



CSR Report 2019

Rinnai Corporate Social Responsibility Report 2019

Rinnai

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

Since its founding in 1920, the Rinnai Group has contributed to comfortable lifestyles for people around the world through the provision of gas stoves, water heaters and heating systems. At present, the Rinnai Group has bases in 17 countries and regions, and deploys products in over 80 countries throughout the world.

Rinnai offers optimal solutions suitable for lifestyle cultures, climate conditions and energy requirements in each country of the world to contribute to the realization of healthy and comfortable lifestyles and sustainable societies for people throughout the world.



Fundamental Concept
Quality is our destiny

Company Motto

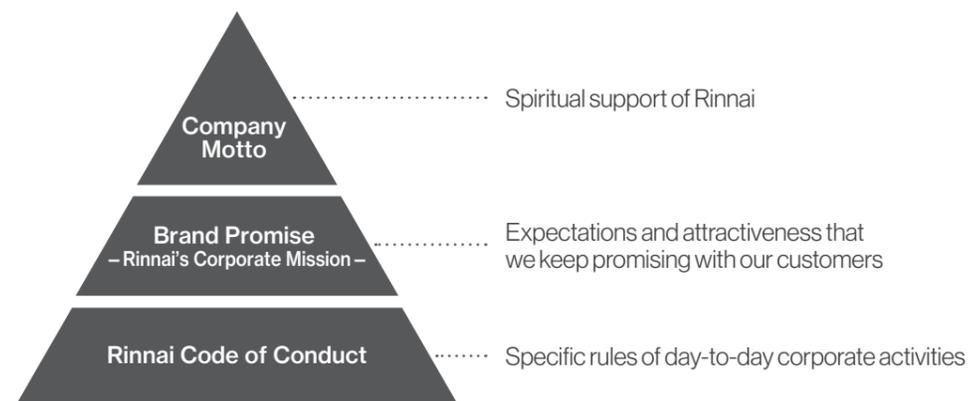


- 和** Harmony:
Develop personal character of the highest caliber
- 氣** Spirit:
Base your efforts on a consistent philosophy
- 真** Sincerity:
Know the fundamentals and consider issues with precision and clarity

Brand Promise – Rinnai’s Corporate Mission –

Creating a healthier way of living

Schematic Diagram of Company Ideals



CSR Report 2019

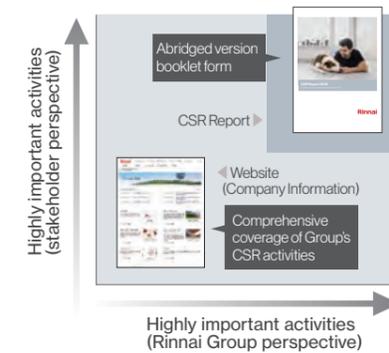
Corporate
 Social
 Responsibility

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 2019—April 1, 2018, to March 31, 2019—but also touches upon measures implemented and recent activities undertaken since fiscal 2019 as well as future business direction, targets, and plans.

Referenced Guidelines

GRI Standards, ISO 26000: 2010
 Environmental Reporting Guidelines (2018), issued by Japan’s Ministry of the Environment
 Environmental Accounting Guidelines (2005), issued by Japan’s Ministry of the Environment
 IIRC, The International Integrated Reporting Framework

Publication Schedule

September 2019 (Japanese version)
 Previous: July 2018, Next: July 2020 (planned)

Important Points Regarding Future Outlook

This report includes descriptions of earnings forecasts and outlooks for Rinnai and Group companies.

These descriptions are based on currently available information and forecasts as determined by Rinnai. Actual results may differ from forecasts depending on various external factors going forward.

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Top Message



“We deliver high-value-added products that support the environment and better health, aiming to be the preferred brand throughout the world.”

President **Hiroyasu Naito**

“Health & Lifestyles” are our new keywords for the realization of better and more sustainable societies

Rinnai has been supporting better lifestyles since its founding in 1920, offering a wide range of products including water heaters, kitchen appliances, and home heaters, and expanding as a company with a focus on the keywords of “safety and peace of mind,” “comfort,” and “environment.” Today, the Rinnai Group has office locations in 17 countries and regions including Japan, and sells products in more than 80 countries worldwide. We provide optimal solutions to fit the culture and lifestyles, climate, and energy situation in each country, conducting business under a policy of contributing to better lifestyles for local societies.

The business environment for Rinnai has changed in recent years. Greater awareness of environmental responsiveness and energy efficiency in Japan has driven expanded sales of high-efficiency gas water heaters. Sales have also been positive for kitchen products and gas clothes dryers. Overall, however, business conditions remain strained due to the impact of energy liberalization and higher material costs. Outside

Japan, sales in the United States have risen steadily as a result of proactive launching of new products, while in Asian countries competition remains fierce.

Under such conditions, during fiscal 2019 (ended March 31, 2019), the initial year of our “G-shift 2020” medium-term business plan, Rinnai pursued new measures focusing on the keywords of “Heat & Lifestyles” and “Health & Lifestyles,” helping to raise the standard of living in global markets, and incorporating and applying new technologies to our core expertise to create original products and services. In terms of business results, sales rose steadily on expansion of overseas businesses in such markets as China and the United States, though operating income declined on sluggish sales of high-value-added products in Japan, and higher sales promotion costs overseas. As a result, net sales in fiscal 2019 amounted to ¥348,022 million (up 0.3% year on year), with operating income of ¥30,879 million (down 6.0%).

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



Targets of the Plan (Billions of yen)

| Consolidated | | Fiscal 2019 (Results) | Fiscal 2020 (Targets) | Fiscal 2021 (Targets) |
|------------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Net sales | | 348.0 | 356.0 | 372.0 |
| Breakdown | Domestic | 172.5 | 176.0 | 178.5 |
| | Overseas | 175.5 | 180.0 | 193.5 |
| | Overseas sales ratio | 50.4% | 50.6% | 52.0% |
| Operating income | | 30.8 | 32.0 | 34.0 |
| Operating income ratio | | 8.9% | 9.0% | 9.1% |

Top Message

A mission to deliver more comfortable and convenient lives for customers, and support the realization of sustainable societies

Amid the current focus on the UN's Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) criteria, we believe that the exceptional environmental performance of Rinnai products offers a major advantage in terms of realizing better and more sustainable societies. Our ECO ONE hybrid water heater and heating system, using both natural gas and electricity as heat sources, received the Environment Minister's Prize at the Cool Choice Leaders Award 2018 sponsored by Japan's Ministry of the Environment, earning praise for the exceptional energy efficiency of its hot water supply. Rinnai also pursues environmental measures apart from product development, such as holding seminars to support the widespread adoption of the net zero energy house (ZEH).

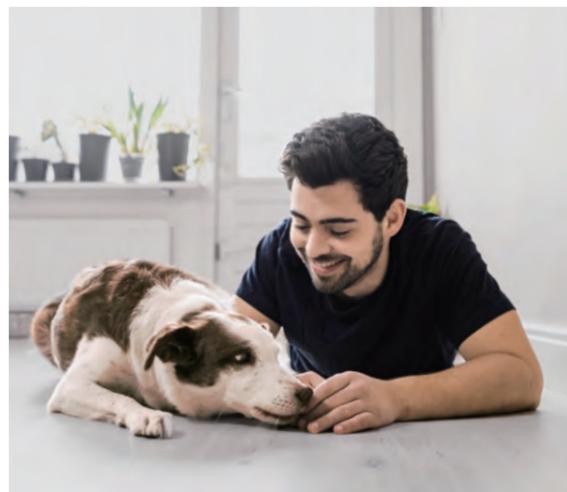
Along with creating products that are safe, trusted, and reliable, Rinnai also focuses on making housework easier by developing new products that enhance comfort and convenience, such as gas clothes dryers that shorten laundry times, and built-in hobs (stovetops) with automatic cooking functions. Of these, gas clothes dryers that quickly dry clothes using air warmed with gas have been particularly popular in two-income households. In fiscal 2019, we added 3 kg and 8 kg types to the lineup along with the standard 5 kg type, in order to meet diverse home needs. We also hope to expand use of these dryers in commercial facilities struggling with labor shortages, such as nursing care homes and beauty parlors.

Expanding our business domain in anticipation of future growth

Considering the current business environment, Rinnai is pursuing measures in Japan to expand its business domain in anticipation of future growth. Our Business Planning Division, newly established in 2018, focuses on marketing to uncover latent needs, developing new business opportunities outside the conventional framework, and product planning from a longer-term perspective. Completely separate from the sales and development divisions and accumulating information in non-conventional ways, this division works to expand Rinnai's business domain from among a wide range of options, including developing original business models, technical innovation in partnership with other companies, and application development for new technologies.

