



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.



Corporate Mission and Vision

Fundamental Concept

Quality is our destiny

Company Motto

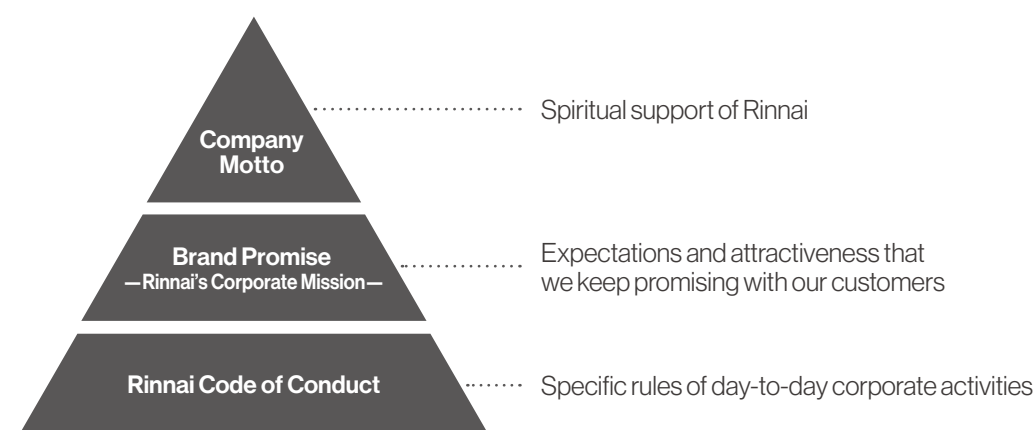


- 和** Harmony:
Develop personal character of the highest caliber
- 氣** Spirit:
Base your efforts on a consistent philosophy
- 真** Sincerity:
Know the fundamentals and consider issues with precision and clarity

Brand Promise —Rinnai's Corporate Mission—

Creating a healthier way of living

Schematic Diagram of Company Ideals



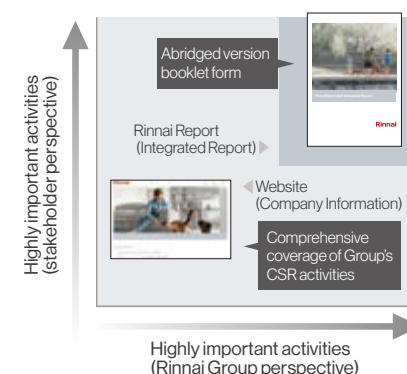
Rinnai Report 2021 (Integrated Report)

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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100 Years of History (Part 1) 1920–2004

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

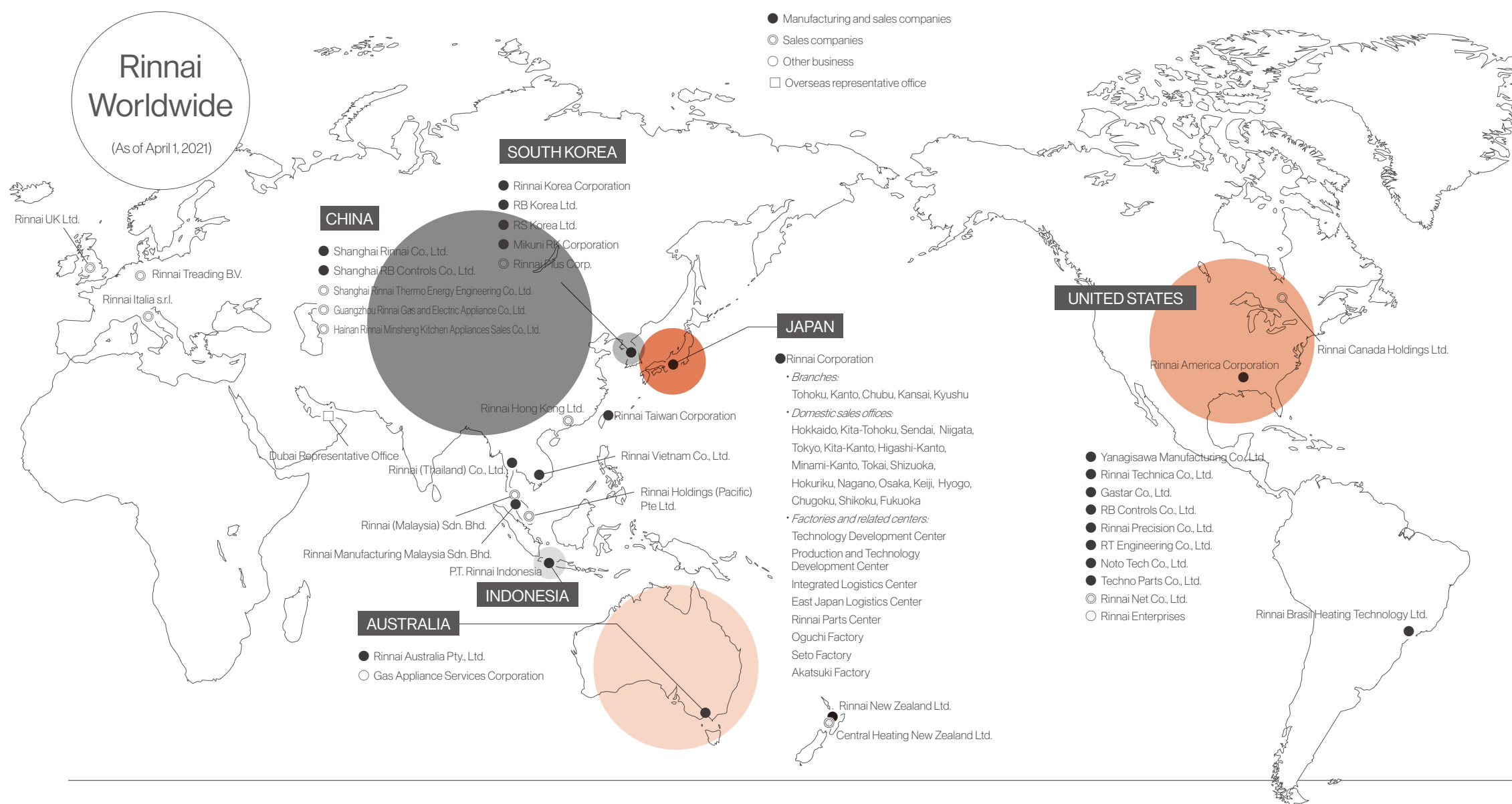
Historical Overview	<div>Phase 1</div> <div>Founding and Postwar Reconstruction</div> <div>[1920–1949]</div> <div>Childhood friends Hidejiro Naito and Kanekichi Hayashi were inspired by the blue flame of an oil stove outside a shop selling <i>Imagawa-yaki</i> (sweet stuffed pancakes) and decided to start 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. 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. 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. 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. 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	<table><tr><th>Year</th><th>Sales (¥)</th></tr><tr><td>1951</td><td>¥21 million</td></tr><tr><td>1967</td><td>¥5.6 billion</td></tr><tr><td>1980</td><td>¥48.3 billion</td></tr><tr><td>1989</td><td>¥98.4 billion</td></tr><tr><td>2005</td><td>¥202.0 billion</td></tr></table>					Year	Sales (¥)	1951	¥21 million	1967	¥5.6 billion	1980	¥48.3 billion	1989	¥98.4 billion	2005
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Technologies and Products	<div>1921</div> <div><ul style="list-style-type: none">1920 The Rinnai-type kerosene gas stove registered as a utility model is launched.1923 Gas tabletop stove, gas ranges, gas oven, gas water heater and other product deliveries to gas companies across Japan as overseas exports begin.1937 Sales of oil and gas stoves across north China market from base in Tianjin City are launched.</div> <div><p>Rinnai-type kerosene gas stove</p></div>	<div>1951–</div> <div><ul style="list-style-type: none">1957 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><p>Schwank gas infrared heater produced domestically in Japan for the first time</p></div>	<div>1967–</div> <div><ul style="list-style-type: none">1967 Technology Development Center opens.1971 Development and sales of high-speed gas convection range, <i>Convec</i>.1972 The company receives the Ota Award from the Japan Gas Association for its high-speed gas convection range, <i>Convec</i>.</div> <div><p>High-speed gas convection range, <i>Convec</i></p></div>	<div>1980–</div> <div><ul style="list-style-type: none">1980 Full-scale production of built-in equipment begins.1983 A gas instantaneous water heater, <i>UT</i>, equipped with a safety mechanism to prevent incomplete combustion launches.1985 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.1986 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><p>Gas instantaneous water heater, <i>UT</i></p></div>	<div>1989–2005 (FY)</div> <div><ul style="list-style-type: none">1990 The Tsukuba Research Center (now Tsukuba Training Center) opens.1998 Gas fan heater and air purifier are combined together.1999 A highly efficient condensing gas water heater is launched.2000 The company receives the Ministry of international Trade and Industry's Energy Conservation Award for its highly efficient condensing gas water heater.2003 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><p>Highly efficient condensing gas water heater</p></div>												
	Management and Organization	<div><ul style="list-style-type: none">1920 The company is incorporated as Rinnai & Co. by founders Hidejiro Naito and Kanekichi Hayashi.1938 Manufacturing of aircraft parts takes place with the factory coming under military supervision.1940 The company changes its name to Rinnai Aircraft Parts Manufacturing.1947 Production of gas and kerosene appliances resumes at the rebuilt Head Office factory.</div>	<div><ul style="list-style-type: none">1950 The company is reorganized as a joint stock company and renamed Rinnai Seisakusho.1954 The Tokyo Sales Office (now the Kanto Branch) opens.1956 The Osaka Sales Office (now the Kansai Branch) opens.1957 The Aichi Factory (now the Chubu Branch) opens.1960 The Inba Factory (later the Asahi Factory) opens.1961 The Fukuoka Sales Office (now the Kyushu Branch) opens.1963 The Sendai Satellite Office (now the Tohoku Branch) opens.1963 The Sapporo Satellite Office (now the Hokkaido Sales Office) opens.</div>	<div><ul style="list-style-type: none">1968 The Niigata Satellite Office (now the Niigata Sales Office) opens.1969 The Nagoya Sales Office (now the Chubu Branch) opens.1970 Rinnai Taiwan Corporation is established.1970 Business partnership with Yanagisawa Manufacturing Co., Ltd.1970 Investment in Yamauchi Yoko (now RT Engineering Co., Ltd.)1971 The name changes to Rinnai Corporation.1971 RB Controls Co., Ltd. is established.1971 Rinnai Australia Pty. Ltd. is established.1973 Rinnai (Malaysia) Sdn. Bhd. is established.</div>	<div><ul style="list-style-type: none">1979 The company is listed on the Second Section of the Nagoya Stock Exchange.1979 Rinnai Precision Co., Ltd. is established.1979 The Seto Factory opens.1981 Japan Ceramics Co., Ltd. is established.1981 Business partnership with Isomura Kiki (now Rinnai Technica Co., Ltd.)1983 The Hiroshima Sales Office (now the Chugoku Branch) opens.1983 The company is listed on the First Section of the Tokyo Stock Exchange and the Nagoya Stock Exchange.</div>	<div><ul style="list-style-type: none">1988 P.T. Indonesia is established.1988 The Hong Kong Representative Office opens.1990 Rinnai (Thailand) Co., Ltd. is established.1990 Noto Tech Co., Ltd. is established.1991 Rinnai Singapore Pte. Ltd. is established.1993 Shanghai Rinnai Co., Ltd. is established.1994 The new Headquarters building is completed.1995 The company receives ISO9001 certification for all domestic factories.1996 Rinnai Holdings (Pacific) Pte. Ltd. is established in Singapore.1997 Technology Division acquires ISO14001 certification (sequentially acquired thereafter).2004 Guangzhou Rinnai Co., Ltd. is established.</div>											

100 Years of History (Part 2) 2005–2020

Promoting Medium-term Business Plans Under a New Structure

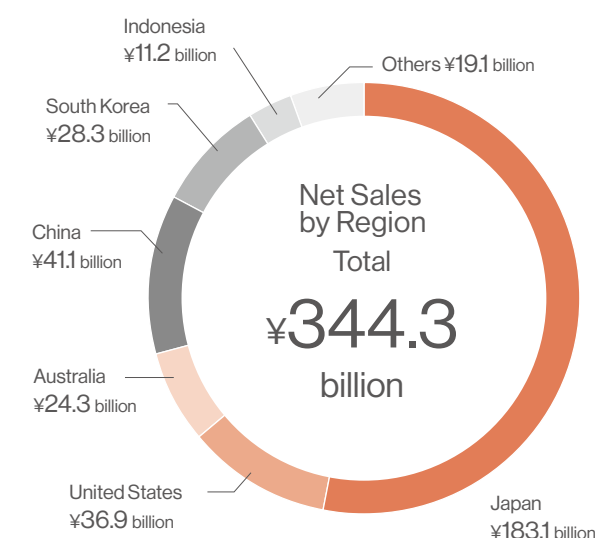
Medium-term Business Plans	<div>Phase 6</div> <div>V-Shift Plan</div> <div>[2006–2008]</div> <p>In 2005, the current President Hiroyasu Naito was appointed. His first policy was to “focus on a high-value-added and differentiated product strategy centered on new technologies.” This concept was made into concrete measures and incorporated into the “V-shift Plan” medium-term business plan.</p> <p>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.</p>	<div>Phase 7</div> <div>Reform & Breakthrough</div> <div>[2009–2011]</div> <p>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.</p> <p>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.</p>	<div>Phase 8</div> <div>Jump UP 2014</div> <div>[2012–2014]</div> <p>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.</p> <p>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.</p>	<div>Phase 9</div> <div>Evolution and Succession 2017</div> <div>[2015–2017]</div> <p>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.</p> <p>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.</p>	<div>Phase 10</div> <div>G-shift 2020</div> <div>[2018–2020]</div> <p>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.”</p> <p>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.</p>																																																																																					
	Performance	<div><div>Domestic sales</div><div>Overseas sales</div></div> <table><thead><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></thead><tbody><tr><td>2006</td><td>100.0</td><td>20.0</td><td>10.0</td><td>10.0</td></tr><tr><td>2007</td><td>110.0</td><td>25.0</td><td>12.0</td><td>10.9</td></tr><tr><td>2008</td><td>120.0</td><td>30.0</td><td>14.0</td><td>11.7</td></tr><tr><td>2009</td><td>115.0</td><td>35.0</td><td>13.0</td><td>11.3</td></tr><tr><td>2010</td><td>130.0</td><td>40.0</td><td>16.0</td><td>12.3</td></tr><tr><td>2011</td><td>140.0</td><td>45.0</td><td>18.0</td><td>12.9</td></tr><tr><td>2012</td><td>135.0</td><td>50.0</td><td>19.0</td><td>14.1</td></tr><tr><td>2013</td><td>140.0</td><td>55.0</td><td>20.0</td><td>14.3</td></tr><tr><td>2014</td><td>150.0</td><td>60.0</td><td>22.0</td><td>14.7</td></tr><tr><td>2015</td><td>145.0</td><td>65.0</td><td>21.0</td><td>14.5</td></tr><tr><td>2016</td><td>155.0</td><td>70.0</td><td>23.0</td><td>14.8</td></tr><tr><td>2017</td><td>150.0</td><td>75.0</td><td>22.0</td><td>14.7</td></tr><tr><td>2018</td><td>155.0</td><td>80.0</td><td>21.0</td><td>13.5</td></tr><tr><td>2019</td><td>150.0</td><td>85.0</td><td>20.0</td><td>13.3</td></tr><tr><td>2020</td><td>155.0</td><td>90.0</td><td>22.0</td><td>14.2</td></tr><tr><td>2021</td><td>344.3</td><td>40.6</td><td>49.0</td><td>14.2</td></tr></tbody></table>					Fiscal Year	Domestic sales (billion yen)	Overseas sales (billion yen)	Operating income (billion yen)	Operating margin (%)	2006	100.0	20.0	10.0	10.0	2007	110.0	25.0	12.0	10.9	2008	120.0	30.0	14.0	11.7	2009	115.0	35.0	13.0	11.3	2010	130.0	40.0	16.0	12.3	2011	140.0	45.0	18.0	12.9	2012	135.0	50.0	19.0	14.1	2013	140.0	55.0	20.0	14.3	2014	150.0	60.0	22.0	14.7	2015	145.0	65.0	21.0	14.5	2016	155.0	70.0	23.0	14.8	2017	150.0	75.0	22.0	14.7	2018	155.0	80.0	21.0	13.5	2019	150.0	85.0	20.0	13.3	2020	155.0	90.0	22.0	14.2	2021	344.3	40.6	49.0
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Management and Organization	<div><div>2006</div><div>Shanghai Rinnai Thermo Energy Engineering Co., Ltd. is established.</div></div> <div><div>2008</div><div>Rinnai Italia S.r.l. is established.</div></div> <div><div>2008</div><div>The Integrated Logistics Center opens.</div></div>	<div><div>2009</div><div>Rinnai Canada Holdings Ltd. is established.</div></div> <div><div>2010</div><div>The Production and Technology Development Center opens.</div></div> <div><div>2011</div><div>The West Japan Customer Center opens. Great East Japan Earthquake service support is implemented.</div></div>	<div><div>2013</div><div>The Akatsuki Factory opens.</div></div> <div><div>2013</div><div>The Rinnai Parts Center opens following business integration.</div></div> <div><div>2014</div><div>Brivis Climate Systems Pty. Ltd. in Australia is acquired.</div></div>	<div><div>2015</div><div>The Dubai Representative Office opens.</div></div> <div><div>2016</div><div>Gastar Co., Ltd. becomes a consolidated subsidiary.</div></div>	<div><div>2018</div><div>The East Japan Logistics Center opens.</div></div> <div><div>2019</div><div>Our brand promise is established and the Rinnai logo is updated.</div></div> <div><div>2020</div><div>Information Security Management System (ISMS) certification is acquired.</div></div> <div><div>2020</div><div>Rinnai wins the “Excellence Award” at the Environmental Persons Development Awards.</div></div>																																																																																					

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



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



High-efficiency gas tankless water heater (UNITED STATES)

Kitchen Appliances

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



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

Drop-in gas hob (stovetop) (INDONESIA)



Home Heaters

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

Gas fan heater A-style (JAPAN)



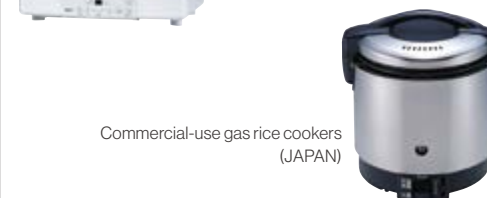
Fanned flue heater (UNITED STATES)

Commercial-Use Equipment, Others

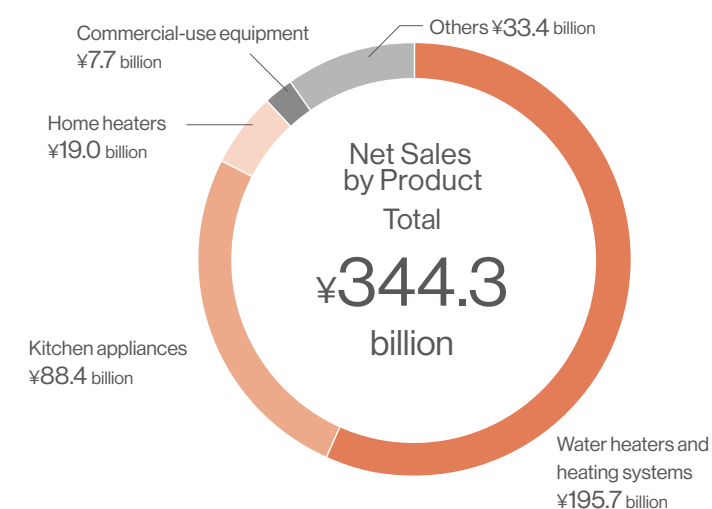
Industrial ceramics machines, commercial-use ranges, commercial-use cookers, gas clothes dryers, components, and others



Gas clothes dryer (JAPAN)



Commercial-use gas rice cookers (JAPAN)



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

<p>Environmental contribution</p> <p>Providing lifestyles that reduce consumption of everyday lifestyle energy usage and impact on the environment</p>	<p>Safety and peace of mind</p> <p>Supporting lifestyles that enable the prevention and avoidance of various potential risks in the home</p>	<p>Quality of life</p> <p>Proposing lifestyles that reduce the burden and time required to perform household chores</p>
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Fiscal 2021 Achievements

<p>Main products and services</p> <p>Gas stoves, range hoods, water heaters, hot water floor heaters, gas clothes dryers, dish washers</p>	<p>Consolidated net sales</p> <p>¥344,364 million</p>	<p>Operating income</p> <p>¥40,690 million</p>
<p>Operating income ratio</p> <p>11.8%</p>	<p>Net income attributable to owners of the parent company</p> <p>¥27,581 million</p>	<p>Net assets (equity ratio)</p> <p>¥371,318 million (68.8%)</p>
<p>Dividend per share</p> <p>(annual) ¥125</p>	<p>Amount contributed to reducing CO₂ emissions[*]</p> <p>4.50 million tons</p>	<p>Announcements of product recalls due to defects:</p> <p>0 case</p>

^{*}Consolidated basis

Message from the President



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

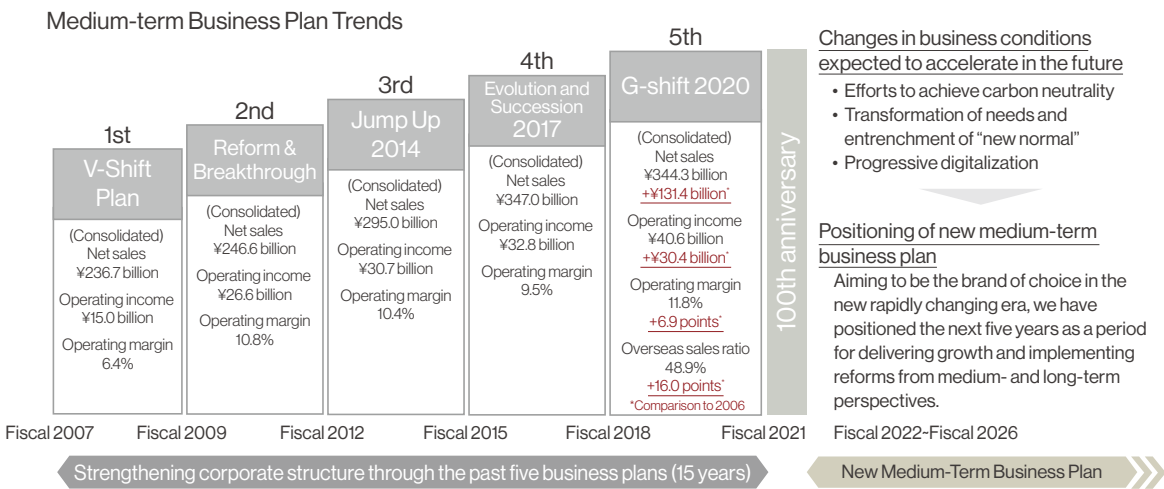
Message from the President continued

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%.



Message from the President continued

■ 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.

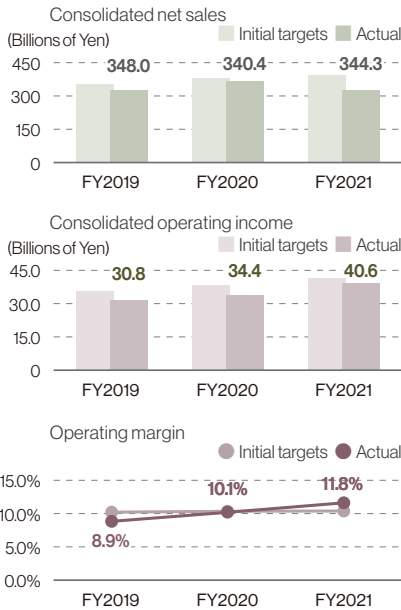
Medium-term Management Plans

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



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.

External Business Trends and Rinnai Group Strengths

Global

- Increase in world population and continuous economic growth in emerging countries
- Accelerating movement to achieve carbon neutrality to combat global warming
- Changes in lifestyles due to advances in digital technology
- United States: Strong housing market; China: Expansion of gas infrastructure to regional cities

Japan

- Increase in double-income households due to the declining population and number of households
- Gas appliance market expected to remain flat amid decreasing number of housing starts
- Increases in frequency and magnitude of natural disasters
- Changes in people's values and behaviors

- In-house development and automation equipment of key units, and in-house production of molds
- Hybrid technologies for energy saving and core technologies for heating
- Superior manufacturing capabilities with state-of-the-art factories and unique manufacturing affiliates
- Nationwide sales channels and spaces for experiential proposals
- Local production bases; strong overseas network
- Firmly established brand image for high-quality products
- Solid financial base

Corporate Vision

Brand Promise

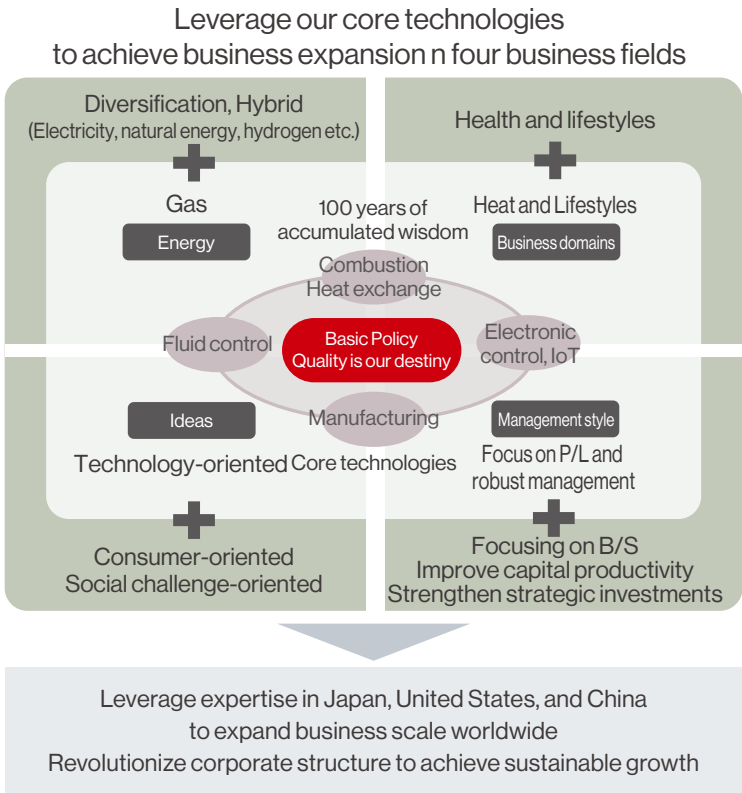
Creating a healthier way of living

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.



