



Rinnai Report 2022 (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 19 countries and regions, and deploys products in over 80 countries throughout the world. Rinnai offers optimal solutions suitable for lifestyle cultures, climate conditions and energy requirements in each country of the world to contribute to the realization of healthy and comfortable lifestyles and sustainable societies for people throughout the world.



Fundamental Concept

Quality is our destiny

Company Motto

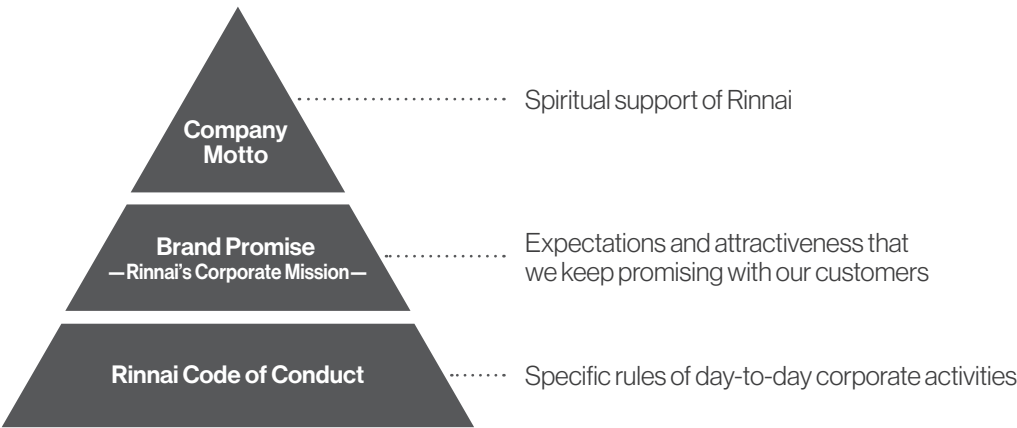


- 和 Harmony: Develop personal character of the highest caliber
- 氣 Spirit: Base your efforts on a consistent philosophy
- 真 Sincerity: Know the fundamentals and consider issues with precision and clarity

Brand Promise —Rinnai’s Corporate Mission—

Creating a healthier way of living

Schematic Diagram of Company Ideals



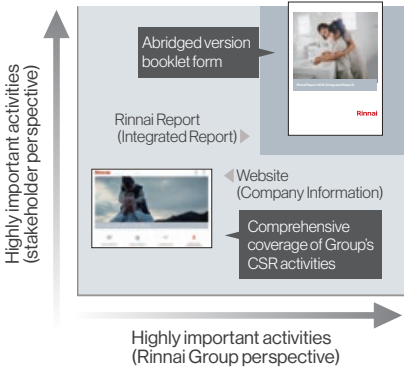
Rinnai Report 2022 (Integrated Report)

Editorial Policy

Rinnai produced the Rinnai Report 2022 (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 2022—April 1, 2021, to March 31, 2022—but also touches upon measures implemented and recent activities undertaken since fiscal 2022 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 2022 (Japanese version)
Previous: August 2021, Next: August 2023 (planned)

Important Points Regarding Future Outlook

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

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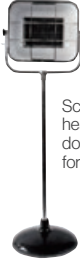



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100 Years of History (Part 1) 1920–2004

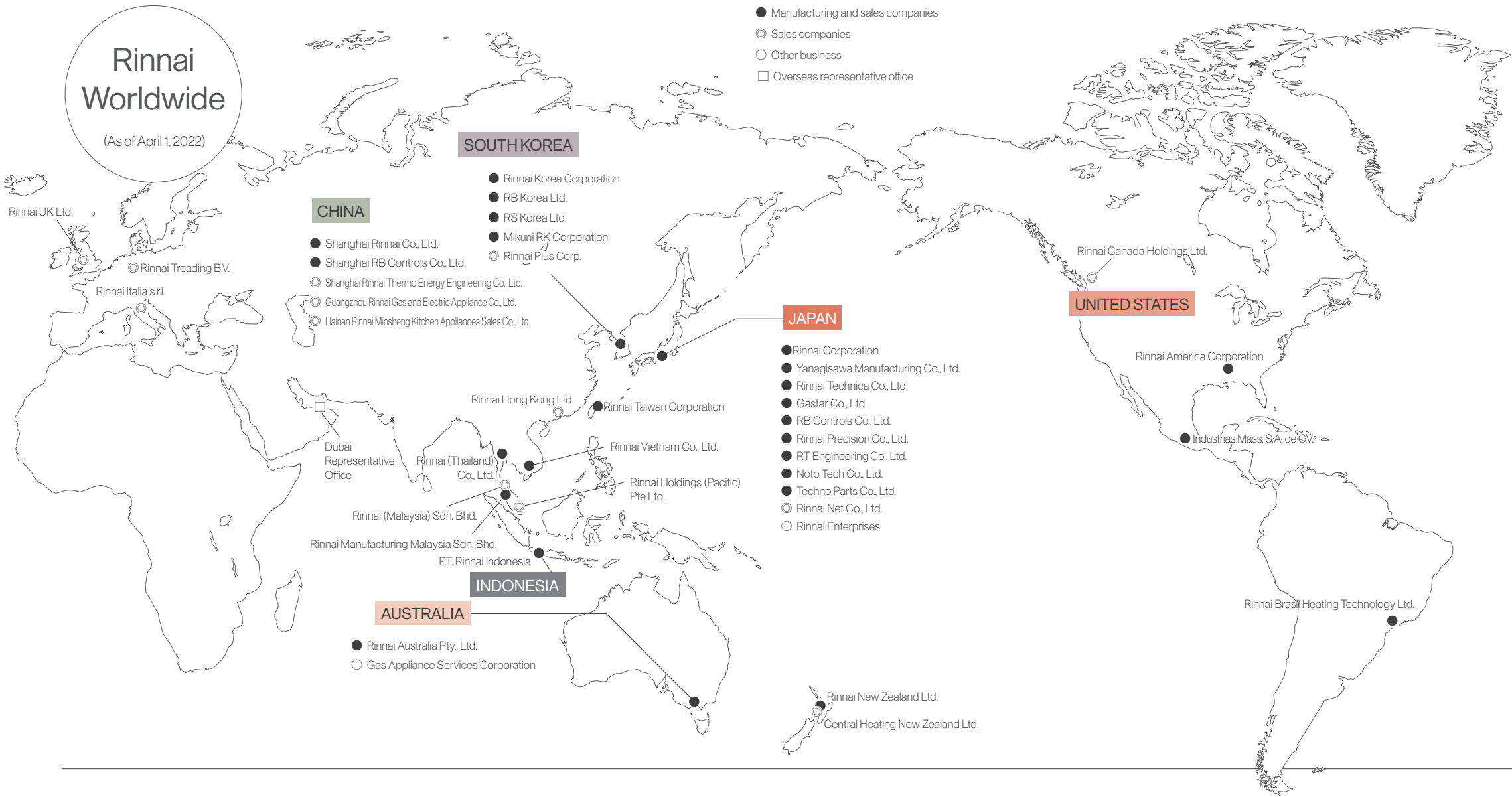
Historical Overview	<div>Phase 1</div> <div>Founding and Postwar Reconstruction</div> <div>[1920–1949]</div> <div>Childhood friends Hidejiro Naito and Kanekichi Hayashi were inspired by the blue flame of an oil stove outside a shop selling <i>Imagawa-yaki</i> (sweet stuffed pancakes) and decided to start a business. Taking a character from each of their surnames, they named it Rinnai & Co., launching the development and commercialization of oil and gas stoves and oil heaters.</div> <div>After the start of the Sino-Japanese war, the market for oil and gas stoves was suspended due to oil consumption regulations that prioritized military use, thus the Company survived by manufacturing parts for aircraft and other equipment. After the war ended, they relaunched their business with the manufacture of industrial and agricultural equipment, and in 1949, they resumed production of gas and oil stoves as originally intended.</div>	<div>Phase 2</div> <div>Establishing a Corporate Foundation</div> <div>[1950–1965]</div> <div>In 1950, the Company was relaunched as a corporation with the establishment of Rinnai Seisakusho. During the 1950s, sales offices were opened in Tokyo, Osaka, Fukuoka and other urban areas, creating a nationwide sales network.</div> <div>A major turning point came when they encountered Dr. Schwank, developer of the gas infrared ceramic burner. The first major hit product was a gas infrared stove using burners manufactured by Schwank GmbH based on a technology tie-up between the two companies. In the early 1960s, the Inba Factory (later the Asahi Factory) and Oguchi Factory were constructed in response to the strong demand for these stoves.</div>	<div>Phase 3</div> <div>Promoting Business Activities Overseas</div> <div>[1966–1978]</div> <div>The Company, which commemorated its 50th anniversary in 1970, changed its name to its current form, Rinnai Corporation, the following year. A Technology Center was also constructed and a development division was launched to undertake product development, establishing a development-oriented company structure.</div> <div>Overseas development began with the establishment of Rinnai International in Ohio, USA (1967), expanding to Taiwan, Australia, Malaysia, South Korea, New Zealand, Brazil, the United Kingdom and a variety of other locations, where local offices and subsidiaries were established in an effort to improve the culture of everyday life in those areas.</div>	<div>Phase 4</div> <div>Becoming a Listed Company</div> <div>[1979–1987]</div> <div>In 1979, the Company was listed on the Second Section of the Nagoya Stock Exchange, and in 1983, it was listed on the First Section of both the Tokyo Stock Exchange and the Nagoya Stock Exchange. Around the same time, the Company made progress in terms of quality cost delivery (QCD), aiming to develop molds and other critical components that up to that time had been outsourced.</div> <div>In developing new technologies and products, the Company brought new products to market meeting user needs, including the <i>Yukko</i> compact gas water heater (1982) and the push-button gas tabletop cooker (1984). Focusing efforts on enhancing its customer service system, in 1986 the Company launched telephone support available 24 hours a day, 365 days a year.</div>	<div>Phase 5</div> <div>Advancing as a Global Corporation</div> <div>[1988–2004]</div> <div>In fiscal 1989, for the first time the Company achieved its long-sought after sales target of ¥100 billion, and in commemoration of its 70th anniversary a year later, plans were made to construct a new Head Office building that was completed in 1994.</div> <div>In terms of products, the Company promoted added value through safety functions that included gas water heaters equipped with carbon monoxide sensors and hobs (stove-tops) 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>
	<div>Performance</div> <div><div>■ Net sales</div><div>1951 ¥21 million</div><div>1967 ¥5.6 billion</div><div>1980 ¥48.3 billion</div><div>1989 ¥98.4 billion</div><div>2005 ¥202.0 billion</div><div>Rinnai & Co. founded.</div></div>				
Technologies and Products	<div>1921</div> <div><div>●1920</div><div>The Rinnai-type kerosene gas stove registered as a utility model is launched.</div></div> <div><div>●1923</div><div>Gas tabletop stove, gas ranges, gas oven, gas water heater and other product deliveries to gas companies across Japan as overseas exports begin.</div></div> <div><div>●1937</div><div>Sales of oil and gas stoves across north China market from base in Tianjin City are launched.</div></div> <div><div>Rinnai-type kerosene gas stove</div><div></div></div>	<div>1951–</div> <div><div>●1957</div><div>The company forms a technology tie-up with German company Schwank GmbH to manufacture and sell gas infrared burners and to develop heaters and cooking appliances that use them.</div></div> <div><div>Schwank gas infrared heater produced domestically in Japan for the first time</div><div></div></div>	<div>1967–</div> <div><div>●1967</div><div>Technology Development Center opens.</div></div> <div><div>●1971</div><div>Development and sales of high-speed gas convection range, <i>Convec</i>.</div></div> <div><div>●1972</div><div>The company receives the Ota Award from the Japan Gas Association for its high-speed gas convection range, <i>Convec</i>.</div></div> <div><div>High-speed gas convection range, <i>Convec</i></div><div></div></div>	<div>1980–</div> <div><div>●1980</div><div>Full-scale production of built-in equipment begins.</div></div> <div><div>●1983</div><div>A gas instantaneous water heater, <i>UT</i>, equipped with a safety mechanism to prevent incomplete combustion launches.</div></div> <div><div>●1985</div><div>The company receives the Ota Award from the Japan Gas Association for development of a water boiler equipped with a safety mechanism to prevent incomplete combustion.</div></div> <div><div>●1986</div><div>The company receives the Excellent Technology Prize from the Japan Gas Association as well as the first Chunichi Industrial Technology Award for the development of an ultracompact water heater, <i>Yukko</i>.</div></div> <div><div>Gas instantaneous water heater, <i>UT</i></div><div></div></div>	<div>1989–</div> <div><div>●1990</div><div>The Tsukuba Research Center (now Tsukuba Training Center) opens.</div></div> <div><div>●1998</div><div>Gas fan heater and air purifier are combined together.</div></div> <div><div>●1999</div><div>A highly efficient condensing gas water heater is launched.</div></div> <div><div>●2000</div><div>The company receives the Ministry of international Trade and Industry's Energy Conservation Award for its highly efficient condensing gas water heater.</div></div> <div><div>●2003</div><div>The company receives the Energy Conservation Grand Prize (Chairman's Prize) from the Energy Conservation Center for its glass-top stoves with inner flame burners.</div></div> <div><div>Highly efficient condensing gas water heater</div><div></div></div>
	<div>Management and Organization</div> <div><div>●1920</div><div>The company is incorporated as Rinnai & Co. by founders Hidejiro Naito and Kanekichi Hayashi.</div></div> <div><div>●1938</div><div>Manufacturing of aircraft parts takes place with the factory coming under military supervision.</div></div> <div><div>●1940</div><div>The company changes its name to Rinnai Aircraft Parts Manufacturing.</div></div> <div><div>●1947</div><div>Production of gas and kerosene appliances resumes at the rebuilt Head Office factory.</div></div>	<div><div>●1950</div><div>The company is reorganized as a joint stock company and renamed Rinnai Seisakusho.</div></div> <div><div>●1954</div><div>The Tokyo Sales Office (now the Kanto Branch) opens.</div></div> <div><div>●1956</div><div>The Osaka Sales Office (now the Kansai Branch) opens.</div></div> <div><div>●1957</div><div>The Aichi Factory (now the Chubu Branch) opens.</div></div> <div><div>●1960</div><div>The Inba Factory (later the Asahi Factory) opens.</div></div> <div><div>●1961</div><div>The Fukuoka Sales Office (now the Kyushu Branch) opens.</div></div> <div><div>●1963</div><div>The Sendai Satellite Office (now the Tohoku Branch) opens.</div></div> <div><div>●1963</div><div>The Sapporo Satellite Office (now the Hokkaido Sales Office) opens.</div></div>	<div><div>●1968</div><div>The Niigata Satellite Office (now the Niigata Sales Office) opens.</div></div> <div><div>●1969</div><div>The Nagoya Sales Office (now the Chubu Branch) opens.</div></div> <div><div>●1970</div><div>Rinnai Taiwan Corporation is established.</div></div> <div><div>●1970</div><div>Business partnership with Yanagisawa Manufacturing Co., Ltd.</div></div> <div><div>●1970</div><div>Investment in Yamauchi Yoko (now RT Engineering Co., Ltd.)</div></div> <div><div>●1971</div><div>The name changes to Rinnai Corporation.</div></div> <div><div>●1971</div><div>RB Controls Co., Ltd. is established.</div></div> <div><div>●1971</div><div>Rinnai Australia Pty. Ltd. is established.</div></div> <div><div>●1973</div><div>Rinnai (Malaysia) Sdn. Bhd. is established.</div></div>	<div><div>●1979</div><div>The company is listed on the Second Section of the Nagoya Stock Exchange.</div></div> <div><div>●1979</div><div>Rinnai Precision Co., Ltd. is established.</div></div> <div><div>●1979</div><div>The Seto Factory opens.</div></div> <div><div>●1981</div><div>Japan Ceramics Co., Ltd. is established.</div></div> <div><div>●1981</div><div>Business partnership with Isomura Kiki (now Rinnai Technica Co., Ltd.)</div></div> <div><div>●1983</div><div>The Hiroshima Sales Office (now the Chugoku Branch) opens.</div></div> <div><div>●1983</div><div>The company is listed on the First Section of the Tokyo Stock Exchange and the Nagoya Stock Exchange.</div></div>	<div><div>●1988</div><div>P.T. Indonesia is established.</div></div> <div><div>●1988</div><div>The Hong Kong Representative Office opens.</div></div> <div><div>●1990</div><div>Rinnai (Thailand) Co., Ltd. is established.</div></div> <div><div>●1990</div><div>Noto Tech Co., Ltd. is established.</div></div> <div><div>●1991</div><div>Rinnai Singapore Pte. Ltd. is established.</div></div> <div><div>●1993</div><div>Shanghai Rinnai Co., Ltd. is established.</div></div> <div><div>●1994</div><div>The new Headquarters building is completed.</div></div> <div><div>●1995</div><div>The company receives ISO9001 certification for all domestic factories.</div></div> <div><div>●1996</div><div>Rinnai Holdings (Pacific) Pte. Ltd. is established in Singapore.</div></div> <div><div>●1997</div><div>Technology Division acquires ISO14001 certification (sequentially acquired thereafter).</div></div> <div><div>●2004</div><div>Guangzhou Rinnai Co., Ltd. is established.</div></div>

