



CSR Report 2018

Corporate
Social
Responsibility

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Major Site Report 2018

Rinnai	Domestic Group Companies
Oguchi Factory	Yanagisawa Manufacturing Co., Ltd.
Seto Factory	Rinnai Technica Co., Ltd.
Akatsuki Factory	GASTAR Co., Ltd.
Asahi Factory	RB Controls Co., Ltd.
	Rinnai Precision Co., Ltd.
	RT Engineering Co., Ltd.
	Japan Ceramics Co., Ltd.
	Noto Tech Co., Ltd.

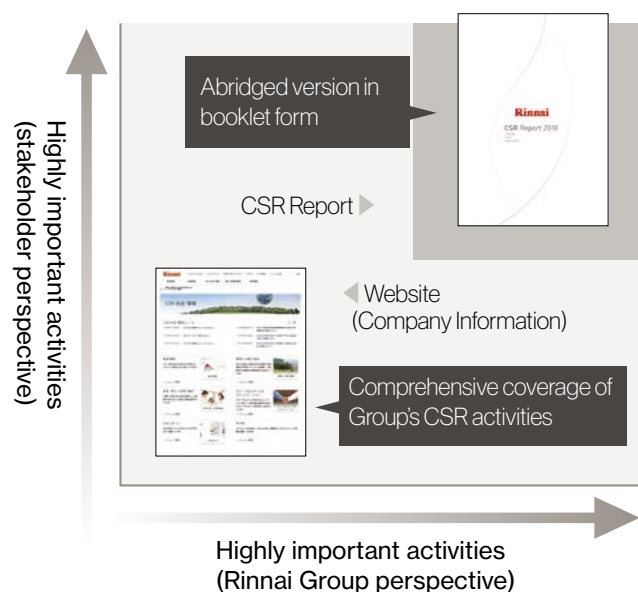
CSR Report 2018-Editorial Policy, etc.

Editorial Policy

Rinnai puts out a CSR Report to convey to stakeholders management's approach to CSR, 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 CSR Report in booklet form. Information not contained in the booklet—such as Company initiatives, specific details, and related data—is 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 2017—April 1, 2017 to March 31, 2018—but also touches upon measures implemented and recent activities undertaken prior to fiscal 2017 as well as future business direction, targets, and plans.

Referenced Guidelines

GRI Standards, ISO 26000:2010

Environmental Reporting Guidelines (2012), issued by Japan's Ministry of the Environment

Environmental Accounting Guidelines (2005), issued by Japan's Ministry of the Environment

Publication Schedule

July 2018 (Japanese version) Previous : August 2017, Next : July 2019 (planned)

Top Message

We contribute to sustainable societies by providing safe and comfortable lives to people worldwide.

Rinnai has been promoting CSR and ESG management as the foundations of its business operations and working toward the realization of better and more sustainable societies.

Since its founding in 1920, Rinnai has contributed to creating abundant livelihoods for all people as an electrical appliance manufacturer by providing diverse products, such as kitchen appliances, water heaters, and home heaters, under our guiding keywords of “safety and security,” “comfort,” and “environmental responsibility.”

In recent years, goods such as kitchen products, bathroom heaters and dryers, and floor heating systems have performed favorably in Japan, and domestic sales of high-efficiency gas water heaters have expanded. How-



President **Hiroyasu Naito**

ever, these markets are currently shrinking somewhat, due to the impacts of market maturation and energy market deregulation. On the other hand, we are promoting product development and Group collaboration overseas that makes use of our affiliates' strengths and are conducting global development of common water heater and boiler models. Results are steadily growing, particularly in China and the United States, where our instant gas water heaters are becoming widely recognized.

Against this backdrop, Rinnai is engaging in a variety of CSR activities in accordance with its goal of contributing to better societies through its everyday business activities. In conducting these activities, we have identified two priority CSR material areas: “environmental initiatives aimed at reducing energy consumption and CO₂ emissions” and “safety and peace-of-mind initiatives to enhance consumer safety and product quality.”

Global awareness of environmental issues is rising, as can be seen through initiatives such as the Paris Accord and SDGs*¹. Through its own environmental initiatives, Rinnai aims to participate in new fields offering environmental solutions, such as ZEH*², and contribute to the reduction of energy consumption and CO₂ emissions. We will accomplish this by offering energy-saving products, including our hybrid water heater and heating system, ECO ONE, which combines a high-efficiency gas water heater and electric heat pump.

Through our safety and peace-of-mind initiatives, all our employees conduct manufacturing with quality as their highest priority, under a set of common principles and high moral values. This style of manufacturing is in keeping with our fundamental concept, which states that “Quality is our destiny.”

We announced that we would conduct self-checks and part replacements on our bathroom heaters and dryers in February 2018. We believe that avoiding the release of products with defects, no matter how small, is the most fundamental principle in our business. However, when flaws do occur, we strive to respond quickly and earnestly and are taking prevention measures that extend beyond the scope of our organization so that customers feel safe and secure when using our products.

*1 SDGs: Sustainable Development Goals
The Sustainable Development Goals comprise 17 global goals and 169 targets adopted by the United Nations in September 2015.

*2 ZEH: Net Zero Energy House
Net Zero Energy Houses balance income and expenditure for primary energy consumption by raising thermal insulation and energy-saving performance and utilizing renewable energy.

Strengthening Environmental, Social, and Governance (ESG) Initiatives and Promoting ESG Management

Selected as Health and Productivity Company for Three Consecutive Years, Due to Efforts to Improve Job Satisfaction and Health for All Employees

Recently, the keywords “SDGs” and “ESG^{*3}” have been receiving attention as global trends. Under these circumstances, the Government Pension Investment Fund (GPIF^{*4}) has included Rinnai in all three of its ESG indexes and the Company has also been selected as a Health and Productivity Company for three consecutive years.

Rinnai endeavors to create cheerful and satisfying work environments that allow its employees to feel motivated to do their best when they wake up in the morning. We believe that being included in these lists shows that our ongoing initiatives related to this goal are highly regarded. These initiatives include measures aimed at improving employee health, mental health care, diverse employment systems, and the promotion of women's employment.

On the other hand, Rinnai has been steadily promoting measures connected with its corporate governance code and has formulated and released a set of evaluation criteria and credentials for its independent outside directors. Our directors have also conducted self-evaluations and have analyzed issues encountered when attempting to secure higher rates of efficiency. We employ these measures in order to analyze and evaluate the effectiveness of our Board of Directors and our Audit & Supervisory Board. Rinnai feels that its Board of Directors is holding more fruitful discussions than ever before thanks to the truly active participation of outside directors.

Furthermore, we will expand environmental activities with long-term numerical targets in terms of improving product lifecycles and offer products with high environmental performance. Rinnai will strongly reaffirm that these ESG initiatives are the driving force behind medium- and long-improvement in corporate value and will intensify its focus on promoting ESG management and increasing its brand value as a global company.

Global, Generation, Governance:

Aiming for Sustainable Growth by Advocating the “G-Shift 2020” Business Plan

We started our new three-year medium-term business plan, “G-Shift 2020,” in April 2018. The plan is focused on securing sustainable growth for the Rinnai Group up until and beyond the 100th anniversary of its founding in 2020.

Three terms became keywords when we formulated our new medium-term business plan: “technological innovation for the next generation,” “rapid progress toward becoming a global brand” with strengthened overseas growth strategies, and the “ideal model of a company focused on the future up until 2030.” We consolidated these keywords into the “three Gs”: global, generation, and governance. The Company is supporting G-Shift 2020 with the three Gs and is demonstrating its determination to breathe new life into the Rinnai Group.

The Company is advancing five common themes (branding promotion, formulation and sharing of a long-term roadmap, business field expansion, optimal allocation of management resources, and improvement of management and operational efficiency) and reforms to three processes (product planning processes, overseas business operational processes, and just-in-time production processes) as specific themes for implementation. We are aiming for sales of ¥410.0 billion and operating income of ¥42.0 billion in fiscal 2021.

Additionally, we established our new Business Planning Division out of the desire to offer products and services in new areas that are not bound to conventional thinking, or perhaps even to change our very business model. Furthermore, Rinnai is aiming to widely expand its possibilities by combining a new viewpoint, “health and lifestyles,” to its previous viewpoint, “heat and lifestyles,” which had already been a point of strength for the Company.

In addition to China, North America, and Australia, demand for Rinnai's products is growing in South America and in various Asian countries. However, an extraordinary number of people in many overseas countries are forced to live under inconvenient circumstances in terms of heated water. Therefore, we believe that potential demand for comfort that our products provide is anything but small. In particular, former Chairman Naito felt a strong sense of mission in our theme of “improving living standards overseas.” Moving forward, we will continue to contribute to sustainable societies and to the improvement of life and culture by offering highly safe, convenient, and comfortable products with superior environmental performance and delivering safe and comfortable livelihoods to people throughout the entire world.

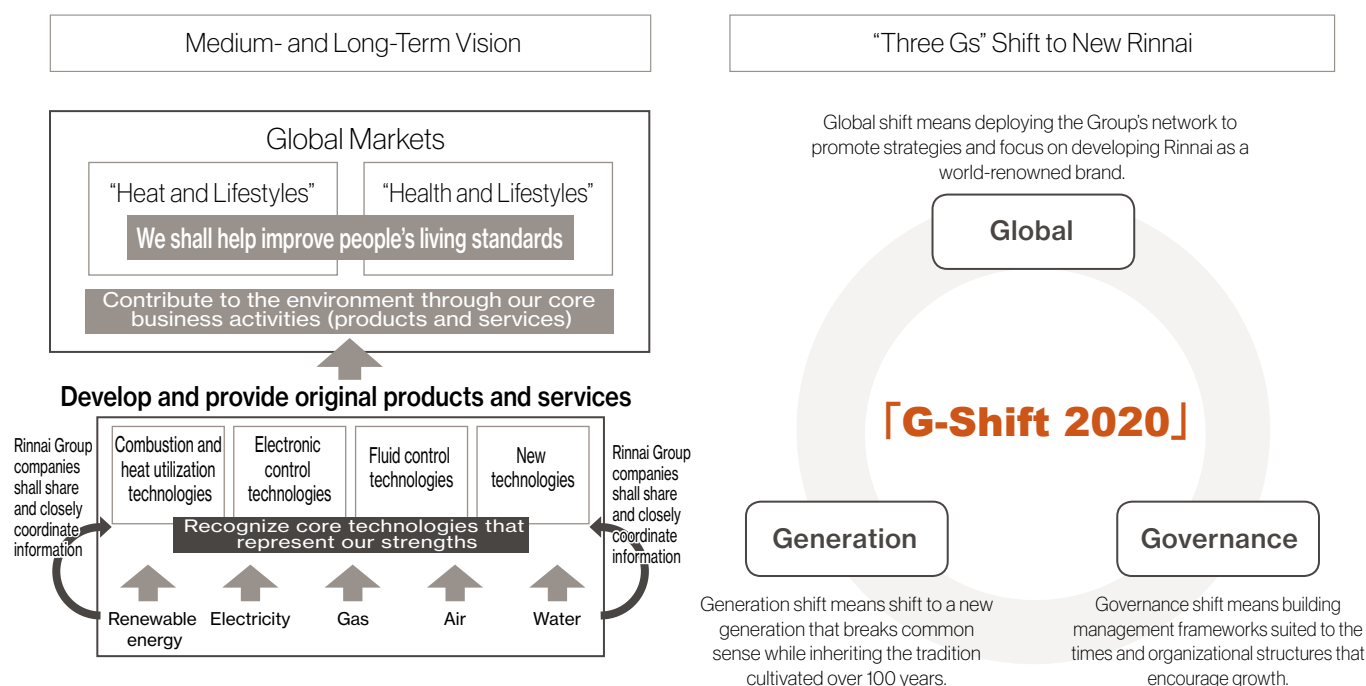
^{*3} ESG : Environmental, Social, and Governance

Three environmental, social and corporate governance-related elements deemed necessary for long-term corporate growth

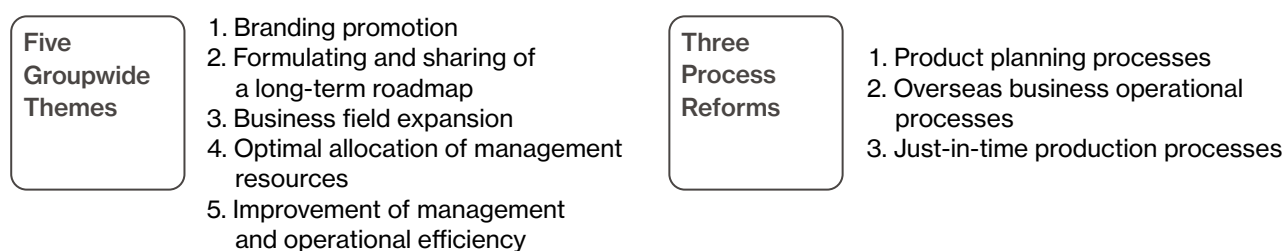
^{*4} GPIF : Government Pension Investment Fund

The Government Pension Investment Fund possesses a larger volume of assets than any other pension fund in the world.

Medium-Term Business Plan “G-Shift 2020” (Global, Generation, Governance)



“G-Shift 2020” Medium-Term Business Plan



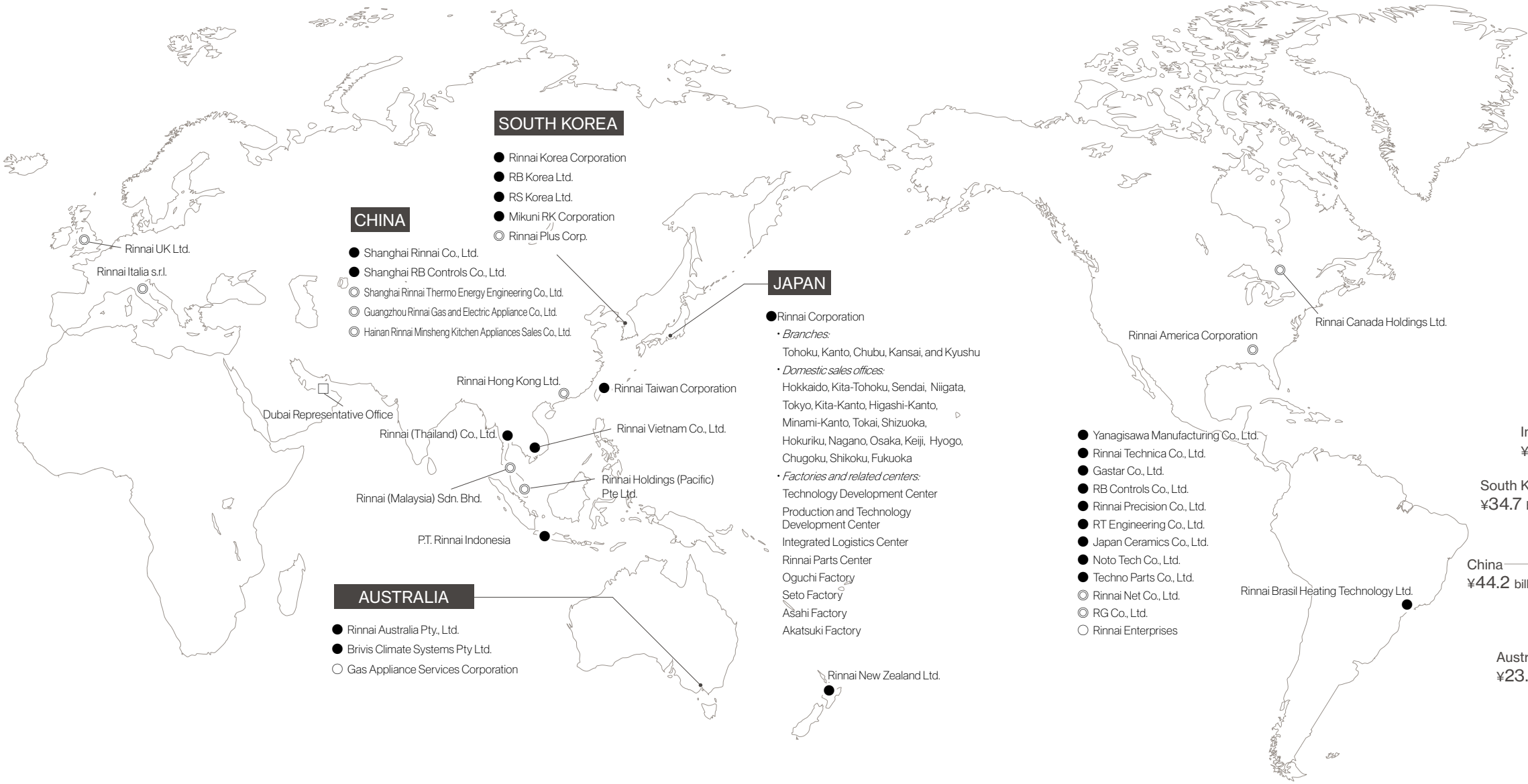
“G-Shift 2020” Medium-Term Business Plan Targets (April 2018–March 2021)

Billions of yen

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Net Sales	347.0	360.0	388.0	410.0
Overseas Sales Ratio	48.8%	50.0%	52.8%	54.9%
Operating Income	32.8	36.0	39.0	42.0
Operating Margin	9.5%	10.0%	10.1%	10.2%

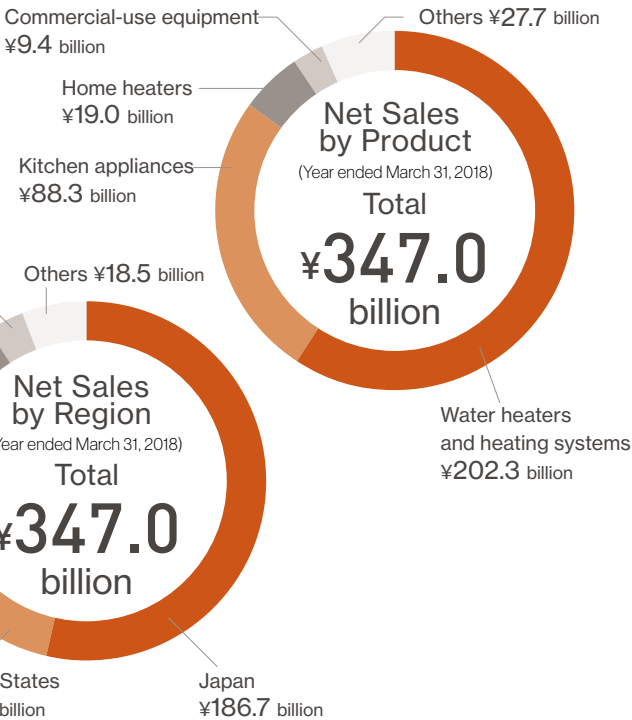
Rinnai Group Profile

Rinnai Worldwide ● Manufacturing and sales companies ◎ Sales companies ○ Other business □ Overseas representative office



Corporate Data (As of March 31, 2018)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,459,746,974
Head Office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802, Japan
Telephone	(From outside Japan): +81-52-361-8211
Number of employees	10,571 (consolidated), 3,665 (non-consolidated)
Number of Group companies	46 (domestic 15, overseas 31)



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 ONE hybrid water heater with bath-filling system, 50-liter model

JAPAN



Electric storage-type (tank-based) water heaters

AUSTRALIA

Kitchen Appliances

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



DELICIA built-in gas hobs (stovetops)

JAPAN



Tabletop cookers with pilot safety shut-off devices

VIETNAM

Home Heaters

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



Fanned flue heaters

United States



Duct-type air-conditioning and heating system

AUSTRALIA

Commercial-Use Equipment, Others

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



Gas clothes dryers

JAPAN SOUTH KOREA



Corporate Mission and Vision

Rinnai Corporate Mission and Vision

Fundamental Concept

Quality is our destiny

Based on our fundamental belief that "Quality is our destiny," we serve as a comprehensive heat energy appliance manufacturer committed to creating safe, reassuring, prosperous, comfortable, and healthy lifestyles.

Company Motto

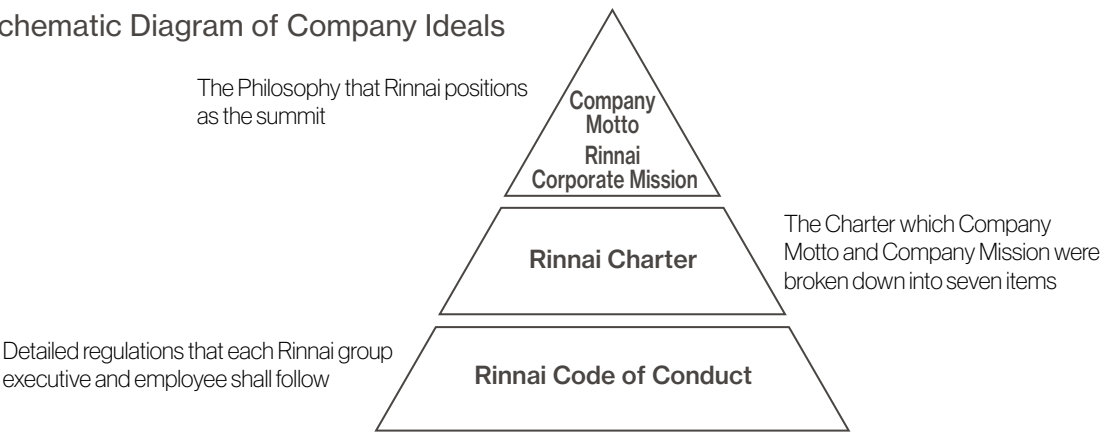


和 Harmony:
Develop personal character of the highest caliber
氣 Spirit:
Base your efforts on a consistent philosophy
真 Sincerity:
Know the fundamentals and consider issues with precision and clarity

Rinnai's Corporate Mission

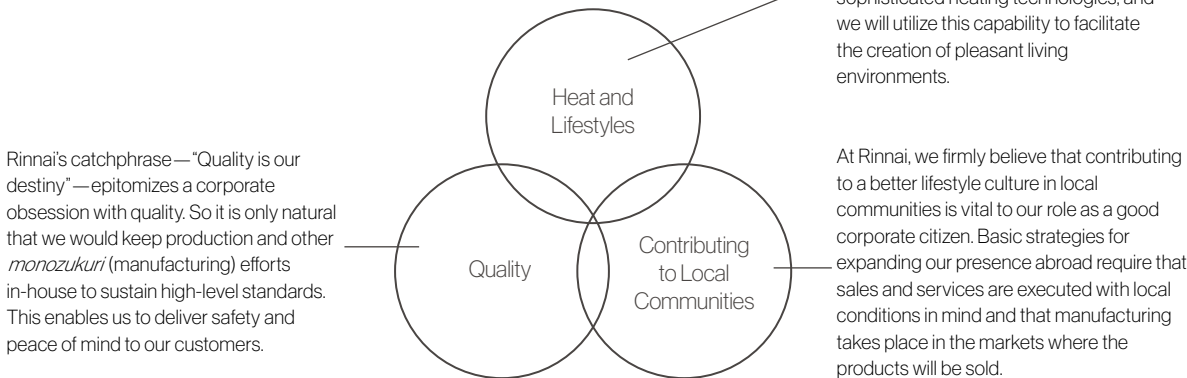
Rinnai utilizes heating to provide society with a comfortable way of life.

Schematic Diagram of Company Ideals



Three Key Themes





Since its establishment, Rinnai has grown and developed through an unshakable focus on three themes. Part and parcel of the Rinnai Spirit, these themes are and always will be integral to our success.



Rinnai Group CSR

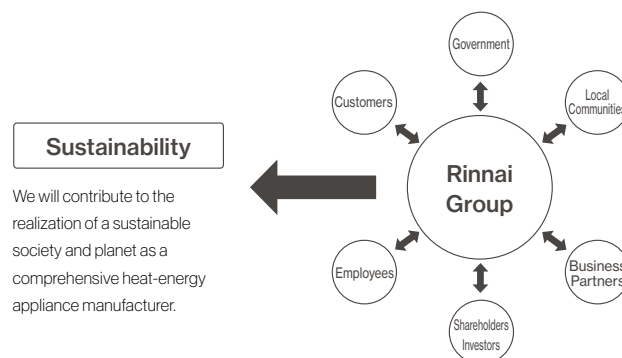
Approach to CSR

The Rinnai Group's corporate mission is to use heat to provide society with comfortable lifestyles. With this in mind, we deliver heat-energy appliances with excellent features in terms of safety and peace of mind, comfort, and the environment. We seek to improve lifestyle cultures of people around the world and offer a better outlook for the planet. The Group pursues CSR activities through core operations based on the three commitments it has emphasized since its foundation—"heat and lifestyles," "quality," and "contributing to local communities"—complemented by "the environment," for a total of four key themes.

Heat and Lifestyles 	<p>We deploy our advanced heat-related technologies and know-how to develop products that people can use in a safe, comfortable, and efficient manner. In this way, we help people lead abundant lifestyles.</p>
Quality 	<p>We adhere to the fundamental concept that "Quality is our destiny." To this end, we pursue a "zero defects" objective when designing, making, and selling our products, to ensure they remain fault-free until they are no longer used by the customer.</p>
Contributing to Local Communities 	<p>In principle, we focus on local production and local sales in advancing our overseas business. Our aim is to help improve the lives of local people around the world by delivering products and services that meet the climates, lifestyle cultures, and customs of various nations and regions.</p>
The Environment 	<p>By developing, manufacturing, and selling residential appliances, which are kitchen appliances, water heaters and heating appliances, with exceptional energy efficiency.</p>

Returning Added Value to All Stakeholders

Together with stakeholders, we will strive for continuous growth by returning the economic value obtained through Rinnai's business activities to stakeholders, thus fostering sustained mutual advancement.



Quality Policy

Based on our fundamental concept of "Quality is our destiny," our Group employees strive to improve design quality, manufacturing quality, and sales quality in order to achieve our customer first Quality Policy.

Quality Policy
To provide products with satisfaction and a high level of safety to customers
Customer Orientation
<ul style="list-style-type: none"> • To offer products with safety and piece of mind • To disseminate safe usage • An enriched service body

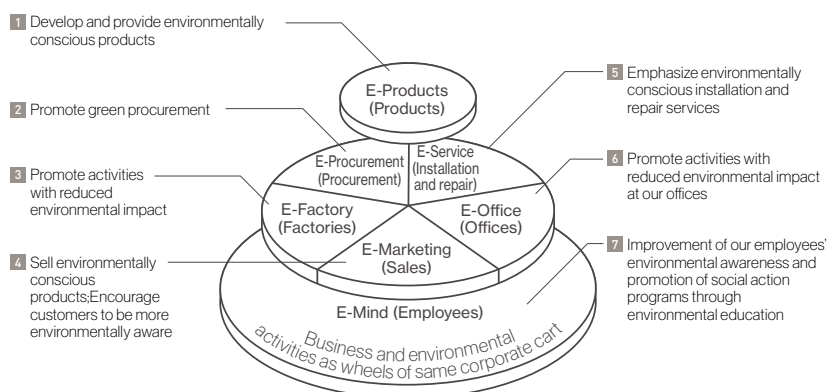
Environmental Policy

For our environmental initiatives, we promote all-hands environmental activities with full participation based on an environmental action plan ("7E Strategic Initiatives") aiming for its accomplishment in 2020, under the following basic environmental philosophy.

Basic Philosophy on the Environment
Rinnai's basic philosophy is to embrace environmental protection on a global scale and contribute to society through the pursuit of excellent, people- and planet-friendly technology, and product development, production, sales, and service infused with a sense of humanity.
Environmental Slogan
Our actions are imbued by the wisdom of many and undertaken with due consideration to the sustainability of a people- and earth-friendly environment.

Basic Environmental Activities (7E Strategic Initiatives)

Green Activities Involving All Employees in All Business Areas








7E Strategic Initiatives

The Rinnai Group's Value Chain

Environmental issues such as global warming and the depletion of resources cannot be solved by the efforts of one company alone. We are striving to reduce our impact on the global environment throughout our entire value chain* by sharing value with all our stakeholders, including customers and clients, without limiting ourselves to activities within our company group and by promoting our activities. We acknowledge the demands from society and the impact of our business activities on the global environment and that is why we conduct efforts with the environment in mind throughout all our operations.

* A string of business activities and value creation processes that companies conduct to offer customers value such as products and services

Demands and Expectations from Society (Globally / Japan)	INPUT Main resources consumed (raw materials and energy)	Rinnai's Value Chain	OUTPUT Rinnai's environmental impact	Initiatives Rinnai conducts through business
Handling procurement risk through the supply chain	Raw materials Iron, copper, stainless steel, brass, aluminum, plastics, rubber, etc.	 Procurement	CO₂ emissions 816,828 t	Supply chain management <div>Procurement</div> Together with suppliers, we are promoting improvement activities to make the flow of products, from parts procurement to commercialization, better
<ul style="list-style-type: none"> Increased demand for heat-energy appliances mainly in the Asia region Support for international frameworks such as the Paris Accord and other environmental regulations 	Energy <input checked="" type="checkbox"/> Water • Ground water: 269,397 m ³ • Public water: 665,255 m ³	 Development and Manufacturing	CO₂ emissions <input checked="" type="checkbox"/> Scope 1 40,313 t Scope 2 67,977 t Solid waste (Includes valuable substances) 28,664 t Wastewater 881,174 m³	Pursuit of environmental performance and streamlining of manufacturing processes <div>Development</div> Develop products with superior environmental performance that meet the climate and needs of the region <div>Manufacturing</div> We are pursuing efficient processes, minimizing invested resources and energy, and promoting activities that contribute to emission regulations for CO ₂ , waste products, and chemical substances.
Provision of household appliances that contribute to energy-efficient homes such as Net Zero Energy Houses	Energy Water	 Sales, Logistics, and Services	CO₂ emissions 10,803 t	Spread of environmental-friendly products <div>Sales</div> Strive to spread products that contribute to energy-efficiency in the water heater and heating fields <div>Logistics</div> We are promoting logistical streamlining <div>Services</div> Elevate the Rinnai brand with security activities through a wealth of service maintenance and inspections

<p>Promotion of energy-efficiency in the “use stages” with the largest amount of CO₂ emissions in the product lifecycle</p>	<p>Energy Water</p>	 <p>Product Usage</p>	<p>CO₂ emissions <input checked="" type="checkbox"/> Scope 3 (Category 11)</p> <p>11,204,402 t</p> <p>(Concerns emissions from Japanese water heaters)</p>	<p>Proposal of reasonably achievable ecological lifestyles</p> <p>Product Usage</p> <p>We are teaching customers the environmental friendliness of our products and promoting their ecological use through Company-sponsored product events. Proposal of sustainable, comfortable, green lifestyles through use of energy-saving products. Through various events, we will appeal to all of our end users the environmental performance of our products and how to use them with the environment in mind.</p>
<p>Measures for building recycling societies</p>	<p>Energy Water</p>	 <p>Disposal</p>	<p>CO₂ emissions</p> <p>6,580 t</p>	<p>Promotion of environmentally conscious design</p> <p>Disposal</p> <p>Application of design for the environment, e. g., to make products easy to disassemble in accordance with product assessment standards</p>

Rinnai's estimates based on the "Basic Guidelines for Calculating Green House Emissions Through the Supply Chain"

[Target scope] Rinnai Corporation and consolidated subsidiaries (development / manufacturing), Rinnai Corporation (procurement / sales / logistics / services / product usage / disposal)

[Target period] Domestic: Fiscal 2017 (April 2016-End of March 2017) Overseas: January 2017-End of December 2017

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

Stakeholder Engagement

Stakeholder Engagement

Throughout the Rinnai Group, we place great importance on communication with customers, employees, shareholders, investors, business partners, local communities, and the general public.