Medium-term Management Plans

Key Strategies

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

Advancement in addressing social challenges

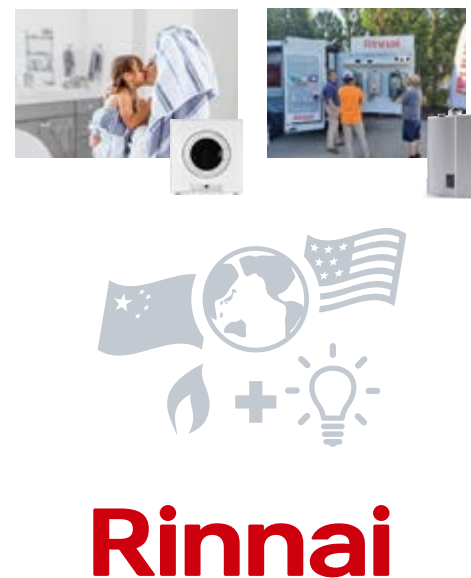
- Improve quality of life
- Help resolve global environmental problems

Expansion of business scale

- . Expand regional domains
- . Expand business domains

Revolution of corporate structure

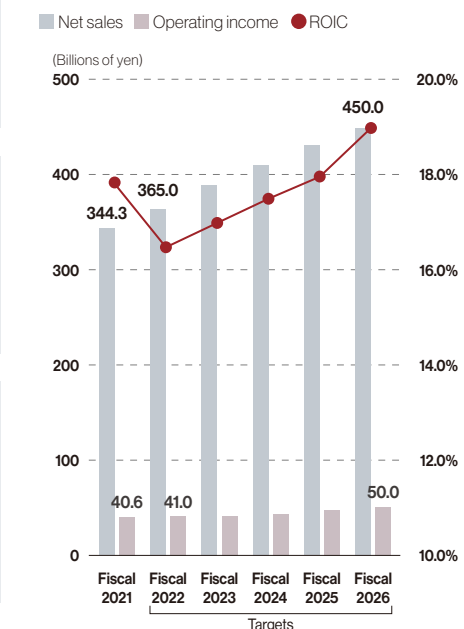
- Become more consumer-oriented
- Make focused investments in intangible assets
- Enhance profitability



Numerical Targets for Fiscal 2026 (Consolidated)

<p>Expansion of business scale</p> <p>Expand regional domains Expand business domains</p>	<p>Consolidate Net Sales: ¥450 billion (Japan: ¥200 billion; overseas: ¥250 billion)</p>
<p>Revolution of corporate structure</p> <p>Become more consumer-oriented Make focused investments in intangible assets Enhance profitability</p>	<p>Operating Income: ¥50 billion Return on invested capital (ROIC): 19.0% Total return ratio (five-year average): 40.0%</p>
<p>Advancement in addressing social challenges</p> <p>Improve quality of life Help resolve global environmental problems</p>	<p>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</p>





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	<p>Popularize energy-saving water heaters to reduce CO₂ emissions → 2025 target: 7 million tons</p> <p>Develop and promote energy-saving equipment</p> <p>Expand R&D investments targeting a carbon-free society</p>	<p>Advancement in addressing social challenges (help resolve global environmental problems)</p> <p>Expansion of business scale (regional expansion)</p> <p>Revolution of corporate structure (focused investments in intangible assets)</p>	 
Social	<p>Create products that improve quality of life</p> <p>Make efforts to improve human resource value → Invest in human resource growth, review personnel system, and promote health management</p> <p>Create environments for diverse work styles</p>	<p>Advancement in addressing social challenges (improved quality of life)</p> <p>Expansion of business scale (expansion of business domains)</p> <p>Revolution of corporate structure (becoming more consumer-oriented)</p> <p>Revolution of corporate structure (focused investments in intangible assets)</p>	 
Governance	<p>Instill compliance</p> <p>Strengthen cybersecurity measures</p> <p>Implement each principle of Corporate Governance Code</p> <p>Introduce performance-linked and stock-based compensation</p> <p>Establish Nomination Advisory Board and Compensation Advisory Board</p>	<p>Revolution of corporate structure</p>	

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.

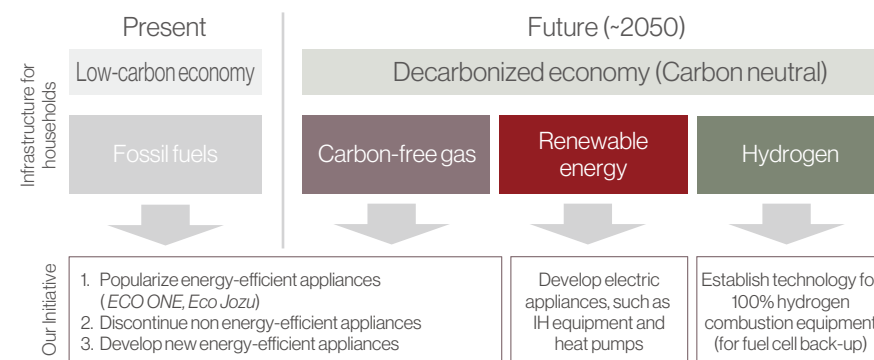
“Advancement in Addressing Solving Social Challenges”

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.

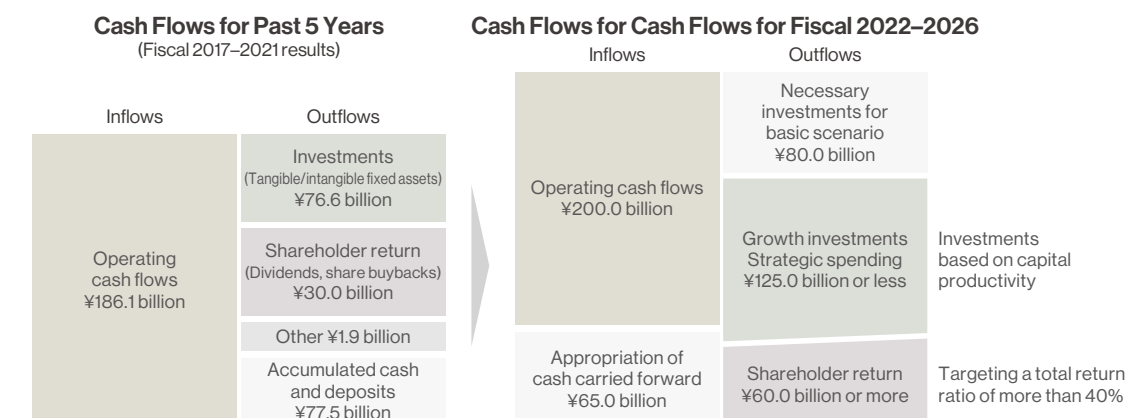
Human Resources (Investment targets) Formulate engagement improvement measures; establish system for self-growth evaluations; build education system; establish workplace environments that welcome new work styles		Information Technology (Investment targets) Develop information infrastructure for strengthening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

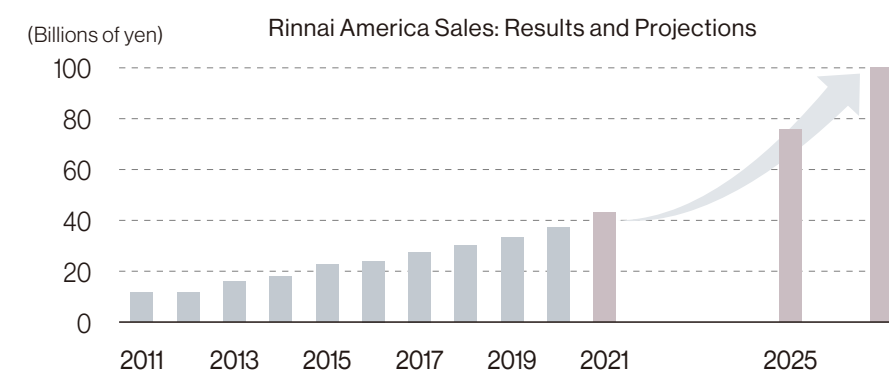
In North America, awareness of climate change and decarbonization is increasing, and some local governments are moving to ban the installation of gas appliances in new homes. However, the thermal efficiency of our condensing water heaters is an exceptionally high 96%, and with coal-fired power generation 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

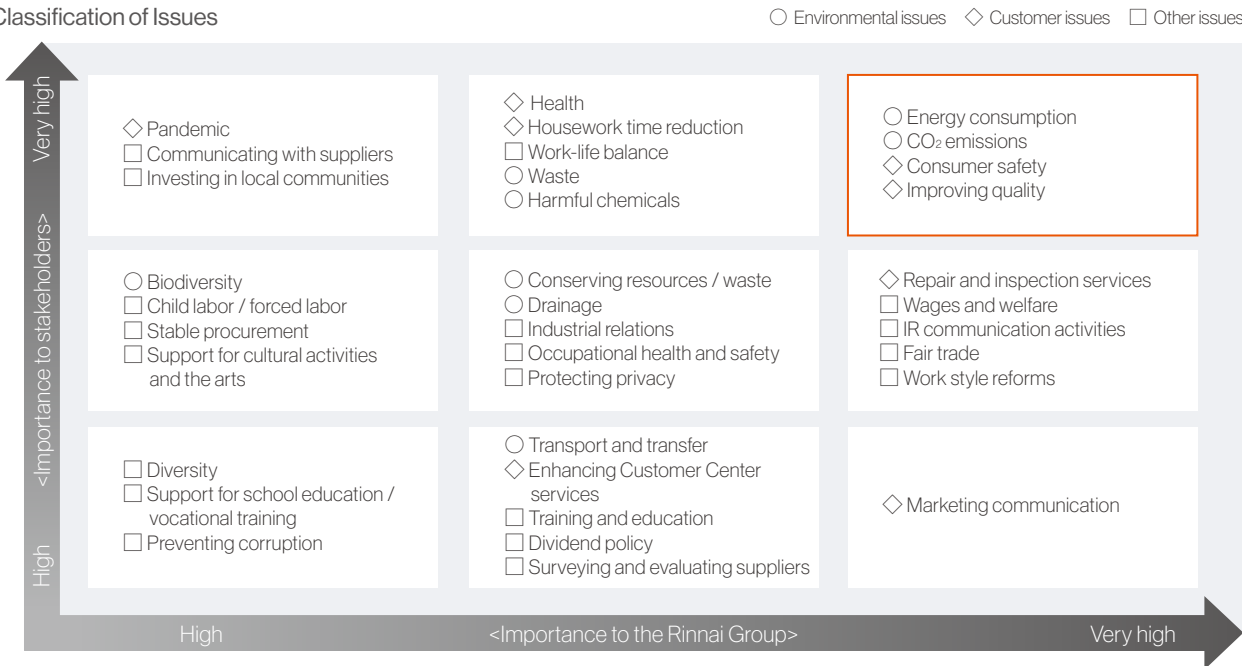


Determining and Identifying Material Issues

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

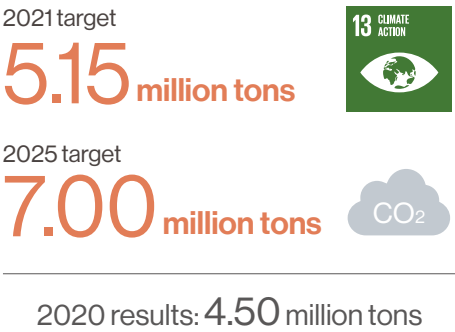
Energy consumption CO₂ emissions

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

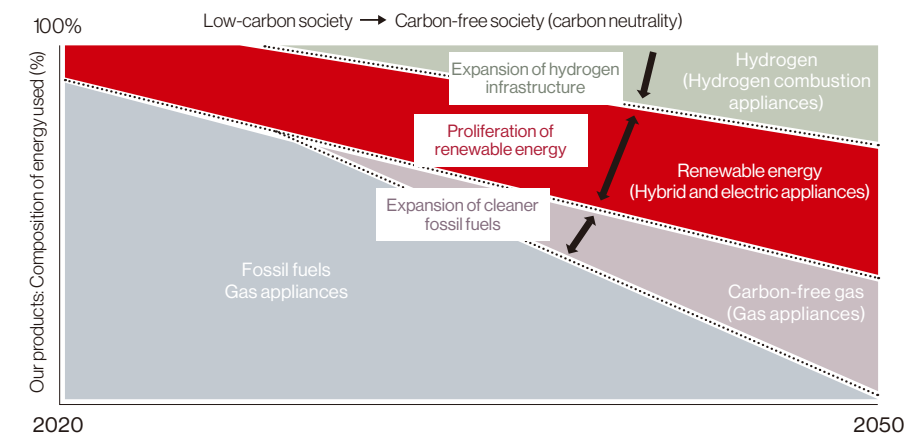
Environment

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

Environment

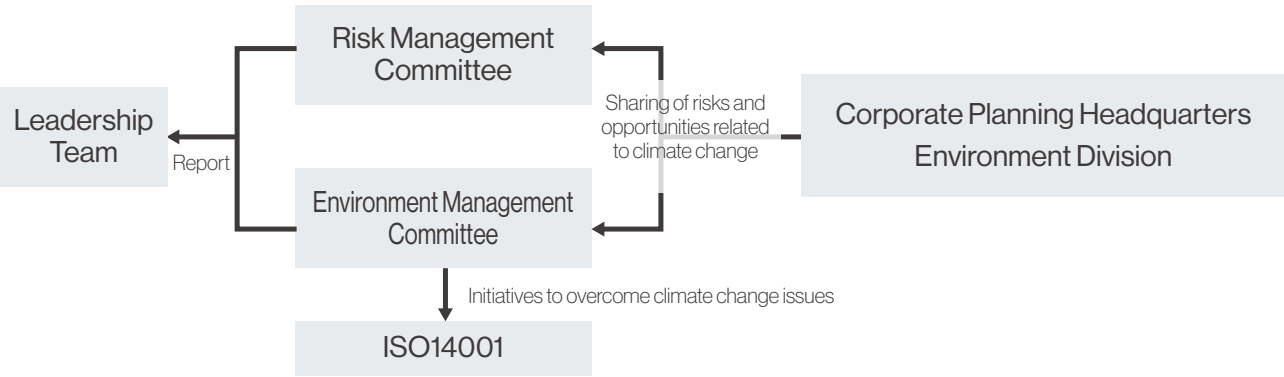
Responses to the Task Force on Climate-related Financial Disclosures



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 materials Reduce 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

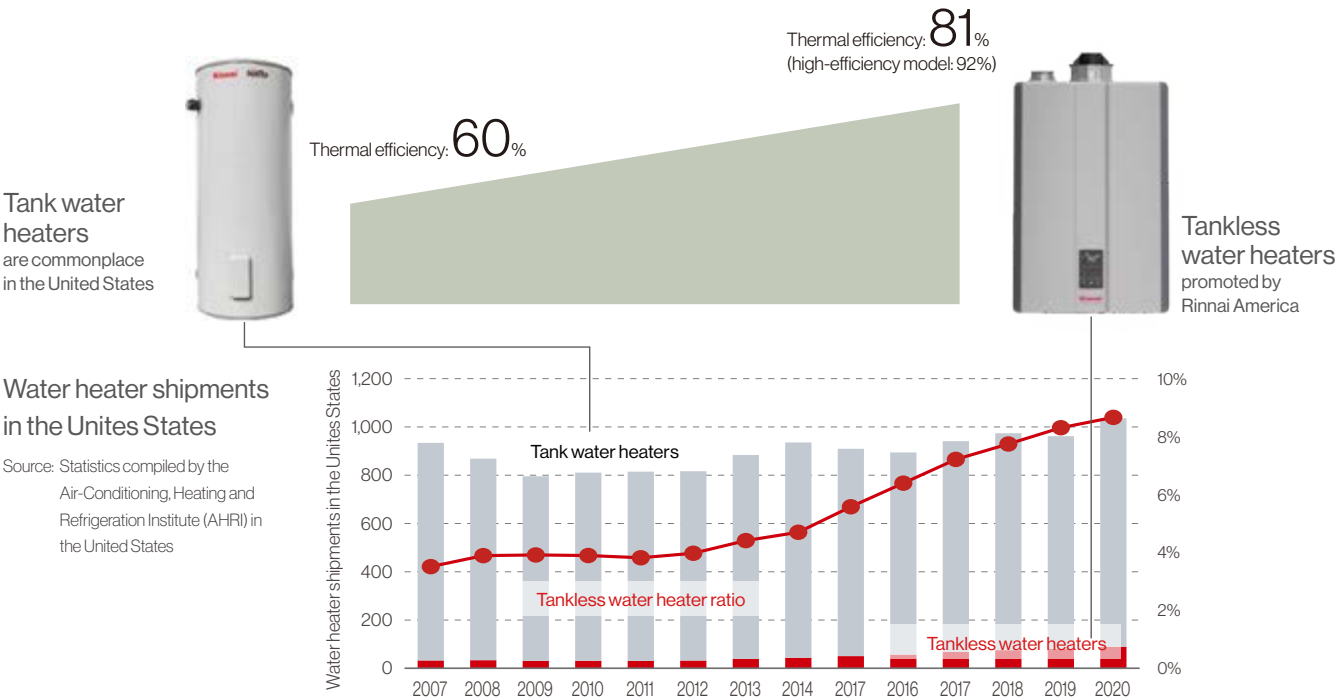
Recommended disclosures	Content of Rinnai's disclosure
Governance	Environmental management https://www.rinnai.co.jp/csr/manage_system/
Strategy	Value creation process https://www.rinnai.co.jp/csr/value/
Risk management	Risk management https://www.rinnai.co.jp/csr/risk_manage_system/
Metrics and targets	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.

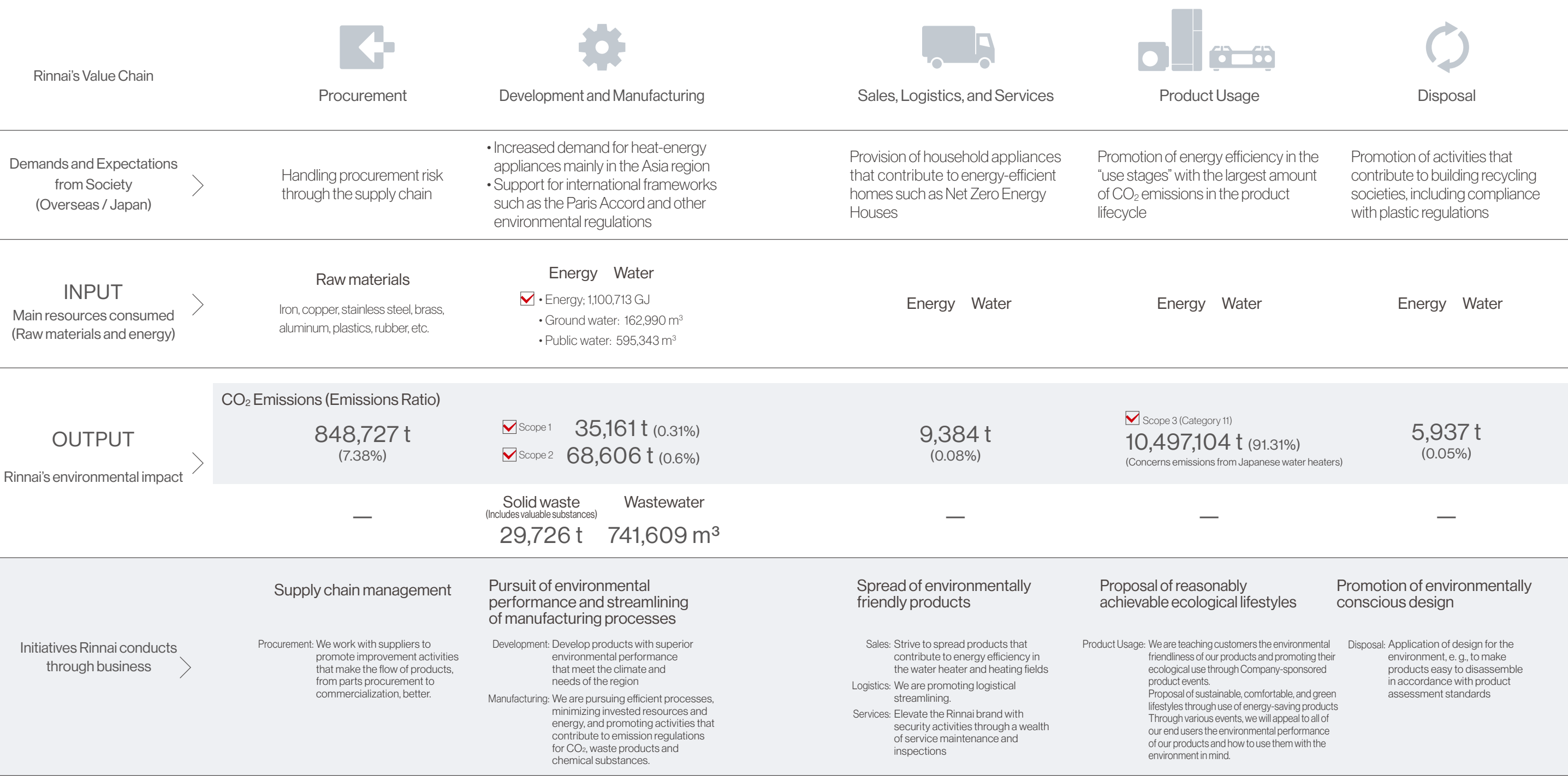
Within business activities in China, promoting the sales of gas water heaters and gas boilers is understood as contributing to the global environment as much as the expansion of energy-efficient equipment, thus we will promote various business developments along these lines.

Environment

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).

Environment

Environmental Initiatives Environmental Management

Rinnai promotes green activities involving every employee in all business areas.

Basic Philosophy on the Environment

Rinnai's basic philosophy is to embrace environmental protection on a global scale and contribute to society through the pursuit of excellent, people- and planet-friendly technology, and product development, production, sales, and service infused with a sense of humanity.

Environmental Slogan

Our actions are imbued by the wisdom of many and undertaken with due consideration to the sustainability of a people- and earth-friendly environment.

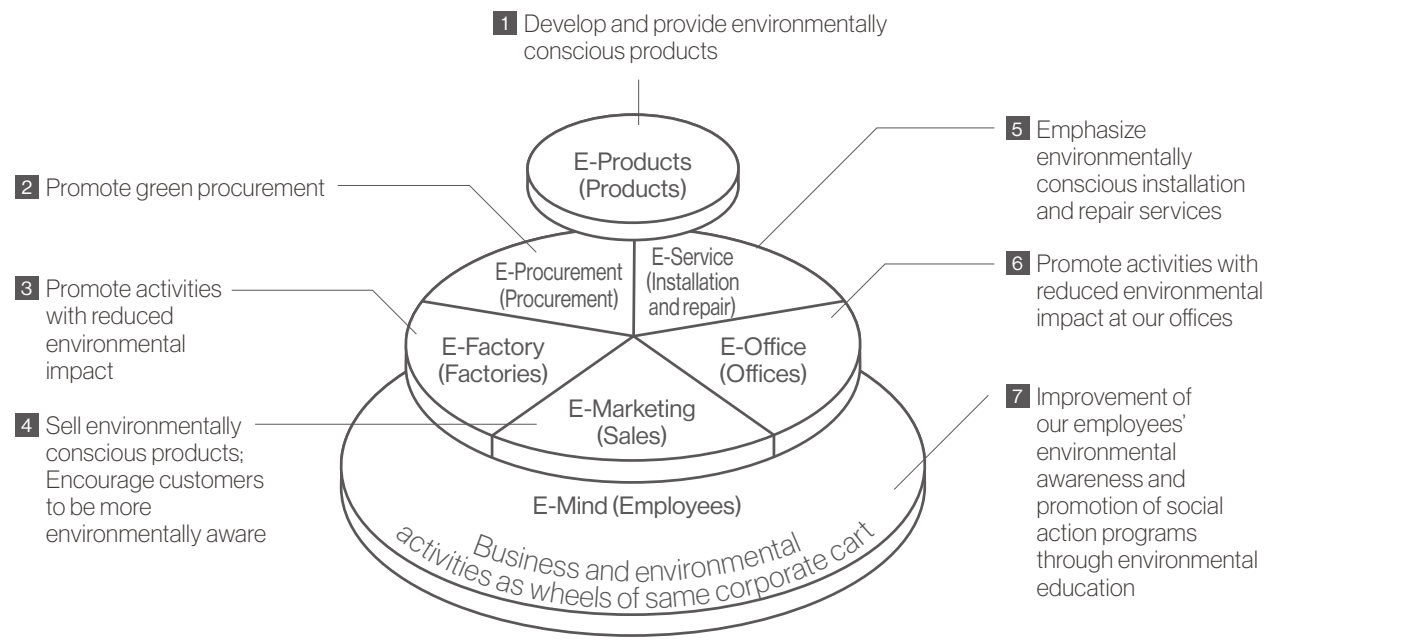
Medium- to Long-term Environmental Direction

In addition to announcing the New ERA 2025 medium-term business plan, Rinnai has begun examining the environmental long-term target of "carbon neutrality in 2050." In addition to environmental indicators promoted thus far, we will formulate new substantive reduction targets and promote efforts toward their achievement.

Promoting 7E Strategic Initiatives in All Divisions

As a manufacturing company, Rinnai is advancing detailed 7E strategic initiatives in each division and all product lifecycle processes (development, procurement, production, sales, usage and disposal)

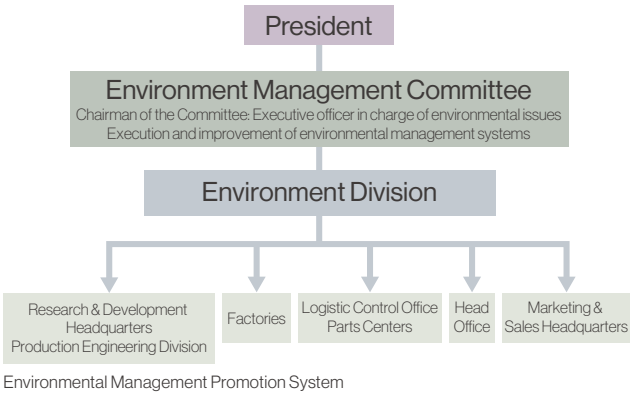
Link: destination: Data Book Environmental Data, 7E Strategic Initiatives



Promotional Framework for Environmental Activities

Headed by the President, the Environment Management Committee guides corporate efforts. This committee is chaired by the executive officer responsible for the environment and has the participation of representatives from all divisions. Its mandate is to promote environment-oriented activities from a "big picture" view.

The Environment Management Committee discusses and decides important items including basic environmental policies, targets and medium- to long-term plans. The committee thoroughly informs individual divisions of decisions made by the committee and promotes concrete activities in line with annual plans. We review our objectives as necessary and diligently strive to meet our targets quarterly. To perform specific activities, each division has a liaison group and holds routine meetings to make issues known to everyone in the respective division and continue improvement activities.



ISO 14001 Certification

To conduct environmental conservation activities in an organized and ongoing basis in line with Rinnai's Basic Philosophy on the Environment and Environmental Policy, Rinnai promotes environmental management and works to boost its environmental performance through the acquisition of ISO 14001 and other certifications related to environmental management systems.

Link destination Data Book Environmental Data Page 123 Status of Acquisition of Certifications

External and Internal Environmental Audits

Rinnai undergoes a routine annual audit by an external screening/registration body to verify that its environmental management system is being properly applied. Regarding internal audits, the audit team is composed of auditors selected from throughout the Company with a neutral perspective in that they are not directly affiliated with any of the departments to be audited. They audit other departments for compliance with the environmental management system and with any revisions to environmental regulations as well as for the content of their activities.

We have confirmed that external and internal audits are conducted through a PDCA.



External Environmental Audits

Environment

Environmental Training

To promote environmental activities, it is important for all employees to have an environmental mindset. Rinnai implements practical training for persons in charge and general training at each level of the organization.

Training for Internal Auditors

Our internal auditors play a key role in the ongoing enhancement of our environmental management systems. Implementing audits demands a high level of expert knowledge and communication skills. To raise the skill level of its internal auditors, Rinnai holds regular training sessions led by in-house trainers on laws and regulations, internal policies, and issues identified and corrective actions from internal audits.

General Training

Aiming to promote environmental contributions in its core businesses, Rinnai's general training incorporates various programs to raise environmental consciousness targeting newly hired employees according to employees' roles and ranks.

Compliance with Legal Regulations

While compliance with legal regulations is a given, Rinnai sets more stringent voluntary standards and engages in daily supervision, conducts periodic measurements and implements thorough environmental audits. We are working on the creation of a rapid response mechanism to prevent recurrence in the unlikely event that a violation or complaint were to occur.

In fiscal 2021, values exceeding regulatory standards were detected at some manufacturing sites. We investigated the cause, implemented measures to ensure proper management and submitted improvement reports to relevant government agencies. The results of subsequent water quality analyses confirmed that values were within voluntary standards without further problems.

Environmentally Conscious Design (Product Assessment)

Rinnai implements product development with a focus on the environment from the planning and design phases based on its product assessment guidelines. We are developing equipment with a lower impact on the environment than preceding models by reducing the amount of raw materials required and considering recycling in designs, such as structural designs that facilitate disassembly.

