has introduced high-efficiency water heaters that are equipped with a condensing technology nicknamed *Eco Jozu* in Japan, which reduces CO₂ emissions by recovering and reusing the heat from exhaust gas, to further add value to the tankless water heater market.

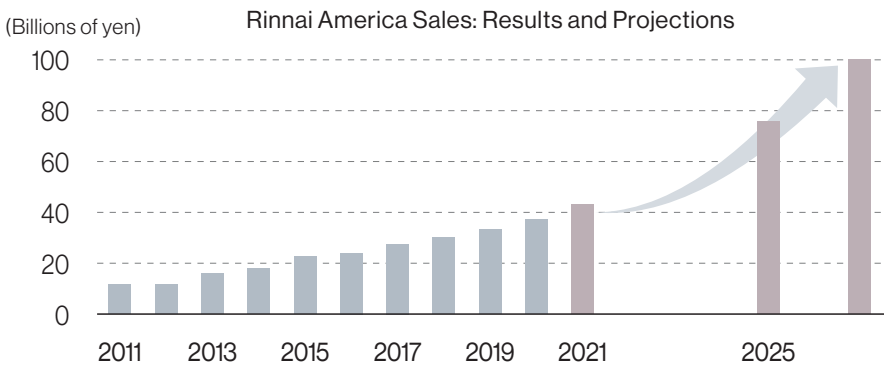
In North America, awareness of climate change and decarbonization is increasing, and some local governments are moving to ban the installation of gas appliances in new homes. However, the thermal efficiency of our condensing water heaters is an exceptionally high 96%, and with coal-fired power generation still prevalent, it is difficult to say unconditionally that using gas is bad. For its part, Rinnai America will contribute to a decarbonized society through the Group's comprehensive capabilities, including the expansion of its product lineup using electrification and heat pumps.

Since fiscal 2020, Rinnai America has been responsible for the development of the Latin American market, which was previously the responsibility of the Overseas Business Headquarters at Rinnai in Japan. We will continue to work diligently to contribute to the Group in its "Expansion of Business Scale: Regional Domains," one of the pillars of New ERA 2025.

The Rinnai Group has formulated its brand promise, "Creating a healthier way of living," with the goal of contributing to people's healthy and comfortable lives.

Our focus now is to improve people's lives by changing the way water is heated in their homes through the widespread use of tankless water heaters.

To achieve this goal, Rinnai America will contribute to the health and comfort of people's lives, not only through collaboration with Rinnai's headquarters in Japan, but also with other overseas Group companies, as well as through strategic alliances with external organizations and companies in North America.



Installation of connected water heating system

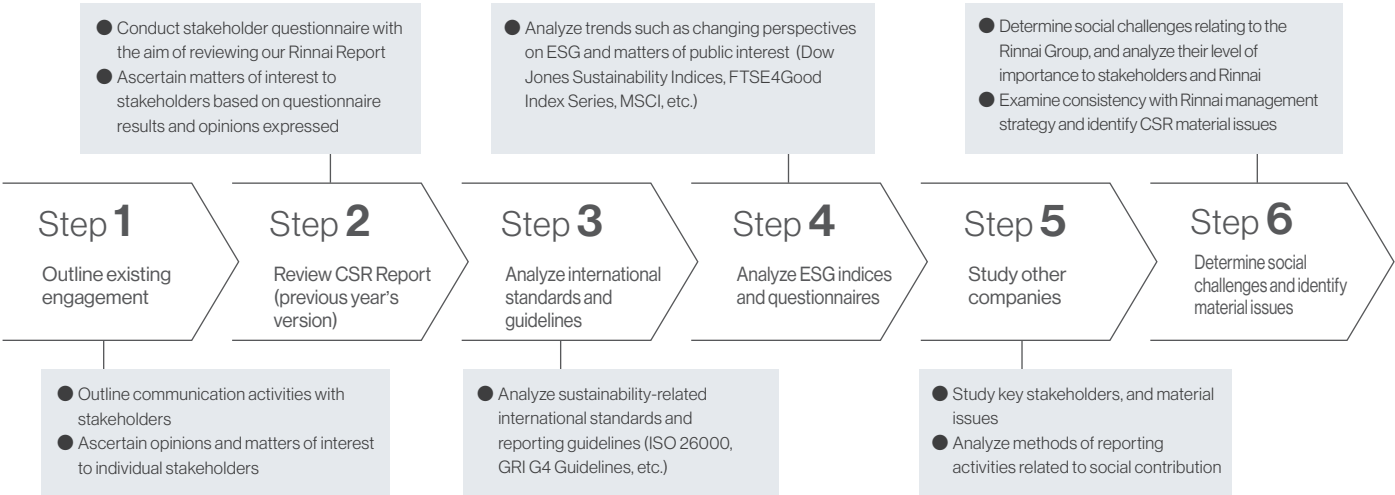


Entrance of Rinnai America Headquarters

Identifying Material Issues

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

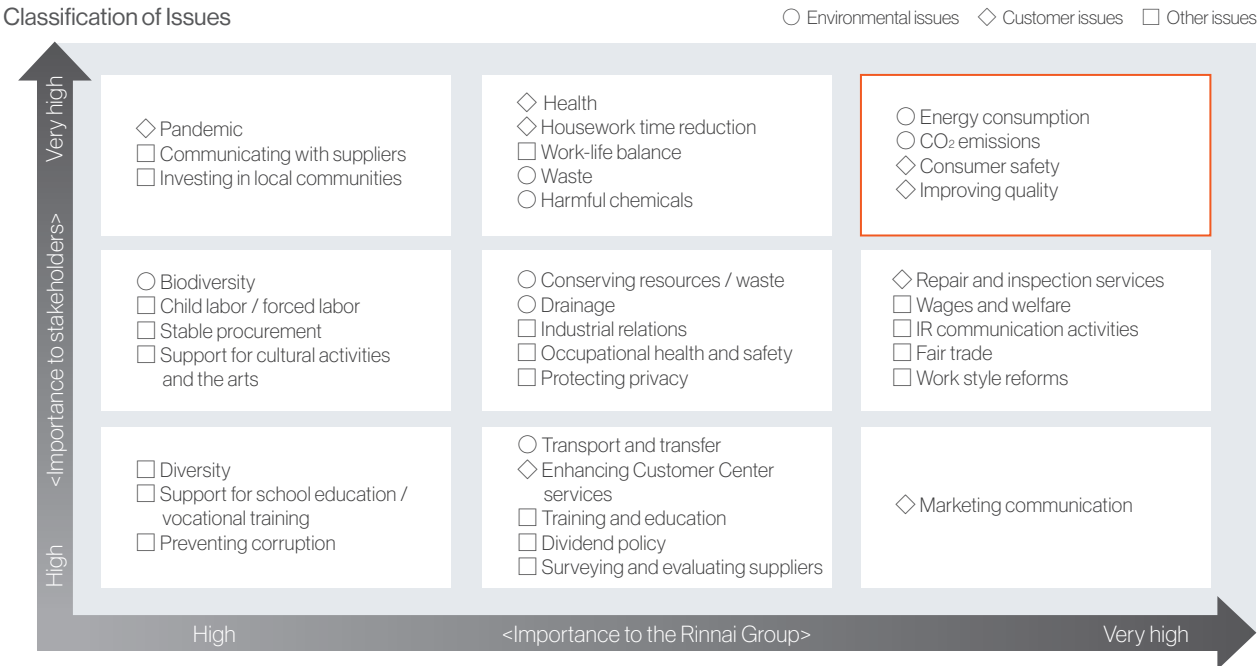
Identification Process



Determining and Identifying Material Issues

We have determined social challenges relating to the Rinnai Group, analyzed their level of importance to stakeholders and the Group, and identified CSR material issues. As a change from the previous year, we have increased the importance level of the item "Work-life balance" to stakeholders and the Rinnai Group by one level each.

Classification of Issues



Material Issue Targets and Results

Material Issues

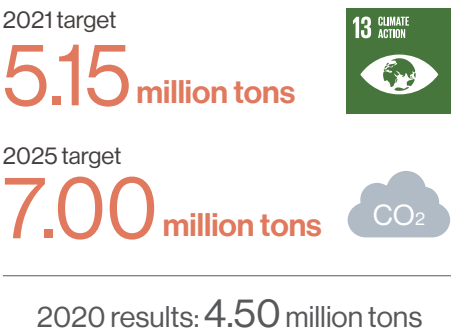
Energy consumption
CO₂ emissions

We intend to develop and encourage households to use water heaters and heating units with an emphasis on energy savings and environmental performance, in an effort to reduce energy consumption and reduce household CO₂ emissions.

Main Target Indicators

Amount contributed to reducing CO₂ emissions by using the product

Target area: Global
Target stakeholders: All



Material Issues

Consumer safety
Improving quality

We are working toward achieving zero defects by eliminating defects at every stage of the product lifecycle—from development, production, and sale through to obsolescence—and pursue a range of activities to publicize information and raise awareness of preventing accidents in the home.

Main Target Indicators

Number of defects that have led to product recall announcements

Target area: Global
Target stakeholders: Customers



Toward the achievement of a sustainable society

The Rinnai Group is participating in the Sustainable Development Goals (SDGs) set at the United Nations Summit in September 2015 and its actively working to contribute to them. As Rinnai provides society with products that are closely related to the global environment and people's lives, it recognizes the importance of SDGs and will further develop its business with a focus on them.

The Sustainable Development Goals (SDGs)



SDGs items related to value provided in Rinnai's value creation process

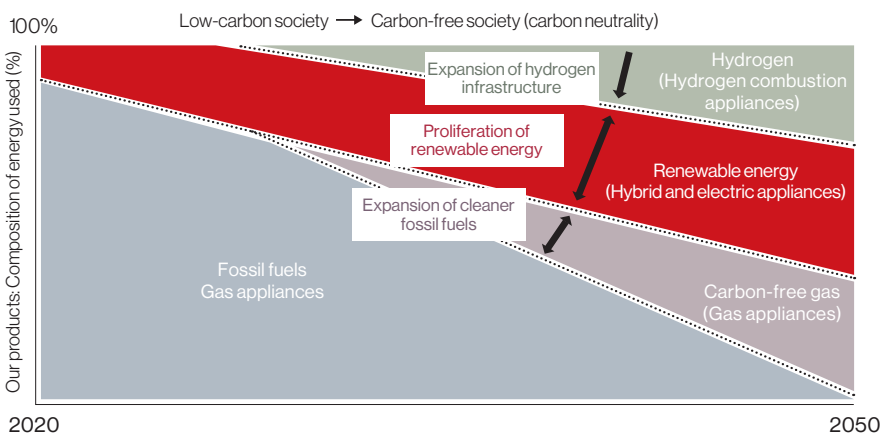
Environmental contribution	Providing lifestyles that reduce energy consumption and impact on the global environment in daily life	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div>
Safety and security	Supporting lifestyles by preventing and avoiding risks inherent in households	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>
Quality of life	Proposing lifestyles in which the burden of housekeeping and time spent on household chores are reduced.	<div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>10 REDUCED INEQUALITIES</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div>

Response to Global Environmental Problems



The 2016 Paris Agreement has accelerated CO₂ emissions reductions and zero CO₂ emissions (carbon neutral) movements in each country throughout the world. Rinnai, which mainly handles gas appliances, will pursue the potential of various types of energy equipment bearing in mind the shift from a “low-carbon society” at present to a “decarbonized society” in the future.