We take on board comments and requests from our customers through channels such as exhibitions and our online shopping site, and use them to help us improve our products and services. We exchange information with our business partners on subjects such as management policies and products, and also work together to improve management through activities such as our Level-Up Workshop and Shipping Subcommittee.

We will continue to engage in communication with all our shareholders on a daily basis, so that we can evolve our business activities and improve levels of satisfaction even further in the future.



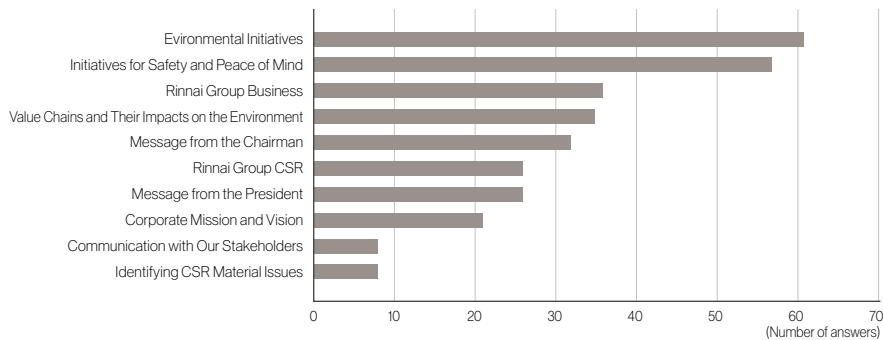
Main Stakeholders	Means of Communication	Opinions and Issues Raised and Our Responses
Customers (Users) (Distributors)	<ul style="list-style-type: none"> Customer Center Exhibitions / Other events After-sales services (inspection and repairs) Official online shopping site "R.STYLE" New Year meetings (Policy presentations) New product workshops utilizing internal facilities Corporate site Product information site 	<ul style="list-style-type: none"> We conscientiously answer a range of inquiries from customers concerning products and parts, and post frequently asked questions (FAQ) on our website. Customers who have had repairs done are surveyed to gauge their satisfaction with elements of service such as "ease of getting through by phone" and "politeness of operators." Details of responses are then fed back to operators so that they can remedy unsatisfactory areas. From November 2017, we will start sending out legal inspection notifications for household products, in addition to legal inspection notifications for commercial products, which have already been implemented. We also send notifications for "safety inspections" in accordance with the "long-term use product safety inspection system" for products other than those subject to legal inspections, and strive to improve customers' security.

		<ul style="list-style-type: none"> • Rinnai conducts web-based questionnaires (customer satisfaction surveys) with customers who make purchases on our website. These questionnaires concern purchased products, service win-dow support, the sales site itself, and product delivery and pack-aging. The Company provides all related offices with feedback regarding questionnaire results and conducts initiatives to improve issues related to responses that indicate low customer satisfaction. • We are expanding Hot.Lab, our hands-on product induction facility, and working to increase customer knowledge and understanding regarding our merchandise.
Employees	<ul style="list-style-type: none"> • Individual discussions • Workplace meetings • Training / Events • Corporate ethics adviso-ry service • In-house intranet / In-house newsletter • Information exchange with employee unions 	<ul style="list-style-type: none"> • Rinnai is working to encourage communication between superiors and subordinates through measures such as requiring personal interviews with employees at each step of childcare-related leave, including during maternity leave before and after childbirth, child-care leave, and after returning to work. • To respond to requests from employees in all departments, the Company regularly holds conferences between its Personnel Department and employee unions, the results of which are used to revise internal systems and improve work environments. • Rinnai conducts factual surveys regarding nursing care with about 1,200 employees working in development or factory departments and holds nursing care seminars for interested parties. Moving forward, the Company will continue to inform and provide support for employees anxious about nursing care. • Since 2005, we have been operating a corporate ethics adviso-ry service. This internal reporting system enables employees to report fraudulent activity and violations of laws, ordinances, or internal regulations in cases when consulting with their superiors is problematic.
Shareholders Investors	<ul style="list-style-type: none"> • General shareholders' meetings • Results briefings • Factory tours • Investor relations (IR) meetings • Questionnaires 	<ul style="list-style-type: none"> • We carefully explain our "Evolution and Succession 2017" medium-term business plan at results briefings and individual IR meetings, and endeavor to improve understanding of the Group's management policy and strategy. • We regularly organize facility and factory tours for institutional investors to give them a better understanding of our strengths and competitive advantages, and to outline our approach to manufac-turing and technical capabilities. • We hold results briefings and individual IR meetings to answer inquiries and explain our underlying thinking on dividend policy.
Business Partners	<ul style="list-style-type: none"> • New Year meetings • Policy presentations for suppliers • Level-Up Workshop • Online communication tool, "R-LINE" 	<ul style="list-style-type: none"> • Rinnai responds to inquiries from suppliers regarding its production system and trends as needed, informing them of important infor-mation, such as changes in production plans, through the commu-nication tool R-LINE. We also explain this information through our Supplier Liaison Group meetings. • Responding to requests from suppliers for advice on, e.g., improv-ing quality and productivity, we organize Level-Up workshops and help suppliers to make improvements in the workplace.

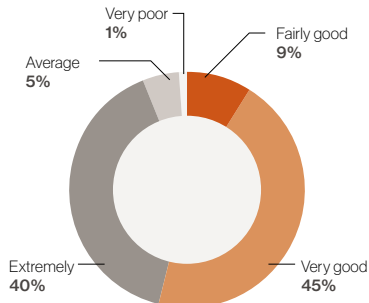
Community, Society (including government)	<ul style="list-style-type: none"> • Participation in local / community development activities • Support for cultural activities and the arts • Employee volunteer activities • Support for extracurricular school activities (factory tours, etc.) 	<ul style="list-style-type: none"> • We are asked by people living near our plants and offices to assist with events and festivals aimed at enlivening their communities, and we actively assist and take part in such events as a member of these communities. • We assist in cultural and artistic events in the Nakagawa Canal area and other regions, and provide ongoing support for exchanges and creative activities at the grassroots level. • In response to requests for assistance with community learning and school education, we organize events such as seminars on the history of manufacturing at Rinnai and factory tours for schoolchildren.
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CSR Report 2017 Questionnaire Results n = 342

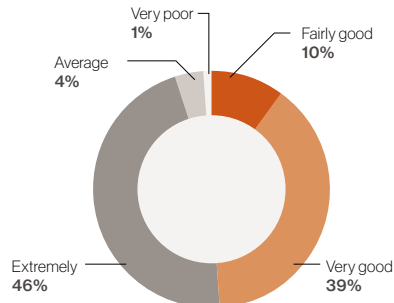
Sections of Interest (Printed Edition) (Multiple Answers / Top 10)



Comprehensiveness of Report



Overall Opinion of CSR Practice



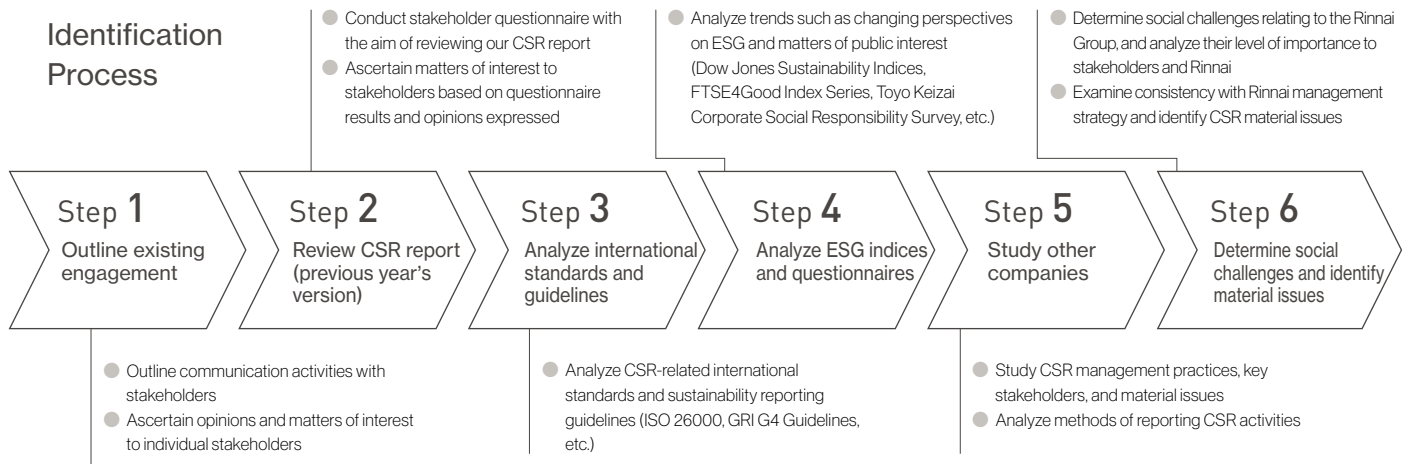
Selected Questionnaire Feedback

- I realized that it is extremely important that Rinnai manufactures energy-saving water heaters because one third of household primary energy consumption comes from hot water. (Male, 50s, customer and individual consumer)
- I want Rinnai to continue conducting development in line with the contents of this report while prioritizing safety and security so that we do not leave behind a burden for the next generation. (Female, 40s, customer and individual consumer)
- Personally, I think this year's top keywords for Rinnai are "quality control." I want Rinnai to focus on quality control so that people can use their products safely and securely throughout the world. This is because I think that thorough quality control is essential for CSR activities. I pray for Rinnai's continued growth in the future. (Male, 20s, customer and individual consumer)
- I felt hopeful that Rinnai's reduced working hour system and childcare support would contribute to creating comfortable working environments for women. (Female, 50s, customer and individual consumer)

Identifying CSR Material Issues

We actively take on board the opinions and expectations of various stakeholders and incorporate them into our CSR activities, in the interests of the continued development of both the Rinnai Group and all its stakeholders. As well as enhancing our corporate value, we believe that ongoing activities such as these help our stakeholders to grow and contribute to the creation of a more sustainable society.

We make every effort to identify social challenges relating to the Rinnai Group, through day-to-day communication activities with stakeholders coupled with study and analysis of applicable guidelines and socially responsible investment (SRI) indices. We also identify CSR material issues in relation to our management strategies, revolving primarily around corporate planning divisions.

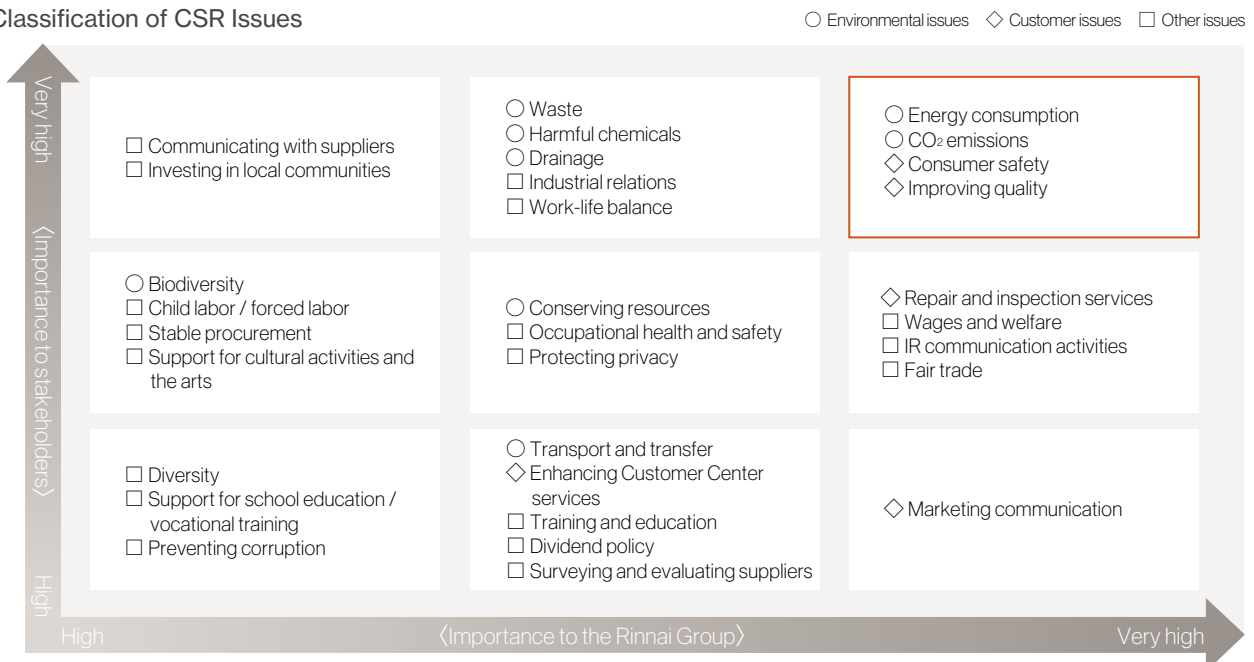


Determining and Identifying CSR Material Issues

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 CSR Issues



Environmental Initiatives

Deep Involvement with SDGs



Material Issues

Energy consumption
CO₂ emissions

Main Target Indicators

Amount it contributes to reducing CO₂ emissions by using the product

2020 target

1.60 million tons

2030 target

6.04 million tons



Social Challenges

Roughly half of all energy consumed by Japanese households is used for hot water and heating. Reducing energy consumption and CO₂ emissions in the hot water and heating sector is therefore a top priority.

Rinnai's Initiatives

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

Target Area and Stakeholders

Target area: Global
(Main focus of initiatives: Japan)
Target stakeholders: All

Initiatives Delivering Safety and Peace-of-Mind

Deep Involvement with SDGs



Material Issues

Consumer safety
Improving quality

Main Target Indicators

Number of defects that have led to product recall announcements

0 cases



Social Challenges

Reducing kitchen fires and fatal bathroom accidents is naturally an important priority alongside eliminating accidents resulting from product defects.

Rinnai's Initiatives

We are working towards 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.

Target Area and Stakeholders

Target area: Global
Target stakeholders: Customers

The Rinnai Group will contribute to the achievement of SDGs through all of its corporate activities.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Management Structure

Basic Policy

To hone the Group's competitive edge and sustain improvement in corporate value, Rinnai has made efforts to augment corporate governance practices and raise its profile as a management priority. 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.

Basic Principles

- 01 Rinnai views reinforcement and enhancement of corporate governance as important management priorities from the perspectives of strengthening competitiveness and continually improving corporate value of the Group.
- 02 Rinnai takes care to preserve equality of shareholders by ensuring that their rights are essentially protected and that those rights can be exercised smoothly.
- 03 Rinnai views appropriate cooperation with all stakeholders as essential to improving corporate value and, through its business activities, strives for its own growth together with social and economic prosperity.
- 04 Rinnai emphasizes highly transparent management through the swift and appropriate disclosure of wide-ranging information while stepping up efforts to ensure that disclosure of Company information is based on legal regulations.
- 05 Rinnai's Board of Directors recognizes its fiduciary responsibilities to shareholders and strives to continually improve corporate value through transparent, fair, swift, and resolute decision-making.
- 06 Rinnai encourages mutual communication through dialogue with shareholders and other stakeholders in order to build relationships of trust with those stakeholders.

Basic Principles of the Internal Control System

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

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

Rinnai is in the process of establishing an internal control system as a means of ensuring proper risk management, compliance, and internal auditing.

Audit & Supervisory System

There are four Audit & Supervisory Board member, two of whom are outside Audit & Supervisory Board members. Audit & Supervisory Board members attend Board of Directors' meetings and other important meetings, where they monitor directors' execution of their duties, the development of the internal control system, and the overall performance of duties.

In addition, an external account auditor audits the Company's accounts and verifies from a third-party perspective the legality of the internal control system as it relates to financial accounts.

Corporate Governance Code

Japan's Corporate Governance Code went into force in June 2015. Since then, committed to implementing all of the Code's principles, Rinnai has promoted efforts to deal with principles not adequately addressed to date, as well as principles that have been partially addressed but require reassessment. Rinnai will continue in-house efforts to address two remaining principles: "Balance of cash and stock as remuneration for directors" and "Involvement of outside directors

in nomination and remuneration matters." Rinnai will step up efforts to improve corporate value by implementing all of the Code's principles while further strengthening corporate governance.

Board of Directors

The Board of Directors consists of seven members and meets once a month in principle. The Board makes decisions on major management issues and also oversees business execution by Board members. Some directors below Chairman level are also corporate officers, whose role is to pass on the decisions of the Board to the head executives of the relevant divisions. The Board checks on business operations and discusses issues at general business meetings and at other business meetings held on a quarterly basis.

Executive Structure

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

Director Compensation

The limits of compensation for directors and auditors are determined in accordance with the resolution of the general meeting of shareholders. Moreover, Rinnai's internal regulations stipulate fundamental matters related to directors' compensations including the method of determination, revision, and reduction. Based on these, amounts of compensation for directors are resolved at Board of Directors' meetings and amounts of compensation for Auditors are determined through deliberations by auditors. Directors are paid a fixed amount commensurate with assigned duties. Please note that Rinnai terminated the retirement benefit system for directors, following approval of a proposal put forward at the general meeting of shareholders held on June 27, 2008.

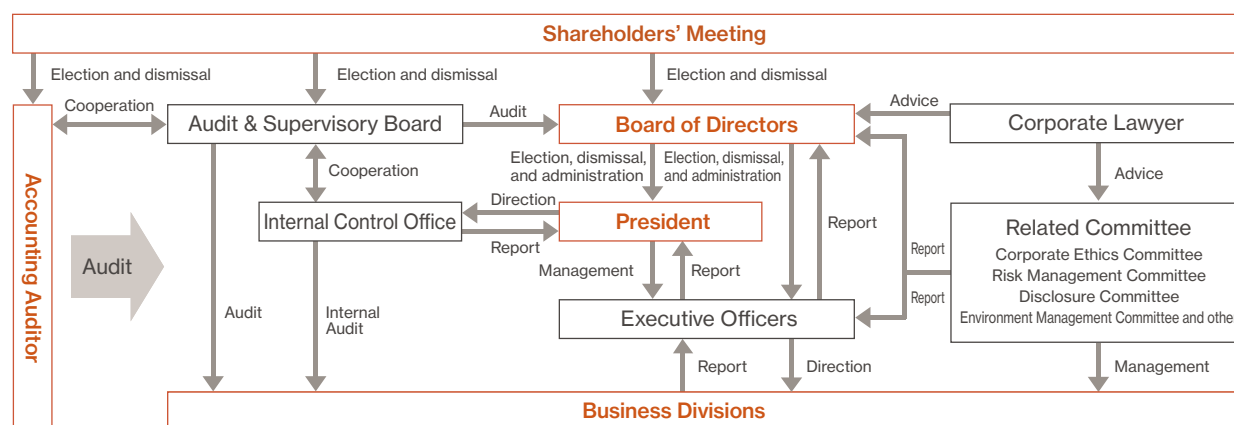
Fiscal 2018 Remuneration and Allowances for Directors and Auditors

Position	Number of people	Total remuneration and allowances
Directors (Outside directors)	7 (2)	¥285 million (14)
Auditors (Outside auditors)	4 (2)	¥44 million (10)
Total	11	¥329 million

Information Disclosure

Rinnai's internal regulations set out the system and procedures for the timely disclosure of important internal company information, including information concerning subsidiaries. The Information Disclosure Committee deliberates the timely disclosure of information and, when deemed necessary, makes that information public.

Corporate Governance Structure



Risk Management

Risk Management Policy

As social structures become more complex, the risks faced by companies are becoming more diverse. As the Rinnai Group continues to expand its business globally within this environment, we are committed to risk management in order to ensure stable business activities that sustain the trust of customers and society as a whole.

Risk Management Promotion System

A Risk Management Committee made up mainly of executive officers and divisional heads and chaired by the president meets regularly to identify key risks with the potential to impact our survival, credibility, business activities, and assets. It also determines the divisions with primary responsibility for each risk, develops mechanisms to prevent them from materializing, rapidly resolves crises, minimizes any damage that may occur as a result, and prevents recurrences. The committee works with all divisions and Group companies to head off risks and enhance risk response capabilities.

Identified Risks (Examples)

- Risk of non-compliance or management in violation of applicable legislation, etc.
- Risk of suspension or delays with raw material procurement activities
- Risk relating to social media
- Risks relating to the environment
- Risk of fire and explosion accidents, natural disaster
- Risk of bodily injury
- Risks relating to information leaks
- Risk of damage to mission-critical systems
- Risks relating to infection from new strains of influenza, norovirus, etc.
- Risks related to overseas subsidiaries, etc.

Promotion of Businesses Continuity Plans (BCPs)

When companies have no sufficient measures for natural disasters such as earthquakes and storms and the prevalence of infectious diseases, business operations may be suspended for a long time, resulting in significant damage and having a serious impact on stakeholders. As a company which produces thermal energy appliances to support people's lifestyles, we believe it is our responsibility to maintain the stable supply of our products even under such circumstances.

We have positioned business continuity management as one of top priorities, in the event of any risks to the production or supply of important products required by our customers, and are constantly working to formulate and review BCPs, particularly for our domestic production divisions. Based on our experiences from the Great East Japan Earthquake on March 11, 2011, and the Kumamoto earthquakes of April 14, 2016, we are exploring alternative raw material suppliers and procurement sources, and continue to use multiple procurement sources on a daily basis, so that we are prepared for any large-scale earthquakes in the future, including the Nankai Trough.

Stable Procurement

Please see page 89 "Measures for Risk Management and Stable Procurement."

Information Security Measures

Please see page 24 "Information Security Measures."

While society becomes more demanding toward company security reinforcement issues, our Group as a whole promotes the adequate management of security systems by strengthening the awareness for proper information handling through the establishment of rules for confidential information management and personal information management. User authentication technology was adopted company-wide to manage access to its IT system and an entry/withdrawal management system with ID cards has been introduced to various business locations including the Technology Development Center one by one.

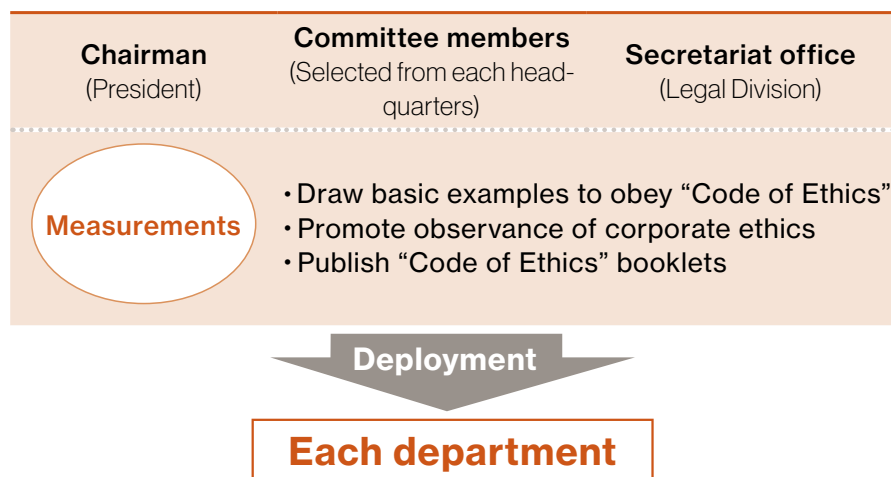
In addition, to avoid information leakage, we have been enforcing a strict management of the external use of personal computers (PCs), encryption of data stored in media to be used outside of the office, unauthorized access by outsiders, and virus and spam countermeasures.

Compliance

Compliance Promotion System

To remain a sound corporate group that wins the trust of society, the Corporate Ethics Committee was established in April 2004 headed by our President as its chairman. To promote compliance as part of our corporate culture, individual employees strive to live up to their social responsibilities and create a workplace that encourages people to actively engage in their work.

Corporate Ethics Committee



Rinnai Group “Code of Ethics”

The Rinnai “Code of Ethics” is a small booklet which combines Rinnai’s Corporate Philosophy and Code of Conduct, which embodies the detailed behavioral standards that all executives and employees are required to obey. The Compliance Committee member allocated to each workplace provides all employees in the workplace with “Code of Ethics” training each year for its enforcement.

The English-version “Code of Ethics” was issued and distributed to the 18 overseas Group companies, and local-language versions were distributed to Group companies in countries which uses an official language other than English. Each company member in charge of education provides employees training sessions.



“Code of Ethics” booklets (from left: Japanese, English, Korean language versions)

Compliance Education

Within the Company, the Legal Division is in charge of law regarding operations deeply related to business divisions, and conducts legal education every year. During fiscal 2018, a total of 745 people in the Company Group took the course to deepen their knowledge of law. Also, ethics education has been conducted every year during employee training for new recruits and by rank; 318 people attended in fiscal 2018.

In addition, we share a variety of information with domestic Group employees via our in-house intranet, on which we post data such as information regarding legal reforms, legal commentary concerning our operations, and examples of violations that occurred at other companies.



Employee training for new recruits

Confirmation and Modification of Compliance Activities

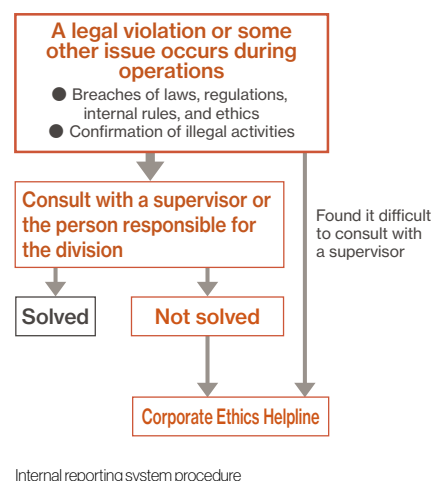
Every year, we conduct employee questionnaires to ascertain how deeply ingrained elements of our Corporate Philosophy have become. In fiscal 2018, these showed that 99.6% of respondents were familiar with the Company Motto and 99.2% understood our Corporate Mission. We will continue to actively promote compliance activities to maintain these high levels.

Facilitation of Internal Reporting System

If, in the course of business activities, an employee at a domestic company under the Group umbrella suspects possible breach of laws or the internal rules or unfair practices, and it is difficult to approach a superior or the person responsible for the division with such suspicions, the employee may report the perceived infraction to the Corporate Ethics Helpline. The helpline system is available through telephone, e-mail, and letter, and has been in operation since November 2005.

In July 2016, we established the additional helpline system at the outside lawyer office. In this system, we stipulated that the person who reported the incident will not receive any unfair treatment by the fact that he or she consulted the matter, and we also pay full attention to the protection of privacy of the person who made the report.

In fiscal 2018, the helpline received nine reports and requests for advice. Appropriate measures have been taken, including investigation and confirmation of the facts in these cases of alleged misconduct.



Disciplinary Committee

To maintain a fair working environment, we apply strict measures to any employee who breaches the internal rules, Code of Ethics, or commits unfair practices based on the working rules under the guidance of the Disciplinary Committee.

Compliance Violations

There were no serious compliance violations in fiscal 2018.

Protecting Personal Information

Rinnai applies internal rules based on the Act on the Protection of Personal Information. In addition, our Privacy Policy was instituted for the handling of personal information and posted on our website. Utilizing these, we strive to ensure appropriate storage, handling, and protection of customer data.

Accordingly, we established the position of chief privacy officer and privacy officer at the head office and require the appointment of privacy officers at all workplaces, including the offices of Group companies in Japan, to educate employees who handle personal information, and to establish physical and technical systems to insure the safe management of personal information in each workplace. The privacy officers also conduct an internal audit once a year to verify the quality of personal information management in each workplace.

There was no leakage of personal information in fiscal 2018.

Information Security Policy

Of the many and varied risks faced in business, information risks have emerged as a serious and rapidly growing concern. Firms must now protect themselves against new risks, such as cyber-attacks, as well as traditional risks, making it essential that they continuously strengthen their information security.

We have therefore appointed a chief information security officer (CISO), who has overall responsibility for information security, and established an Information Security Office to promote action on information security. Together, they are leading and coordinating action in the following areas.

Establishment of Internal Regulations

We have introduced various sets of regulations on information security to ensure that information assets are handled with strict care, including regulations on the management of trade secrets and regulations on the management of personal information. We have also established a separate Privacy Policy to ensure that personal information is handled securely.

Arrangements to Promote Information Security

Information management officers are appointed at each of our plants and offices to ensure that good information security practices are followed throughout the Company. Arrangements are in place to enable these officers to work closely with the Information Security Office and facilitate action on information security.

An Information Security Committee consisting of the CISO and other employees involved in information security meets regularly to discuss and share information on information security matters and raise the standard of information security.

Implementation of Information Security Measures

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

Regulations lay down the information security requirements that must be met when new information systems are installed, and these requirements are revised whenever necessary to maintain and improve information security standards.

Awareness Raising and Training

Awareness raising and training activities are held on a continuing basis to ensure that all directors and employees are fully aware of the importance of information security and handle the information assets used in business activities in an appropriate manner. Regular training is also provided to ensure that information security issues are dealt with promptly when they occur.

Response to Incidents, Accidents, and Failures

Regulations have been established to ensure that appropriate action is swiftly taken in the event of an incident, accident, or failure affecting information security. If a problem occurs, we aim to respond swiftly to minimize the damage. We also strive to prevent recurrences and reinforce countermeasures by identifying the causes of problems.

Continuous Improvement

The countermeasures needed to ensure information security will change as the environment surrounding information security evolves. To keep pace with these changes, we regularly review our regulations, management systems, and other arrangements concerning information security to check for problems and make continuous improvements.

Outside Director's Message

MESSAGE Outside Director's Message

Forming Organizations and Developing Human Resources with an Eye on Overseas Strategies and Improving Our Marketing

Takashi Kamio

Outside director
President and Chairman,
Specified Non-Profit Corporation Sasaeai



Positive Attributes of Rinnai's Board of Directors

The Rinnai Board of Directors advances the Company's fundamental concepts, "Quality is our destiny," at its assembly hall, where every meeting starts and ends with a bow. I think this ongoing tradition creates a special sensation for participants, as if the assembly hall were a sacred place. We are seeing variation in the processes through which each director in charge introduces, explains and replies to measures, and as we expand our appointment of outside directors, I feel that we have become able to conduct discussions with deeper substance.