With regard to the use of plastics in our products, we have set a goal to make new products lighter and with a smaller footprint than previous models as outlined in these guidelines. At the same time, we endeavor to consider how the product will be taken apart, such as minimizing the use of dissimilar materials in adhesive parts, which are difficult to disassemble. In our packaging design, we use packaging made from easy-to-recycle cardboard, and are also expanding our use of returnable packaging to promote the reuse of packaging materials and are reducing the weight and volume of packing by making more effective use of packaging components.

Environmentally Conscious Design Policies

- Conservation of resources
- Reduce environmental impact at the manufacturing stage
- Reduce environmental impact at the usage stage
- Potential for recycling
- Safety
- Ease of collection and transport

Supply Chain Management

Amid rapid changes in the social environment aimed at realizing a sustainable society, to continue doing business into the future, Rinnai must contribute to the environment both as a Group and through the supply chain. In addition to communicating Rinnai's green procurement policies to our suppliers, through daily exchanges, we promote improvements that contribute to environmental management and lead to reduced greenhouse gas emissions.

In recognition of these efforts, in fiscal 2021 Rinnai received a rating of "A-" in the Supplier Engagement Rating conducted by CDP, an international non-profit organization that addresses climate change and other environmental issues.

Environment

Prevention of Global Warning

Major changes in climate patterns due to global warming and other factors are threatening the building of sustainable societies.

Rinnai will formulate long-term targets focused on 2050 and work toward establishing sustainable business corresponding to a new era.

Towards 2050

To realize carbon neutrality in household heat utilization, we must undertake measures based on national policies, a theme closely connected to operators of energy infrastructure-related businesses. To create a sustainable society, Rinnai will continue to establish technologies as an equipment manufacturer enabling the provision of valuable heat utilization to consumers at all times. We are also promoting discussions pertaining to taking on the challenge of achieving “three zeroes” by 2050: Zero CO₂ emissions from product usage, offices and factories, and the product lifecycle.

The Challenge of Zero CO₂ Emissions from Product Usage

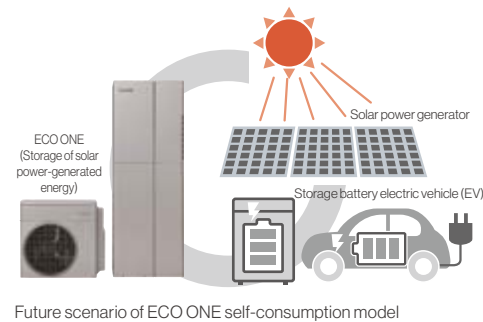
Amid global movements to curb rising temperatures, Rinnai views these efforts in terms of risks and opportunities as it takes on the challenge of realizing zero CO₂ emissions from product usage by 2050. Based on the idea that “environmentally friendly products can contribute to the environment only when they become widespread,” we will accelerate the evolution of technologies such as latent heat recovery high-efficiency water heaters and the ECO ONE hybrid water heater and heating system.

ECO ONE is positioned as the product with the lowest primary energy consumption among water heaters. Going forward, Rinnai will make possible the highly efficient self-consumption of surplus energy from solar power generation, and at the same time, by linking storage batteries and solar power generators, we will continue making improvements enabling more efficient use of energy, solidly contributing to the promotion of net zero energy housing (ZEH).

Orientation toward 2050

While promoting the development of technologies realizing decarbonization, Rinnai established the goal of a “seven-million-ton contribution to CO₂ reductions by 2025” as our most recent orientation in terms of product usage. We will accelerate Group environmental contributions in each country by moving forward by five years the reduction contribution target we had aimed to achieve in 2030.

Regarding the setting of targets from 2025 onward, Rinnai will consider the shift from current “reduction contribution amounts” to “real reduction amounts” as we advance toward the realization of carbon neutrality in 2050.



The Challenge of Zero CO₂ Emissions from Factories and Offices

Rinnai aims to achieve zero CO₂ emissions from factories that manufacture products and offices including the Head Office and sales offices. Among greenhouse gas emissions, we will target Scope 1 and Scope 2 emissions, and in addition to reducing CO₂ emissions through daily manufacturing improvements, Rinnai aims to achieve zero CO₂ emissions in 2050 through the proactive transition to green electricity among other efforts.

Main indicators	Examples of potential approaches for achieving these goals
<ul style="list-style-type: none"> Domestic bases will be converted to green electricity by 2030 Overseas bases will be converted to green electricity by 2050 	<ul style="list-style-type: none"> Promote zero energy through karakuri¹ improvements Thoroughly eliminate waste by minimizing processes and lines of flow Promote renewable energy through the electrification of equipment, etc.
<small>1. A simple mechanism that uses gravity rather than a motor or other electrical power source that is useful when transporting parts.</small>	

Energy-conservation Initiatives

In terms of the latest energy conservation achievements, Rinnai reduced its basic unit of energy consumption² by 9.8% compared to the base year reduction target of 4%. We achieved this goal at all bases by promoting further energy conservation efforts focused on production equipment, lighting and air conditioning, while attempting to thoroughly reduce loss in each manufacturing process. As we advance toward the next milestone in 2025, Rinnai will continue efforts targeting a 6% reduction in the basic unit of energy consumption compared to 2019.

2. Per-unit standard of energy consumption as defined by Rinnai

The Challenge of Zero CO₂ Emissions in the Product Lifecycle

Aiming to mitigate climate change risks, in addition to CO₂ emissions from household product usage, Rinnai believes there is room for reductions in terms of CO₂ emissions associated with the procurement of materials and parts, logistics, the movement of people and product disposal. Accordingly, we will promote optimized energy conservation and CO₂ reduction activities in each process, aiming for zero CO₂ emissions throughout the product lifecycle. Rinnai will formulate and consider specific plans for 2030 and beyond, with a focus on 2050.

Examples of potential approaches for achieving these goals	
Procurement	Enhance and promote environmentally friendly initiatives with an insistence on procuring materials and parts alongside business partners, etc.
Logistics	Strengthen CO ₂ reduction efforts that expand the scope of improvements to include logistics and suppliers, etc.
Disposal	Promote comprehensive recovery schemes within construction and operations, etc.

Environment

Resource Recycling

From the perspective of intergenerational equity toward the creation of a sustainable society, there is a requirement to consume resources only to the extent that the resource needs of future generations may be met. Rinnai is working to reduce the amount of waste generated (including valuables) in its business activities as well as the amount of clean water and groundwater used.

Waste Generation Control and Zero Emissions

Rinnai continues to engage in reducing waste generation and zero emissions¹ (zero landfill waste) efforts, maintaining a recycling rate of 99.5% or higher. Although we assume raw materials used in the manufacturing process are used without waste, we nevertheless make every possible effort to recycle unwanted materials that are generated.

1. Rinnai manufacturing site zero emissions definition: Recycling rate of 99.5% or higher (less than 0.5% landfill waste)

Primary Initiatives

Manufacturing	<ul style="list-style-type: none"> Increasing yields by raising the effective utilization rate for pressed components (measures aimed at the root cause) Effectively using leftover materials Reducing defect rates Raising the recovery rate of residual chemical agents Making transport materials returnable Eliminating excessive packaging, other 	Office	<ul style="list-style-type: none"> Promoting a shift to paperless work processes through digital transformation (DX) Curtailing the use of disposable and consumable materials Raising awareness by letting employees see how many copies they make and how much they cost
		Both	<ul style="list-style-type: none"> Improving the accuracy of material separation Consigning industrial waste processing to a reputable vendor, etc.

Initiatives to Improve Packaging

Rinnai uses packaging made from easy-to-recycle cardboard, while also expanding the use of returnable packaging to promote the reuse of packaging materials in an effort to reduce the weight and volume of packing by making more effective use of packaging components.

Rinnai Receives the Packaging Category Award

Rinnai’s “Package Improvement of Water Heaters for Export” won the Packaging Category Award (Industrial Packaging Award) at the Japan Packaging Contest 2020 organized by the Japan Packaging Institute. The water heater body and front panel, which previously had been individually packaged, were slimmed down to “single-package specifications” to reduce the number of parts and improve transportation and storage efficiency.

300-gram reduction in cardboard used (7.5% reduction)

Transportation and storage efficiency improved by approximately 50%



Industrial Waste Processing

When reaching agreements with waste processing subcontractors, Rinnai conducts strict inspections involving elements such as their financial condition and on-site confirmations. In addition, we visit our processing subcontractors each year to verify that they are conducting appropriate waste disposal. Once there, we confirm how manifests that contain information regarding different varieties of waste, their disposal methods, and processing statuses are being administered. We also conduct on-site confirmations regarding waste processing and exchange relevant information with the subcontractor.

In fiscal 2021, the Company visited 34 locations to verify that proper waste management was being conducted.



Regular patrol at waste treatment plant (RT Engineering Co., Ltd.)

Management of Polychlorinated biphenyl (PCB) Waste

The Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes requires that companies such as Rinnai upgrade their storage of PCB, a substance used in transformer oil, and dispose of it by the end of March 2027. We are promoting measures aimed at expedient disposal. Until PCB disposal is complete, the Company will implement leakage prevention measures in preparation for possible equipment failures during storage. We also diligently lock up facilities to prevent loss and conduct proper labeling.

On-Demand Instruction Manuals

At Rinnai Brasil Heating Technology Ltd., when creating instruction manuals, a system has been established whereby maintaining stock is unnecessary thanks to the introduction of printers synchronized with production lines. Even in the event of sudden revisions, being able to respond in real time means that only the necessary sections of the instruction manual need to be printed, avoiding a substantial amount of resource waste. Further, instruction manual content was revised to reduce the amount of paper used by approximately one ton (70%) annually.

Efforts to Realize Paperless Workplaces through the Promotion of Digital Transformation

As part of Rinnai’s promotion of digital transformations (DX)² in offices, at RB Controls Co., Ltd., a mechanism was created adding an order management system time stamp function, converting 12,000 order forms that up to now had been in hardcopy form to an electronic data storage format. This has reduced the amount of paper used to zero and increased work efficiency by improving the searchability of required data and shortening the time required to transfer data.

2. In response to dramatic changes in the environment, digitized data and digital technologies are being used to innovate business models and transform business itself, organizations, processes, corporate cultures and climates to establish competitive advantages. (Reference: “Guidelines for Promotion of Digital Transformations [DX Promotion Guidelines],” Ministry of Economy, Trade and Industry)

Environment

Semi-closed Processing of Waste Liquid

To enhance resource recycling in factories, it is important to build a mechanism for processing or reusing all factory waste without any waste generation. Wholly-owned subsidiary Noto Tech Co., Ltd., has successfully realized the in-house processing of waste liquid that had been previously outsourced by revising the process flow in its enameling lines. Further, these improvements have enabled waste liquid to be used as a “coagulant chemical” at wastewater treatment facilities, contributing to substantially reduced environmental impacts and costs. The effects are annual reductions in emissions amounting to 150 tons (60%) and 4,200 m3 (90%) of water.

Recycling Initiatives

At least 80%–90% of the materials used to make gas appliances consist of recyclable materials such as iron and copper. Gas appliances that have reached the end of their useful lives are collected and disposed of through two channels: by local authorities in the case of appliances that require no installation work, and by contractors in the case of appliances that do require such work. The Environmental and Recycling Action Committee formed by the Japan Industrial Association of Gas and Kerosene Appliances, of which we are a member, regularly surveys the state of disposal of end-of-life gas and oil appliances. Thus far, the committee has conducted examinations in various formats, including questionnaires, verification testing at recycling plants and processing condition confirmation. Through these efforts, the committee has confirmed that used gas and petroleum equipment have been properly disposed of and that the recycling rate has been maintained at a high level.

Recycling Home Electrical Appliances

Japan's Home Appliance Recycling Law went into effect in 2001 with the goals of reducing the amount of waste going to landfills and incinerators and to promote more effective use of resources. Since then, old appliances thrown out by consumers have been recycled into new products. Rinnai now has two products—a unit-style air conditioner and a clothes dryer—that fall under the category of recycled products.

Report on Recycling Specified Household Appliances (link: <https://www.rinnai.co.jp/csr/result/index.html>) (in Japanese only)

Recycling Containers and Packaging

Under the Containers and Packaging Recycling Law, which seeks to make more effective use of resources, manufacturers and businesses that use the products are required to recycle product containers and packaging discarded by households. In accordance with the law, Rinnai has outsourced the recycling of containers and packaging to designated businesses that undertake associated services on the Company's behalf.

Concern for Water

Rinnai recognizes water as a critical resource and is working to reduce its usage of both public water and groundwater in its business activities. In addition, we endeavor on a daily basis to save water and use circulating water while undertaking thorough drainage water management to ensure the water used does not harm the environment.

Primary Initiatives to Reduce Water Usage

- Improving awareness of water-saving (banning leaving faucets running, etc.)
- Utilizing rain water
- Using water-saving functions at facilities that use water
- Creating and using frameworks to increase the volume of circulating water (Utilization of treated wastewater in office toilets, etc.)

Efforts to Reduce Environmental Burdens through Painting Line Improvements

As part of Rinnai's environmentally friendly manufacturing initiatives, we make an effort to save water and reduce environmental burdens through conservation activities on painting lines at Group production bases.

At Yanagisawa Manufacturing Co., Ltd., we repeatedly engage in trial and error to revise chemical selection and optimize cleaning methods, while maintaining or increasing processing capacity compared to before improvements were implemented, leading to annual reductions in environmental burdens amounting to 50% lower emissions, a 220% reduction in CO₂ and a 7% decrease in water usage.



Pre-painting processing line (Yanagisawa Manufacturing Co., Ltd.)

Assessing and Understanding Water Risk

As the world's population increases and urbanization and industrialization continue to progress, there is concern that humanity may face water shortages. To respond to business risks associated with water, Rinnai is identifying business locations with high water risk both domestically and internationally using a water risk assessment tool known as Aqueduct^{*3} and sharing the results of analyses performed with the tool. Rinnai, while focusing on the risk conditions in each region, views reducing water usage as an opportunity to cut manufacturing costs and is working to mitigate water risk while also reducing manufacturing costs. In addition, Rinnai is working to protect water resources in its supply chain in recognition of the impact water shortages can have on materials supplied by business partners.

We have therefore set criteria related to water resources in the Green Procurement Standards Guide, which outlines the environmental activities that we ask our business partners to participate in.

^{*3} Aqueduct: A water risk atlas and information tool provided free of charge by the World Resources Institute (WRI)

Environment

Pollution Prevention

Some chemical substances can have a negative impact on ecosystems and human health if they are not managed appropriately and accumulate as environmental pollution over long periods of time. Aiming to minimize the use of chemical substances that may affect people and global environments (atmosphere, water areas, and soil), Rinnai conducts management in accordance with both customer demand and each individual country’s regulations throughout the lifecycles of its products.

Promoting Management of Products Containing Potentially Harmful Chemical Substances

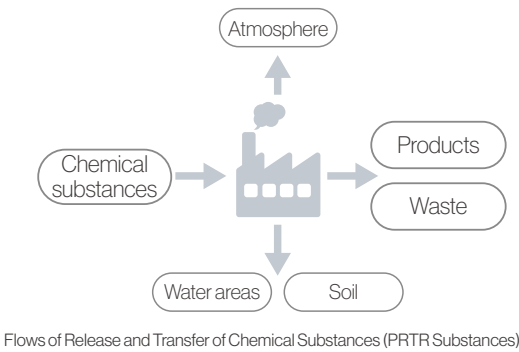
Companies are being required to appropriately understand and manage the overall supply chain for the chemicals used in their materials and products. The Rinnai Group endeavors to appropriately manage information concerning products containing potentially harmful chemicals along with its suppliers. The Company conducts this management based on its Green Procurement Standards Guide (E-Procurement Standards Guide) and its Chemical Substance Management Guidelines, which address regulatory concerns regarding green procurement and chemical substances contained in procured materials, respectively.

Initiatives to Reduce the Environmental Impact at Factories

To minimize the impact on the environment, Rinnai is reducing and eliminating the use of hazardous chemical substances through such initiatives as reviewing the chemical compounds used in the relevant manufacturing processes and improving processing equipment. At each manufacturing site, we check and manage the amounts handled, released, and transferred of the 462 Class 1 chemical substances designated under the PRTR¹ Law, for which 500 kg or more is handled each year.

In fiscal 2021, we achieved a 7.1% year on year reduction in the amount of hazardous chemical substances handled² compared to the targeted 4% reduction from the base year. This achievement reflects the successful implementation of planned daily improvement efforts at production bases.

1. Pollutant Release and Transfer Register. For chemicals specified as hazardous substances, businesses are required to compile and submit documentation on the amount of specified chemical substances released into the environment (atmosphere, water and soil) or removed as waste.
2. Per unit standard for amount of hazardous chemical substances handled, established by Rinnai.



Main Initiatives to Reduce Harmful Chemical Compounds

Manufacturing-related	<ul style="list-style-type: none"> • Introduction of environmentally friendly painting equipment in line with construction of a new factory • Optimization of piping routes for color change valves and paint guns • Review of processing oils, other
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Preparing for Emergencies

All offices run annual drills premised on adverse events, such as environmental accidents. To minimize environmental pollution risk, we have also reviewed procedures setting out actions to take in the event of a crisis and have prepared emergency provisions.



Scenes from emergency response training

Inspection of Environmentally Critical Facilities

We prioritize inspection of facilities that have a risk of impacting the environment and safety, conducting inspections on such environmentally critical facilities on a regular basis. We work to prevent serious accidents that could have an impact on the environment by inspecting individual facilities, verifying measuring equipment is working as expected, and conducting simulations of emergency situations



Routine inspection

Environment

Protecting Biodiversity

Protecting the biodiversity that underpins social sustainability has become an urgent priority for humankind. Recognizing that business activities and biodiversity are interwoven, we support the Declaration on Biodiversity by Japan Business Federation (Keidanren) and are working to protect the environment.

Approach to Protection of Biodiversity

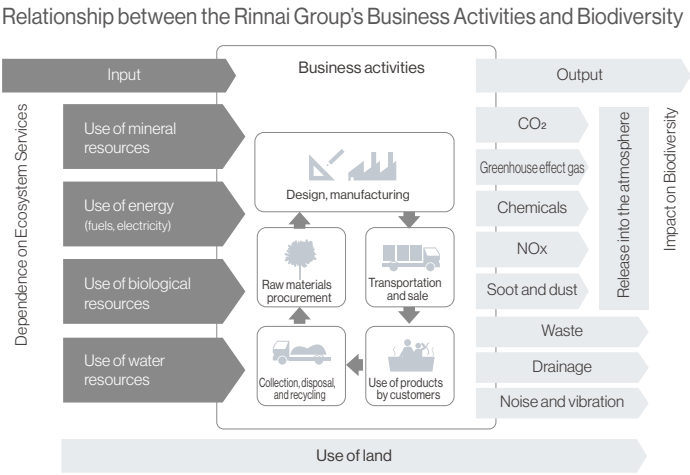
We have incorporated "consideration for biodiversity" into our ISO 14001 environmental policy and are pursuing action in accordance with the following principles.

Rinnai Principles on Biodiversity

1. Recognition of the issues	Rinnai regards protection of biodiversity as a priority for corporate survival and incorporates it into its environmental policy.
2. Cultivation of awareness	Rinnai is committed to deepening understanding and cultivating awareness of biodiversity by creating opportunities for contact with nature, including through preservation and greening activities undertaken around Company premises.
3. Pursuit of business activities contributing to biodiversity	Rinnai recognizes that business activities and biodiversity are interwoven, and aims to develop conditions that allow biodiversity to be preserved through greater action to reduce environmental impacts.
4. Disclosure of information	Rinnai will publish details, both internally and externally, of its policy on and initiatives to protect biodiversity, and aims to develop cooperation with local communities.

Business Activities and Biodiversity

Rinnai promotes activities that contribute to the protection of biodiversity through its daily efforts to reduce environmental impact (e.g., CO₂, waste, atmosphere, water) in its business activities at each worksite.



Rinnai's Biodiversity Conservation Activities Recognized as "Good Practice"

In recognition of Rinnai's efforts toward biodiversity conservation, we were selected for the "Good Practice" award at the July 2020 Aichi-Nagoya Biodiversity Best Practice Awards organized by Aichi Prefecture and the City of Nagoya. This award reflected a strong evaluation of our consideration for the environment and focus on heirloom vegetables and local dishes related to biodiversity, as well as our ability to work together on area mapping in order to raise awareness about the environment among employees.



Extermination of Specified Invasive Species

During Environment Month in June, Rinnai works together with local government bodies, volunteers, and employees of neighboring companies to collect and dispose of the specified invasive species *Coreopsis lanceolata*. Specified invasive species are living organisms that the Japanese government has determined to pose a risk of harm to ecosystems when they are introduced from other regions. Their cultivation, preservation, import, transport, and breeding are prohibited.

In fiscal 2021, Rinnai collected and properly disposed of *Coreopsis lanceolata* while paying careful attention to safety by limiting the area and number of participants to prevent the spread of COVID-19.



Extermination of specified invasive species *Coreopsis lanceolata*

Environment

Nijyu-maru Project¹ Registration Efforts

The Rinnai Group endorses the *Nijyu-maru* Project organized by the Japan Committee for the International Union for Conservation of Nature (IUCN-J) and promotes global biodiversity conservation activities. “*Nijyu-maru* Project Registration” pertains to initiatives in line with the 20 goals outlined in the “Aichi Targets,” which are global objectives adopted at the 2010 Tenth Meeting of the Conference of the Parties to the Convention on Biological Diversity held in Nagoya, Aichi Prefecture. Thus far, five projects have been registered.

1. *Nijyu-maru* Project: A framework in which citizens' organizations, companies, local authorities, and others state and register their declaration to do what they can to contribute to the Aichi Biodiversity Targets (*Nijyu-maru* Declaration)



Environment

Environmental Communication

We use regular communication and exchange events as a means of building awareness of the Rinnai Group's environmental activities in order to deepen our ties with and be a trusted member of our local communities. Furthermore, Rinnai sets June as Environment Month and holds various environment-related events to further enhance the environmental consciousness of its employees

Rinnai Receives the Minister of the Environment Prize, the Top Award at the 2020 Environmental Human Resource Development Corporate Awards

In recognition of efforts to develop environmental human resources, Rinnai received the Minister of the Environment Prize (Large Company Category), the top award at the 2020 Environmental Human Resource Development Corporate Awards, organized by the Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD). This is our third award, following two consecutive Awards for Excellence in 2018 and 2019. Rinnai was recognized for its “7E Strategy,” which promotes environmental activities throughout the product lifecycle, as well as employee ideas and daily improvements that motivate employees, both of which contribute significantly to the environment and management.

News release (link destination: <https://www.rinnai.co.jp/releases/2021/0325/>) (Japanese language only)



Factory Tours

Rinnai conducts factory tours enabling stakeholders to learn about our environmental and other activities and efforts. Held online, these tours are an opportunity to provide an insight into factory operations and facilitate an understanding of Rinnai environmental, quality, safety and manufacturing activities through question-and-answer sessions.



Online factory tour



Introducing the Company to local high school students

Rinnai Group Environmental Awards Programs

The Rinnai Group Environmental Awards are held annually to recognize outstanding environmental activities and stimulate more action on the environment throughout the Group. These awards recognize major contributions to environmental conservation and regional communication and are open to all bases in Japan and throughout the world. The 11th awards ceremony was held at the Rinnai Group New Year Convention, at which Rinnai's CEO presented the awards. In fiscal 2021, there were a record 134 entries submitted, from which one Grand Prize and 11 category-specific awards covering manufacturing, offices, logistics and social contributions were selected.



In-house award and submission awareness poster

In-house Environmental Newsletter *Eco no Coe*

Rinnai regularly distributes the in-house environmental newsletter Eco no Coe to ensure employees around the world stay up to date with Group environmental activities and environmental trends elsewhere in Japan and other countries. This newsletter has been published since 1999 as a means of enhancing environmental knowledge and awareness, encouraging communication among employees. In fiscal 2021, topics including the SDGs, climate change response measures and environmental contributions within the new normal ushered in by COVID-19 were covered.



Eco no Coe cover (theme: SDGs)

Community Cultivation of Heirloom Vegetables¹

Rinnai cultivates heirloom vegetables that have been a part of life in Aichi Prefecture since the Edo Period. To date, we have distributed heirloom vegetable seeds to more than 1,000 employees and their families. By personally cultivating, harvesting and eating these vegetables, we provide opportunities to interact with local food culture and nature while interacting with green spaces.

1. Heirloom vegetables: Vegetables that have been a part of life in the region for a long time, including vegetables from Kyoto and Kaga.



Photos posted by employees

Cleanup and Greening Activities around Company Sites

Group employees periodically engage in cleanup and greening activities around the Group's factories and along their commuting routes to help look after the natural environment around its operations.

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.



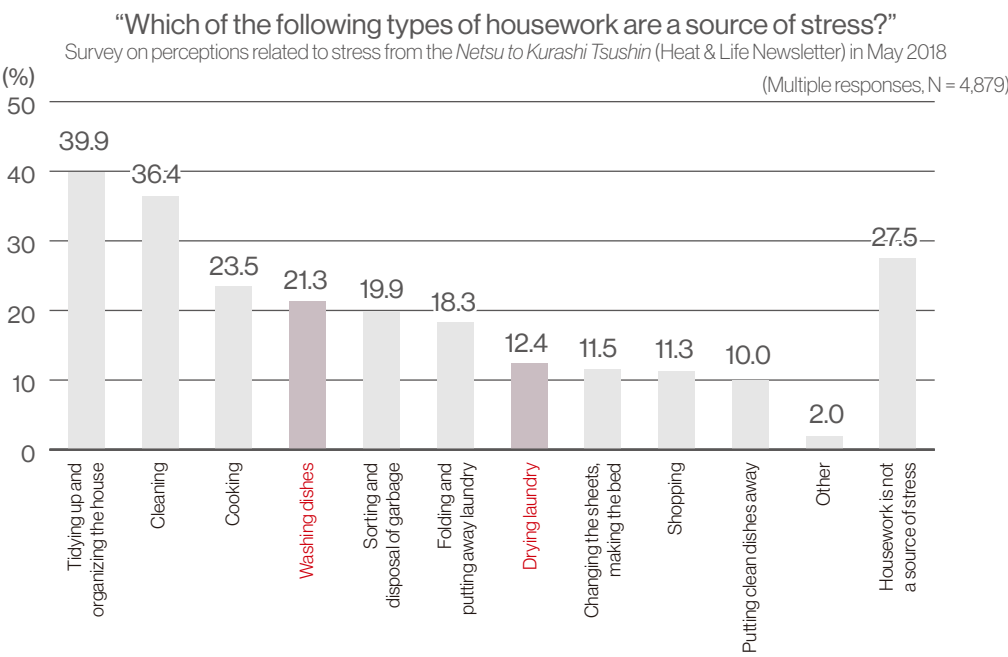
Rinnai’s Definition of “Improved Quality of Life”

	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

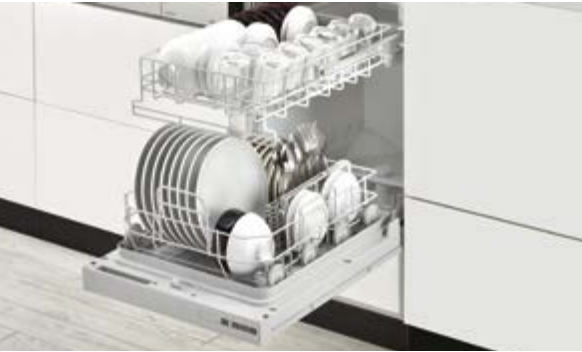
By broadly expanding products defined as “improving quality of life,” we envisage making people’s lives more comfortable throughout the world, which we will manage as a business performance indicator. Our aim is to increase sales of products that improve quality of life by 50% in fiscal 2026 compared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



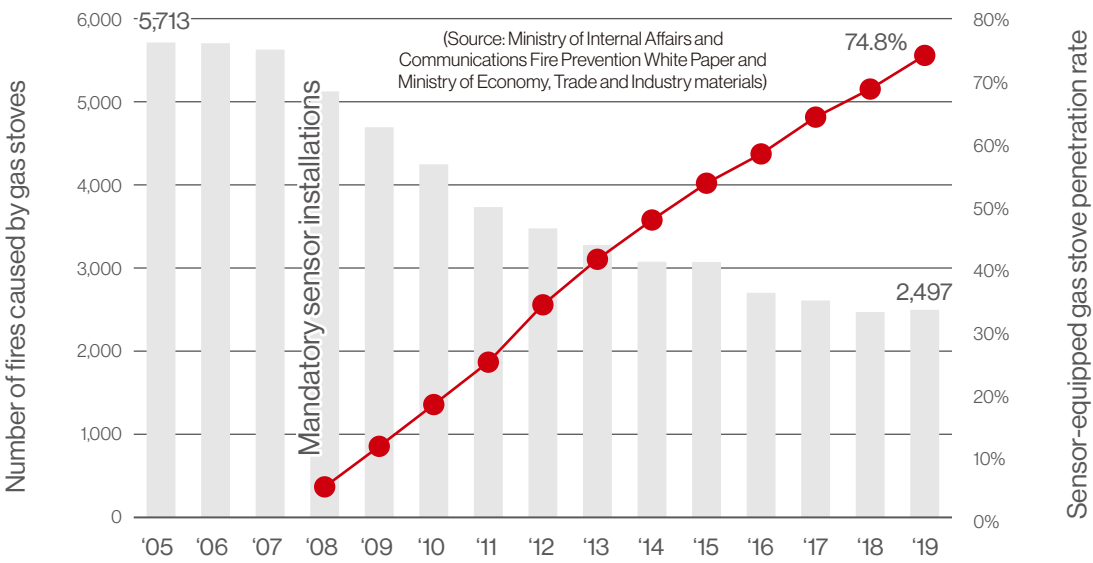
Rinnai offers gas clothes dryers to reduce the stress of drying laundry. This appliance is able to dry five kilograms of laundered clothing in approximately 50 minutes (drying clothes in about one-third the time required when using an electric heat pump clothes dryer). This enables a reduction in the 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?