Rinnai Product Mix Image for Achieving a “Decarbonized Society”



Regarding energy equipment that will realize a “decarbonized society” in the future, Rinnai quickly ascertains changing conditions while promoting technological developments, and at the same time, under the current medium-term business plan (fiscal 2022–2026), we will expand our product lineup and promote sales of environmental products aimed at near-term efforts to realize a low-carbon society.

Products Corresponding to Medium-term Business Plan Initiatives

	Goal	Main products (reflecting the energy situation in each country and region)	Details of environmental contribution
1	Reduce CO ₂ emissions	Eco Jazu , ECO ONE (Japan)	Highly energy-efficient water heaters help reduce CO ₂ emissions
		Tankless gas water heaters (United States, Australia)	
		Gas water heaters (China)	
		Condensing boilers (South Korea)	
		Gas tabletop stoves (Indonesia)	Gas stoves with high combustion efficiency help reduce CO ₂ emissions
		Solar hot water panels (Brazil)	Using solar heat to supply hot water helps reduce CO ₂ emissions
2	Reduce PM2.5 emissions	Boilers (China, Mongolia)	Switching from coal boilers to gas boilers helps reduce PM2.5 emissions

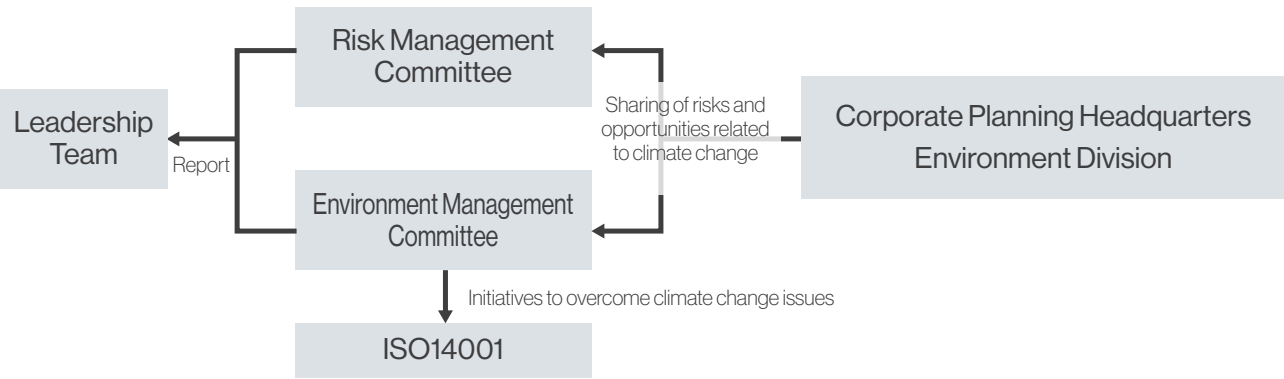
Responses to the Task Force on Climate-related Financial Disclosures



With the aim of creating a virtuous circle of the environment and the economy which assumes a sustainable company, Rinnai expressed its support for the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD), a taskforce established by the Financial Stability Board (FSB) in August 2020. We are promoting the disclosure of the financial impact on the Company caused by climate change and our approaches to resolve these issues.

Governance

Rinnai's Corporate Planning Headquarters and the Environment Division are taking the lead in compiling ESG-related issues and allocating them to the relevant departments to undertake improvement initiatives. In addition, the Environment Management Committee is the secretariat for ISO14001 operation and promotes initiatives related to risks and opportunities associated with climate change and reports such activities to the leadership team.



Risk Management

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

Metrics and Targets

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

Strategy

		Impact on Rinnai	Financial impact	Degree of urgency	Rinnai's response
Transition risks	Raw material procurement risks associated with climate change	Risk of procurement cost increases in line with raw material costs that are passed on through carbon pricing (carbon taxes and emissions trading) to suppliers of materials that emit large amounts of greenhouse gases.	Large	Low	<ul style="list-style-type: none">Convert to recyclable materialsReduce procurement costs through independent efforts
	Water heater regulations as a result of water resource depletion	Risk that the sale of water heaters potentially using large amounts of water resources will be restricted as a result of global water shortage problems.	Small	Low	Develop water heaters able to restrict the amount of water used.
	Gas water heater regulations in line with fossil fuel regulations	Risk of impending necessity of measures for replacing conventional products amid movements toward requiring different methods than in the past for consumers to realize the intended use of water heaters using fossil fuels due to the transition from the conventional concept of a "low-carbon society" focused on energy and resource conservation to the long-term concept goal of a "decarbonized society."	Large	Medium	Ascertain changing conditions related to energy while developing and establishing technologies focused on essential products.
Physical risks	Physical risks from natural disasters	Risk of supply chain distribution disruptions due to the impact of natural disasters (floods, torrential rains, water shortages and other events).	Large	Medium	Enhance response capabilities with business continuity planning (BCP), including decentralized materials procurement sources and production bases.
	Risk of increased operating costs	Risk that air conditioning and cooling equipment operating costs will increase due to a rise in average temperatures.	Medium	Low	Promote the introduction of residential power generation through sustainable energy and other measures.
Opportunities	Adoption of energy-saving water heaters in line with tightening environmental regulations (CO ₂)	Current "low-carbon society" initiatives require higher efficiency energy-saving water heaters. Additionally, the advance of technologies such as decarbonized gas for realizing a "decarbonized society" will require more efficient energy-saving water heaters than in the past.	Large	Medium	Promote the expansion of product lineups and sales of more efficient energy-saving water heaters.
	Adoption of gas boilers in line with tightening environmental regulations (PM 2.5)	In areas where coal boilers are used, gas boilers that do not generate PM 2.5 will be required.	Medium	Medium	Target areas where environmental regulations have not yet tightened, expanding the adoption of products corresponding to usage environments in those areas.

TCFD Recommended Disclosures and Content of Rinnai's Disclosure

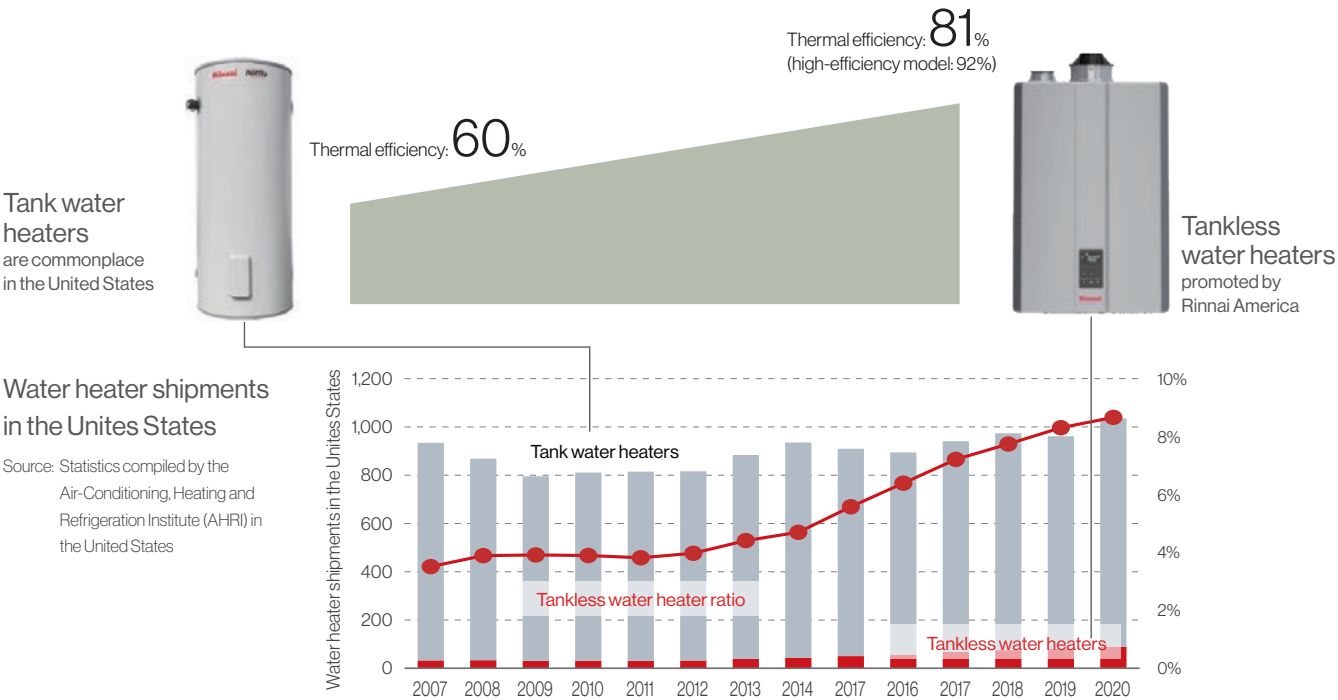
Recommended disclosures	Content of Rinnai's disclosure
Governance	Environmental management https://www.rinnai.co.jp/csr/manage_system/
Strategy	Value creation process https://www.rinnai.co.jp/csr/value/
Risk management	Risk management https://www.rinnai.co.jp/csr/risk_manage_system/
Metrics and targets	Value creation process https://www.rinnai.co.jp/csr/value/ Approaches to preventing global warming through energy-saving water heaters https://www.rinnai.co.jp/csr/reduction/

Environment

Global Deployment of Rinnai Group Water Heaters

The Rinnai Group widely develops water heaters for use in Japan as well as overseas, engaging in business deeply related to global warming and energy consumption. Viewed in another way, the development and adoption of more highly efficient water heaters will enable the realization of substantial reductions in adverse environmental impacts.

Rinnai America Corporation Initiatives



The water heater market in North America is dominated by storage tank-type units that are not very energy efficient. Rinnai has been promoting the conversion to tankless water heaters that are highly energy efficient. Efforts to boost awareness over many years are bearing fruit and sales volumes for tankless water heaters have been rising recently. Rinnai America will help ease the impact on the global environment through the wide diffusion of highly efficient tankless water heaters.

To meet the rapidly growing demand for tankless water heaters in the enormous US market, Rinnai opened an innovation center to quickly develop products meeting consumer needs, and at present, we are engaged in the construction of a local Rinnai-owned factory to expand local production that, up to now, has been conducted at a leased facility.



Innovation center environmental testing room



Scheduled construction of local production facility in Griffin

Shanghai Rinnai (China) Initiatives

Rinnai owns a development and production base in Shanghai and is expanding sales throughout China. Unlike in Japan, gas pipe infrastructure in China is not widespread, thus the use of convenient and efficient gas water heaters is not yet possible in underdeveloped areas.

As gas pipeline development spreads and people's living standards improve, Rinnai will promote sales centered on gas water heaters, the adoption of which will increase going forward. In anticipation of growing demand, we are planning to expand manufacturing facilities while continuing to increase business scale through the establishment of experience centers in major cities where consumers can actually handle products as they consider purchases.