Issues Concerning Governance Moving Forward

Companies that disclose only favorable information live in a world of complacency and risk becoming out of touch with the rest of the world. In order for the Company to accurately comprehend what stakeholders want and expect, the Company must first make an honest effort to gather information. Only once the Company has gathered this information can it secure transparency and improve its corporate governance.

Improving Corporate Value and Maintaining Sustainable Growth in the Future

Rinnai has always earned customer support by making good products. However, in the future it will not be enough to simply make good products, so I feel that it is important for Rinnai to further heighten the functionality of its marketing.

I want Rinnai, as a global company, to establish an ideal form for itself that would be desirable for any company in any part of the world and would function as its Company brand. Then, I want them to use this brand to send out a message that will be accepted throughout the global market.

Finally, I expect Rinnai to focus more heavily on creating organizations and developing human resources with an eye on both its overseas strategies and on improving its marketing.

Measures Related to Japan's Corporate Governance Code

The Rinnai Group has worked toward complete implementation of all of the general principles of Japan's Corporate Governance Code since it went into effect in June 2015. To this end, we have promoted initiatives related to principles that we have not yet been able to implement and to principles that we have implemented but need revision. From 2016 to 2017, we formulated and released judgment standards and qualifications for our independent outside directors. Additionally, our directors conducted self-assessments that served as an analyses and evaluations regarding the effectiveness of our Board of Directors and Audit and Supervisory Board. We also performed

analyses concerning issues facing the Company in terms of securing effectiveness. Moving forward, we will endeavor to coordinate internally so that we can enforce all of our basic principles, including two that have not yet been implemented and those that were revised in June 2018. Furthermore, we will work to strengthen our governance and raise our corporate value.

Special Issue 01 [Initiatives to Environmental Preservation]

Rinnai's Gas Boiler Contributes to Chinese Air Pollution (PM2.5) Countermeasures

Connection with SDGs



Chinese Air Quality Improvement Initiatives

Currently, air pollution from fine particles having a diameter of $2.5\mu\text{m}$ or less (PM2.5) is becoming a major social issue in China, which is undergoing considerable economic development. PM2.5 have negative effects on human health and carry a risk for lung cancer. These particles can also affect daily life, causing low visibility and pain in the eyes and head.

PM2.5 air pollution is primarily caused by exhaust from automobiles and factories and emissions from coal-powered boilers used in households. Particularly in China's northern region, which includes Beijing, a large amount of low-quality coal is used for indoor heating during the winter, contributing to serious PM2.5 air pollution. The Chinese government's Ministry of Ecology and Environment, which had prescribed a maximum average PM2.5 concentration level of $75\mu\text{g}/\text{m}^3$ (class 2 standard) in February 2012*, announced new air pollution measures in July 2016. These ordinances are aimed at bringing PM2.5 levels in Beijing, Tianjin, and four cities in the province of Hebei (Baoding, Langfang, Tangshan, and Cangzhou) below standard values. The ordinances also prohibit the use of coal and promote conversion to heating powered by alternative energy.

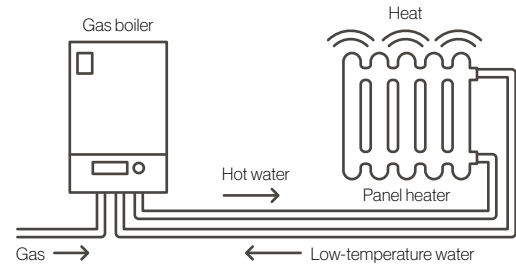
* Ambient Air Quality Standards (GB3095-2012)

Meikaichi Project: Conversion from Coal-Powered Boilers to Gas Boilers

Hot-water-based boilers are the main form of heating equipment in China, particularly in the northern region, and provide heat by cycling hot water through panel heaters installed in each room. Yeontan coal briquettes had been a common heat source for these hot water-based boilers but the soot produced during their combustion generates PM2.5. For this reason, China has been promoting conversion to boilers powered by natural gas, which has a high level of combustion efficiency.

The Chinese government announced a policy that promoted the expansion of gas pipelines in each major city and launched the Meikaichi Project, which encourages conversion to gas boilers and grants related subsidies. Rinnai Group company Shanghai Rinnai Co., Ltd. is working with gas companies in China to increase the use of gas boilers.

Gas Boiler Configuration



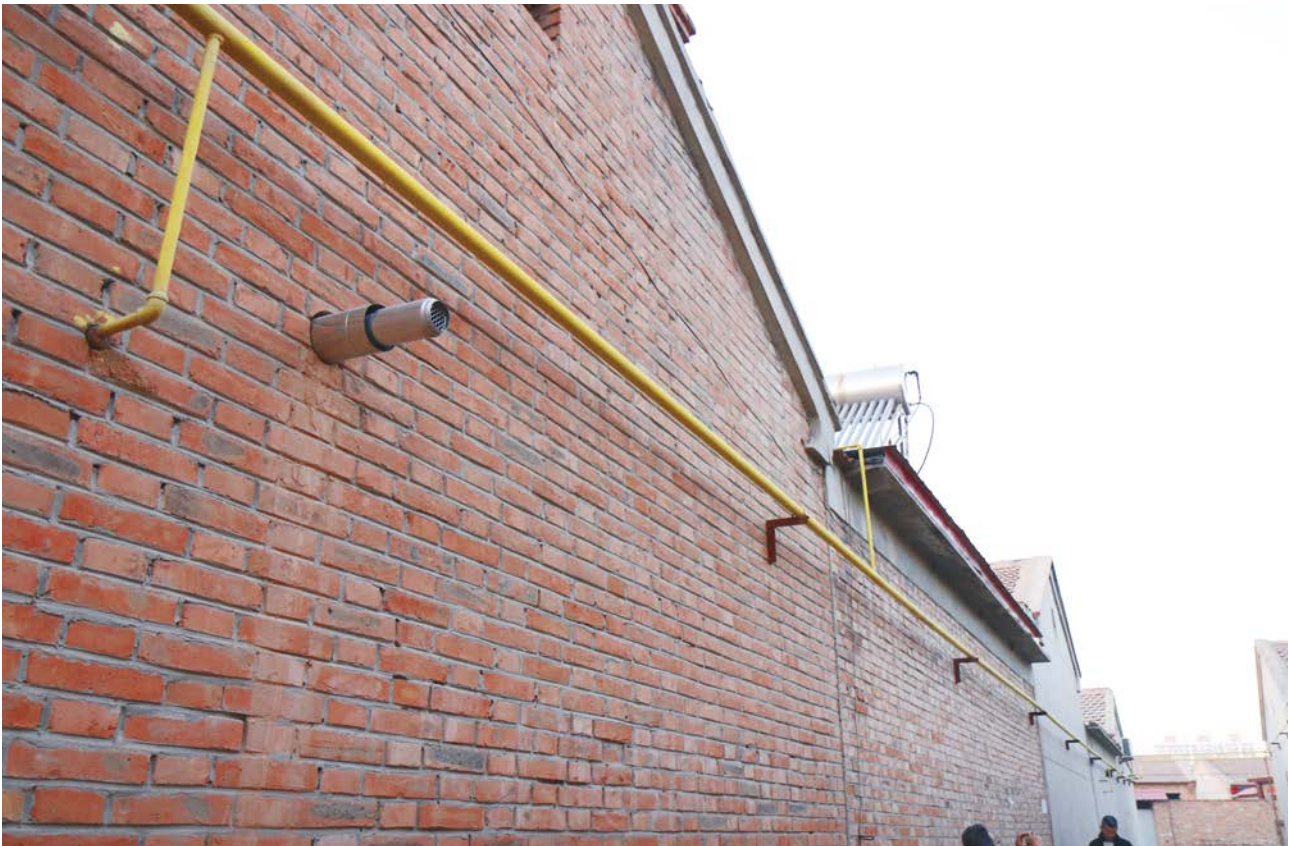
The gas boiler produces hot water that passes through the panel heater, which then generates warm air that heats the entire room. When the water's temperature falls after passing through the panel heater, it is reheated by the gas boiler in a continuous cycle.



Coal prohibited for use in heating



A gas boiler (top right) that replaced a coal-powered boiler used previously (bottom left)



A quickly installed gas pipeline (yellow pipe) and a gas boiler flue protruding from the wall

Meikaichi Project Initiatives in Bazhou

Bazhou is a county-level city in Langfang, Hebei, China. Its population of more than 500,000 people predominantly live in the city's agricultural areas. Zhang Bingyan, general manager of the Bazhou Shunda Combustion Sales Office, which offers gas boilers manufactured by Shanghai Rinnai, commented as he looked back on Meikaichi Project initiatives that "Gas pipeline installation has been rapidly progressing since 2016 while the Chinese government promotes conversion from coal to gas in pursuit of a cleaner atmosphere. Yellow gas pipes were inserted into the upper portion of exterior walls on each residence and, in Bazhou, all of them were ready for use by the end of November 2017. About 154,000 residences converted from coal-powered boilers and 16 gas boiler manufacturers in Bazhou are eligible for government subsidies. We forecast that nearly half of them will make the switch to boilers manufactured by Shanghai Rinnai. This is due to quality. Shanghai Rinnai's gas boilers perform with a very high level of stability. The performance itself also has an excellent reputation and the boilers are easy to use. In the future, I anticipate that Shanghai Rinnai will increase the variety of the products it offers so that we can respond to various living environments and will also develop boiler models that fit into a lower price range, lessening the burden placed on consumers," said Zhang, expressing his future expectations of the company.



Zhang Bingyan
General Manager
Bazhou Shunda Combustion Sales Office



Various types of gas boilers and water heaters on display at a distributor's shop

Shanghai Rinnai's Initiatives

Shanghai Rinnai was established as a joint venture in Pudong, Shanghai, in 1993. In addition to gas stoves and gas water heaters, the company develops and manufactures gas boilers for use with hot-water heating systems based on technology that we developed in Japan. This Group company has sold high-quality gas appliances all over China.

In March 2017, Shanghai Rinnai began operating a new factory with twice the production capacity of its previous factory in response to market expansion connected with economic development.

The Group company also began establishing interactive showrooms all across China and conducting proposals regarding comfortable and environmentally conscious lifestyles for its many customers in China.

Shanghai Rinnai's boilers were determined to be eligible for subsidies in many regions under the Meikaichi Project, and the Group subsidiary is participating in initiatives aimed at improving air quality. Section Chief Qin Xiaodong, who is responsible for boilers across China's northern region, reflected upon important points of this project.

"In 2017 alone, over 3,000,000 households converted from coal-powered boilers to gas boilers, many of which were located in agricultural areas. In order to appropriately respond to this massive demand, we needed a system that could supply gas boilers quickly, in a large volume and over a wide area. To that end, we participated in the Meikaichi Project, forming a special new team that worked to provide proper support." Additionally, Section Chief Qin had the following thoughts about the strengths the Rinnai Group exhibited through participation in this project, which requires a gas boiler manufacturer's total power, in terms of quality, price, and delivery speed.

"Shanghai Rinnai's boilers have three main strengths. The first is the Group's characteristic quality. The Company maintains the quality of every component through strict quality control, enabling it to provide highly durable gas boilers. The second strength is that the boilers have both high energy-saving performance and high functionality because they were designed using technology patented in Japan. In particular, this high energy-saving performance allows us to contribute to air quality improvement in a big way. Finally, the third strength is the Company's capacity for stably providing its products. Some manufacturers faced delays when delivering products due to component shortages. Shanghai Rinnai produces many of its components in-house and further increased its



Qin Xiaodong
Superintendent-General for the northern region of China and manager of the northern region water heating systems office
Shanghai Rinnai



After-sales service system that provides peace-of-mind and support for our customers' lives

production capacity when it completed construction on a new factory in March 2017. The Company makes it possible to quickly and smoothly provide gas boilers to customers."

Aiming for Both Better Air Quality and More Comfortable Lives for Our Customers

In March 2017, the Chinese government's Ministry of Ecology and Environment expanded the area covered by its coal prohibition. In August of the same year, the ministry announced its "2017–2018 Comprehensive Fall and Winter Air Pollution Countermeasures Bill," accelerating its efforts to improve air quality. This bill completely prohibits the use of coal for heating from November onward and targets Beijing, Tianjin, and 18 counties and cities in neighboring regions. However, hot-water heating equipment is necessary for life during the coldest portion of the severe winters that visit China's northern region. For this reason, after-sales services become especially important when boilers break down or exhibit defects. Shanghai will flexibly support conversion to gas boilers and work to strengthen its after-sales services so that customers living in agricultural areas that are not accustomed to using gas boilers will be able to use them comfortably and confidently during severe winters. Finally, the Rinnai Group will make use of its global strengths while participating in this large-scale project and do its part to improve the environment in China.



Energy-Efficient Water Heating Systems Mitigate Global Warming

Connection with SDGs

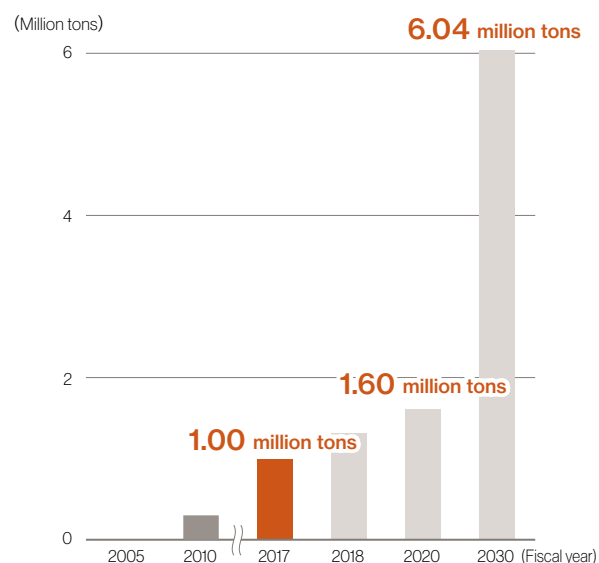


Aiming to Reduce CO₂ Emissions by 1.6 Million Tons

Our water heaters emit more CO₂ during use than at any other stage in their lifecycles (see “The Rinnai Group’s Value Chain” on page 12). We consider global warming prevention one of our most important corporate activities. Also, we believe we must develop and promote the spread of environmentally conscious products, and work to improve their energy efficiency. One example of these efforts is the work we are doing to increase the combustion efficiency of our water heaters.

The Rinnai Group has set a medium-term target of reducing CO₂ emissions by 1.60 million tons by 2020 as a part of its Basic Environmental Activities (“7E Strategic Initiatives”). In pursuit of this goal, we are promoting the spread of our energy-efficient water heating systems, including ECO ONE, as well as household energy conservation. We have been making steady progress, with a fiscal 2018 contribution of 1.00 million tons, using fiscal 2006 as a base year. Additionally, in fiscal 2019 we announced our long-term goal of reducing CO₂ emissions by 6.04 million tons by 2030. The Rinnai Group will contribute to the United Nations’ 13th Sustainable Development Goal (SDG), “Take urgent action to combat climate change and its impacts.”

CO₂ Emission Reduction Amounts



* CO₂ emission reduction contribution: The reduction in CO₂ emissions achieved through improved performance of Rinnai-brand water heaters, compared with fiscal 2006
 [Calculation criteria] Target products: Water heaters sold by Rinnai Corporation in Japan
 Usage period: 10 years
 Based on Rinnai standard (service conditions, etc.)

Evolution of the ECO ONE Hybrid Water Heater and Heating System

We created ECO ONE, the first-ever hybrid water heater and heating system for household use, in 2010. This system provides thermal energy for water and floor heating by combining gas and electric heat pumps. The system consists of three main units: a heat pump, which uses electricity to boil water; a tank that stores the hot water; and a high-efficiency Eco Jozu gas water heater that provides backup when reheating water and using large volumes of water.

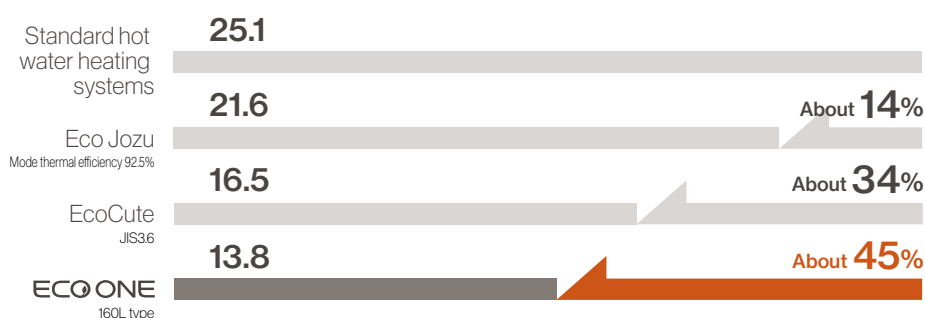
The Rinnai Group has worked to improve its energy conservation ever since it began conducting sales in 2010. The ECO ONE with a 160L tank unit that we launched in August 2017 has met primary energy consumption standards for water heaters of 13.8 GJ per year. This system consumes 45% less energy than conventional water heaters.

In February 2018, the ECO ONE earned the first-place gold prize in the 2018 Aichi Environmental Awards (sponsored by Aichi Prefecture) for its high level of energy conservation.



Aichi Environmental Awards gold trophy

Comparison of Primary Energy Amounts Consumed by Water Heating Systems* (GJ/year)



* Computations were made using the Energy Consumption Performance Calculator (home version, Ver.2.3.1, available in six regions), which conforms to the 2016 energy standards in Technical Information Regarding Building Energy Consumption Performance (as of December 2017). This publication was through cooperation between the Building Research Institute and the National Institute for Land and Infrastructure Management.



Plug-in LOWBOY model of the ECO ONE hybrid water heater with bath-filling system, 50-liter model

In addition to improving its energy conservation, the Rinnai Group has worked to expand its product lineup, enabling it to respond to a variety of housing environments. In May 2018, we began selling our Plug-in LOWBOY model of ECO ONE, which makes the construction of special power sources for heat pumps unnecessary. This simplifies replacement construction and allows for more flexibility when installing the system in a diverse range of placement areas in a wide variety of existing houses.

Impact on the Environment of the Rinnai Group—Fiscal Year 2018

Rinnai is working to achieve full comprehension of all environmental impact related to its business activities.

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

Scope of Accounting

Rinnai Corporation and consolidated subsidiaries

Company Name

Rinnai Corporation	Rinnai Enterprises
Yanagisawa Manufacturing Co., Ltd.	Rinnai Australia Pty., Ltd.
Rinnai Technica Co., Ltd.	Rinnai America Corporation
Gastar Co., Ltd.	Rinnai Holdings (Pacific) Pte Ltd.
RB Controls Co., Ltd.	Rinnai New Zealand Ltd.
Rinnai Precision Co., Ltd.	Rinnai Hong Kong Ltd.
RT Engineering Co., Ltd.	Rinnai Taiwan Corporation
Japan Ceramics Co., Ltd.	Rinnai Korea Corporation
Noto Tech Co., Ltd.	Rinnai (Thailand) Co., Ltd.
Techno Parts Co., Ltd.	Shanghai Rinnai Co., Ltd.
Rinnai Net Co., Ltd.	Rinnai Viet Nam Co., Ltd.
RG Co., Ltd.	RB Korea Ltd.
	Rinnai Canada Holdings Ltd.
	Rinnai Brasil Heating Technology Ltd.
	Shanghai Rinnai Thermo Energy Engineering Co., Ltd.
	P.T. Rinnai Indonesia
	Brivis Climate Systems
	Gas Appliance Services Corporation

Reporting Period

Domestic: From April 1, 2017 to March 31, 2018

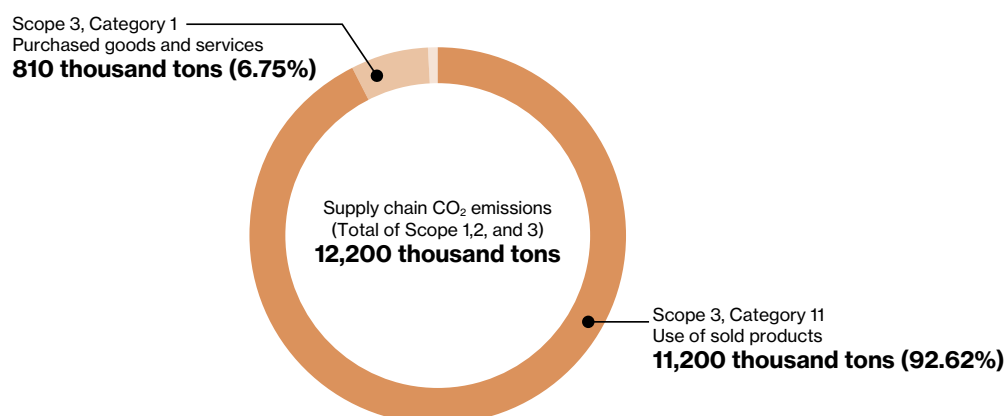
Overseas: From January 1, 2017 to December 31, 2017

Third-Party Assurance

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

CO₂ Emissions

Scope			Unit	Fiscal 2018	Percentage	Assurance
Scope 1* ¹			tCO ₂ e	40,313	0.33	✓
Scope 2* ²				67,977	0.56	✓
Scope 3* ³	1	Purchased goods and services		816,828	6.75	—
	2	Capital goods		52,724	0.44	—
	3	Fuel- and energy-related activities		2,955	0.02	—
	4	Upstream transportation and distribution		10,803	0.09	—
	5	Waste generated in operations		733	0.01	—
	6	Business travel		524	0.00	—
	7	Employee commuting		1,557	0.01	—
	8	Upstream leased assets		Included in Scope 1	—	—
	9	Downstream transportation and distribution		—	—	—
	10	Processing of sold products		Not applicable	—	—
	11	Use of sold products		11,204,402	92.62	✓
	12	End-of-life treatment of sold products		6,580	0.05	—
	13	Downstream leased assets		Not applicable	—	—
	14	Franchises		Not applicable	—	—
	15	Investments		Not applicable	—	—
Total of Scope 1, 2, and 3			12,205,395	100.00		



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

Energy Consumption

Scope		Unit	Fiscal 2018	Assurance
Electricity		MWh	118,733.3	✓
City gas	Use of equipment on premises	1,000 Nm ³	11,096.6	✓
	Use of vehicles	1,000 Nm ³	2.0	✓
Methane gas		1,000 m ³	34.0	✓

LPG	Use of equipment on premises	t	3,171.0	✓
	Use of vehicles	t	3.4	✓
Butane gas		t	68.5	✓
A-type heavy oil		kl	0.2	✓
Kerosene		kl	20.7	✓
Light oil	Use of equipment on premises	kl	18.1	✓
	Use of vehicles	kl	391.7	✓
Gasoline	Use of equipment on premises	kl	6.4	✓
	Use of vehicles	kl	1,933.6	✓

Waste Material and Water

Scope	Unit	Fiscal 2018	Assurance
Public water	m ³	665,255	
Ground water	m ³	269,397	
Drainage	m ³	881,174	
Waste material (including material with value)	t	28,664	

Conditions for Calculations

Scope 1

CO₂ conversion factors

Emission factor	MOE/METI, <i>GHG Emission Calculation and Reporting Manual (Ver. 4.3.2)</i>		
Heating value	<ul style="list-style-type: none"> City gas: 45 MJ/Nm³ Methane gas: 39.7 MJ/m³ 		

Gas	Town gas	2.24	tCO ₂ e/1,000 Nm ³
	Methane	2.02	tCO ₂ e/1,000 Nm ³
	LPG	3.00	tCO ₂ e/t
	Butane	3.00	tCO ₂ e/t
Oil	Heavy oil	2.71	tCO ₂ e/kl
	Kerosene	2.49	tCO ₂ e/kl
	Light oil	2.58	tCO ₂ e/kl
	Gasoline	2.32	tCO ₂ e/kl

Scope 2

CO₂ conversion factors

Domestic emission factors	"Emission Factors by Electricity Utility (for FY2018 Reporting)" in MOE/METI, <i>GHG Emission Calculation and Reporting Manual (Ver. 4.3.2)</i>
Overseas emission factors	Latest figures published for electricity utilities, etc., in the countries concerned

Electricity	Australia (Adelaide)	0.670	tCO ₂ e/MWh
	Australia (Melbourne)	0.960	tCO ₂ e/MWh
	United States	0.490	tCO ₂ e/MWh
	Singapore	0.431	tCO ₂ e/MWh
	Hong Kong	0.790	tCO ₂ e/MWh
	Taiwan	0.525	tCO ₂ e/MWh
	South Korea	0.459	tCO ₂ e/MWh
	Thailand	0.544	tCO ₂ e/MWh
	China (Shanghai)	0.704	tCO ₂ e/MWh
	Vietnam	0.815	tCO ₂ e/MWh
	New Zealand	0.120	tCO ₂ e/MWh
	Brazil	0.082	tCO ₂ e/MWh
	Indonesia	0.840	tCO ₂ e/MWh

Scope 3

- Calculated in accordance with MOE/METI, *Basic Guidelines on Calculation of Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.3)*
- Conditions for all categories

Scope of calculation	Rinnai Corporation
Emission factors	<ul style="list-style-type: none"> • MOE, <i>Emission Factor Database (Ver. 2.5)</i> • CFP Communication Program Secretariat, <i>Carbon Footprint Communication Program: Basic Database (Ver. 1.01) (Domestic Data)</i>

- Conditions for category 11 (Use of sold products)

Products covered	Water heaters sold by Rinnai
Emission factors	<ul style="list-style-type: none"> • Electricity: 0.570 kgCO₂e/kWh Federation of Electric Power Companies of Japan, <i>Environmental Action Plans in the Electricity Industry, September 2015</i> (reference materials: collected data on performance in FY2013) • City gas: 2.21 kgCO₂e/m³ Tokyo Gas Co., Ltd., <i>City Gas CO₂ Emission Factors</i> (13 A, 45 MJ/m³, ordinary households and other customers receiving low-pressure supply)

Third-Party Assurance Statement

 <p>Independent Assurance Statement related to Rinnai Corporation's GHG Emissions Inventory and Energy Consumption Data for the fiscal year 2017</p> <p>Terms of Engagement This assurance statement has been prepared for Rinnai Corporation.</p> <p>Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Rinnai Corporation ("the organization") to assess its GHG emissions inventory and energy consumption data (the report) for the fiscal year 2017. The report relates to direct GHG emissions (Scope 1), energy related GHG emissions (Scope 2), energy consumption data, and other indirect GHG emissions related to the use of sold products (Scope 3, Category 11) associated with the activities of the organization and its consolidated subsidiaries in Japan and overseas.</p> <p>Management Responsibility The organization's management was responsible for preparing the report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the report in accordance with our contract with the organization.</p> <p>Ultimately, the report has been approved by, and remains the responsibility of, the organization.</p> <p>LRQA's Approach Our verification has been conducted in accordance with ISO 14064-3:2009 Specification with guidance for verification and validation of greenhouse gas assertions to provide limited assurance that the GHG emissions and energy consumption data as presented in the report and as summarized in Table 1 and Table 2 below have been prepared in accordance with the organization's in-house reporting procedures.</p> <p>To form our conclusions the assurance engagement was undertaken on a sampling exercise and covered the following activities:</p> <ul style="list-style-type: none"> • reviewed the management system documents for energy consumption data, GHG emissions data and its records; • interviewed relevant staff of the organization responsible for managing energy consumption data, GHG emissions data and records; • assessed the effectiveness of implementation of the GHG management system and internal data verification controls; • visited Rinnai's Osaka and Osaka East plants of Rinnai Corporation and the head office of GASTAR Co., Ltd. to establish whether the in-house procedures have been effectively implemented; and • verified historical GHG emissions and energy consumption data and records at an appropriate level for the fiscal year 2017, including the associated main activity data for each type of energy consumption as summarized in Table 1 and Table 2 below. <p>Level of Assurance & Materiality The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at a materiality of the professional judgment of the verifier.</p> <p>LRQA's Opinion Based on LRQA's approach nothing has come to our attention that would cause us to believe that the total GHG emissions disclosed in the report and as summarized in Table 1 and Table 2 below are not materially correct and the report has not been prepared in accordance with the organization's in-house reporting procedures.</p> <p><small>* This reporting period is based on the fiscal year of January 1st to December 31st (fiscal year 2017). * The organization has reported Scope 1, 2, 3, 11, and 12 emissions (excluding Scope 10, 11, and 12). * Energy consumption data includes electricity, heat gas, LPG, and gas. Heat gas includes steam and hot water. * Single emissions data covers electricity, steam and heat gas. Other emissions (including Scope 10, 11, and 12) are not included.</small></p> <p>Page 1 of 2</p>	 <p>LRQA's Recommendation The organization has year-on-year demonstrated improvement in its data management system. However, the organization should further demonstrate the completeness of its future GHG Emissions Inventory.</p> <p>LRQA's Independence This verification is the only work undertaken by LRQA for the organization and as such does not compromise our independence or impartiality.</p> <p>Table 1. Summary of Rinnai Corporation's GHG Emissions Inventory, 2017</p> <table> <tr> <th>Scope of emissions</th><th>Tonnes CO₂e</th></tr> <tr> <td>Energy related GHG emissions (Scope 1)</td><td>66,312</td></tr> <tr> <td>Energy related GHG emissions (Scope 2, Market-based)</td><td>17,397</td></tr> <tr> <td>Other indirect GHG emissions (Scope 3, Category 11)</td><td>15,224,451</td></tr> </table> <p>Table 2. Summary of Rinnai Corporation's Energy Consumption Data, 2017</p> <table> <tr> <th>Scope of energy consumption data</th><th>Units</th></tr> <tr> <td>Electricity</td><td>118,753.3 MWh</td></tr> <tr> <td>Steam gas</td><td>11,690.6 MWh</td></tr> <tr> <td>For vehicle use</td><td>1.0 MWh</td></tr> <tr> <td>Gasoline</td><td>94.0 km³</td></tr> <tr> <td>LPG</td><td>3,171.0 t</td></tr> <tr> <td>For the use of equipment in each facility</td><td>1.4 t</td></tr> <tr> <td>For vehicle use</td><td>94.0 t</td></tr> <tr> <td>Heavy oil</td><td>2.2 t</td></tr> <tr> <td>For vehicle use</td><td>13.1 t</td></tr> <tr> <td>Light oil</td><td>39.7 t</td></tr> <tr> <td>For the use of equipment in each facility</td><td>1.4 t</td></tr> <tr> <td>For vehicle use</td><td>1,943.6 t</td></tr> </table> <p>Digital:  Norihiko Kurokawa LRQA Lead Verifier On behalf of Lloyd's Register Quality Assurance Limited Japan Business Centre, Queen's Tower A, 10th Floor 2-1-1 Minamishinjuku, Nishi-ku, Yokohama 220-8015, Japan LRQA-reference: YKMA05052</p> <p><small>This Assurance Statement is subject to the provisions of the legal framework. This Assurance Statement is only valid when printed with the Report to which it refers. It may only be reproduced in its entirety. Lloyd's Register Quality Assurance is not responsible for the accuracy, completeness, or reliability of the data and information disclosed in the report and as summarized in Table 1 and Table 2 below. The organization is responsible for the accuracy, completeness, and reliability of the data and information disclosed in the report and as summarized in Table 1 and Table 2 below. The organization is responsible for the accuracy, completeness, and reliability of the data and information disclosed in the report and as summarized in Table 1 and Table 2 below. 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Global Warming Prevention

The effects of global warming are causing large fluctuations in climate patterns, which may hamper the construction of sustainable societies. Rinnai is minimizing its energy consumption through its heat technology and expertise and through various technological innovations. The Company is also promoting initiatives that contribute to reducing CO₂ emissions.