Outside Japan, despite the uncertainty in the Chinese economy that has continued since the end of 2018 due to trade friction with the United States, we believe that our manufacturing incorporating the sensible

product designs and technologies of Japan provides a solid foundation for growth. In the United States, we began local manufacturing of gas tankless water heaters in April 2018, with a new factory scheduled to begin operations in 2021. By strengthening our local production structure, we are aiming for steady growth worldwide.



A new corporate logo for a new Rinnai, to be a globally recognized brand

Rinnai has designated "branding promotion" as a priority measure in the "G-shift 2020" medium-term business plan, aiming to enhance its value as a global brand. We adopted a new corporate logo from April 2019, updating the basic design elements (visual identity) to express the Rinnai brand worldview. We also formulated a "brand promise" to our customers and society, "Creating a healthier way of living," clarifying our commitment to building a brand recognized worldwide. The new logo symbolizes a new-born Rinnai, aiming to foster an image of a brand that creates healthy and comfortable lifestyles. We also adopted "Health & Lifestyles" as a new theme alongside the established "Heat & Lifestyles," showing that we provide innovative products and services beyond just heating equipment, and expressing our desire to establish a strong brand that is preferred and chosen by customers.

To strengthen our brand power, we are relying on our employees to take the initiative and freely express ideas, embracing the challenge of creating exceptional products without fear of failure. To encourage this desire, we are actively pursuing such measures as making

improvements to systems that reward forward-thinking employees, and implementing job rotations to foster broader knowledge and flexible thinking. At the same time, we of course retain the values Rinnai has held up to now, the stance that "Quality is our destiny," a strict adherence to compliance, and an "at home" corporate culture, while also aiming to promote diverse work styles and enhance productivity.

Rinnai will mark the 100th anniversary of its founding on September 1, 2020. We have designated a three-year period before and after that date, from 2019 to 2021, as an "anniversary period" during which we will conduct a variety of activities to express gratitude to our many customers and stakeholders, and pave the way for the next 100 years.

Looking toward the 100th anniversary approaching in 2020 and the future beyond, by providing convenient and accessible products of exceptional safety and quality, Rinnai will contribute to comfortable lives for its customers, and the realization of a sustainable society. I deeply appreciate your continued support of the Rinnai Group.

Conventional logo

New logo

Rinnai ▶ **Rinnai**

The new Rinnai logo is rendered in a robust, modern gothic font, with a slightly wider shape. The sharp edges have been rounded to create a design with a relaxed, friendly, human atmosphere, expressing the Rinnai brand as "Creating a healthier way of living" for the world of tomorrow.

100th Anniversary slogan and logo

Anniversary slogan

Anniversary logo

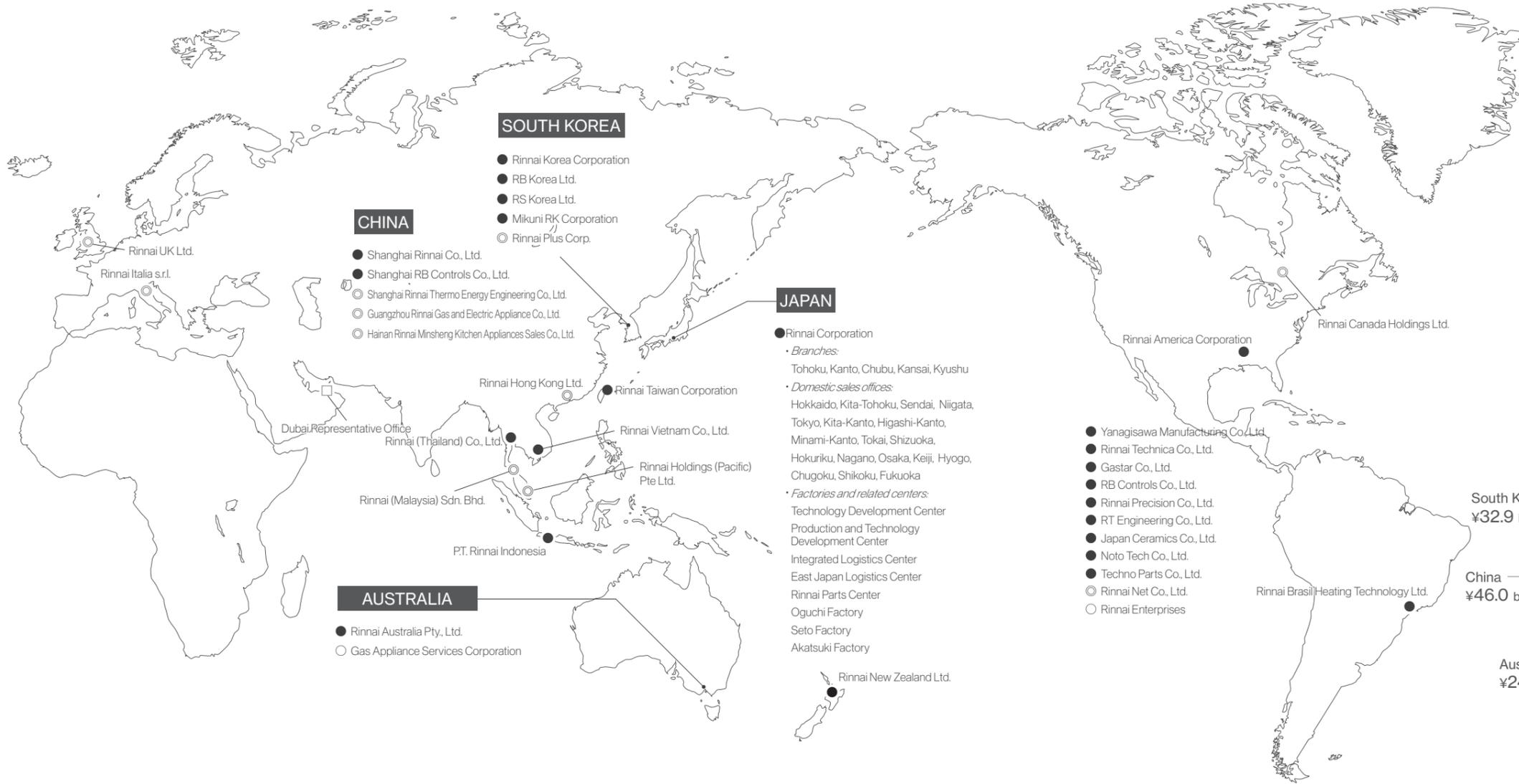
**Connected in passion
for the next 100 years**



100th Anniv.

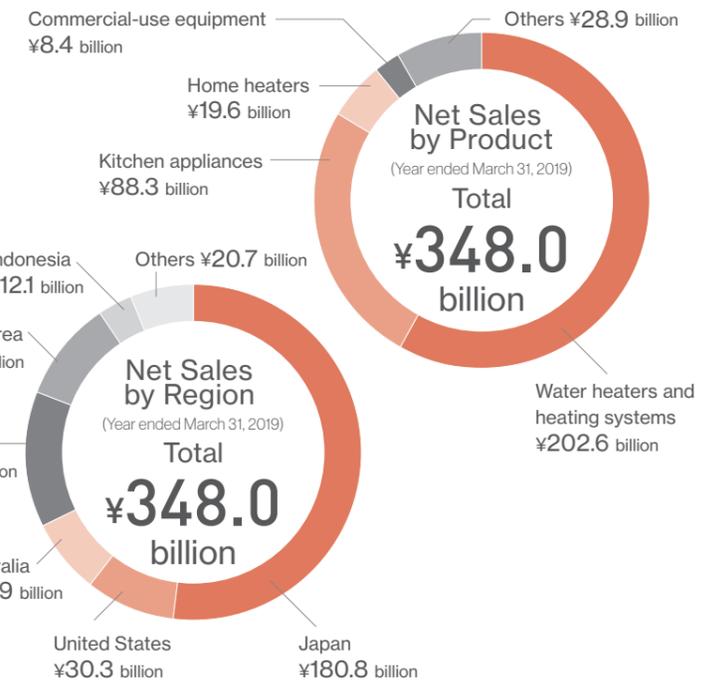
Rinnai Group Profile

Rinnai Worldwide ● Manufacturing and sales companies ○ Sales companies ○ Other business □ Overseas representative office (As of April 1, 2019)



Corporate Data (As of March 31, 2019)

| | |
|---------------------------|---|
| 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 | 10,613 (consolidated), 3,702 (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 Jozu, gas water heater with bath-filling system (JAPAN)



High-efficiency gas tankless water heater (UNITED STATES)



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



Drop-in gas hob (stovetop) (INDONESIA)

Kitchen Appliances

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

Home Heaters

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



Gas fan heater A-style (JAPAN)



Fanned flue heater (UNITED STATES)

Commercial-Use Equipment, Others

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



Gas clothes dryer 8 kg type (JAPAN)



Commercial-use connected water heating system (AUSTRALIA)

Rinnai Group CSR

With the creation of healthy and comfortable lifestyles as its corporate mission, Rinnai promotes CSR activities through business focused on ESG throughout the entire Group.