Planned expansion of the Fengxian Factory



Experience centers where consumers handle products as they consider purchases



Live sales event streamed online



Retail store renovations

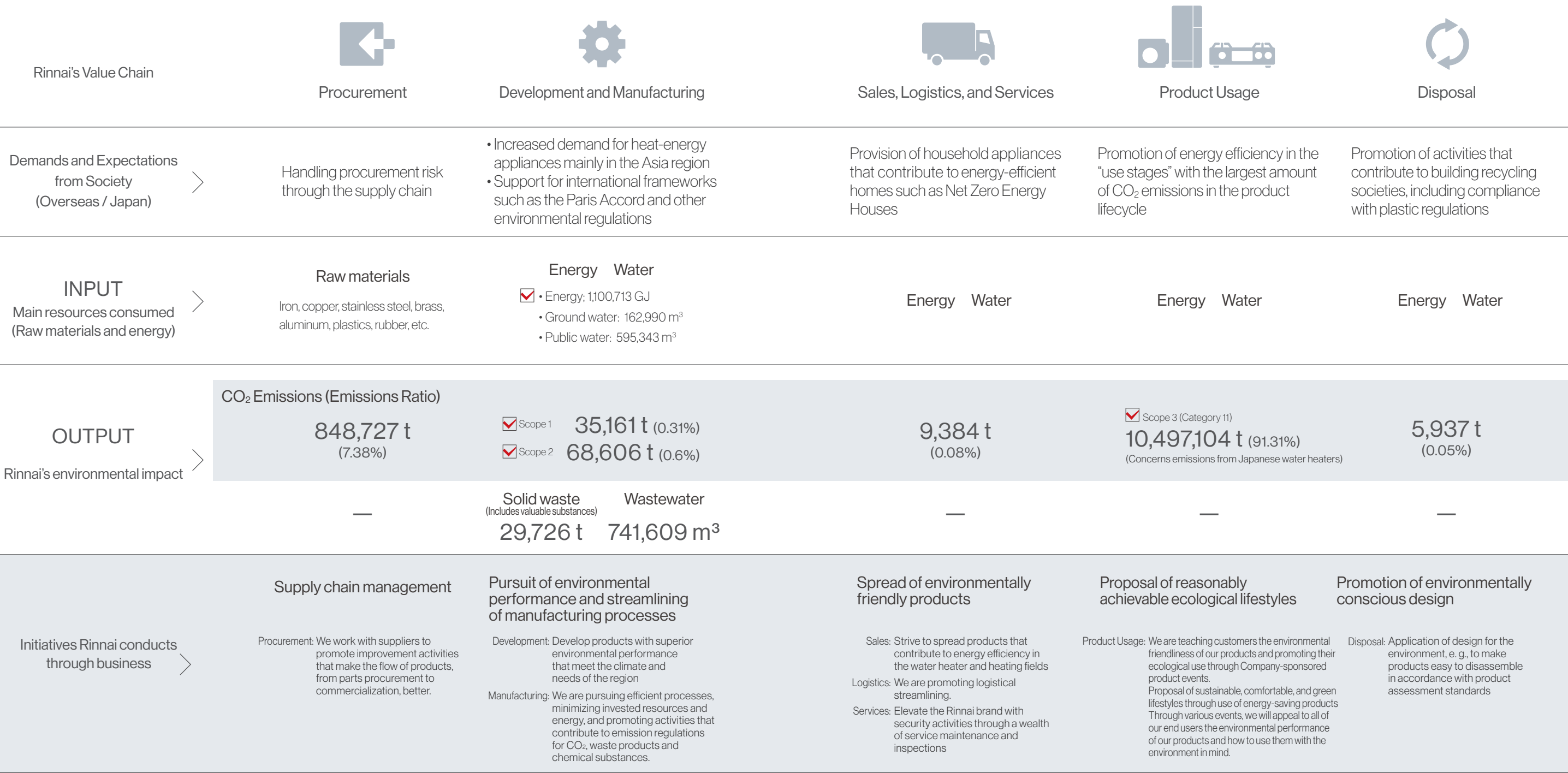
In terms of water heater sales, online purchases are one means of selling in this market, and Shanghai Rinnai is proactively engaged in online sales efforts. In China, the unofficial holidays "Singles' Day" and "618" are major sales events for general consumables during which Shanghai Rinnai conducts sales promotions streamed live online featuring famous influencers. These efforts resulted in Rinnai products ranking first in water heater sales. Online sales account for 30% of Shanghai Rinnai sales overall, thus the Rinnai Group will establish e-commerce (EC), digital transformation (DX) and other online technologies to build on these business achievements.

Within business activities in China, promoting the sales of gas water heaters and gas boilers is understood as contributing to the global environment as much as the expansion of energy-efficient equipment, thus we will promote various business developments along these lines.

Environmental Impact within Rinnai's Value Chain

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

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



Rinnai's estimates based on the "Basic Guidelines for Calculating Green House Emissions Through the Supply Chain"
[Target scope] Rinnai Corporation and consolidated subsidiaries (development / manufacturing), Rinnai Corporation (procurement / sales / logistics / services / product usage / disposal)
[Target period] Domestic: Fiscal 2021 (April 2020–End of March 2021)
Overseas: January 2020–End of December 2020
[CO₂ emissions (units)]: tCO₂e, (%) represents the emissions ratio within each process.

☑ The value chain is the chain of business activities and processes undertaken by a company to generate and deliver value (products and services) to the customer. Indicators marked with a check have received a third-party guarantee from Lloyd's Register Quality Assurance Ltd. (LRQA).

Defining “Improved Quality of Life”

Rinnai develops products closely related to people’s lives, including water heaters for heating water, kitchen appliances for cooking and air-conditioning appliances for heating rooms. In providing products with even greater value, we support people’s lives as well as facilitate an improved quality of life.

For example, in the United States, where tank water heaters are used, problems occur when all the hot water is used up and only cold water comes out. The advantage of Rinnai tankless water heaters is that hot water is always available immediately when needed, which contributes to reduced stress in everyday life.

Rinnai recognizes that making people’s lives more comfortable and enjoyable is the major mission of our brand promise “Creating a healthier way of living.” To this end, we will expand sales to offer products that improve people’s lives with health, quality and comfort while providing enjoyment and excitement.



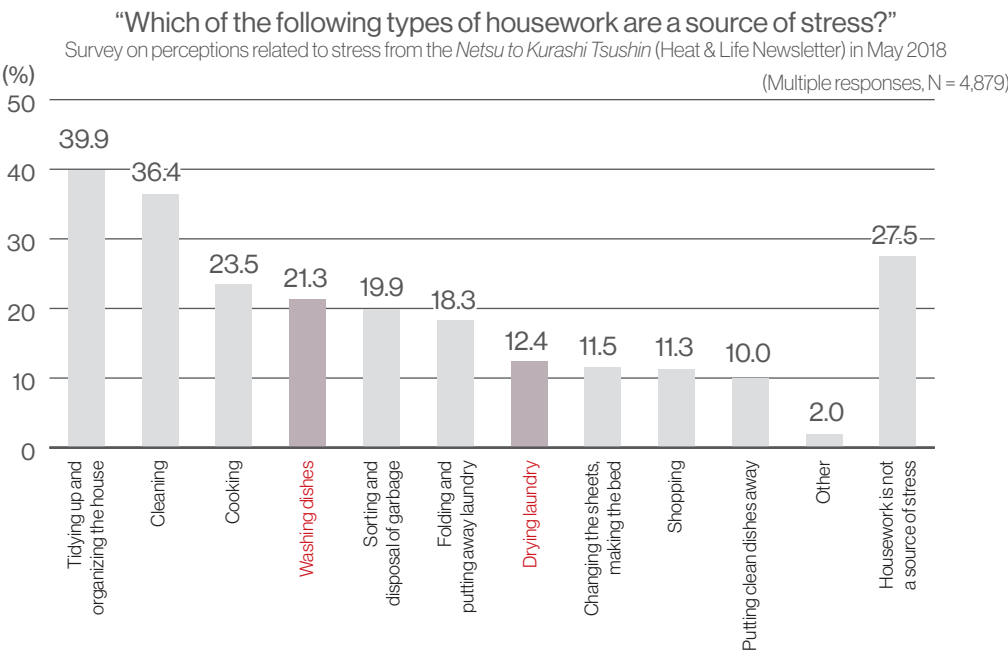
Rinnai’s Definition of “Improved Quality of Life”

	Criteria	Main products	Details of improvement
1	Reduced stress through improved convenience	Gas tankless water heaters (USA)	Endless supply of hot water thanks to gas water heaters
		Gas clothes dryers (Japan, China, South Korea)	Reduced housework burden thanks to gas clothes dryers and dishwasher/dryers
		Gas dishwasher/dryers (Japan, China)	
2	Increased safety of living spaces	Wireless LAN-compatible remote controls (Japan)	Remote control and monitoring functions
		Gas stoves with sensors (Japan, ASEAN)	Stoves equipped with sensors ensure prevention against fires
3	Improved levels of hygiene and health	Micro Bubble Bath units (Japan)	Micro Bubble Bath units have health improvement benefits
		Air purifiers (China)	Increased hygiene levels thanks to better air quality
		Gas and electric water heaters (ASEAN)	Water heaters installed in houses that previously did not have them
4	Enhanced resilience	ECO ONE (Japan)	Hot water supply even in times of disaster
		Gas stoves (ASEAN)	Cooking possible even during electricity blackouts

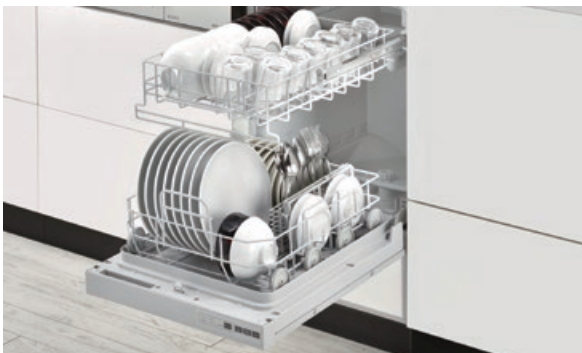
By broadly expanding products defined as “improving quality of life,” we envisage making people’s lives more comfortable throughout the world, which we will manage as a business performance indicator. Our aim is to increase sales of products that improve quality of life by 50% in fiscal 2026 compared to fiscal 2021.

Reducing Stress through Improved Convenience

Surveys on stress reveal that housework such as washing dishes and doing laundry are bothersome aspects of people's everyday lives. Rinnai recognizes that reducing the burden of housework will lead to improved quality of life.



Reducing the Stress of Washing Dishes



Rinnai provides dishwasher/dryers to reduce the stress of washing the dishes. Dirty dishes are placed in the machine and with the push of a button they are automatically washed, rinsed and dried in 1–2 hours. Even in Japan, which has high living standards, the penetration rate is less than half, thus we believe there is still room to expand the provision of these appliances in Japan as well as the rest of the world.