Contributing to Energy Conservation by Popularizing Environmentally Friendly Products

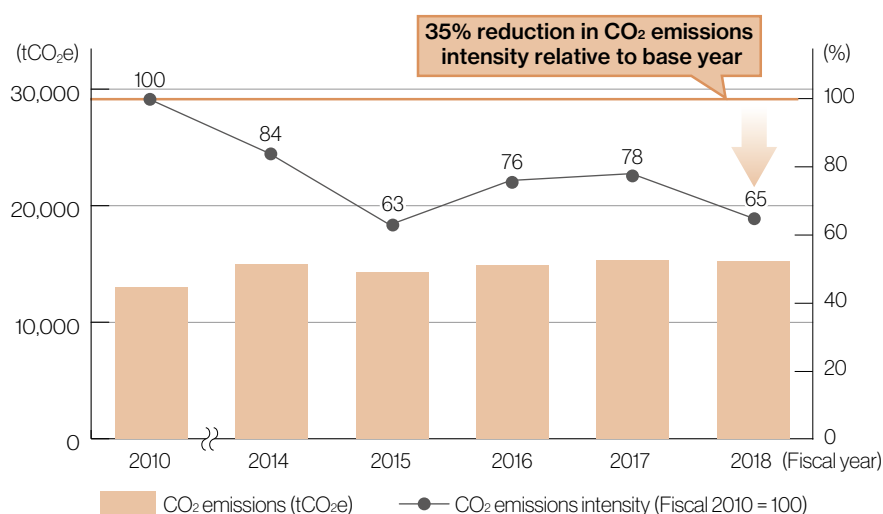
The vast majority of the CO₂ emitted during the lifecycles of Rinnai's products occur during product use. In light of this reality, the Company is conducting initiatives aimed at reducing the environmental impacts of its products while looking ahead to 2020 and 2030. Additionally, we are making environmental contributions through our business activities.

Environmentally Conscious Design Initiatives (Product Assessment)

Rinnai is conducting environmentally conscious product development based on internal product assessment standards beginning from the planning and design stages. We are working to develop devices with lower environmental impacts than conventional models by reducing the amount of resources they use and improving their recyclability in addition to their energy-saving capacities.

Reducing CO₂ Emission Rate*¹ by 35%

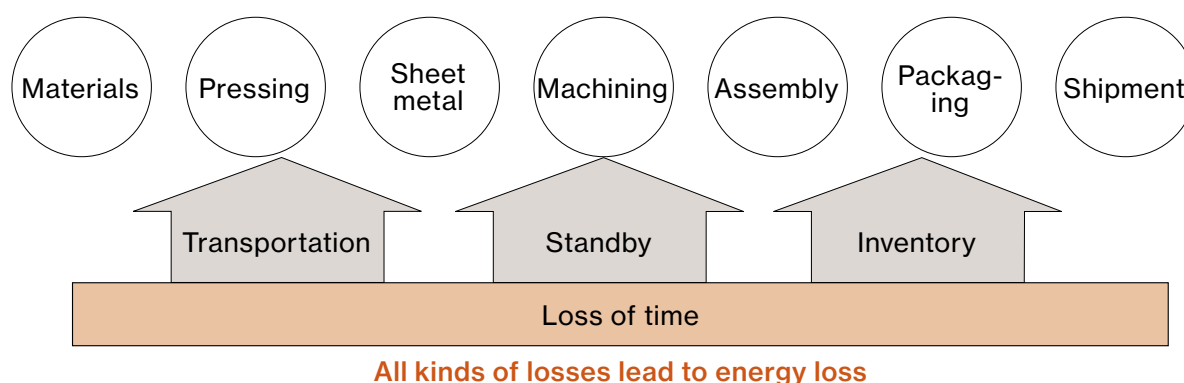
In its Basic Environmental Activities ("7E" Strategic Initiatives), Rinnai established a fiscal 2018 target of lowering its CO₂ emissions rate by 8% (base-year comparison). By fiscal 2018, we had actually reduced our CO₂ emissions rate by 35%. Total CO₂ emissions fell 0.7% year on year. We also further advanced our operational management. At the core of this management strategy are our power-saving initiatives, which we conduct each summer at all our locations. These initiatives encourage energy conservation and waste elimination in our production facilities and through our use of lighting and air conditioning. By advancing our operational management, we were able to achieve major reductions in energy use and meet our targets.



Note: CO₂ emissions intensity: CO₂ emissions intensity per standard unit defined by Rinnai. The target is to achieve a reduction of at least 1% per annum.
Scope of accounting: Rinnai Corporation

Efficiency-raising Activities through Rectification

Rinnai has established relevant management policies and targets as a business specified under the Act on the Rational Use of Energy and is practicing logical energy use. Promoting rectification in our craftsmanship is leading to higher productivity and lower total energy consumption. The Company is conducting loss-reduction activities from initial manufacturing to assembly and packaging stages supported by its integrated production system. With the awareness that "all kinds of losses lead to energy loss" we work to prevent loss incurred during transport, idle time, and through inventory, among others.



Primary Energy-conservation Initiatives

Upgrading and installation (with investment)	Upgrade to LED lighting and high-efficiency air conditioning, etc.
Optimizing operations (manufacturing)	Integrate facilities, optimize compressor pressure settings and starting and ending times, streamline furnace use to shorten operating times, recycle waste heat from boilers, eliminate air leaks, etc.
Optimizing operations (office work)	Run lighting on a curtailed schedule, manage air conditioner temperature and use, shorten usage times for tea machines and air conditioners, use green curtains or reed screens to reduce burden placed on air conditioners, etc.
Other	Implement summer dress code early and expand its length

Use of Renewable Energy

The Rinnai Group encourages the use of renewable energy, including solar and wind power, at all its locations worldwide. Its annual electric power output in fiscal 2018 was 50,000 kWh.



Improvements to Logistics

The Group's products are produced at plants located mainly in Japan and then distributed around Japan and to other countries in Asia, Europe, North America, and beyond.

Our Integrated Logistics Center monitors the status of energy usage through the distribution of products, and reviews distribution efficiency in cooperation with outside distributors. In multilateral and creative way, we promote distribution efficiency to reduce energy usage.

In fiscal 2018, Rinnai opened its East Japan Logistics Center in Atsugi, Kanagawa, to strengthen its distribution in the East Japan region, which surrounds the Tokyo metropolitan area. The Company is working to further shorten lead times and curtail energy consumption with two distribution hubs, the East Japan Logistics Center in the east and the Integrated Logistics Center in the west.



General Distribution Center

Trend of Shipping Volume and CO₂ Emissions

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Shipping volume (10 thousand tons /km)	6,587	6,836	6,763	6,429	6,228	6,952
CO ₂ emissions tons volume (tCO ₂ e)	10,440	10,967	10,756	10,545	11,083	10,891

Initiatives Being Pursued

- Expansion of consolidated shipping within the Group
- Review and adjustment of product delivery routes
- Effective use of round-trip shipments
- Modal shift*
- Increase in stacking per pallet
- Encouragement of eco-driving

* Modal shift: Shift of transportation from roads to other forms of bulk transportation (rail or sea).

Safe and Eco-Friendly Driving Initiatives

We have introduced a system for quantifying and centrally managing fleet operations at our sales offices and other relevant operations, and are also working to make employees more aware of how they can drive in a safer, more efficient, and eco-friendly manner. The system is designed to automatically email managers if a driver drives too fast, accelerates rapidly, or brakes suddenly. This has improved average fuel efficiency by approximately 5% per annum since it was introduced. The system is also helping to reduce traffic accidents and violations on public roads, and we plan to roll out similar initiatives Companywide in the future.



Anti-idling reminder (Chugoku Sales Office)

Eco-Drive Excellent Activity Certificate

In the general division of the 2017 eco-drive activity competition sponsored the Foundation for Promoting Personal Mobility and Ecological Transportation, Rinnai's Kansai Branch was awarded with the Eco-Drive Excellent activity certificate.



Eco-Drive Excellent activity certificate

Waste and Water Resources

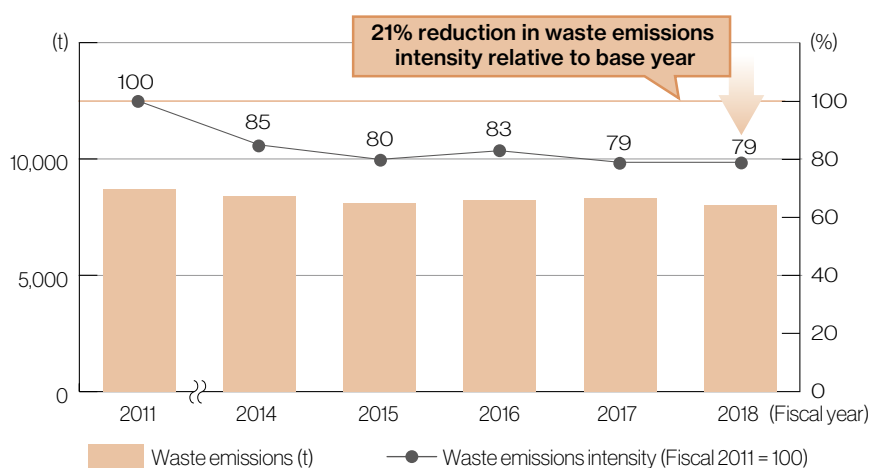
In response to resource depletion, Rinnai is working to reduce waste and maintain zero emissions*¹ (zero landfill waste) targets.

The Company acknowledges that water is a vital resource and conducts investigations regarding risk conditions for water at each of its locations. Additionally, we endeavor to reduce the volumes of clean water or groundwater used at our locations, depending on the area.

*1 Zero emissions: More than 99.5% of waste is recycled (including heat recovery)

Reducing Waste Emission Rate*² by 21%

In its Basic Environmental Activities ("7E" Strategic Initiatives), Rinnai established a fiscal 2018 target of reducing its waste emission rate by 7% (base-year comparison). By the target year, the Company reduced its waste emission rate by 21%. Total volume of waste emissions fell by 7.6%, in accordance with benchmarks. By keeping the daily elimination of waste (cost-reduction activities) at all our plants and offices in mind, we have greatly curtailed waste emissions at our business locations.



Note: Waste emissions intensity: Waste emissions per standard unit defined by Rinnai. The target is to achieve a reduction of at least 1% per annum.
Scope of accounting: Rinnai Corporation

Primary Waste-Reduction Initiatives

Manufacturing	<ul style="list-style-type: none"> • Raise the effective utilization rate for pressed components to increase yields • Effectively use "dropped materials" • Reduce failure rates • Raise recovery rate of residual medicinal agents • Make transport materials returnable • Eliminate excessive packaging
Office	<ul style="list-style-type: none"> • Promote a shift to paperless correspondence • Curtail the use of disposable and consumable materials • Raise awareness by informing employees of how many copies they make and how much they cost
Both	<ul style="list-style-type: none"> • Improve accuracy of material separation • Consign industrial waste processing to a reputable company

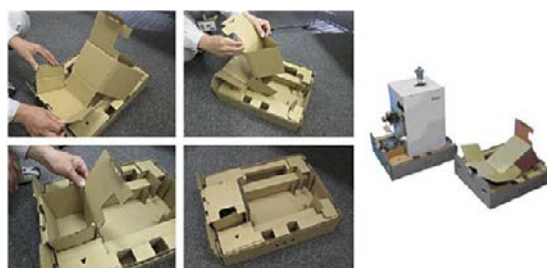
Efforts to Improve Packaging

We use packaging made from easy-to-recycle cardboard, and are also expanding our use of returnable packaging to promote reuse of packaging materials and are reducing the weight and volume of packing by making more effective use of packaging components.

Fiscal year	Month	Award Name	Title
2003	Oct.	Electric Equipment Packaging Award	Glass-top built-in gas stove's environmentally friendly packaging
2004	Oct.	Logistics Award	Bathroom heater/dryer's environmentally friendly packaging
2008	Oct.	Electric Equipment Packaging Award	Compact packaging for gas fan heaters
2012	Oct.	Large-sized Equipment Packaging Award	Environmentally responsive packaging for the <i>ECO ONE</i> hybrid water heater with heating systems
2014	Aug.	Large-sized Equipment Packaging Award	Improved, environmentally friendly returnable packaging for gas-powered bath water heaters
2016	Aug.	Appropriate Packaging Award	Component box with bottom tray for packaging important accessories with main articles

Component Box with Bottom Tray Wins the 2016 Japan Packaging Contest Appropriate Packaging Award

Rinnai's component box with bottom tray, which allows the Company's instant hot water pump unit (principal product) to be packaged together with heavy component parts that weigh as much as three kg, won the 2016 Japan Packaging Contest's Appropriate Packaging Award. This packaging method, which uses all cardboard, was praised for its high functionality and its low use of packaging components.



Recycling Initiatives

At least 80%-90% of the materials used to make gas appliances consist of recyclable materials such as iron and copper. Gas appliances that have reached the end of their useful lives are collected and disposed of through two channels: by local authorities in the case of appliances that require no installation work, and by contractors in the case of appliances that do require such work.

The Environmental and Recycling Action Committee formed by the Japan Industrial Association of Gas and Kerosene Appliances, of which we are a member, regularly surveys the state of disposal of end-of-life gas and oil appliances. In addition to using questionnaires, the committee conducts recycling verification tests at recycling plants, as necessary, and confirms and shares information on the status of disposal. Surveys confirmed that end-of-life gas and oil appliances are being properly disposed of and that the recycling rate remains high. These results will be useful in product design and improvement activities.



Recycling Household Electrical Appliances

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

Recycling Containers and Packaging

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

Industrial Waste Processing

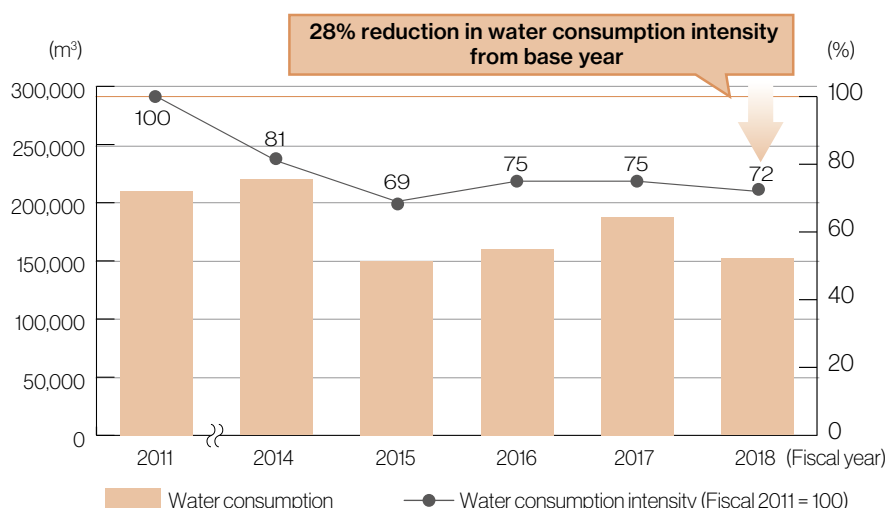
When reaching agreements with waste processing subcontractors, Rinnai conducts strict investigations involving elements such as financial evaluations and on-site confirmations. We visit our processing subcontractors each year to verify that they are conducting appropriate waste disposal. Once there, we manage manifests that contain information regarding different varieties of waste, their disposal methods, and processing statuses. We also conduct on-site confirmations regarding waste processing and exchange relevant information with the subcontractor. In fiscal 2018, the Company visited 43 locations to verify that proper waste management was being conducted.

Management of Polychlorinated biphenyl (PCB) Waste

The Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes requires that companies such as Rinnai upgrade their storage of PCB, a substance used in transformer oil, and dispose of it by the end of March 2027. We are promoting measures aimed at expedient disposal. Until PCB disposal is complete, the Company will implement leakage prevention measures in preparation for possible equipment failures during storage. We will also diligently lock up facilities to prevent loss and conduct proper labeling. Additionally, Rinnai will work to enable appropriate disposal of discarded electrical equipment confirmed to be contaminated with minute amounts of PCB. This disposal will be performed at facilities certified by the Minister of the Environment that enforce appropriate storage and began conducting disposal in fiscal 2011.

Reducing Rate of Water Use by 28%

In its Basic Environmental Activities ("7E" Strategic Initiatives), Rinnai established a fiscal 2018 target of reducing its water usage rate by 7% or more. By the target year, we reduced our water usage rate by 28%. Total volume of water used fell by 28.3%. We achieved major reductions in water usage by encouraging improved water conservation in line with our year-long forecasts and efficient water utilization.



Note: Water consumption intensity: Water consumption per standard unit defined by Rinnai. The target is to achieve a reduction of at least 1% per annum.
Scope of accounting: Rinnai Corporation

Primary Water-Conservation Initiatives

As the world's population increases and urbanization and industrialization continue to progress, the concern that humanity may face water shortages also spreads. To respond to business risks associated with water, Rinnai is identifying business locations with high water risk both domestically and internationally. We are also starting to conduct response initiatives tailored to these risk conditions.

Managing Drainage Water Quality

To ensure that the water we dispose of at drainage treatment facilities does not impact aquatic ecosystems, such as those in rivers, we conduct wastewater management with voluntary standards that are more stringent than those required by law. The Company disposes of water while continuously monitoring pH levels.



Water monitoring unit



Analyzing wastewater

Pollution Prevention

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

Promoting Management of Products Containing Potentially Harmful Chemical Substances

Rinnai appropriately manages information concerning products containing potentially harmful chemicals along with its suppliers. The Company conducts this management based on its Green Procurement Standards Guide (E-Procurement Standards Guide) and its Chemical Substance Management Guidelines, which address regulatory concerns regarding green procurement and chemical substances contained in procured materials, respectively.

Principal regulations (examples from the EU)

RoHS : Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment

REACH: Registration, Evaluation, Authorization and Restriction of Chemicals

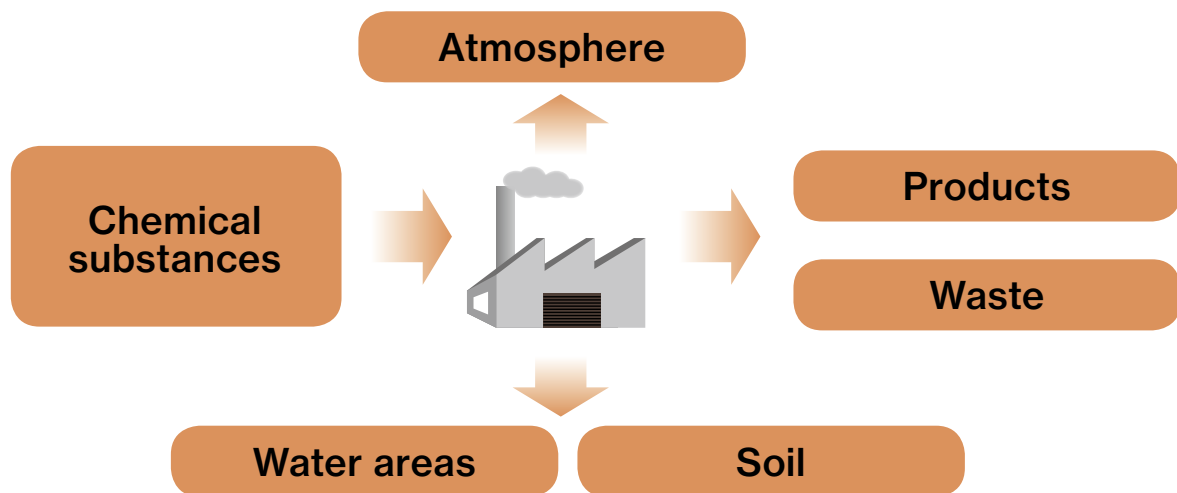


Training a training session for business partners

Management of Usage Amount of Chemical Substances

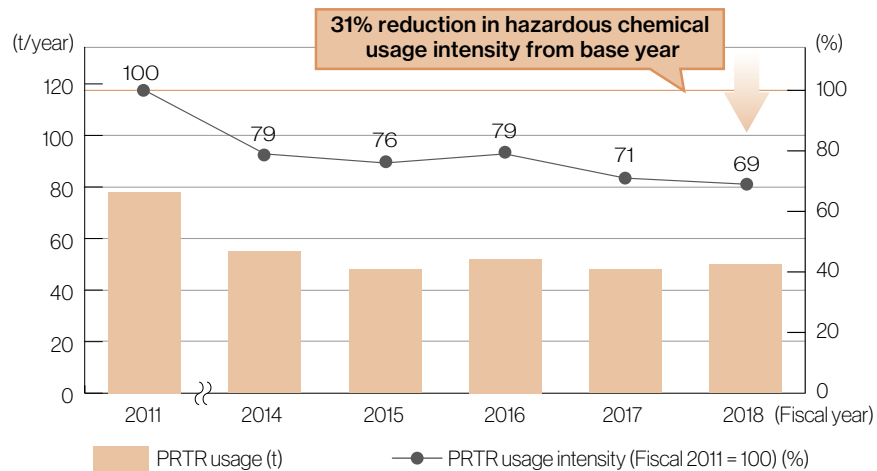
At each production site, we check and manage the amounts handled, released, and transferred of the 462 Class 1 chemical substances designated under the PRTR Law, for which 500 kg or more is handled each year.

Flows of Release and Transfer of Chemical Substances (PRTR Substances)



Lowering Usage Rate of Hazardous Chemicals*¹ by 31%

In its Basic Environmental Activities ("7E" Strategic Initiatives), Rinnai established a fiscal 2018 target of reducing its usage rate of hazardous chemicals by 7% compared to the base year. By the target year, it reduced this rate by 31%. Overall reductions in hazardous chemical volume have been strong, totaling 36.1%.



Note: Hazardous chemical usage intensity: Usage of hazardous chemicals per standard unit defined by Rinnai. The aim is to achieve a reduction of at least 1% per annum.
Scope of accounting: Rinnai Corporation

Preparing for Emergencies

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



Emergency response drill

Facility Inspections Centered on the Environment

Each year, Rinnai conducts environmentally focused facility inspections that prioritize facilities it has designated as having potentially negative environmental impacts. We are working to prevent major environmental accidents by conducting individual facility inspections, operational checks on measuring instruments, and emergency simulations.



Emergency response drill

Protecting Biodiversity

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

Approach to Protection of Biodiversity

We have incorporated “consideration for biodiversity” into our ISO 14001:2015 environmental policy and are pursuing action in accordance with the following principles.



Rinnai Principles on Biodiversity

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

Cultivation of Awareness

Please see page 48 “Participation in the My Action Declaration project backed by UNDB-J.”

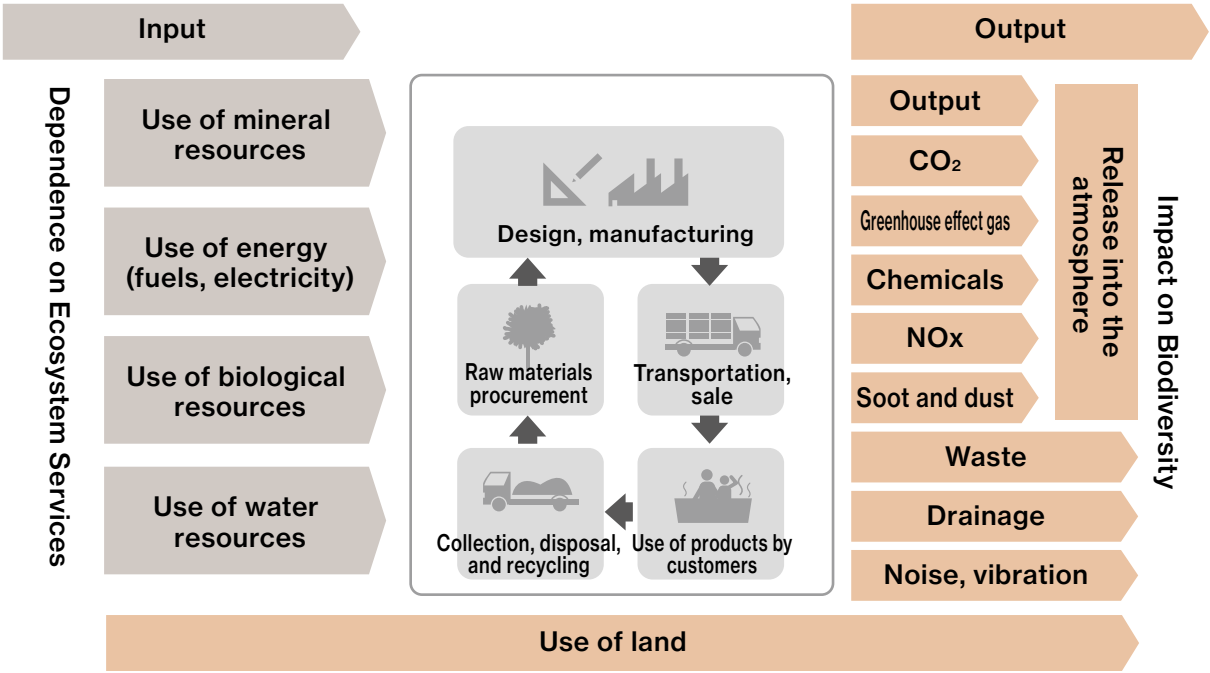
Protection of the Environment around Company Sites

Please see page 47 “Nature Ramble” and “Eradication of Invasive Species.”

Ties between Business Activities and Biodiversity

Action is being taken at all our plants and offices to protect diversity through initiatives to reduce the impact on the environment on a day-to-day basis (by reducing CO₂ and waste emissions, preventing atmospheric and water pollution, and so on).

Relationship between the Rinnai Group's Business Activities and Biodiversity



Environmental Education and Promotion of Awareness

To promote ongoing environmental activities, it is essential to improve environmental awareness of each employee. At the Rinnai Group, every June is designated "Environment Month," during which time various participatory environmental awareness-raising activities are organized.

Exchange Events (Visits) to Learn from Corporate Environmental Pioneers

Once per year, to coincide with Environment Month in June, we organize an exchange event (visit) with a corporate environmental pioneer in order to learn about other companies' environmental technologies and facilities, and to create opportunities for personnel involved in environmental matters to share ideas and information.



Introduction of other companies' initiatives

Rinnai Group Environmental Awards Programs

The Rinnai Group Environmental Awards are held annually to recognize outstanding environmental activities and stimulate more action on the environment throughout the Group. These awards recognize major contributions to the environment and society, and are open to all our operations in Japan and around the world. The eighth awards ceremony was held at the Rinnai Group Convention.

A record 117 entries were received in fiscal 2018, from which 11 prize winners in categories including manufacturing, offices, sales, and contribution to society were selected.



Award ceremony

Protection of the Environment around Company Sites

Discovering more about local nature is the first step in preserving biodiversity. A nature ramble around our Oguchi Factory in Niwa-gun, Aichi Prefecture, was therefore organized, and 46 species of plant were discovered during the two-hour walk. A native species of burnet was found to be surviving on a regularly mown embankment, while a species of tickseed called *Coreopsis lanceolate*, which has been designated an invasive species that takes over the habitat of native species, was discovered in the asphalt joints of a national highway. The ramble around a familiar landscape gave the participants fresh insights into nature and will contribute to future preservation work. In fiscal 2018, the same survey was conducted around the Seto Factory in Seto City.



Observing the flora of a paddy field



Native species of burnet discovered



Marking the locations of plants discovered on a map



Map of flora and fauna around Rinnai's Oguchi Factory (map data courtesy of Google and DigitalGlobe)

Extermination of *Coreopsis lanceolata*, a Specified Invasive Species (Biodiversity Conservation)

In June, which is Environment Month, we conducted an extermination of *Coreopsis lanceolata*, a specified invasive species of plant.

Specified invasive species are living organisms that the Japanese government has determined to pose a risk of harm to ecosystems when they are introduced from other regions. Their cultivation, preservation, import, transport, and breeding are prohibited. Many commuters' cars as well as trucks transporting products and other materials pass through the roads surrounding the Company. The possibility exists that *Coreopsis lanceolata* seeds that adhered to these vehicles were carried into and began inhabiting the land nearby. If left alone, the plant could spread to other locations in the same way, leading to wide-ranging habitation. Rinnai feels that it has a responsibility to prevent crises that threaten biodiversity in areas in which it does business.

In fiscal 2018, we collected and properly disposed of 180 kg of *Coreopsis lanceolata* in areas surrounding our Oguchi and Seto factories that spanned a total of about 2,000 m². A total of 63 representatives from the government, neighboring companies, and Rinnai staff participated in this activity, which Rinnai intends to expand moving forward.



Extermination work



Extermination work



Coreopsis lanceolata (a specified invasive species)

Signing of the My Action Declaration

3,922 of our employees (equivalent to a 93% participation rate) have signed the "My Action Declaration" backed by the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J), and this has enhanced their understanding of how to protect biodiversity.

We will pursue measures to mainstream biodiversity and encourage employees to think about and engage in protecting biodiversity in their daily lives and work by following the five actions specified in the "My Action Declaration" (eating, touching, communicating, protecting, and selecting).



Publication of In-house Environmental Newsletter *Eco no Coe*

We publish a regular in-house environmental newsletter '*Eco no Coe*' to keep our employees around the world up to date with the Group's own environmental activities and environmental trends elsewhere in Japan and other countries. This newsletter has been published since 1999 as a means of raising environmental knowledge and awareness and encouraging communication on the subject among employees.

In fiscal 2018, we included information regarding supply chain management and biodiversity conservation.