Heat and Lifestyles

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.

Quality

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.



Approach to CSR

The Group pursues CSR activities 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.

Contributing to Local Communities

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.

The Environment

We reduce greenhouse gas emissions by developing, manufacturing, and selling residential appliances, which are kitchen appliances, water heaters and heating appliances, with exceptional energy efficiency.

Quality Policy

Based on our fundamental concept, "Quality is our destiny," under our Quality Policy, our Group employees strive to improve design quality, manufacturing quality, and sales quality with a customer-oriented approach.

Quality Policy

To provide products with satisfaction and a high level of safety to customers

Customer Orientation

To offer products with safety and peace 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

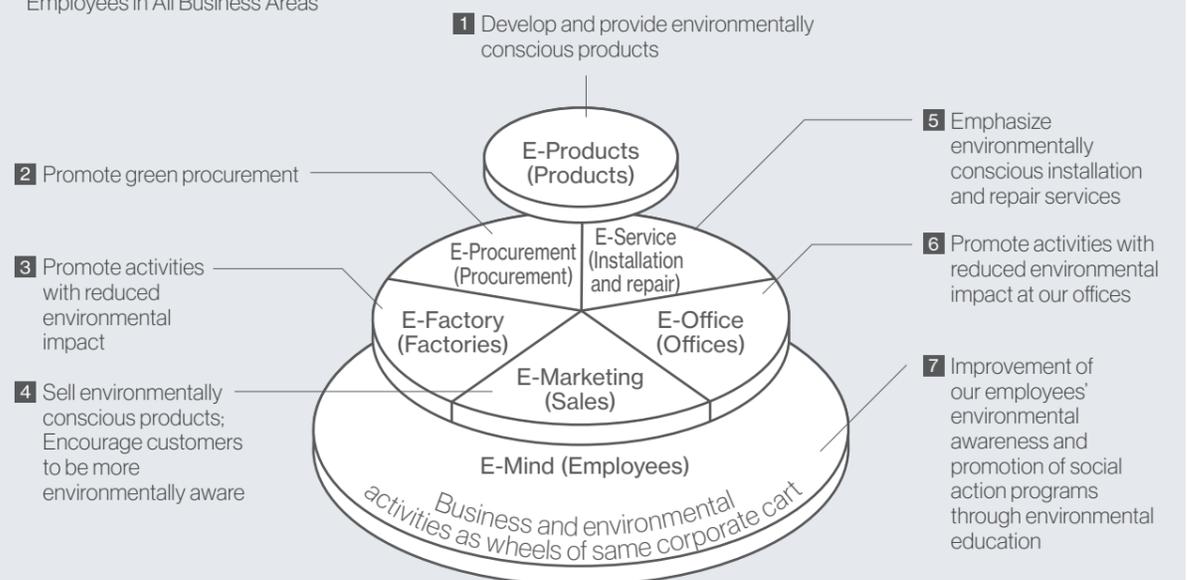
Rinnai's basic philosophy is to embrace environmental protection on a global scale and contribute to society through the pursuit of excellent, people- and planet-friendly technology, and product development, production, sales, and service infused with a sense of humanity.

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.

7E Strategic Initiatives

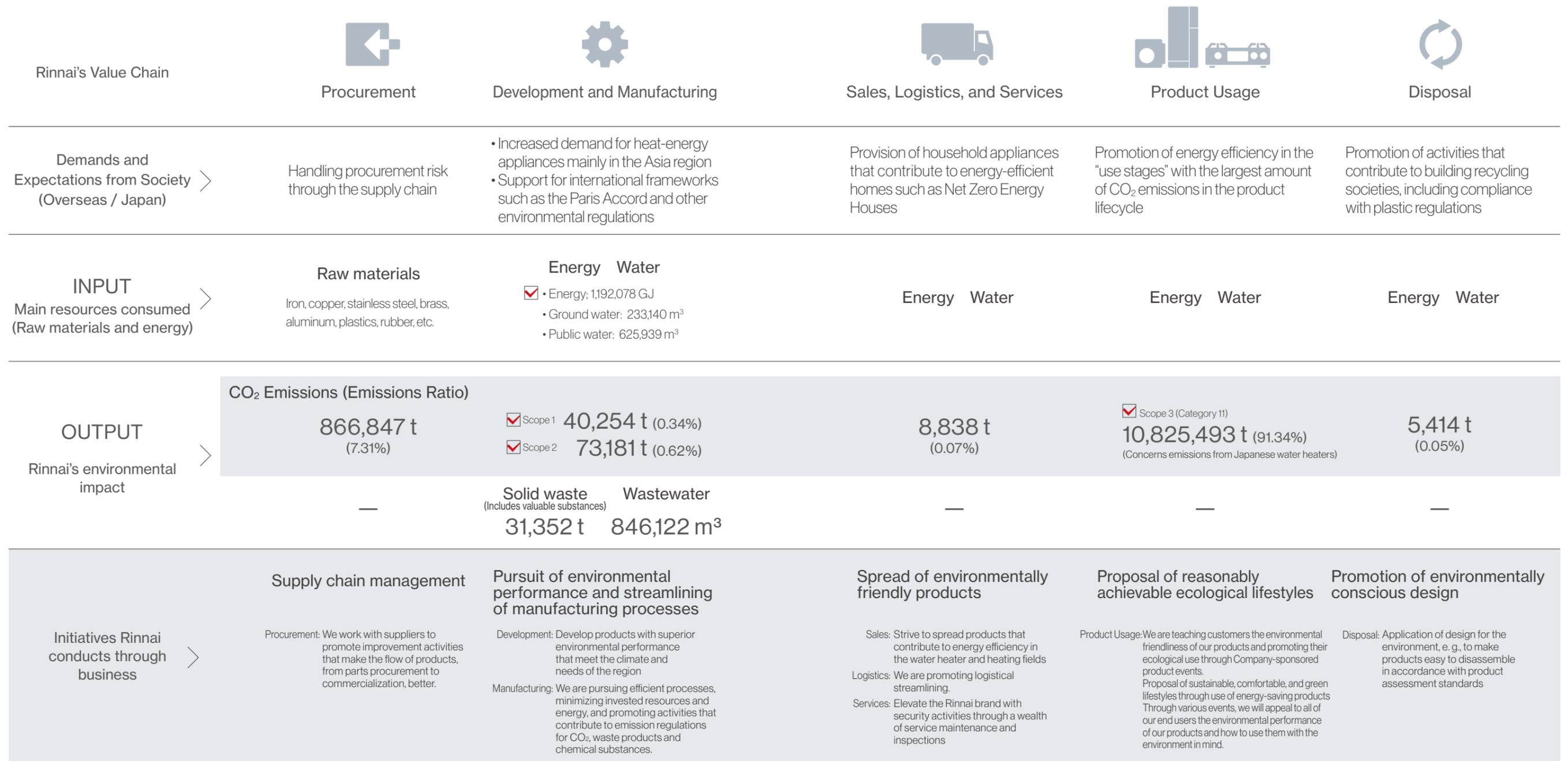
Green Activities Involving All Employees in All Business Areas



Environmental Impact within Rinnai's Value Chain

Rinnai promotes environmental impact reduction initiatives through the value chain ^(see Note 1) in consideration of societal demands and impact on the environment. In particular, the largest amount of CO₂ emissions come from product usage, with environmental impact occurring in the procurement phase being the next largest factor. Focusing efforts on these two points, we are engaged in reducing environmental impact.