100 Years of History (Part 2) 2005–2025

Promoting Medium-term Business Plans Under a New Structure

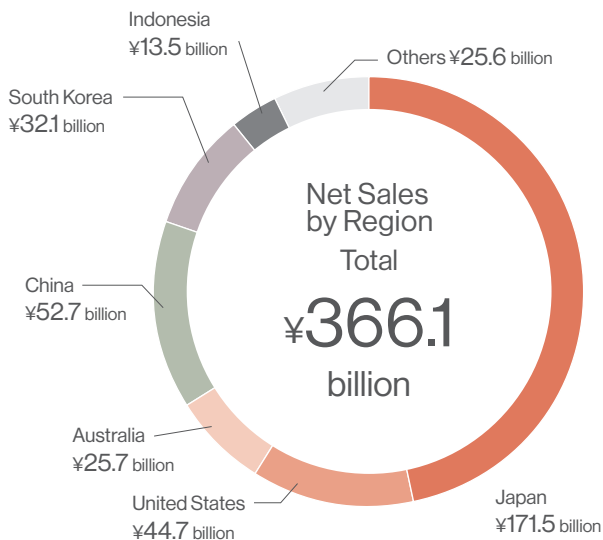
Medium-term Business Plans	<div>Phase 6</div> <div>V-Shift Plan</div> <div>[2006–2008]</div> <div><p>In 2005, the current President Hiroyasu Naito was appointed. His first policy was to “focus on a high-value-added and differentiated product strategy centered on new technologies.” This concept was made 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>	<div>Phase 7</div> <div>Reform & Breakthrough</div> <div>[2009–2011]</div> <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>	<div>Phase 8</div> <div>Jump UP 2014</div> <div>[2012–2014]</div> <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>	<div>Phase 9</div> <div>Evolution and Succession 2017</div> <div>[2015–2017]</div> <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>	<div>Phase 10</div> <div>G-shift 2020</div> <div>[2018–2020]</div> <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></div>	<div>Phase 11</div> <div>New ERA 2025</div> <div>[2021–2025]</div> <div><p>Rinnai celebrated its 100th anniversary in 2020. As a fresh start for the next 100 years, we formulated a new Medium-Term Business Plan covering the five-year period from fiscal 2022 to fiscal 2026. The aim of the plan is to realize healthy, comfortable lifestyles and deliver sustainable corporate growth.</p><p>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.</p><p>In anticipation of accelerated environmental changes that include efforts to achieve carbon neutrality, the transformation of needs and the entrenchment of the “new normal” and digital advances, Rinnai aims to be the brand of choice in a new and rapidly changing era, and positions the next five years as a period for delivering growth and implementing reforms from a medium- to long-term perspective.</p></div>				
	<div>Performance</div> <div></div>	<div>Technologies and Products</div> <div><ul style="list-style-type: none">●2005 The company receives the Technology Prize from the Japan Gas Association for its <i>Eco-Jozu</i> condensing dual water heater/space heaters.●2006 The company receives the Technology Prize from the Japan Gas Association for its bathroom heater/dryer with mist sauna function.●2007 Built-in hob (stovetop) DELICIA series is launched.●2008 Dishwasher with baking soda washing mode is released.●2008 Rinnai Indonesia wins Best Brand Award.●2008 Rinnai gas tankless water heater receives the Super Nova Star Award (an energy-saving award) from the Alliance to Save Energy in the United States.<div></div><ul style="list-style-type: none">●2010 The Production and Technology Development Center opens.●2010 Commercialization of home-use hybrid water heaters combining heat pumps and gas water heaters.<div></div><ul style="list-style-type: none">●2014 The company receives the Ministry of International Trade and Industry's Energy Conservation Award for <i>ECO ONE</i>, a hybrid water heater with heating system.●2014 The company's hybrid water heater with heating system for Hokkaido receives the Kitaguni Energy conservation and New Energy Grand Prize.<div></div><ul style="list-style-type: none">●2016 DELICIA dedicated app “DELICIA APP” with cooking support function distribution is launched (“+ R RECIPE” from 2020 onward).●2017 Third-generation <i>ECO ONE</i> hybrid water heater and heating system wins Energy Conservation Grand Prize Energy Conservation Center Chairman's Award.●2017 High-quality and luxury kitchen appliance series G-LINE is launched.<div></div><ul style="list-style-type: none">●2018 Drop-in modular-type gas cooker “G:101” wins “iF Design Award 2018.”●2020 Domino-style built-in stove G-LINE series wins “Red Dot Design Award 2020” at the Red Dot Design Awards.●2020 Microbubble Bath Units are launched.<div></div><ul style="list-style-type: none">●2022 Launched sales of Leggiero waterless cooking potsLeggiero receives the Red Dot Design Award 2022<div></div><ul style="list-style-type: none">●2022 Successfully developed 100% hydrogen combustion technology for residential water heaters<div></div></div>					<div>Management and Organization</div> <div><ul style="list-style-type: none">●2006 Shanghai Rinnai Thermo Energy Engineering Co., Ltd. is established.●2008 Rinnai Italia S.r.l. is established.●2008 The Integrated Logistics Center opens.<div></div><ul style="list-style-type: none">●2009 Rinnai Canada Holdings Ltd. is established.●2010 The Production and Technology Development Center opens.●2011 The West Japan Customer Center opens. Great East Japan Earthquake service support is implemented.<div></div><ul style="list-style-type: none">●2013 The Akatsuki Factory opens.●2013 The Rinnai Parts Center opens following business integration.●2014 Bravis Climate Systems Pty. Ltd. in Australia is acquired.<div></div><ul style="list-style-type: none">●2015 The Dubai Representative Office opens.●2016 Gastar Co., Ltd. becomes a consolidated subsidiary.<div></div><ul style="list-style-type: none">●2018 The East Japan Logistics Center opens.●2019 Our brand promise is established and the Rinnai logo is updated.●2020 Information Security Management System (ISMS) certification is acquired.●2020 Rinnai wins the “Excellence Award” at the Environmental Persons Development Awards.<div></div><ul style="list-style-type: none">●2021 Rinnai America acquired Industrias MASS S.A. de C.V. (Mexico)●2021 Announced the Rinnai Group Path to Becoming Carbon-Neutral and Rinnai Innovation Manifesto 2050 (RIM 2050)●2022 Established the ESG Committee in April<div></div></div>			

Rinnai Group Profile



Corporate Data (As of March 31, 2022)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,484,416,754
Head office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802, Japan
Telephone	(From outside Japan): +81-52-361-8211
Number of employees	10,777 (consolidated), 3,605 (non-consolidated)
Number of Group companies	47 (domestic 12, overseas 35)



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

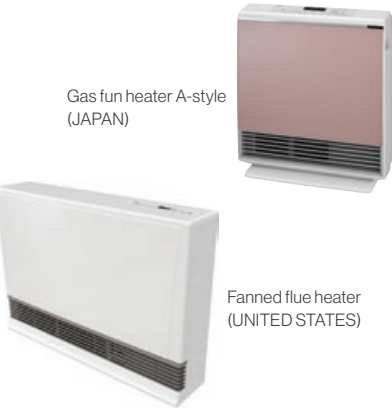


DELICIA built-in gas hob (stovetop) (JAPAN)

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)

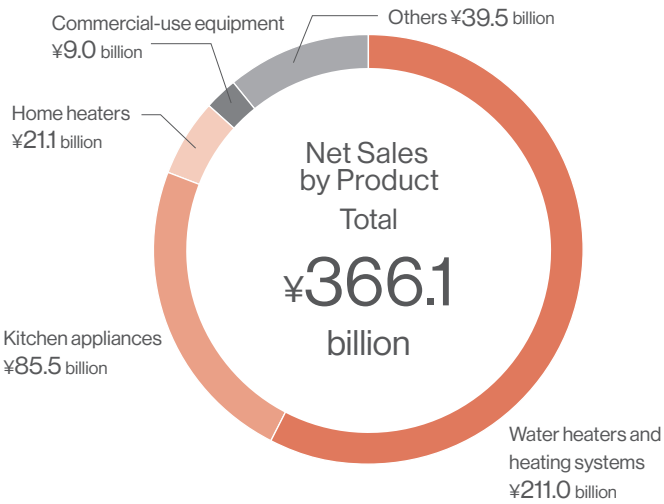
Commercial-Use Equipment, Others

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 2022)

Human capital	Employees ^{*1} :	10,777 people
	Employed (Rinnai non-consolidated) ^{*1} :	84 people
	Training and development expenses: (Rinnai non-consolidated) ^{*1}	¥98 million
Intellectual capital	Overseas trainees (Rinnai non-consolidated):	0 people
	Development headquarters staff: (Rinnai non-consolidated) ^{*1}	509 people
	R&D expenses (Rinnai non-consolidated):	¥8,186 million
	ISO 9001 certification acquisition: (number of companies) ^{*1}	17 companies
Financial capital	ISO 14001 certification acquisition: (number of companies) ^{*1}	15 companies
	ROE	6.9%
	ROIC	14.1%
Manufactured capital	Equity ratio	66.9%
	Rinnai Group production bases: (number of companies) ^{*1}	25 companies
	Production group staff (Rinnai non-consolidated) ^{*1} :	1,559 people
Natural capital	Capital expenditure (Rinnai non-consolidated):	¥10,704 million
	Input energy:	1,133,492 GJ
	Water used: Ground water:	234,501 m³
Social and relationship capital	Public water:	551,311 m³
	Rinnai brand, external evaluations, stakeholder engagement, Rinnai Group Code of Ethics	

^{*1} As of March 31, 2022

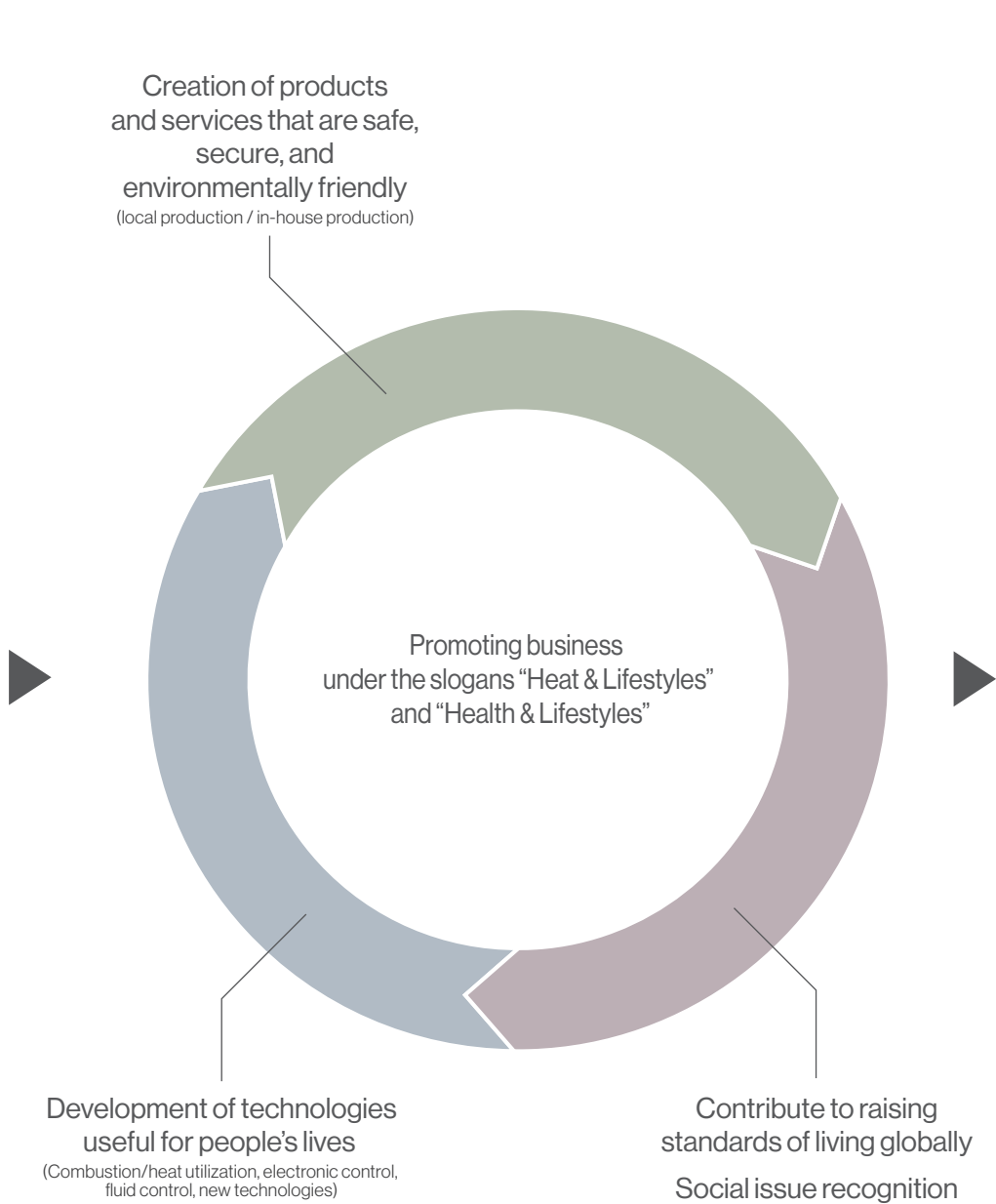
Risks

[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] Expand use of natural gas and hydrogen
[Overseas] Improving living standards
Progress in evaluation of corporate ESG initiatives

Business Activities



Value Provided

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

Fiscal 2022 Achievements

Consolidated net sales	¥366,185 million
Operating income	¥35,864 million
Operating income ratio	9.8%
Net income attributable to owners of the parent company	¥23,748 million
Net assets (equity ratio)	¥378,856 million (66.9%)
Dividend per share (annual)	¥140
Products contributing to improved quality of life	
Sales	Approx. ¥99,000 million
Products that benefit the global environment	
Sales	Approx. ¥140,000 million
Amount contributed to reducing CO ₂ emissions [*]	5.15 million tons
Announcements of product recalls due to defects:	0 case

^{*} Consolidated basis



Achieve sustainable growth as a company of choice by working to “improve the quality of life” and to “help resolve global environmental problems” through our products

President **Hiroyasu Naito**

Record Sales, but Resolution of Production Delays Bearing Close Watching

Fiscal 2022, the fiscal year ended March 31, 2022, was marked by great volatility around the world as economies began to normalize following the contraction caused by the COVID-19 pandemic. The Rinnai Group continued to post impressively strong sales in the first half of the year, buoyed by a global recovery in demand. Subsequently, however, new waves of the pandemic in some countries and regions led to restrictions on economic activities while at the same time geopolitical risks heightened. This manifested events far exceeding expectations, including a tightening of parts procurement, particularly for semiconductors and electronic components; disruptions in overseas transportation; and soaring energy, raw material and logistics costs, causing substantial slowdowns in production and supply chains.