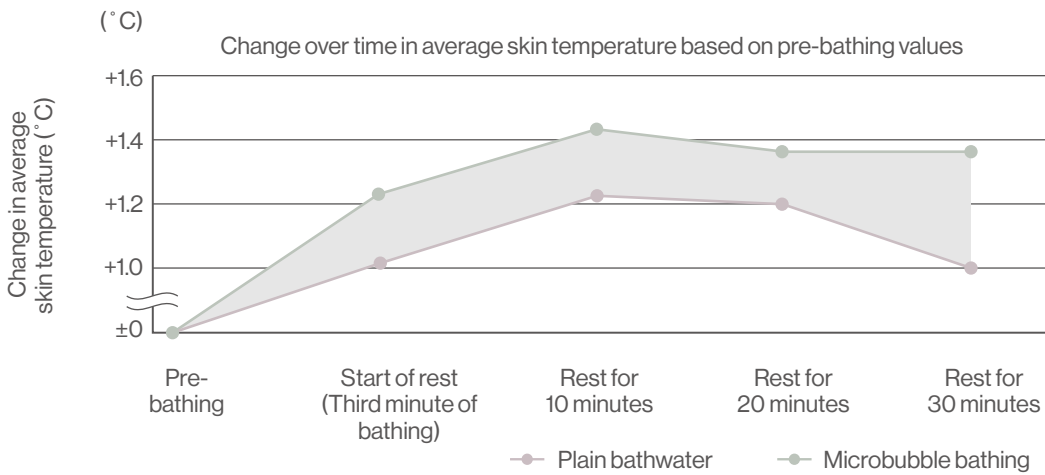
Microbubbles are ultrafine bubbles measuring 1-100μm in diameter. They have low buoyance and spread out and gently rise like a milky cloud. As time passes, they float to the surface and become even finer bubbles as they contract in water.

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

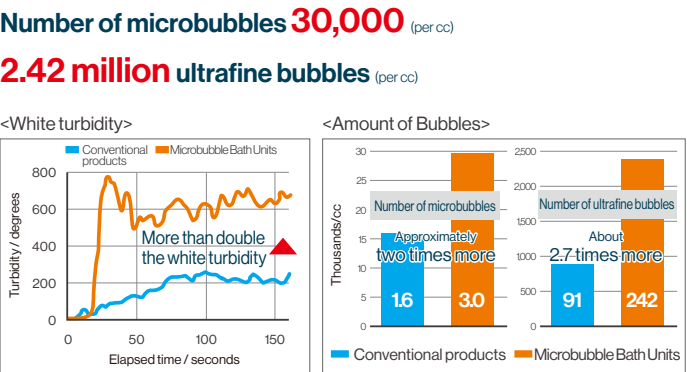
Since the bubbles envelop themselves around the bather’s body, the transmission of heat from the bath water to the body becomes gentler causing body temperature to rise gradually. As the body releases heat gradually after leaving the bathtub, there is a sustained sense of warmth.



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



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.

Social

Resilience

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

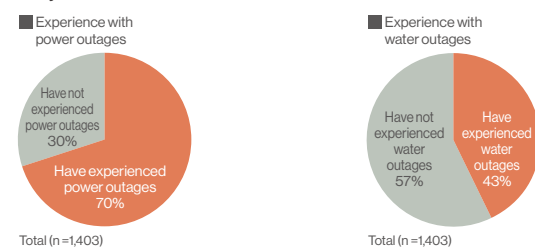
In recent years, several natural disasters have occurred in Japan, serving as an opportunity to think more deeply about risk countermeasures in the event of a disaster and heightening the momentum to prepare for them on a daily basis.

Major Natural Disasters in Recent Years

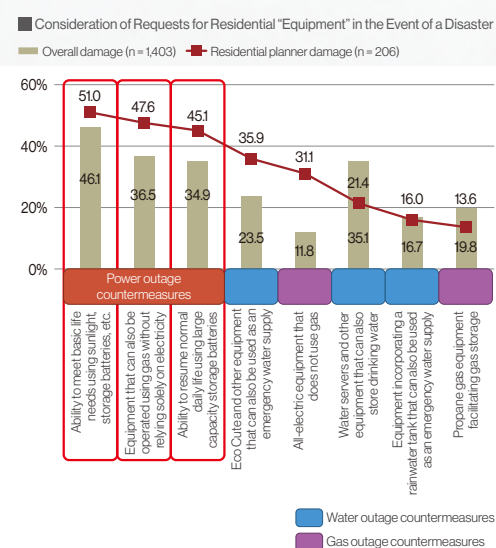
June 2020	Earthquake on eastern coast of Chiba Prefecture (maximum seismic intensity 5 lower)
March 2020	Earthquake in Noto region of Ishikawa Prefecture (maximum seismic intensity 5 upper)
July 2020	Torrential rains across various regions measuring the highest amount of rain ever recorded
April 2020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

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%).

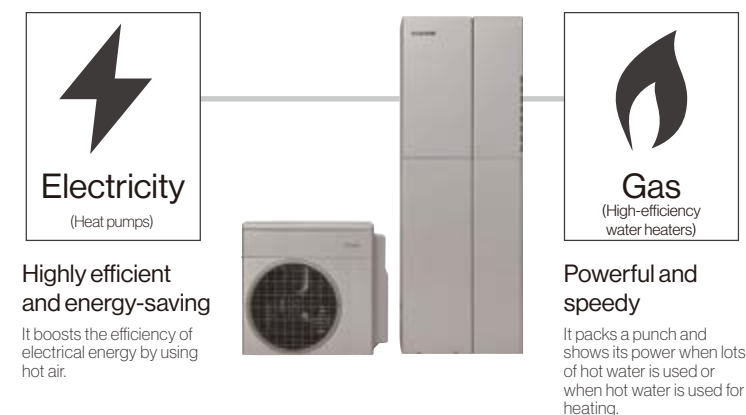


Source: EnviroLife Research Institute, Inc., 2019 <https://www.jkk-info.jp/publicity/deteil/id=107>



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.

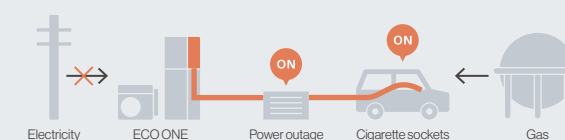
Disasters strike unexpectedly. Consumers can prepare for emergencies by installing hot water heaters that can work with both gas and electricity, and thus diversify risk so lifestyles can be sustained even when lifelines are limited.



What ECO ONE can do during a disaster

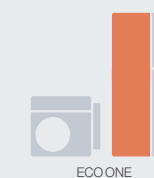
⚠ When the power is cut off

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



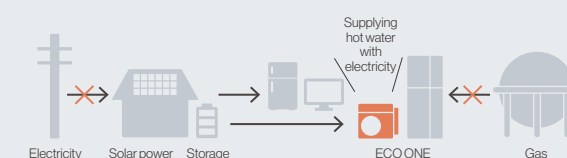
⚠ When the gas is cut off

Hot water can be supplied with electricity alone



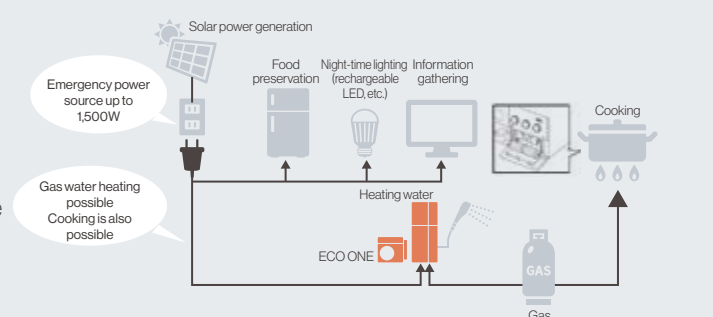
⚠ When both electricity and gas are stopped

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.

Social

Safe and Secure Initiatives

Smooth Provision of Information through the Internet

Rinnai provides various types of information through its corporate website and product information websites. We also support display optimization for browsing on smartphones and other mobile devices in an effort to smoothly provide information in consideration of customer internet utilization circumstances.

Microcomputer Meter Reset Process Introduction

In the event of an earthquake having a seismic intensity of five or greater, the microcomputer meter automatically switches off gas lines. After an earthquake has occurred, the steps necessary to reset the microcomputer meter are quickly published on the Rinnai corporate website to easily enable the reset of the microcomputer meter when it is safe to do so.



Microcomputer meter reset process introduced on the Rinnai corporate website

Posted Reminders for Safe and Correct Product Usage

Using products for a long period of time can result in fire or injury caused by the deterioration or wearing of parts. Furthermore, incorrect usage can result in malfunctions or injuries. To ensure customers use our products in a safe manner, Rinnai provides warnings and displays in user manuals and on the products themselves that are useful for avoiding accidents caused by misuse or carelessness. We also publish detailed examples on our corporate website, in an effort to provide information that is easily understandable and draws attention in order to prevent product-related accidents.

Product-Related Accident Information Disclosure

In the event that a serious product accident occurs with a Rinnai product, we will promptly report the incident to the relevant authorities in accordance with the law. We will also proactively disclose all details directly to customers on our corporate website to notify and alert customers as quickly as possible in accordance with the severity and scale of damage.

After-Sales Services

To realize a “comfortable way of life” for all our customers, Rinnai is engaged in the provision of services that enable our products to be used with peace of mind.

Prompt After-Sales Services

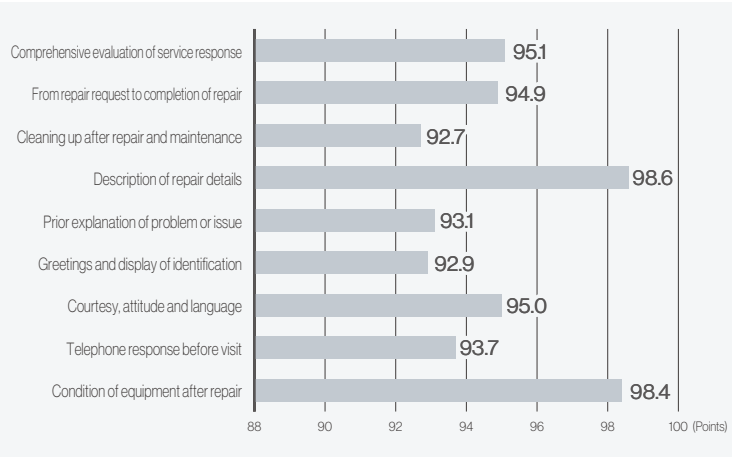
Approximately 600 servicemen across Japan repair Rinnai equipment. Confirming the status of service requests from customers on portable terminal devices, servicemen make an effort to complete inspections on the same day or by the next day to provide prompt after-sales services supporting a “comfortable way of life.”

Creating an After-Sales Services Structure Incorporating Customer Feedback

Customer feedback questionnaires are provided to customers requesting repair services. This questionnaire assesses repair visit response times and other factors determining the degree of customer satisfaction with Rinnai repair services. Customer assessment results are provided as feedback and the results of questionnaires are utilized effectively throughout the Company.

In fiscal 2021, 21,000 customers completed questionnaires, which rated our after-sales services an average of 94.9 points.

Degree of customer satisfaction with repair services



Storage and Provision of Service Parts

As a general rule, we supply gas appliance components for five to 10 years after the end of production, and in some cases for more than 10 years. The establishment of a system able to quickly deliver parts when needed is indispensable for after-sales service enabling customers to safely and comfortably use gas appliances over the long term. The Rinnai Parts Center, where parts are stored and shipped, maintains a large inventory of parts that uses a system to pick, pack and ship items. It is critical that we not make any mistakes regarding part type or quantity and that we deliver items by the due date. We promote efforts to enhance quality that include the documentation of work in a standardized document format and work guidance based on a brochure comprising our basic rules concerning quality.

Social

Inquiries Response and Support System

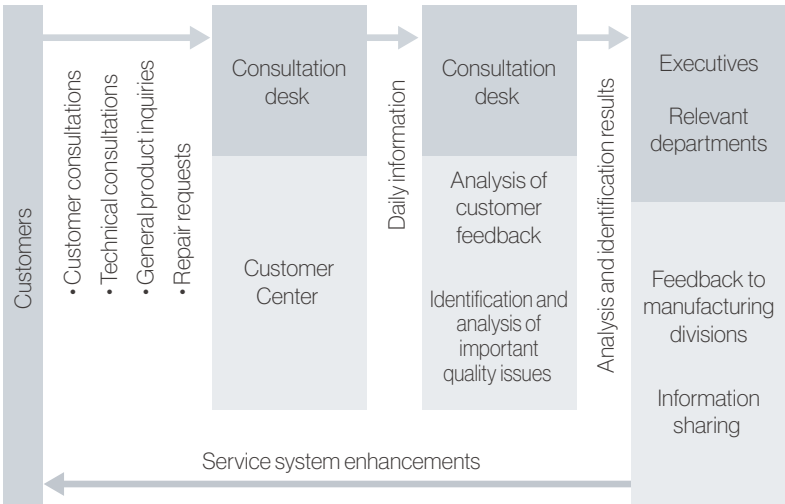
In line with our basic philosophy “quality is our destiny,” Rinnai satisfies customers by “responding to requests and consultations in a sincere, prompt and accurate manner” under the policy of “providing customers with satisfaction, safety and reliability.”

Basic Policies

1. We recognize customer opinions and requests to be the highest priority issues in all Rinnai departments.
2. We understand that customer complaints impact the entire Company, thus we take ultimate responsibility for the entire organization.
3. We take customer feedback seriously, share it internally and use it as a valuable source of information to provide better products and services.
4. We will always comply with laws and regulations and remain resolutely opposed to unreasonable requests.
5. Customer personal information is strictly protected in accordance with relevant laws and regulations and our personal information protection regulations.

Customer Center

We created the Customer Center with the aim of increasing customer satisfaction (CS). We receive various inquiries, opinions and requests directly from customers over the telephone or through our corporate website. Much of this valuable information from customers is provided as feedback to all departments as it useful for identifying and reviewing issues related to product development, quality control, and sales and service improvements.



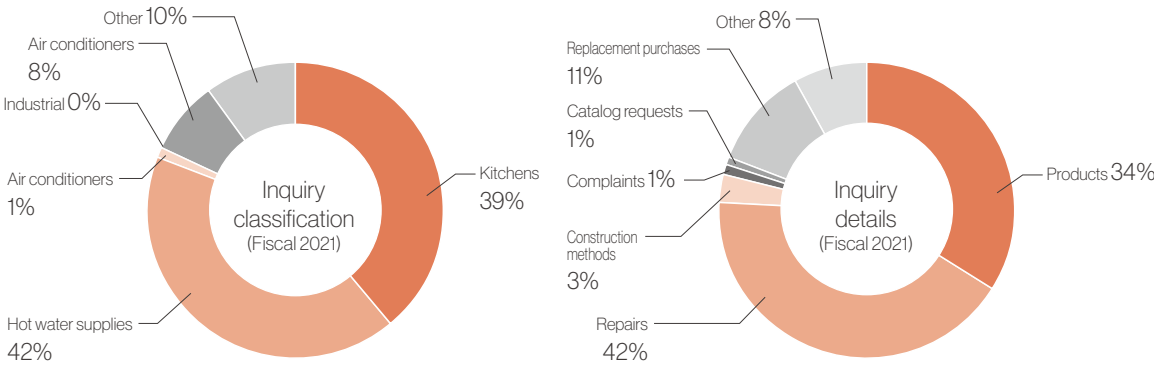
The Customer Center handles inquiries from customers via toll-free telephone numbers and emails. In fiscal 2021, approximately 840,000 toll-free calls and 12,000 email inquiries were received.

According to comments and assessments from customers in the fiscal 2020 customer questionnaire, 80% of customers complimented Rinnai on the politeness and promptness of our response to their inquiries. Comments that were critical of our response are provided as feedback and used to improve our services.



Rinnai Customer Center

Customers' Inquiries



Frequently Asked Questions (FAQ)

In response to customer desires to solve problems on their own, Rinnai created a “Frequently Asked Questions” page on its corporate website, with many customers taking advantage of how-to videos that approximately 76% of respondents said resolved their issue.



FAQ (Japanese language only)

Social

Initiatives for Inspections

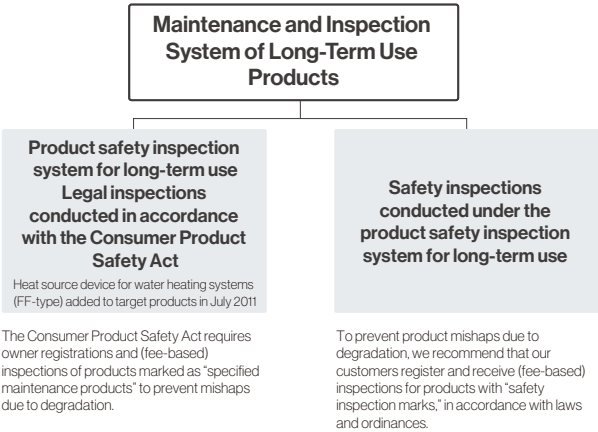


Note: Revisions to the Consumer Product Safety Act were announced on July 27, 2021, and enacted on August 1, 2021.
For details, please see "Regulatory Revisions Related to Legal Compliance Inspections" on the Rinnai website (Japanese language only)

In April 2009, Rinnai put its product safety inspection system for long-term use into effect to comply with revisions to the Consumer Product Safety Act. We offer notifications regarding legal compliance inspections for customers who registered their products in accordance with this system once they reach their 10th year of use. This system aims to encourage customers to have their products appropriately inspected and maintained before they deteriorate and failure rates rise. To maintain products through maintenance and replacement, we provide safety inspection guidance regarding our outdoor water heaters in accordance with laws and ordinances. Additionally, we recommend that customers who regularly use target products receive inspections and make sure they understand that these products have standard lifespans.

The Rinnai Group aims to enhance its maintenance check system, which employs qualified personnel to conduct appropriate inspections. At the same time, we offer unique services, such as extending product warranties for customers who registered their household hot-water equipment with us for an additional three years.

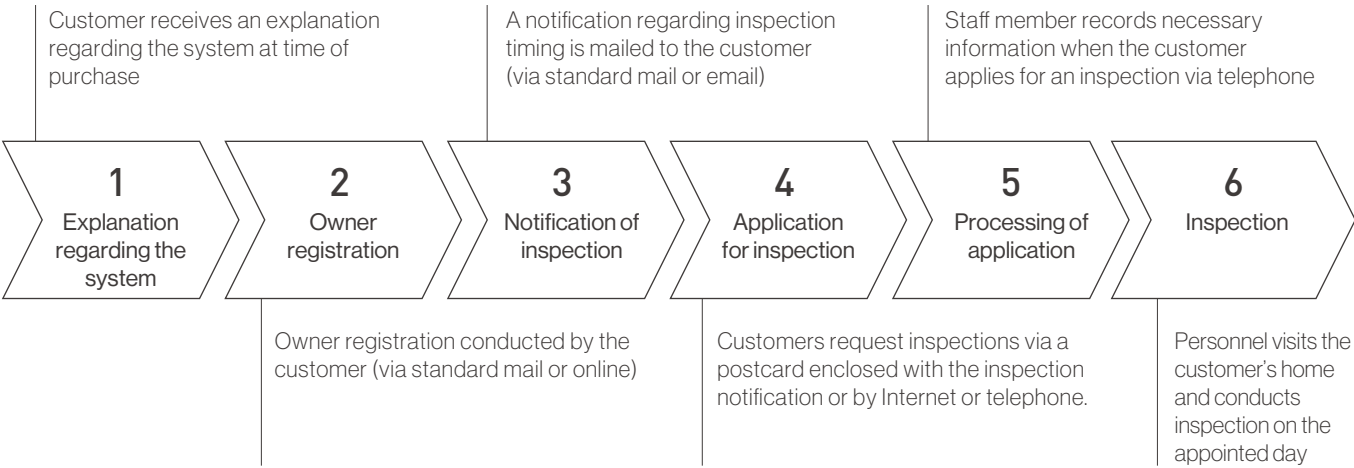
In addition, we work to increase customers' understanding of our inspection program and prevent accidents by providing information through our website and consultations via our maintenance and inspection call centers.



Rinnai Products Affected by the Product Safety Inspection System for Long-Term Use



Course of Events Leading up to Inspections under the Product Safety Inspection System for Long-Term Use



Through central management of owner registration status to the inspection of each customer, Rinnai strives to improve customer satisfaction so that we can respond smoothly to any inquiries.

We protect personal information appropriately based on laws, regulations and strict management, never provide it to third parties, and do not anonymously process information. We will continue to improve our system and management structure to further heighten trust from customers.

Social

About Inspections

Inspection work is carried out based on established inspection procedures. The accuracy of the inspection is managed by checking the total number of work slips submitted to the customer and double checking to automatically check whether the input data is correct when it is entered into the dedicated system. In addition to explaining the details of inspections to customers, we also explain available options that customers should take into consideration in accordance with the inspection results. In the unlikely event that a product is deemed unsafe to use, details regarding follow-up inspections are mailed at a later date in an effort to prevent accidents. We strive to improve the quality of inspections through efforts including instructing inspectors based on statistically managed data.

Customer Feedback Regarding Inspections

Among inquiries from customers, many are of the opinion that inspections are obligatory, or free of charge, or unnecessary because the gas company already conducted an inspection. For these reasons, Rinnai strives to raise awareness when conducting inspections to ensure customers receive inspections with peace of mind.

There are also situations where customers who have scheduled inspections request cancellations, thus we promote a deeper desire for inspections among customers who intend to prevent accidents caused by deterioration over time and use their products for as long as it is possible to do so.

Future Initiatives

Traditionally, manufacturers have been mainly engaged in activities such as the development, manufacturing, sales, and repair of products. However, since the establishment of the inspection system, manufacturers have also become involved in inspections and other customer safety activities.

In order to prevent product-related accidents due to deterioration over time, it is necessary to understand the inspection system and further strengthen inspection-related efforts. Nearing the time when full-scale inspections are required, the number of inspections substantially increases. Utilizing the results of inspections to understand how equipment deteriorates over many years of usage, Rinnai will make an effort to strengthen its customer safeguard systems and reflect this understanding in future inspection notifications.

Five Basic Inspection Work Focus Areas and Rinnai's Response

Five Focus Areas			Rinnai's Response
1	Quality inspection	Quality inspector, quality support, legal compliance, inspector report	<ul style="list-style-type: none"> From appointment to completion of inspection, all work conducted according to the inspection manual to promote higher CS Check progress of inspection to ensure appropriateness, confirm all inspection work to prevent inspection errors Train qualified inspection personnel through skills management, regular training and technical support for inspection engineers Engage in customer safety activities such as alerting customers after inspections whose equipment is prohibited from usage
2	Customer focus	Reflecting actual usage and customer feedback into products	<ul style="list-style-type: none"> Customer feedback is collected at the time of inspection and is incorporated into the inspection system and products
3	Customer satisfaction	Appropriate and polite provision of information, etc.	<ul style="list-style-type: none"> Website content expanded and manual updated to provide appropriate information to customer inquiries received by telephone When making an appointment for inspections, we not only provide explanations based on legal compliance and appropriate treatment standards, we also conduct a preliminary survey, and if there is a possibility that the equipment is no longer usable, to reduce the inconvenience to customers before the inspection, we offer the customer the option of inspection, repair or replacement When registering a new product, we send confirmation of registration and ask that customers confirm the information they submitted, establishing a means of providing appropriate information such as a survey in the event notification was not received. With regard to products that will require specific maintenance with the enactment of new laws, we also send notifications to customers and request that they register their products
4	Safety guidance	Provide safety guidance before product failure, not after	<ul style="list-style-type: none"> We provide guidance so that products are inspected before they fail or after the inspection date has passed to prevent degradation. If there is no response from the customer, inspection notifications are mailed again one year later (targeting products requiring specific maintenance)
5	Establish trust	Based on appreciation for many years of product usage	<ul style="list-style-type: none"> For customers thinking about purchasing a Rinnai product, we provide detailed information regarding our maintenance system in our catalogs and on our corporate website. A registration completion notification is mailed to customers when they register their product, and in the unlikely event of repairs, the warranty that began at registration is extended (applicable to home gas appliances). When nearing the inspection date notifications are sent, with follow up notifications sent one year later (targeting products requiring specific maintenance) as well as a notice regarding legally mandatory maintenance one year after maintenance is conducted (targeting products requiring specific maintenance). These activities are useful for ensuring customer safety and security when using our products starting as soon as they make a purchase

Social

Efforts to Coordinate an Inspection System

To adequately implement inspection, our Product Inspection Center keeps improving its inspection system. In addition to the legally required check points of an inspection system, we also set up voluntary monitoring items to facilitate a reliable inspection system.

Voluntary System Action Items and the Current Status

Action Items	Rinnai's Current Status
Enhancement of provision of information	We post the detailed information on maintenance and inspection system for our products for a long period of time on our website.
Enhancement of items to be inspected	In addition to the items for which inspection is legally required (specified products that require maintenance), we set safety inspection products, including home-use outdoor gas hot-water units, built-in-stoves, gas fan heaters, gas clothes dryers, and gas fanned flue heaters.
Inspection quality improvement	The inspection results of all items are checked to see if there is any judgment error to assure technology standards. The inspection completion rate is monitored all the time not to delay the inspection schedule.
Warning after the inspection	When an inspection result concludes the prohibition of the use of a product, we will provide the follow-up of the inspection by calling or writing to the user.

Inspection System Maintenance Items Required by Law and Rinnai’s Response

*Law” refers to the “Consumer Products Safety Act” and “Ministerial Ordinance” refers to “Ministerial Ordinance on Ministry of Economy, Trade and Industry-Related Specific Maintenance Products.” Information is as of March 31, 2021.