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

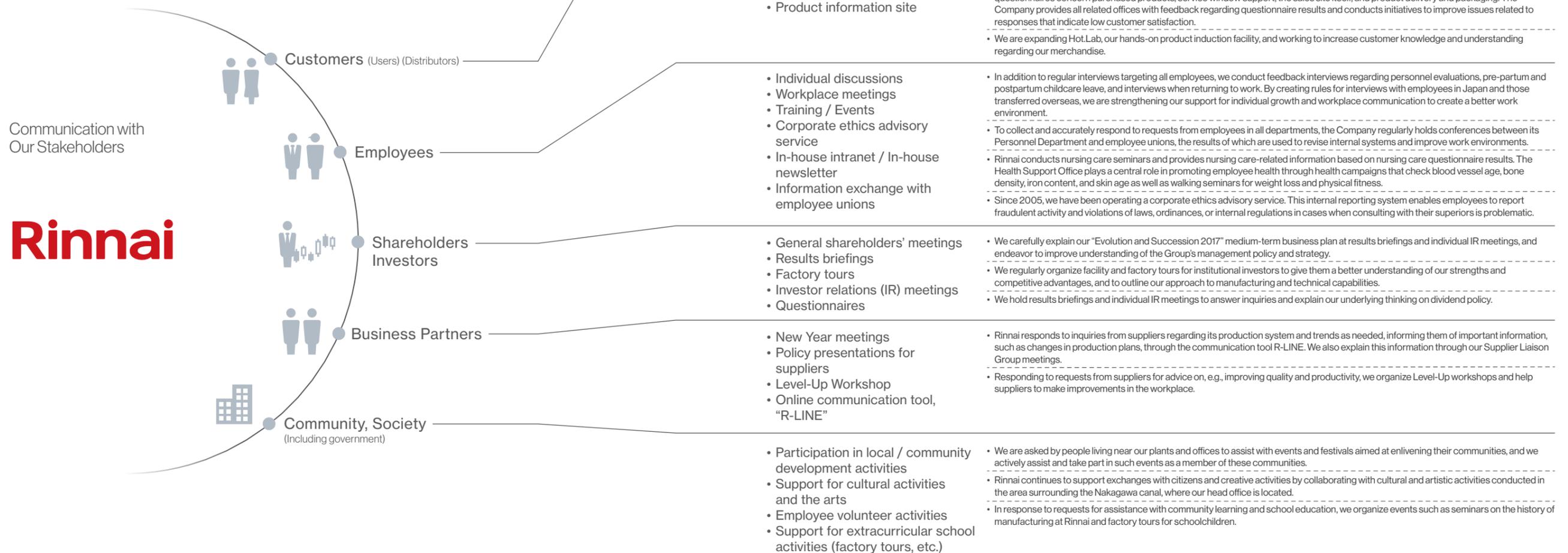


Rinnai's estimates based on the "Basic Guidelines for Calculating Green House Emissions Through the Supply Chain"
 [Target scope] Rinnai Corporation and consolidated subsidiaries (development / manufacturing), Rinnai Corporation (procurement / sales / logistics / services / product usage / disposal)
 [Target period] Domestic: Fiscal 2019 (April 2018–End of March 2019)
 Overseas: January 2018–End of December 2018
 [CO₂ emissions (units)]: tCO₂e, (%) represents the emissions ratio within each process.

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

Stakeholder Engagement

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



CSR Report 2018 Questionnaire Results n=323

Sections of Interest (Printed Edition)



Selected Questionnaire Feedback (Excerpt)

- I think that setting and evaluating targets in terms of basic units is good, but I would like you to make efforts to regulate and reduce total amounts. (Male, 60s, customer and individual consumer)
- This is good because I think companies that value their employees take good care of their customers. I hope complaints from customers are taken seriously within even greater response. (Male, 50s, customer and individual consumer)
- I would like to see a graph on the ratio of female employees and executives. Regarding the issue of disabled employment numbers, it is necessary to provide the private sector with a fair number, so I think that this point needs special consideration. (Female, 40s, customer, individual consumer)
- As with most companies, the internal relationship between partner employees and non-regular employees was unclear. In terms of creating a corporate culture of products selling safety, I would like a little more information regarding flat and direct communication and the flat, comfortable relationship between employees and partner employees. (Female, 30s, customer, individual consumer)
- I think that women's opinions should be emphasized based on their work content, but data such as the ratio of women in managerial positions was not provided. (Female, 50s, customer, individual consumer)

Value Creation Process

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

Rinnai Group Value Creation Process

External Environment / Social Issues

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

Invested Capital (Fiscal 2019)

| | | |
|--|---|------------------------|
| Human capital | Employees ^{*1} : | 10,613 people |
| | Employed (Rinnai non-consolidated) ^{*1} : | 131 people |
| | Training and development expenses: (Rinnai non-consolidated) ^{*1} | ¥159 million |
| Intellectual capital | Overseas trainees (Rinnai non-consolidated): | 13 people |
| | Development headquarters staff: (Rinnai non-consolidated) ^{*1} | 336 people |
| | R&D expenses (Rinnai non-consolidated): | ¥7,031 million |
| | ISO 9001 certification acquisition: (number of companies) ^{*1} | 17 companies |
| Financial capital | ISO 14001 certification acquisition: (number of companies) ^{*1} | 14 companies |
| | ROE | 7.0% |
| | ROA | 4.8% |
| Manufactured capital | Equity ratio | 69.4% |
| | Rinnai Group production bases: (number of companies) ^{*1} | 24 companies |
| | Production group staff (Rinnai non-consolidated) ^{*1} : | 1,856 people |
| Natural capital | Capital expenditure (Rinnai non-consolidated): | ¥6,602 million |
| | Input energy: | 1,192,078 GJ |
| | Water used: Ground water: | 233,140 m ³ |
| Social and relationship capital | Public water: | 625,939 m ³ |
| | Rinnai brand, external evaluations, stakeholder engagement, Rinnai Group Code of Ethics | |

*1 As of March 31, 2019

Risks

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

Opportunities

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

Business Activities

Creation of products and services that are safe, secure, and environmentally friendly
(local production / in-house production)



Value Provided

Environmental contribution

Providing lifestyles that reduce consumption of everyday lifestyle energy usage and impact on the environment

Safety and peace of mind

Supporting lifestyles that enable the prevention and avoidance of various potential risks in the home

Quality of life

Proposing lifestyles that reduce the burden and time required to perform household chores

Fiscal 2019 Achievements

Main products and services

Gas stoves, range hoods, water heaters, hot water floor heaters, gas clothes dryers, dish washers

Consolidated net sales

¥348,022 million

Operating income

¥30,879 million

Operating income ratio

8.90%

Net income attributable to owners of the parent company

¥20,480 million

Net assets (equity ratio)

¥320,696 million (69.4%)

Dividend per share

(annual) ¥94

Amount contributed to reducing CO₂ emissions by using the product

2.54 million tons

Announcements of product recalls due to defects: 0 case

Value Creation Process: Identifying CSR Material Issues

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

Identification Process

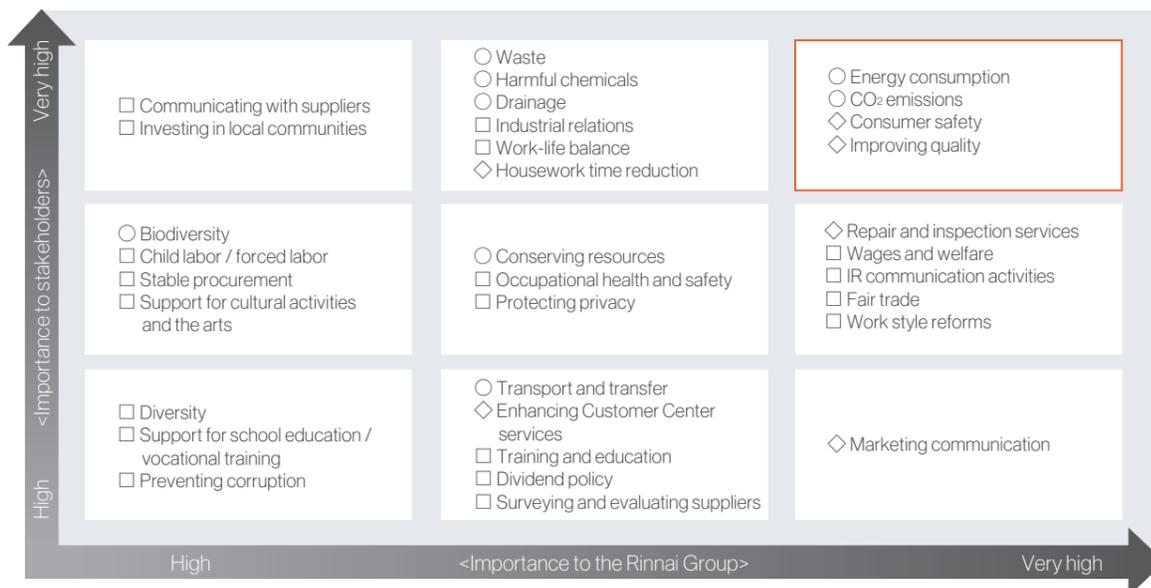


Determining and Identifying CSR Material Issues

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 issues ◇ Customer issues □ Other issues



CSR Material Issue Targets and Results

Material Issues

Energy consumption CO₂ emissions

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

Note 1: The target range was revised from 1.6 million tons to 3.32 million tons. (Added U.S. market)

Main Target Indicators

Amount contributed to reducing CO₂ emissions by using the product

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

2020 target
3.32 million tons (see Note 1)

2030 target
6.04 million tons

2018 results: 2.54 million tons



Material Issues

Consumer safety Improving quality

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

Main Target Indicators

Number of defects that have led to product recall announcements

Target area: Global
Target stakeholders: Customers

0 case

2018 results: 0 cases



VOICE



Masao Kosugi

Director and Senior Managing Executive Officer,
General Manager of Corporate Planning Headquarters

Creating Sustainable Value with the Rinnai Spirit

To increase the convenience of using heat, water and air, which are basic elements of people's lifestyles, Rinnai has a long history of ongoing technological innovations and the provision of world-first products that place the highest priority on quality and safety.