Furthermore, these appliances use about 80–90% less water than handwashing, while reducing the cost of dishwashing soap and water by approximately 50–60%, contributing to resource conservation.

Reducing the Stress of Drying Laundry



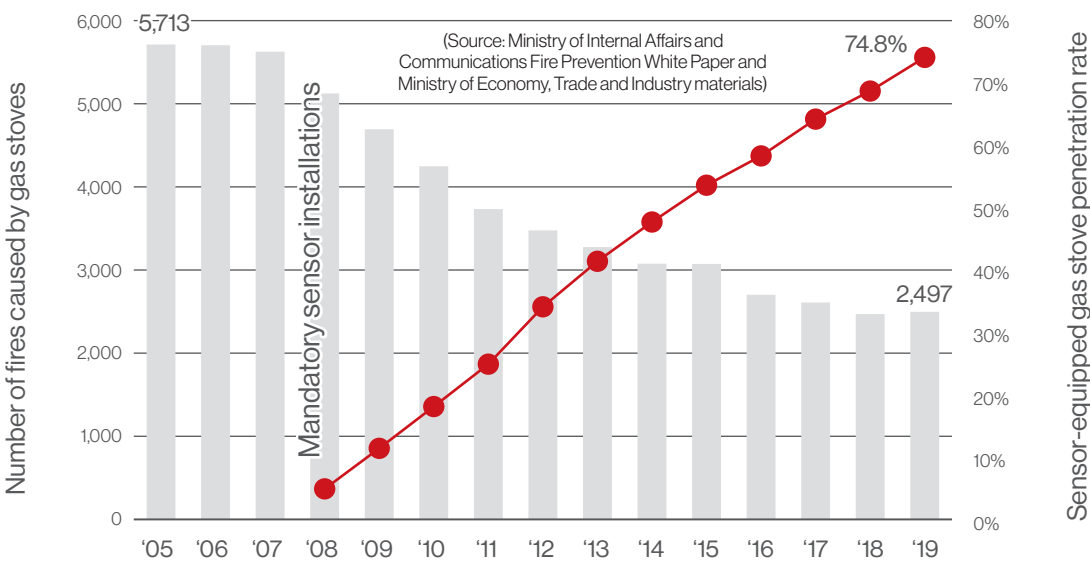
Rinnai offers gas clothes dryers to reduce the stress of drying laundry. This appliance is able to dry five kilograms of laundered clothing in approximately 50 minutes (drying clothes in about one-third the time required when using an electric heat pump clothes dryer). This enables a reduction in the amount of work involved in washing and drying laundry, which in turn reduces the burden of housework.

The powerful heated air generated by gas eliminates unpleasant odors associated with line drying, while also making each individual fiber stand up, resulting in laundry that is fluffier than sun-dried laundry. In proposing optimal laundry drying methods, Rinnai will contribute to improving quality of life.

Increasing the Safety of Living Spaces

In Japan, to prevent stove fires caused by tempura oil, laws have been enacted mandating the installation of safety sensors on all gas stove burners since 2008. With the spread of stoves equipped with safety sensors, the number of fires caused by gas stoves is decreasing.

Note: Household gas stoves have become subject to government-designated regulations (indication of PSTG or PSLPG) by the Gas Business Act, and the Act on the Securing Safety and the Optimization of Transaction of Liquefied Petroleum Gas. Accordingly, all burners are required to be fitted with an “oil overheating prevention device” and a “flame-failure device” since October 1, 2008.



Rinnai has been engaged for some time in the development of safety sensors, establishing a track record of fire prevention activities through sales promotion and promulgation efforts. Further, in South Korea, mandatory safety sensor requirements similar to those in Japan have been mandated since 2014, achieving similar results. Rinnai is promoting efforts encouraging the adoption of these products to prevent residential fire incidents, which have become a social challenge.



Gas stoves with sensors in China



As living standards improve throughout the world, and cookware is expected to increase in line with demands for more abundant lifestyles, Rinnai will leverage technological developments accumulated in developed countries to provide products with a high degree of safety in order to meet growing demands.

Contributing to Health Promotion


In April 2019, Rinnai formulated its brand promise, “Creating a healthier way of living” and renewed its brand logo. The new logo is symbolic of the new Rinnai and is intended to invoke a brand image of creating healthy and comfortable lifestyles. We have added a new theme of “health and lifestyles” to the past theme of “heat and lifestyles.” In addition, as one message in promoting the theme of “health,” in April 2020 we launched sales of the microbubble bath unit.

What are microbubbles?

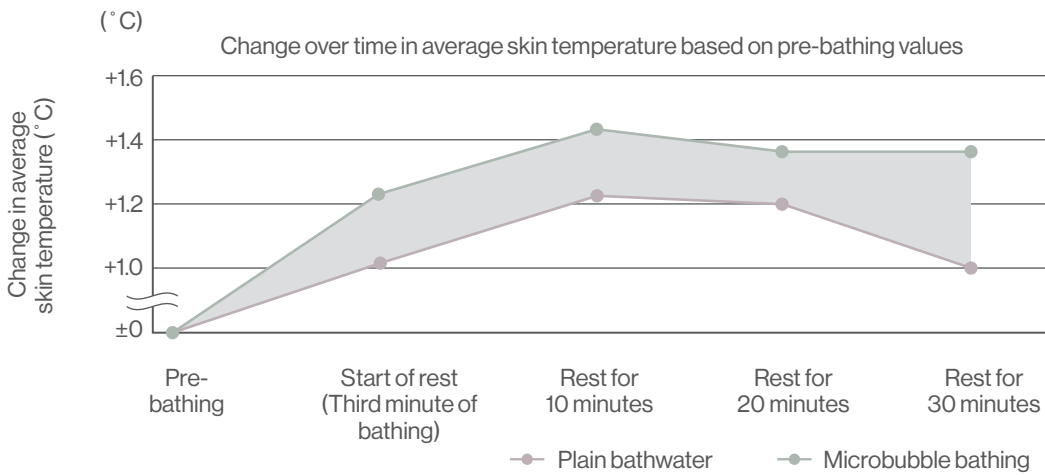
Microbubbles are ultrafine bubbles measuring 1-100μm in diameter. They have low buoyance and spread out and gently rise like a milky cloud. As time passes, they float to the surface and become even finer bubbles as they contract in water.

Microbubble bath unit

By affixing a microbubble bath unit between the bathtub and the water heater with dedicated circulator fittings (a device to spray hot water into the bathtub), microbubbles are generated and produce a variety of health benefits for the bather.

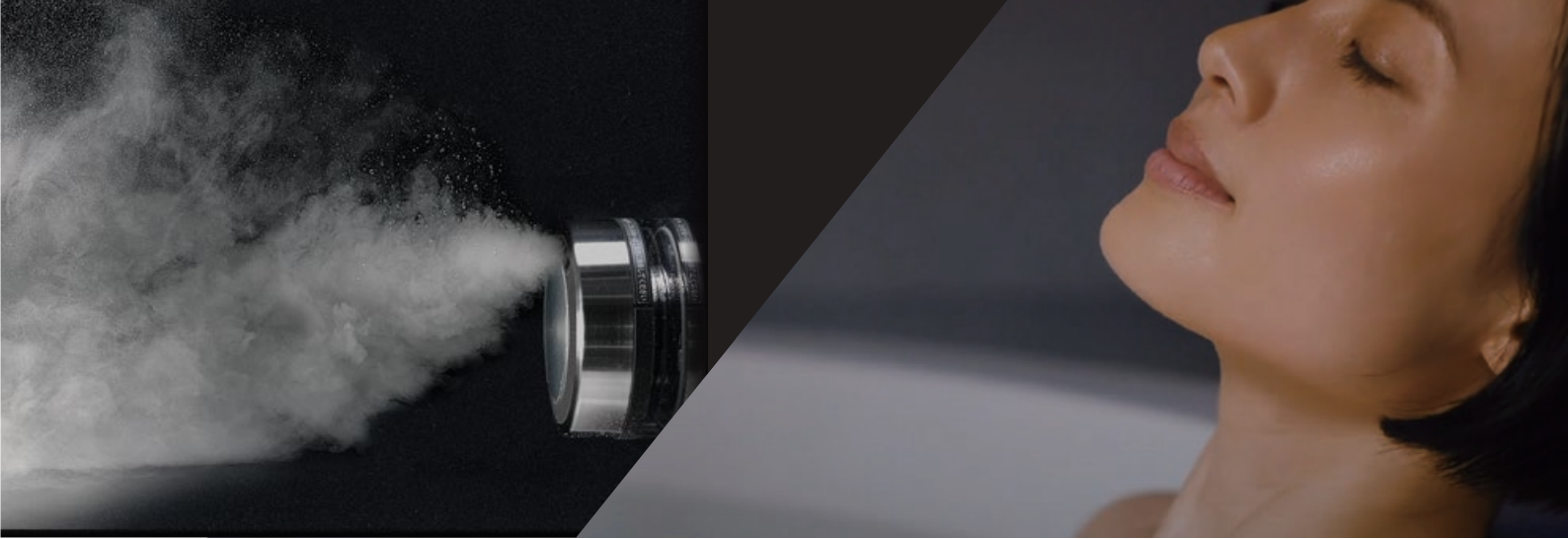


Effect and efficacy of microbubbles: Hot bath effect



Experiment parameters Research by Toho Gas Co., Ltd. and Nihon Fukushi University in fiscal 2019.
Subjects: Seven healthy women in their 30s
Bathroom environment: Room temperature 29 °C, humidity 97%
Bathing method: Whole-body bathing for 10 minutes with bathwater at 40 °C

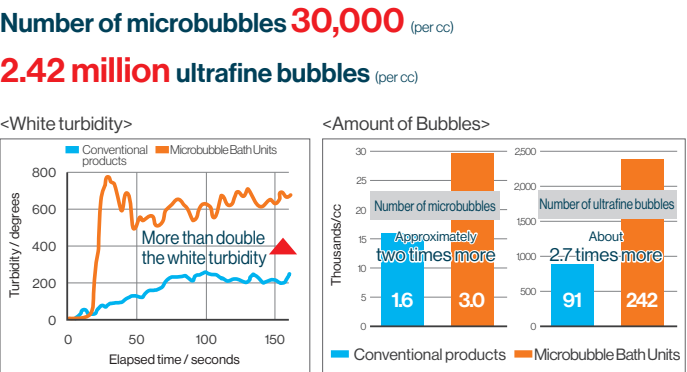
Since the bubbles envelop themselves around the bather’s body, the transmission of heat from the bath water to the body becomes gentler causing body temperature to rise gradually. As the body releases heat gradually after leaving the bathtub, there is a sustained sense of warmth.