Eco no Coe, Vol. 52, Winter Issue

Activities to Raise Environmental Awareness through Cultivation of Heirloom Vegetables^{*1}

We planned and held an "Heirloom Vegetable Seed Application Campaign" in which we distributed a variety of heirloom vegetable seeds from Aichi, which have been popular in Japan since the Edo era (1603–1868), to a total of 604 applicants. All applicants also participated in a survey regarding regional food culture. This campaign provided each participant with the opportunity to try his or her hand at growing heirloom vegetables while learning about regional food culture and nature and becoming more familiar with greenery in general.

We collected photographs of heirloom vegetables at harvest time, as well as of cuisine made using them, and published them in *Eco no Coe* ("Eco Voice"). This campaign was developed within the Company and modeled after initiatives implemented by the Environmental Partnership Organizing Club (EPOC)^{*2}.

^{*1} Heirloom vegetables

Vegetables such as *Kyo-yasai* and *Kaga-yasai* that have long been grown locally

^{*2} Environmental Partnership Organizing Club (EPOC)

companies work together on activities to build a recycling-oriented economy and society.



Entry photographs from employees

Factory Tours

Rinnai is conducting factory tours to inform the public about its various endeavors, including its environmental activities. We are providing tour participants with the opportunity to understand more about our environmental initiatives, quality control, safety policies, and manufacturing by allowing them to view our facilities and by conducting Q&A sessions afterward.

A total of 3,422 customers, suppliers, students, and members of government participated in our factory tours in fiscal 2018.



Factory tour in progress

Environmental Exhibition

Rinnai Holds an Environmentally Friendly Product Event

We are working to promote our environmentally friendly products through eco-festivals held at Rinnai sales branches all over Japan.

In fiscal 2018, a total of 35,000 customers attended our eco-festivals, which were held at all branches nationwide, and learned about the environmental soundness of our products.



Exhibit at Eco Products 2017

The Company has taken part in the Eco Products exhibition since 2013, the environmental exhibition hosted by Nikkei Inc. and the Japan Environmental Management Association for Industry. A characteristic of this exhibition is that it is often visited by business people and the general public, and also elementary and junior high school students on field trips. During Eco Products 2017, nearly 2,000 elementary and junior high school students visited our booth to learn about the energy used in homes and our environmental and energy-saving products.

Encouraging Eco-Friendly Commuting

The Technology Development Center encourages employees to voluntarily commute in an eco-friendly manner by designating certain days as “no car days.” On these days, employees come to work by public transport or bicycle in order to reduce CO₂ emissions and the noise pollution caused by traffic congestion near the center. This not only reduces impact on the environment but also provides employees with healthy moderate exercise.



Bike racks at the Technology Development Center

Cleanup and Greenification Activities around Company Sites

Group employees periodically engage in cleanup and greenification activities around the Group's factories and along their commuting routes to help look after the natural environment around its operations. A total of 3,156 employees took part in fiscal 2018.



Cleanup activity

Environmental Management

Approach to the Environment

Rinnai has adopted an environmental basic philosophy, environmental slogan, and “7E” Strategic Initiatives environmental action plan (fiscal 2016 to fiscal 2018) in accordance with its Environmental Basic Policy, and these guide the implementation of environmental activities undertaken with the involvement of the entire workforce in all business domains.

Please see page 11 “Environmental Policy”.

Please see page 53 “Environmental Action Plan and Performance”.

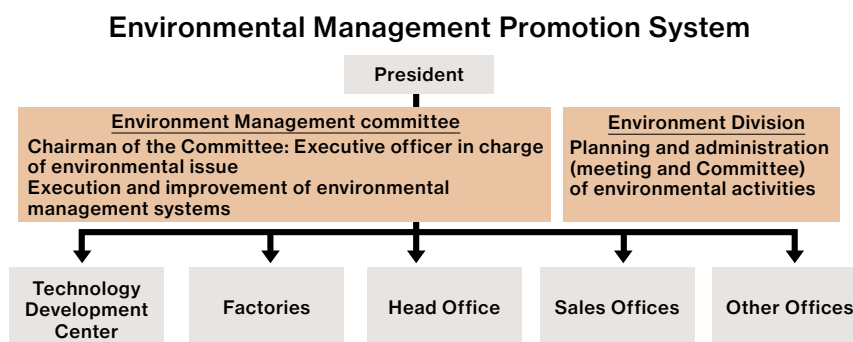
ISO 14001:2015 Certification

To underpin the systematic and continuous development of environment-oriented activities in line with our stated basic environmental policy, we encourage all members of the Rinnai Group to embrace efforts to acquire and maintain ISO14001:2015 certification.

Please see page 72 “Environmental Management System Certification Acquisition Status”.

Promotional Framework for Environmental Activities

Headed by the President, the Environment Management Committee guides corporate efforts to achieve targets of the “7E” Strategic Initiatives environmental action plan. This committee is chaired by the executive officer responsible for the environment and has the participation of representatives from all divisions. Its mandate is to promote environment-oriented activities from a “big picture” view.



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

External and Internal Environmental Audits

The ISO 14011 Certification Division undergoes a routine audit, once a year, by an external screening/registration body to verify that the environmental management system is being properly applied. In fiscal 2018, the routine audit reviewed the migration to ISO 14001:2015 version, and did not turn up any major non-conformances.



External audit

Environmental Training

Raising each employee's environmental awareness is important for promoting environmental activities. To provide as many employees as possible with opportunities to raise their environmental awareness, we plan and offer training programs for developing and fostering human resources who will actually engage in environmental activities, as well as new employee training and rank-specific training programs.



Environmental training for staff in charge of environmental activities

Internal Auditor Education

Internal auditors play a significant role over and above their efforts to continuously improve the environmental management system. The execution of an audit requires highly specialized knowledge and communication skills. To upgrade the skills of internal auditors, we conduct regular training by in-house instructors on such topics as laws and ordinances, internal regulations, internal audit observations and improvement measures, and environment-oriented trends. In fiscal 2018, a total of 36 employees participated in training workshops.

Compliance with Legal Regulations

In addition to complying with legal regulations, the Rinnai Group sets even more stringent voluntary environmental standards for itself. We conduct daily monitoring, regular measurements, and environmental audits to prevent the discharge of chemical substances hazardous into the atmosphere or to water systems. The Company aims for thoroughness in its environmental management. To this end, we are strengthening our management of facilities. If we discover the possibility that chemical discharge could exceed our voluntary standards, we conduct countermeasures in advance to ensure compliance. In the rare event that a chemical discharge exceeds regulation values, we identify the source, fix it, and implement improvement measures.

In fiscal 2018, we were fully compliant with environmental regulations, including anti-pollution laws.

Supply Chain Management

Rinnai engages in global environmental conservation activities based on its basic philosophy on the environment and works to provide environmentally friendly products. Environmental activities that extend beyond the scope of our Company and into our supply chain are important for sustaining our business moving forward. We include examples and suggestions that we believe could contribute positively to the environment and green procurement in our Green Procurement Standards Guide, to which we request all of our suppliers comply. Rinnai is working to advance environmental initiatives along with its suppliers.

Basic Environmental Activities ("7E" Strategic Initiatives) and its Results

Rinnai promotes participation in environmental activities from all employees in all businesses. These activities are based on the goals of the Company's Basic Environmental Activities ("7E" Strategic Initiatives), which the Company hopes to achieve by 2020. Below is a report regarding targets, results, and estimated results for each of the Basic Environmental Activities' seven Es (E-marketing, E-services, E-products, E-procurement, E-minds, E-factories, and E-offices).

(Criteria for self-assessment of fiscal year target attainment)

Degree of attainment: ✓ 100 ▲ 70% or more × less than 70%

Scope: Rinnai Corporation

Basic Environmental Activities and Targets for Fiscal 2019–2021

Field	Basic Environmental Activities ("7E Strategy") (2018–2020)	Fiscal 2019 Targets
Environmental management	Promote continued implementation of environmental management systems at all domestic and international locations and obtain new certifications	Receive ISO 14001:2015 certification at Minami-Kanto sales office
Environment marketing (Sales) Environmental services (Construction and repair)	Expand sales of highly efficient products Set a 2020 goal of 1.6 million tons of avoided CO ₂ emissions in the hot water supply system field* ¹	1.53 million tons of avoided CO ₂ emissions
Environmental products (Product development)	Energy consumption and CO ₂ emissions levels Continuously develop high-efficiency equipment for Zero-Energy Homes (ZEH) and products that use less power during both standby and use	<ul style="list-style-type: none"> • Develop a high-efficiency gas water heater • Reduce standby power consumption
	Conserve and recycle resources Continuously evaluate each product's environmental impact from its design stage through its lifecycle and develop smaller and lighter products	<ul style="list-style-type: none"> • Product assessment • Develop resource-saving (smaller and lighter) equipment
Environmental procurement	Promote supply chain management Continuously promote green procurement management compliant with environmental regulations in each country and engage in environmental preservation activities along with our suppliers to raise environmental performance throughout the supply chain	<ul style="list-style-type: none"> • Ensure suppliers comprehend and manage environmental load data • Procure and use materials in accordance with Rinnai's green procurement standards • Enhance chemical substance management in response to regulations in individual countries
Environmental minds (Regional communities and employees)	Share information and contribute to local areas Biodiversity conservation measures at each location Hold factory tours and showroom tours at all sales branches nationwide Participate in environmental exhibitions Information transmission conscious of environmental, social, and governance(ESG)	<ul style="list-style-type: none"> • Exterminate specified invasive plant species at several locations • Publish CSR Report 2018 and release ESG information

	Environmental training and education Aim to raise environmental awareness and encourage communication regarding the environment through environmental events and education for employees	<ul style="list-style-type: none"> • Plan and conduct environmental training appropriate for participants • Stimulate environmental activities with our internal commendation system
Environmental factories* ²	Reduce energy consumption rate by more than 4% compared to fiscal 2017 by fiscal 2021	✓ Reduce by more than 2% compared to fiscal 2017
Environmental offices	Reduce rate of waste discharge by more than 4% compared to fiscal 2017 by fiscal 2021 Maintain and advance zero-emissions initiatives	✓ Reduce by more than 2% compared to fiscal 2017
	Reduce rate of water use by more than 4% compared to fiscal 2017 by fiscal 2021	✓ Reduce by more than 2% compared to fiscal 2017 by fiscal 2021
	Reduce rate of harmful chemicals handled by more than 4% compared to fiscal 2017 by fiscal 2021	✓ Reduce by more than 2% compared to fiscal 2017 by fiscal 2021

Basic Environmental Activities and Targets for Fiscal 2019–2021

Field	Fiscal 2018 Targets	Fiscal 2018 Results	Assessment
Environmental management	Acquire ISO 14001:2015 certifications at domestic and international locations	ISO 14001:2015 certifications acquired at the newly established Akatsuki and East Oguchi factories	✓
Environmental marketing (Sales) Environmental services (Construction and repair)	1.02 million metric tons of avoided CO ₂ emissions* ⁴	1.00 million metric tons of avoided CO ₂ emissions* ⁴	▲
Environmental products (Product development)	Energy consumption and CO ₂ emissions levels Develop high-efficiency equipment	<ul style="list-style-type: none"> • Hybrid water heater with heating system • High-efficiency gas water heater (domestic and international) • Kitchen appliances and clothes dryers for overseas use • Gas fan heater (reduction in fuel consumption due to circulation) 	✓
	Conserve and recycle resources <ul style="list-style-type: none"> • Continue to conduct product assessments • Promote development of lighter products and products that save water 	Conducted product assessments Developed lighter products <ul style="list-style-type: none"> • Tabletop cooker for use overseas • Gas water heater Simplified packaging	✓

Environmental procurement	Promote supply chain management	<ul style="list-style-type: none"> • Conducted initiatives in pursuit of supplier comprehension regarding environmental load data • Procured and used materials in accordance with Rinnai green procurement standards • Established a foundation for chemical substance management and strengthened collaboration with suppliers 	✓
Environmental minds (Employees)	Share information and contribute to local areas <ul style="list-style-type: none"> • Show consideration for biodiversity at each location • Release information regarding CSR and the environment 	<ul style="list-style-type: none"> • Exterminated specified invasive plant species in the area surrounding the Oguchi Factory • Published CSR Report 2018 • Released environmental information on our corporate website 	✓
	Environmental training and education	<ul style="list-style-type: none"> • Conducted environmental training at each location • Enacted an internal commendation system (117 applications for commendation received) • Provided opportunities to become acquainted with various plant life through traditional heirloom vegetable growing (604 total participants) 	✓
Environmental factories* ²	Reduce CO ₂ emissions rate by more than 8% compared to fiscal 2010	✓ Reduced by 35% compared to fiscal 2010 Maintain and advance zero-emissions initiatives	✓
Environmental offices	Reduce rate of waste discharge by more than 7% compared to fiscal 2011	✓ Reduced by 21% compared to fiscal 2011 Maintained and advanced zero-emission initiatives	✓
	Reduce water consumption rate by more than 7% compared to fiscal 2011	✓ Reduced by 28% compared to fiscal 2011	✓
	Reduce rate of harmful chemicals handled by more than 7% compared to fiscal 2011	✓ Reduced by 31% compared to fiscal 2011	✓

Notes: 1. CO₂ reduction contribution = Reduction in CO₂ emissions compared to products sold in 2005 resulting from improved performance of Rinnai water heaters (estimated)

Concerns emissions produced through markets in Japan and the United States

2. Intensity = Load per standard unit defined by Rinnai

3. Hazardous chemicals = Class I designated chemical substances as defined by the PRTR Act

4. Concerns only emissions produced through the Japanese market

Environmental Accounting

To promote environmental management moving forward, Rinnai is working to identify and understand the expenses and effects necessary for its environmental conservation activities.

Scope of accounting: Rinnai Corporation

Period of accounting: From April 1, 2017 to March 31, 2018

Environmental Conservation Costs and Effects

Breakdown of Costs for Environmental Protection		Key Activities	Costs
In the scope of operations	Pollution prevention	Mainly efforts to prevent air and water pollution	2,528
	Environmental protection	Mainly efforts to save energy	3,646
	Resource recycling	Recycling as well as treatment and disposal of industrial waste	4,500
Upstream/downstream		Collection/recycling and volume/weight reduction of materials such as product packaging	218
Management activities		Mainly monitoring and surveillance of environmental impact	13,672
Research and development		R&D on environmentally conscious products addressing energy- and resource-saving features and reduction and/or elimination of hazardous chemical substances	108,012
Community efforts		Environmental communication with local regions and beautification/greening at places of business and surrounding areas	103
Total			132,679

(Unit: tCO₂e)

	Item	Content	Environmental Impact Reduction
Environmental protection effect	On-site results	CO ₂ emissions reductions achieved through improved energy conservation	281

(Unit: Ten thousand yen)

Economic Effect Accompanying Environmental Protection Measures	Key Content	Economic Effect
	Reduced expenses through energy conservation and waste curtailment	5,365

- R&D costs are associated with the development of environment-related, leading-edge technologies and products for the heat-energy appliance market as well as products that, based on Rinnai's standards, mark an improvement over existing products.
- Costs covering other applications, which include non-environment-oriented activities, are apportioned according to internal rules.
- The calculations above exclude depreciation and amortization expense.
The economic effects achieved through energy-savings and waste reduction are not increases or decreases in overall costs but rather an effective amount regarded for its economic benefit through the associated activities.
- Deemed effects, such as avoiding risks and enhanced product sales, fall outside the scope of economic effects because the standard for evaluation is too vague.
- External economic effects, derived mainly through products that reduce environmental impact, also fall outside the scope of economic effects because the results are too difficult to pinpoint.

Chronology of Environmental Activities at Rinnai

1993	March	Drafted Environmental Preservation Action Plan; established Environment Committee
	December	Won prize at 4th Energy Conservation Vanguard 21 for gas-blast type high-heat griller RGM-4, 6, 8
1994	July	Market debut: Low-NOx burner built-in water heater (NOx at less than 60 ppm)
1996	March	Won top prize at 1st Eco-Design Awards, sponsored by Tokyo Gas, Osaka Gas and Toho Gas for water heater, fan heater and small hot-water heater
1997	March	Won special prize at 2nd Eco-Design Awards for tabletop cooking stove
	June	Market debut: Absorption-type gas air conditioner (non-CFC)
	October	Acquired ISO 14001 certification at Oguchi Factory
	December	Won prize at 8th Energy Conservation Vanguard 21 for tabletop oven RSBN-096
1998	April	Won top prize for gas clothes dryer and special awards for small hot-water heater and for absorption-type gas air conditioner at 3rd Eco-Design Awards
	October	Market debut: <i>Yukko V</i> Series, featuring no styrene packing, low stand by power consumption and low NOx emissions
1999	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
	July	Established Environment Division
	September	Market debut: Ecomax burner and Eco burner-equipped gas cooking stove
	October	Market debut: Condensing water heater boasting 95% heat efficiency and NOx emissions under 30 ppm
2000	February	Won Minister of Economy, Trade and Industry Award for condensing water heater at Ministry's 10th Energy Conservation Awards
	May	Drafted Rinnai Environmental Action Principles
	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
	August	Published inaugural issue of Environmental Report
2001	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
2002	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
2003	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
	October	Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2003 for built-in 75 cm-wide glass-top gas cooking stove
2004	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
	October	Won Logistics Prize at Japan Packaging Contest 2004 for bathroom heater/dryer
	December	Created the Green Procurement Standards Guide (first edition)
2005	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	September	Participated in Team Minus 6%, a national movement to prevent global warming
2006	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	October	Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2006
2007	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
2008	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	September	Gas tankless water heater sold in the United States captured 2008 Super Nova Star Award (Stars of Energy Efficiency) in the United States from the Alliance to Save Energy
	October	Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2008 for gas fan heater

2009	February	Market debut: <i>Eco-Jozu</i> hot-water/heating unit <i>RVD-E</i> Series
	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
2010	January	Market debut: <i>Eco-Jozu</i> water heater with bath-filling systems <i>RUF-E</i> Series Participated in Challenge 25 campaign, a national movement to prevent global warming
	February	Won Silver Award at Aichi Environmental Award 2010 sponsored by Aichi Prefecture for global promotion of high-efficiency combustion appliances and systems, including latent heat recovery water heaters
	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	September	Held the first Rinnai Group Environmental Awards ceremony
2011	April	Market debut: <i>Eco One</i> hybrid water heater with heating systems for colder regions
	May	Won Technology Grand Award from Japan Gas Association for development of gas hot-water system <i>SOLAMO</i> to use solar heat
	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	September	Held the second Rinnai Group Environmental Awards ceremony
	December	Won the Resource Recycling Manufacturing Research Group Chairman's Award at the IMS 16th Resource Recycling Manufacturing Symposium for energy-saving measures concerning enamel combustion furnaces
2012	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	September	Held the third Rinnai Group Environmental Awards ceremony
	October	Won Large and Heavy Good Packaging Prize at Japan Packaging Contest 2012 for <i>Eco One</i> hybrid water heater with heating systems
	December	Won the Resource Recycling Manufacturing Research Group Chairman's Award at the IMS 17th Resource Recycling Manufacturing Symposium for our development of a home-use hybrid water heater with heating systems
2013	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	September	Held the fourth Rinnai Group Environmental Awards ceremony
	December	Won the Chairman Award of Nagoya Industries Promotion Corporation at the IMS 18th Resource Recycling Manufacturing Symposium for improvement of logistic efficiency and reduction of waste disposal by reviewing of packing production process
2014	January	Won top energy conservation award at METI Award in the fiscal 2013 Energy Conservation Awards for <i>Eco One</i> hybrid water heater with heating systems
	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	August	Won Large and Heavy Good Packaging Prize at Japan Packaging Contest 2014 for returnable package
	September	Held the fifth Rinnai Group Environmental Awards ceremony
	December	Won 2014 Energy Saving and New Energy Grand Prize in Kitaguni (northern area in Japan) for <i>Eco One</i> hybrid water heater with heating systems for the Hokkaido region Won the Chunichi Shimbun Award at the IMS 19th Resource Recycling Manufacturing Symposium for our development of an eco-friendly water heater with bath-filling systems
2015	April	Market debut: <i>Eco One</i> third-generation hybrid water heater with heating systems
	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
	September	Held the sixth Rinnai Group Environmental Awards ceremony

2016	May	Acquired a certificate of a low-carbon building as Japan's first residential complex in which all units have <i>ECO ONE</i> and floor heating
	June	Environment Month events: Issued new environmental cards to all Rinnai employees Organized an exchange event (visit) with a corporate environmental pioneer
	July	Participated in <i>COOL CHOICE</i> campaign, a new national movement to global climatic changes and reducing greenhouse effect gas
	August	Won Good Packaging Prize at Japan Packaging Contest 2014 for a bottom tray with parts box for important attachments
	September	Held the seventh Rinnai Group Environmental Awards ceremony
	December	Won Nagoya Municipal Industrial Research Institute Director's Award (for improvements targeting paper use along the supply chain) at 21st Resource Recycling <i>Monozukuri</i> Symposium IMS
2017	January	Presented a talk on Rinnai's environmental activities at the 20th Dialogue and Exchange Event hosted by EPOC Won the Energy Center Director's Award at the Energy Conservation Awards for third-generation <i>ECO ONE</i> hybrid water and space heating system
	March	Conducted inspections regarding conversion to ISO 14001:2015 standards
	June	Environment Month events: Organized action to eradicate a specified invasive species (<i>Coreopsis lanceolata</i>) Organized an exchange event (visit) with a corporate environmental pioneer 3,922 Rinnai employees participated in the My Action Declaration's five actions to protect biodiversity backed by the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J)
	November	Rinnai Kansai branch office received Eco-Drive Excellent activity certificate in the general division of the 2017 Eco-drive Activity Concours, sponsored by the Foundation for Promoting Personal Mobility and Eco-Drive Ecological Transportation
2018	January	Held the eighth Rinnai Group Environmental Awards during our New Year's celebration
	February	Won first prize in the Aichi Environmental Awards for our development of the <i>ECO ONE</i> , which is an extremely energy-efficient water heater and heating system that cleverly and optimally uses diverse energy
	April	Published fourth edition of our Green Procurement Standards Guide
	June	Environment Month events: Removed <i>Coreopsis lanceolata</i> coreopsis plants, an invasive species, and held an Environmentally Progressive Company Inspection Council (exchange meeting)

Supplemental Data 1: Major Site Report 2018

Oguchi Factory

Location	Kaechi, Oguchi-cho, Niwa-gun, Aichi
Business	Manufacture of gas equipment
Commenced operations	1964
Major production items	Gas stoves, Built-in ranges, Dishwashers, and others
Acquisition of ISO 14001 certification	October 1997

Target period: April 1, 2017–March 31, 2018



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
4,543.4	792,389.6	0.0	5.2	0.0	0.0	0.0	22.3	4.8

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
1,862	2,204	2.8

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
5,000.25	0.0	0.0	5,000.2	100.0

Substances Subject to the PRTR Law

(Unit: kg)

Number	Class I designated chemical substance name*	Handling amount	Amount of emission/discharge				Amount of transfer	
			Emissions into the air	Discharge into public waters	Discharge into the soil at the relevant office	Landfill at the relevant office	Transfer to sewers	Transfer outside the relevant office
53	Ethylbenzene	1,400.0	1,400.0	0.0	0.0	0.0	0.0	16.0
71	Ferric chloride	1,500.0	0.0	0.0	0.0	0.0	0.0	1,500.0
80	Xylene	2,500.0	2,500.0	0.0	0.0	0.0	0.0	49.0
296	1,2,4-trimethylbenzene	1,500.0	1,500.0	0.0	0.0	0.0	0.0	0.0
300	Toluene	2,000.0	1,800.0	0.0	0.0	0.0	0.0	190.0
309	Nickel compounds	1,000.0	0.0	0.0	0.0	0.0	0.0	33.0
405	Boron compounds	3,000.0	0.0	0.0	0.0	0.0	0.0	140.0

*As regulated by the Pollutant Release and Transfer Register (PRTR) Law

Water Discharge

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.7 - 8.7	5.8 - 8.7	7.0	6.8
BOD	300	240	130.0	79.1
SS	300	240	42.0	27.9

* Water discharge standard:

Sewer discharge standard

* The amount of discharge: m³/day

* pH: Concentration of hydrogen ions

* BOD: Biochemical oxygen demand (mg/l)

* SS: Concentration of aqueous suspended solids (mg/l)

Supplemental Data 2: Major Site Report 2018

Seto Factory

Location	Anada-cho, Seto-shi, Aichi
Business	Manufacture of gas equipment
Commenced operations	1979
Major production items	Hybrid water heaters with heating systems, Heating source for gas water heaters, Gas water heaters, and others
Acquisition of ISO 14001 certification	December 2000

Target period: April 1, 2017–March 31, 2018



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
7,567.3	593,109.8	357.0	25.4	0.1	0.0	0.1	14.9	4.8

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
1,458	3,670	3.4

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
2,038.3	0.0	0.0	2,038.3	100.0

Substances Subject to the PRTR Law

(Unit: kg)

Number	Class I designated chemical substance name*	Handling amount	Amount of emission/discharge				Amount of transfer	
			Emissions into the air	Discharge into public waters	Discharge into the soil at the relevant office	Landfill at the relevant office	Transfer to sewers	Transfer outside the relevant office
53	Ethylbenzene	1,800.0	1,600.0	1.6	0.0	0.0	0.0	170.0
80	Xylene	2,400.0	2,200.0	1.6	0.0	0.0	0.0	170.0
87	Chromium and chromium (III) compounds	5,900.0	0.0	0.0	0.0	0.0	0.0	0.0
300	Toluene	1,200.0	740.0	0.0	0.0	0.0	0.0	450.0
308	Nickel	10,000.0	0.0	0.0	0.0	0.0	0.0	0.0

*As regulated by the Pollutant Release and Transfer Register (PRTR) Law

Water Discharge

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.8 - 8.6	6.0 - 8.4	7.6	7.4
BOD	25 (20)	20	2.5	1.2
COD	25 (20)	20	3.3	2.0
SS	30 (20)	20	2.0	2.0

* Water discharge to: Yatoko River

* Water discharge standard:

River discharge standard

* The amount of discharge: m³/day

* pH: Concentration of hydrogen ions

* BOD: Biochemical oxygen demand (mg/l)

* COD: Chemical oxygen demand (mg/l)

* SS: Concentration of aqueous suspended solids (mg/l)

* () Daily average

Supplemental Data 3: Major Site Report 2018

Akatsuki Factory

Location	Seto, Aichi
Business	Gas appliance production
Commenced operations	2017
Major production items	Hybrid water heater with heating systems, clothes dryers, and other appliances
Acquisition of ISO 14001 certification	June 2018

Target period: April 1, 2017–March 31, 2018



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
1,949.1	180,140.9	0.0	1.2	0.1	0.0	0.0	2.0	0.7

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
415	945	0.9

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
819.6	0.0	0.0	819.6	100.0

Supplemental Data 4: Major Site Report 2018

Asahi Factory

Location	Nishiyama-cho, Owariasahi-shi, Aichi
Business	Manufacture of gas equipment
Commenced operations	1960
Major production items	Gas fan heaters, Gas clothes dryers, Bathroom heaters/dryers, Fan-forced gas heaters, Infrared heaters, and others
Acquisition of ISO 14001 certification	January 2003

Target period: April 1, 2017–March 31, 2018



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
1,318.1	191,715.4	0.0	1.1	0.0	0.0	0.1	3.0	1.3

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
444	639	0.7

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
458.1	0.0	0.0	458.0	100.0

Substances Subject to the PRTR Law

(Unit: kg)

Number	Class I designated chemical substance name*	Handling amount	Amount of emission/discharge				Amount of transfer	
			Emissions into the air	Discharge into public waters	Discharge into the soil at the relevant office	Landfill at the relevant office	Transfer to sewers	Transfer outside the relevant office
53	Ethylbenzene	5,300.0	600.0	0.0	0.0	0.0	6.0	1,200.0
80	Xylene	12,000.0	1,200.0	0.0	0.0	0.0	6.0	1,200.0
296	1,2,4-trimethylbenzene	1,500.0	120.0	0.0	0.0	0.0	6.0	260.0
300	Toluene	7,300.0	1,500.0	0.0	0.0	0.0	6.0	4,800.0

*As regulated by the Pollutant Release and Transfer Register (PRTR) Law

Water Discharge

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.7 - 8.7	5.9 - 8.5	7.5	7.2
BOD	300	210	190.0	73.7
SS	300	210	140.0	44.5

* Water discharge standard:

Sewer discharge standard

* The amount of discharge: m³/day

* pH: Concentration of hydrogen ions

* BOD: Biochemical oxygen demand (mg/l)

* SS: Concentration of aqueous suspended solids (mg/l)

Supplemental Data 5: Major Site Report 2018

Yanagisawa Manufacturing Co., Ltd.

Location	Yanagi-machi, Kadoma-shi, Osaka
Business	Manufacture of gas equipment
Commenced operations	1936
Major production items	Commercial-use kitchen units, Commercial-use high-speed ovens, Gas rice cookers, Floor heating systems (hot-water mat)
Acquisition of ISO 14001 certification	June 2004

Target period: April 1, 2017–March 31, 2018



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
1,837.7	359,907.9	0.0	0.1	0.0	0.0	0.0	0.0	5.9

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
821	935	0.6

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
396.3	0.0	0.0	396.3	100.0

Water Discharge

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.0 - 9.0	5.9 - 8.5	7.3	7.0
BOD	600	300	98.0	52.7
SS	600	300	110.0	55.1

* Water discharge standard:
Sewer discharge standard
* The amount of discharge: m³/day
* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand (mg/l)
* SS: Concentration of aqueous suspended solids (mg/l)

Supplemental Data 6: Major Site Report 2018

Rinnai Technica Co., Ltd.

Target period: April 1, 2017–March 31, 2018

Location	Sakagawa, Kakegawa-shi, Shizuoka
Business	Manufacture of gas equipment
Commenced operations	1970
Major production items	Gas water heaters, Gas instant-heating hot-water heaters, Gas water heaters for overseas markets, and others
Acquisition of ISO 14001 certification	December 2003



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
3,166.5	0.0	0.0	516.3	5.6	0.0	0.0	1.0	6.5

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
1,584	1,536	2.5

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
1,133.0	5.6	0.0	1,127.4	99.5

Water Discharge

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.8 - 8.6	6.3 - 8.1	7.8	7.4
BOD	25 (20)	20 (15)	16.0	7.0
COD	160 (120)	20 (15)	9.9	8.0
SS	50 (40)	30 (20)	9.0	4.7

- * Water discharge to: Ohta River
- * Water discharge standard: River effluent standard
- * The amount of discharge: m³/day
- * pH: Concentration of hydrogen ions
- * BOD: Biochemical oxygen demand (mg/l)
- * COD: Chemical oxygen demand (mg/l)
- * SS: Concentration of aqueous suspended solids (mg/l)
- * () Daily average

Supplemental Data 7: Major Site Report 2018

GASTAR Co., Ltd.