As we insist on quality and safety, we have developed our own core technologies. We are also focused on manufacturing innovations and contribute to modern society through activities rooted in the countries that need our products and services. Our unwavering pursuit of this spirit with a sense of unity throughout the Group and collaboration among departments since our founding is the essence of Rinnai's corporate stance. We will never compromise our dedication to maintaining this spirit as the driving force behind our value creation.

To ensure eternal symbiosis between the earth and humans, we will deepen our consideration for the environment in the product lifecycle. We want to change people's lifestyles around the world using innovation to provide more comfort and health in line with the joys and preferences of each person's individual lifestyle. This is our wish, and we will continuously evolve the value creation process and enhance our ongoing ability to design services that will continue to provide value to our customers throughout their lives and in line with environmental changes, innovate the proprietary development, production, sales, logistics, and management business models we have cultivated up to now.



Contributing to healthy and comfortable lifestyles through the diffusion of gas clothes dryers



Gas clothes dryers are helping to solve social issues

In recent years, people's lifestyles in Japan have grown more diverse in line with changes in the social environment. Yet these changes have also brought new issues to the fore. The advancing trends of declining birthrates, an increase in the percentage of elderly citizens, and a decline in the working population have created labor shortages in a variety of industries. This is particularly apparent in long-term care facilities due to the rise in the elderly population. In addition, the number of dual-income households has increased with the advent of more working opportunities for women as well as uncertainty in the future outlook. This has led to many households having to use their limited free time for household chores and child rearing, which leaves little extra time in their lifestyles. Against this backdrop, Rinnai's gas clothes dryers are attracting attention as a means of helping to alleviate labor shortages and contribute to reducing the time spent on housekeeping.

Rinnai's gas clothes dryers use air heated to over 80°C by gas flames to quickly dry clothes that have been washed and spun. Drying times are cut to one-third compared with electric dryers, so 5 kg of laundry can be dried in approximately 52 minutes. The dryers thus reduce time spent on household chores and boost work efficiency at workplaces where there is high demand for washing and drying clothes. Moreover, the hot air produced by gas flames imparts the same antibacterial effect as drying clothes in the sun ^(see Note 1) and also eliminates concern over particles of dust or exhaust gases affixing to the articles being dried. We therefore expect our gas clothes dryers to be used widely in medical and long-term care facilities where clothing and bedding must be kept clean.

Note 1: The number of E. coli counted per dried article (diaper) after drying was zero according to a study by Tokyo Food Technology Research Institute, Tokyo Food Hygiene Association.



Gas clothes dryer (Kanta-Kun)

Comparison of drying times ^(see Note 2)



Note 2: Conditions: Everyday clothing 8 kg (50% cotton, 50% synthetic textiles) / 70% dehydration. Calculated with model RDT-80 and standard course. Gas type: c80 minutes in the case of LPG, everyday clothing 5 kg (50% cotton, 50% synthetic textiles) / 70% dehydration. Calculated with model RDT-54S-SV and standard course. Gas type: c52 minutes in the case of LPG.

Konuma Circle Home Special Nursing Care Home for the Aged, where Rinnai's gas clothes dryers have been installed

The contribution of gas clothes dryers at long-term care facilities

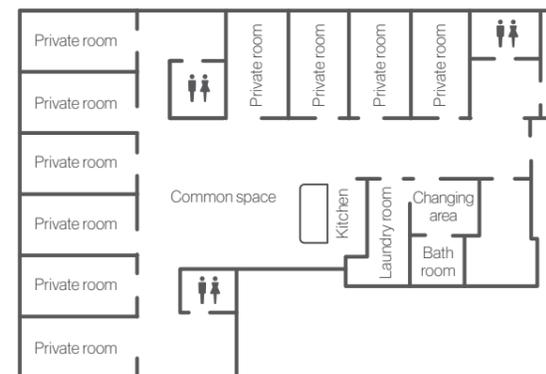


Special Nursing Care Home for the Aged Konuma Circle Home

Puramoto Circle Club Social Welfare Service Corporation, which operates Special Nursing Care Home for the Aged Sakado Circle Home, in Sakado City, Saitama Prefecture, opened in the same city Special Nursing Care Home for the Aged Konuma Circle Home in February 2018. The new facility is equipped with Rinnai's commercial-use gas clothes dryers, which are helping improve labor shortages at the front lines of long-term care.

Konuma Circle Home is a three-story senior care home with a 100-person capacity, with all residents occupying private rooms. The residents are divided into groups of 10 and each group has common spaces and caregivers assigned to provide unit care (see Note 1). However, there was concern as to whether adequate individual care could be provided since the washing and drying of clothes and towels is done to accommodate each resident's lifestyle rhythm and traditional large-scale dryers or sun drying require a lot of time and labor to be spent on washing and drying. To overcome this, at Konuma Circle Home, two gas clothes dryers (22 machines in total) were

Note 1: Unit care is long-term care that provides individual care that respects the individuality and lifestyle rhythm of the resident while supporting them to live their daily lives by building relationships with other residents in the common spaces that have been provided.



installed in the laundry rooms of each unit, which improved the workflow of the caregivers.

By building an environment for quickly drying small laundry loads, unit care tailored to the needs of each resident is achieved. In addition, clothes are dried free from the impact of pollen season, yellow sand, and PM2.5 and other forms of air pollution, creating an environment such that both residents and caregivers alike can wear clothes and use towels with a sense of assurance.

In recent years, there has been a shortage of labor in the long-term care field. According to a survey by the Care Work Foundation, 67.2% of respondents noted "they feel there is a shortage of care providers" and the highest concern they had with labor conditions at 54.2% was "there is not enough staff" (see Note 2). Going forward, through its commercial-use gas clothes dryers, Rinnai will contribute to resolving the issue of labor shortages at the front lines of long-term care and the creation of care facilities that make life easier for their residents.

Note 2: Source: "Results of Fact-Finding Survey on Long-term Care Work 2018," Care Work Foundation



Gas clothes dryers installed in each laundry room



Two units are used efficiently to quickly dry residents' clothing

VOICE



Ayako Kokubu
Deputy Manager, Special Nursing Care Home for the Aged Konuma Circle Home, Puramoto Circle Club Social Welfare Service Corporation

Efficient washing and drying was achieved to match residents' lifestyle rhythms

Konuma Circle Home is a special nursing care home for the aged established in February 2018 that houses up to 100 residents all in private rooms. With unit care, we provide care that addresses the lifestyles of each resident, and this means timing the washing and drying of residents' laundry to match their lifestyle rhythms. As a result, we do laundry five or six times per day in the mornings alone, so gas clothes dryers that dry quickly are very suited to unit care. In addition, regularly washing clothes in small loads allows for quickly washing clothes that have been soiled and thus prevents lingering odors, which in turn contributes to maintaining a sanitary environment in the facility.

Gas clothing dryers also contribute to improving the labor shortages at the front lines of long-term care and create time for caregivers to communicate with residents.

Gas clothes dryers cut time spent on housekeeping at dual-income households



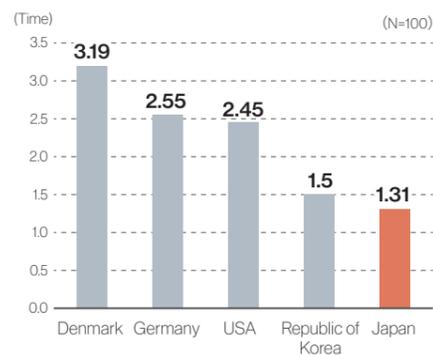
Rinnai's gas clothes dryer installed as standard in the built-for-sale houses of the Mind Square Narimasu Growrich Hills community

The number of dual-income households in Japan has been on a consistent increase in recent years owing to diversification in lifestyles brought on by a variety of changes in the social environment. As of 2018, there were 12.19 million dual-income households, far more than the 6.06 million households where only males were working outside the home (see Note 1).