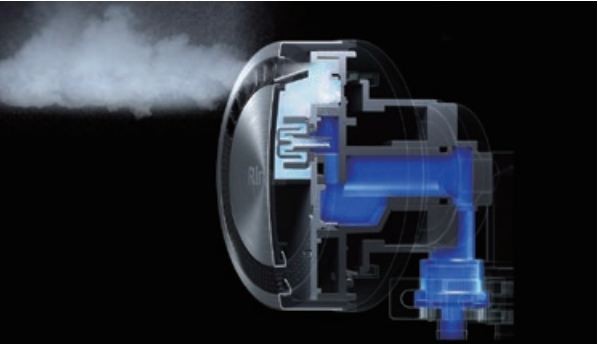
Generating the Industry’s Highest Level of Microbubbles

As a method for generating microbubbles, in addition to the pressurized dissolution method used in conventional products¹, the incorporation of a method whereby hot water is swirled inside the dissolution tank enables the dissolution of even more air. Nozzle components that generate bubbles have also been improved, increasing the number of bubbles in microbubbles to approximately twice that of conventional products, generating 30,000 bubbles per cubic centimeter (cc) of water, resulting in double the whiteness. This generates approximately 2.7 times more ultrafine bubbles² than conventional products, or 2.42 million bubbles per cc of water.

In developing the pressurization and rotation technologies used in this product, another achievement is the realization of a more compact dissolution tank. In shrinking the tank size to just 30% of conventional tanks, Rinnai was able to develop a Microbubble Bath Unit with a built-in water heater (conventional products use external water heaters, thus in addition to units with external water heaters, we also sell units with built-in water heaters).



1. Conventional products: Rinnai *Bihakuyu* (UF-MBU2) released in 2007
2. Ultrafine bubbles: Fine bubbles with a diameter of 1 μm



Bubble effusion image

VOICE



Kazuyuki Amemiya
Element Development Division,
Appliance Technology
Development Office

Developing the Microbubble Bath Unit

The previously developed microbubble generator *Bihakuyu* unit was a product based on an extremely strong concept, from which our desire to excite customers with the generation of even more bubbles resulted in the development of the Microbubble Bath Unit.

To generate even more bubbles, we both confirmed our progress using computer-assisted engineering (CAE) and created multiple prototypes with which we repeatedly engaged in product testing. This enabled us to increase the number of bubbles in actual measurements, as well as produce cloudy hot water making the effect clearly visible, which I think was a great achievement.

Going forward, I hope to continue daily development efforts to continue providing products enabling as many people as possible to live comfortable, quality lifestyles.

Resilience

The ECO ONE Hybrid Water Heater and Heating System as a Disaster Countermeasure in the Event of an Emergency

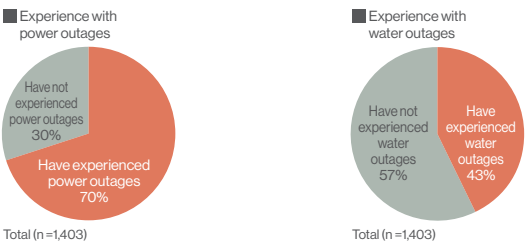
In recent years, several natural disasters have occurred in Japan, serving as an opportunity to think more deeply about risk countermeasures in the event of a disaster and heightening the momentum to prepare for them on a daily basis.

Major Natural Disasters in Recent Years

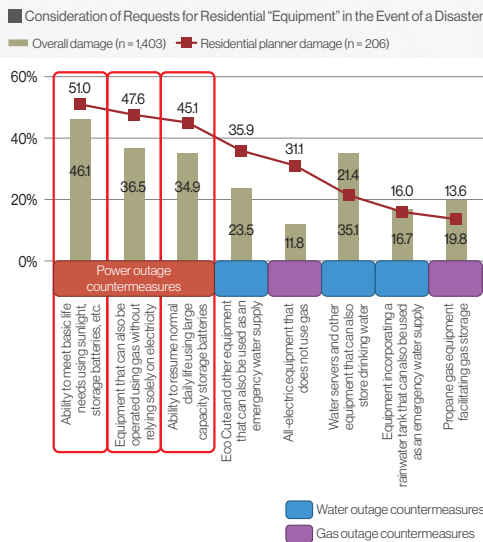
June 2020	Earthquake on eastern coast of Chiba Prefecture (maximum seismic intensity 5 lower)
March 2020	Earthquake in Noto region of Ishikawa Prefecture (maximum seismic intensity 5 upper)
April 2020	Earthquake in Chubu region of Nagano Prefecture (maximum seismic intensity 4)
July 2020	Typhoon Haishen caused damage in Kyushu and Tohoku regions
July 2020	Torrential rains across various regions measuring the highest amount of rain ever recorded

70% of People Have Experienced Power Outages and 40% Water Outages When Lifelines are Cut During a Disaster

According to a survey, 70% of all respondents have experienced power outages during a disaster. 43% have experienced water outages, with the data indicating that situations where lifeline services are interrupted occur frequently. As countermeasures in the event of a power outage, there are requests for equipment "using sunlight and storage batteries to ensure basic life needs are met" (51.0%) as well as equipment that "can also be operated using gas without relying solely on electricity" (47.6%).

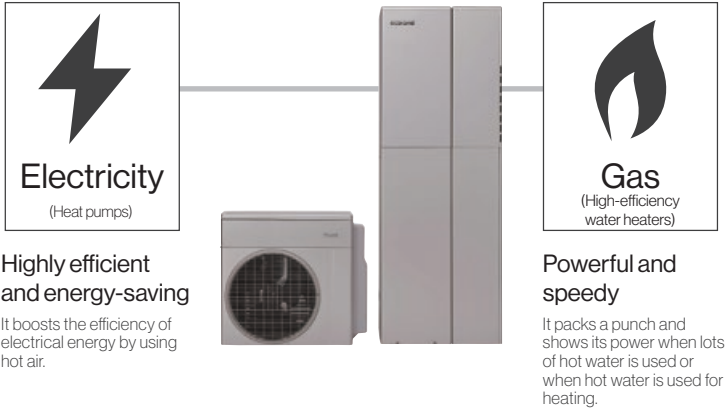


Source: EnviroLife Research Institute, Inc., 2019 <https://www.jkk-info.jp/publicity/deteil/id=107>



A hot water heater that is resilient to disasters, ECO ONE is a hybrid hot water and heating system that protects and supports people's lives.

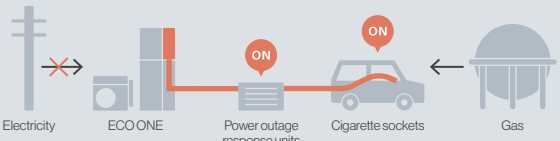
Disasters strike unexpectedly. Consumers can prepare for emergencies by installing hot water heaters that can work with both gas and electricity, and thus diversify risk so lifestyles can be sustained even when lifelines are limited.



What ECO ONE can do during a disaster

⚠ When the power is cut off

If there is power generation from cars or solar panels, gas can be used to heat water



⚠ When the water is cut off

Hot water in the tank can be used as domestic water



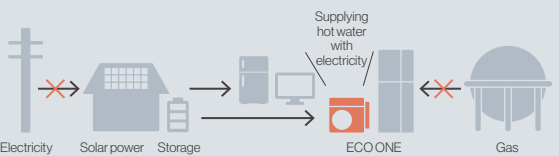
⚠ When the gas is cut off

Hot water can be supplied with electricity alone



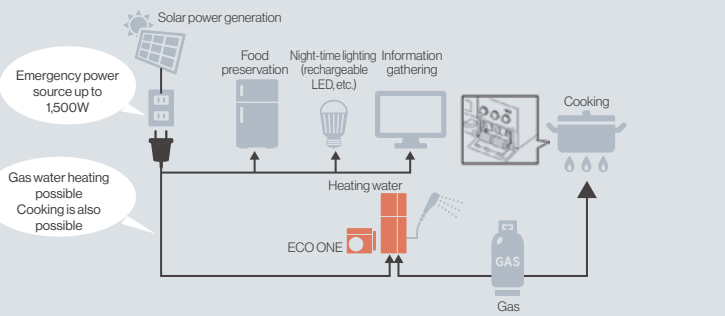
⚠ When both electricity and gas are stopped

If there is a storage battery, water can be heated with electricity



⚠ Image of hybrid lifestyle during power outages

During a disaster, by using solar power generation and ECO ONE, electricity can be used to preserve foods and for nighttime lighting while gas is used for heating water and cooking.



Rinnai supports customers' safety and endeavors to help them live comfortable lives with peace of mind by providing products like ECO ONE and the functionality built into its various products.

Fair and Diversified Employment

View toward Employment

We respect the diversity of individuals and provide employees with various job opportunities and a working environment where they can demonstrate their various capabilities. The Rinnai Group Code of Ethics stipulates that “Any discriminatory act toward an individual based on gender, age, nationality or physical characteristics, etc. is prohibited.” Based on this, we maintain fair and equitable hiring practices, in line with prevailing business plans and recruitment needs.

In addition, we actively engage in mid-career hiring to capitalize on the accumulated experience and knowledge of individuals who showed they can make a contribution to our success. We hire approximately 10 skilled mid-career employees every year.

Increase of Female Employment and Support for Their Active Role

Ideas and comments from women are absolutely crucial to our products, particularly as they use so many of our products on a daily basis. We have female employees playing key roles and demonstrating their individual abilities across a wide range of areas, especially in product planning and design departments, sales planning and promotion departments, fixed customer sales departments, and production departments. At Hot.Lab, our interactive facility, female employees called Life Creators demonstrate and promote our products to customers. Life Creators across the country gather every year to exchange their opinions. They share their opinions on product functions, designs, and methods of demonstration to contribute to the development of new products and the improvement of product promotion.

In addition, the fixed customer sales department proactively engaged in sales promotions from a female perspective targeting customers such as retail stores and house makers.

VOICE

Engaging in Product Development Encouraged by Customer Feedback

I work in a division engaged in the development of kitchen appliance products. Our work involves products in new fields, such as the design of the “Cocotte Plate,” a container that can be used in grill boxes or on stovetops, as well as the development of the “+R RECIPE” app linking stoves with smartphones to facilitate automated cooking.

Many daily work activities are entrusted to me, and although the responsibility is great, I find my work to be very rewarding. At each step of the process, I feel that doing rewarding work leads to self-confidence and I am grateful to have been given an opportunity to play an active role. The development of new products always involves some difficulties, but I will continue striving to deliver quality products through the encouragement of our customers.



Product Development Division II,
Kitchen Appliance Development Office
Mayuko Umeda

Development of Global Human Resources

In order to develop human resources who can play an active role across national borders and improve the capabilities of employees around the world, the Group has developed a business practices program that assigns mutual training programs to management divisions, product development divisions, and manufacturing divisions.

With regard to human resources in Japan, we give the opportunities for secondment to overseas group companies from their 20s. The program is based on gaining actual experience through an overseas posting and aims to develop participants’ adaptability to different cultures and international business sense.

VOICE



Rinnai America
Hidekatsu Naruse
(Second from right in front row)

Transferred from the Production Engineering Division to an Overseas Group Company

After nearly 25 years in the Production Engineering Division, where I was involved with in-house equipment design, new product production design and other operational and managerial responsibilities, I have been working at Rinnai America since January 2018.

At Rinnai America, to promote the local production of tankless water heaters, I have been involved as the local project leader in preparations for the new Rinnai-owned factory to further expand local production in addition to the management of a leased facility launched in April 2018.