Target period: April 1, 2017–March 31, 2018

Location	Yamato-shi, Kanagawa
Business	Water heater business, TES business, and housing equipment business
Commenced operations	1959
Major production items	Heating source for water heaters, Water heater with bath-filling system, Japanese-style balance-type bath heating systems
Acquisition of ISO 14001 certification	October 2001



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
4,497.6	684,109.9	5,432.0	21.8	0.1	0.0	0.0	3.3	61.7

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
1,763	1,906	3.1

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
637.0	0.3	0.0	636.7	99.9

Water Discharge Yamato Area (Head office and Factory)

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.0 - 9.0	5.2 - 8.8	7.8	7.1
BOD	600	480	22.0	8.4

Yamato Area (Laboratory building)

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.8 - 8.6	6.0 - 8.4	8.3	7.8
BOD	15	12	5.0	5.0
COD	25	20	5.0	5.0
SS	40	32	5.0	5.0

* Water discharge to: Tutumi River
 * Water discharge standard: River effluent standard
 * The amount of discharge: m³/day
 * pH: Concentration of hydrogen ions
 * BOD: Biochemical oxygen demand (mg/l)
 * COD: Chemical oxygen demand (mg/l)
 * SS: Concentration of aqueous suspended solids (mg/l)

Supplemental Data 8: Major Site Report 2018

RB Controls Co., Ltd.; Head office, Kanaiwa Factory, and Tsurugi Factory

Target period: April 1, 2017–March 31, 2018

Location	Head office: Kannondo-machi, Kanazawa-shi, Ishikawa Kanaiwa Factory: Kanaiwa Higashi, Kanazawa-shi, Ishikawa Tsurugi Factory: Oyanagi-machi, Hakusan-shi, Ishikawa
Business	Manufacture of gas equipment components
Commenced operations	1971
Major production items	Electronic control units, High voltage units, Bathroom waterproof TV, Bathroom LED lights, and others
Acquisition of ISO 14001 certification	March 2006



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
5,776.8	24,852.4	0.0	311.4	0.0	0.0	0.0	3.0	16.2

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
1,035	3,697	1.9

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
403.4	21.2	4.5	377.7	93.6

Water Discharge Head office and Kanaiwa Factory

(Unit: kg)

Number	Class I designated chemical substance name*	Handling amount	Amount of emission/discharge				Amount of transfer	
			Emissions into the air	Discharge into public waters	Discharge into the soil at the relevant office	Landfill at the relevant office	Transfer to sewers	Transfer outside the relevant office
31	Antimony and its compounds	2,600.0	0.0	0.0	0.0	0.0	0.0	2,600.0
265	Tetrahydromethylphthalic anhydride	17,500.0	0.0	0.0	0.0	0.0	0.0	0.0
448	Methylenebis (4,1-phenylene) diisocyanate	3,000.0	0.0	0.0	0.0	0.0	0.0	0.0
460	Tritolyl phosphate	3,500.0	0.0	0.0	0.0	0.0	0.0	3,500.0

*As regulated by the Pollutant Release and Transfer Register (PRTR) Law

Tsurugi Factory

(Unit: kg)

Number	Class I designated chemical substance name*	Handling amount	Amount of emission/discharge				Amount of transfer	
			Emissions into the air	Discharge into public waters	Discharge into the soil at the relevant office	Landfill at the relevant office	Transfer to sewers	Transfer outside the relevant office
448	Methylenebis (4,1-phenylene) diisocyanate	34,000.0	0.0	0.0	0.0	0.0	0.0	0.0
460	Tritolyl phosphate	47,000.0	0.0	0.0	0.0	0.0	0.0	47,000.0

*As regulated by the Pollutant Release and Transfer Register (PRTR) Law

Supplemental Data 9: Major Site Report 2018

Rinnai Precision Co., Ltd.; Head office, Komaki Factory, and Kani Factory

Target period: April 1, 2017–March 31, 2018

Location	Head office and Komaki Factory: Shimobata, Oaza Honjo, Komaki-shi, Aichi Kani Factory: Himegaoka, Kani-shi, Gifu
Business	Manufacture of gas equipment components
Commenced operations	1979
Major production items	Gas cock parts, Gas valve parts, Gas control units, Solenoid water valve, and others
Acquisition of ISO 14001 certification	December 2005



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
14,683.4	1,446,932.2	0.0	90.0	55.2	0.0	0.0	0.0	6.8

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
3,698	7,121	7.2

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
2335.5	14.3	0.0	2321.2	99.4

Water Discharge *Head office and Komaki Factory*

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.8 - 8.6	6.0 - 8.4	7.2	7.0
BOD	300	300	190.0	177.0
SS	300	300	20.0	7.3

- * Water discharge standard: Sewer discharge standard
- * The amount of discharge: m³/day
- * pH: Concentration of hydrogen ions
- * BOD: Biochemical oxygen demand (mg/l)
- * SS: Concentration of aqueous suspended solids (mg/l)

Kani Factory

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.8 - 8.6	5.8 - 8.6	6.8	6.2
BOD	15	15	3.4	1.9
COD	30	30	2.4	2.4
SS	30	30	14.0	4.2

- * Water discharge to: Kani River
- * Water discharge standard: River effluent standard
- * The amount of discharge: m³/day
- * pH: Concentration of hydrogen ions
- * BOD: Biochemical oxygen demand (mg/l)
- * COD: Chemical oxygen demand (mg/l)
- * SS: Concentration of aqueous suspended solids (mg/l)

Supplemental Data 10: Major Site Report 2018

RT Engineering Co., Ltd

Target period: April 1, 2017–March 31, 2018

Location	Kamiiike-cho, Toyota-shi, Aichi
Business	Manufacture of gas equipment and components
Commenced operations	1950
Major production items	Machined copper pipe parts, Machined stainless steel parts, Machined iron pipe parts, and others
Acquisition of ISO 14001 certification	March 2006



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
2,319.0	122,882.1	0.0	2.6	0.0	0.0	1.4	1.9	3.7

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
301	1,125	0.9

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
535.0	8.3	0.0	526.7	98.5

Water Discharge

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.7 - 8.7	5.7 - 8.0	7.4	6.8
BOD	300	150	6.4	2.9
SS	300	150	6.0	1.8

* Water discharge standard:
 Sewer discharge standard
 * The amount of discharge: m³/day
 * pH: Concentration of hydrogen ions
 * BOD: Biochemical oxygen demand (mg/l)
 * SS: Concentration of aqueous suspended solids (mg/l)

Supplemental Data 11: Major Site Report 2018

Japan Ceramics Co., Ltd

Target period: April 1, 2017–March 31, 2018

Location	Himegaoka, Kani-shi, Gifu
Business	Manufacture of gas equipment components
Commenced operations	1981
Major production items	Ceramic plates for burners, Industrial burners, Functional coatings, and others
Acquisition of ISO 14001 certification	January 2006



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
2,199.3	0.0	0.0	555.7	0.0	0.0	0.0	0.0	4.1

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
1,677	1,067	2.3

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
267.5	58.4	0.0	209.1	78.2

Substances Subject to the PRTR Law

(Unit: kg)

Number	Class I designated chemical substance name*	Handling amount	Amount of emission/discharge				Amount of transfer	
			Emissions into the air	Discharge into public waters	Discharge into the soil at the relevant office	Landfill at the relevant office	Transfer to sewers	Transfer outside the relevant office
53	Ethylbenzene	1,700.0	1,400.0	0.0	0.0	0.0	0.0	180.0
80	Xylene	2,500.0	2,200.0	0.0	0.0	0.0	0.0	1.4
300	Toluene	12,000.0	12,000.0	0.0	0.0	0.0	0.0	54.0
412	Manganese and its compounds	1,800.0	4.0	0.0	0.0	0.0	0.0	950.0

*As regulated by the Pollutant Release and Transfer Register (PRTR) Law

Water Discharge

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.8 - 8.6	5.8 - 8.6	7.4	7.0
BOD	15 (10)	15	9.9	5.1
COD	160 (120)	30	7.0	7.0
SS	30 (25)	30	4.0	2.9

* Water discharge to: Kani River

* Water discharge standard:

River discharge standard

* The amount of discharge: m³/day

* pH: Concentration of hydrogen ions

* BOD: Biochemical oxygen demand (mg/l)

* COD: Chemical oxygen demand (mg/l)

* SS: Concentration of aqueous suspended solids (mg/l)

* () Daily average

* () Daily average

Supplemental Data 12: Major Site Report 2018

Noto Tech Co., Ltd.

Target period: April 1, 2017–March 31, 2018

Location	Nakanoto-machi, Kashima-gun, Ishikawa
Business	Manufacture of gas equipment components
Commenced operations	1990
Major production items	Enamel components, Gloss enamel countertop, Resin components, Remote controllers for bath filling systems
Acquisition of ISO 14001 certification	January 2007



Energy Use

Electricity (MWh)	City gas (13A) (Nm³)	Methane gas (m³)	LP gas (t)	Butane gas (t)	A-type heavy oil (kl)	Kerosene (kl)	Light oil (kl)	Gasoline (kl)
2,533.7	0.0	0.0	922.6	0.0	0.0	0.0	0.0	6.8

Emissions into the Air

Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	NOx emissions (t)
2,779	1,622	3.4

Discharge of Waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
1,985.4	314.6	50.6	1,620.2	81.6

Substances Subject to the PRTR Law

(Unit: kg)

Number	Class I designated chemical substance name*	Handling amount	Amount of emission/discharge				Amount of transfer	
			Emissions into the air	Discharge into public waters	Discharge into the soil at the relevant office	Landfill at the relevant office	Transfer to sewers	Transfer outside the relevant office
31	Antimony and its compounds	11,100.0	0.0	0.0	0.0	0.0	0.0	0.0
71	Ferric chloride	4,700.0	0.0	0.0	0.0	0.0	0.0	0.0
309	Nickel compounds	1,300.0	0.0	2.0	0.0	0.0	0.0	660.0
405	Boron compounds	9,600.0	0.0	160.0	0.0	0.0	0.0	5,100.0

*As regulated by the Pollutant Release and Transfer Register (PRTR) Law

Water Discharge

Substance	Regulation value	Voluntary	Actual value	
			Maximum	Mean
pH	5.8 - 8.2	6.0 - 8.2	7.1	7.0
BOD	40 (30)	36 (27)	6.0	4.7
COD	160 (120)	140 (100)	14.0	10.8
SS	40 (30)	36 (27)	2.0	1.5

* Water discharge to: Nagaso River

* Water discharge standard:

River effluent standard

* The amount of discharge: m³/day

* pH: Concentration of hydrogen ions

* BOD: Biochemical oxygen demand

(mg/l)

* COD: Chemical oxygen demand

(mg/l)

* SS: Concentration of aqueous

suspended solids (mg/l)

* () Daily average

Certification Acquisition Status

Environmental Management System International Standard [ISO 14001:2015]

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

Environmental Management System "Eco Action21"

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

Special Issue 02 [Safety and Peace-of-Mind Initiatives] Promoting a “Zero Defects” Policy to Ensure Customer Safety and Peace-of-Mind

Connection with SDGs



For Continued Safety and Peace-of-Mind

Large mishaps can occur when heat-energy appliances such as gas appliances have even small defects or breakdowns. The Rinnai Group believes that “Quality is our destiny.” Accordingly, we employ quality craftsmanship to offer our customers safe and secure products.

We also aim to create products that ensure safety and peace-of-mind throughout their lifecycles. Accordingly, each department is intensifying its quality-improvement initiatives in a groupwide effort to produce zero defect products.

The Rinnai Group considers consumer safety and product quality improvement to be two priority CSR material issues and is promoting a target of zero defects that result in recalls. In fiscal 2018, we announced one recall due to a product defect and, since February 2018 have been conducting free inspections and component replacement on some models of our bathroom heater and dryer systems produced between June 2001 and January 2009.

We are thorough in our efforts to prevent recalls due to defects but in the event that a recall does occur, we will make customer safety and peace of mind our highest priority while we aim for a swift solution and share information regarding issues between departments to prevent a recurrence.

Free Inspections and Component Replacements for Our Bathroom Heater and Dryer Systems

An extremely remote but possible fire hazard was detected in 33,147 units of bathroom heater and dryer systems that we produced between June 2001 and January 2009. When this defect was identified, we conducted free inspections and component replacement on those systems.



Bathroom heater and dryer system subject to recall

The Rinnai Group notifies customers about products affected by recalls through press releases and announcements printed in major morning newspapers. We also establish toll-free hotlines and publish recall information on our website. If we know where possibly defective units are installed, we let customers know about recalls via direct mail or by delivering flyers. With these free services, we thoroughly inform our customers and ensure that they can use our products safely.

Developing Products to Ensure Safety and Peace-of-Mind

Gas appliances entail various risks, such as gas leaks, incomplete combustion, burn injuries, and fire disasters. It is important to understand how gas appliances can be made safe by eliminating these risk factors. Rinnai's appliances are equipped with many types of safety equipment including the safety shut-off devices and frying oil fire-preventing temperature sensors in its gas burners and the CO sensors installed in its water heaters with special installation conditions.

The Rinnai Group's design division prioritizes safety starting from the design stage. With prevention as our foundational mindset, we strive to create products that are safe throughout their lifecycles. Related efforts include creating safety equipment that functions in a variety of operating environments, manufacturing products that maintain safe performance over long periods of use, and producing "fail-safes" that shut off devices should they happen to break down. Additionally, we conduct many different kinds of product tests based on strict evaluation criteria as well as analyses utilizing simulations. The Company has constructed a system in which it verifies the results of these tests and analyses via conference and then proceeds to the next step, aiming to completely eliminate defects caused by flaws in design.



Ensuring High Quality with Our Craftsmanship

Rinnai concentrates on enhancing manufacturing quality by emphasizing quality control activities and quality-oriented proposals. We search for unnecessary or wasteful manufacturing processes and systematically work them out, aiming to improve our manufacturing efforts on a day-by-day basis. In addition, the Rinnai Group bases its craftsmanship on its philosophy of developing human resources. We train human resources that can continue implementing the ideologies, techniques, and technologies that Rinnai requires from its employees.

Rinnai distributes its ZD Manufacturing Activities brochure, which consolidates the Company's basic rules concerning quality, to all Group employees involved with domestic manufacturing. We continuously revise our quality assurance rules and countermeasures when we discover flaws or defects and create new rules to prevent mistakes from recurring. In addition, we promote the transmission of our technology from generation to generation and push for stable quality assurance. Finally, we also offer long-term training in Japan for local employees working at our overseas bases. By offering this instruction, we have created a system through which employees can study the Company's craftsmanship and create high-quality products that offer safety and peace of mind both domestically and internationally.



ZD Manufacturing Activities brochure



VOICE



Kenji Endo
General Manager, Quality Assurance
Headquarters
Executive Officer

Implementing Our Fundamental Concept of “Quality is Our Destiny” and Our Responsibilities as a Global Company

We promote the fundamental belief that “quality is our destiny,” and all employees undertake their daily tasks with high moral values and a strong sense of responsibility. We continuously strive for self-improvement while maintaining a sense of pride in our work so that all employees conduct themselves with professionalism and fulfill all of the responsibilities of their respective workplaces. The Rinnai Group asks all employees to maintain this professionalism, including manufacturing personnel, who are involved directly with craftsmanship, and the people in sales, development, and other divisions that are involved indirectly.

The Group strives to create a workplace culture in which employees perform their duties with quality as their top priority. We pursue this goal both in theory and by improving skills training to achieve consistently high quality. Rinnai tailors quality training, implementing diverse and varied quality improvement activities that help employees perform their duties reliably and release better products.

Manufacturing critical components internally is a cornerstone of our craftsmanship and we equip our products with them after fully applying our specific skills and technologies. We also uniquely customize our manufacturing facilities so that they can be used with masterful efficiency and do not produce defects. Of course, we use equipment to create our products but it is people that control this equipment and maintain it in top condition. Indeed, we ultimately achieve human resource cultivation through the pursuit of quality.

Moving forward as a global company, we will continue to offer even safer and more convenient products to customers worldwide. All of our divisions and employees will continue working together to ensure the highest possible quality.

Consumer Safety Initiatives: Enhancing Maintenance and Inspection System of Long-Term Use Products

Connection with SDGs



Measures Aimed at Securing Product Safety for Our Customers

In April 2009, Rinnai put its product safety inspection system for long-term use into effect to comply with revisions to the Consumer Product Safety Act. We have begun offering notifications regarding (fee-based) legal compliance inspections for customers who registered their products in accordance with this system once they reach their 10th year of use.

This system aims to encourage customers to have their products appropriately inspected and maintained before they deteriorate and failure rates rise. In accordance with laws and ordinances, we provide guidance regarding optional safety inspections for products that are not targets of legal inspections, such as our outdoor water heaters. Additionally, we recommend that customers who regularly use target products receive inspections and make sure they understand that these products have standard lifespans.

Rinnai began notifying customers about inspections and their timings in February 2018, when this system entered its 10th year. We conduct notifications through postal mail, email, and with time stamp* features in our products.

As we begin full-scale inspections in accordance with our product safety inspection system for long-term use, we are also striving to enhance our maintenance check initiatives and working to improve operational environments so that our customers can utilize our products safely.



* Time stamps: A lamp display or similar feature installed on devices that notifies customers it is time for an inspection after 10 years or an equivalent amount of general use.

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



Indoor instant gas water heater

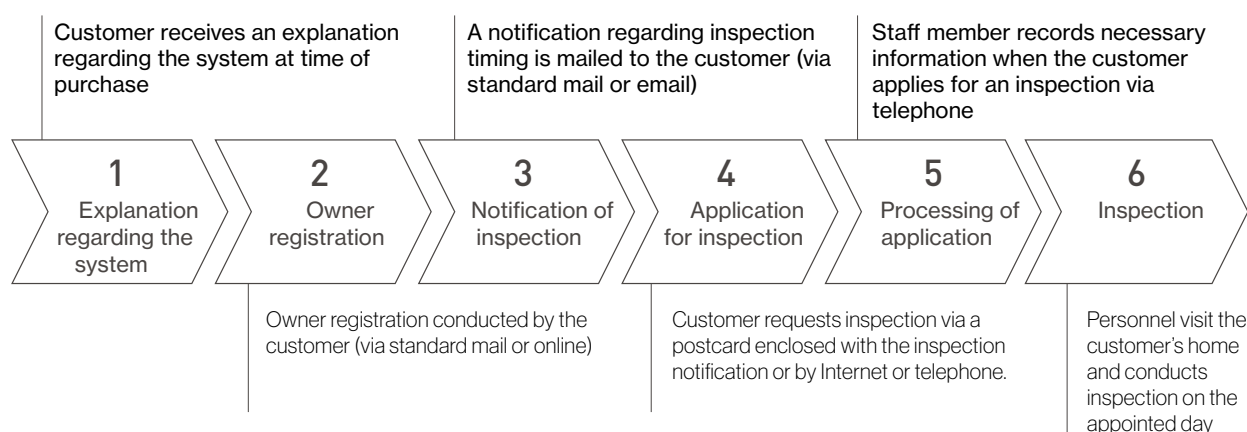


Indoor bath heater with gas burner



Built-in dishwasher

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



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

From 2016 until 2017, before full-scale inspections began, we performed updates on our maintenance check management system. These updates improved our system, allowing us to smoothly respond to customer demand by creating a central management that can handle individual customers' needs.

Full-fledged inspections begin in fiscal 2019, and we plan to work to achieve even further customer understanding regarding product inspections. To this end, we have created an Inspection System Handbook and released it publicly through our website.

Additionally, the Company will further inform customers about its inspection system by offering consultations through a maintenance check call center. This initiative will help prevent mishaps caused by product degradation.



Inspection System Handbook

Consumer Safety

Making Possible Safe and Healthy Lifestyles

Tabletop gas stoves with Si Temperature Sensors Prevent Fires

Tabletop gas stoves are the source of most fires that occur in the home, and it is said that in Japan many such fires are caused when using oil to deep fry the Japanese dish tempura. Kitchen fires caused by tempura oil sometimes spread to other rooms. They not only destroy precious assets, but in a worst-case scenario they can lead to fatalities.

To help prevent kitchen fires in Japan, it has been legally mandatory for all burners on gas tabletop stoves made after October 2008 to be fitted with safety sensors. These gas tabletop stoves with sensors are called "Si sensor stoves."



Si sensor stove

As a manufacturer with a large share of the gas stove market, Rinnai believes it has fulfilled its responsibility by promoting the widespread adoption of such products that offer enhanced safety. Because of the long replacement cycle for gas stoves, many customers are unfamiliar with the safety provided by Si sensor stoves.

To encourage customers to consider replacement, we provide information on the safety of Si sensor stoves through various means, including exhibitions, catalogs, and the Rinnai website.



Information about Si sensors on gas built-in hob (stovetops) catalog

Providing Information Smoothly through the Internet

With the proliferation of smartphones and tablets, we provide various information via our corporate website and product information website.

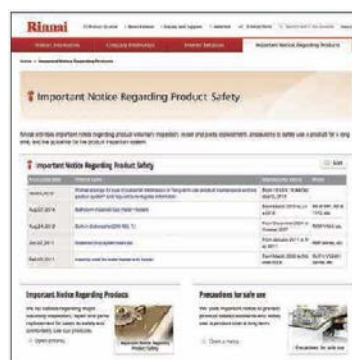
In 2016, our corporate website was renewed and improved to modify the Inquiry and Support page in a simple format, and to display those pages frequently visited such as Office List as a top page, etc. We also implement optimal display for viewing on mobile devices such as smartphones, and strive to provide information smoothly in consideration of the Internet use environment.



Disclosure of Information on Safety

Notice Regarding Product Safety

The wear and deterioration of parts that occurs when products are used for a long time can lead to fires and injuries. Incorrect use is also dangerous as it can cause breakdowns and injuries to users. To ensure safe use by our customers, we label our products and provide information in user manuals to warn about incorrect use and how to avoid accidents arising from careless use. Specific examples are also published on our website, where we provide clear, easy-to-understand information on how to prevent accidents.



Important notice regarding product safety



Problems that could be caused by incorrect usage

Disclosure of Information on Accidents Involving Our Products

In the event of a serious accident involving one of our products, we immediately inform the authorities as required by law. We also actively disclose information directly to customers on our website in order to alert them as soon as possible and keep them appropriately informed in light of the severity and frequency of the type of accident concerned.



Information on accidents involving our products

Inquiry Response and Support System

Customer Satisfaction Policy

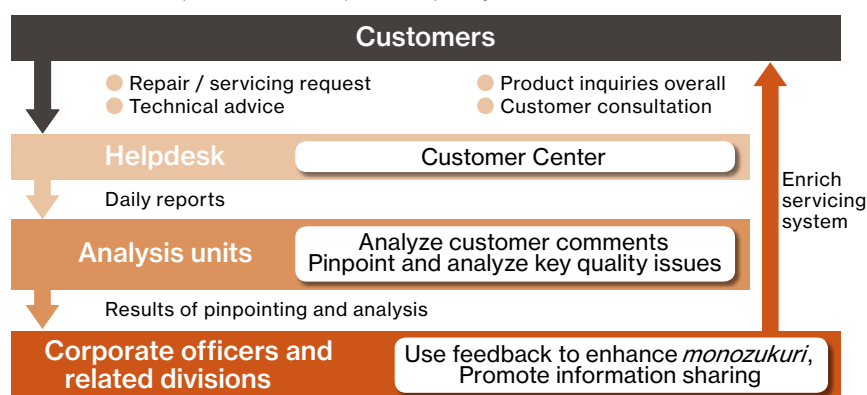
In keeping with our corporate philosophy that "Quality is our destiny," we aim to respond sincerely, promptly, and appropriately to customer requests and queries, and to provide reliable services that deliver satisfaction and peace of mind to the customer.

Fundamental Policy

1. We—that is, any department of our Company— identify comments and requests from our customers as our top priority.
2. We understand that customers' complaints are addressed to the entire Company and the whole organization shall be responsible for them until the cases are closed.
3. We take customers' comments seriously and share them within the Company to utilize as precious information to improve our products and services.
4. We always abide by laws and regulations and we do not give in to unreasonable demands.
5. We strictly protect the personal information of our customers by observing related laws, regulations, and Rinnai's Personal Information Protection Regulations.

Customer Center

We established the Customer Center in an effort to improve customer satisfaction even further, by accepting a range of inquiries, comments, and requests, either directly from customers or via channels such as telephone or our website. The numerous invaluable comments we receive are then fed back to the relevant division so that they can be used to identify and rectify issues, in areas such as product development, quality control, sales, and service standards.

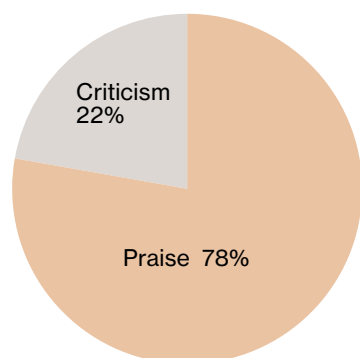


We strive to incorporate customer comments into our products and services on a daily basis.

The Customer Center handles requests received from customers via our toll-free telephone number, website, and other channels. In fiscal 2018, we received approximately 960,000 calls from customers and around 8,000 comments via our website.

In fiscal 2018, 78% of customer survey respondents left comments praising our quick and courteous response to customer inquiries.

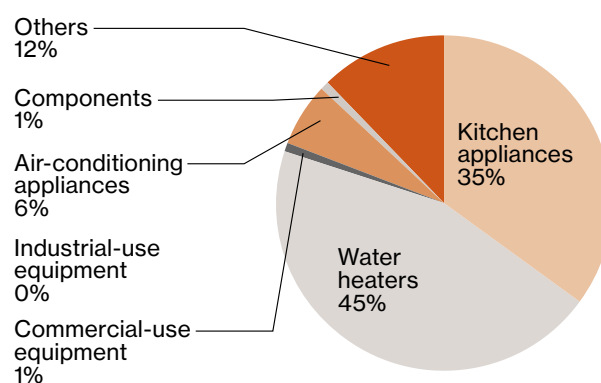
In response to critical comments, we will provide guidance based on customer feedback and work to make improvements.



Customer Center

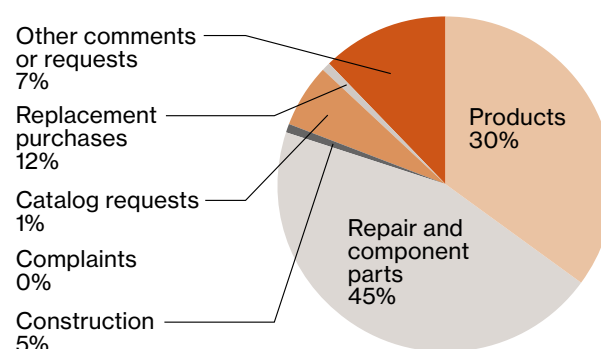
Customer Feedback

Breakdown of fiscal 2018 customer inquiries by category



Together, water heaters (45%) and kitchen appliances (35%) accounted for 80% of customer inquiries.

Content of Fiscal 2018 Customer Inquiries



Breakdown of fiscal 2018 customer inquiries by content

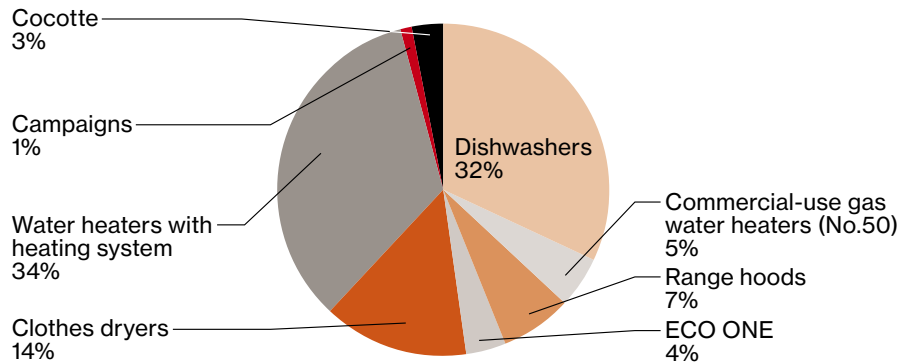
- (1) Inquiries regarding repairs or expendable parts: 45%
- (2) Inquiries regarding product function: 30%
- (3) Inquiries regarding replacement purchases: 12%

The top three items accounted for 87% of all inquiries.

Inquiries by Type of Equipment

(1) Water heaters with heating systems: 34%

(2) Dishwashers: 32%



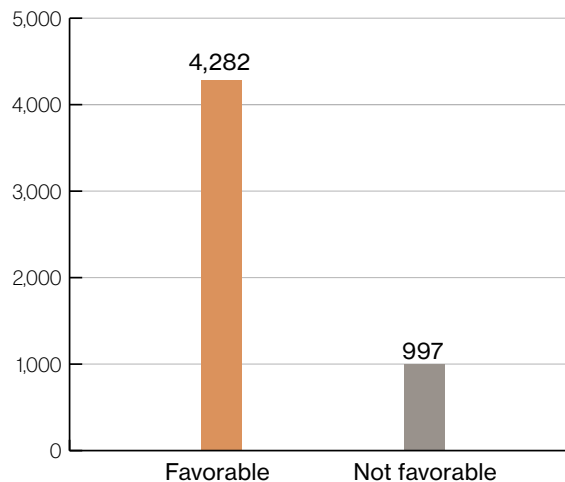
Homepage Enhancement

Responding to customers who have told us that they want to be able to troubleshoot some issues for themselves, we have added a Frequently Asked Questions (FAQ) section to our website.

81.1% of respondents praised our website FAQ. In particular, page hits rose for FAQ information regarding repairs.

Moving forward, we will further enrich our FAQ information and make it more informative, enabling customers to resolve issues on their own.

Evaluation on Our Inquiry Handling



After-Sales Service

Our after-sales services are geared toward delivering peace of mind to users and ensuring everyday comfort for all our customers.