In Japan, which is known for long working hours, dual-income couples answered they had approximately 1.3 hours per day of "free time not spent at work or on housekeeping," which was lower than other countries surveyed (see Note 2). In this connection, Rinnai's gas clothes dryers are being closely watched as a way of reducing time spent on housework.

Dual-income families find it difficult to do frequent laundry loads, so they tend to wash and dry large loads in a single session and dry clothes at night. It takes a long time to complete the process from washing through drying and thus they find it difficult to find leeway in their lives. Such conditions have led many new homebuyers to look

Free time not spent at work or on housekeeping by dual-income couples



Notes: 1. Source: "White Paper on Gender Equality 2019," Gender Equality Cabinet Bureau
 2. Survey of perceptions of dual-income households in five countries in "Netsu to Kurashi Tsushin (Heat & Life Newsletter)" conducted by Rinnai

to install gas clothes dryers to help reduce the time they spend on housework. Chuo Jutaku Co., Ltd., a designer and seller of housing in the Polus Group, developed a 22-unit built-for-sale housing community called Mind Square Narimasu Growrich Hills. Each house in the subdivision is equipped with a 3 kg gas clothes dryer, so that dual-income households can find extra time to enjoy life thanks to the time saved on household chores with gas clothes dryers. In addition to saving time on drying, the compact 3 kg units provide leeway in the living space and are particularly suited for low-rise housing in the Tokyo metropolitan area where floor space is limited.

In 2018, Rinnai launched a compact 3 kg model and a large-capacity 8 kg type to match large-capacity washing machines to augment its existing standard 5 kg models. Rinnai will contribute to lifestyles that make work rewarding by expanding its lineup of gas clothes dryers to fit a variety of lifestyles.



Mind Square Narimasu Growrich Hills



A 3 kg model gas clothes dryer that gives the feeling of extra room in the changing area

VOICE



Juichi Fukunaga
 Manager, Tokyo West Office,
 Mind Square Division, Chuo
 Jutaku Co., Ltd.

Holding expectations for product development that supports daily life and families' growth

Debuting in Narimasu, in Tokyo's Itabashi Ward, Mind Square Narimasu Growrich Hills proposes lifestyles of comfort. The project is based on the concept "the evolving lifestyle of the future" by linkage to home energy management systems and securing amenity through apps that use Internet of Things (IoT) technologies while at the same time cutting time spent on housework with gas clothes dryers.

In this project, we decided to install gas clothes dryers as standard equipment in all 22 units because demand for this equipment is on the rise. In the past, I had lost sales because the customer was told that gas clothes dryers could not be installed in that home and I realized that gas clothes dryers are a necessity for working couples. Mind Square Narimasu Growrich Hills is located within convenient reach of central Tokyo, so we envisioned purchases by dual-income families and decided to install gas clothes dryers as standard equipment. I would like to see Rinnai develop products that contribute creating extra time in the daily lives of homeowners and an environment in which they can grow and thrive.

Linkage with SDGs



Unwavering focus on preventing malfunctions and building products that are resilient to natural disasters

"Quality is our destiny" is the fundamental concept of the Rinnai Group and this guides our endeavors to deliver products to our customers that provide them with safety and peace of mind through *monozukuri* (craftsmanship) aimed and securing high quality. We aim for zero defects (ZD) ^(see Note 1) in all processes in the product lifecycle to ensure that our products continue to offer safety and peace of mind from the time they debut on the market, they are used by customers, and through to the end of their useful lives. Rinnai's related departments work to enhance quality in all their business activities toward this end.

In addition, "consumer safety and improving quality" is one of the materiality targets in Rinnai's CSR activities and a key target is "Zero cases of defects that lead to recall notices". In fiscal 2019, we achieved this target with zero cases occurring.

We take exhaustive measures to prevent the kind of defects that result in recalls. At the same time, we are constantly working to develop products that provide customers with safety and peace of mind by improving their convenience and safety features during times of disaster, such as hot water heaters that operate even under power outages and gas stoves that shut the gas off automatically during earthquakes of intensity 4 or higher.

Note 1: Zero defects (ZD): No defects, no inferior products, no faults

CSR materiality target indicator

Zero cases of defects that lead to recall notices

Fiscal 2019 results: **0** cases

Special Issue **02** [Approaches to safety and peace of mind]

Approaches to providing customers with safety and peace of mind by improving the safety functions of our gas stoves





Approaches to prevention of fires through the diffusion of Si sensor stoves

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. Fires not only destroy precious assets, but in a worst-case scenario they can lead to fatalities.

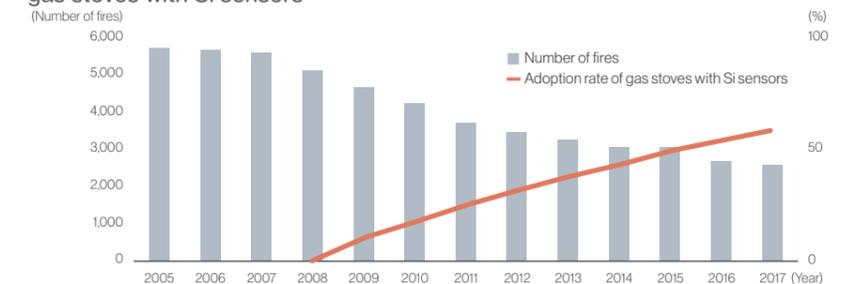
To help prevent kitchen fires in Japan, it has been legally mandatory for all burners on gas stoves made after 2008 to be fitted with safety sensors (see Note 1). We have been working to prevent fires with safety technologies, namely "oil overheating prevention devices" and "flame-failure devices," which are compliant with government standards. In addition, our gas stoves are equipped with convenient "support" functions that assist in cooking and are called intelligent "Si sensor stoves" that take fire prevention to the next level.

The number of fire cases caused by gas stoves has been steadily decreasing every year thanks to the proliferation of gas stoves with Si sensors. The number of cases of fire caused by gas stoves was previously over 5,000 per year, but that had decreased to approximately 2,600 per year in 2017. The proliferation of gas stoves with Si sensors increased to an approximately 59% share of the industry.

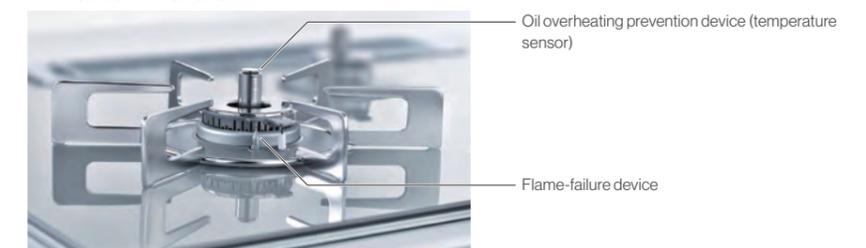
Building on over a decade since the debut of Si sensor stoves, Rinnai not only meets government mandated standards but also has developed and installed such proprietary functions as those that turn off the gas to prevent food from being burned onto pots and pans and automatic high-temperature adjustment and thus provide products that are even more safe and convenient.

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

Number of cases of fires caused by gas stoves and rate of adoption rate of gas stoves with Si sensors (see Note 2)



Note 2: Fire Prevention White Paper, Ministry of Internal Affairs and Communications
Based on shipment statistics from the Japan Industrial Association of Gas and Kerosene Appliances and the number of households in Ministry of Internal Affairs and Communications statistics, Rinnai has compiled the adoption rate of gas stoves with Si sensors.



Automatic shut-off sensors during earthquakes of intensity 4 or higher have been adopted in volume zone models



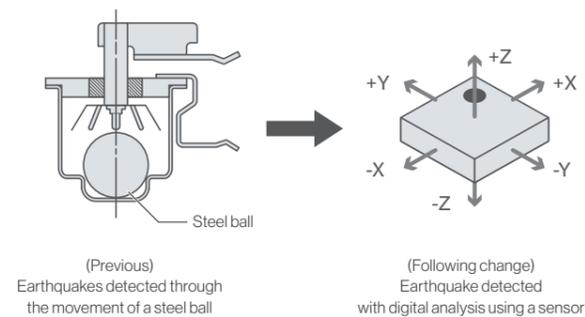
Mytone, a built-in gas stove in the mass-market price segment

Some Rinnai gas stoves have a function called "Yure Pita," which automatically extinguishes flames when the unit detects earthquakes of intensity 4 or higher, in addition to the safety functions of the Si sensors, and thus enhances safety during earthquakes. To boost the safety of gas stoves against earthquakes, which have become more prevalent in recent years, Rinnai has worked to overcome a range of issues and in 2018 added the "Yure Pita" function to its Mytone line of mass-market built-in gas stoves.