Applicable Law	System Maintenance Items	Details	Rinnai's Response
Law: Article 32-19 and 18-1 Ministerial Ordinance: Article 13-1	Establish inspection offices	Arrange offices appropriately to ensure efficient implementation of inspections. Secure engineers for each office.	Inspection offices: 81 locations across Japan
			Certified inspectors: 663 people
Law: Article 32-19 and 18-1 Ministerial Ordinance: Article 13-2–4	Public display and notification of established inspection costs	Establish costs that do not significantly exceed the appropriate cost when the inspection is conducted efficiently, publish standards for determining inspection costs, and give prior notice of costs before the inspection, including the breakdown of the inspection costs and notification of the standards for cost determination.	Standards for determining inspection costs, inspection costs and contact information is published on the Rinnai corporate website
			Notification: Sent when request for inspection is received.
Law: Article 32-19 and 18-2 Ministerial Ordinance: Article 13-5–6	Preparation and management of guidance necessary for inspection	Prepare guidance based on inspection standards and store with a third-party organization.	12 types of guidance have been created (gas appliances: 10, electrical appliances: 2)
			Guidance is managed as follows: Gas appliances: Japan Gas Appliances Inspection Association (JIA) Electrical appliances: Japan Electrical Safety & Environment Technology Laboratories (JET)
Law: Article 32-19 and 18-3 Ministerial Ordinance: Article 13-7–8	Ownership of maintenance parts and provision of information	Establish and maintain a maintenance period. Prior to inspection, notify customer with regard to the maintenance status.	Maintenance period: Conducted from 9–11 years after production.
			Notification: Sent when request for inspection is received. Information regarding maintenance parts are also published on the Rinnai corporate website.
Law: Article 32-19 and 18-4 Ministerial Ordinance: Article 13-9	Providing information about items during the inspection period	Make this information available to read on the internet	Information regarding maintenance schedules for products is provided on the Rinnai corporate website (searchable by model number). This information is also listed in the product catalogues.
Law: Article 32-19 and 18-5 Ministerial Ordinance: Article 13-10	Implement technical training	Regularly hold technical seminars, conduct courses for contractors and take measures to ensure technical standards.	Technical training: Inspection certification training provided to employees.
			Ensuring technical standards: In addition to evaluating skills at technical seminars, we conduct qualification renewal management and skill enhancement training.
Law: Article 32-19 and 18-5 Ministerial Ordinance: Article 13-11	Record inspection results	Record inspection results and store them as a guide for three years.	Inspection results are recorded on written inspection result statements.
			Results are stored for seven years
Law: Article 32-19 and 18-5 Ministerial Ordinance: Article 13-12	Convey inspection	Inform the customer who requested the inspection of the results in an appropriate manner.	Communications: Written inspection result statements are provided to customers. This report indicates options available based on the results of the inspection. Moreover, customers are informed if frequent inspections are required, and in the event the use of a product becomes prohibited, the inspection will be followed up by a phone call or in writing.

Additionally, Rinnai is considering statutory revisions in light of public comments on statutory revisions concerning the product safety inspection system for long-term use, and even in the event that Rinnai products falling under said laws (Specific Maintenance Products) are removed from the scope of applicability, we will continue to conduct inspections voluntarily in an effort to strengthen customer safeguard systems.

Social

Communication with Employees Efforts as An Outstanding Health Management Company



Rinnai believes healthy employees are important to enable the continued support of healthy customer lifestyles, thus we conduct various measures to protect the health of employees. As a result, Rinnai was selected as an Outstanding Health Management Company 2021 (Large Enterprise Category), sponsored by the Ministry of Economy, Trade and Industry, in recognition of our efforts to promote health as a company practicing excellent health management.

Rinnai's Primary Initiatives

Rinnai's policies for promoting and maintaining employee health are stipulated in the Rinnai Group Code of Ethics and the business plan for the Human Resources Division. The Human Resources Division has established dedicated departments (a health and welfare team and a health support office) as part of Rinnai's three-pronged approach to supporting employee health involving the health insurance union, the employee union, and the Company.

Mental Health Measures

We conduct mental health seminars according to occupational level, including self-care employees for all employees and line care seminars for managers and supervisors. In addition, we aim to have over 95% of employees undergo stress checks.

Measures to Prevent Lifestyle-related Diseases

We provide guidance to prevent the onset and progression of diabetes and hypertension to those who are insured but not currently receiving treatment. We also hold such events as sports festivals and walking festivals.

Measures Against Metabolic Syndrome

We aim for a 5 percentage-point year on year increase in those who are no longer diagnosed with metabolic syndrome and are implementing specific health guidance for employees aged 35 and older.



* Under the Health & Productivity Stock Selection program, METI and the TSE have jointly been selecting companies that strategically carry out efforts regarding their employees' health from a management perspective as "Health & Productivity Stocks". The program selects outstanding listed companies engaging in a health and productivity management program and introduces them as attractive companies for investors who prioritize the improvement of corporate value from a long-term perspective. Through this effort, the aim is to raise social recognition of enterprises engaging in health and productivity management and to thereby encourage enterprises to further engage in health and productivity management.

Enhancement of Health Promotion Activities

In 2013, Rinnai established the Health Support Office where fulltime public health nurses provide individual health guidance and consultations as well as information related to personal health, such as countermeasures for preventing lifestyle-related diseases, and conduct health promotion seminars to support mental and physical health.

In fiscal 2021, we incorporated online interviews and provided more detailed care to target employees to prevent the taking of leave due to mental stress, and at the same time, we strengthened support systems enabling a smooth return to the workplace for employees who had taken leave. We expanded the scope of mental health seminars and enhanced support for

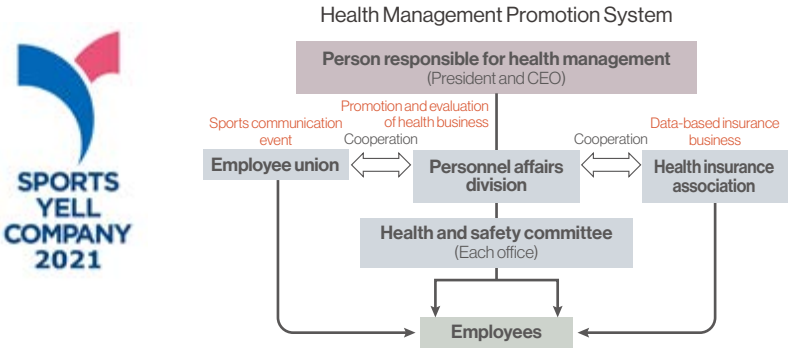


Health consultation by a full-time public health nurse

employees with cancer, incurable diseases and other physical ailments as well as those with mental health issues. In addition to conducting stress checks on individual employees, we are also working to systematically reduce employee stress and create a comfortable workplace by conducting group analyses of results from each division.

In addition to the aforementioned efforts, in order to encourage employee health promotion activities, we have established a Health Management Promotion System and in the Rinnai Code of Conduct ethics statement, we declare our intention to "create work environments that are safe as well as physically and mentally healthy and comfortable." Based on these principles, we are engaged in three-fold activities in collaboration with employee unions and health insurance unions. As a concrete example, we co-sponsor events such as health seminars, a Walking Grand Prix and smoking cessation campaigns. In addition, we collaborate with a dietitian in our employee cafeteria to provide healthy menus offering reduced sugar options and plenty of vegetables. We also conduct health campaigns at all factories to check blood vessel age, bone density, blood iron levels and skin age with the aim of raising health awareness. Additionally, we hold walking seminars to promote health and raise awareness regarding weight loss and physical fitness.

Rinnai received Sports Yell Company certification in recognition of efforts such as conducting radio calisthenics at the start of the work day, holding various sports events such as the aforementioned Walking Grand Prix, supporting various sports club activities and supporting the use of sports facilities.



Social

Personnel Training

Consistently taking the initiative based on the idea of “developing employees who respect individual abilities and characteristics and continuously take on challenges autonomously to achieve their goals,” Rinnai promotes the cultivation of human resources who are able to drive the Company forward. We provide employees with numerous opportunities to grow as individuals, such as rank-specific training programs, specialization courses, OJT training and rotation training programs both in Japan and overseas.

OJT Personnel Training

We position human resources as our most important management resource, and offer personnel training to assist employees to fully demonstrate their capabilities.

Our main training is OJT, wherein a supervisor guides his or her team member through an actual job. In addition, we provide a rank-specific training program, which supports the improvement of each employee as an individual by grouping them according to job responsibility, and a specialization course, which promotes our employees to be highly specialized in their area. These three programs form three pillars of Rinnai’s training system.

Major Rank-specific Training Programs

Training	Subject	Content
New employee training program	New employees	Basic training for professionals (manners, awareness as a professional), Fundamental training for Rinnai employees (Company overview, the Rinnai Spirit, corporate ethics, personnel system, policy on quality and environment), IT skills and mental health
New employee follow-up training	Generalists (Clerical and sales employees) in their 1st year, Generalists (technical employees) in their 2nd year, clerical employees (technical employees) in their 1st year	Training for increasing motivation to work and raising professional awareness (Reconsolidation of what was learned in the new employee training program; employees who joined the Company in the same year gather and share information about their current status)
S4 level-qualified employee training	S4 level-qualified employees	Reconsolidation of fundamentals (corporate ethics and management policy), Recognition of his or her characteristics (to improve the strength) and the reinforcement of awareness of management (creation of management plans)
M6 level-qualified employee training	M6 level-qualified employees	Reconsolidation of corporate ethics and management policy Understanding duties of managerial supervisors (rules of employment, Labor Standards Act, handling of problematic employees), Understanding of management
M6 level-qualified employee follow-up training	M6 level-qualified employees	Reaffirming shared goals Reconsolidation of values concerning managers' actions, Reviewing the efficiency of the entire workplace
Reviewer training follow-up training	Employees whose duties require them to interview subordinates and review their performance	Review of personnel systems • Understanding of objectives and methods of performance reviews • Improvement of interview skills through interview practice

Career Development Review and Support

For each training program to function effectively, it is essential to match the capability required by the organization and the goals set by the employees.

Therefore, Rinnai prepares a “Skills Map” and a “Capability Evaluation Sheet” to define the skills and capabilities required by each department and to clarify the goals and capabilities the Company expects the employees to achieve. Based on these tools, our employees understand their current roles and responsibilities. Employees also have a one-on-one interview with their supervisor, during which they receive the results of their performance evaluation and are informed of the Company’s future expectations of them. They then set up their own goals to work toward every year.

Supervisors, to actively perform the responsibility to navigate the growth of their staff, carefully review each staff’s progress and contribution (performance evaluation) and adequately inform the staff of the results of the evaluation through one-on-one interviews or performance appraisal feedback meetings.

Support for Self-directed Development

To support each employee to acquire higher specialist knowledge, skills, and culture and support their growth as an individual, we actively provide programs including foreign language education, correspondence courses, external open seminars, technical proficiency examinations, license acquisition courses, and communication with people in different companies/industries. We provide rank-specific training programs to create opportunities to be aware of aspects for strengthening one’s sense of humanity.

In addition, for young employees who have a strong desire to work overseas, we arrange and operate a short-term overseas working and training program that is available for them via application. This is to develop human resources that can globally demonstrate their capabilities working at our overseas locations. Currently, a total of six young engineers are working under this program in the United States, Australia, Brazil, and Thailand. By providing our employees with opportunities to work at our overseas locations in this way, we promote development of human resources that can demonstrate their abilities at a global level.

Succession of *Monozukuri*, the Spirit of Manufacturing

Training at the Production Technology Center

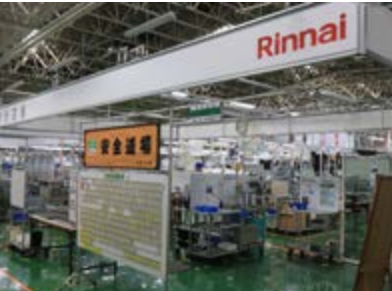
The Production Technology Center established in March 2010 is a place to pursue leading-edge *monozukuri*, with an emphasis placed on delving into core technologies. It is also a hub for developing human resources involved in *monozukuri* activities at Group companies at home and abroad.

To pass Rinnai’s *monozukuri* to the next generation, over 30 booklets of “Visual manual” were produced as a talent developing support tool. Utilizing this tool, our staff who are qualified in various technical areas provides detailed training on Rinnai’s manufacturing technique accumulated from the past, for employees including trainees from overseas Group companies.

Worksite Training

“Manufacturing succession centers” are established at each worksite to preserve and pass on tangible assets including accumulated process technologies and new technologies that perpetuate the “worksite intuition” of experienced employees.

These are used as places to teach new employees manufacturing basics as well as a place to share and pass on information and educate personnel with respect to manufacturing “efficiency improvements and management strengthening.”



Social

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.

Rinnai Response to the Spread of COVID-19

In response to the spread of COVID-19, Rinnai established a Countermeasures Headquarters centered on the existing risk management system with the Rinnai President heading the Countermeasures Headquarters and the General Affairs Manager in charge of crisis management. Based on conditions in each country, this system enables Rinnai to promptly disseminate information on response procedures as action guidelines for employees.

To prevent the spread of infections, we continue to expand work from home and staggered working hour systems while making daily improvements to new work styles, including a new meeting structure using an online video conferencing system and the creation of a working structure that avoids crowds.



Office environment while employees are telecommuting (Rinnai America)



Barriers introduced in cafeterias to prevent infections (Rinnai Taiwan)

The implementation of COVID-19 countermeasures has provided a good opportunity to revise workstyles and introduce new programs and systems required for changing awareness surrounding work.

Through virtual business meetings, we have reduced ancillary work required for business trips, transportation and preparations, and by reducing analog approvals and procedures using paper, we are promoting paperless workplaces, reducing approval lead times and realizing other operational improvements. Further, with the spread of telecommuting and online meetings, the effective use of communication tools is advancing as intangible aspects of work that had been difficult to change in the past but are now starting to evolve. Rinnai will continue promoting these improvements, inculcating a new corporate culture and a new normal.



Changes in meeting format using communication tools



Meeting attended by both telecommuters and office workers

Social

Work-Life Balance

Support for Work-Life Balance

For all Rinnai employees to perform well, attaining a sense of accomplishment and fulfillment balancing work and personal life for each lifestyle, we continue to enhance our personnel system to support all employees of any gender and nationality throughout their lives.

Program and Measure	Content
Childcare leave	Employees living with and raising a child or children less than one year of age may take a leave of absence from work until the child or children reach one year or one year and six months of age. (The leave of absence may be extended until the child or children reaches two years of age, dependent upon the conditions of the application for leave.)
Childcare shortened work hours	Employees who live with and raise children until March 31 of the third year of elementary school can request to have their prescribed working hours changed within a range of not less than six hours a day.
Sick or injured childcare leave program	Employees may take a maximum of 10 days (20 days for employees with two or more applicable children) of leave per year in half-day units to care for sick or injured children.
Extended family care leave	Employees may take a maximum of 10 days (20 days for employees with two or more applicable family members) of leave per year in half-day units to care for a family member in need of long-term care.
Family care shortened work hours	Any employee who is responsible for a family member that requires full-time or nursing care may shorten his or her daily working hours, provided that a minimum of 6 hours are worked each day. This provision is possible for more than once during three years from the starts of use of this program per such family member.
Family care leave	An employee can take up to 10 days leave per year (20 days per year if two or more family members require care).
Work from home program	The longest duration of “Work from home program” shall be one year per application. Utilizing IT equipment, an employee may work partially or entirely at home.
Come Back program	This program offers an employment opportunity to our former employees who had to leave the Company for unavoidable reasons such as marriage, childcare and family care, or on his or her discretion.
Measure to reduce working hours (Flexible working hours)	Depending on work plan, working hours and work start/end time can be negotiated.
Measure to reduce working hours (No overtime day)	Every Wednesday is set as “No overtime day” to encourage employees to leave early.

Formulation and Implementation of the General Employers Action Plan

Rinnai formulated the General Employers Action Plan (Fifth Period: Fiscal 2020– Fiscal 2022) based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

Fifth Period General Employers Action Plan

1. Plan period

April 1, 2019 to March 31, 2022

2. Details

Objective 1:
To improve workplace environment and change awareness for realization of balance between childcare and work

<Measures>

- Expand more flexible work styles
(Extended period of shortened working hours system, etc.)
- Improve management awareness
(Develop training programs and consistently conduct interviews before maternity leave, during childcare leave and after returning to work)

Objective 2:
To promote initiatives expanding work-life balance

<Measures>

- Promote work load reduction activities
(establish satellite offices, review internal rules, etc.)
- Provide business management support for managers
(further improvement of attendance system)
- Promote the acquisition of paid leave

Working to Enrich the Lives of Our Employees' Families



Rinnai aims to create workplace environments and climates that allow its employees to feel glad to be working for the Company. We collect opinions regarding the Company from each workplace and hold regular joint labor management conferences along with employee unions. The goal of these conferences is to make improvements to the Rinnai Group. We move forward with improvements by sharing issues unique to each business location and conducting system revisions. The Company has conducted activities aimed at promoting the use of paid leave, established a new regional allowance system, and held nursing care seminars. Rinnai also provides financial support for health enhancement events held by employee unions, such as sport or bowling competitions and walking festivals. Finally, we collaborate with employee unions to provide workplace tours to employees' families at our development locations and factories. Through these tours, we educate employees' families about what we and their employee family members do.

Major Programs in Rinnai Employees' Association

Item	Overview
Nationwide events in Japan	Various events to promote health of our employees and their family members and communication including bowling competition, barbecue picnic, and sports festivals
Training seminars by age group	Training seminars focusing on "Education for the soul" that support employees to develop attractive personalities as members of society

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.

Social

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

Formulation and Implementation of the General Employers Action Plan

Rinnai formulated the General Employers Action Plan (Third Period: Fiscal 2021– Fiscal 2022) based on the Act on Promotion of Women’s Participation and Advancement in the Workplace.

Third Period General Employers Action Plan

To improve the employment environment so that women can play an active role, Rinnai has formulated the following action plan.

1. Plan period
April 1, 2020 to March 31, 2022

2. Company issues
(1) Although the proportion of female graduates hired has increased, there is a difference in the number of years employed between men and women. Systems and environments must be developed so that employees stay employed longer.
(2) The percentage of women in managerial positions is low. It is necessary to increase the number of women in positions one level below section chief and increase the number of women promoted to managerial positions.

3. Goals, initiative details and implementation timeframes

Goal 1: Reduce the difference in average years of service between men and women from 5.7 years to 4.8 years.
Initiative details: Reduce the number of retirees due to childcare, family care or other factors through system revisions.
New: Support for employees working shortened hours.
New: Expansion of telecommuting system.

Goal 2: Increase the percentage of women in general positions (non-managerial positions) from 5.7% to 6.5%.
Initiative details: Reduce the number of retirees due to workplace culture, childcare and family care.
Ongoing: Support for returning to work after maternity leave (usage and revision of interview check sheet used before and after returning).
Ongoing: Promotion of female employee roundtable discussions at each business site (understanding requests for work details and environment and network formation support).
New: Appeal to female general employees using in-house newsletters and other means of communication.

Goal 3: Increase the percentage of women at the section chief level from 4.5% to 6.0%.
Initiative details: Change awareness of women’s advancement through education by training and other methods.
Ongoing: Conducting training for female employees (unions).
Ongoing: Implementing a program fostering an understanding of diversity within managerial training.
New: Implemented a program to motivate chiefs to seek promotion to section chiefs.

Disclosure of Information about Promotion of Women’s Participation and Advancement

- (1) Percentage of women at the section chief level 4.5%
- (2) Difference in average years of service between men and women 5.7 years

Reemployment of Retired Employees and Support for Demonstration of Their Abilities

Rinnai promotes a reemployment program for employees who retired due to the age limit in order to continuously utilize technology and skills that skilled employees possess and to smoothly pass on the skills and the Rinnai Spirit to following generations. There are currently many employees working under this program. We offer one-year contracts until the age of 65, with a choice of three options, enabling employees to work full time, alternate days, or reduced hours. We also have a system in place to extend employment to the age of 68 in the case of employees with outstanding specialist skills or abilities, to fit in with a wide range of individual lifestyles. This reemployment program provides employees with purpose and motivation in life as a leader/mentor and maintains and improves the corporate culture and dynamics within the workplace.

Promoting the Employment of People with Disabilities

Rinnai is collaborating with the Public Employment Security Office and schools for handicapped children to systematically promote the employment of people with disabilities. The Company independently holds job fairs for people with disabilities and continuously conducts campus recruiting at schools for handicapped children. Employment focused on people with disabilities concentrated in specific locations was started in April 2018 and has been successful. These employees are able to engage in a wide range of operations, from advanced computer processing work to simple tasks and from cleaning work to weeding activities. Employees are provided with an individualized business program that best suits their type and level of disability with the aim of creating a workplace that is rewarding, bright, and enjoyable.



Computer operations



Weeding activities

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.

Social

Communication with Stakeholders

Communication with Shareholders and Investors

Aiming for Longer-Term Business Growth and Stable Shareholder Returns

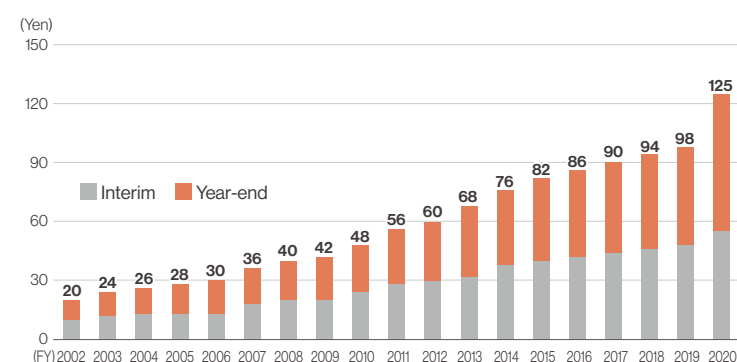


We disclose information in an appropriate, timely, fair, and impartial manner, and engage in IR activities with an emphasis on two-way communication in order to earn the trust of shareholders and investors. In an effort to provide our shareholders and investors with direct updates on our business activities, and to ensure that information is disclosed quickly and fairly, we provide information via channels such as results briefings for analysts and institutional investors (twice a year), biannual shareholder reports, press releases and presentation materials for results briefings on our website, and our IR calendar. Through various opportunities to meet with them, shareholders and investors are able to understand our business growth strategies from a longer-term perspective and to hold expectations for stable shareholder returns.

Dividend Increases for 19 Consecutive Fiscal Years

One of our top management priorities is to sustain a stable return of profits to shareholders. When deciding on dividends we consider consolidated performance, return on equity, financial status, and have increased our annual dividend for 19 consecutive fiscal years since fiscal 2003. Additionally, in the fiscal year ending March 31, 2022, Rinnai plans to provide an interim dividend of ¥70 and a year-end dividend of ¥70, amounting to a full-year dividend of ¥140.

Dividend per share



IR Activities for Institutional Investors and Analysts

Although it is not possible to carry out satisfactory IR activities due to COVID-19, our annual financial results announcements are conducted online (livestreamed at the end of the fiscal year) to maintain communications with institutional investors and analysts as in the past. Further, with regard to IR coverage, Rinnai is shifting to a method involving direct responses using video conferencing in addition to conventional conference calls. Going forward, we will gather opinions received from analysts and strengthen communications with senior management while searching for additional approaches appropriate to current conditions.



Financial results briefing for institutional investors and analysts

Fiscal 2021 Activities

IR interviews conducted a total of 164 times

Telephone interviews: 127 times

Online coverage: 37 times

Fiscal 2021 interim results briefing (livestream): 80 attendees

Fiscal 2021 year-end results briefing (livestream): 90 viewers



IR interviews

Investor Opinions at Fiscal 2021 Year-End

Rinnai received many inquiries regarding the recently announced new medium-term business plan from institutional investors and analysts at the fiscal 2021 financial results announcement. There was also substantial interest in how the business environment is changing due to current conditions. Thus we explained how, despite the inability to sufficiently conduct economic activities in fiscal 2021 due to COVID-19, we were able to maintain business efforts and achieve record-high profits.



Social

Communication with Customers Promoting Digital Transformations (DX) with the “Rinnai BiZ” Platform Linked to Customers



“Rinnai BiZ” provides a variety of online services enabling the connection of sales promotions to Rinnai customers—namely, businesses selling gas and other fuels and residential equipment and machinery.

This platform provides functions and content including replacement product searches, technical information, inventory searches, user experience articles, videos, catalogs and other elements to create a service supporting businesses with their daily sales activities. With a focus on online usage, this platform can also distribute a large amount of video content from dedicated servers, services can be accessed from the LINE platform, and users can check the latest information using Rinnai BiZ Email.

Through efforts such as these, Rinnai will continue to explore areas in which digital transformations (DX) can be leveraged to further pursue enhanced points of contact with customers.



Interface optimized for PC and smartphones



Specialized app enabling receipt of notifications

Taking Advantage of the Internet to Enhance Customer Support

We supply care products and user replaceable parts via our R.STYLE online shopping site to help our customers get the most out of their purchases for as long as possible. The site started in October 2006 as an online shopping site for genuine parts for Rinnai products. The range of offerings is being constantly expanded in response to direct customer feedback and now includes cleaning and kitchen supplies that are highly compatible with our products and original products available only through R.STYLE.

In March 2021, the number of registered members exceeded 870,000, providing even more opportunities for contact with users of our products. To keep in touch with members’ needs, we conduct online questionnaires (annually more than 10 times) and use the data obtained to design products that meet these needs and resolve issues that they raise. We will continue to expand direct contact with customers in our quest to deliver better service.



R.STYLE online shopping site (Japanese language only)

Developing More Intimate Communication through the Living Information Column

The Rinnai Group established R.STYLE column (“Rinnai-style column” site). This site provides pertinent living information with the goal of achieving ongoing communication with customers who use Rinnai products.

The site provides wide-ranging content closely related to our daily lives, containing diverse information related to cleaning, tidying up and storage, cooking, and laundry and ironing. It also contains columns that aim to eliminate concerns regarding housework, and to share specialized expertise and information regarding new discoveries. We try to make articles as plain and simple as possible so that readers can easily try out the recommendations of experts.

The Group will continue to endeavor to operate a column site that offers rewarding and satisfying articles which will always bring its readers back for more.



R.STYLE column (Japanese language only)

Social

Communication with Business Partners Promoting Online Communications Amid Covid-19

In 2020, the global spread of COVID-19 imposed severe limitations on communications in terms of face-to-face meetings with business partners. This also led to material supply problems as overseas urban areas went into lockdown and economic trends underwent drastic changes.

Communication with business partners had been increasingly important even before COVID-19, thus Rinnai has been strengthening supply stability and quality management through the proactive use of online technologies. Due to COVID-19, meetings conducted through business trips and face-to-face meetings were held online to the fullest extent possible. Rather than reducing communication, online meetings have actually increased the frequency of communications with business partners in distant locations.

Regarding quality control, we switched process audits previously conducted during business trips to online audits. This ensures greater quality control and enables a higher frequency of auditing, especially for business partners located overseas or in other distant locations.

Going forward, Rinnai will continue efforts to create environments and strengthen communications with business partners.



Meeting using online video conferencing



Process audit using online tools

Rinnai Group Purchasing Policy

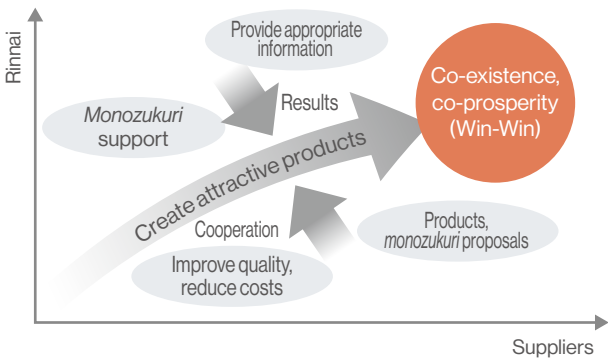
To grow along with our suppliers, we emphasize transactions based on a fair and impartial assessment and selection process and respect for laws and regulations and corporate principles, in accordance with the Rinnai Group Purchasing Policy.