Speeding Up After-Sales Service

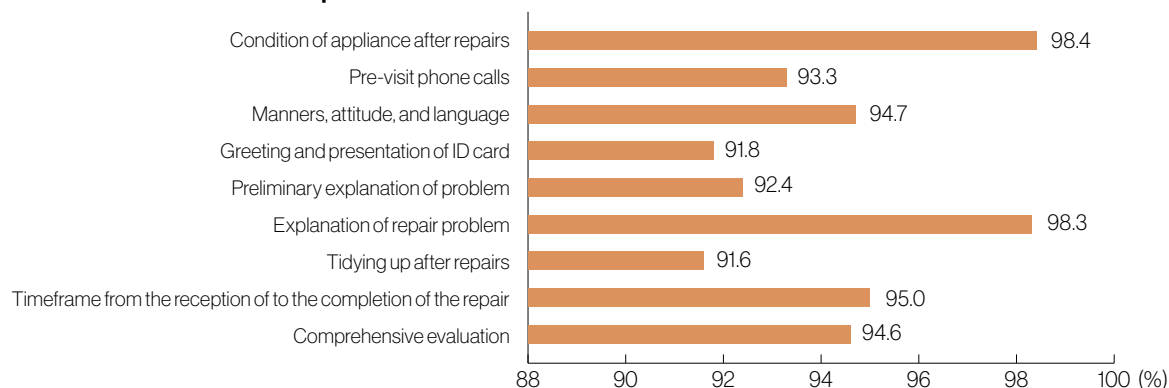
We have around 630 service engineers repairing products across Japan. To ensure minimum disruption to our users, customer service requests are confirmed via mobile terminal and we aim to complete inspections the same day or the day after a service request has been made.

Evaluating Performance Based on Service Specialist Questionnaire Cards

We place a strong emphasis on customer satisfaction and are committed to meeting customer requests and answering their inquiries precisely, swiftly, and faithfully in order to "deliver safe, reliable, and satisfying service." When repairs are performed, consumers are asked to fill in a customer feedback questionnaire to tell us how satisfied they were with the

experience, and the results are fed back to the relevant departments. In fiscal 2018, a total of 24,000 questionnaires were completed by consumers, and average satisfaction was 94.5 (out of 100).

Customer Satisfaction after Repair Services



Supplies of Service Parts

As a rule, we keep gas appliance parts for 5-10 years (and in some cases for longer) after production ends. Being able to deliver these parts promptly when needed is essential to good after-sales service and ensuring that customers can get safe, pleasant, and long use out of their purchases.

At the Rinnai Parts Center that stores and supplies parts, the process of picking, packing, and sending out parts is heavily systematized due to the large numbers of parts handled. It is crucial that the right types and numbers of parts be supplied on time. Improvements in quality are pursued in a range of ways, including by ensuring that work is performed in accordance with standard operation manuals that document work and pamphlets that lay down basic rules on quality.

Inspection and Repair Services

Inspections Like a Yearly Medical Check-Up for Appliances

For a Long-Term Use Without Accidents

In April 2009, the Consumer Product Safety Act was revised and a safety inspection system for products in long-term use went into effect. Some accidents linked to the deterioration of our products over long-term use have been reported. To make customers realize that appliances, like most products, have a particular service life and to encourage customers to have their Rinnai products inspected regularly, we send out the necessary information and extend advice through the maintenance and inspection call center. These efforts are aimed at preventing unforeseen accidents.

We enhance our maintenance inspection system with our qualified service specialists. In addition, we provide our original services extending a warranty period to three years for the customers who purchased our home-use hot-water unit and completed customer registration. In April 2011, we also introduced a voluntary inspection system (Safety Inspection) for our outdoor hot-water units, in accordance with the law. This system has been gradually expanded; for instance, indoor hot-water and heating units were added to the subjects of legal inspection in July 2011. Currently, we began putting in place an extended inspection framework in preparation for full-scale inspections in the near future.

Approach to Relations with Suppliers

Through inspections, we will enhance our customer support services.

Five Focused Points of Our Fundamental Stance

1. Good inspection (Good inspector, good handling, legal knowledge, and inspection report)
2. Look through our customer's eyes (Usage of aged products, and reflection of customers' comments on products)
3. Customer satisfaction (Appropriate and caring information offering)
4. Proposal to assure peace of mind (Proposal to bring peace of mind before a product breaks, not after it has broken)
5. Trust building (Showing our appreciation for our customers' long patronage)

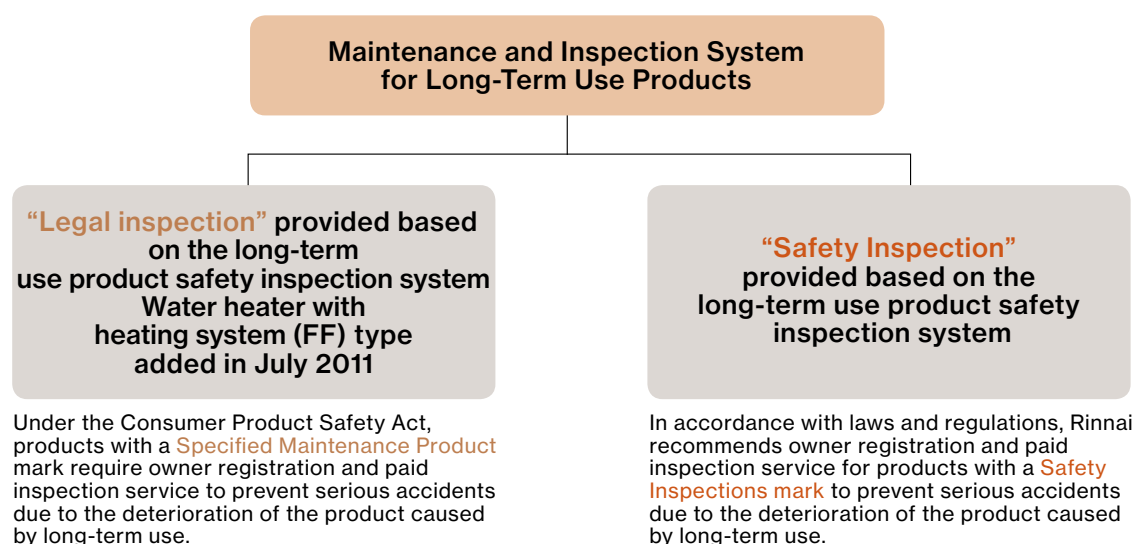
Efforts to Coordinate an Inspection System

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

Voluntary System Action Items and the Current Status

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

Overview of Our Maintenance and Inspection System



For the safe use of products, we recommend an inspection 9-11* years after production.

* For home-use appliances (Professional use: 2.5-4.5 years)

Designed Standard Service Life*	Target Product	Inspection Period	Production Purchase	0-6 Months in Advance	Inspection Period
10-year product	Home-use gas hotwater units Electric dishwasher and dryer	9-11 years after production	<p>When you receive a notice, please apply for an inspection. You can also request an inspection during the time of 1 and 2.</p>		
3-year product	Commercial-use indoor-type gas hot water heaters	2.5-4.5 years after production			

Designed standard service life is a period that a product should be safely used without any problems under normal circumstances with proper handling and maintenance. This is defined for each appliance. Please note that this is not the same as free warranty period. In addition, products that fall outside the scope of legal inspection (specified maintenance products) use the terminology, "Standard service life as designed."


Users are encouraged to have their equipment inspected during the two-year inspection period. If we do not receive a reply in response to the initial inspection notice, the user will be sent a repeat inspection notice by mail when there is one

year remaining before the end of the inspection period, so that they can continue to use their equipment safely.

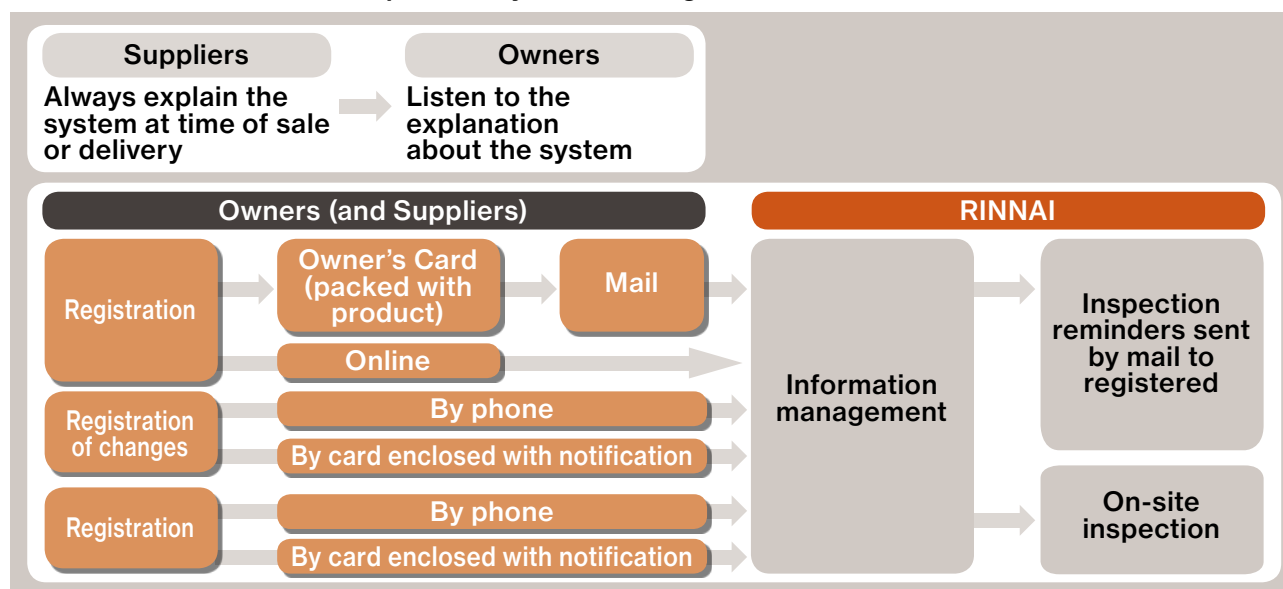
The period for legal inspection of commercial-use equipment produced in April 2009 started in October 2011, so we began sending notices on the inspection to applicable customers. About 70% of customers who responded to the notices applied for the inspection, suggesting their high interest in the inspection system. Accordingly, we will strengthen measures for informing customers of the system, aiming for (1) a higher registration rate and (2) a higher rate of inspection applications.

Maintenance and Inspection System of Long-Term Use Products

The Maintenance and Inspection System of Long-Term Use Products started in April 2009 is a system to encourage the registration of users and charged inspection for "specified maintenance products" that may cause problems due to age-related deterioration and may damage and may give serious damage to the life or health of consumers.

Rinnai Products Corresponding to Safety Inspection System		
Indoor-type gas instant hot-water heaters (for city gas and LP)	Indoor-type bath water heaters with gas burners (for city gas and LP)	Dishwashers (built-in)
		

Flow of Maintenance and Inspection System of Long-Term Use Products



Recommendation of *Anshin Tenken* (Safety Inspection)

In consideration of the Maintenance and Inspection System of Long-Term Use Products, we recommend *Anshin Tenken* (safety inspection) for products that fall outside the scope of the system.

Scope of the Anshin Tenken (Safety Inspection)		
• Outdoor-type gas water heaters and bath water heaters (including hot water and heating units, and heat sources only for heaters)	• Gas heaters	• Built-in-gas stoves
Gas water heaters Gas bath heating systems Gas heat source for water heaters Gas heat source only for heaters	Gas fan heaters Gas fan-forced heaters Gas stoves Gas dryers	Built-in-gas stoves Built-in-gas ovens

* Some products are out of scope.

| From Registration to Inspection

Based on data provided by registered users, we mail inspection notices* to the designated address when the relevant inspection period approaches. We also carry out inspections for products that are already in use, with orders taken via our Product Inspection Center.

* Products subject to inspection notices: Any gas hot-water unit with a user registration card attached

| Promotion of Owner Registration

User registration is the important “first step” to connect customers with Rinnai. Information regarding inspections is contained in our catalogs and on our website. We also actively encourage customers to register with us during repair visits and other situations in which our staff have the opportunity to interact directly with customers.

Inspection Reminders Provided by Remote Controls and Indicator Lamps

We posted information on our website about the inspection reminder function that some of our products* come with. This function reminds users of legally designated “specified maintenance products” that their products are due for inspection after the equivalent of 10 years of normal use, and users are alerted to this fact by their remote control, a blinking indicator on the product, or similar means. This function also serves to encourage unregistered users to register and request an inspection. This is just one example of our commitment to developing products that deliver peace of mind to the customer.

* Specified maintenance products other than water heaters for commercial use

In the Case of Registered Users

The user is sent an inspection notice through the mail shortly before an inspection is due.

In the Case of Unregistered Users

The inspection function notifies the user that an inspection is due. (Users can inquire about user registration and inspection by telephone.)

| Customer Trends in Response to Inspections

Inspections are used as an opportunity to enhance customer support. When our engineers visit, for example, users are asked to fill in a questionnaire to help us constantly monitor customer opinion of our inspection services and identify areas for improvement.

| Free Inspection of Small Open-Type Water Heaters

In 2007, one of our small open-type water heaters malfunctioned and caused an accident. To prevent a reoccurrence of this kind of accident, we continue to offer free inspections to customers using small open-type water heaters, including the RUS-5RX, produced between July 1991 and January 1995, and the RUS-51BT, produced between May 1994 and January 1997.

Expanding eligibility for inspections: We carry out inspections for small open-type water heaters that do not have an “inspected” sticker affixed, even if they were manufactured before April 2009 (including two models that have experienced problems).

Precautions after inspections: In cases where usage of a product is prohibited as a result of an inspection, we follow up on the relevant inspection at a later date, by telephone or in writing.

Information on affected products and contact details for inquiries are provided on our website.

Communication with Customers

Developing More Intimate Communication through the Living Information Column

The Rinnai Group established R.STYLE column ("Rinnai-style column" site) in November 2017. This site provides pertinent living information with the goal of achieving ongoing communication with customers who use Rinnai products. In creating the site, the Company placed particular importance on making it easy to read on smartphones and while moving around, so its columns can be freely read during periods of relaxation in between household chores.

The site provides wide-ranging content closely related to our daily lives, containing diverse information related to cleaning, tidying up and storage, cooking, and laundry and ironing. It also contains columns that aim to eliminate concerns regarding housework, and to share specialized expertise and information regarding new discoveries.

Aiming to raise reader satisfaction, we have adopted new indicators that allow us to analyze the degree of satisfaction for every article in each column on the site. By analyzing each article, we are able to separate those with high degrees of reader satisfaction and those with low degrees and determine the differences between them.

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



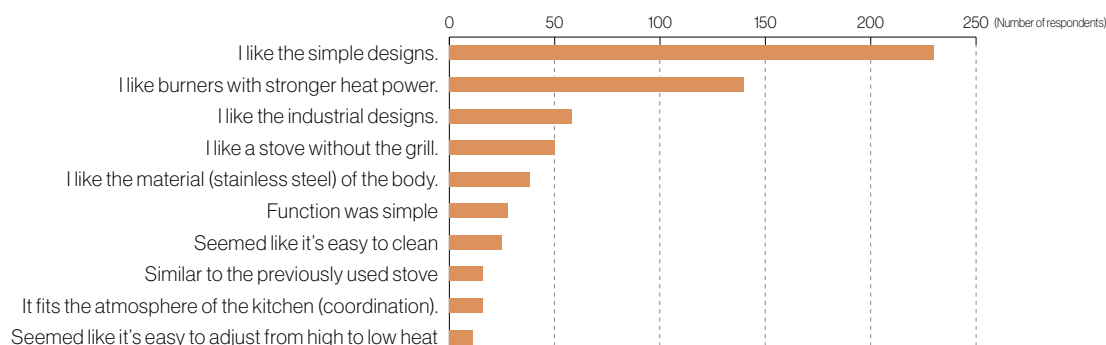
Customer Satisfaction Review, and Improvement of Products and Services

Through communication with users, we strive to improve our products and services by understanding customer satisfaction, complaints, and points of improvement toward our products.

We receive many inquiries from customers on our website requesting a high powered yet simple stove. In December 2015, we released the Vamo., tabletop gas stove available exclusively on the Internet to meet this need. We ask customers who have purchased the product to complete a survey to help us improve our products and services.

Among the results of the survey regarding "Reason for purchasing," "I like the simple designs" and "I like burners with stronger heat power" were the answers given most, showing that this product planning was successful in gaining customer acceptance.

Reason for Purchasing Vamo. (Single Answer) Top 10



[Population subjected to survey] Customers who have purchased Vamo. through dedicated website
 [Survey period] November 17, 2015 to March 31, 2016 (Initial sales period: November 17, 2015 to November 30, 2015)

Taking Advantage of the Internet to Enhance Customer Support

We supply care products and user replaceable parts via our R.STYLE online shopping site to help our customers get the most out of their purchases for as long as possible.

The site started in October 2006 an online shopping site for genuine parts for Rinnai products. The range of offerings is being constantly expanded in response to direct customer feedback and now includes cleaning and kitchen supplies

that are highly compatible with our products and original products available only through R.STYLE.

In March 2017, the number of registered members exceeded 550,000, providing even more opportunities for contact with users of our products. To keep in touch with members' needs, we conduct online questionnaires (annually more than 20 times) and use the data obtained to design products that meet these needs and resolve issues that they raise. We will continue to expand direct contact with customers in our quest to deliver better service.



R.STYLE online shopping site

Using Online Customer Feedback Internally to Make Improvements

The extensive feedback provided by customers using the R.STYLE shopping site is shared between divisions via our internal Sunflower Messenger site so that it can be analyzed and addressed to enhance quality, expand service and support, and drive other improvements. As of the end of fiscal 2017, we have received a total of 67,248 comments to date.



Sunflower Messenger

Providing Useful Everyday Information via Social Media

We also launched an official R.STYLE Facebook page in June 2014. The aim is to create more points of contact with new customers, by providing useful everyday information in areas such as cleaning and storage, as well as the aforementioned daily recipes.



The R.STYLE Facebook page

Communication with Business Partners

Rinnai Group Purchasing Policy

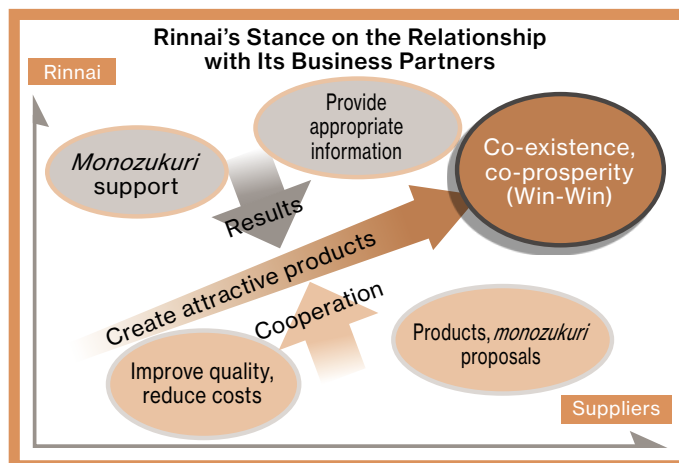
To grow along with our suppliers, we emphasize transactions based on a fair and impartial assessment and selection process and respect for laws and regulations and corporate principles, in accordance with the Rinnai Group Purchasing Policy.

Rinnai Group Basic Policy

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

Rinnai's Stance on the Relationship with Its Business Partners

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



Realization of Fair-and-Square Transactions

In accordance with the Rinnai Code of Conduct in the Rinnai Group Code of Ethics, our supplier acceptance process is applied uniformly, whether the company is a long-time supplier or seeking to become a supplier.

Our evaluations are fair, giving equal opportunity to any and all companies with the right stuff, whether at home or abroad. Essentially, the divisions involved in procurement—that is, divisions responsible for technology, quality, and purchasing—consider all factors, including quality, price, and delivery as well as the potential supplier's technological capabilities, safety, and its environment-oriented activities, in reaching an impartial, well-considered decision.

Communication with Our Business Partners

We provide opportunities for suppliers to learn more about our perspective on quality and the basis of *monozukuri* at Rinnai through annual events including a get-together at the beginning of the year and policy information meetings and regular meetings of the Supplier Liaison Group. These meetings are also ideal for gathering information through suggestions from suppliers and promoting dialogues based on submitted questions. Indeed, these meetings promote a stronger commitment to teamwork.

We are similarly committed to using online resources to effectively and quickly coordinate information with as many suppliers as possible, using an interactive information-sharing tool called R-LINE to enhance our preparedness for business risk during a disaster.



Policy information meeting

Improvement Activities with Business Partners

We organize Level-up workshop events with our business partners to provide guidance on improving capabilities and training next-generation leaders. The aim is for business partners to appreciate the benefits of improvements, through direct guidance with on-site operations for instance, and to improve their level of *monozukuri* (manufacturing).



Level-Up Workshop

Measures for Risk Management and Stable Procurement

We are committed to risk management and stable procurement of parts and materials, so that we can ensure customer satisfaction and reliably supply the safest possible products. With changes in demand and market globalization, however, our supply chain is increasingly expanding all over the world, making it virtually impossible to reduce risks on our own. It is therefore essential to take joint measures with our business partners.

We are currently implementing joint measures such as dispersing production sites to guard against unforeseen circumstances, gathering information on secondary processors and companies carrying out later processing, maintaining information on dies, leased equipment, and other assets, and formulating business continuity plans (BCPs) with our business partners.

We are also able to quickly arrange alternative production and equivalent parts in the event of a natural disaster or other such unforeseen circumstances, so that we can minimize any impact on production activities.

Promotion of Acquisition of ISO 9001 and ISO 14001 Certifications

To ensure the provision of high-quality, safe, environmentally friendly products, all our domestic factories acquired ISO 9001 certification (for quality management systems) and ISO 14001 certification (for environmental management systems).

We also ask our business partners to understand our approach to quality and the environment and to obtain ISO 9001 and ISO 14001 certifications or establish equivalent management systems, and we help them to operate the systems.

Communication with Logistics Partners

We hold a logistics policy information meeting to help service providers gain deeper insight into the logistics policy, and targets and measures of the Company and logistics department. In addition, we arrange partnership meetings to reduce environmental impact in relation to the transportation and storage of products and to improve quality. We also visit partners' working sites regularly to share issues with them and help them make improvements.

Forklift Contest

We have been hosting in-house events such as a Lift Competition and Screw Competition for some of our business partners to participate, expecting an improvement of their skills and mutual exchange opportunities.

The seventh forklift contest was held at our Integrated Logistics Center in May 2017, and a total of 32 competitors from the Rinnai Group and our logistics partners took part.



Forklift contest

<Major Rank-specific Training Programs>

Training	Subject	Content
New employee training program	New employees	Basic training for professionals (manners, awareness as a professional), Fundamental training for Rinnai employees (Company overview, the Rinnai Spirit, corporate ethics, personnel system, policy on quality and environment), IT skills and mental health
New employee follow-up training	Generalists (Clerical and sales employees) in their 1st year, Generalists (technical employees) in their 2nd year, clerical employees (technical employees) in their 1st year	Training for increasing motivation to work and raising professional awareness (Reconsolidation of what was learned in the new employee training program; employees who joined the Company in the same year gather and share information about their current status)
S4 level-qualified employee training	S4 level-qualified employees	Reconsolidation of fundamentals (corporate ethics and management policy), Recognition of his or her characteristics (to improve the strength) and the reinforcement of awareness of management (creation of management plans)
M6 level-qualified employee training	M6 level-qualified employees	Reconsolidation of corporate ethics and management policy Understanding duties of managerial supervisors (rules of employment, Labor Standards Act, handling of problematic employees), Understanding of management
M6 level-qualified employee follow-up training	M6 level-qualified employees	Reaffirming shared goals Reconsolidation of values concerning managers' actions, Reviewing the efficiency of the entire workplace
Reviewer training follow-up training	Employees whose duties require them to interview subordinates and review their performance	Review of personnel systems <ul style="list-style-type: none"> • Understanding of objectives and methods of performance reviews • Improvement of interview skills through interview practice



New employee training program



President's speech

| Career Development Review and Support

Visualizing skills of individual employees and guiding their growth (capability evaluations and feedback of the results in one-on-one interviews)

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

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

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

| Support for Self-directed Development

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

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

| Development of Global Human Resources

We aim to develop human resources who can demonstrate their abilities beyond national boundaries and improve the capabilities of Rinnai Group employees all over the world. Therefore, the management divisions, product development divisions, and manufacturing divisions are developing their own training courses and OJT programs implemented via employee exchange. We provide opportunities for Japan-based employees in their 20s (at the earliest) to be assigned to overseas Group companies, which improves their ability to adapt to foreign cultures and their international business sense through actual overseas work experience.

(1) Management Department

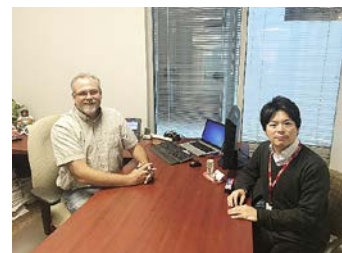
At the management division of the Head Office, we regularly visit our overseas locations to provide instruction on management and accounting and to develop human resources. We also launch business reform projects when specially requested. Under such projects, specialists from Japan develop local executives through planned visits to overseas location that provide them with instruction on methods for improvement in a way that allows them to achieve results through practical operations.

(2) Product Development, and Production Department

We actively promote human resource exchanges between Japan and overseas locations, with about 20 employees participating each year. Staff members from our overseas Group companies receive OJT in Japan for about one year, learning practical skills and what to improve at their own companies at the development divisions, factories, and management divisions in Japan. Japan-based employees assigned overseas practice product marketing and handling of quality issues, as well as improvement of factories' manufacturing and production systems. Through these activities, they hand down the key themes that constitute our corporate culture and expertise on Japanese-style *monozukuri* and quality assurance to local managerial staff.

From Our Employees Seconded Overseas (1)

For about nine years, I primarily participated in the development of water heaters for overseas use in the Water Heater System Development Office within the Research & Development Headquarters. After that, I was transferred to Rinnai America in March 2017 and have been here since then. Over here, I mainly handle new product development and provide support when product designs are changed. Other than that, I also engage in a wide range of work not related to technical details, such as investigations ensuring compliance with standards and regulations in the United States and collecting information regarding other companies and markets. Responding to different ways of thinking can sometimes be a struggle, but I always place great importance on communication between Japan and the United States, so that we can smoothly develop our products. Through my work and private life here, I am able to understand the local ways of thinking, markets, cultures, and customs by experiencing them firsthand. I have also been able to make new discoveries and learn many new interesting things. Moving forward, I want to use my overseas experience to contribute to Rinnai's growth by striving to conduct the best possible development, so that we can provide customers all over the world with appealing products.



Naoto Mase
Rinnai America Corporation

From Our Employees Seconded Overseas (2)

Two years have passed since I transferred to Shanghai Rinnai from the Overseas Business Headquarters. This is my second assignment to Shanghai Rinnai. During my first, I studied management as a private secretary for the CEO (company president). Now, I work in Shanghai Rinnai's Sales and Planning Division and conduct property sales, marketing, and AS support aimed at Chinese and Japanese developers. In addition, I provide guidance and explanations for Chinese and Japanese customers and conduct sales and integrated management with regard to imported products in the largest six cities in which Shanghai Rinnai directly operates. These activities allow me to feel fulfilled each day. Chinese business is complicated and sometimes requires one to rely on connections. In many cases, what might be common practice in Japan is not acceptable here. Furthermore, China has a large number of competing companies with rising technological capabilities. In recent years, competition has grown more and more intense. Under these conditions, each day I study and think about how to explain our products and proposals more clearly. Being a resident worker has given me many opportunities to interact with and learn from management, superiors, and senior employees. I want to make every possible contribution to improving results growing our brand in the Chinese market, which holds many possibilities and inspires large expectations.



Keita Ochikami
Shanghai Rinnai, Co., Ltd.

From Our Employees Seconded Overseas (3)

After entering the Company, I spent about 10 years in the Production Technology Division, producing manufacturing equipment. Since September 2016, I have been working as a resident manufacturing employee at Rinnai Australia. When I was transferred here, a full-scale internal production project for enamel storage-type water heaters was under way and I arrived right in the middle of startup activities for the project's production line. I familiarized myself with the local area using the work experience I gained in Japan. At present, I am collaborating with the Australian staff daily to help further improve production profits. Moving forward, I want to experience different cultures firsthand and find an optimal method of working that combines what I learned in Japan with what I have learned here. I am conducting my work with this mindset, and am keenly aware that this has largely contributed to my own personal growth. In the future, I want to continue to grow together with the local staff, so that our production style in Australia becomes a model for others worldwide.



Atsushi Noda
Rinnai Australia Pty., Ltd.

Succession of *Monozukuri*, the Spirit of Manufacturing

Training at the Production Technology Center

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

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



Training



Visual manual

Training at the Production Technology Center

We have set up "*monozukuri* legacy stations" at each of our facilities to accumulate and maintain intangible assets, in the form of existing processing technologies, new technologies and "frontline insights" established by experienced employees. As well as giving newly assigned employees the opportunity to learn the basics of *monozukuri* (manufacturing), we use stations as a means of sharing and conveying the essence of *monozukuri* and training employees in areas such as improving efficiency and reinforcing production management.



Employee conduct display (Oguchi Factory)



Coating training station (Seto Factory)

New Engineer Training

New employees, before their actual allocation to each department, receive on-site training at the Research and Development Headquarters and Production Engineering Division as well as practical manufacturing training at factories and production Group companies, and sales training at the nationwide sales offices to learn about the importance of *monozukuri* including product and technology development.



Studying the structure of a dishwasher



Studying the structure of plug of gas appliances



Studying about gas combustion

Work-Life Balance

Support for Work-Life Balance

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

<Major Programs and Measures>

Program and Measure	Content
Childcare leave	Employees living with and raising a child or children less than one year of age may take a leave of absence from work until the child or children reach one year or one year and six months of age. (The leave of absence may be extended until the child or children reaches two years of age, dependent upon the conditions of the application for leave.)
Childcare shortened work hours	In the event that an employee is the caregiver of a child that has not been enrolled in an elementary school, or is the caregiver of a family member that requires nursing, the employee in question will be exempt from working late shifts (10:00PM-5:00AM) with the exception of cases wherein the employee's absence would preclude or inhibit the continuation of normal business operations.
Sick or injured childcare leave program	Employees may take a maximum of 10 days (20 days for employees with two or more applicable children) of leave per year in half-day units to care for sick or injured children.
Extended family care leave	Employees may take a maximum of 10 days (20 days for employees with two or more applicable family members) of leave per year in half-day units to care for a family member in need of long-term care.
Family care shortened work hours	Any employee who is responsible for a family member that requires full-time or nursing care may shorten his or her daily working hours, provided that a minimum of 6 hours are worked each day. This provision is possible for more than once during three years from the starts of use of this program per such family member.
Family care leave	An employee can take up to 10 days leave per year (20 days per year if two or more family members require care).
Work from home program	The longest duration of "Work from home program" shall be one year per application. Utilizing IT equipment, an employee may work partially or entirely at home.
Come Back program	This program offers an employment opportunity to our former employees who had to leave the Company for unavoidable reasons such as marriage, childcare and family care, or on his or her discretion.
Measure to reduce working hours (Flexible working hours)	Depending on work plan, working hours and work start/end time can be negotiated.
Measure to reduce working hours (No overtime day)	Every Wednesday is set as "No overtime day" to encourage employees to leave early.