As a result, net sales for fiscal 2022 were ¥366,185 million (up 6.3% year on year), operating income was ¥35,864 million (down 11.9%), ordinary income was ¥39,060 million (down 7.9%), and net income attributable to owners of the parent company was ¥23,748 million (down 13.9%). Net sales increased for the second consecutive fiscal year, reaching a record high, thanks to growth in overseas sales, especially in China and the United States, and a boost from the yen's depreciation against major currencies, despite a decline in domestic sales due to supply chain interruptions. However, the substantial impact of cost increases, including those for raw material and logistics, led to a fall in operating income. In fiscal 2023, we aim to quickly resolve supply delays and achieve record-high levels for both sales and profits.

Launching “New ERA 2025” While Responding to Changing Social Conditions

Fiscal 2022 was also the first year our new medium-term business plan called New ERA 2025. Although it was a year in which we were constantly called upon to respond to social conditions, we steadily pursued our business activities based on the three strategies of “Expansion of business scale,” and “Revolution of corporate structure” leading to “Advancements in addressing to social challenges.” I believe it was through these initiatives that we were able to achieve a new record high in net sales.

As society shifts to the new normal brought on by the pandemic and becomes more conscious than ever of health and work-life balance, Rinnai is contributing to “Improve the quality of life” with products that add value to conventional functions, thereby realizing “Advancements in addressing to social challenges.” For example, the gas clothes dryer *Kanta-kun* not only shortens housework time, but also finishes clothes with air heated to 80°C providing strong antibacterial properties that surpass those of electric clothes dryers. The *RBHM* series of hot-water bathroom heaters and dryers (launched in October 2021) can control mold growth with a mist, which also reduces the burden of

cleaning the bathroom. The *DELICIA* and *Lisse* (updated model launched in September 2021) built-in gas hobs (stovetops) are capable of automated cooking, so meals can be prepared while working from home or doing other household chores. These product lineups are designed to provide customers with healthy and comfortable lifestyles in line with the requirements of modern society.

Overseas, demand is active in China and the United States, which we have positioned as strategic markets in terms of “Expansion of business scale.” In the United States, the market for tankless hot-water heaters (instantaneous water heaters) is expanding. Orders have increased significantly due to growing recognition of the advantages of tankless products, which had not been widely accepted in the past, such as never running out of hot water, space saving, and being very environmentally friendly. We expect the market to continue to expand in the future. To expand production capacity and improve productivity, we have established a new factory in Griffin, Georgia, which began full-scale production in April 2022. We will aggressively promote sales in the United States to expand our market share.



Gas clothes dryer *Kanta-kun* helps shorten housework time



Lisse series compatible with recipe apps



The Griffin Factory of Rinnai America

Rinnai America acquired Industrias MASS S.A. de C.V. of Mexico in September 2021, and will actively expand its business in Latin America. In China, the impact of the zero-COVID policy has been significant, and although the future is uncertain, it is a rare market in the world where Internet sales are particularly prominent. At Shanghai Rinnai, we are working with two local companies that have strong e-commerce businesses, and sales have been rising steadily over the past few years. Our overseas strategy is to focus on expanding sales in growth markets, markets we have not yet entered, and emerging economies.

Yet we must be vigilant over the emergence of a variety of risks as we expand the scale of our business activities. Currently, in the midst of the pandemic and rising political and military tensions, many of the aforementioned risk events are occurring, forcing us to reevaluate our past thinking and approaches. As an example, until now we have purchased parts from a single domestic supplier that could procure them most inexpensively and efficiently, and have thus been able to make products while holding almost no inventory. This is no longer viable now and we are in the process of diversifying our procurement sources. In the future, we will shift to production activities in which parts are procured from multiple domestic and overseas companies and stocked to a certain degree.

Although procurement costs will increase, we believe this is an effective risk hedge that will help the sustainability of our business.

Promoting “Revolution of corporate structure” through investment in human resources is also essential to the attainment of New ERA 2025. I am proud to note that since I assumed the position of President, Rinnai has been able to make significant changes through continued solid management to transform the Company into one that can generate profits. On the other hand, we recognized through our internal engagement survey that a steady, sure-footed approach to management was not always a good motivator for employees. This is something we humbly accept and are currently reviewing in terms of the education and guidance of our personnel. As such, we are encouraging the revamping of educational programs in the departments to which employees belong as well as in the Human Resources Division. We will also invest intensively in the first 10 years of employment as a period of basic training. In addition to language skills and IT-related skills, we will ensure that all employees acquire specialized knowledge and skills in the work for which they are responsible. While capital investment is an essential investment for a company, the same applies to human capital, and we plan to invest more money in our talent than ever before.

Promoting Carbon Neutrality Throughout the Group

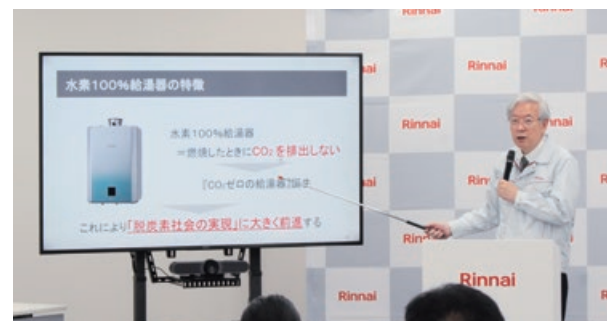
In November 2021, the Rinnai Group announced the Rinnai Innovation Manifesto 2050 (commonly known as RIM 2050), a policy to achieve carbon neutrality by 2050. Rinnai believes it is its duty to improve its environmental performance and expand the use of environmentally friendly products because the products it offers generate an overwhelming amount of CO₂ emissions during use throughout their lifecycle. We have already developed and marketed *Eco-Jozu*, a highly energy-efficient water heater, and *ECO ONE*, a gas-electric hybrid water heater with heating systems. In recent years, our efforts have been bolstered by growing support for such environmentally friendly products among customers, major gas companies, and government agencies. Rinnai's goal by 2030 is to sell 300,000 units of its *ECO ONE* water heaters, which reduce CO₂ emissions by approximately 50% compared to conventional models, and we feel that we are well on track toward achieving this goal. In overseas markets, the Rinnai Group will also focus on sales of tankless hot-water units with high thermal efficiency in the United States, shifting away from the storage tank-type heaters that are not very energy efficient but that currently account for more than 90% of the US market. We also promote carbon neutral initiatives that match the situation in each country on a Group-wide basis.

Another focus is on development, and Rinnai plans to invest a cumulative total of over ¥30 billion over the five years through fiscal 2026 in equipment that utilizes hydrogen fuel and heat pump equipment. Furthermore, major gas companies and other energy industry players are developing methanation and propanation. These are technologies attracting attention for their ability to artificially produce energy feedstocks. We expect that even if such new clean energy is commercialized, our products themselves can be produced without major specification changes.

Meanwhile, in manufacturing, we will switch to renewable energy facilities and non-fossil fuel facilities, and we also envision the introduction of green power.

Rinnai will invest to achieve carbon neutrality in development, manufacturing, and sales, and expects to invest a cumulative total of more than ¥50 billion over the five years to fiscal 2026. Until now, we have focused on investments that can be expected to yield a reliable return, but now that society is beginning to move toward new values, we believe it is necessary to take on the challenge of responding to society's needs by assuming risks and addressing them.

As one such initiative, we established an ESG Committee and made changes to tackle these issues as an organization. The ESG Committee, established in April 2022 and chaired by myself, will examine ESG-related measures, monitor the status of initiatives, report and make proposals at meetings of the Board of Directors and other meetings, and promote ESG activities throughout the Group. In addition, the Environment Division was realigned under the Corporate Planning Headquarters in April 2022. The latter has a section that examines Rinnai's medium- to long-term strategies while keeping abreast of social trends and demands. By moving the Environment Division to the same Corporate Planning Headquarters, we believe that these two departments can collaborate to steadily promote the realization of carbon neutrality.



Development of hydrogen combustion technology announced (May 2022)

Change to Management with Leeway to Ensure Future Growth

Although New ERA 2025 started in an uncertain environment, I am confident that we can achieve ¥450 billion in consolidated net sales and ¥50 billion in consolidated operating income by the final year of the plan. On the strengths of our diverse product lineup that enriches people's lives, we expect growth in several overseas markets, including the United States and China, and we recognize that the global movement toward carbon neutrality will also be a positive. Rinnai is currently focusing on branding, aiming to become the brand of choice even in these rapidly changing times. I would like to see Rinnai products be chosen from among many other products as "products that make life convenient and support healthy living, even if they are a little more expensive." We are continuing our efforts to promote understanding and instill Rinnai's values within the Company so that all employees can aim to create such products.

In the 16 years since being appointed President, I have always strived for steady and efficient management that earns solid returns with minimal risk-taking to place the highest priority on securing profits. However, we must change our mindset if we are to be a sustainable company in a society where measures of the past are no longer effective. To ensure future growth, Rinnai is committed to enhancing corporate value through management with the leeway to take appropriate risks. We also intend to deliver to our shareholders a total return ratio of 40% on average over the five-year period through fiscal 2026 through continued share buybacks and dividend increases, which we implemented in the first half of fiscal 2023. We look forward to your continued guidance and support.



ECO ONE X5 contributes to achieving carbon neutrality



Conceptual model of hydrogen water heater

New Medium-term Business Plan (2021–2025)

New ERA 2025

New Expansion, Revolution and Advancement

In fiscal 2022, Rinnai launched the New ERA 2025 five-year medium-term business plan. 2021 was the 101st year since our founding, the start of a new era in which we will achieve Advancement in addressing social challenges through Expansion of business scale and Revolution of corporate structure.

Brand Promise

Creating a healthier way of living

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

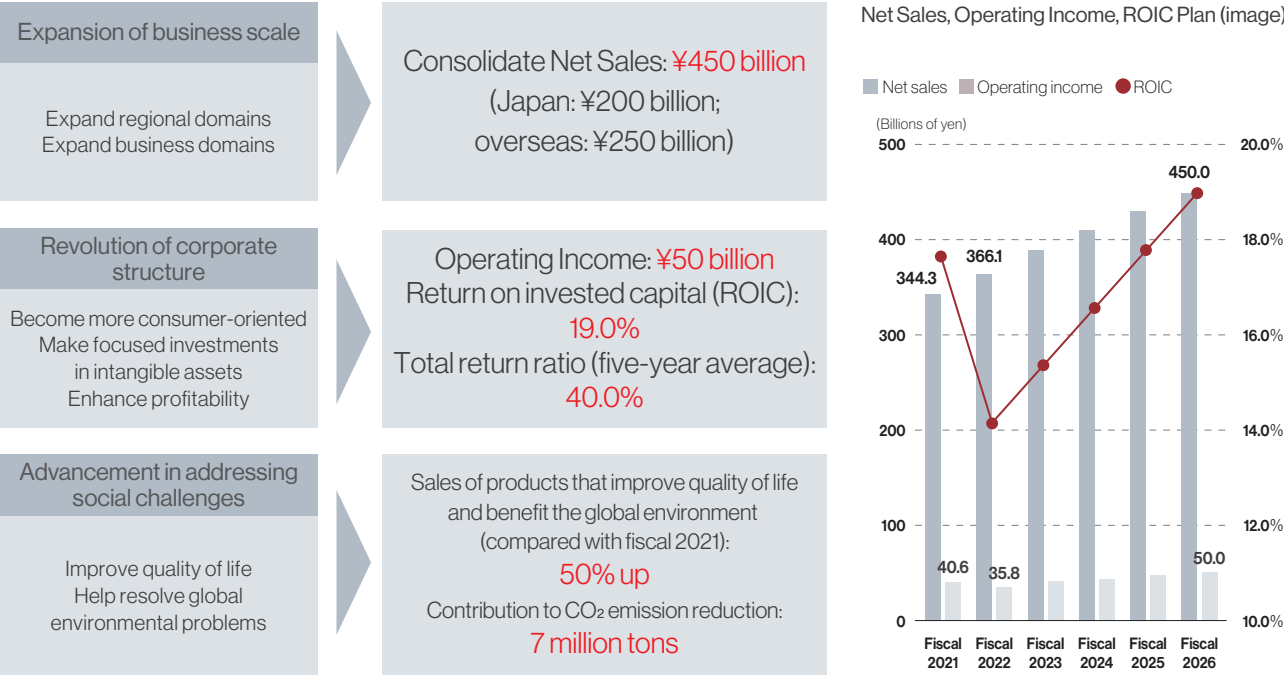
Revolution of corporate structure

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



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” “health and lifestyles” and achieve a sustainable, steady, long term growth.

Medium-term Business Plan New ERA 2025 Targets



Risk Factors and Responses in Fiscal 2022
(Management of Newly Identified Risks)

In fiscal 2022, insufficient product supplies and rising costs inconvenienced many people. Rinnai will analyze contributing factors and take resolute measures to ensure the stable delivery of products to customers.

Product Supply Delays

	Component procurement difficulties	Marine transport disruptions
Causes	From September 2021, Rinnai had difficulty procuring wire harnesses, microcomputers and other components, with supply delays affecting many products	Unreliable container shipping due to global increase in logistics activities
Response	Increased product and component inventories. Diversified procurement routes, including ordering the same components from several different companies Component standardization designs	Utilized multiple transportation routes, developed new transportation routes

Rising Product and Component Costs

	Rising raw material and component costs	Rising logistics costs
Causes	Soaring copper and steel prices. Component costs, and electronic components in particular, also rose due to tight supply and demand	Container prices soared due to marine transport disruptions, exacerbated by rising crude oil prices and higher marine and ground freight rates
Response	Prices revised for portion unable to be absorbed through corporate efforts (implemented April 2022). Pursued further cost reductions through production design revisions and improvement activities	Created an export structure prioritizing product supply, reduced the number of containers used through improved loading efficiency, and established permanent local production systems

New ERA 2025 Medium-term Business Plan Progress

New ERA 2025 Medium-term Business Plan

Three Strategies Story

Advancement in addressing social issues

- Expanded lineup of products contributing to improved quality of life



Launched sales of ECO ONE X5, contributing to the realization of carbon neutrality (June 2022)



Launched sales of the Leggiero waterless cooking pot (February 2022)



Launched sales of the Lisse series, compatible with the Rinnai recipe app (September 2021)



Launched sales of bathroom heaters/dryers equipped with Mold Guard Mist (October 2021)

- Rinnai announced RIM 2050, its corporate policy for achieving carbon neutrality.

RIM 2050
Rinnai Innovation Manifesto 2050

Launched Company-wide measures targeting the reduction of CO₂ emissions to zero by 2050 (November 2021).

Expansion of business scale

- Expand business in the Americas



Acquired Industrias Mass, S.A. de C.V. (Mexico), comprising the core of expansion into Latin America (September 2021).



The Griffin Factory, constructed as a proprietary manufacturing facility in the United States, commenced mass production in April 2022.

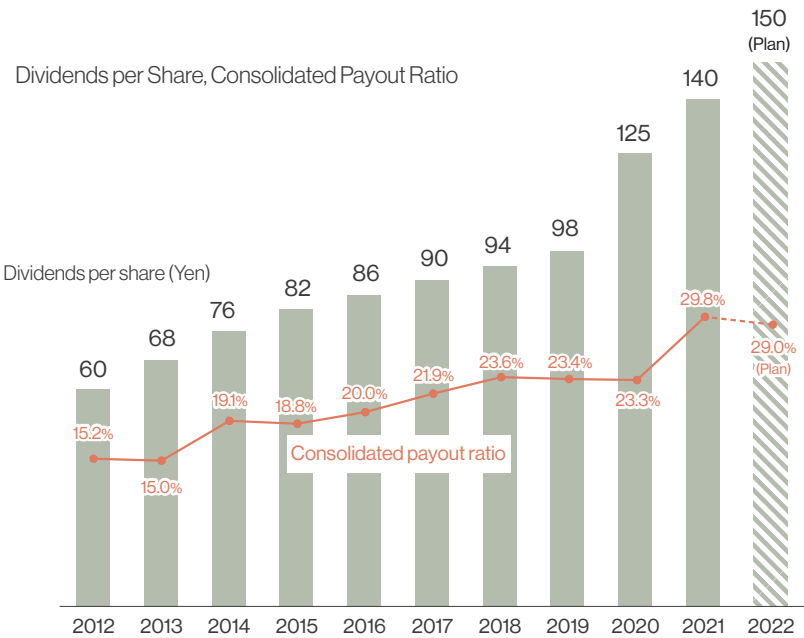
- Developed 100% hydrogen combustion technology



To realize carbon neutrality, Rinnai successfully developed 100% hydrogen combustion technology, and going forward, demonstration tests will be conducted to commercialize hydrogen water heaters. (announced May 2022)

Revolution of corporate structure

- Ongoing dividend increases and total return ratio improvements



In August 2021, Rinnai conducted share buybacks amounting to ¥17.4 billion. We will continue to engage in strategic share buybacks going forward.