Rinnai Group Purchasing Policy

We will give equal opportunity to all companies at home and abroad and undertake fair evaluations to procure excellent parts that meet our requirements.

Rinnai's Stance on the Relationship with Its Business Partners

Our suppliers provide us with the raw materials and many of the components that go into the products we make. They are business partners indispensable to the creation of products that attract consumers to the Rinnai name. At Rinnai, we believe that building stable, long-term relationships with our suppliers and growing with them as they grow with us is vital to the creation of better products.

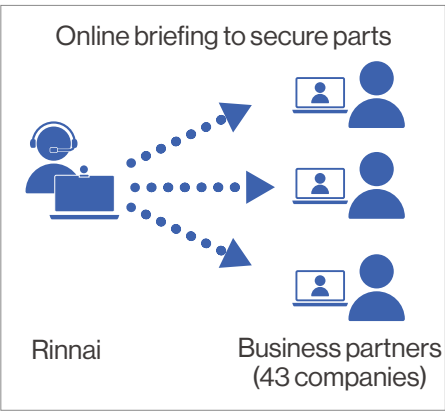


Realization of Fair-and-Square Transactions

In accordance with the Rinnai Code of Conduct in the Rinnai Group Code of Ethics, our supplier acceptance process is applied uniformly, whether the company is a long-time supplier or seeking to become a supplier. Our evaluations are fair, giving equal opportunity to any and all companies with the right stuff, whether at home or abroad. Essentially, the divisions involved in procurement — that is, divisions responsible for technology, quality, and purchasing — consider all factors, including quality, price, and delivery as well as the potential supplier's technological capabilities, safety, and its environment-oriented activities, in reaching an impartial, well-considered decision.

Communication with Our Business Partners

Since last year, insufficient supplies of semiconductors, plastics and other materials have been a major problem throughout the world. Rinnai strives to ensure stable procurement by requesting that suppliers in constrained industries secure materials and hold briefing sessions to provide information on medium- to long-term supply and demand forecasts. Rather than holding large-scale briefing sessions, as a COVID-19 countermeasure, we livestreamed briefing sessions online to avoid close contact with other people. Rinnai will utilize online technologies to promote the smooth and rapid sharing of information with suppliers while strengthening our preparedness to mitigate business risks such as a constrained procurement environment and natural disasters.



VOICE



Shinano Kenshi Co., Ltd.
Director
Masato Sato

Using the Internet to Enhance Communication

Because of COVID-19, our company has also transitioned to doing business utilizing IT communication technologies. We proactively use these technologies for meetings with Rinnai and when making preparations for production overseas. Despite the long distances involved, we have more frequent opportunities to communicate than in the past, and operational efficiency is on the rise. Although there are still many situations requiring business trips and face-to-face meetings, we will utilize various IT equipment to enhance cooperation with Rinnai.

Social

Communication with Local Communities and Society

Contributing to the Development of Human Resources Leading the Next Generation through Academic-Industrial Alliances

Through an academic-industrial alliance between Rinnai and the Nagoya University of Arts and Sciences, from April 2020 we conducted a 15-session course entitled “Companies and Society: The Role of Companies in Society.” Students gained an understanding of Rinnai’s social contribution activities and stakeholders, from which ideas were generated and package media created to visualize them. Within this process, Rinnai employees discussed these ideas with students and took steps in several processes to create even better materials. The resulting deliverables were presented to Rinnai employees and ultimately the public through displays at various exhibitions.

Although it was not possible for students and Rinnai employees to engage in face-to-face discussions in the classroom and on factory tours due to COVID-19, we deepened mutual understanding through discussions in an online class format.

Regardless of external circumstances, Rinnai will make full use of new methods of communication with stakeholders to disseminate ideas for human resource cultivation and community development.



Introducing Rinnai initiatives to students



Online discussion

Contributing to Regional Artistic and Cultural Development

Nakagawa Canal Restoration and Cultural/Artistic Assistance Project (ARToC10)

Launched in 2010, “ARToC10” is a project for subsidizing cultural and artistic activities that enhance the attractiveness of the Nakagawa canal as part of canal restoration efforts that began in fiscal 2013. Rinnai has donated ¥10 million every year, providing a total of ¥100 million in subsidies for the management of this project. Each year, multiple individuals and groups apply for subsidies, and this year, the “Moonlight Mobile Theater” was selected to receive funding.

For four days spanning Friday, September 19, to Sunday, September 21, 2020, the Nakagawa Canal Restoration and Cultural/Artistic Assistance Project (ARToC10) subsidy recipient “Moonlight Mobile Theater” held outdoor performances in the parking lot of a former Rinnai parts center. Going forward, Rinnai will continue to support regional revitalization through art.



Stage set up in the parking lot of a former Rinnai parts center



“Moonlight Mobile Theater” outdoor performance (photo credit: Ryosuke Sato)

VOICE



Nagoya University of Arts and Sciences
School of Media and Design
Department of Design
Associate Professor
Tomoho Taniguchi

Pursuing Possibilities for a Plentiful Future through Practical Exercises

Nagoya University of Arts and Sciences’ Department of Design’s Design Produce Course aims to “envision an even better future and create new value that can be shared with others.” To this end, students engage in practical exercises based on issues uncovered in the real world.

These exercises are a valuable opportunity for students to understand what corporations are, and in so doing, understand the structure of how society works.

Further, there are many aspects in which the Rinnai brand promise of “creating a healthier way of living” coincide with the image of the “plentiful future” that students seek, and by providing employees with feedback through student proposals, we begin to see answers to the difficult question “what does a plentiful future look like?”

Rinnai Corporation, Actual Results in Fiscal 2021

- | | |
|--|---|
| <ul style="list-style-type: none"> • Support for restoration project on the Nakagawa Canal • Nagoya Philharmonic Orchestra • Campus Venture Grand Prix, Chubu Area • Nagoya Shonen Shojō Hatsumeï Club (Invention and Innovation Youth Club) • Keidanren Committee on Nature Conservation | <ul style="list-style-type: none"> • Chinese Spring Festival in Nagoya • Sponsorship of the Connecting Traditional Japanese Culture Project • Green Fund • Monodzukuri Nihon Conference • <i>Choju-no-Kai</i> (Classical Japanese dance) |
|--|---|

Social Contribution Amounts in Fiscal 2021

- | | |
|---|-------------|
| • Social contribution activities funding: | ¥13,707,000 |
| • Political donations: | ¥730,000 |

Social

Global Social Contribution Activities

United States

On March 8, 2021, which is “International Women’s Day,” Rinnai America took pictures of working women and posted their activities on social media. Rinnai America also provides women’s daily necessities to welfare organizations free of charge and engages in other daily efforts to promote the active participation of women and gender equality.



International Women's Day social media positing



Laundry assistance using gas clothes dryers

South Korea

In August 2020, Rinnai Korea dispatched an emergency recovery team to an area affected by torrential rains and assisted with laundry support efforts using gas clothes dryers. Rinnai Korea also entered into a social contribution business agreement with the Incheon Metropolitan City Social Welfare Library Association, donating tabletop cooking stoves in April 2021 to homes damaged by fire in Yeonsu-gu, Incheon.

China

In February 2020, Shanghai Rinnai provided 100,000 facemasks to the Wuhan area where COVID-19 was rampant. Shanghai Rinnai also received a letter of appreciation for inventory procurement and installation of a water heater with a heating system despite the spread of COVID-19 when doctors were unable to shower due to a broken water heater at a Wuhan hospital.



Water heater with heating system installation at a hospital in Wuhan



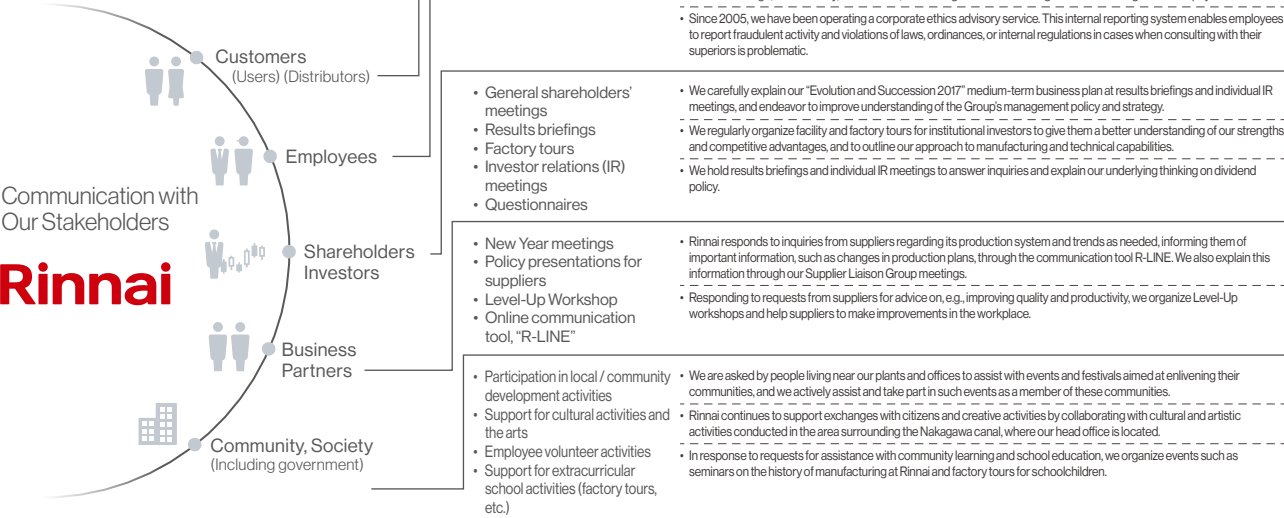
Food donations

Brazil

As Rinnai Brazil employees were working from home due to COVID-19, in June 2020, the company utilized unused company funds (lunch subsidies) to donate food to eight suburban areas where a growing number of people were in need, including homeless support organizations, orphanages and senior care facilities.

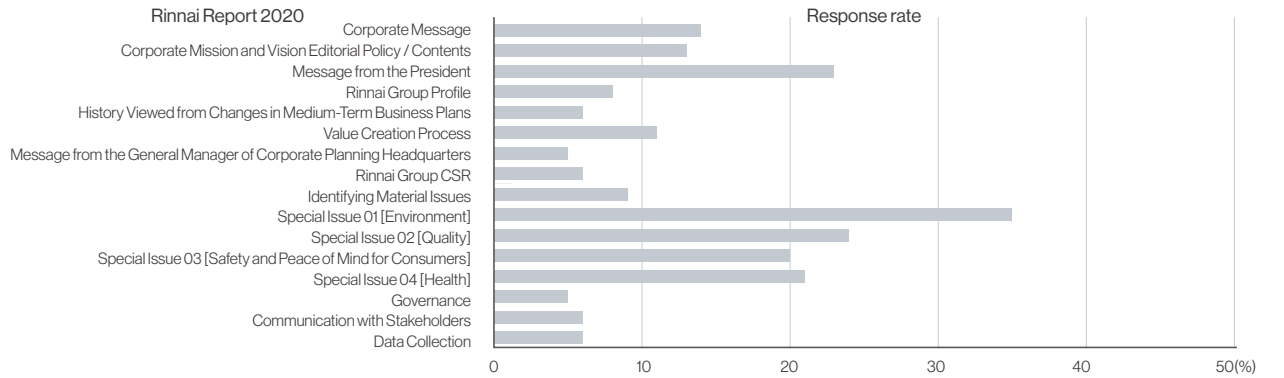
Stakeholder Engagement

Rinnai places great importance on daily communication with customers, employees, shareholders, investors, business partners, local communities, and the general public in an effort to further evolve our business activities and improve levels of satisfaction. Comments and requests from customers through channels such as exhibitions and our online shopping site are used to help improve our products and services. We exchange information with our business partners on subjects such as management policies and products and work together to mutually improve quality through our Level-Up activities.



Results of Questionnaire Regarding Rinnai Report 2020 (Integrated report) n=269

We sent a questionnaire to readers of our 2020 Rinnai Report and asked them to vote on topics they found interesting. We intend to incorporate the results of this questionnaire in our next edition.



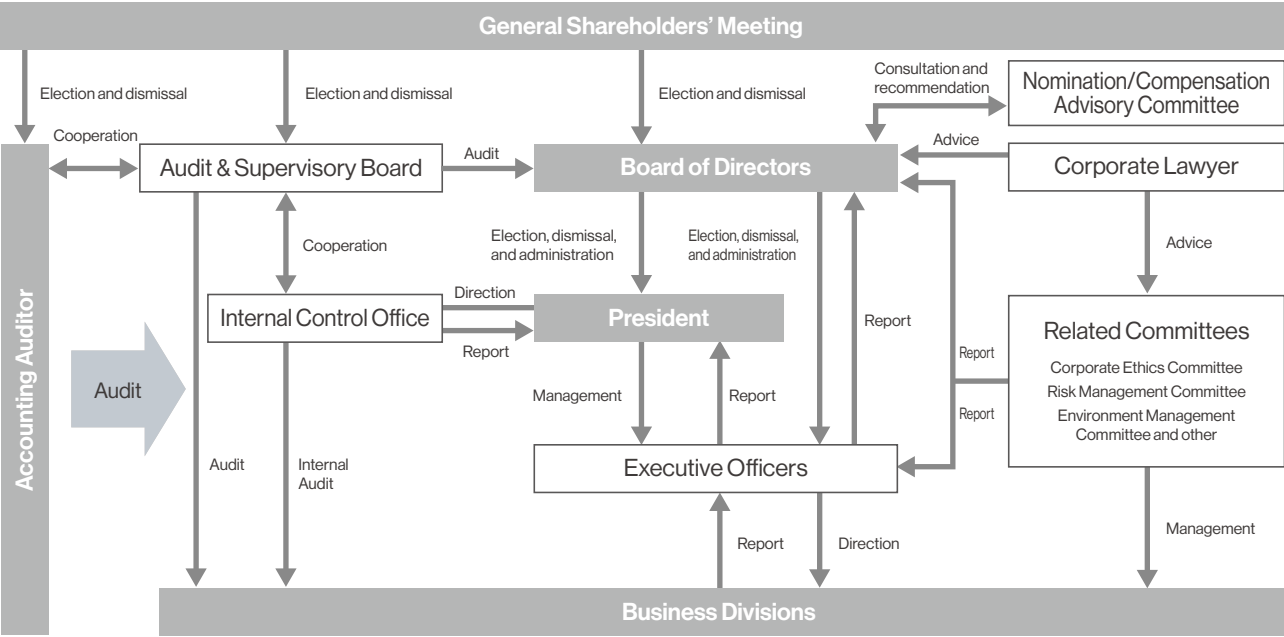
Governance

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 though 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.

Corporate Governance Structure



Audit System for Monitoring and Supervising Management

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

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.

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.

Governance

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

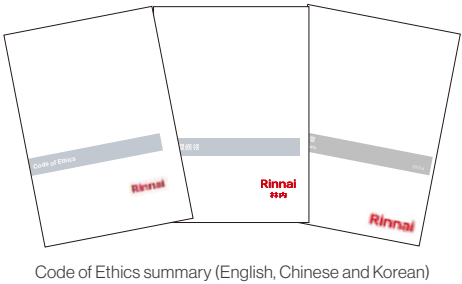
Rinnai thoroughly instills compliance in all its executives and employees to ensure it is a sound corporate group that is trusted by society. We are enhancing our corporate culture of compliance and creating an environment in which all executives and employees can fulfill their social responsibilities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

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



Compliance Education Activities

Rinnai’s Legal Division conducts legal education every year with regard to laws closely related to operations conducted by business divisions. Rinnai also conducts compliance education every year during employee training for new recruits and by rank, with 213 employees attending in fiscal 2021. Most education was conducted online in fiscal 2021 to prevent the spread of COVID-19. In addition, we share a variety of information with domestic Group employees via our in-house intranet, where we post data such as information regarding legal reforms, legal commentary concerning our operations, and examples of violations that occurred at other companies.

Governance

Confirmation and Modification of Compliance Activities

Every year, we conduct employee questionnaires to ascertain how deeply ingrained elements of our Corporate Philosophy have become. In fiscal 2021, these showed that 99.8% of respondents were familiar with the Company Motto, 98.8% of respondents recognized Rinnai Brand Promise, and 97.4% understood our Corporate Mission. All responses were higher than those in the previous fiscal year.

We will continue to actively promote compliance activities to maintain these high levels.

Facilitation of Internal Reporting System

If, in the course of business activities, an employee at a domestic company under the Group umbrella suspects possible breach of laws or the internal rules or unfair practices, and it is difficult to approach a superior or the person responsible for the division with such suspicions, the employee may report the perceived infraction to the Corporate Ethics Helpline.

Established in November 2005, the Helpline accepts inquiries from within and outside the Company. In this system, we stipulated that the person who reported the incident will not receive any unfair treatment by the fact that he or she reported the matter, and we also pay full attention to the protection of privacy of the person who made the report.

In fiscal 2021, the helpline received two reports and requests for advice. Appropriate measures have been taken, including investigation and confirmation of the facts in these cases of alleged misconduct.

Disciplinary Actions

In order to maintain an appropriate work environment, disciplinary action is imposed on those who violate work rules and internal regulations.

In particular, in cases of severe disciplinary action, the Disciplinary Committee will meet to take strict measures. Furthermore, for the purpose of preventing recurrence, violations and results of disciplinary actions are disclosed every year in the Company newsletter, except for information that identifies individuals.

Compliance Violations

In fiscal 2021, there were no serious compliance violations.

Protecting Personal Information

Rinnai has established internal rules based on the Act on the Protection of Personal Information. We also established a Privacy Policy as a guideline for handling personal information that is published on our website (<https://www.rinnai.co.jp/en/policy/privacy/>). Through these efforts, we strive to properly manage, use and protect personal information.

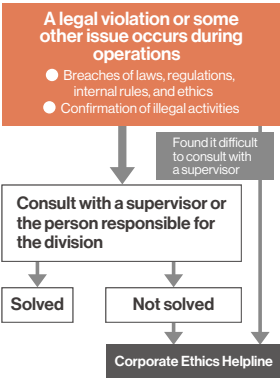
Specifically, a Personal Information Protection Manager is appointed at the Head Office to maintain and teach internal rules. Personal Information Protection Committee members are assigned in each workplace and domestic Group company to provide guidance on methods and procedures to the person in charge of handling personal information.

In addition, the Personal Information Protection Committee member conducts internal audits once each year under the direction of the Personal Information Protection Manager regarding the management status of personal information in each workplace.

In fiscal 2021, there were no personal information leakage incidents.

Executive Structure

We have introduced an executive officer system in order to create a flexible management structure capable of responding swiftly to changes in the business environment. Some directors, from the President down, serve concurrently as executive officers, and their role is to convey the details of decisions made by the Board of Directors to the managers of the divisions responsible so that they can be implemented. Quarterly Companywide management meetings and individual management meetings are also held to confirm how business is progressing and to share information on the challenges faced.



Governance

Basic Principles of the Internal Control System

Seeking to reinforce our management system and fulfill our social responsibilities, we established an internal control system with the following aims:

- (1) To enhance the stability and efficiency of business operations;
 - (2) To ensure the reliability of financial reports;
 - (3) To comply with laws and regulations affecting business operations and internal regulations;
 - (4) To maintain assets

Information Disclosure

In addition to the formulation of internal rules for the timely and appropriate disclosure of important information concerning the Group, Rinnai created a disclosure policy that is published on our corporate website as a guideline for information disclosure.

Risk Management

Risk Management Policy

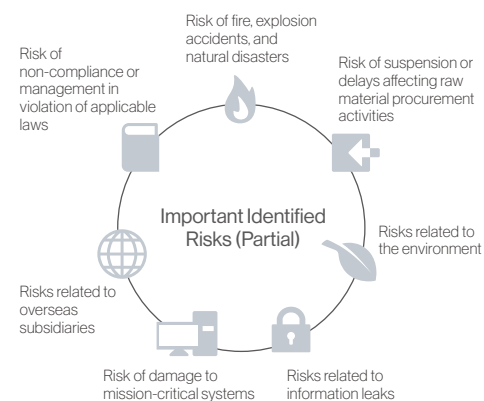
As society becomes increasingly complex, companies face a variety of risks. Against this backdrop, the Rinnai Group is promoting its business on a global scale and is implementing risk management to ensure it remains trusted by its customers and society and conducts business activities in a stable fashion.

Promotion of Business Continuity

When companies do not have sufficient measures for natural disasters such as earthquakes and storms and the prevalence and spread of infectious diseases, business operations may be suspended for a long time, resulting in significant losses and having a serious impact on stakeholders. As a Company that produces thermal energy appliances to support people's lifestyles, we believe it is our responsibility to maintain the stable supply of our products. We position cases where there is a risk of interruption in the manufacture or supply of products vital to customers as important issues for business continuity management and are formulating and reviewing business continuity planning (BCP).

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.



Rinnai Efforts to Prevent the Spread of COVID-19

More than a year has passed since the outbreak of COVID-19 and there are still no signs of abatement. The Group maintains its infection control activities in consideration of conditions in each country and in line with official government pronouncements.

Within the Company, senior management sets countermeasure polices that are understood by employees who act in compliance with them. Rules are changed as the situation unfolds to prevent further infections.

(Main countermeasures)

- Hand washing, gargling, use of facemasks and hand sanitizer, and thorough ventilation in all workplaces
 - Daily temperature readings and reports on the number of feverish people (temperatures taken before entering Rinnai facilities, etc.)
 - Cafeteria layout revisions (no face-to-face contact, no talking during meals)
 - Avoidance of internal meetings, use of online meetings, and in principle, no visits with customers
 - Recommend working from home or staggered work hours, use of personal vehicles to commute, etc.

Governance

Information Security

Information Security Policy

We have created the Rinnai Group Information Security Policy, which establishes policies regarding the development of internal rules, promotion systems, the implementation of information security measures, enlightenment, education, training and continuous improvements, and we are unifying the direction of information security measures throughout the Group.

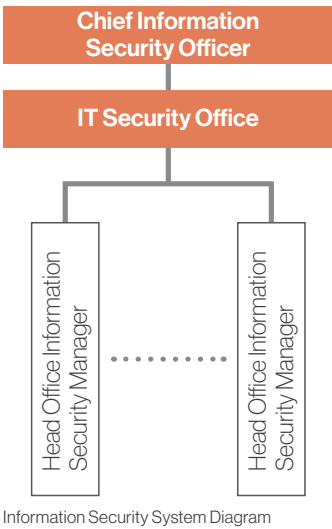
Amid necessary preparations for cyberattacks, we are working daily to further strengthen information security measures throughout the entire Group in accordance with these policies.

Information Security System Maintenance

In order to implement Companywide information security measures, Rinnai has appointed a Chief Information Security Officer (CISO) who oversees information security measures, and we have also established the IT Security Office to promote information security measures among a variety of other initiatives.

In addition, we have appointed Information Security Managers at each business site. The IT Security Office and the Information Security Managers work closely together to create a system that enables smooth progress toward information security countermeasures.

Further, we regularly hold Information Security Measures meetings consisting of employees involved in information security measures, including the Chief Information Security Officer, and we strive to enhance the level of information security measures by conducting discussions and information sharing as well as conducting education and training on information security measures.



Implementation of Information Security Measures

A variety of measures are implemented to prevent information leaks. These include protection against hacking from outside sources, anti-virus measures, encryption of data before information assets are removed from company premises, control of devices such as USB memory sticks, and measures against spam. Access is rigorously controlled at all plants and offices, and entry and access to sensitive areas is also controlled.

Information Security Education and Training Activities

The Rinnai Group conducts information security education every year to ensure that all employees are fully aware of the importance of information security measures and properly handle information assets used in business activities.

In fiscal 2021, we conducted education on the themes of “cyberattack incidents and precautions for avoiding damage.” Education is provided to all employees who use personal computers via e-learning.

In addition, we regularly conduct cyberattack email training in an effort to hone employee experience so that we can respond promptly when problems related to information security occur.



Information security education for newly hired employees

Information Security Countermeasures Status Verification

The Rinnai Group conducts inspections of and exchanges opinions on the status of information security measures at domestic and overseas Group companies. We conduct verifications from multiple perspectives and conduct diagnoses of information security countermeasure levels at each Group company.

We also set goals for information security measures, and in consideration of these goals and the level diagnoses results, we are promoting an enhanced level of information security countermeasures throughout the entire Rinnai Group.

Additionally, in order to objectively evaluate information security initiatives, Rinnai’s Product Inspection Center acquired ISMS certification (ISO 27001). To facilitate even more appropriate handling of important information from customers, we created an information security management system and promote ongoing improvements to information security countermeasures.