With a total investment of over ¥7.0 billion for the new factory, I find it rewarding to be involved in such a big project, and at the same time, I am delighted to be able to ensure highly convenient tankless gas water heaters spread across the United States. That being said, this local launch required my involvement in a variety of fields other than engineering with which I had no previous experience, such as human resources, accounting, safety and the environment. Further, the approach to many aspects of this project were very different from the way things are done in Japan, so even after three years, I am still learning new things on a daily basis.

Going forward, I want to continue contributing to the further development of Rinnai America, which has just commenced production.



Rinnai Hong Kong Ltd.
Shunsuke Tsutsumi
(Left)

From the Overseas Business Headquarters to the United States and Hong Kong

After joining Rinnai and working for four years in the Overseas Business Headquarters at the Japan Head Office, where I was involved in export operations focused on East Asia and Europe as well as product planning, I spent two years in the United States where my experience mainly involved market trend research. I then returned to the Japan Head Office, where I spent two years engaged in sales to distributors. At present, I am working in Hong Kong, where I am engaged in general corporate management, market trend research and sales activities.

Working overseas in a different language and culture makes daily communications a challenge, but I feel that struggling to think about what and how to convey what needs to be communicated in a language other than my own is good practice for grasping the essence of things.

Furthermore, thanks to my experience in multiple countries, I feel I have gained a higher perspective while discovering differences between countries and regions.

Going forward, to play an even more active role globally, rather than being bound by one set of values, I want to experience a variety of cultures and ways of thinking in order to become an employee who is able to create new value.

Industrial Relations and Human Rights

Establishment of Good Labor Relations

Employees of the Company are members of the Rinnai Employees' Association, which functions as the organization to represent the entirety of the Company's employees. Based on mutual understanding and trust, the Company and the Association establish healthy and sound labor relations, openly exchanging opinions on management issues, labor conditions, workplace environments, and compensation and discussing improvement plans.

Moreover, the Company makes effort to provide a safe working environment without any concern to the employees of our business partners, etc., in addition to our employees. We also actively arrange and offer welfare programs and various events and programs for our employees and their families.

Respect for Human Rights and Individuality

The Rinnai Group considers respect for human rights and individuality as one of its main pillars for performing its social responsibilities as a company. We therefore strictly prohibit any form of discriminatory treatment based on gender, age, nationality, physical characteristics, or any other attributes of individuals. We also refer to the ideas of the United Nations framework and ISO 26000 and reflect them in the Rinnai Group "Code of Ethics."

To promote and enforce the contents of the Rinnai Group "Code of Ethics" among all Group employees, a Compliance Committee member is allocated to each workplace and materials are published on the Company intranet. At rank-specific training programs, we also educate our employees based on their roles and job responsibilities.

Efforts to Prevent Child Labor and Forced Labor

As a measure to prevent child labor and forced labor, the "Rinnai Code of Conduct: 4.2 Prohibition of Child Labor and Forced Labor" stipulates that "We will not use any inappropriate labor including child labor that subjects persons under the legal working age to harmful labor or any form of unjust labor contrary to the intent of workers." The entire Group abides by and acts on this rule.

Measures to Prevent Harassment

To maintain a working environment that our employees find comfortable, we take measures to prevent any infringement of human rights, including sexual harassment and power harassment. With regard to sexual harassment and power harassment, we produced a checklist of detailed examples of harassment that is posted on the Companywide intranet for self-assessment.

Furthermore, we also provide newly assigned department managers with harassment education to reinforce its prevention.

We also revised our in-house rule to prevent any harassment related to pregnancy, childbirth, child care leave or family care leave. We clearly determined the detailed act of prohibiting harassment and disciplinary action based on the rules of employment if an employee violates any of these.

Occupational Health and Safety

Basic Policy on Safety and Hygiene

An essential requirement in business is the assurance of the health and safety of employees, via the provision of a hazard-free and hygienic work environment. As Rinnai constantly strives to protect the life and health of all employees, we give top priority to the sanitary conditions and safety of the workplace. This corporate mantra extends to our customers, to whom we strive to provide "safety and peace of mind."

Fiscal 2022 Basic Policy on Safety and Hygiene

- 1. Create safe and reliable work environment
- 2. Maintain and improve work environment
- 3. Work style reforms and compliance with Article 36 Agreement
- 4. Promote measures to support for health improvement
- 5. Promote crisis management
- 6. Personnel training through safety education and workshops
- 7. Promote traffic safety activities

Promoting Safety and Health Activities

Rinnai has established the Rinnai Companywide Safety and Health Committee as a governing body for domestic Group companies and is working with safety, health, and disaster prevention officers at each business location to promote occupational safety and health activities.

Within safety and health activities conducted at each business site, to prevent disasters, activities include the horizontal deployment of examples informing employees about work-related injuries and corresponding recurrence prevention measures, establishing safety and health committees that include members from both labor and management, conducting safety and health patrols, and implementing the Company's five fundamentals of safety and health (regulation, arrangement, cleaning, sanitation and training). Through these activities, we are working to create workplace environments that are secure, safe and comfortable.

Promotion of Traffic Safety

We carry out various educational activities with the aim of raising employee awareness of traffic safety and contributing to the local community. As a "Zero Day" activity, employees themselves stand on the streets and call out to passers-by. We hold lectures by police officers in collaboration with local police stations, and for new employees, we rent out a driving school and hold practical training and risk prediction courses. Furthermore, through the periodic acquisition of driving record certificates, we ascertain the status of employee safe driving behaviors and provide individual guidance as situations demand. We have also introduced the systematic installation of drive recorders on all Company-owned vehicles in addition to introducing a safe driving eco-drive promotion system (telematics) to promote employee traffic safety and eco-friendliness from practical as well as theoretical perspectives.

Governance

Management Structure

Basic Principles

- 01

Rinnai views reinforcement and enhancement of corporate governance as important management priorities from the perspectives of strengthening competitiveness and continually improving corporate value of the Group.
- 02

Rinnai takes care to preserve equality of shareholders by ensuring that their rights are essentially protected and that those rights can be exercised smoothly.
- 03

Rinnai views appropriate cooperation with all stakeholders as essential to improving corporate value and, through its business activities, strives for its own growth together with social and economic prosperity.
- 04

Rinnai emphasizes highly transparent management through the swift and appropriate disclosure of wide-ranging information while stepping up efforts to ensure that disclosure of Company information is based on legal regulations.
- 05

Rinnai's Board of Directors recognizes its fiduciary responsibilities to shareholders and strives to continually improve corporate value through transparent, fair, swift, and resolute decision-making.
- 06

Rinnai encourages mutual communication through dialogue with shareholders and other stakeholders in order to build relationships of trust with those stakeholders.

Audit System for Monitoring and Supervising Management

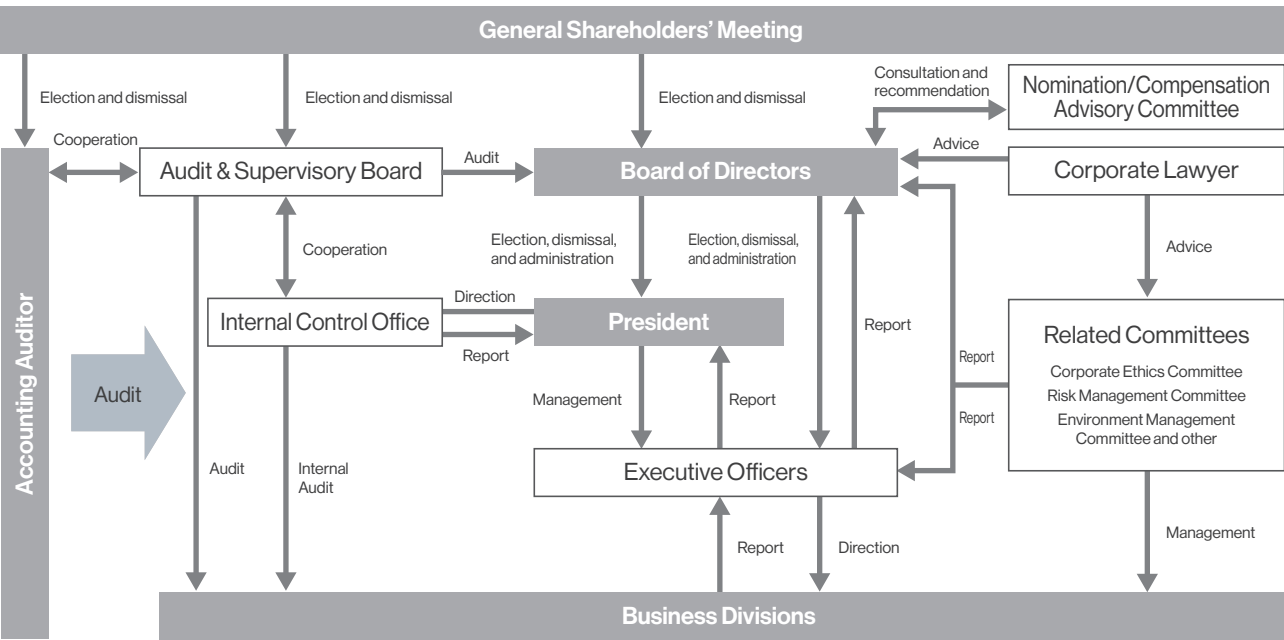
Rinnai recognizes the reinforcement and enhancement of its corporate governance to be important management priorities from the perspectives of strengthening competitiveness and continually improving corporate value of the Group. We aim to conduct highly transparent management by providing swift and precise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

The Audit & Supervisory Board is comprised of four members, two of whom are outside auditors. Audit & Supervisory Board members attend Board of Directors' meetings and other important meetings to monitor director and executive organization execution of duties, the development and operation of the internal control system, and the status of operations and property management at the head office and major offices. In addition to these duties, external account auditors audit the Company's accounts and verifies from a third-party perspective the legality of the internal control system as it relates to financial accounts.

Board of Directors

Rinnai's Board of Directors is comprised of seven members, two of whom are outside directors, and meets once a month in principle. The Board makes decisions regarding major management issues and also oversees business execution by Board members. Some directors below the President serve concurrently as executive officers, whose role is to convey decisions by the Board to executives in the relevant divisions responsible for business execution. The Board confirms business operations and discusses issues at general business meetings and at other business meetings held on a quarterly basis. Moreover, the term of Directors is fixed at one year in order to clarify management responsibilities and increase opportunities to enhance shareholder confidence in the Board.

Corporate Governance Structure



Nomination Advisory Board and Compensation Advisory Board

Rinnai established a Nomination Advisory Board and Compensation Advisory Board comprising a majority of outside independent directors as an advisory body to the Board of Directors to ensure a higher degree of objectivity and transparency in the process of determining nominations and compensation for senior management and directors. In determining candidates for directors, Audit & Supervisory Board members and executive officers, as well as compensation for directors and executive officers, the Board of Directors will make the final decision based on discussions by both advisory boards.