New ERA 2025 Medium-term Business Plan

KPI Achievement Progress

Sales of products that improve quality of life (compared with fiscal 2021)

Fiscal 2021 actual	Fiscal 2022 actual	Fiscal 2026 plan
Approx. ¥80.0 billion	Approx. ¥99.0 billion (+26%)	+50%

Sales of products that benefit the global environment (compared with fiscal 2021)

Fiscal 2021 actual	Fiscal 2022 actual	Fiscal 2026 plan
Approx. ¥120.0 billion	Approx. ¥140.0 billion (+17%)	+50%

Consolidated net sales

Fiscal 2021 actual	Fiscal 2022 actual	Fiscal 2026 plan
¥344.3 billion	¥366.1 billion	¥450.0 billion

Domestic

Fiscal 2021 actual	Fiscal 2022 actual	Fiscal 2026 plan
¥175.8 billion	¥162.0 billion	¥200.0 billion

Overseas

Fiscal 2021 actual	Fiscal 2022 actual	Fiscal 2026 plan
¥168.4 billion	¥204.1 billion	¥250.0 billion

Operating income

Fiscal 2021 actual	Fiscal 2022 actual	Fiscal 2026 plan
¥40.6 billion	¥35.8 billion	¥50.0 billion

ROIC

Fiscal 2021 actual	Fiscal 2022 actual	Fiscal 2026 plan
17.6%	14.1%	19.0%

Total return ratio

Fiscal 2021 actual	Fiscal 2022 actual	Fiscal 2026 plan
—	102.7% ^{*fiscal 2022}	40% <small>(fiscal 2021-fiscal 2026 average)</small>

Message from the General Manager of the Overseas Business Headquarters

Accelerating Growth in Overseas Business through Support for the Autonomous Growth of Overseas Subsidiaries and the Development and Execution of Medium- to Long-term Group Strategies

Yoshihiko Takasu

Senior Executive Officer, General Manager of Overseas Business Headquarters



Robust Performance in 2021 Amid Lingering Challenges

In the Overseas Business in 2021 (January–December), sales and income growth were driven by the two major markets of the United States and China, where demand for daily necessities has risen sharply due to the pandemic. From the second half of the year, it became difficult to procure parts for semiconductors, harnesses and other products in Japan and overseas, a challenge we have yet to overcome.

In the United States, the switchover from storage tank-type water heaters to tankless water heaters (instantaneous water heaters) is ongoing. In addition to offering low environmental impact and economic benefits, demand for renovations driven by the movement of people into the suburbs due to the pandemic and rising prices of storage tank-type water heaters provided a tailwind to sales. In China, online sales of water heaters were strong. While the market is mature, Rinnai products are still recognized as a high quality, high value-added brand generating stable sales and income. Although Rinnai performance in both markets is robust, we believe it necessary to continue paying strict attention to social and economic trends, including rising interest rates in the United States and the Zero-COVID policy in China.

Growth Story in Key Strategic Markets

In addition to the fast-growing North American market, the gas equipment market is expected to expand in many Central and South American countries, which are attractive markets where Rinnai products and technologies can be utilized. Accordingly, we will also focus efforts on business in South America, formulating strategies for North and South America as The Americas. One step in this direction is the acquisition of Industrias MASS S.A. de C.V., a leading manufacturer of commercial water heaters in Mexico. We expect to be able to expand sales of commercial water heaters, as Industrias MASS has many distributors able to provide technical support and create synergistic effects with Rinnai water heaters.

In China, an affiliate e-commerce website has commenced the opening of physical stores in regional cities. As sales are brisk, we will focus on this area with the expectation of developing it as a new sales channel. We are also making efforts regarding the sale of kitchen appliances, which account for about 10% of Shanghai Rinnai sales, with potential to grow much further, amid demands from e-commerce websites to expand product lineups. In light of this, we are restructuring Shanghai Rinnai and strengthening the Kitchen Business.



New factory commences operations in anticipation of growing demand in the United States



Mexican water heater manufacturer acquired to expand into Central and South America (exhibition in Mexico)



Deploying hydrogen water heaters, one option for achieving carbon neutrality, in countries promoting hydrogen infrastructure



Hydrogen water heater demonstration tests launched in Australia (results announced June 2022)

Initiatives for Realizing Carbon Neutrality

To realize carbon neutrality in the Overseas Business, local subsidiaries are formulating strategies that consider decarbonization processes in each country based on the Rinnai Group policy RIM 2050. Going forward, we must develop products that do not depend on household appliances mainly powered by fossil fuels. This is especially critical in key regions where the Group does substantial business, such as Australia and California (US), where electrification efforts are well underway. To this end, we will closely monitor trends and respond appropriately. In this period of transition amid the restructuring of primary energy sources, to reduce risks and enable rapid responses, I believe the role of the Overseas Business Headquarters is to benchmark excellent products from around the world and examine trends among partner companies. Naturally, Rinnai will remain steadfast in its efforts to advance the development of technologies facilitating decarbonization. In May 2022, we announced the development of the world's first 100% hydrogen combustion technology for residential water heaters. Demonstration tests will begin around November 2022 in Australia, where efforts are being made to utilize hydrogen energy.

Focused on Maximizing Group Capabilities to Become a Company Sought by the World

In fiscal 2022, the Rinnai Group overseas sales ratio exceeded 55%, and we expect this share will continue increasing. Subsidiaries have grown thus far through autonomous management, and going forward, we will enhance subsidiary management with the addition of Rinnai Group strategies, providing value that cannot be created by individual subsidiaries alone, while maximizing Group capabilities. To this end, I believe a mechanism for executing strategies, the development of global human resources and visualization are critical. At present, we are restructuring these mechanisms and the development of global human resources in a Company-wide effort to achieve targets set forth in the New ERA 2025 Medium-term Management Plan. We are also making advances in terms of visualization through DX in an attempt to realize relevant and rapid business development. Further, we will establish a platform to share information on local subsidiaries (management visualization), tools for sharing product information, and a trading system (logistics visualization) facilitating smooth logistics and risk avoidance.

Overseas business will play an extremely important role in Rinnai's future growth, requiring us to work together as a Group and accelerate business. Despite the challenges involved in tackling new initiatives, we will promote enhanced overseas business operations to realize sustainable growth throughout the Rinnai Group.

Message from the President of an Overseas Subsidiary

With Growth Slowing in the Chinese Market,
Rinnai Will Focus on Core Businesses and Areas
with High Potential for Development to Realize
Sustainable Growth

Hayao Nishizawa
President of Shanghai Rinnai Co., Ltd.



Robust Performance Amid an Environment of Lingering Uncertainty

In 2021, the Chinese market rebounded from the slump caused by the pandemic in the previous year, with sales exceeding one million units when the export of core gas water heater products is included, resulting in total sales of more than three billion yuan and the achievement of all-time high sales and income. 2023 will mark the 30th anniversary of our expansion to Shanghai, where from the very beginning, Rinnai garnered a reputation for high-quality products that has contributed substantially to robust online sales. In China, hesitancy to make online purchases of products similar those handled by Rinnai has been declining in recent years amid the rising trend of inspecting actual products at mass retailers before purchasing them online through an e-commerce website.

Despite solid results in 2021, performance was greatly impacted in 2022 by pandemic countermeasure lockdowns in Shanghai beginning in March and lasting approximately two months. One of the two biggest e-commerce events in China takes place in June, making May a critical month for manufacturers in terms of production and sales promotions. Rinnai maintained intermittent production to the extent possible during these lockdowns, but we were not sufficiently prepared. As the effects of the Chinese government's Zero-COVID policy remains an unavoidable risk, we will continue to closely monitor these developments.

Growth Story in the Chinese Market

In the Chinese market, given the brisk online sales of water heaters, we will expand product lineups in 2022 by developing lower-cost products that deliver the same performance as existing products. Up to now, it has been difficult to build sales networks through distributors in regional towns and cities. Recently, e-commerce websites have begun opening physical stores in regional towns and cities. Rinnai started selling products at these stores, where sales have been extremely favorable since their launch in 2021. In regional towns and cities, physical e-commerce stores are a very promising sales channel that we want to focus on going forward.

We will also focus efforts on kitchen products, which account for less than 10% of Shanghai Rinnai sales, presenting an opportunity for further growth. Rinnai's partner e-commerce websites are also requesting we enhance our lineup of kitchen products, and in 2022, we will develop products with expanded functions. To this end, we restructured our organization and created the Strategic Planning Division in which a business unit was established to facilitate the integration of kitchen product development, from product planning to sales promotions. To compete against China's top kitchen product manufacturers, we will attempt to differentiate our products by incorporating sensor technologies facilitating safety and security accumulated by Rinnai over the years.



Shanghai Rinnai Co., Ltd.



Display inside a physical store operated by e-commerce website Tmall



Product display in the Shanghai Rinnai Experience Center

Initiatives for Realizing Carbon Neutrality

China has announced that it will reduce its ever-increasing carbon dioxide (CO₂) emissions by 2030 and achieve carbon neutrality by 2060, but it has not specified how this will be achieved. In China, once a government policy has been decided, everything moves in that direction all at once. Companies unable to respond can face massive losses, thus we must keep an eye on these trends. At present, Rinnai products are among the most energy-efficient and environmentally friendly products sold in China, hence we have confidence in that respect. In China, certain products require efficiency labeling (class 1–5) indicating energy efficiency and consumption. This includes gas appliances. Currently, only Class 1 products are acceptable for new construction in big cities such as Beijing, with the efficiency label becoming a guide for highly environmentally conscious consumers. While maintaining the strengths of our products, we will continue to closely monitor government policies and responses toward the realization of carbon neutrality from the fall of 2022 onward, further enhancing our product lineup.

Forward-looking Shanghai Rinnai Management Strategy

Rinnai expanded into Shanghai about 30 years ago, during which time Shanghai Rinnai has grown substantially along with the expanding Chinese market. However, for the past several years, growth in the Chinese market has been flat or increased only slightly, indicating that we cannot expect to see the same level of rapid growth going forward. Further, new market entries by companies in the same industry are on the rise, and despite Rinnai's strong business performance, the reality is we are being forced into intense competition. Looking ahead, we cannot expect further business growth from existing businesses in China, thus we want to explore new businesses. Up to now, subsidiaries have engaged in autonomous management based on free-thinking. Going forward, we must determine the ideal positioning for core businesses and the direction of the company from a long-term perspective while cooperating with the Head Office's Overseas Business Headquarters. In the future, I hope to play a role in developing the Rinnai Group by making choices that can be considered good decisions for Shanghai Rinnai.



Gas water heater

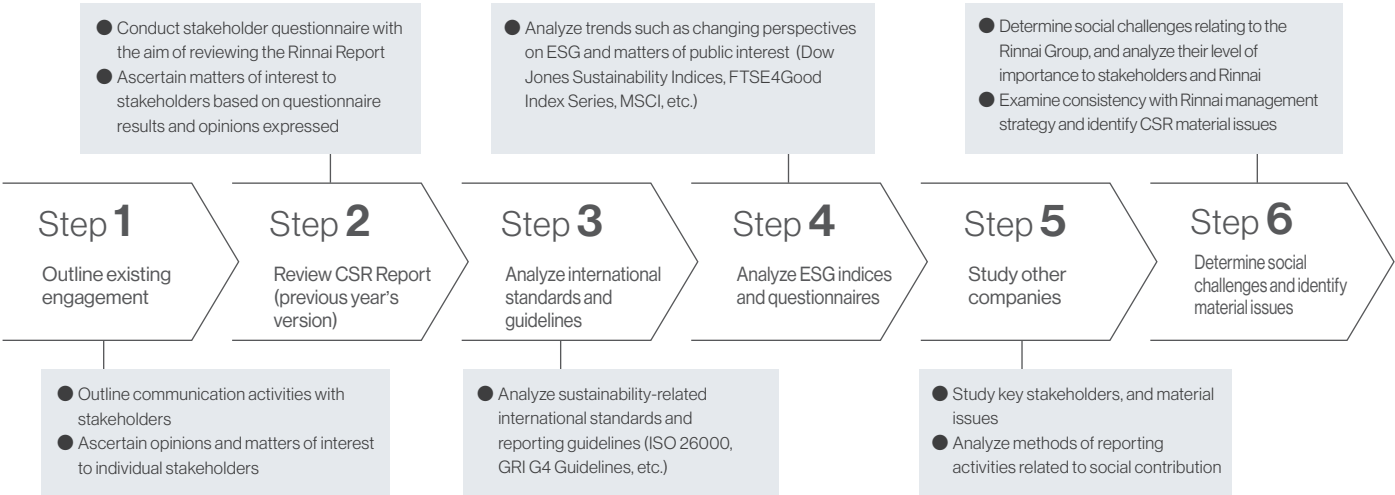


Built-in hob (stovetop)

Identifying Material Issues

We make every effort to identify social challenges affecting 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.

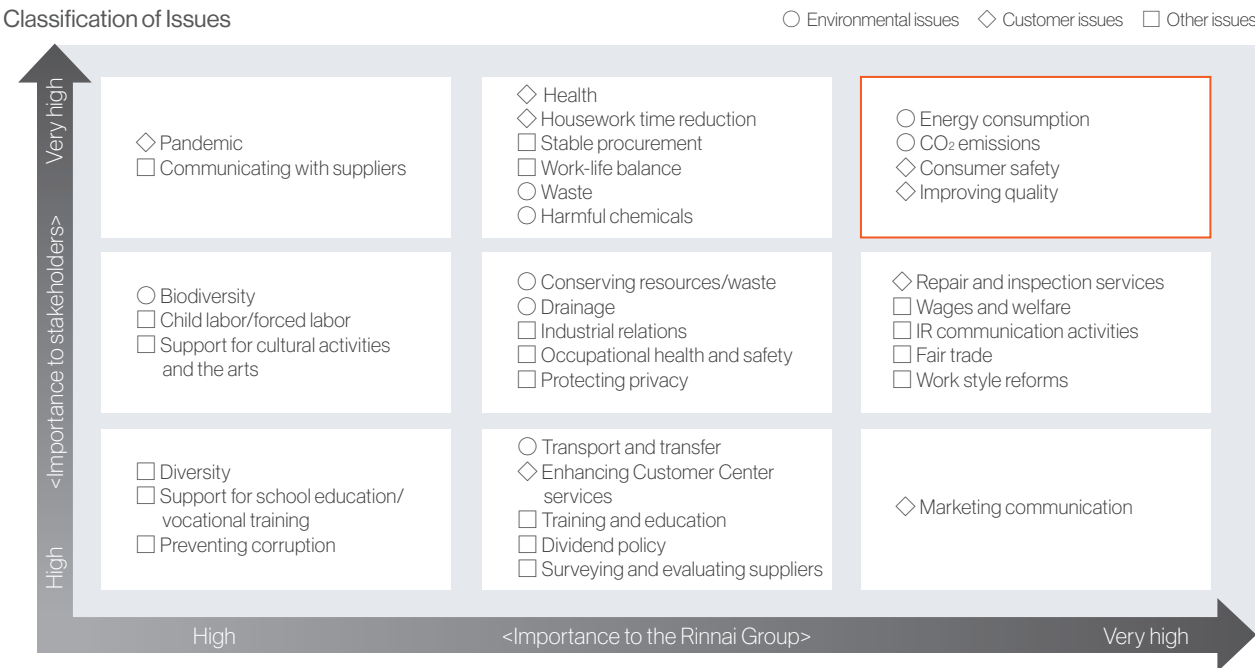
Identification Process



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

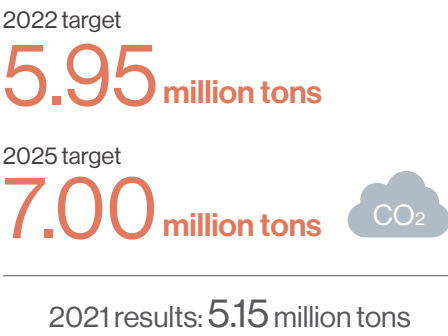
Energy consumption
CO₂ emissions

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 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 works 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 this focus.