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

Financial Data

(Millions of yen)			FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Results of profit and loss	Consolidated	Net sales	246,636	251,832	286,981	295,022	319,935	330,256	347,071	348,022	340,460	344,364
		Operating income	26,634	26,351	34,018	30,787	34,593	34,056	32,849	30,879	34,422	40,690
		Ordinary income	28,907	29,064	36,910	32,938	35,807	35,280	34,286	33,318	35,679	42,400
		Net income	16,807	19,371	23,254	20,647	22,710	22,322	21,194	20,480	21,561	27,581
	Rinnai Corporation	Net sales	183,091	188,559	205,598	190,475	197,592	198,870	201,936	206,015	207,805	212,388
		Operating income	18,045	18,066	24,278	18,675	20,191	18,814	15,378	14,602	17,359	20,612
		Ordinary income	22,573	19,911	27,138	22,073	21,946	21,512	18,466	19,026	20,295	23,515
		Net income	13,869	12,804	18,176	15,339	15,602	16,215	13,850	14,175	15,058	18,208
	Domestic consolidated and affiliated companies	Net sales	97,082	96,824	105,111	99,967	99,599	124,806	125,536	122,181	101,938	104,234
		Operating income	2,071	2,403	2,775	2,086	2,552	3,626	2,749	2,748	3,248	3,859
		Ordinary income	2,270	2,571	2,881	2,199	2,735	3,837	2,924	3,014	3,476	4,090
		Net income	1,238	1,573	1,889	1,426	1,902	2,029	2,069	2,087	2,475	2,948
	Overseas consolidated companies	Net sales	76,806	77,083	99,152	126,880	149,987	149,917	169,125	175,756	171,409	170,830
		Operating income	6,179	5,963	7,255	9,921	11,636	12,453	14,765	13,640	12,242	14,959
		Ordinary income	7,077	6,584	8,260	11,026	12,542	13,060	15,555	14,932	13,182	16,264
		Net income	5,345	6,224	6,006	8,497	9,236	9,411	11,673	11,510	10,604	13,369
	Total	Net sales	356,979	362,467	409,862	417,323	447,178	473,595	496,597	503,953	481,153	487,453
		Operating income	26,297	26,432	34,308	30,682	34,894	34,380	32,893	30,991	32,850	39,431
		Ordinary income	31,921	29,067	38,280	35,299	37,224	38,409	36,946	36,973	36,954	43,869
		Net income	20,452	20,603	26,071	25,262	26,741	27,655	27,593	27,773	28,138	34,525
Sales by product	Consolidated	Water heaters	121,028	127,125	146,883	153,697	169,623	188,202	202,387	202,630	196,122	195,755
		Kitchen appliances	78,792	78,782	88,031	90,838	93,340	88,456	88,364	88,322	86,193	88,441
		Conditioning appliances	16,681	15,666	16,716	14,972	19,463	17,952	19,084	19,642	18,901	19,013
		Commercial-use appliances	6,846	6,912	7,552	9,227	10,041	9,122	9,499	8,452	8,556	7,726
		Others	23,286	23,346	27,797	26,287	27,466	26,521	27,735	28,974	30,685	33,428
	Rinnai Corporation	Water heaters	88,005	92,608	103,942	99,636	105,999	109,258	112,561	116,810	115,908	118,052
		Kitchen appliances	66,348	66,629	71,953	62,236	62,849	61,359	59,509	58,852	59,934	60,598
		Conditioning appliances	12,296	12,029	12,069	10,725	9,965	8,945	9,535	9,139	8,658	8,369
		Commercial-use appliances	2,638	2,748	2,692	2,673	2,675	2,629	2,308	2,226	2,225	1,997
		Others	13,803	14,543	14,941	15,203	16,103	16,677	18,021	18,986	21,079	23,369
	Domestic consolidated and affiliated companies	Water heaters	24,412	25,513	27,199	26,714	28,259	51,822	52,280	49,210	33,583	34,343
		Kitchen appliances	26,048	24,955	28,435	24,006	22,260	21,139	19,128	18,934	15,611	15,873
		Conditioning appliances	1,308	1,147	1,051	786	628	669	678	714	704	846
		Commercial-use appliances	1,605	1,618	1,474	1,620	1,590	1,609	1,501	1,337	1,363	3,903
		Others	43,707	43,588	46,949	46,838	46,859	49,564	51,946	51,985	50,676	49,267
	Overseas consolidated companies	Water heaters	44,058	45,218	57,906	70,902	84,335	88,082	104,149	110,131	107,979	107,315
		Kitchen appliances	11,661	11,465	15,828	29,246	31,346	28,368	29,809	30,746	29,736	30,382
		Conditioning appliances	7,244	6,227	7,631	7,309	12,828	12,212	13,116	13,791	13,294	13,593
		Commercial-use appliances	4,570	4,624	5,311	7,114	8,010	7,206	7,689	6,708	6,943	6,134
		Others	9,271	9,548	12,474	12,307	13,465	14,047	14,360	14,379	13,454	13,403
	Total	Water heaters	156,476	163,340	189,048	197,253	218,594	249,163	268,992	276,151	257,471	259,712
		Kitchen appliances	104,058	103,050	116,217	115,489	116,457	110,868	108,448	108,533	105,282	106,854
		Conditioning appliances	20,849	19,404	20,753	18,822	23,422	21,827	23,329	23,645	22,657	22,810
		Commercial-use appliances	8,813	8,991	9,477	11,408	12,276	11,445	11,498	10,272	10,532	12,035
		Others	66,782	67,679	74,364	74,349	76,427	80,290	84,328	85,351	85,210	86,040
Results of profit and loss by overseas consolidated subsidiaries (Before elimination of consolidation)	Rinnai America	Net sales	11,584	11,333	15,487	17,754	22,602	23,504	27,738	30,390	33,133	36,971
		Operating income	242	315	845	1,020	1,817	1,661	2,207	1,491	2,032	2,187
		Ordinary income	243	317	849	1,036	1,841	1,644	2,219	1,481	2,025	2,187
		Net income	174	200	536	667	1,145	1,037	1,254	1,100	1,436	1,742
	Rinnai Australia	Net sales	14,996	13,752	15,272	15,360	23,137	21,515	23,585	25,033	23,760	24,404
		Operating income	3,137	2,186	2,337	1,456	1,366	1,461	1,803	1,720	593	928
		Ordinary income	3,877	2,611	2,776	1,634	1,522	1,447	1,847	2,065	393	839
		Net income	2,704	1,818	1,939	1,130	1,049	998	1,208	1,459	262	639
	Shanghai Rinnai	Net sales	12,907	14,207	20,652	27,202	33,958	37,448	45,969	47,511	43,628	39,192
		Operating income	556	1,175	1,650	2,174	2,727	3,136	5,133	5,088	5,593	5,512
		Ordinary income	650	1,300	1,817	2,472	3,016	3,268	5,223	5,319	5,868	6,186
		Net income	549	1,082	1,461	1,972	2,378	2,519	4,283	4,378	5,228	5,492
	Rinnai Korea	Net sales	20,574	19,720	25,054	31,215	33,594	32,254	34,905	32,803	27,535	27,506
		Operating income	717	725	407	1,371	1,356	1,233	727	102	(1,382)	58
		Ordinary income	598	638	519	1,236	1,551	1,306	802	269	(1,248)	165
		Net income	643	1,818	301	1,184	1,144	1,043	499	242	(987)	126
	Rinnai Indonesia*	Net sales	-	-	-	11,733	11,640	11,327	12,041	12,840	11,263	11,766
		Operating income	-	-	-	1,366	1,486	2,052	1,952	1,828	1,600	2,423
		Ordinary income	-	-	-	1,879	1,707	2,295	2,209	2,076	1,906	2,785
		Net income	-	-	-	1,456	1,334	1,776	1,720	1,620	1,504	2,248

Note: Before conversion to a wholly owned subsidiary, thus no data is available prior to the fiscal year ended March 31, 2014.

Data Collection

Human Resource- and Personnel-related Data

The Rinnai Group

Number of Full-time Employees (Consolidated, Year-end)

		Fiscal 2019	Fiscal 2020	Fiscal 2021
Rinnai Corporation	Male	2,594	2,631	2,619
	Female	1,108	1,127	1,103
Domestic Group companies	Male	1,362	1,282	1,290
	Female	682	650	696
Overseas Group companies	Male	3,404	3,295	3,245
	Female	1,463	1,466	1,433
Total		10,613	10,451	10,386

Number of Full-time Employees by Region (Consolidated, Year-end)

		Fiscal 2019	Fiscal 2020	Fiscal 2021	Composition
Japan	Male	3,956	3,956	3,909	—
	Female	1,790	1,790	1,799	—
	Subtotal	5,746	5,746	5,708	55.0%
Asia, excluding Japan	Male	2,612	2,498	2,451	—
	Female	1,138	1,137	1,094	—
	Subtotal	3,750	3,635	3,545	34.1%
North America	Male	191	215	217	—
	Female	90	101	109	—
	Subtotal	281	316	326	3.1%
Other (Oceania, South America, and Europe)	Male	601	582	577	—
	Female	235	228	230	—
	Subtotal	836	810	807	7.8%
Total		10,613	10,507	10,386	100%

Fiscal 2021 Female ratio
32%
31%
33%
29%
31%

Rinnai Corporation
Employee Ages

		Fiscal 2019	Fiscal 2020	Fiscal 2021
Under 30	Male	625	583	534
	Female	432	399	329
	Subtotal	1,057	982	863
30–39	Male	695	714	756
	Female	357	392	434
	Subtotal	1,052	1,106	1,190
40–49	Male	681	689	641
	Female	231	237	232
	Subtotal	912	926	873
50–59	Male	577	631	676
	Female	87	97	107
	Subtotal	664	728	783
60 or older	Male	16	14	12
	Female	1	2	1
	Subtotal	17	16	13
Number of non-Japanese employees	Subtotal	2	3	4

Number of Employees (Non-consolidated)

		Fiscal 2019	Fiscal 2020	Fiscal 2021	Newly recruited employee retention		
Newly recruited employees	Male	81	62	66		Male	81
	Female	50	22	35		Female	50
	Subtotal	131	84	101		Subtotal	131
Mid-career recruitment	Male	3	2	0	Newly recruited employee retention		
	Female	6	6	1			
	Subtotal	9	8	1			
Mid-career recruitment rate (%)	Subtotal	6	9	1			
Temporary staff	Subtotal	283	189	194	Newly recruited employee retention		
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	Newly recruited employee retention		
	Female	34.0	34.5	35.3			
	Subtotal	37.7	38.2	38.7			

Managerial Position Appointment Status (People) * End-FY2021 Compiled from the Rinnai Corporation	Executive Position	Female	Male	Non-Japanese	Ratio of Women (%)
	Supervisory position	3	676	0	0.44
	Of which are general managers or higher	0	36	0	0
	Director Of which are executive directors	0 0	25 14	0 0	0 0

*General Managers, Factory General Managers, Branch General Managers, Deputy Branch General Managers, Managers

		Fiscal 2019	Fiscal 2020	Fiscal 2021
Voluntary termination rate (%)		2.7	2.3	1.8
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 the accident	26	37	28
	Number of the 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 leaves 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 leaves 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

(Of which non-applicable to infection countermeasures) 0 people

(Of which non-applicable to infection countermeasures) 6 people

Working Hours and Average Wages

		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
Average wage (Yen)* ¹		6,201,012	6,309,876	6,440,168
Average wages at 30 years old (Yen)	Highest wage at 30	309,750	311,750	319,550
	Lowest wage at 30	242,850	256,850	269,450
	Average wage at 30	277,744	289,647	296,680

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.

Data Collection

Environmental Data

With the aim of promoting environmental efforts by all employees in all business domains, Rinnai promotes environmental activities (7E strategic initiatives) in all business processes (development, procurement, production, sales, use and disposal). We report targets and achievements for each 7E activity (E-marketing, E-services, E-products, E-procurement, E-mind, E-factories and E-offices).

Basic Environmental Activities and Targets for Fiscal 2019–2021

Field	Basic Environmental Activities ("7E Strategy") (2018–2020)	Fiscal 2021 Results
Environment marketing (Sales) Environmental services (Construction and repair)	Expanding Sales of Environmentally Friendly Products (Japan & Overseas)	<ul style="list-style-type: none"> 4.50 million tons of CO₂ reduction contribution when using products
Environmental products (Product development)	Energy Consumption and CO ₂ Emissions Levels Continuously develop high-efficiency equipment for Zero-Energy Homes (ZEH) and products that use less power during both standby and use	<ul style="list-style-type: none"> Developing highly efficient gas water heaters and kitchen equipment
	Conserve and Recycle Resources Continuously evaluate each product's environmental impact from its design stage through its lifecycle and develop smaller and lighter products	<ul style="list-style-type: none"> Implementing designs to reduce the weight of water heaters and gas stoves Received the Japan Packaging Contest "Packaging Category Award (Industrial Packaging Category Award)" for exported water heater packaging improvement
Environmental procurement	Promote Supply Chain Management Conduct environmental conservation activities in cooperation with business partners, and continuously conduct green procurement management in compliance with regulations in each country	<ul style="list-style-type: none"> Conducting the management of Rinnai Green Procurement Standards Guide (Material procurement and use, including new parts) Increasing cooperation with business partners and improving the management level of chemical substance Received an A- rating on the CDP Supplier Engagement Rating (SER) evaluation

Field	Basic Environmental Activities ("7E Strategy") (2018–2020)	Fiscal 2021 Results
Environmental minds (Regional communities and employees)	Communication of ESG-related Information Rinnai continuously engages in dialogues with stakeholders to deepen understanding, as well as efforts that contribute to environmental brand improvement.	<ul style="list-style-type: none"> Received the Silver Prize at the Sustainability Website Awards 2021 Participating in various external evaluations Conducting online factory tours
	Contributing to Local Communities Rinnai continuously engages in activities that ensure the preservation of biodiversity, as well as efforts that contribute to local governments and schools.	<ul style="list-style-type: none"> Implementing efforts to exterminate specified invasive species at multiple worksites Holding events to get closer to greenery by cultivating heirloom vegetables Received the Good Practice award at the Aichi-Nagoya Biodiversity Best Practice Awards
	Conducting Environmental Training and Awareness Activities Continuing with initiatives that foster environmental awareness and the enhance ability to take action in employees through training	<ul style="list-style-type: none"> Holding multiple environmental awareness events during Environment Month Received the "Minister of the Environment Award (Large Enterprise Category)" at the 2020 Environmental Human Resources Development Corporate Awards organized by the Ministry of the Environment
Environmental factories Environmental offices	Reduce basic unit of energy consumption ² by more than 4% compared to fiscal 2017 by fiscal 2021	Reduced by 9.8% compared to fiscal 2017
	Reduce rate of waste discharge ² by more than 4% compared to fiscal 2017 by fiscal 2021	Reduced by 2.6% compared to fiscal 2017 Realized recycling rate of 99.8%
	Maintain and advance zero-emissions initiatives Realized recycling rate of 99.5% or higher	
	Reduce rate of water use ² by more than 4% compared to fiscal 2017 by fiscal 2021	Increased by 7.9% compared to fiscal 2017
	Reduce rate of harmful chemicals ² handled by more than 4% compared to fiscal 2017 by fiscal 2021	Reduced by 7.1% compared to fiscal 2017

Scope: Rinnai Corporation
Reporting Period: April 1, 2020 to March 31, 2021

Notes: 1. CO₂ reduction contribution = Reduction in CO₂ emissions compared to products sold in 2005 resulting from improved performance of Rinnai water heaters (estimated)
Concerns emissions produced through markets in Japan and overseas.
2. Basic unit: Burden per unit standard determined by Rinnai.

Data Collection

Impact on the Environment of the Rinnai Group

Rinnai is working to achieve full comprehension of all environmental impact related to its business activities. In particular, we have identified three important issues involving environmental impact: Energy consumption, CO₂ emissions (Scope 1 and 2) and use of sold products (Scope 3, Category 11), which produces overwhelmingly high emissions. With regard to these three issues, we are implementing third-party inspections and are working to ensure the accuracy and reliability of information disclosure.

Scope of Accounting

Rinnai Corporation and consolidated subsidiaries

- Company Name

- Rinnai Corporation
 - Yanagisawa Manufacturing Co., Ltd.
 - Rinnai Technica Co., Ltd.
 - Gastar Co., Ltd.
 - RB Controls Co., Ltd.
 - Rinnai Precision Co., Ltd.
 - RT Engineering Co., Ltd.
 - Japan Ceramics Co., Ltd.
 - Noto Tech Co., Ltd.
 - Techno Parts Co., Ltd.
 - Rinnai Net Co., Ltd.
 - RG Co., Ltd.
 - Rinnai Enterprises
 - Rinnai Holdings (Pacific) Pte Ltd.
 - Rinnai Hong Kong Ltd.
 - Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.
- Rinnai Italia S.r.l.
 - Rinnai Canada Holdings Ltd.
 - Shanghai Rinnai Thermo Energy Engineering Co., Ltd.
 - Rinnai America Corporation
 - Rinnai Australia Pty., Ltd.
 - Shanghai Rinnai Co., Ltd.
 - Rinnai Korea Corporation
 - P.T. Rinnai Indonesia
 - Rinnai New Zealand Ltd.
 - Rinnai Taiwan Corporation
 - Rinnai (Thailand) Co., Ltd.
 - Rinnai Brasil Heating Technology Ltd.
 - Rinnai Viet Nam Co., Ltd.
 - Rinnai Manufacturing Malaysia Sdn. Bhd.
 - RB Korea Ltd.
 - Gas Appliance Services Corporation

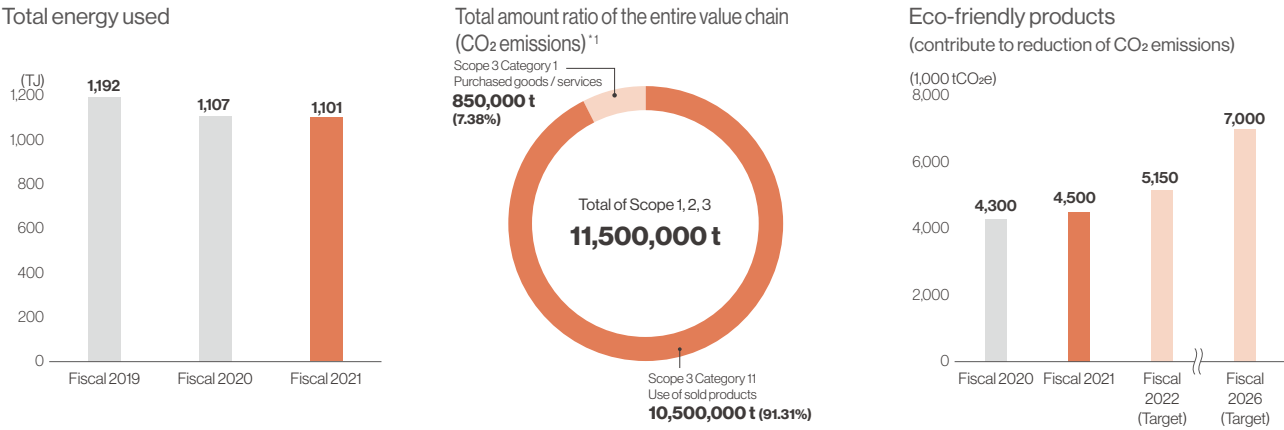
Reporting Period

Domestic: From April 1, 2020 to March 31, 2021
Overseas: From January 1, 2020 to December 31, 2020

Third-Party Assurance

☒ This icon indicates that a measure has been third-party assured by Lloyd's Register Quality Assurance (LRQA).

Global Warming Prevention



Energy Consumption

Scope		Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Assurance
Electricity		MWh	123,664.3	117,642.1	122,561.4	<input checked="" type="checkbox"/>
Town gas	for the use of equipment in each facility	kNm³	11,220.3	10,391.1	10,461.1	<input checked="" type="checkbox"/>
	for vehicle use	kNm³	1.4	1.2	0.5	<input checked="" type="checkbox"/>
Methane		km³	35.0	38.7	46.1	<input checked="" type="checkbox"/>
LPG	for the use of equipment in each facility	t	2,843.1	2,538.0	2,338.6	<input checked="" type="checkbox"/>
	for vehicle use	t	1.0	1.4	1.9	<input checked="" type="checkbox"/>
Butane		t	16.5	13.8	15.2	<input checked="" type="checkbox"/>
Acetylene		t	7.7	7.7	7.5	<input checked="" type="checkbox"/>
Ethylene		t	0.03	0.07	0.04	<input checked="" type="checkbox"/>
Heavy oil		kl	0.18	0.18	0.18	<input checked="" type="checkbox"/>
Heating oil		kl	21.3	18.5	15.6	<input checked="" type="checkbox"/>
Light oil	for the use of equipment in each facility	kl	136.1	107.2	88.1	<input checked="" type="checkbox"/>
	for vehicle use	kl	431.3	419.6	359.3	<input checked="" type="checkbox"/>
Gasoline	for the use of equipment in each facility	kl	5.5	5.1	4.7	<input checked="" type="checkbox"/>
	for vehicle use	kl	2,098.7	1,819.3	1,420.2	<input checked="" type="checkbox"/>
Total		GJ	1,192,078	1,106,557	1,100,713	<input checked="" type="checkbox"/>

CO₂ Emissions

Scope			Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Percentage	Assurance
Scope 1 ¹			tCO ₂ e	40,254	36,723	35,161	0.31%	<input checked="" type="checkbox"/>
Scope 2 ²				73,181	66,239	68,606	0.60%	<input checked="" type="checkbox"/>
Scope 3 ³	1	Purchased goods and services		866,847	821,979	848,727	7.38%	-
	2	Capital goods		25,928	21,078	23,661	0.21%	-
	3	Fuel- and energy-related activities		3,263	4,379	4,386	0.04%	-
	4	Upstream transportation and distribution		8,838	8,377	9,384	0.08%	-
	5	Waste generated in operations		565	5,668	1,036	0.01%	-
	6	Business travel		530	535	53118	0.00%	-
	7	Employee commuting		1,592	1,598	1,586	0.01%	-
8	Upstream leased assets	Included in Scope 1		Included in Scope 1	Included in Scope 1	-	-	
9	Downstream transportation and distribution	-		-	-	-	-	
10	Processing of sold products	Not applicable		Not applicable	Not applicable	-	-	
11	Use of sold products	10,825,493		10,511,507	10,497,104	91.31%	<input checked="" type="checkbox"/>	
12	End-of-life treatment of sold products	5,414		5,942	5,937	0.05%	-	
13	Downstream leased assets	Not applicable		Not applicable	Not applicable	-	-	
14	Franchises	Not applicable		Not applicable	Not applicable	-	-	
15	Investments	Not applicable		Not applicable	Not applicable	-	-	
Total of Scope 1, 2, and 3				11,851,905	11,484,025	11,496,120	100.00%	

*1 Scope 1: The volume of greenhouse gases that are leaked directly into the Earth's atmosphere from sources related to Rinnai's business activities
*2 Scope 2: The volume of emissions that occur during electricity and heat generation phases when using electricity and heat supplied by third parties
*3 Scope 3: The volume of emissions that occur during business activities conducted throughout Rinnai's supply chain (excluding those in Scope 1 and 2)

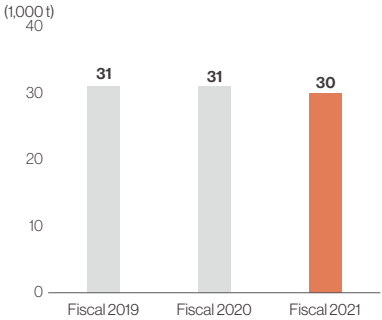
Shipping Volume and CO₂ Emissions

Scope	Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021
Shipping volume	Millions tons/ km	58.15	58.37	65.24
CO ₂ emissions	tCO ₂ e	8,838	8,377	9,384

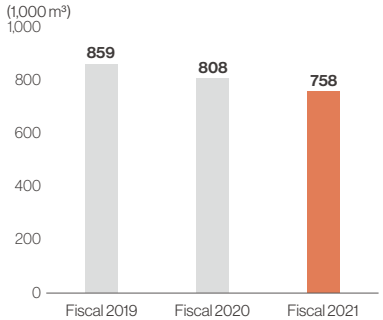
Data Collection

Resource Recycling, Pollution Prevention, and Protecting Biodiversity

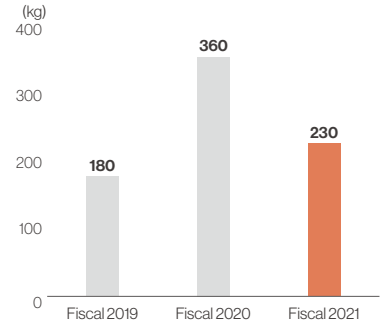
Solid waste
(includes valuable substances)



Water used



Biodiversity
(Weight of exterminating specified invasive species)



	Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021
Waste generated (Including valuables)	Thousand tons	31	31	30
Recycled waste	Thousand tons	31	29	28
Waste into landfill	Thousand tons	1.2	1.8	1.2
Water withdrawal	Thousand m³	859	808	758
Discharge of water	Thousand m³	846	778	742
Hazardous chemicals' use	t	36	33	97
Weight of exterminating specified invasive species	kg	180	360	230
Number of people participated in the extermination of specified invasive species	Persons	63	89	42

* Class I designated chemical substance stipulated by the Pollutant Release and Transfer Register (PRTR) Law, Scope: Rinnai Corporation (Manufacturing sites)

Environmental Accounting

Breakdown of Costs for Environmental Protection		Key Activities	Costs (Millions of yen)		
			Fiscal 2019	Fiscal 2020	Fiscal 2021
In the scope of operations	Pollution prevention	Mainly efforts to prevent air and water pollution	44	27	37
	Environmental protection	Mainly efforts to save energy	15	31	11
	Resource recycling	Recycling as well as treatment and disposal of industrial waste	102	117	103
Upstream/downstream		Collection/recycling and volume/weight reduction of materials such as product packaging	11	12	13
Management activities		Mainly monitoring and surveillance of environmental impact	150	109	119
Research and development		Research and development on environmentally conscious products	1,149	733	1,243
Community efforts		Environmental communication with local regions and beautification/greening at places of business and surrounding areas	2	2	3

Environmental protection effect	Key Activities	Unit	Environmental Impact Reduction		
			Fiscal 2019	Fiscal 2020	Fiscal 2021
	CO ₂ emissions reductions	Thousand tCO ₂ e	2.0	6.0	3.5
	Waste curtailment	Thousand tons	0.4	0.3	0.5
	Water saving	Thousand m³	6.7	17.0	31.8

• Environmental protection effect are not increases or decreases in overall costs but rather an effective amount regarded for its economic benefit through the associated activities of each site.

Economic Effect Accompanying Environmental Protection Measures	Key Activities	Economic Effect (Millions of yen)		
		Fiscal 2019	Fiscal 2020	Fiscal 2021
	Reduced expenses through energy conservation, waste curtailment, and water saving	270	295	538

• The calculations above exclude depreciation and amortization expense.
• The economic effects achieved through energy-savings and waste reduction are not increases or decreases in overall costs but rather an effective amount regarded for its economic benefit through the associated activities of each site.
• Deemed effects, such as avoiding risks and enhanced product sales, fall outside the scope of economic effects because the standard for evaluation is too vague.