Director Compensation

Compensation limits for Directors and Auditors are determined in accordance with the resolution of the general meeting of shareholders. Rinnai internal regulations also stipulate fundamental matters related to Directors' compensations, including determination procedures, revisions, and reductions. Based on these, the amount of compensation for Directors is resolved by the Board of Directors and the amount of compensation for Auditors is determined through deliberations by Auditors. Directors are paid a fixed amount commensurate with assigned duties.

In light of changes in the business environment surrounding the Company and corporate governance requirements, the decision was made to implement an annual bonus plan and restricted stock compensation plan starting in fiscal 2022 with the aim of promoting the steady creation of corporate value over the medium to long term.

Compensation Amounts for Directors and Auditors (Fiscal 2021)		
Category	Persons	Total amount of compensation paid
Directors (of which are outside directors)	7 (2)	¥289 million (14)
Auditors (of which are outside auditors)	4 (2)	¥41 million (10)
Total	11	¥330 million

Director salaries do not include employee salaries for directors who also serve as employees. As of March 31, 2021, there were seven directors (including two outside directors) and four auditors (including two outside auditors).

Governance

Leadership (As of June 29, 2021)

Board of Directors

Kenji Hayashi Representative Director, Chairman of the Board

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

Hiroyasu Naito Representative Director and President and Executive President

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

Nobuyuki Matsui Outside director, Independent officer

Career Summary and Current Position in the Corporation:
Apr. 1985 Professor at Department of Electrical Engineering in Nagoya Institute of Technology
Jan. 2004 President at Nagoya Institute of Technology
Apr. 2010 Auditor at Aichi University of Education, Adviser of Aichi Prefectural Government Office (Industrial Labor Section)
Apr. 2012 Professor at Chubu University
Jun. 2014 Outside director, Rinnai Corporation (current)
Apr. 2021 President at International Professional University of Technology in Nagoya (current)

Current Representation in Other Companies: Outside director at Aichi Tokei Denki Co., Ltd., President at International Professional University of Technology in Nagoya

Tsunenori Narita Representative Director and Executive Vice President, President's assistant

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

Takashi Kamio Outside director, Independent officer

Career Summary and Current Position in the Corporation:
Apr. 1965 Joined Toyota Motor Co., Ltd.
Jun. 1996 Director at Toyota Motor Corporation
Jun. 1999 Managing Director at Toyota Motor Corporation
Jun. 2001 Senior Managing Director at Toyota Motor Corporation
Jun. 2005 Senior Advisor at Toyota Motor Corporation
President at Towa Real Estate Co., Ltd.
Jun. 2006 Director at Nakanihon Kogyo Co., Ltd.
May 2010 Advisor at Toyota Motor Corporation
Jun. 2010 Senior Advisor at Towa Real Estate Co., Ltd.
Jun. 2011 Audit & Supervisory Board Member at Central Nippon Expressway Company Limited
Jun. 2016 Outside director, Rinnai Corporation (current)

Current Representation in Other Companies: Chairman of Sasaeai, specified nonprofit corporation

Audit & Supervisory Board Members

Haruhiko Ishikawa Standing Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:
Apr. 1980 Joined Rinnai Corporation
Nov. 2005 General Manager of Administration Division, Administration Headquarters
Apr. 2014 Executive Officer, General Manager of Administration Division, Administration Headquarter
Jun. 2016 Audit & Supervisory Board member (current)

Masaaki Matsuoka Outside Independent Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:
Sep. 1976 Registration of a certified public accountant
Jul. 1988 Partner at Deloitte Tohmatsu LLC (Now, Deloitte Touche Tohmatsu LLC)
Jun. 2014 Retired from Deloitte Touche Tohmatsu LLC
Jul. 2014 Established Masaaki Matsuoka CPA office (current)
Jun. 2016 Audit & Supervisory Board Member (current)

Current Representation in other companies
Audit & Supervisory Board Member at Kanemi Co., Ltd.
Outside Audit & Supervisory Board Member at Mitachi Co., Ltd.

Katsuhiko Shinji Standing Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:
Apr. 1981 Joined Rinnai Corporation
Dec. 2000 President of Shanghai Rinnai Co. Ltd.
Jun. 2004 Director of Rinnai Corporation; President of Shanghai Rinnai Co. Ltd.
Jun. 2005 Executive Officer of Rinnai Corporation; President of Shanghai Rinnai Co. Ltd.
Apr. 2009 Executive Officer, Deputy General Manager of Overseas Business Headquarters in Charge of Asia, Rinnai Corporation; President of Shanghai Rinnai Co. Ltd.
Apr. 2011 Executive Officer of Rinnai Corporation; President of Shanghai Rinnai Co. Ltd.
Apr. 2019 Assistant to General Manager of Overseas Business Headquarters, Rinnai Corporation
Jun. 2019 Audit & Supervisory Board member (current)

Ippei Watanabe Outside Independent Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:
Apr. 1978 Registration of attorneys
Joined Saji & Ohta Law firm
Jun. 1991 Established Ohta & Watanabe Law firm (currently, TRUTH & TRUST Law Office) (current)
Jun. 2016 Audit & Supervisory Board Member (current)

Current Representation in other companies
Outside director at Howa Machinery, Ltd. (Audit and supervisory committee member)

Executive Officers (excluding concurrent directors)

Kinji Mori
Managing Executive Officer
General Manager of Quality Assurance Headquarters, and General Manager of Environment Division

Kazuto Inoue
Managing Executive Officer
General Manager of Production Engineering Headquarters

Yoshihiko Takasu
Senior Executive Officer
General Manager of Overseas Business Headquarters

Kenichi Ebata
Executive Officer
General Manager of General Affairs Division

Atsuo Kashima
Executive Officer
General Manager of Accounting Division

Hideyuki Shiraki
Managing Executive Officer
General Manager of Marketing & Sales Headquarters

Hirohisa Ooi
Senior Executive Officer
General Manager of Production Headquarters

Kazuhiko Matsumoto
Executive Officer
General Manager of Seto Factory, Production Headquarters

Katsunori Tanioka
Executive Officer
General Manager of Chubu Branch, Marketing & Sales Headquarters

Kenji Endo
Executive Officer
President of RB Controls Co., Ltd. and President of Noto Tech Co., Ltd.

Chuji Nakashima
Managing Executive Officer
General Manager of Research & Development Headquarters, and General Manager of Technology Administration Division

Takuya Ogawa
Senior Executive Officer
General Manager of Corporate Planning Headquarters

Masanori Shimizu
Executive Officer
Deputy General Manager of Quality Assurance Headquarters, and General Manager of Quality Assurance Division

Hiroyuki Hoyano
Executive Officer
General Manager of Kanto Branch, Marketing & Sales Headquarters

Hayao Nishizawa
Executive Officer
President of Shanghai Rinnai Co., Ltd.

Message from an Outside Director



Nobuyuki Matsui
Outside director, Independent officer

Contributing to a New Era of Change as an Outside Director

Since its founding, Rinnai has developed its gas appliance manufacturing business based on the fundamental concept, “Quality is our destiny.”

Within a free and open atmosphere, the Board of Directors discusses important matters related to corporate activities as well as receiving monthly reports on domestic and overseas businesses. When necessary, the relevant business units hold advance briefings and site tours for outside directors in an effort to ensure ideal information sharing on a daily basis.

In particular, I applaud the fact that the content of the new medium-term business plan has been fully communicated to senior management and front-line managers alike through advance briefings, and that the results can be clearly tracked through concrete performance metrics.

In the four business segments of water heaters and heating systems, kitchen appliances, home heaters, and commercial-use equipment, Rinnai is continuing to make efforts to increase added value in both manufacturing and sales from the perspective of profitability. I find it encouraging that the results of new product development to meet market needs, which are linked to the medium-term business plan, are materializing in terms of both volume and value.

I am impressed by management’s stance of addressing the needs of the market head-on, rather than simply selling products at low prices in response to the slump brought by the coronavirus disaster. As the background to this, I feel that we should not overlook the fact that Rinnai’s management philosophy, including the company motto, brand statement, and code of conduct, has become embedded throughout the Rinnai Group Code of Ethics, which is distributed to all Rinnai employees, including not only manufacturing and technical staff but also administrative and sales staff.

Going forward, it will be important to develop human resources to respond to the increase in headcount required to handle the growing ratio of overseas business as Rinnai’s business expands. It is also vital to explore more detailed market needs and develop products that meet those needs in line with the actual living conditions of each overseas region. Rinnai must also urgently identify new market needs caused by lifestyle changes in Japan and overseas in a post-coronavirus world and by DX, and to develop technologies to address them. The latter will require not only technological expertise, but also talent from outside of Rinnai’s traditional business domains, such as those with skills in psychology, design, and game sense. It will be a great pleasure to contribute to this new era of change as an outside director.

Compliance

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

Rinnai Group Code of Ethics

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

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



Risk Management

Risk Management Policy

As society becomes increasingly complex, companies face a variety of risks. Against this backdrop, the Rinnai Group is promoting its business on a global scale and is implementing risk management to ensure it remains trusted by its customers and society and conducts business activities in a stable fashion.

Promotion Structure

Rinnai’s Risk Management Committee is comprised mainly of executive officers and divisional heads with the President serving as Chairman. The Committee meets regularly to identify key risks having the potential to impact the Company as an ongoing concern, its credibility, business activities, and assets. The Committee also determines which business divisions have a primary responsibility for each type of risk. It also develops mechanisms to prevent risks from materializing, rapidly resolves crises, minimizes any damage that may occur as a result, and prevents recurrences. The Committee works with all divisions and Group companies to mitigate risks and enhance risk response capabilities.