The Sustainable Development Goals (SDGs)



SDGs Related to Rinnai

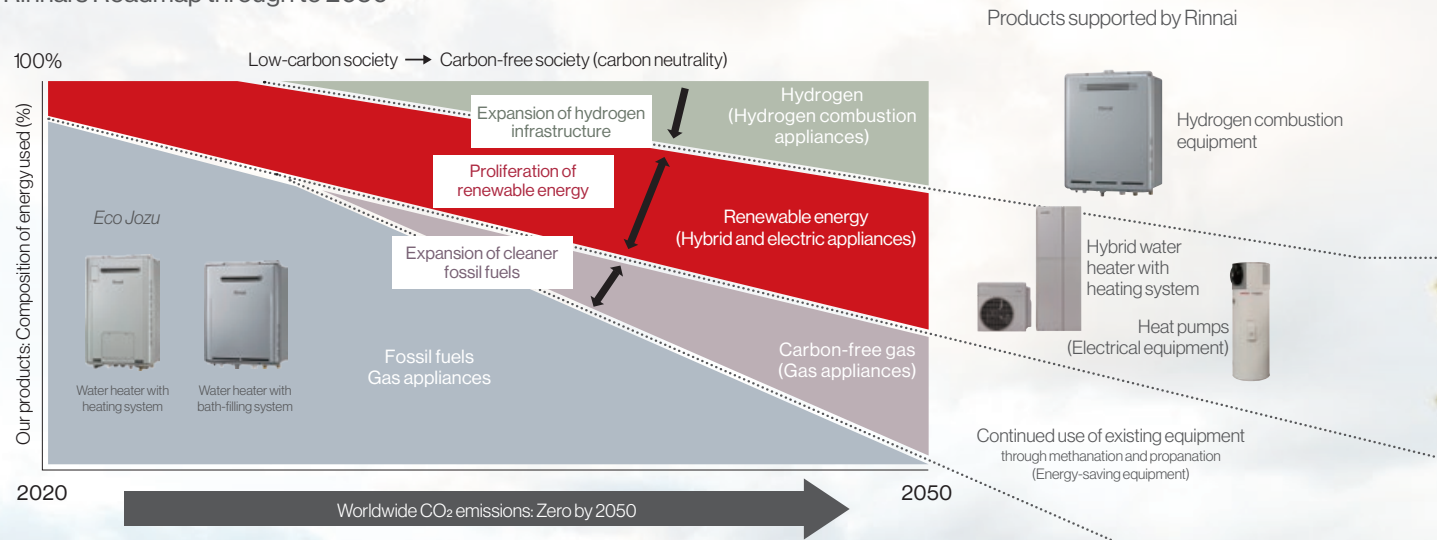
Goals	Contributions	Goals	Contributions
	Promoting health through the hot bath effect of bathing in microbubbles and the prevention of heat shock using bathroom heaters		Contributing to the global environment with more energy-efficient water heaters
	Equalizing housework burdens with time-saving products such as stoves equipped with an automatic cooking function, clothes dryers and dishwashers		Contributing to secure lifelines during natural disasters with hybrid water heaters
	Contributing to water resource conservation with dishwashers		Implementing climate change countermeasures through the spread of efficient water heaters

Environment

Rinnai Group's Path to Becoming Carbon-Neutral (announced November 2021)

RIM 2050 Rinnai Innovation Manifesto 2050

Rinnai's Roadmap through to 2050



We will continue to promote the *Eco Jozu* high-efficiency hot-water units currently sold in Japan, move toward a low-carbon society and respond with conventional products in line with trends in the fuel industry toward decarbonized gas (methanation and propanation).

Meanwhile, we will systemize hybrid water heaters, which are still being sold, to achieve net zero CO₂ emissions, establish technologies for combustion equipment compatible with hydrogen infrastructure, and create a structure that is in alignment with various external environments.

Life cycle of Rinnai products



CO₂ Emissions Targets

	2020	2030	2050	2020	2030	2050
Domestic	30,000 t/CO ₂	15,000 t/CO ₂	Zero	16.8 million t/CO ₂	12.6 million t/CO ₂	Zero
Global	100,000 t/CO ₂	50,000 t/CO ₂	Zero	45 million t/CO ₂	—	Zero

(Figures of overseas products are rough estimates.)

In the life cycle of Rinnai products, approximately 95% of CO₂ is emitted during product use, and Rinnai recognizes that it must develop products that achieve low carbon and decarbonization because of their large environmental impact.

In Japan and overseas, we will promote environmental contribution activities with the goal of achieving zero CO₂ emissions by 2050.

Development of technology for 100% hydrogen combustion and development of hydrogen equipment



Concept model of hydrogen water heater

Rinnai has succeeded in developing 100% hydrogen combustion technology for residential hot water heaters. Hydrogen is in demand as a clean fuel with zero CO₂ emissions. The risk of explosion and uneven combustion, which had been considered problems, have been cleared and successfully developed by making full use of the combustion and fluid control technologies that Rinnai has long accumulated in the development of gas appliances.

We plan to conduct demonstration tests for the commercialization of hydrogen water heaters in Australia, where the realization of a hydrogen society is in progress. We will develop products and technologies in line with energy policies and infrastructure expansion in countries around the world.

"Hydrogen House" planned for demonstration in Australia

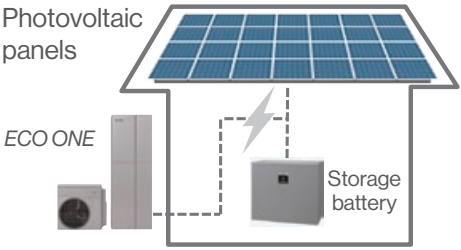


Widespread use of high-efficiency water heaters and systems using renewable energy sources

We aim to sell 300,000 units of *ECO ONE* hybrid water heaters annually by 2030.



Energy management systems combining solar power generation, storage batteries, and *ECO ONE* will contribute to decarbonization.



Main investments aimed at achieving carbon neutrality

Projected investment (5-year cumulative)

Product development	Expansion of Innovation Center Investment in hydrogen combustion equipment, heat pump equipment and other next-generation technologies	¥30 billion or more
Manufacturing	Switch to renewable energy and non-fossil-fuel facilities Switch to green power	¥15 billion or more
Sales	<i>ECO ONE</i> sales promotion (Japan) Spread of energy-saving water heaters (global)	¥5 billion or more

We plan to invest ¥50 billion or more in carbon neutrality over a cumulative five-year period.

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). 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 reports on environmental issues to management through the Risk Management Committee, ESG Committee, and Environmental Management Committee. The ESG Committee has an ESG Working Group to handle day-to-day improvement activities. In addition, Rinnai is promoting initiatives related to risks and opportunities associated with climate change and reporting to management through the operation of ISO 14001 with the Environmental Management Committee as the secretariat.



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 according to 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" and "sales target for environmentally friendly products" as its main target indicators.

Strategy

As a company that handles heating equipment, we understand that climate change is an important issue, and we assume that climate change will have an impact on Rinnai's business. We are also considering what actions are necessary to address the changes ahead and what the financial impact could potentially be.

		Impact on Rinnai		Rinnai's response or impact on Rinnai.	Profit Impact (Amount/Duration)	Degree of urgency
		2°C scenario* (What Rinnai will do to keep the increase in temperature below 2°C)	4°C scenario* (Impact on Rinnai if the temperature rises by 4°C)			
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.	—	Convert to recyclable materials	¥(11.0) billion/year	Small
				Reduce procurement costs through independent efforts	¥(1.0) billion/year	Small
	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.	—	Develop water heaters able to restrict the amount of water used.	¥(0.5) billion/5 years	Small
	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."	—	Ascertain changing conditions related to energy while developing and establishing technologies focused on essential products.	¥(5.0) billion/year	Medium
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).	Enhance response capabilities with business continuity planning (BCP), including decentralized materials procurement sources and production bases.	¥(0.4) billion/year	Medium
	Risk of increased operating costs	—	Risk that air conditioning and cooling equipment operating costs will increase due to a rise in average temperatures.	Promote the introduction of residential power generation through sustainable energy and other measures.	¥(5.7) billion/5 years	Small
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.	—	Promote the expansion of product lineups and sales of more efficient energy-saving water heaters.	¥6.0 billion/year	Medium
	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.	—	Target areas where environmental regulations have not yet tightened, expanding the adoption of products corresponding to usage environments in those areas.	¥6.0 billion/year	Medium

* 2°C and 4°C scenarios
Scenarios used in the Fifth Assessment Report (released in 2014) of the Intergovernmental Panel on Climate Change (IPCC), which estimates the impacts of approximate 2°C and 4°C temperature increases due to global warming.

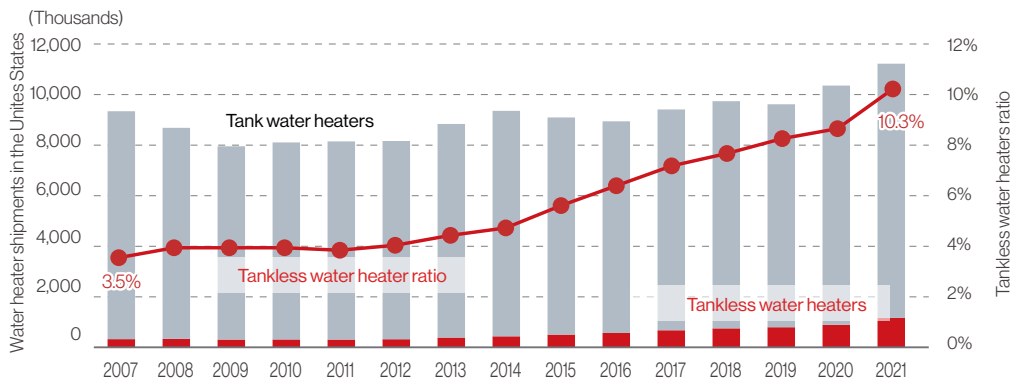
Global Deployment of Rinnai Group Water Heaters

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

Water heater shipments in the US market



Source: Compiled by Rinnai from US Air Conditioning, Heating, and Refrigeration Institute (AHRI) statistics

Of the approximately 10 million units shipped annually in the US water heater market, more than 90% are tank-type units with low thermal efficiency. However, there is a gradual shift to tankless water heaters with high thermal efficiency. Rinnai America is reducing the impact on the global environment by promoting the widespread use of efficient tankless water heaters.



Assembly line at Griffin Factory

In April 2022, mass production of tankless water heaters began at Rinnai America's Griffin Factory. This will be the first Rinnai America plant to operate as a company-owned local production facility. Previously, Rinnai America operated from a leased plant in the same city of Griffin and a warehouse in Peachtree City, but now the new Griffin Factory has assembly and warehouse wings that consolidate the functions of the other facilities. We will strive to further promote the use of tankless water heaters by boosting local production capacity.



Scene from factory employee training

Initiatives at Shanghai Rinnai (China)

In China, sales of gas water heaters and gas boilers with high environmental performance and convenience are increasing due to the improved standard of living, which makes it easier for more people to purchase convenient equipment, and an expanding gas pipeline network to achieve a low-carbon society. Compared to coal-fueled boilers and tank-type boilers that store water and boil water, gas water heaters are highly efficient and can contribute to the environment. Shanghai Rinnai aims to reduce environmental impact by promoting their widespread use.

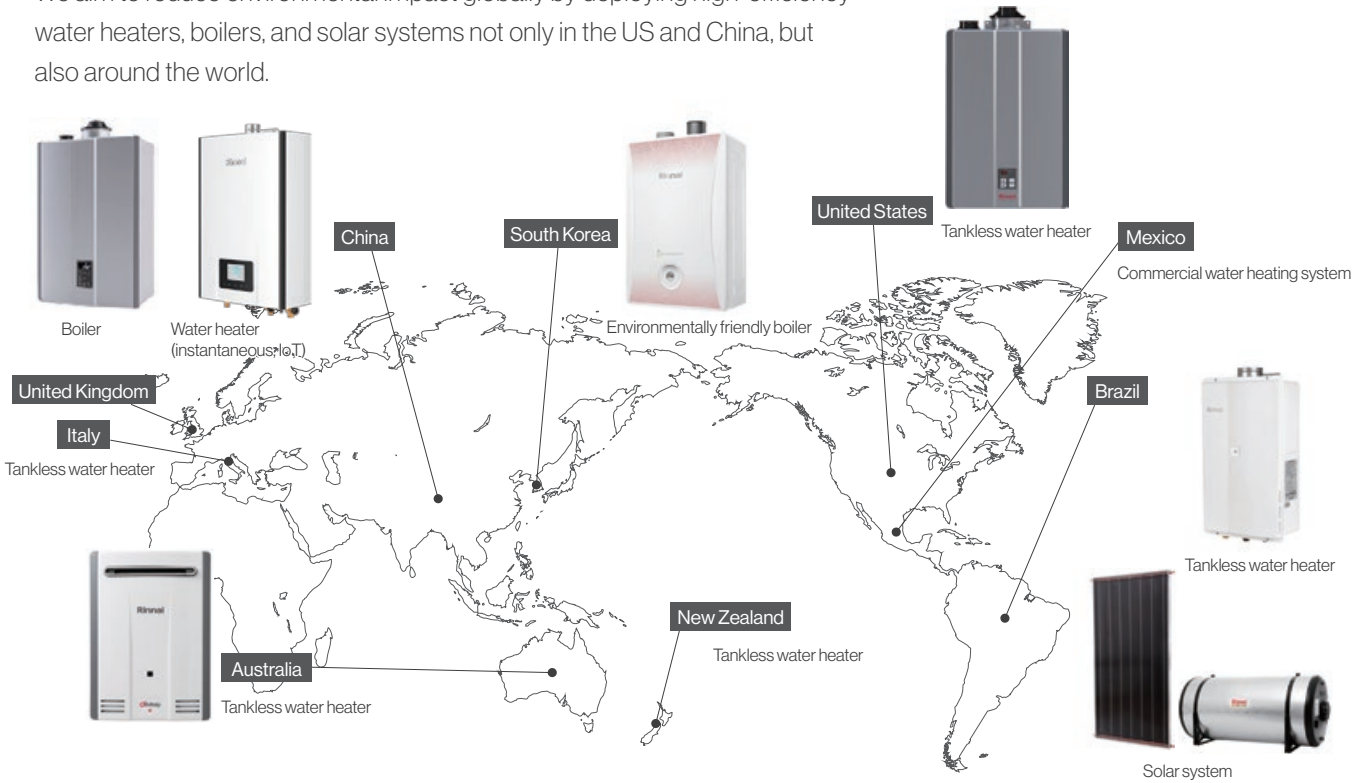
As consumer behavior is changing in China, an increasing percentage of water heaters are being purchased on line. While expanding its internet sales channels, the company is also leveraging Rinnai's brand image of high quality and performance to increase sales. In addition, in preparation for increased local demand, the company plans to expand its production factory located in Fengxian District of Shanghai, with the aim of spreading the use of environmentally friendly products.



Image of factory expansion at Shanghai Rinnai

Global development of products that contribute to the environment

We aim to reduce environmental impact globally by deploying high-efficiency water heaters, boilers, and solar systems not only in the US and China, but also around the world.



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] Development/manufacturing: Rinnai Corporation and consolidated subsidiaries
Procurement, sales/logistics/services, product usage/end of life treatment: Rinnai Corporation
[Target period] Domestic: Fiscal 2022 (April 2021–End of March 2022)
Overseas: January 2021–End of December 2021
[CO₂ emissions (units)]: t/CO₂e, (%) represents the emissions ratio within each process.