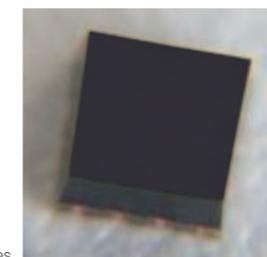
Up to now, the "Yure Pita" function was installed within the gas stove's earthquake stoppage device. It worked by automatically shutting off the stove when a steel ball moved from its fixed position within the device due to an earthquake. Yet this method resulted in higher product prices and therefore we were only able to add this functionality to upper-end models.

To also add advanced functionality in our mass-market models, we changed the detection method for shaking caused by earthquakes from physical earthquake detection using steel balls to detection with digital processing using a three-axis accelerometer. By incorporating an earthquake sensor in the control boards of the gas stoves, Rinnai was able to reduce the costs of introducing this functionality and made its adoption possible in mass-market models. There were also various issues with using a three-axis accelerometer to detect earthquakes. In particular, the sensor would mistake vibration caused by frying pans and the like during cooking for an earthquake and turn off the flames.

Change in earthquake detection method



Control board for a gas stove containing an earthquake detection program



A three-axis accelerometer used to detect shaking caused by earthquakes

To overcome this, Rinnai conducted repeated tests to enable the sensor to discern vibration of the gas stove during daily life and from earthquakes. After spending considerable time, we were able to develop programming that made earthquake detection with an accelerometer possible. In addition, the use of an accelerometer in earthquake detection has improved the detection accuracy of long-period vibrations, which had previously been difficult to detect.

There are some issues remaining in the expansion of "Yure Pita" functionality, such as the need to improve earthquake detection accuracy in tabletop gas stoves, which are installed in a variety of environments. However, we will continue to incorporate new technologies and widen the application of "Yure Pita" functionality as part of our endeavors to improve the safety functions of our gas stoves.

Bringing safety features and quality developed in Japan to overseas markets

We are expanding the safety functions in our gas stoves to overseas markets, particularly to China, South Korea, and other parts of Asia. Temperature sensors became mandatory in gas stoves sold in South Korea from 2014. In China, there has been rising demand for gas stoves with temperature sensors in tandem with higher living standards brought on by economic growth. In 2019, Shanghai Rinnai developed an original model drop-in gas stove with temperature sensors in each hob.

Rinnai is bringing safety features developed in Japan to overseas markets and the high-quality products that embody a focus on craftsmanship to customers around the world.



A drop-in gas stove developed by Rinnai Korea with temperature sensors in each hob



A drop-in gas stove with temperature sensors in each hob that is an original model of Shanghai Rinnai

Initiatives to prevent global warming through energy-saving water heaters

Linkage with SDGs

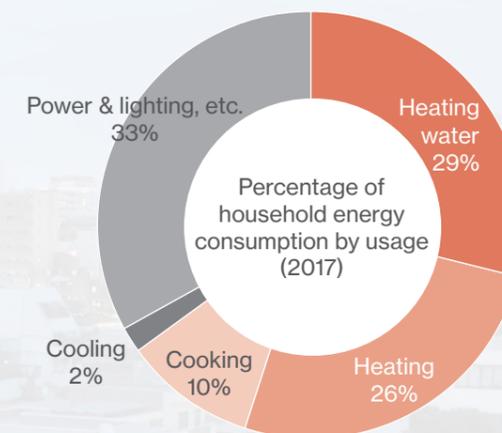


Aiming to contribute a 6.04 million ton reduction in CO₂ by 2030

Looking at the breakdown of energy consumption by Japanese households, water heating and heating account for over 50%, and water heating alone accounts for the largest percentage at 29.1%. In addition, CO₂ emissions of water heaters throughout their lifecycles are highest at their usage stage (please refer to page 13). As a result, to contribute to preventing global warming through its business activities, Rinnai believes it is important to boost energy efficiency and develop and promote the adoption of environmentally conscious products that help accomplish this through improving the combustion efficiency of its hot water heaters and the like. Rinnai is working toward the prevention of global warming by setting “energy consumption and CO₂ emissions” as CSR material issues and the “amount contributed to reducing CO₂ emissions by using the product” as a target indicator ^(see Note 1).

Toward this end, Rinnai in Japan is promoting energy savings in the home by contributing to the development of net zero energy houses (ZEHs) through such energy-saving water heating systems as the ECO ONE hybrid water heater with heating system. In overseas markets, Rinnai has been promoting the conversion of storage tank-type water heaters to gas tankless water heaters. In fact, Rinnai was able to contribute a 2.54 million ton reduction in CO₂ in fiscal 2019. Rinnai’s long-term target is a 6.04 million ton contribution to CO₂ reduction by 2030, which will contribute to the achievement of Goal 13 of the SDGs, which is to take specific action to combat climate change.

Note 1: Reduction in CO₂ emissions (estimated) resulting from improvements to performance in Rinnai’s water heaters compared with products sold in 2005



CSR materiality target indicator

Amount contributed to reducing CO₂ emissions by using the product

| | |
|----------------------|--------------------------|
| 2020 | 3.32 million tons |
| 2030 | 6.04 million tons |
| Fiscal 2019 (actual) | 2.54 million tons |

Source: “Energy White Paper 2019,” Agency for Natural Resources and Energy

Rinnai's activities aimed at diffusion of Net Zero Energy Houses



An energy-saving home designed by Yawata Home

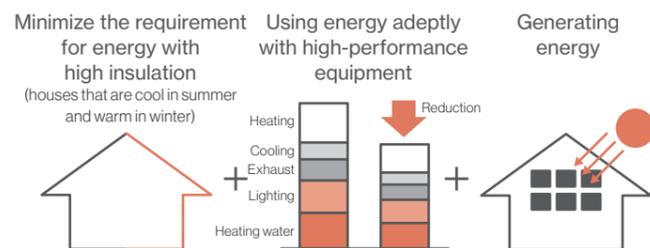
As a part of measures to prevent global warming, in Japan energy-saving efforts in housing and buildings are progressing along with the government's target to have over 50% of built-to-order housing built by housing makers be ZEHs by 2020.

The Ministry of Economy, Trade and Industry (METI), the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and the Ministry of the Environment are coordinating to promote the spread of ZEH through subsidies for ZEH buildings. As of the end of October 2018, however, 57.1% of ZEH builders and planners (see Note 1) had no track record with ZEHs. We therefore believe more intensive efforts will be necessary to achieve the government's target for 2020.

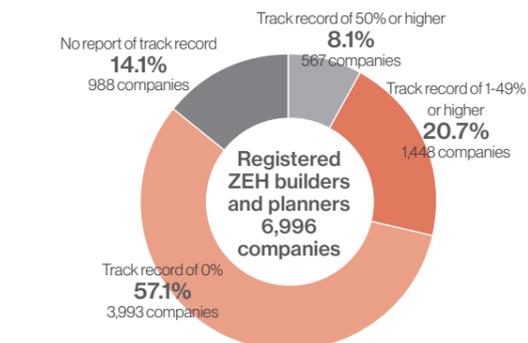
Note 1: Housing manufacturers, builders, architectural offices, renovation companies, built-for-sale housing sales companies, etc., that have set adoption targets for ZEH.

Net Zero Energy House (ZEH)

In addition to ZEHs achieving major improvements to the insulation performance of the exterior finish, such houses achieve considerable improvement in energy savings by installing highly efficient equipment and systems that maintain the quality of the interior living environments. Furthermore, by adopting renewable energy, ZEHs aim for zero annual expenditure for primary energy consumption.



Track record of ZEH builders and planners (as of October 2018) (see Note 2)



Note 2: Source: Results of Survey of Supporting Businesses for Net Zero Energy Houses (2018 edition) from data announced publicly by Sustainable Open Innovation Initiative

The top reasons cited by builders for having no track record in ZEHs were "customer's budget," "could not gain the understanding of customers," and "inadequate systems" (see Note 2). In this connection, Rinnai is developing energy-saving gas water heaters and has started "Club GREEN," a series of support activities for ZEH builders. We hold ZEH seminars for builders and assist with applications to receive subsidies and support with the calculations of utility cost reductions gained from installing ECO ONE and other of Rinnai's energy-saving water heating systems. In these ways, we not only support builders but also promote understanding among customers. We have held ZEH support seminars with increasing frequency since 2016, and convened such seminars 37 times in fiscal 2019.

Furthermore, MLIT's "Regional housing greening project" promotes ZEH among small- and mid-sized builders by forming groups among business operators involved in wooden housing and builders and creating applications for subsidies at the group level. Rinnai also assists in preparing the documentation necessary for applying for subsidies and therefore contributes to reducing the burden on small- and mid-sized builders with the aim of increasing the number of ZEHs.