General Employer Action Plan

We draw and implement the general employer action plan (the fourth plan, from fiscal 2016 to fiscal 2020) based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

Working to Enrich the Lives of Our Employees' Families

Rinnai aims to create workplace environments and climates that allow its employees to feel glad to be working for the Company. We collect opinions regarding the Company from each workplace and hold regular joint labor management conferences along with employee unions. The goal of these conferences is to make improvements to the Rinnai Group. We move forward with improvements by sharing issues unique to each business location and conducting system revisions.

The Company has conducted activities aimed at promoting the use of paid leave, established a new regional allowance system, and held nursing care seminars. Rinnai also provides financial support for health enhancement events held by employee unions, such as sport or bowling competitions and walking festivals. Finally, we collaborate with employee unions to provide workplace tours to employees' families at our development locations and factories. Through these tours, we educate employees' families about what we and their employee family members do.

< Major Programs in Rinnai Employees' Association >

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

Nationwide Events in Japan

- Chubu Regional Sports Festival (Oguchi Comprehensive Sports Ground)
- Walking Festival (Higashiyama Zoo and Botanical Gardens)
- Kanto Festival (Kasai Seaside Park)
- Nationwide Barbecue (Hokkaido, Tohoku, Niigata, Hokuriku, Nagano, Shizuoka, China, Shikoku, and Kyushu)

Training seminars by age group

- Personal design training
- Life design training
- Self-management seminars
- Communication training for new employees



Promoting Activities that Value Relationships between People

Rinnai's employee unions hold workshops, conduct recreational activities, and publish newsletters with the fundamental concept of "strive for Company prosperity and pray for employee happiness." In particular, the employee unions promote activities that value relationships between people, engaging in initiatives aimed at allowing all employees and their family members to feel glad they are part of the Rinnai Group.

In recent years, more Company locations have been holding workplace tours (family days), which have received favorable reviews from participants. We feel that by introducing workplace environments to family members, we can deepen their understanding regarding the Company. Moving forward, Rinnai wishes to raise the motivation of all its employees and, through its daily activities, to build workplace environments that allow them work energetically.



Michihiro Hashimoto
Chairman of Rinnai Employees'
Association

Industrial Relations and Human Rights

At the Rinnai Group, aiming to provide a work environment and culture where employees feel "I am happy to work at Rinnai," the Rinnai Employees' Association and the Personnel Affairs Division regularly convene the Labor-management Council to confirm and share information on management policy, actual results, and comments from each workplace as a periodic improvement activity.

Moreover, our basic stance toward human rights, the respect for each other's personality, and the prevention of harassment is compiled as the Rinnai Group "Code of Ethics" to educate and enforce all employees in the Group. In addition, we also established the Corporate Ethics Helpline to maintain the sound environment of our workplaces.

Establishment of Good Labor Relations

Employees of the Company are members of the Rinnai Employees' Association, which functions as the organization to represent the entirety of the Company's employees.

Based on mutual understanding and trust, the Company and the Association establish healthy and sound labor relations, openly exchanging opinions on management issues, labor conditions, workplace environments, and compensation and discussing improvement plans.

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

Respect for Human Rights and Individuality

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

To promote and enforce the contents of the Rinnai Group "Code of Ethics" among all Group employees, a Compliance Committee member is allocated to each workplace to regularly conduct education on corporate ethics.

At rank-specific training programs, we also educate our employees based on their roles and job responsibilities.

Measure to Prevent Child and Forced Labor

As a measure to prevent child and forced labor, the Rinnai Group "Code of Ethics, Rinnai Code of Conduct, Article 11 The respect for human rights and each other's personality (4)" stipulates that "The Company should not allow any inappropriate labor including harmful and exploitative child labor which lets under-aged children to work, and slavery against the will of employees." 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.

To assist our employees in avoiding to commit any harassment without intention and knowledge, we produced a checklist of detailed examples of harassment that is posted on the Companywide intranet for self-assessment.

Each year, we also provide newly assigned section chiefs with harassment-prevention education to reinforce this prevention.

In accordance with the revision of the Equal Employment Opportunity Law and Child Care and Family Care Leave Law, we revised our in-house rule to prevent any harassment related to pregnancy, childbirth, or family care leave. We clearly determined the detailed act of prohibiting harassment and disciplinary action based on the rules of employment if an employee violates any of these.

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 25 skilled mid-career employees every year.

Increase of Female Employment and Support for Their Active Role

Ideas and comments from women are absolutely crucial to our products, particularly as they use so many of our products on a daily basis. We have female employees playing key roles and demonstrating their individual abilities across a wide range of areas, especially in product planning and design departments, sales planning and promotion departments, fixed customer sales departments, and production departments.



At Hot.Lab, our interactive facility, female employees called Life Creators demonstrate and promote our products to customers.

Life Creators across the country gather every year to exchange their opinions. They share their opinions on product functions, designs, and methods of demonstration to contribute to the development of new products and the improvement of product promotion.

We also actively employ female science and engineering graduates. The Production Engineering Division began to employ more female graduates for career-track positions from fiscal 2014. Currently, three female employees in career-track positions are working in various projects in the Production Engineering Department, contributing new ideas and opinions while deepening their understanding of manufacturing.

Our division produces metal dies for use in factories. While many people may think metal dies are heavy, dangerous, and may be the last option for women to work with, I analyze the workability of products prior to production using CAE simulation.

My work directly impacts the form of products, so I actively propose ideas to improve workability, ease of use, and design from the viewpoint of customers. My proposals have been reflected in many of our products, which has given me a sense of accomplishment. There are more opportunities for female employees in the Production Engineering Division. I continue to strive to deliver good products to customers by incorporating ideas from a perspective that is distinctly female.



Satoko Miwa
Die Machinery Office, Production Engineering Division

<Major Programs>

Career track conversion system	A system which allows employees to convert from generalists to clerical employees (when they do not wish to relocate for job assignment or if there is a request for shortened working hours), or from clerical employees to generalists (because of superior work performance)
Reemployment system (Come Back program)	A program that enables former employees to return to work as a full-time employee
Childcare leave and Family care long leave	Programs to support employees to raise children

Shortened work hour system	A program to support employees to raise children and care for their family members
Work from home program	A program to support employees to raise children, care for their family members, and recover from diseases

Action Plan to Support Programs for Working Women

From fiscal 2017, we implemented an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

Reemployment of Retired Employees and Support for Demonstration of Their Abilities

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

This reemployment program provides employees with purpose and motivation in life as a leader/mentor and maintains and improves the corporate culture and dynamics within the workplace.

Promoting the Employment of People with Disabilities

Rinnai is collaborating with the Public Employment Security Office and schools for handicapped children to systematically promote the employment of people with disabilities. The Company independently holds job fairs for people with disabilities and continuously conducts campus recruiting at schools for handicapped children. Additionally, we have begun concentrated employment of workers with disabilities. In this system, we select work appropriate for those with disabilities from each workplace and employ applicants with disabilities for work in specified locations. Finally, we are promoting environmental improvements at all facilities, such as the installation of wheelchair-accessible toilets, ramps and elevators.

Occupational Health and Safety

The Group gives priority to the assurance of the health and safety of its employees and stakeholders and abides by laws related to health and safety. In addition, all the employees in the Group strive to create, maintain, and manage a working environment which is safe and sanitary and develop an active organizational culture which encourages its employees to be physically and mentally healthy.

Basic Policy on Safety and Hygiene

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

Fiscal 2018 Basic Policy on Safety and Hygiene

- (1) Create safe and reliable work environment
- (2) Maintain and improve work environment
- (3) Promote measures to support for health improvement
- (4) Promote crisis management
- (5) Personnel training through safety education and workshops
- (6) 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.

These activities include informing employees about examples of work-related injuries and corresponding recurrence prevention measures, establishing safety and health committees that include members from both labor and management levels, creating 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.

Accident Prevention Measures

To give our No. 1 priority to work safety and peace of mind, the Group promotes various accident prevention measures under the guidance of the Risk Management Committee, headed by the President.

With the rising frequency of large-scale disasters at home and abroad, the Rinnai Group, aiming to build a strong corporate structure to withstand crisis situations, establishes BCPs for, quick recovery at the time of disaster.

- (1) Activities to prevent fire and explosion: Enforcement of safety inspection of environmental safety equipment (gas feeders and furnaces, etc.) and test and evaluation equipment, and the improvement and renewal of equipment as our top priority
- (2) Reduction of risk of earthquake damage: Preventing objects in factories and office buildings from falling over, dropping, and scattering
- (3) Production site on-site guidance: Horizontal development of the production sites under the guidance of the Safety and Health Committee of the Production Group
- (4) Training for clerical work staff and new employees: KYT* training for new employees including a monthly information sharing session regarding OJT accidents, designed to promote work-safety awareness.
- (5) Implementation of emergency drill: Earthquake and fire drills more than once a year

*KYT: *Kiken Yochi* (danger prediction) Training

With the rising frequency of large-scale disasters at home and abroad, the Rinnai Group, aiming to build a strong corporate structure to withstand crisis situations, establishes business continue plans for a quick recovery at the time of disaster.



Emergency drill

Promotion of Traffic Safety

To raise employee's awareness of traffic safety, various measures and education programs are provided. As a traffic accident "zero day" activity, our employees call for traffic safety in the streets. As a new employee training, we execute practical training, a risk prediction course, and an aptitude test at a driving school. We obtain a certificate of driving record for each employee who is granted permission to drive a company car or commute by car. This is to accurately gauge the number of employees' traffic accidents and violation of traffic rules to improve self-awareness for compliance. We introduced Telematics, a safe driving eco-drive promotion system, and check daily driving status and then analyze the data efficiently from the viewpoint of safety and ecology.



Driver education at a driving school



Care for Health

To promote the creation of a vibrant corporate environment wherein people can work healthily-both physically and mentally-it is a precondition that each employee be health conscious and promote sound self-management and health enhancement.

To maintain and improve the health of our employees and their families, through collaboration with the Rinnai Health Insurance Society, the Company encourages 100% of employees to undergo a medical checkup and receive consultation from an industrial doctor if the employee requires further examination. Various measures including mental health care workshops, medical checkup support, and support for special medical checkups (complete medical checkups and cancer screening).As well subsidized sporting events are also actively implemented.

Support for Health Promotion

We work with the Rinnai Health Insurance Union to provide a wide range of support for employees and their dependent family members including regular health checkups, complete medical checkups, and various screenings for stomach cancer, colon cancer, breast cancer, cervical cancer, and prostate cancer. We officially introduced a Data Health Plan in fiscal 2017, in which employees at the age of 35 and older are subject to guidance for the prevention of metabolic syndrome, and dedicated health guidance and personalized support are provided for diabetic patients who have not received any treatment. We also lowered the starting age eligible for the health visit to 55 for parents of employees in order to raise health awareness for employees' families as well as the employees themselves.

Expanding Health Promotion Activities

We have established a Health Support Office and organize employee health promotion activities overseen by specialist health nurses. We offer health guidance and consultations for individual employees and run health seminars, to provide information on subjects such as preventing lifestyle-related diseases.



We also organize mental health seminars and run a support program to help employees who have been on long-term leave to return to work. We provide rehabilitative work-based support so that employees can return to the workplace as smoothly as possible.

To prevent those working long hours from experiencing health problems, we set out standards that go beyond legally required standards, and also arrange consultations with health nurses and industrial physicians.

In our employee cafeteria, we work with nutritionists to provide menu options that are designed to keep our employees healthy.

Mental Health Care

Rinnai promotes the creation of health workplaces through mental health care designed to prevent mental health conditions and discover stress-related issues at an early stage. In fiscal 2018, Rinnai increased the number of consultations provided for employees while they are taking leave for mental disorders and after they return to work by three times compared to fiscal 2017. This strengthened our support system, which aims to help employees struggling with mental disorders before they must resort to taking leave and to facilitate smooth returns for those who do take leave. The Company also increased the scale of its mental health seminars, aiming for workplace environments that do not contribute to the stress that can cause mental disorders. We also increased the number of seminars for management-level employees, raising the number of participants by about 200 compared to fiscal 2017.



Self-care	New employees		All employees	
	Basic program		Basic program	Applied program
Line care	Managerial supervisor			
	Basic program	Applied program	Advanced program	Listener program
Internal care	Industrial doctors, public health nurse, health supervisors, labor managers			
External care	Mental health counseling service (telephone/face-to-face)			

Holding Nursing Care Seminars Based on Field Studies

The Rinnai Group aims to create workplace environments and climates that make employees glad to work for Rinnai. We regularly team up with the Employees' Association to hold labor-management councils with the goal of eliciting employee viewpoints regarding the Company from each workplace. These councils provide an opportunity for us to share issues that are unique to each office and to make improvements based on these issues, such as system revisions.

From March through April 2017, the Rinnai Group collaborated with the Employees' Association to conduct a fact-finding survey regarding nursing care that targeted about 1,200 employees. The results indicated that more than 90% of respondents felt anxiety toward nursing care and that more than half of respondents who may face nursing care within the next five years were not aware of details regarding the nursing care insurance system. Based on these results, we held a nursing care seminar in August 2017. The many employees who attended this seminar indicated positive impressions, saying they were "able to personalize nursing care for themselves" and "thoroughly understand nursing care insurance details." Additionally, attendees accorded the seminar a satisfaction rate of over 90%.



External Acclaim and Recognition

Selected as 2018 Health and Productivity Company for Three Consecutive Years

Rinnai was selected in February 2018 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a 2018 Health and Productivity Company.

Those selected as a Health and Productivity Company are companies with excellent health and productivity management* which strategically practice the management of employee's health and well-being from a management perspective. This is a project started in 2015 to introduce attractive companies to investors that place a focus on improving company value from a long-term perspective.



Our company was selected as a Health and Productivity Company for the third year in a row in the metal products category of the Tokyo Stock Exchange for our support for promoting employees' work and life balance through mental health care and personalized health support and activities.

* Health and Productivity Company is a registered trademark of the NPO Workshop for the Management of Health on Company and Employee.

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

Rinnai was certified as a "company promoting women's activities," as part of a scheme operated by the City of Nagoya (Aichi Prefecture) in fiscal 2014. Certification is granted to companies that are making a concerted effort to ensure that women play an active role, with commendations presented to companies engaging in particularly outstanding initiatives. We have been certified in recognition of three key initiatives aimed at expanding frameworks, assigning duties, and changing attitudes, to support female employees so that they play a greater role in the workplace.



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

In March 2014, Rinnai was registered by the Aichi prefectural government as a "family friendly company," based on its commitment to ensuring that employees strike a balance between their work and private lives. The Aichi prefectural government has created this registration scheme in order to encourage companies to focus more on work-life balance, and to promote initiatives on a broader scale.



Certified as a "General Business Owner Meeting Standards"

In May 2014, Rinnai was certified by the Aichi Labour Bureau of the Ministry of Health, Labour and Welfare as a "general business owner meeting standards" in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, and was awarded the "Kurumin" next-generation certification mark. This serves as recognition of our efforts to formulate and implement action plans based on targets such as employing specialist health nurses, securing childcare leave for male employees, and encouraging employees to take annual paid leave.



Certified as a "Parent-Friendly Company"

In fiscal 2015, we were recognized as a parent-friendly company under Nagoya's parent-friendly company accreditation scheme. The purpose of such schemes is to certify or recognize companies that are working to create parent-friendly environments. At Rinnai, we are developing a range of programs to facilitate work-life balance, including telecommuting arrangements and our Come Back reemployment program.



Human Resource-and Personnel-Related Data

We disclose human resource-and personnel-related data including the number of employees and the status of full-time employees.

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

		Fiscal 2016 (At March 31, 2016)	Fiscal 2017 (At March 31, 2017)	Fiscal 2018 (At March 31, 2018)	Composition
Japan	Male	3,607	4,007	4003	—
	Female	1,646	1,809	1805	—
	Subtotal	5,253	5,816	5808	54.9%
Asia, excluding Japan	Male	2,592	2,604	2626	—
	Female	1,171	1,143	1133	—
	Subtotal	3,763	3,747	3759	35.6%
North America and Europe	Male	123	138	167	—
	Female	46	51	57	—
	Subtotal	169	189	224	2.1%
Other (Oceania and South America)	Male	516	535	562	—
	Female	239	225	218	—
	Subtotal	755	760	780	7.4%
Total		9,940	10,512	10571	100%

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

		Fiscal 2016 (At March 31, 2016)	Fiscal 2017 (At March 31, 2017)	Fiscal 2018 (At March 31, 2018)
Rinnai Corporation	Male	2,495	2,520	2,540
	Female	1,084	1,122	1,125
Domestic Group companies	Male	1,112	1,487	1,463
	Female	562	687	680
Overseas Group companies	Male	3,231	3,277	3,355
	Female	1,456	1,419	1,408
Total		9,940	10,512	10,571

Number of Employees (Non-consolidated)

		Fiscal 2016 (At March 31, 2016)	Fiscal 2017 (At March 31, 2017)	Fiscal 2018 (At March 31, 2018)
Newly recruited employees	Male	82	57	81
	Female	47	35	50
	Subtotal	129	92	131
Mid-career recruitment	Male	7	7	4
	Female	3	8	10
	Subtotal	10	15	14
Average working years	Male	16.2	16.6	16.8
	Female	11.3	11.7	12.1
	Subtotal	14.7	15.1	15.4
Average age (Years old)	Male	38.2	38.6	38.8
	Female	32.5	32.9	33.3
	Subtotal	36.5	36.8	37.1
Separation rate (%)		2.3	2.1	2.5

Paid leave utilization ratio (%)		42.3	50.3	53.3
Employment rate of persons with disabilities (%)		1.8	1.9	1.9
Number of OJT accidents		38.0	32.0	25
Number of employees who used childcare leave		64	61	90
Number of employees who took childcare leaves of absence	Male	1	1	1
	Female	89	94	106
	Subtotal	90	95	107
Proportion of employees who return to work after taking parental leave (%)	Male	100	100	100
	Female	97	99	100
	Subtotal	98	99	100
Number of employees who used shortened work hours	Male	0	0	0
	Female	69	106	96
	Subtotal	69	106	96
Number of employees who used familycare leave	Male	0	0	0
	Female	15	16	36
	Subtotal	15	16	36
Number of employees who used nursing leave	Male	0	0	2
	Female	3	2	2
	Subtotal	3	2	4
Number of employees who took nursing leaves of absence	Male	0	0	0
	Female	1	0	1
	Subtotal	1	0	1
Number of employees who used our reemployment (Come Back) system	Male	0	0	0
	Female	0	0	0
	Subtotal	0	0	0
Number of employees who used the work from home program	Male	0	0	0
	Female	3	2	3
	Subtotal	3	2	3

Working Hours, and Average Wages

		Fiscal 2016 (At March 31, 2016)	Fiscal 2017 (At March 31, 2017)	Fiscal 2018 (At March 31, 2018)
Annual total actual working hours per employee		2137	2129	2126
Annual non-scheduled working hours per employee		227	225	219
Average overtime per month (Hours)		18.5	18.3	17.5
Average wages at 30 years old	Highest wage at 30	¥318,950	¥309,150	¥303,750
	Lowest wage at 30	¥253,600	¥252,950	¥253,950
	Average wage at 30	¥284,875	¥284,930	¥283,761

Employee Ages

		Fiscal 2016 (At March 31, 2016)	Fiscal 2017 (At March 31, 2017)	Fiscal 2018 (At March 31, 2018)
Under 30	Male	698	669	656
	Female	512	495	481
	Subtotal	1210	1164	1137

30–39	Male	641	677	697
	Female	328	352	347
	Subtotal	969	1029	1044
40–49	Male	693	677	654
	Female	176	203	217
	Subtotal	869	880	871
50–59	Male	455	483	523
	Female	65	69	79
	Subtotal	520	552	602
60 or older	Male	8	14	10
	Female	3	3	1
	Subtotal	11	17	11

Communication with Local regions and Communities

The Rinnai Group engages in a variety of voluntary and community-based activities in Japan and around the world in order to make a sustainable contribution to society.

Teaching “the Strength of Industry” to Children Who Will Lead the Next Generation



In November and June of 2017, the Rinnai Group participated in the Nagoya Chamber of Commerce's Mono+Gatari Project. In connection with this project's goals, the Company conducted on-site lectures at elementary schools in Aichi in order to teach children who will lead the next generation about the fun and possibilities inherent in “the strength of industry.”

Rinnai has production facilities in four areas in Japan and produces high-quality gas stoves and water heaters through its production system. Always aiming to maintain and improve this high quality, we conduct quality control group activities and collect suggestions for improvement in pursuit of increasing each individual employee's problem-solving ability.

Recently, two employees from our Oguchi Factory, which produces gas stoves and other products, conducted lectures regarding “*karakuri* (string puppet) improvement,” one of the reform initiatives being undertaken at our production areas.

This “*karakuri* improvement” gets its name from the principles of leverage and pulleys that were used in ancient Japanese mechanical dolls called *karakuri ningyo* and that we now use to improve our equipment. For example, the principle of the pulley allows us to deliver component supply boxes to workers without using electricity.

These recent on-site lectures utilized improved equipment actually used in production areas to teach children that principles they learn about in science class, such as the principle of leverage, are actually being applied at manufacturing locations.

Reactions from the children were impressive. They were surprised by the way the “*karakuri* improvement” equipment operated and showed



considerable amount of interest in the related principles. They also learned a lot about “*karakuri* improvement” through workmanship and games that involved the principle of leverage.

VOICE



Kazuki Anzo
Honami Elementary School,
Teacher in charge

Using “*Karakuri*(String Puppet) improvement” to Learn about Ecological Ideas Involving Natural Principles

Seeing innovative constructions move without the use of electricity produced genuine surprise in the children. They also had fun playing games based on the principle of leverage.

Afterward, one participant said that they “realized that factories are not just supported by complicated machinery but also by ecological ideas that combine the power of people and natural principles.” The children appear to have sufficiently learned about the importance of applying natural principles.

Rinnai Brasil: Cherry Tree Planting in the Centennial Park of Japanese Immigration



Rinnai Brasil Heating Technology Ltd. was established in 1975 and is located in Mogi das Cruzes, São Paulo, Brazil. This Group company produces and sells products, such as gas water heaters, and conducts various regional contribution activities each year for Mogi das Cruzes, which is home to many descendants of Japanese immigrants.

On September 21, 2017, Rinnai Brasil employees took part in a cherry tree planting event at the Centennial Park of Japanese Immigration. Along with the mayor of Mogi das Cruzes, personnel from the city’s Department of the Environment, and local children, our employees planted 20 cherry tree saplings that were grown within the grounds of Rinnai Brasil.

This park, located within Mogi das Cruzes,



contains elements of Japanese culture, such as torii gates and Japanese arched bridges, and was created in 2008 in commemoration of the 100th anniversary of Japanese immigration to Brazil. The planting event was conducted in cooperation with the city of Mogi das Cruzes, which was promoting improvement measures for the park's 10th anniversary in 2018.

Marcus Melo, the mayor of Mogi das Cruzes, expressed gratitude toward participants from Rinnai Brasil as well as toward elementary school children and instructors who also participated in the memorable event.

Rinnai Brasil will continue to grow cherry tree saplings and conduct plantings in various locations each year out of the hope that cherry tree scenery will one day spread throughout many parts in Brazil.

Relation to the Nakagawa Canal

The Company has been headquartered in Nakagawa-ku, Nagoya-shi, Aichi for 97 years. Nakagawa Canal near our headquarters once served as an important logistic waterway linking the heart of Nagoya and the port. The Company is committed to contributing to the community through involvement in the Nakagawa Canal to appreciate the local people with warm support.



View north from Nagara-bashi Bridge on the Nakagawa Canal

Participation in Nakagawa Canal Dragon Boat Race Tournament

In September 2017, the 8th Nakagawa Canal Dragon Boat Race Tournament (sponsored by the Nakagawa Canal Dragon Boat Race Festival Executive Committee) took place in the Nakagawa Canal. The Company sponsored this tournament and 58 employees participated in the boat race. As a part of this event, we participated in a friendship race in which we boated with local children, and built a good relationship with residents and local businesses.



The 8th Nakagawa Canal Dragon Boat Race Tournament

Support for Nakagawa Canal Restoration and Culture/Artistic Assistance Project

We are donating ¥10 million every year for 10 years (¥100 million in total) to the Nakagawa Canal Restoration and Cultural/Artistic Assistance Project (known as "Nakagawa Canal ARToC10") set up in fiscal 2012 to restore the canal and surrounding area.

The aim of the program is to revive the district and make it a cultural and artistic hot spot by turning the canal into a venue for modern contemporary art.



Major Financial Contributions and Sponsorships

The Group supports events that foster international exchange in the arts and culture as well as sporting events.

Rinnai Corporation, Actual Results in Fiscal 2017

- Nagoya Urban Development Public Corporation (support for restoration project on the Nakagawa Canal)
- Nagoya Philharmonic Orchestra
- Nagoya School of Music, The Music Competition of Japan, Award-winning Celebration Concert
- Campus Venture Grand Prix, Chubu Area
- Nagoya Shonen Shojo Hatsume Club (Invention and Innovation Youth Club)
- Haruhime Dochu (Spring Queen Parade) at Honmaru Network
- Youngsters' Science Festival 2017
- Chinese Spring Festival in Nagoya
- Misonoza Kinshu Nagoya Kaomise Kabuki
- Tokugawa Art Museum
- Vietnam festival Ho Chi Minh in Aichi, Nagoya
- Korea Festival 2018 in Nagoya

Communication with Shareholders and Investors

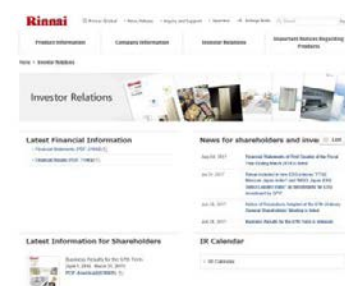
Policy on Information Disclosure

We disclose information in an appropriate, timely, fair, and impartial manner, and engage in IR activities with an emphasis on two-way communication, in order to improve mutual understanding and build trusting relationships with shareholders and investors.

In accordance with the Rinnai Group Code of Ethics and our Disclosure Policy, we adhere to the principle of disclosing corporate information in an appropriate, timely, and fair manner, including details of the Group's management and business activities.

IR Activities—Communication with Shareholders and Investors

In an effort to provide our shareholders and investors with direct updates on our business activities, and to ensure that information is disclosed quickly and fairly, we provide information via channels such as results briefings for analysts and institutional investors (twice a year), biannual shareholder reports, press releases and presentation materials on our website, and our IR calendar. We also post IR information, including results and shareholder reports, on the English version of our website in the interests of timely disclosure.



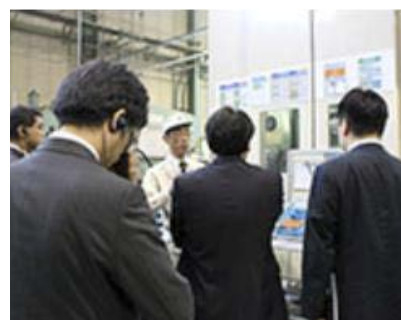
Investor Relations section of our website

General Shareholders' Meetings

We held the general shareholders' meeting for our 67th term at the Meitetsu New Grand Hotel in Nakamura-ku, Nagoya, on June 27, 2018. To encourage more shareholders to get involved in discussions and attend meetings, we send out notices to convene earlier than the legally required date. We also make these notices as easy to read and navigate as possible by, for example, printing them in large format and providing indexes to them. We strive to provide information to shareholders on the current state of our business in an easy-to-understand manner using business reports with slides and other media at general shareholders' meetings. Shareholders that have difficulty attending the general shareholders' meetings are able to exercise their right to vote on the Internet. We also make every effort to communicate the Company's current situation to shareholders in a straightforward manner, through shareholders' reports featuring photos, graphs, and charts for instance.

IR Activities for Institutional Investors and Analysts

We have been proactively providing business performance reviews and opinion exchange opportunities through financial results briefings (twice a year), small meetings, individual visits, and telephone interviews for institutional investors and analysts. We also participate in conferences held by securities companies to expand IR activities.



Factory tour

Internal Seminary on Fair Disclosure of Information

On April 6, 2018, we invited the Daiwa Institute of Research and held an internal seminar on fair disclosure (FD) rules. Through these FD rules, which came into effect in April 2018, the Japanese Financial Services Agency requires that companies who present important information, such as financial closing information, to investment analysts or other reviewing authorities quickly and fairly to make the same information available to other investors. The FD rules also apply to the Rinnai Group, so we gathered all related departments together for the internal seminar. The lecturer was Mr. Jun Yokoyama of the Daiwa Institute, an organization familiar with the FD rules. Thanks to the seminar, we were able to raise our own awareness regarding the maintenance of fair disclosure.



In-house study session

Our Policy on Dividends

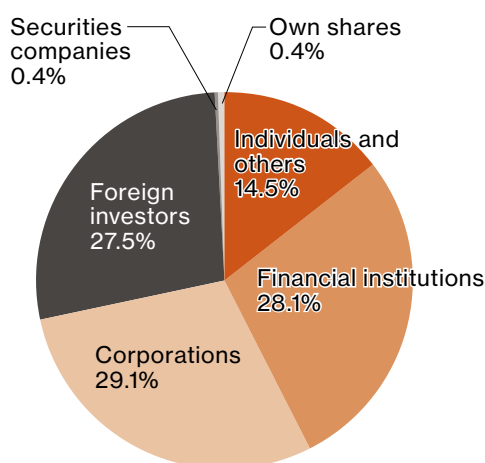
One of our top management priorities is to sustain a stable return of profits to shareholders. Several factors play into the calculation of dividends, such as consolidated performance, return on equity, and financial status.

Share Information (As of March 31, 2018)

Number of authorized shares: 200,000,000 shares

Number of outstanding shares: 51,616,463 (Including treasury stock)

Number of shareholders: 3,750



International Reputation of Rinnai's CSR

The Rinnai Group has been selected for inclusion in the FTSE4Good Index Series, a worldwide ESG investment index, for 15 consecutive years since 2004.

In June 2018, we were included in three indices listed by the Government Pension Investment Fund (GPIF). These indices were the FTSE Blossom Japan Index and the MSCI Japan ESG Select Leaders Index, for which we were selected for the second consecutive year, and the MSCI Japan Empowering Women Index (WIN).



FTSE4Good



FTSE Blossom
Japan

MSCI



2018 Constituent
MSCI Japan Empowering
Women Index (WIN)

MSCI



2018 Constituent
MSCI Japan ESG
Select Leaders Index