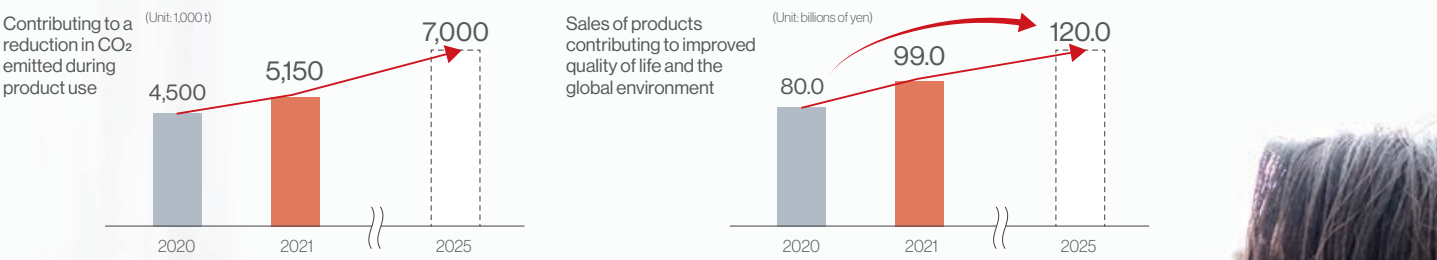
The indicators marked  have received third-party assurance by LRQA Limited.

Links between Corporate Strategy and the Realization of a Sustainable Society (SDGs)

Medium-term Business Plan 2021–2025 New ERA 2025 Targets














Under the Rinnai medium-term business plan New ERA 2025, which runs from fiscal 2022 to fiscal 2026, we aim to contribute to the resolution of social issues by reducing CO₂ emitted during product use by seven million tons and increasing the sales ratio of products that contribute to improved quality of life and the global environment by 50% in 2025 (compared to 2020). Rinnai will make an effort to achieve the SDGs through products that contribute to improved quality of life and the global environment.

As the products Rinnai provides are directly linked to the SDGs, we believe that the ongoing spread and expansion of our products will lead to the resolution of social issues. As an example, replacing water heaters with highly energy-efficient water heaters reduces burdens on the global environment, creating a world in which gas clothes dryers, dishwashers and stoves with an automatic cooking function are widely used, equalizing the role of housework and advancing the movement toward gender equality.



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Products provided by Rinnai and their connection to the SDGs

Product names	Themes	Contributions	Goals
Hybrid water heaters	Energy-efficiency	Higher energy-efficient water heaters contribute to the global environment	 
	Resilience	Gas-electric hybrids contribute to the securing of lifelines during emergencies	
Micro Bubble Bath units	Health promotion	The hot bath effect from bathing in ultrafine air bubbles contributes to healthy lifestyles	
Gas clothes dryers	Reduces time required for housework	Powerful gas drying shortens time spent doing laundry, contributes to reducing housework burdens	
Dishwashers	Reduced water usage	Conserves water when washing dishes, contributes to the conservation of water resources	
	Reduces time required for housework	Automated dishwashing contributes to reducing housework burdens	
Stoves with automatic cooking functions	Reduces time required for housework	Automated cooking contributes to reducing housework burdens	
Bathroom heaters/dryers	Prevents heat shock	Bathroom heating eliminates temperature differences when bathing, contributes to the prevention of heat shock	
Gas tankless water heaters	Energy-efficiency	Enhancing the energy efficiency of water heaters contributes to the global environment	 
Gas boilers	Air pollution countermeasures	Switching fuel from coal to gas in water heaters with heating systems contributes to the control of air pollution	 

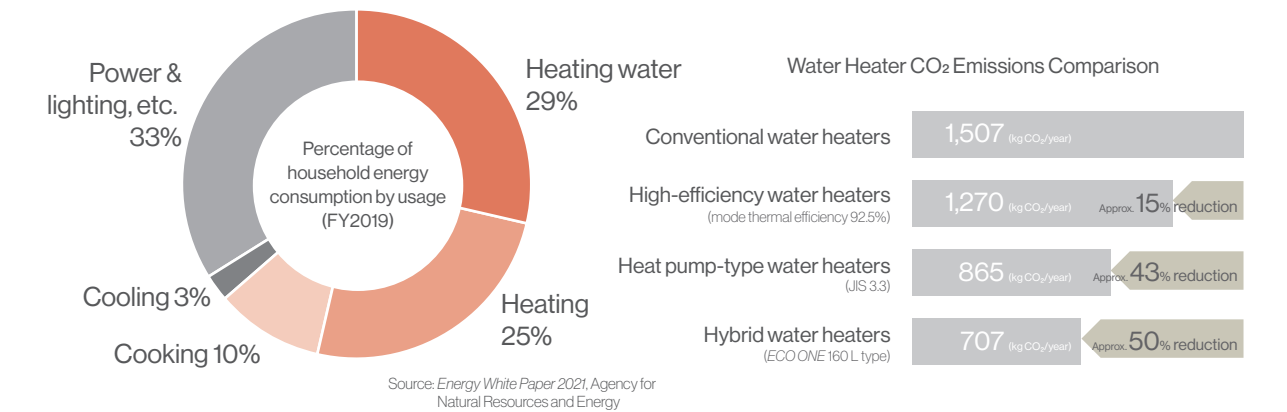
Contributing to the Global Environment by Enhancing the Energy Efficiency of Water Heaters



In Japanese households, the combination of hot water and heating account for about 60% of energy consumption. Further, when looking at the water heater product lifecycle, the largest amount of CO₂ is emitted during the usage stage.

In water heaters with heating systems that provide both hot water and heat, Rinnai's hybrid water heaters ingeniously combine gas and electricity to provide hot water and heat. As a results, CO₂ emissions are reduced to half that of conventional water heaters, contributing to the conservation of the global environment.


By expanding the use of environment-friendly products, Rinnai aims to achieve a seven-million-ton reduction in CO₂ by 2025.




Contributing to the Securing of Lifelines During Emergencies with Gas-electric Hybrid Water Heaters



As awareness of disasters increases year by year, seismic performance ratings and earthquake-resistant architecture and construction methods are attracting greater attention than ever before. However, regardless of the degree to which a home is earthquake-resistant, if electricity, gas, water and other lifelines are cut, life will be very inconvenient until services are restored. As preparation for emergencies, the use of hybrid water heaters providing both gas and electricity disperse risks and facilitate the use of hot water, even when lifelines are limited.



Electricity
(Heat pumps)




Gas
(High-efficiency water heaters)

Highly efficient and energy-saving

It boosts the efficiency of electrical energy by using hot air.

Powerful and speedy

It packs a punch and shows its power when lots of hot water is used or when hot water is used for heating.



Hybrid water heaters

Contributing to Healthy Lifestyles through the Hot Bath Effect from Bathing in Ultrafine Air Bubbles



The Micro Bubble Bath unit sprays ultrafine air bubbles (microbubbles) into the bathtub. Microbubbles permeate skin and pores to provide various benefits such as cleansing that removes dirt from the skin, the hot bath effect and relaxation. Rinnai will enhance the merits of bathing and contribute to human health and spiritually rich lifestyles.

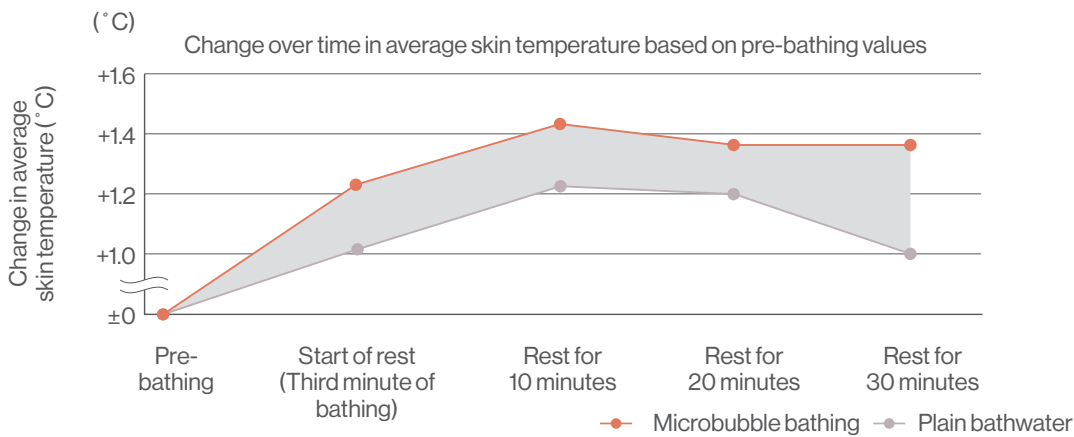
What are microbubbles?

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



Microbubble bath unit

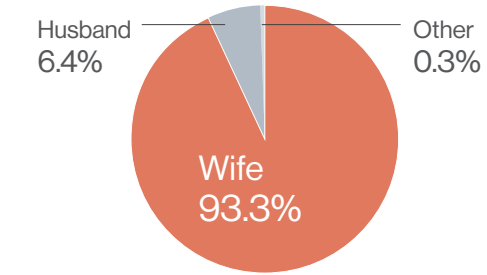
Contributing to Reductions in Housework Burdens with Powerful Gas Drying that Shortens Time Spent Doing Laundry



Gas clothes dryers use gas-heated air to dry clothing straightaway. This shortens time spent doing laundry and makes bath towels soft and fluffy. It also provides the same level of sterilization as line drying in the sun. Powerful gas-drying shortens the time required to perform daily housework, facilitating more relaxed lifestyles. Rinnai aims to achieve gender equality both in terms of housework burdens and lifestyle freedom.

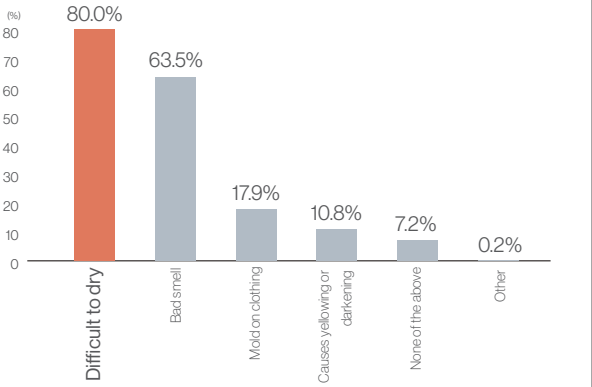
Rinnai conducts surveys and analysis on various social issues, disseminating information through the *Netsu to Kurashi Tsushin* (Heat & Life Newsletter).

In a questionnaire asking, "Who does the daily laundry in your house?" 93% of households responded "wife."



Awareness Survey on Laundry, *Netsu to Kurashi Tsushin*, May 2019; N = 534

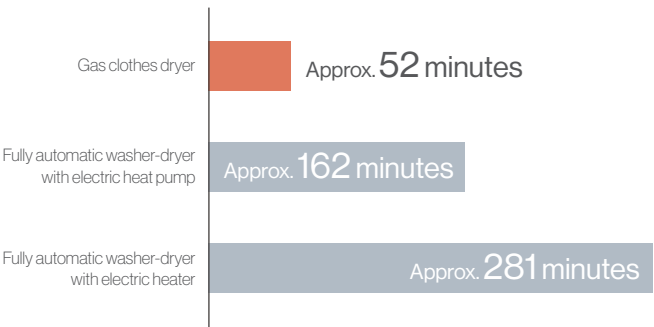
In a questionnaire asking, "What are your concerns regarding doing laundry during the rainy season?" 80% of households responded "difficult to dry."



Awareness Survey on Laundry, *Netsu to Kurashi Tsushin*, May 2021; N = 1,000

Powerful gas clothes dryers can dry an ample five kilograms of laundry in approximately 52 minutes. Drying laundry in about one-third the time required with electric dryers significantly reduces time spent on housework.

Drying time comparison (laundry = 5 kg)

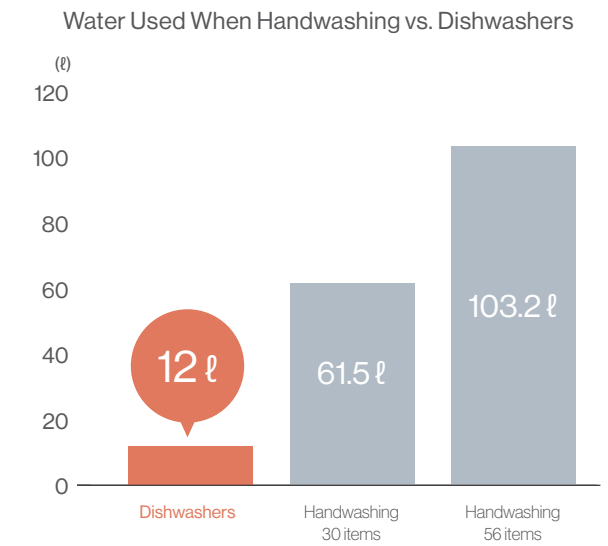


Gas clothes dryer

Contributing to the Conservation of Water Resources by Conserving Water when Washing Dishes



Using a dishwasher to wash dishes uses approximately 80–90% of water used when washing by hand. The amount of detergent used is also reduced about 50–60%, contributing to resource conservation and reduced water pollution.

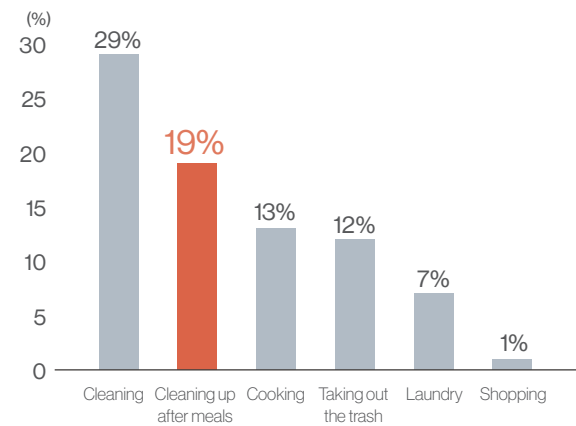


Contributing to Reduced Housework Burdens with Automated Dishwashers



Cleaning up is an inevitable part of everyday meals, and the larger a family, the more time and effort are required. Dishwashers are an effective means of reducing time and effort, facilitating more free time spent with family. By shortening the time required to perform daily housework and facilitating more relaxed lifestyles, Rinnai aims to achieve gender equality both in terms of housework burdens and lifestyle freedoms.

In a questionnaire asking, “Choose the household chore you dislike the most,” cleaning up after meals ranked in second place.



Awareness Survey on Dual Incomes, *Netsu to Kurashi Tsushin*, May 2018; N = 100



Dishwasher

Contributing to Reduced Housework Burden with Automated Cooking




Stoves with automated cooking functions automatically prepare food when pre-prepped ingredients are added and a menu selection is made. In addition to reducing the time and effort required to cook, a full range of recipes reduces time spent worrying about menus. Even difficult recipes can be prepared deliciously in a short time by anyone, enabling users to enjoy meals and family gatherings.



Stove with automated cooking function



Waterless Cooking Pots Also Compatible with Automated Cooking and Recipe App



Waterless cooking pots

In recent years, high-performance cooking pots compatible with anhydrous cooking and automated cooking have been garnering attention amid increasing demands for easier and faster cooking methods. In response, we developed proprietary waterless cooking pots compatible with Rinnai stoves equipped with an automatic cooking function. These pots are made from aluminum, making them lightweight and easy to use, with durability comparable to conventional cast iron pots.

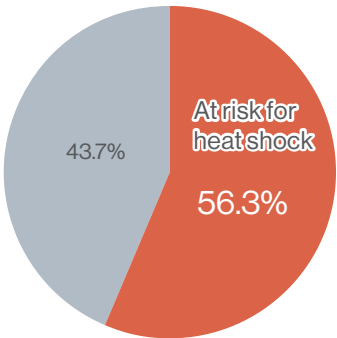
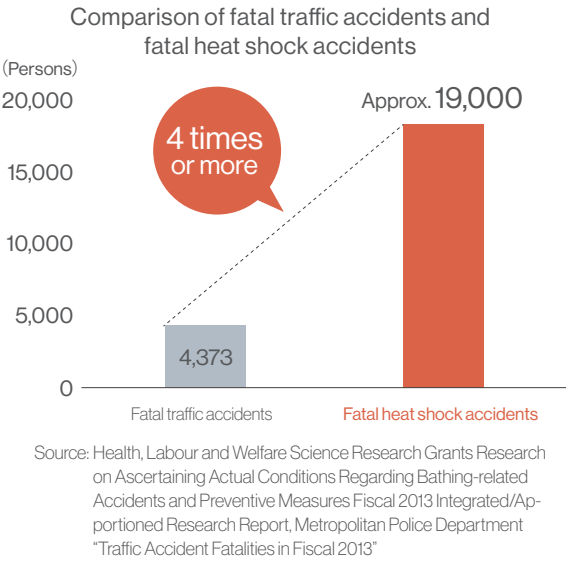
We design cooking utensils and engage in product development and manufacturing enabling anyone to easily prepare delicious food every day.