Data Collection

Chronology of Environmental Activities at Rinnai

1993	March December	Drafted Environmental Preservation Action Plan; established Environment Committee Won prize at 4th Energy Conservation Vanguard 21 for gas-blast type high-heat griller RGM-4, 6, 8
1994	July	Market debut: Low-NOx burner built-in water heater (NOx at less than 60 ppm)
1996	March	Won top prize at 1st Eco-Design Awards, sponsored by Tokyo Gas, Osaka Gas and Toho Gas for water heater, fan heater and small hot-water heater
1997	March June October December	Won special prize at 2nd Eco-Design Awards for tabletop cooking stove Market debut: Absorption-type gas air conditioner (non-CFC) Acquired ISO 14001 certification at Oguchi Factory Won prize at 8th Energy Conservation Vanguard 21 for tabletop oven RSBN-096
1998	April October	Won top prize for gas clothes dryer and special awards for small hot-water heater and for absorption-type gas air conditioner at 3rd Eco-Design Awards Market debut: <i>Yukko V</i> Series, featuring no styrene packing, low stand by power consumption and low NOx emissions
1999	June July September October	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer Established Environment Division Market debut: Ecomax burner and Eco burner-equipped gas cooking stove Market debut: Condensing water heater boasting 95% heat efficiency and NOx emissions under 30 ppm
2000	February May June August	Won Minister of Economy, Trade and Industry Award for condensing water heater at Ministry's 10th Energy Conservation Awards Drafted Rinnai Environmental Action Principles Environment Month event: Talk given at Rinnai by a corporate environmental pioneer Published inaugural issue of Environmental Report
2001	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
2002	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
2003	June October	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2003 for built-in 75 cm-wide glass-top gas cooking stove
2004	June October December	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer Won Logistics Prize at Japan Packaging Contest 2004 for bathroom heater/dryer Created the Green Procurement Standards Guide (first edition)
2005	June September	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Participated in Team Minus 6%, a national movement to prevent global warming
2006	June October	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2006
2007	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
2008	June September October	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Gas tankless water heater sold in the United States captured 2008 Super Nova Star Award (Stars of Energy Efficiency) in the United States from the Alliance to Save Energy Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2008 for gas fan heater
2009	February June	Market debut: <i>Eco-Jozu</i> hot-water/heating unit RVD-E Series Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
2010	January February June September	Market debut: <i>Eco-Jozu</i> water heater with bath-filling systems RUF-E Series Participated in Challenge 25 campaign, a national movement to prevent global warming Won Silver Award at Aichi Environmental Award 2010 sponsored by Aichi Prefecture for global promotion of high-efficiency combustion appliances and systems, including latent heat recovery water heaters Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the first Rinnai Group Environmental Awards ceremony
2011	April May June September December	Market debut: <i>Eco One</i> hybrid water heater with heating systems for colder regions Won Technology Grand Award from Japan Gas Association for development of gas hot-water system <i>SOLAMO</i> to use solar heat Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the second Rinnai Group Environmental Awards ceremony Won the Resource Recycling Manufacturing Research Group Chairman's Award at the IMS 16th Resource Recycling Manufacturing Symposium for energy-saving measures concerning enamel combustion furnaces
2012	June September October December	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the third Rinnai Group Environmental Awards ceremony Won Large and Heavy Good Packaging Prize at Japan Packaging Contest 2012 for <i>Eco One</i> hybrid water heater with heating systems Won the Resource Recycling Manufacturing Research Group Chairman's Award at the IMS 17th Resource Recycling Manufacturing Symposium for our development of a home-use hybrid water heater with heating systems
2013	June September December	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the fourth Rinnai Group Environmental Awards ceremony Won the Chairman Award of Nagoya Industries Promotion Corporation at the IMS 18th Resource Recycling Manufacturing Symposium for improvement of logistic efficiency and reduction of waste disposal by reviewing of packing production process

2014	January June August September December	Won top energy conservation award at METI Award in the fiscal 2013 Energy Conservation Awards for <i>Eco One</i> hybrid water heater with heating systems Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Won Large and Heavy Good Packaging Prize at Japan Packaging Contest 2014 for returnable package Held the fifth Rinnai Group Environmental Awards ceremony Won 2014 Energy Saving and New Energy Grand Prize in Kitaguni (northern area in Japan) for <i>Eco One</i> hybrid water heater with heating systems for the Hokkaido region Won the Chunichi Shimbun Award at the IMS 19th Resource Recycling Manufacturing Symposium for our development of an eco-friendly water heater with bath-filling systems
2015	April June September	Market debut: <i>Eco One</i> third-generation hybrid water heater with heating systems Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the sixth Rinnai Group Environmental Awards ceremony
2016	May June July August September December	Acquired a certificate of a low-carbon building as Japan's first residential complex in which all units have <i>ECO ONE</i> and floor heating Environment Month events: Issued new environmental cards to all Rinnai employees Organized an exchange event (visit) with a corporate environmental pioneer Participated in <i>COOL CHOICE</i> campaign, a new national movement to global climatic changes and reducing greenhouse effect gas Won Good Packaging Prize at Japan Packaging Contest 2014 for a bottom tray with parts box for important attachments Held the seventh Rinnai Group Environmental Awards ceremony Won Nagoya Municipal Industrial Research Institute Director's Award (for improvements targeting paper use along the supply chain) at 21st Resource Recycling <i>Monozukuri</i> Symposium IMS
2017	January March June November	Presented a talk on Rinnai's environmental activities at the 20th Dialogue and Exchange Event hosted by EPOC Won the Energy Center Director's Award at the Energy Conservation Awards for third-generation <i>ECO ONE</i> hybrid water and space heating system Conducted inspections regarding conversion to ISO 14001:2015 standards Environment Month events: Organized action to eradicate a specified invasive species (<i>Coreopsis lanceolata</i>) Organized an exchange event (visit) with a corporate environmental pioneer 3,922 Rinnai employees participated in the My Action Declaration's five actions to protect biodiversity backed by the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J) Rinnai Kansai branch office received Eco-Drive Excellent activity certificate in the general division of the 2017 Eco-drive Activity Concours, sponsored by the Foundation for Promoting Personal Mobility and Eco-Drive Ecological Transportation
2018	January February April June September December	Held the eighth Rinnai Group Environmental Awards during our New Year's celebration Won first prize in the Aichi Environmental Awards for our development of the <i>ECO ONE</i> , which is an extremely energy-efficient water heater and heating system that cleverly and optimally uses diverse energy Published fourth edition of our Green Procurement Standards Guide Environment Month events: Removed <i>Coreopsis lanceolata</i> coreopsis plants, an invasive species, and held an Environmentally Progressive Company Inspection Council (exchange meeting) Exterminated the specified invasive species <i>Coreopsis lanceolata</i> Held internal study groups on ESG and the SDGs (invited outside lecturers) Participated in the EcoPro 2018 exhibition
2019	January February May June September November December	9th Rinnai Group Environmental Award Ceremony held during the New Year's ceremony Received the "Minister of the Environment Award," the top award at the COOL CHOICE LEADERS AWARD 2018 sponsored by the Ministry of the Environment (development of <i>ECO ONE</i>) Received the "Excellence Award" at the 22nd Environmental Communication Awards sponsored by the Ministry of the Environment (CSR Report 2018) Received the "Excellence Award" from the Ministry of the Environment (Medium-term management plan G-shift 2020 "Development of human resources to promote environmental management and contribution") Ranked 26th overall at the 22nd Environmental Management Ranking hosted by The Nikkei, which evaluates the environmental management level of Japanese companies Monthly environmental events • Held environmentally advanced company exchange meetings (inspection meetings) • Exterminated the specified invasive species <i>Coreopsis lanceolata</i> Received "Honorable Mention" at the 2nd EcoPro Awards sponsored by the Industrial Environment Management Association of Japan (for the development of "optimal hot water supply and heating systems" according to energy and environmental conditions in each country and region) Received an Award at the Biodiversity Action Awards 2019 (Let's grow heirloom vegetables together) organized by the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J) Participated in the EcoPro 2019 exhibition
2020	January May June July October	10th Rinnai Group Environmental Award Ceremony held during the New-Year Convention Received the "Excellence Award" in the Ministry of the Environment's 2019 Environmental Persons Development Awards Environment Month events: Exterminated the specified invasive species <i>Coreopsis lanceolata</i> Selected as "Good Practice" at the Aichi-Nagoya Biodiversity Best Practice Received the Japan Packaging Contest "Packaging Category Award (Industrial Packaging Category Award)" for exported water heater packaging improvements
2021	January March June July	Held the 11th Rinnai Group Environmental Awards during the Company's New Year's celebration Received the "Silver Prize" at the Sustainability Website Awards 2021 organized by the CSR Communications Association Received the "Minister of the Environment Award (Large Enterprise Category)" at the 2020 Environmental Human Resources Development Corporate Awards organized by the Ministry of the Environment Environment Month event: Engaged in efforts to eradicate the specified invasive species <i>Coreopsis lanceolata</i> Conducted a lecture on Rinnai's environmental efforts at the "Environment and Manufacturing Conference" organized by the Nagoya Industries Promotion Corporation

Data Collection

Certification Acquisition Status

Environmental Management System International Standard [ISO 14001:2015]

Location		Certified Year/Month
Rinnai	Research & Development Headquarters	October 1997
	Production Engineering Division	October 1997
	Oguchi Factory	October 1997
	Seto Factory	December 2000
	Environment Division	December 2000
	Quality Assurance Headquarters	November 2003
	Head Office	December 2008
	Chube Branch	December 2008
	Kansai Branch	May 2010
	Logistic Control Office	May 2010
	Kanto Branch	May 2011
	Chugoku Sales Office	May 2011
	Rinnai Parts Center	May 2011
	Kyushu Branch	April 2012
	Hokkaido Sales Office	April 2012
	Niigata Sales Office	April 2012
	Tohoku Branch	May 2013
	Shikoku Sales Office	May 2013
	Higashikanto Sales Office	April 2014
	Kitakanto Sales Office	April 2016
	Akatsuki Factory	March 2018
	Oguchi Higashi Factry	June 2018
	Minami-Kanto Branch	June 2019
Domestic Group companies	Gastar Co., Ltd.	October 2001
	Rinnai Technica Co., Ltd.	December 2003
	Yanagisawa Manufacturing Co., Ltd.	June 2004
	Rinnai Precision Co., Ltd.	December 2005
	Japan Ceramics Co., Ltd.	January 2006
	RT Engineering Co., Ltd.	March 2006
	RB Controls Co., Ltd.	March 2006
	Noto Tech Co., Ltd.	January 2007
Overseas Group companies	Rinnai Korea Corporation	July 1997
	RB Korea Ltd.	October 2006
	Shanghai Rinnai Co., Ltd.	December 2008
	Rinnai Brasil Heating Technology Ltd.	June 2011
	Rinnai New Zealand Ltd.	July 2013
	Rinnai Viet Nam Co., Ltd.	June 2019

Environmental Management System “Eco Action21”

Location		Certified Year/Month
Domestic Group companies	Techno Parts Co., Ltd.	August 2011

Data by Site (Fiscal 2021 Results)

Site name	Location	☑ CO ₂ emissions		☑ Energy use (GJ)	Amount of waste generated (including valuables) (Thousands of tons) ¹⁾	Amount of waste into landfill (Thousands of tons)	Amount of recycled waste (Thousands of tons)
		Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)				
Oguchi Factory	Oguchi-cho, Niwa-gun, Aichi	1,925	1,909	55,779	5.2	5.1	0.019
Seto Factory	Seto-shi, Aichi	1,699	3,693	67,717	2.3	2.3	0
Akatsuki Factory	Seto-shi, Aichi	760	1,517	27,801	1.3	1.3	0
Technology Development Center	Oguchi-cho, Niwa-gun, Aichi	2,176	2,360	64,593	0.1	0.1	0.002
Head Office and Sales Offices ²⁾	—	3,378	2,163	72,737	0.6	0.5	0.01
Yanagisawa Manufacturing Co., Ltd.	Kadoma-shi, Osaka	696	673	20,123	0.4	0.4	0
Rinnai Technica Co., Ltd.	Kakegawa-shi, Shizuoka	1,382	1,350	34,686	1.2	1.2	0.005
Gastar Co., Ltd.	Yamato-shi, Kanagawa	1,418	1,295	39,745	0.4	0.4	0.001
RB Controls Co., Ltd.	Kanazawa-shi, Ishikawa	894	2,899	35,755	0.4	0.3	0.044
Rinnai Precision Co., Ltd.	Komaki-shi, Aichi	3,730	6,712	129,617	2.2	2.1	0.004
RT Engineering Co., Ltd.	Toyoda-shi, Aichi	287	1,116	15,008	0.2	0.2	0.006
Japan Ceramics Co., Ltd.	Kani-shi, Gifu	1,290	973	29,956	0.3	0.2	0.02
Noto Tech Co., Ltd.	Nakanoto-cho, Kajima-gun, Ishikawa	1,295	1,220	30,472	1.8	1.6	0.18
Techno Parts Co., Ltd.	Aichi	220	253	6,489	0.05	0.05	0.001
Rinnai Holdings (Pacific) Pte Ltd.	Singapore	36	21	720	—	—	—
Rinnai Hong Kong Ltd.	Hong Kong	0	2	11	—	—	—
Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.	China	38	67	867	—	—	—
Rinnai Italia S.r.l.	Italy	47	21	908	—	—	—
Rinnai America Corporation ³⁾	United States of America	291	1,292	18,137	—	—	—
Rinnai Australia Pty., Ltd. ⁴⁾	Australia	2,220	7,235	64,095	—	—	—
Shanghai Rinnai Co., Ltd. ⁵⁾	China	2,037	9,224	82,030	—	—	—
Rinnai Korea Corporation	South Korea	2,468	5,960	92,076	—	—	—
P.T. Rinnai Indonesia	Indonesia	4,188	12,609	134,011	—	—	—
Rinnai New Zealand Ltd.	New Zealand	210	90	5,311	—	—	—
Rinnai Taiwan Corporation	Taiwan	720	1,090	20,595	—	—	—
Rinnai (Thailand) Co., Ltd.	Thailand	1,060	1,712	30,511	—	—	—
Rinnai Brasil Heating Technology Ltd.	Brazil	107	47	4,821	—	—	—
Rinnai Viet Nam Co., Ltd.	Viet Nam	517	548	11,030	—	—	—
RB Korea Ltd.	South Korea	71	555	5,112	—	—	—

1. In some cases, there is a mismatch between the breakdowns and totals for the amount of waste generated, the amount of waste into landfill and the amount of recycled waste (Unit: Thousands of tons).
2. Includes the Head Office, nationwide sales offices, logistics centers and the Rinnai Parts Center.
3. Includes Rinnai Canada Holdings Ltd.
4. Includes Gas Appliance Services Corporation.
5. Includes Shanghai Rinnai Thermo Energy Engineering Co., Ltd.

Data Collection

Water Discharge^{*1} (Fiscal 2021 Results)

Site	Water discharge standard (Water discharge to)	Substance ^{*1}	Regulation value	Voluntary	Actual value (Maximum)
Oguchi Factory	Sewer	pH	5.7-8.7	5.8-8.7	6.8-7.4
		BOD	300	240	91.0
		COD	—	—	—
		SS	300	240	38.0
Seto Factory	River (Yatoko River)	pH	5.8-8.6	6.0-8.4	6.9-7.8
		BOD	25(20)	20	3.1
		COD	25(20)	20	5.7
		SS	30(20)	20	2.0
Akatsuki Factory	River (Kazunari River)	pH	5.8-8.6	5.9-8.5	6.6-7.3
		BOD	20	19	6.0
		COD	20	19	10.0
		SS	20	19	less than 1
Yanagisawa Manufacturing Co., Ltd.	Sewer	pH	5.0-9.0	5.9-8.5	7.1-7.9
		BOD	600	100	6.6
		COD	—	—	—
		SS	600	100	120 ^{*2}
Rinnai Technica Co., Ltd.	River (Ota River)	pH	5.8-8.6	6.3-8.1	6.8-7.1
		BOD	25(20)	20(15)	20.0 ^{*2}
		COD	160(120)	20(15)	27.0 ^{*2}
		SS	50(40)	30(20)	12
Gastar Co., Ltd., Head Office and Factories	Sewer	pH	5.0-9.0	5.2-8.8	7.4-8.1
		BOD	600	480	7.0
		COD	—	—	—
		SS	—	—	—
Gastar Co., Ltd., Research Building	River (Sakai River)	pH	5.8-8.6	6.0-8.4	7.8-8.0
		BOD	15	12	less than 5
		COD	25	20	less than 5
		SS	40	32	less than 5
Rinnai Precision Co., Ltd., Head Office and Komaki Factory	Sewer	pH	5.8-8.6	6.0-8.4	6.5-7.6
		BOD	300	300	290.0
		COD	—	—	—
		SS	300	300	4.0
Rinnai Precision Co., Ltd., Kani Factory	River (Kani River)	pH	5.8-8.6	5.8-8.6	6.1-7.0
		BOD	15	15	8.1
		COD	—	—	—
		SS	30	30	1.0
RT Engineering Co., Ltd.	Sewer	pH	5.7-8.7	5.7-8.2	4.6-8.0 ^{*3}
		BOD	300	150	15.0
		COD	—	—	—
		SS	300	150	340 ^{*3}
Japan Ceramics Co., Ltd.	River (Kani River)	pH	5.8-8.6	5.8-8.6	6.5-7.2
		BOD	15	15	8.0
		COD	160(120)	30	6.2
		SS	30(25)	30	8.0
Noto Tech Co., Ltd.	River (Nagaso River)	pH	5.8-8.2	6.0-8.2	7.0-7.4
		BOD	40(30)	36(27)	12.0
		COD	160(120)	140(100)	18.0
		SS	40(30)	36(27)	4.0

^{*1} pH: Concentration of hydrogen ions, BOD: Biochemical oxygen demand (mg/l), COD: Chemical oxygen demand (mg/l), SS: Concentration of aqueous suspended solids (mg/l),
() Daily average

^{*2} As a result of water quality inspections of wastewater, values exceeding the voluntary standard value was detected in BOD at Rinnai Technica Co., Ltd.
While identifying the source together with the measuring company, the maintenance cycle of the septic tank was revised with the intention of replacing the equipment renewal and improvements such as processing control optimization were implemented because the processing capacity of the septic tank was assumed to be insufficient. Water quality results after these measures show no problems in terms of maintaining the voluntary standards.

^{*3} Values exceeding regulatory standards were detected at some worksites. We investigated the cause, implemented measures to ensure proper management and submitted improvement reports to relevant government agencies. The results of subsequent water quality analyses confirmed that values were within voluntary standards without further problems.

PRTR^{*4} (Fiscal 2021 Results)

Site	Number	Class I designated chemical substance name	Handling amount	Amount of emission/discharge				Amount of transfer	
				Air	Public waters	Soil	Landfill	Sewers	Outside the relevant office
Oguchi Factory	53	Ethylbenzene	1,500	980	0	0	0	0	430
	71	Ferric chloride	1,100	0	0	0	0	0	0
	80	Xylene	2,800	1,800	0	0	0	0	980
	296	1,2,4-trimethylbenzene	1,000	1,000	0	0	0	0	0
	300	Toluene	2,200	1,400	0	0	0	0	770
	309	Nickel compounds	1,300	0	0	0	0	0	140
	405	Boron compounds	3,700	0	0	0	0	0	410
Seto Factory	53	Ethylbenzene	1,500	1,100	0	0	0	0	360
	80	Xylene	2,000	1,600	0	0	0	0	360
	87	Chromium and chromium (III) compounds	22,000	0	0	0	0	0	0
	300	Toluene	1,200	61	0	0	0	0	1,100
Akatsuki Factory	308	Nickel	40,000	0	0	0	0	0	0
	53	Ethylbenzene	2,200	2,000	0	0	0	0	180
	80	Xylene	4,800	4,600	0	0	0	0	180
	296	1,2,4-trimethylbenzene	1,100	1,100	0	0	0	0	21
RB Controls Co., Ltd.; Kanaiwa Factory	300	Toluene	2,000	570	0	0	0	0	1,400
	31	Antimony and its compounds	2,000	0	0	0	0	0	190
	265	Tetrahydromethylphthalic anhydride	12,000	0	0	0	0	0	0
	448	Methylenebis (4,1-phenylene) diisocyanate	1,000	0	0	0	0	0	0
RB Controls Co., Ltd.; Tsurugi Factory	460	Tritolyl phosphate	1,800	0	0	0	0	0	250
	448	Methylenebis (4,1-phenylene) diisocyanate	37,000	0	0	0	0	0	0
Japan Ceramics Co., Ltd.	460	Tritolyl phosphate	51,000	0	0	0	0	0	5,000
	53	Ethylbenzene	1,400	1,200	0	0	0	0	0.1
	80	Xylene	1,800	1,700	0	0	0	0	0.8
	300	Toluene	7,600	7,600	0	0	0	0	0.2
Noto Tech Co., Ltd.	412	Tritolyl phosphate	850	0	0	0	0	0	570
	31	Antimony and its compounds	10,000	0	0	0	0	0	0
	309	Nickel compounds	790	0	1	0	0	0	200
	405	Boron compounds	6,400	0	110	0	0	0	620

^{*4} Class I designated chemical substance stipulated by the Pollutant Release and Transfer Register (PRTR) Law (Unit: kg), Two significant digits

Data Collection

Emissions into the Air*1 (Fiscal 2021 Results)

Site	Facility	Substance	Regulation value	Voluntary	Actual value (Maximum)
Oguchi Factory	Combustion furnace	Soot and dust	0.25	0.16	0.002
		NOx emissions	180	150	64
	Boiler	Soot and dust	0.10	0.08	0.002
		NOx emissions	150	96	55
Seto Factory	Boiler	Soot and dust	0.10	0.05	0.002
		NOx emissions	150	79	22
Akatsuki Factory	Combustion furnace	Soot and dust	0.20	0.16	0.003
		NOx emissions	230	180	4
Yanagisawa Manufacturing Co., Ltd.	Boiler	Soot and dust	0.1	0.1	0.002
		NOx emissions	150	150	23
	Combustion furnace	Soot and dust	0.2	0.2	0.002
Gaster Co., Ltd.	Boiler	Soot and dust	0.10	0.08	less than 0.0012
		NOx emissions	150	120	31
Japan Ceramics Co., Ltd.	Combustion furnace	Soot and dust	0.125	0.125	0.002
		NOx emissions	90	90	8
		SOx	0.25	0.25	0.01

*1 Soot and dust: g/m³N, NOx: ppm, SOx: m³N/h

Conditions for Calculations

Scope 1
CO2 conversion factors
Emission factor: MOE/METI, GHG Emission Calculation and Reporting Manual (Ver. 4.7)
Heating value: • City gas: 45 MJ/Nm³
 • Methane gas: 39.7 MJ/m³

Gas	Town gas	2.24	tCO2e/1,000 Nm³
	Methane	2.02	tCO2e/1,000 Nm³
	LPG	3.00	tCO2e/t
	Butane	3.00	tCO2e/t
Oil	Heavy oil	2.71	tCO2e/kl
	Kerosene	2.49	tCO2e/kl
	Light oil	2.58	tCO2e/kl
	Gasoline	2.32	tCO2e/kl


Scope 2
CO2 conversion factors
Domestic emission factors: "Emission Factors by Electricity Utility (for FY2021 Reporting)" in MOE/METI, GHG Emission Calculation and Reporting Manual (Ver. 4.7)
Overseas emission factors: Latest figures published for electricity utilities, etc., in the countries concerned

Electricity	Australia	0.6700 ~ 1.2000	tCO2e/MWh
	New Zealand	0.1940	tCO2e/MWh
	United States	0.3538 ~ 0.3890	tCO2e/MWh
	Hong Kong	0.7100	tCO2e/MWh
	Taiwan	0.5160	tCO2e/MWh
	South Korea	0.4950	tCO2e/MWh
	Indonesia	0.8770	tCO2e/MWh
	Thailand	0.4810	tCO2e/MWh
	China (Shanghai)	0.7921 ~ 0.8042	tCO2e/MWh
	Brazil	0.0617	tCO2e/MWh
	Singapore	0.4085	tCO2e/MWh
	Viet Nam	0.8042	tCO2e/MWh
	Italy	0.4444	tCO2e/MWh

Scope 3
• Calculated in accordance with MOE/METI, Basic Guidelines on Calculation of Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.3)
• Conditions for all categories
• Emission factors: MOE, Emission Factor Database (Ver. 3.1)
Sustainable Management Promotion Organization's LCI database IDEAv2 (for calculating GHG emissions in the supply chain)
• Conditions for category 11 (Use of sold products)
Products covered: Water heaters sold by Rinnai
Period: 10 years
Conditions: Conditions defined by Rinnai
Emission factors:
• Electricity: 0.570 kgCO2e/kWh
Federation of Electric Power Companies of Japan, Environmental Action Plans in the Electricity Industry, September 2015 (reference materials: collected data on performance in fiscal 2014)
• City gas: 2.21 kgCO2e/m³
Tokyo Gas Co., Ltd., City Gas CO2 Emission Factors (13A, 45 MJ/m³, ordinary households and other customers receiving low-pressure supply)

Data Collection

Third-Party Assurance Statement



LR Independent Assurance Statement

Relating to Rinnai Corporation’s Environmental Data for the fiscal year 2020

This Assurance Statement has been prepared for Rinnai Corporation in accordance with our contract.

Terms of Engagement

Lloyd’s Register Quality Assurance (LR) was commissioned by Rinnai Corporation (“the Company”) to provide independent assurance on its environmental data (“the report”) for the fiscal year 2020¹ against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISAE 3000 (Revised) and ISO 14064 - 3 for greenhouse gas (“GHG”) data.

Our assurance engagement covered the Company and its consolidated subsidiaries’ operations and activities in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company’s reporting methodologies for the selected indicators;
- Evaluating the accuracy and reliability of data for only the selected indicators listed below:
 - Scope 1 GHG emissions (tonnes CO₂e)^{2,3}
 - Scope 2 GHG emissions [Market-based] (tonnes CO₂e)
 - Scope 3 GHG emissions (Category 11) (tonnes CO₂e)⁴
 - Energy consumption (GJ)⁵

Our assurance engagement excluded the data and information of the Company’s suppliers, contractors and any third-parties mentioned in the report.

LR’s responsibility is only to the Company. LR disclaims any liability or responsibility to others as explained in the end footnote. The Company’s responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LR’s Opinion

Based on LR’s approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements of the Company’s reporting methodologies
- Disclosed accurate and reliable environmental data as summarized in Table 1 and Table 2 below

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

LR’s Approach

LR’s assurance engagements are carried out in accordance with ISAE 3000 (Revised) and ISO 14064-3 for GHG data. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

¹ The reporting period is based on the fiscal year of domestic and overseas subsidiary companies: (1) domestic subsidiary companies: FY2020 (01/04/2020 – 31/03/2021), and (2) overseas subsidiary companies: CY2020 (01/01/2020 – 31/12/2020)

² GHG quantification is subject to inherent uncertainty.

³ The scope 1 GHG emissions cover only energy-oriented CO₂.

⁴ Scope 3 emissions data cover activities associated with the usage of water heaters domestically sold by Rinnai Corporation.

⁵ The scope includes the breakdown of energy consumption.

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- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or misstatements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Interviewing with those key people responsible for compiling the data and drafting the report.
- Sampling datasets and traced activity data back to aggregated levels;
- Verifying the historical environmental data and records for the fiscal year 2020; and
- By implementing the Company's “No Visitor” Policy due to the global infection spread of COVID-19, conducting the remote verification to Rinnai Technica Co.,Ltd. and Rinnai Corporation Head Office for confirming the effectiveness of its data management systems via emails and Microsoft Teams.

Observations

The Company has year-on-year demonstrated improvement in its data management system. However, the Company should further demonstrate the completeness of its future environmental indicators. In particular, based on the interests of stakeholders, it is expected that the verification of Scope 3 emissions, which is currently being disclosed, will be expanded. In addition, considering that the company has a product group that uses fluorocarbons as a refrigerant, consider to understand in scope3 (1) the amount of fluorocarbon leaks in scope 1, and (2) the amount of fluorocarbon-derived CO2 emitted when using and disposing of the products.

LR’s Standards, Competence and Independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021-1 *Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part1: Requirements* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This is the only work undertaken by LR for the Company and as such does not compromise our independence or impartiality.

Signed



Jun Yasumoto
LR Lead Verifier
On behalf of Lloyd’s Register Quality Assurance Limited
10th Floor, Queen’s Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN

LR reference: YKA4005612

Dated: 24 July 2021

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Table 1. Summary of Rinnai Corporation’s GHG Emissions Inventory in FY 2020

Scope	Tonnes CO ₂ e
Energy direct GHG emissions (Scope 1)	35,161
Energy indirect GHG emissions (Scope 2, Market-based)	68,606
Other indirect GHG emissions (Scope 3, Category 11)	10,497,104

Table 2. Summary of Rinnai Corporation’s Energy Consumption Data in FY2020

Electricity		122,561.4 MWh	441,221.0 GJ
Town gas	for the use of equipment in each facility	10,461.1 kNm ³	470,861.2 GJ
	for vehicle use	0.5 kNm ³	22.3 GJ
Methane		46.1 km ³	1,831.3 GJ
LPG	for the use of equipment in each facility	2,338.6 t	118,803.1 GJ
	for vehicle use	1.9 t	97.6 GJ
Butane		15.2 t	750.5 GJ
Acetylene		7.5 t	375.4 GJ
Ethylene		0.04 t	1.9 GJ
Heavy oil		0.18 kl	7.0 GJ
Kerosene		15.6 kl	574.2 GJ
Light oil	for the use of equipment in each facility	88.1 kl	3,321.6 GJ
	for vehicle use	359.3 kl	13,545.3 GJ
Gasoline	for the use of equipment in each facility	4.7 kl	162.9 GJ
	for vehicle use	1,420.2 kl	49,137.9 GJ

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Data Collection

External Acclaim and Recognition

International Recognition for ESG Efforts

Rinnai was selected for inclusion in the FTSE4Good Index Series and the FTSE Blossom Japan Index, the leading environmental, social and governance (ESG) investment indices.



Rinnai was selected for inclusion in the "Sompo Sustainability Index" launched by SOMPO Asset Management Co., Ltd.



Selected as a constituent of the S&P/JPX Carbon Efficient Index, which determines the weight of constituents by focusing on the disclosure status of environmental information and the level of carbon efficiency (carbon emissions per unit of revenue).



Evaluation of Climate Change

The Carbon Disclosure Project (CDP), an international non-profit organization, globally evaluates corporate efforts regarding climate change.

• CDP Climate Change

CDP Climate Change evaluates the corporate response to climate change. Rinnai has received a B rating.

• CDP Supplier Engagement Rating (SER)

The CDP SER evaluates performance in governance, targets, Scope 3 emissions, and value chain engagement within the CDP Climate Change Questionnaire. Rinnai has received an A- rating.



Certified by the City of Nagoya as a "Company Promoting Women's Activities"

Rinnai was certified as a "company promoting women's activities," as part of a scheme operated by the City of Nagoya (Aichi Prefecture) in fiscal 2014.

We have been certified in recognition of three key initiatives aimed at expanding frameworks, assigning duties, and changing attitudes, to support female employees so that they play a greater role in the workplace.



Registered by Aichi Prefectural Government as a "Family Friendly Company"

In March 2014, Rinnai was registered by the Aichi prefectural government as a "family friendly company," based on its commitment to ensuring that employees strike a balance between their work and private lives.



Certified as a "General Business Owner Meeting Standards"

In May 2014, Rinnai was certified by the Aichi Labour Bureau of the Ministry of Health, Labour and Welfare as a "general business owner meeting standards" in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, and was awarded the "Kurumin" next-generation certification mark.



Certified as a "Parent-Friendly Company"

In fiscal 2016, we were recognized as a parent-friendly company under Nagoya's parent-friendly company accreditation scheme. The purpose of such schemes is to certify or recognize companies that are working to create parent-friendly environments.



Rinnai Corporation

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