Data Collection

Eleven-Year Financial Summary

		FY2011	FY2012	FY2013	FY2014		FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	(Millions of yen)	239,436	246,636	251,832	286,981		295,022	319,935	330,256	347,071	348,022	340,460	344,364
Operating income	(Millions of yen)	25,238	26,634	26,351	34,018		30,787	34,593	34,056	32,849	30,879	34,422	40,690
Operating income margin	(%)	10.5%	10.8%	10.5%	11.9%		10.4%	10.8%	10.3%	9.5%	8.9%	10.1%	11.8%
Ordinary income	(Millions of yen)	26,824	28,907	29,064	36,910		32,938	35,807	35,280	34,286	33,318	35,679	42,400
Net income attributable to owners of the parent company	(Millions of yen)	15,510	16,807	19,371	23,254		20,647	22,710	22,322	21,194	20,480	21,561	27,581
Total net assets	(Millions of yen)	141,110	154,737	178,007	232,635		261,414	271,709	290,638	307,965	320,696	340,959	371,318
Total assets	(Millions of yen)	221,495	238,853	262,590	334,382		355,140	368,084	402,107	422,422	430,885	450,486	497,291
Net assets per share	(Yen)	2,798.07	3,070.14	3,516.11	4,245.48		4,742.42	4,924.24	5,245.62	5,589.17	5,819.80	6,140.52	6,660.40
Net income per share	(Yen)	311.52	342.60	394.86	454.74		397.03	436.71	429.27	410.41	398.45	419.49	536.62
Equity ratio	(%)	62.0%	63.1%	65.7%	66.0%		69.4%	69.6%	67.8%	68.0%	69.4%	70.1%	68.8%
Return on equity	(%)	11.2%	11.7%	12.0%	11.8%		8.8%	9.0%	8.4%	7.6%	7.0%	7.0%	8.4%
Cash flows from operating activities	(Millions of yen)	27,536	23,074	22,872	36,453		25,671	36,066	39,554	29,914	29,479	37,694	49,491
Cash flows from investing activities	(Millions of yen)	(10,634)	(16,222)	(12,607)	(32,908)		(23,649)	(17,770)	(17,732)	(12,190)	(7,288)	(7,124)	(15,820)
Cash flows from financing activities	(Millions of yen)	(16,958)	(3,937)	(5,002)	13,183		(8,659)	(6,554)	(5,217)	(11,725)	(6,150)	(6,436)	(7,269)
Cash and cash equivalents at end of year	(Millions of yen)	46,145	48,648	55,030	74,279		69,340	79,600	95,297	101,697	116,133	140,138	166,524
Capital expenditures	(Millions of yen)	7,590	9,378	8,222	12,439		13,774	16,938	20,664	16,105	13,481	10,580	13,301
Research and development expenses	(Millions of yen)	6,934	7,665	8,060	8,380		8,895	9,113	9,340	9,918	9,503	9,308	11,802
Dividends	(Yen)	48	56	60	68		76	82	86	90	94	98	125
Payout ratio	(%)	15.4%	16.3%	15.2%	15.0%		19.1%	18.8%	20.0%	21.9%	23.6%	23.4%	23.3%
Number of outstanding shares	(Shares)	54,216,463	54,216,463	54,216,463	52,216,463		52,216,463	52,216,463	52,216,463	51,616,463	51,616,463	51,616,463	51,616,463
Closing price at the end of the period	(Yen)	5,520	5,960	6,770	9,070		8,910	9,940	9,230	10,100	7,830	7,650	12,390
Market capitalization	(Millions of yen)	299,275	323,130	367,045	473,603		465,249	519,032	481,958	521,326	404,157	394,866	639,528

* We apply the Partial Revisions to Accounting Standards for Tax Effect Accounting (Corporate Accounting Standards No. 28, February 16, 2018) as of fiscal 2019. As such, figures for fiscal 2015–fiscal 2018 have been adjusted to retroactively apply said accounting standards.

Data Collection

Human Resource- and Personnel-Related Data

Number of Employees (Non-consolidated)		Fiscal 2019	Fiscal 2020	Fiscal 2021
Newly recruited employees	Male	81	62	66
	Female	50	22	35
	Subtotal	131	84	101
Mid-career recruitment	Male	3	2	0
	Female	6	6	1
	Subtotal	9	8	1
Mid-career recruitment ratio (%)	Subtotal	6	9	1
Temporary staff	Subtotal	283	189	194
Average working years	Male	16.6	17.3	17.9
	Female	12.7	13.3	14.2
	Subtotal	15.5	16.1	16.8
Average age (Years old)	Male	39.3	39.7	40.1
	Female	34.0	34.5	35.3
	Subtotal	37.7	38.2	38.7

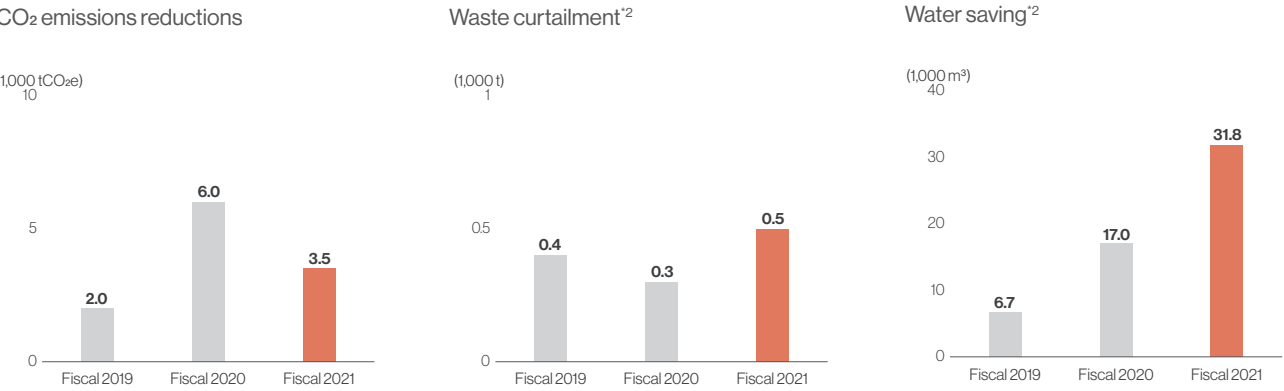
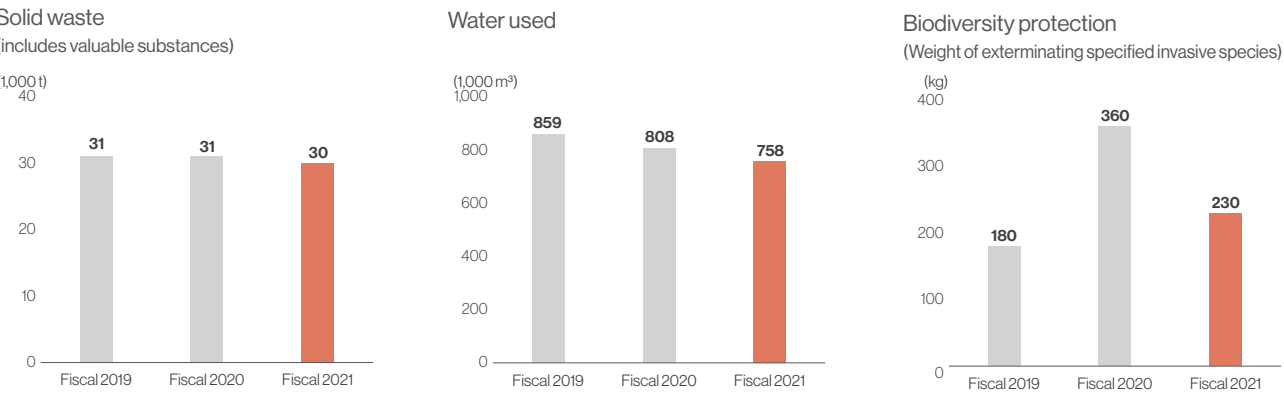
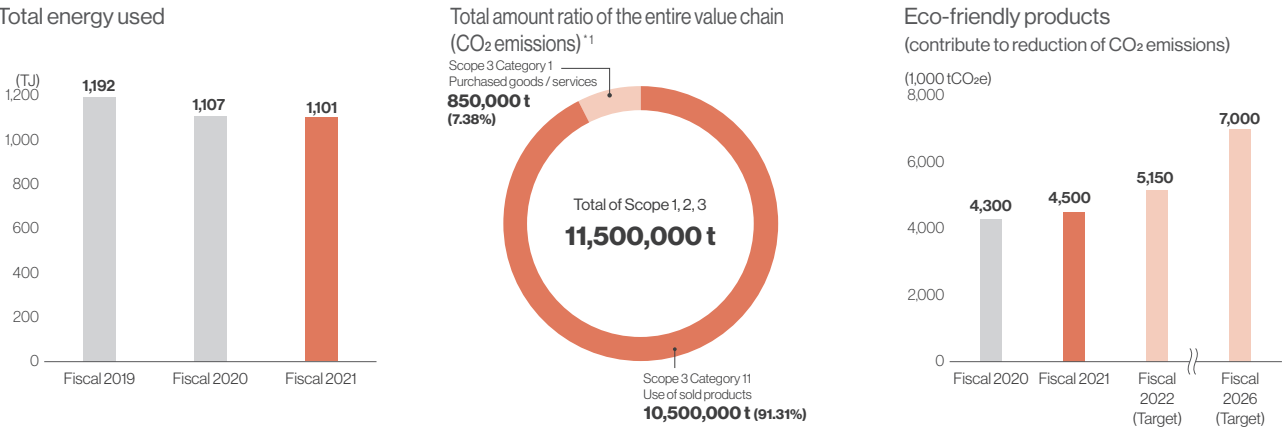
		Fiscal 2019	Fiscal 2020	Fiscal 2021
Paid leave * Rinnai parent Based on the status of leave taken by permanent employees	Number of days added with paid leave	20.0	20.0	20.0
	Number of days taken with paid leave	10.5	12.1	12.2
	Utilization ratio (%)	57.1	58.0	63.0
Employment of persons with disabilities	Number of persons with disabilities	66	74	79
	Employment rate (%)	2.05	2.23	2.22
Number of OJT accidents *Includes domestic consolidated subsidiaries	Number of accidents	26	37	28
	Number of disasters(%) (LTIFR)	0.70	0.23	0.56
Number of employees on mental health leave		13	21	20
Number of employees who used childcare leave		82	57	62
Number of employees who took childcare leave of absence	Male	0	0	5
	Female	117	123	95
	Subtotal	117	123	100
Proportion of employees who return to work after taking parental leave (%)	Male	100	—	100
	Female	100	100	98
	Subtotal	100	100	99
Number of employees who used shortened work hours	Male	0	0	0
	Female	109	131	161
	Subtotal	109	131	161
Number of employees who used family care leave	Male	1	1	1
	Female	53	48	27
	Subtotal	54	49	28
Number of employees who used nursing leave	Male	1	1	2
	Female	3	4	3
	Subtotal	4	5	5
Number of employees who took nursing leave of absence	Male	0	1	0
	Female	2	4	5
	Subtotal	2	5	5
Number of employees who used our reemployment (Come Back) system	Male	0	1	0
	Female	0	2	0
	Subtotal	0	3	0
Number of employees who used the work from home program	Male	1	59	835
	Female	2	14	247
	Subtotal	3	73	1,082

Working Hours		Fiscal 2019	Fiscal 2020	Fiscal 2021
Annual total actual working hours per employee (Hours)*1		2,097.0	2,007.9	1,952.0
Annual non-scheduled working hours per employee (Hours)*1		217.0	199.2	176.7
Average overtime per month (Hours)*1		18.7	16.6	14.7

Others (Social Contribution and Compliance)		Fiscal 2019	Fiscal 2020	Fiscal 2021
Number of whistleblower incidents *Includes domestic consolidated subsidiaries		5	6	2
Criminal charges for compliance related accidents and incidents (Number of cases)*2		0	0	0
Total expenditure on social contribution activities (Millions of yen)		14	14	13
Political contributions and lobbying activities expenditures (Millions of yen)		1.0	1.0	0.7

* 1. Excluding managers
* 2. In fiscal 2019, subsidiary Noto Tech Co., Ltd., exceeded the standards for wastewater and submitted an improvement report to the local government.
The results of water quality analysis after countermeasures were implemented confirm that the standards have been maintained without any problems.

Environmental Data



[Target scope] Rinnai Corporation and consolidated subsidiaries
*1 [Target scope] Scope 1, 2: Rinnai Corporation and consolidated subsidiaries
Scope 3: Rinnai Corporation
*2 Not an increase or decrease in the total amount, only the effect size evaluated by the improvement activities of each site is recorded.

Rinnai Corporation

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