Contributing to the Prevention of Heat Shock with Bathroom Heating that Eliminates Temperature Differences when Bathing



The number of deaths from heat shock accidents while bathing is increasing year by year. Heat shock is a life-threatening phenomenon in which sudden temperature changes, such as occur when bathing during winter, place a heavy load on the heart and brain. The use of bathroom heaters/dryers eliminates these temperature differences when bathing, supporting a comfortable and safe lifestyle.



Rinnai Heat Shock Risk Confirmation Test conducted in December 2021; N = 2,350

According to a *Netsu to Kurashi Tsushin* survey, about 60% of Japanese were determined to be at risk for heat shock in a test that measures the degree of risk for heat shock.

Bathroom heater/dryers warm the bathroom to prevent heat shock, while also functioning as a dryer in winter when wet clothing is difficult to dry, capable of drying two kilograms of laundry in about 60 minutes.

Using the Mold Guard Mist function on bathroom heaters/dryers once every two weeks can reduce the growth of mold in the bathroom by 99.9%. This maintains cleanliness while reducing the burden of bothersome bathtub cleaning, contributing to the reduction of housework burdens.



Bathroom heaters/dryers



Intellectual Capital Supporting Rinnai Growth

Based on the themes of heat and life and health and life, Rinnai R&D aims to provide society with safe, secure, healthy and comfortable lifestyles. To this end, we are enhancing product safety and promoting the R&D of high added value environmentally conscious heating equipment through the pursuit of energy and resource conservation, recycling and other efforts so that everyone can use Rinnai products centered on electronics, control technologies, combustion, fluid control and sensor technologies with peace of mind, facilitating the proposal of healthy, comfortable lifestyles.

Intellectual Capital Key Data

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of patent applications	286	217	203	223	190
Number of registered patents	104	101	170	178	229
Number of patents held	2,374	2,328	2,300	2,358	2,406
R&D expenses (millions of yen)	9,918	9,503	9,308	11,802	12,762

Rinnai Technologies Supporting Comfortable Lifestyles and Society

Preventing Fires with Sensor Technologies

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.



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



Gas stoves with sensors (China)



Hydrogen Combustion Technologies Contributing to the Realization of Carbon Neutrality

Rinnai successfully developed the world's first 100% hydrogen combustion technology for residential water heaters. Rinnai has spent many years developing gas appliances, accumulating combustion and fluid control technologies facilitating the successful development of water heaters powered by hydrogen, which is sought after as a clean fuel source with zero CO₂ emissions, eliminating problems associated with explosion risks and combustion stability.

Social

Human Capital

Increasing Employee Engagement

Rinnai began conducting an engagement survey in fiscal 2022 to visualize and continuously improve employee engagement. The latest survey, targeting approximately 4,000 employees, had a response rate of 95%. From the survey results, we identified large discrepancies in engagement between managers and non-managers, and a lack of mechanisms encouraging employee growth, as Company-wide issues.

To raise the positive response rate 15 points by fiscal 2026, we will share issues with management and the heads of each organization, take measures to address issues Company-wide and in each organization, and strengthen manager capabilities, among a variety of other improvement measures.

Positive response rates in the employee engagement survey

Targeting a **15-point increase** by fiscal 2026

Health Management 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 Personnel Affairs Division. The Personnel Affairs 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.

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.

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 2022 (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.



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 efforts to provide safe working environments, including concern for business partner employees, in addition to our own. 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." This information is also disclosed on the Rinnai corporate website.

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.

We make a checklist available on the Company intranet providing specific examples of harassment, including sexual harassment, power harassment, and harassment based on pregnancy, childbirth, childcare leave (maternal/paternal leave harassment) and nursing care leave, enabling employees to self-diagnose their own behaviors. Further, Rinnai provides newly assigned department managers with harassment education to reinforce its prevention.

In addition, as a preventive measure against maternal and paternal leave harassment, we have stipulated the prohibition of detrimental treatment in the rules of employment and internal regulations, which clearly state that employees who violate this will be subject to disciplinary actions based on the rules of employment.

Fair and Diversified Employment

View toward Employment

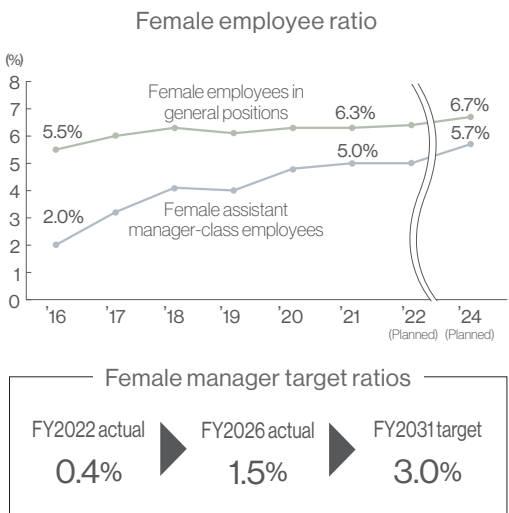
We respect the diversity of individuals and provide employees with various job opportunities and a working environment where they can demonstrate their various capabilities. The Rinnai Group Code of Ethics stipulates that “Any discriminatory act toward an individual based on gender, age, nationality 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.

Supporting the Promotion and Active Participation of Women

As many Rinnai products are used in everyday life, we believe it necessary that not only men, but also women occupy posts facilitating both perspectives in planning and proposals. To increase the ratio of female managers, which is one indicator of women's active participation, Rinnai must recruit and train women for career-track positions. To this end, we are beginning to see the results of efforts promoting the proactive hiring of female general employees, the development of assistant manager-class female employees, and the creation of comfortable working environments.

Although the current ratio of women in managerial positions is 0.4%, Rinnai will conduct initiatives and confirm the results of efforts focused on the recruitment and training of female general employees, raising this ratio to 1.5% by fiscal 2026 and 3.0% by fiscal 2031.



Occupational Health and Safety

Basic Policy on Safety and Hygiene

Rinnai formulated the Basic Policy on Safety and Hygiene to create workplaces where all Rinnai employees can work with peace of mind, as well as to maintain and promote health, with the aim of reducing workplace accidents.

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.

VOICE

Daily Diligence Enabling Better System Development

The section where I work develops systems used in factories. I am mainly in charge of systems related to procurement and production.

While there is an air of tension surrounding some systems involved with production line advances, the work is interesting and provides a sense of accomplishment when our systems are used on actual production sites and to realize operational improvements.

Further, in terms of workstyle, I have been working from home as a pandemic countermeasure, which provides me with a daily sense of fulfillment as this is a workstyle that suits me well. Going forward, I will maintain efforts to enhance my skills and diligently development even better systems.



Production Engineering Headquarters
Chihiro Akai

Promotion of Traffic Safety

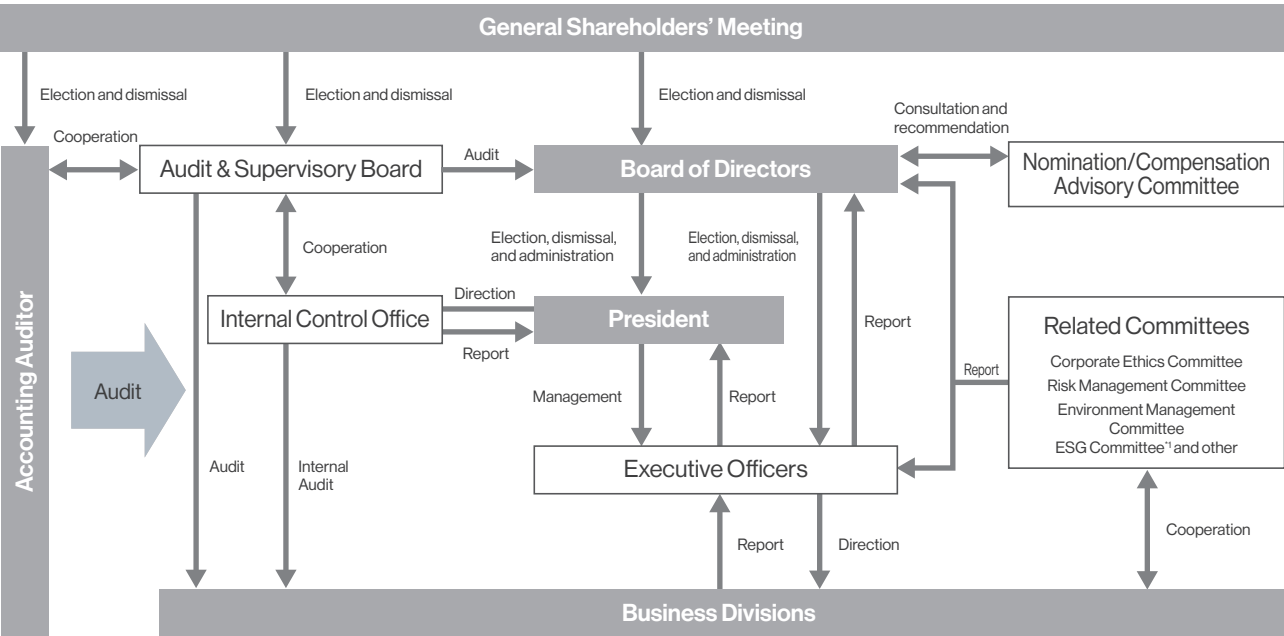
We carry out various educational activities with the aim of raising employee awareness of traffic safety and contributing to the local community. As a “Zero Day” activity, employees themselves stand on the streets and call out to passers-by. We hold lectures by police officers in collaboration with local 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. Rinnai company vehicles are equipped with drive recorders, corner sensors and other safety equipment, including safe driving eco-drive promotion systems (telematics), in an effort to promote employee traffic safety and eco-friendliness from practical as well as theoretical perspectives.

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



*1 In April 2022, Rinnai established the ESG Committee chaired by the President. The ESG Committee has functions as an organization that implements improvements in matters related to the environment, society, and governance aimed at improving corporate value.

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 a Compensation Advisory Board comprising a majority of outside independent directors as advisory bodies to the Board of Directors to ensure a higher degree of objectivity and transparency in the process of determining nominations and compensation for senior management and directors. Nominations and compensation of directors and executive officers are discussed by the respective advisory committee, with a final decision made by the Board of Directors.

Director Compensation

Compensation limits for directors and auditors are determined in accordance with the resolution of the general meeting of shareholders.

Compensation for directors^{*2} consists of a basic component (fixed compensation) and a performance-linked component in a ratio of approximately 70:30 for the purpose of providing a sound motivation for increased corporate value and target achievement. Performance-linked compensation consists of an annual bonus, designed to promote steady attainment of performance targets every fiscal year, and a restricted stock compensation, designed to seek steady improvement of corporate value through sharing interests with shareholders by holding the Corporation's shares for the medium to long term. Compensation for auditors is determined through discussions among them.

Compensation Amounts for Directors and Auditors (Fiscal 2022)		
Category	Persons	Total amount of compensation paid
Directors (of which are outside directors)	7 (2)	¥284 million (15)
Auditors (of which are outside auditors)	4 (2)	¥43 million (11)
Total	11	¥327 million

Director salaries do not include employee salaries for directors who also serve as employees. As of March 31, 2022, there were five directors (including two outside directors) and four auditors (including two outside auditors).

*2 Excluding outside directors and directors who hold more than a certain number of shares

Governance

Leadership

(As of June 29, 2022)

Board of Directors

Kenji Hayashi Representative Director, Chairman of the Board

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

Hiroyasu Naito Representative Director and President and Executive President

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

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

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

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 Tokai Denki Co., Ltd., President at International Professional University of Technology in Nagoya

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
Jun. 2006	President at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan Co., Ltd.)
May 2010	Director at Nakanihon Kogyo Co., Ltd.
Jun. 2010	Advisor at Toyota Motor Corporation
Jun. 2010	Senior Advisor at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan 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.

Kinji Mori Standing Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:	
Apr. 1981	Joined Rinnai Corporation
Apr. 2010	Executive Officer, General Manager of Product Development Division, Research & Development Headquarters
Apr. 2011	Executive Officer, Deputy General Manager of Research & Development Headquarters, General Manager of Product Development Division
Apr. 2016	Managing Executive Officer, General Manager of Research & Development Headquarters
Apr. 2018	Managing Executive Officer, General Manager of Research & Development Headquarters, General Manager of Technology Administration Division
Apr. 2019	Managing Executive Officer, General Manager of Quality Assurance Headquarters, General Manager of Environment Division
Jun. 2022	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)

Skills Matrix of Directors

		Expertise and Experience							
		Corporate management	Global management	Technology <Development/ Production/ Environment (E)>	Business Plans/ Marketing	Finance/ Accounting/ Capital Policy	Human Resources Strategy (S)	Governance (G)/Legal Matters	IT/Digital Transformation (DX)
Chairman	Kenji Hayashi	●	●	●	—	●	●	●	—
President and Executive President	Hiroyasu Naito	●	●	●	—	●	●	●	—
Representative Director and Executive Vice President	Tsunenori Narita	●	●	●	●	—	●	—	—
Director (outside)	Nobuyuki Matsui	●	—	●	—	—	●	●	●
Director (outside)	Takashi Kamio	●	●	—	●	—	●	●	—

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

Reasons behind Selecting Eight-Point Skills Matrix

Skills	Reasons behind Matrix Selection
Corporate management	It is vital for Rinnai, which seeks to address global social challenges through core technologies under the business themes of "heat and lifestyles" and "health and lifestyles," to have directors who possess a wealth of knowledge in consumer services as well as management experience at manufacturing companies, research facilities and other organizations.
Global management	Rinnai must have directors who possess overseas business management experience and a deep understanding of and involvement at the local level, that is, the local lifestyle and culture and the environment, to support business expansion in global markets, particularly Japan, the United States and China, and to support sustainable growth.
Technology <Development/ Production/Environment>	Basic research into the use of all sorts of energy sources and component development as well as measures to maintain a highly reliable production system are essential to an expanded lineup of products that contribute to "heat and lifestyles" and "health and lifestyles," and Rinnai must therefore have directors with demonstrated knowledge and experience in development, production and the environment.
Business Plans/Marketing	Rinnai must have directors with demonstrated knowledge and experience in business planning and marketing to gather information on the real needs of consumers and develop product planning and sales planning matched to these needs, and to reinforce business activities related to direct sales.
Finance/Accounting/Capital Policy	Rinnai must have directors with demonstrated knowledge and experience in financial, accounting and capital policy disciplines for optimum allocation to strategic investments, return to shareholders and risk-responsive capital from the current added-value and profit-emphasis management perspective as well as a medium-term perspective.
Human Resources Strategy (S)	Rinnai must have directors with demonstrated knowledge and experience in human resources development, workplace creation, health management and diversity-oriented hiring to realize personnel system reform that encourages employees to challenge themselves and strive for personal fulfillment, and to present new workstyles and improve brand power.
Governance (G)/ Legal Matters	Rinnai must have directors with demonstrated knowledge and experience in corporate governance, risk management and legal matters to maintain the appropriate global governance structure and keep business activities going in fair and equitable workplace environment.
IT/Digital Transformation (DX)	Rinnai must have directors with demonstrated knowledge and experience in IT and DX, not only to promote digital transformation throughout the Corporation but also to establish an information infrastructure to thwart cyberattacks and to utilize leading-edge information technologies.

Executive Officers

(excluding concurrent directors)

Hideyuki Shiraki

Managing Executive Officer
General Manager of Marketing & Sales Headquarters and General Manager of Sales Division

Chuji Nakashima

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

Kazuto Inoue

Managing Executive Officer
General Manager of Production Engineering Headquarters

Hirohisa Ooi

Senior Executive Officer
General Manager of Production Headquarters

Takuya Ogawa

Senior Executive Officer
General Manager of Corporate Planning Headquarters

Yoshihiko Takasu

Senior Executive Officer
General Manager of Overseas Business Headquarters

Masanori Shimizu

Senior Executive Officer
General Manager of Quality Assurance Headquarters

Kenichi Ebata

Senior Executive Officer
General Manager of President's Office, and General Manager of General Affairs Division

Katsunori Tanioka

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

Hiroyuki Hoyano

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

Atsuo Kashima

Executive Officer
General Manager of Accounting Division

Kazuhiko Matsumoto

Executive Officer
Presidents of Rinnai Precision Co., Ltd.

Kenji Endo

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

Hayao Nishizawa

Executive Officer
President of Shanghai Rinnai Co., Ltd.

Governance

Message from an Outside Director



Takashi Kamio
Outside Director, Independent Officer

My Views on Rinnai’s Initiatives and Business Performance

It has been two years since the pandemic began, and even now the world’s politics and economics are undergoing dramatic changes, among the most prominent being Russia’s invasion of Ukraine.

Amid this situation, Rinnai experienced great difficulties in production and sales due to parts procurement disruptions and cost increases. However, I think I saw Rinnai’s true mettle in overcoming obstacles, as sales in fiscal 2022 reached a record high.

What I Find Good about Rinnai

Rinnai’s fundamental concept is “Quality is our destiny,” and it is posted in key locations throughout the Company. I believe that this is the embodiment of its commitment to quality as a manufacturer. In addition, I feel that the tradition of “starting and ending with a bow” at Board of Directors’ meetings creates a sense of healthy intensity at such meetings and is how the quality of discussions is enhanced.

While there is a feeling of intensity in the meetings, the President himself answers questions from Outside Directors and Audit & Supervisory Board members with detailed explanations, which is impressive and creates an atmosphere that allows free and vigorous discussions. In addition, there are planned briefing sessions on issues and initiatives in each business unit, as well as factory and facility tours, to ensure information sharing as a basis for discussion.

Issues Facing Rinnai

There are four steps in approaching risk management: 1) prediction and forecasting, 2) prevention and mitigation, 3) response to incidents, and 4) prevention of recurrence. During the difficulties with procuring parts in that latter part of fiscal 2022, I think management took decisive actions in step 3) response to incidents and thereafter. I think the issues from now on are how to discuss 1) prediction and forecasting and 2) prevention and mitigation, and I would like to see the Risk Management Committee emphasize this as part of its role.

Furthermore, as stated in the medium-term business plan, to achieve expansion of business scale, the planning function for overseas strategies, marketing function, and overseas human resource development are indispensable as conditions for further corporate growth. I intend to continue to discuss these issues through Board of Directors’ meetings and other settings.

Compliance

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

Rinnai Group Code of Ethics

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

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



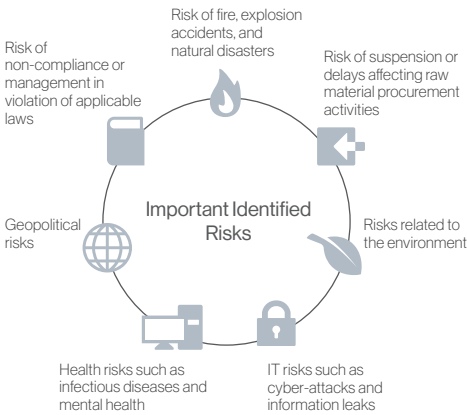
Risk Management

Risk Management Policy

As society becomes increasingly complex, companies face a variety of risks. As a manufacturer of thermal energy equipment that supports people’s daily lives, we believe it is our social responsibility to continue to provide products in a stable manner. We are committed to risk management to live up to the trust of our customers and society and to conduct stable business activities.

Promotion Structure

Rinnai’s Risk Management Committee is comprised mainly of executive officers and divisional heads with the President serving as Chairman. The Risk Management Committee identifies risks that may affect life, Rinnai’s reputation, business activities, and assets, and prepares a List of Material Risks, which evaluates the importance of each item in terms of magnitude of impact and potential frequency of occurrence. The Committee also determines which business divisions have a primary responsibility for each type of risk. These divisions discuss and work on developing mechanisms to prevent risks from materializing, rapidly resolve crises, minimize any damage that may occur as a result, and prevent recurrences. The Committee works with all divisions and Group companies to mitigate risks and enhance risk response capabilities.



Data Collection

Eleven-Year Financial Summary

		FY2012	FY2013	FY2014	FY2015		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales	(Millions of yen)	246,636	251,832	286,981	295,022		319,935	330,256	347,071	348,022	340,460	344,364	366,185
Operating income	(Millions of yen)	26,634	26,351	34,018	30,787		34,593	34,056	32,849	30,879	34,422	40,690	35,864
Operating income margin	(%)	10.8%	10.5%	11.9%	10.4%		10.8%	10.3%	9.5%	8.9%	10.1%	11.8%	9.8%
Ordinary income	(Millions of yen)	28,907	29,064	36,910	32,938		35,807	35,280	34,286	33,318	35,679	42,400	39,060
Net income attributable to owners of the parent company	(Millions of yen)	16,807	19,371	23,254	20,647		22,710	22,322	21,194	20,480	21,561	27,581	23,748
Total net assets	(Millions of yen)	154,737	178,007	232,635	261,414		271,709	290,638	307,965	320,696	340,959	371,318	378,856
Total assets	(Millions of yen)	238,853	262,590	334,382	355,140		368,084	402,107	422,422	430,885	450,486	497,291	512,867
Net assets per share	(Yen)	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	6,889.76
Net income per share	(Yen)	342.60	394.86	454.74	397.03		436.71	429.27	410.41	398.45	419.49	536.62	470.39
Equity ratio	(%)	63.1%	65.7%	66.0%	69.4%		69.6%	67.8%	68.0%	69.4%	70.1%	68.8%	66.9%
Return on equity	(%)	11.7%	12.0%	11.8%	8.8%		9.0%	8.4%	7.6%	7.0%	7.0%	8.4%	6.9%
Cash flows from operating activities	(Millions of yen)	23,074	22,872	36,453	25,671		36,066	39,554	29,914	29,479	37,694	49,491	28,696
Cash flows from investing activities	(Millions of yen)	(16,222)	(12,607)	(32,908)	(23,649)		(17,770)	(17,732)	(12,190)	(7,288)	(7,124)	(15,820)	(25,486)
Cash flows from financing activities	(Millions of yen)	(3,937)	(5,002)	13,183	(8,659)		(6,554)	(5,217)	(11,725)	(6,150)	(6,436)	(7,269)	(27,109)
Cash and cash equivalents at end of year	(Millions of yen)	48,648	55,030	74,279	69,340		79,600	95,297	101,697	116,133	140,138	166,524	147,972
Capital expenditures	(Millions of yen)	9,378	8,222	12,439	13,774		16,938	20,664	16,105	13,481	10,580	13,301	22,682
Research and development expenses	(Millions of yen)	7,665	8,060	8,380	8,895		9,113	9,340	9,918	9,503	9,308	11,802	12,762
Dividends	(Yen)	56	60	68	76		82	86	90	94	98	125	140
Payout ratio	(%)	16.3%	15.2%	15.0%	19.1%		18.8%	20.0%	21.9%	23.6%	23.4%	23.3%	29.8%
Number of outstanding shares	(Shares)	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	50,021,057
Closing price at the end of the period	(Yen)	5,960	6,770	9,070	8,910		9,940	9,230	10,100	7,830	7,650	12,390	9,170
Market capitalization	(Millions of yen)	323,130	367,045	473,603	465,249		519,032	481,958	521,326	404,157	394,866	639,528	458,693

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

Data Collection

Human Resource- and Personnel-Related Data

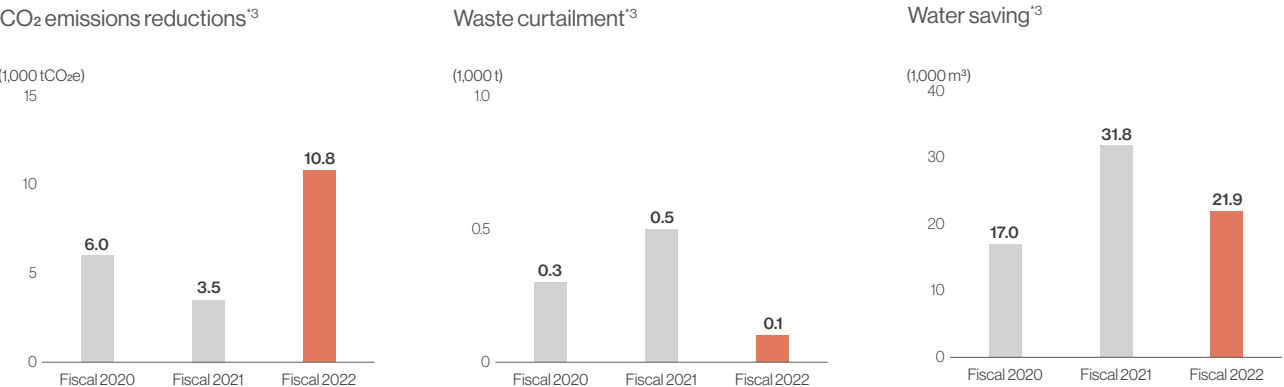
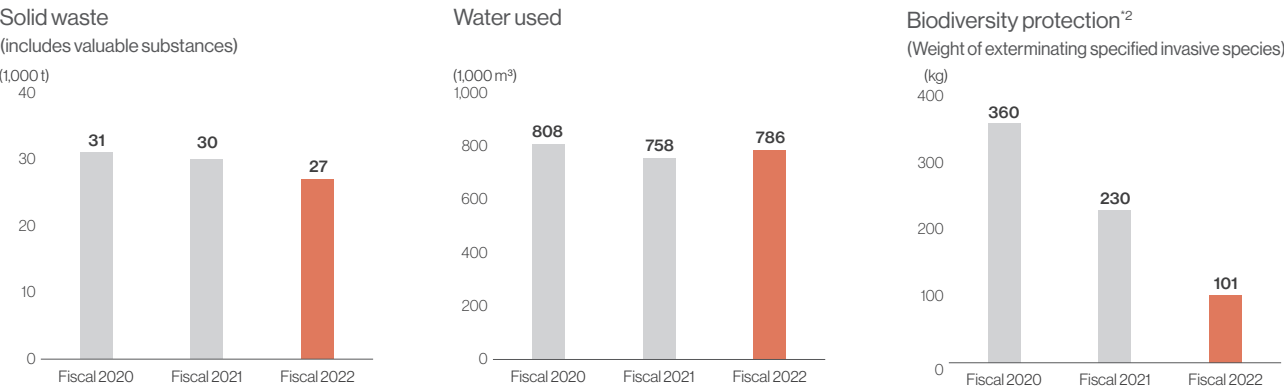
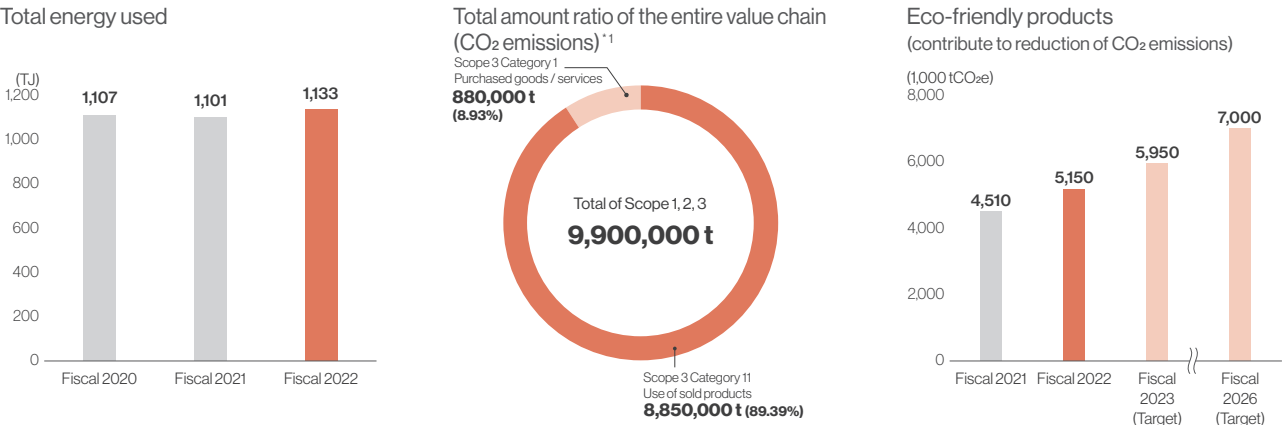
Number of Employees (Non-consolidated)		Fiscal 2020	Fiscal 2021	Fiscal 2022
Newly recruited employees	Male	62	66	71
	Female	22	35	13
	Subtotal	84	101	84
Mid-career recruitment	Male	2	0	7
	Female	6	1	1
	Subtotal	8	1	8
Mid-career recruitment ratio (%)	Subtotal	9	1	9
Temporary staff	Subtotal	189	194	178
Average working years	Male	17.3	17.9	18.7
	Female	13.3	14.2	15.3
	Subtotal	16.1	16.8	17.7
Average age (Years old)	Male	39.7	40.1	41.0
	Female	34.5	35.3	36.3
	Subtotal	38.2	38.7	39.6

		Fiscal 2020	Fiscal 2021	Fiscal 2022
Paid leave	Maximum number of days added with paid leave	20.0	20.0	20.0
	Average number of days taken with paid leave	12.1	12.2	14.0
	Utilization ratio (%)	58.0	63.0	70.1
Employment of persons with disabilities	Number of persons with disabilities	74	79	82
	Employment rate (%)	2.23	2.22	2.33
Number of OJT accidents	Number of accidents	37	28	26
*Includes domestic consolidated subsidiaries				
	Number of disasters(%) (LTIFR)	0.23	0.56	0.00
Number of employees on mental health leave		21	20	31
Number of employees who used childcare leave		57	62	63
Number of employees who took childcare leave of absence	Male	0	5	7
	Female	123	95	123
	Subtotal	123	100	130
Proportion of employees who return to work after taking parental leave (%)	Male	—	100	100
	Female	100	98	97
	Subtotal	100	99	99
Number of employees who used shortened work hours	Male	0	0	4
	Female	131	161	199
	Subtotal	131	161	203
Number of employees who used family care leave	Male	1	1	2
	Female	48	27	38
	Subtotal	49	28	40
Number of employees who used nursing leave	Male	1	2	3
	Female	4	3	2
	Subtotal	5	5	5
Number of employees who took nursing leave of absence	Male	1	0	0
	Female	4	5	1
	Subtotal	5	5	1
Number of employees who used our reemployment (Come Back) system	Male	1	0	0
	Female	2	0	0
	Subtotal	3	0	0
Number of employees who used the work from home program	Male	59	835	512
	Female	14	247	210
	Subtotal	73	1,082	722

Working Hours		Fiscal 2020	Fiscal 2021	Fiscal 2022
Annual total actual working hours per employee (Hours)		2,007.9	1,952.0	2,054.4
Annual non-scheduled working hours per employee (Hours)		199.2	176.7	211.3
Average overtime per month (Hours)		16.6	14.7	17.6

Others (Social Contribution and Compliance)		Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of whistleblower incidents *Includes domestic consolidated subsidiaries		6	2	10
Criminal charges for compliance related accidents and incidents (Number of cases)		0	0	0
Total expenditure on social contribution activities (Millions of yen)		14	13	27
Political contributions and lobbying activities expenditures (Millions of yen)		1.0	0.7	0.7

Environmental Data



[Target scope] Rinnai Corporation and consolidated subsidiaries

^{*1} [Target scope] Scope 1, 2: Rinnai Corporation and consolidated subsidiaries
Scope 3: Rinnai Corporation

^{*2} In fiscal 2021 and fiscal 2022, due to efforts to prevent the spread of COVID-19, the area and the number of participants were limited and handled appropriately while paying due attention to safety.

^{*3} Not an increase or decrease in the total amount, only the effect size evaluated by the improvement activities of each site is recorded.

Rinnai Corporation

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