ECO ONE installed in an energy-saving house



A seminar for ZEH builders

VOICE



Kenji Sohma
General Manager, Sales Division,
Yawata Home, Co., Ltd.

Expectations for the development of energy-saving equipment that contributes to ZEH adoption and product promotion

Working together with Rinnai, we participate in MLIT's "Regional housing greening project" and propose energy-saving housing and zero energy housing that is easy for customers to adopt. Since the initial costs of ZEHs and other energy-saving houses are higher than that for general housing, subsidies that help control such initial costs are extremely effective in promoting the diffusion of ZEHs.

We have boosted our track record in ZEH by applying for subsidies in collaboration with Rinnai since 2016. Yet, showing the benefits of a reduction in customers' utility bills is necessary when proposing ZEH and other types of energy-saving homes to customers. Toward this end, I would hope that Rinnai develops equipment that saves even more energy and conducts public relations (PR) activities to convey the attractiveness of such products to even more customers.

The ECO ONE hybrid water with heating system wins the 2018 Cool Choice Leaders Award (Environment Minister's Award)

Rinnai's ECO ONE debuted in 2010 as the world's first hybrid water with heating system for residential use to combine gas and electric heat pumps to provide thermal energy for heating water and heated flooring. The system comprises three units: a heat pump to boil water with electricity, a tank to store hot water, and an Eco Jozu high-efficiency gas water heater to support high volumes of hot water usage such as when bath water needs to be reheated.

Since the start of sales in 2010 through today, Rinnai has worked to improve the energy efficiency of its water heater systems. In fact, the 160l type ECO ONE tank unit launched in August 2017 achieved 13.8 GJ/year in primary energy consumption for water heating, which is the standard for evaluating energy-saving equipment. This is an impressive 45% energy savings compared with conventional water heaters. In February 2019, ECO ONE received the Cool Choice Leaders Award 2018 (Environment Minister's Award), which is sponsored by the Ministry of the Environment, in recognition of its high energy-saving capabilities.

In May 2018, Rinnai launched the ECO ONE Plug-in LOWBOY model that does not require dedicated electrical construction for the heat pump. This simplifies installation of replacement equipment and allows flexible installation in a variety of existing homes. It therefore will contribute to energy savings, particularly in smaller homes in the Tokyo metropolitan area.

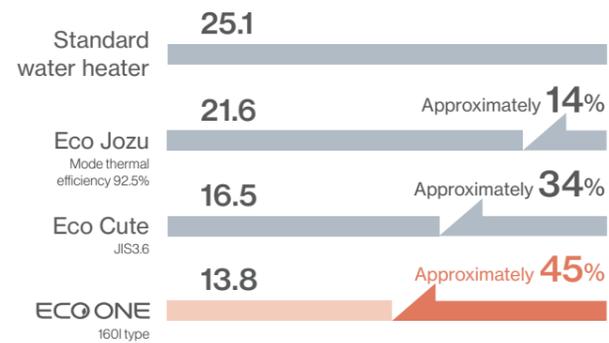


Hybrid bath water heating system ECO ONE Plug-in LOWBOY (50l tank unit)



Cool Choice Leaders Award 2018 award ceremony (from left, Minoru Kiuchi, Deputy State Minister of the Environment (at the time of the photo); and Kinji Mori, General Manager of Environment Department, Rinnai)

Comparison of primary energy consumption of heating waters (see Note 1) (GJ/year)



Note 1: Calculated based on the "Energy Consumption Performance Calculation Program (Residential Edition Ver 2.3.1" (6 districts) based on 2016 energy-saving standards published in "Technical Data Related to Energy Consumption Performance in Buildings," compiled by the Building Research Institute (with the cooperation of the National Institute for Land and Infrastructure Management) (as of December 2017)

ECO ONE



ECO ONE 160l type hybrid water heater and heating system

Approaches in the U.S. market to promote adoption of gas tankless water heaters

In the U.S. market, nine million water heaters are replaced every year, of which about 95% are hot water-storage-type units, in which hot water is stored in tanks. Among the different types of water heaters, storage gas water heaters are less energy efficient than gas tankless water heaters, so switching to a gas tankless water heater would contribute to a reduction in CO₂ emissions in the United States.

In April 2018, Rinnai America Corporation, a Rinnai Group company, launched the SENSEI series of gas tankless water heaters offering improved energy savings and ease of installation. The SENSEI series of gas tankless water heaters work even with 1/2-inch gas lines in certain situations, and the exhaust pipes have been improved to function at distances of up to 46 meters, compared with seven meters previously. These improvements facilitate easy replacement of water heaters even in locations where installation was difficult previously.

To boost awareness of tankless gas water heaters, Rinnai ran the "Try Rinnai Tour" in which seven large vans equipped with gas tankless water heaters travelled around the United States and Canada to give demonstrations. Approximately 1,000 events were held during 2018 to promote the high energy-saving performance of gas tankless water heaters to many people in North America.



SENSEI series of highly efficient gas tankless water heaters



Large-scale van equipped with gas tankless water heaters



Communication with Employees

01 Transferring Technologies through Global Exchanges

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

Every year, we accept overseas Group employee trainees, and for a period lasting from a few months up to one year, we pass on manufacturing technologies through training in manufacturing and production divisions. In 2018, we accepted 13 employees mostly from Asian countries as overseas trainees.

These activities serve not only as a means for transferring manufacturing technologies but also play a role as human resource development so that overseas Group employees will become leaders in local subsidiaries.

VOICE



Andrea Pavarotti

Rinnai Italia
Technical engineer

Learning Good Organizational Culture through Training in Japan

I have been working as an engineer at Rinnai Italia since 2015. I received training for several months at Rinnai for the first time in 2017, and I mainly learned about hot water heater test methods. We have been receiving training in Japan for the second time since July 2019. In addition to training, we are planning to share information on the climate and housing conditions in Italy and the certification system for gas equipment in Europe among the Group.

When I came to Rinnai again, I felt that I came back home. Many Rinnai Japan colleagues are kind and very gentle. They treated me as a colleague of the same team. It reminded me that good and positive personal relationships are the key to making work successful.

Besides learning skills, I also want to learn Japanese best practices such as 4S, workplace manners, and good organizational culture through training in Japan, which I want to take back to Rinnai Italia.

Communication with Employees

02 Enhancement of Health Promotion Activities



Full-time public health nurse providing individual health guidance

The Rinnai Group established the Health Support Office where full-time public health nurses engage in employee health promotion activities. In addition to providing individual health guidance, consultations, and other information related to personal health, the office supports both health by conducting health promotion seminars.

Aiming for a work environment that does not cause mental disorders, we provide support for a smooth return to work through rehabilitation including mental health seminars for managers and a return-to-work support program for employees who have taken long-term leave. In fiscal 2019, in addition to interviews during times of mental distress and leaves of absence, we increased the number of interviews after returning to work approximately 1.5 times compared to fiscal 2018 and in addition to preventing leave of absence due to mental health problems, we strengthened our support system for the smooth return to work for those who took a leave of absence.

For employees who use the cafeteria, we collaborate with dieticians to plan menus that consider employee health, and conduct health campaigns to check vascular age, bone density, iron levels, and skin aging in order to raise awareness among employees regarding their health. We also conduct health creation and walking seminars and raise awareness with regard to weight loss and physical strength training.



Mental health seminar for managers and supervisors

03 Improved Understanding of CSR through In-House Events



Rinnai Group employees engaged in coral reef protection activities

The Rinnai Group strives to facilitate exchanges between employees and improve understanding of CSR through a variety of in-house events. The Rinnai Group Environmental Award, which is given in recognition of environmental activity excellence, is held each year, with fiscal 2019 seeing the largest number of applicants ever, a total of 127 employees, among which 10 were selected for excellence in production, office, sales, and social contribution categories.

Overseas Group companies also hold events aimed at facilitating exchanges between employees and improving understanding of CSR. Each year in September, Rinnai Australia participates in Steptember, an event that donates to cerebral palsy and supports employee health by encouraging people to walk 10 thousand steps each day, which is also instrumental in promoting the health of employees and deepening understanding with respect to cerebral palsy.

Each year, Rinnai Thailand employees hold an environmental protection event. In August 2018, 50 employees cleaned up the coastline and conducted coral reef protection activities in order to protect coral reefs.

In May 2019, the Rinnai Group received the Environmental Human Resource Development Company 2018 Grand Prize by the Ministry of the Environment for its environmental human resource development initiatives.



Steptember awareness poster (Rinnai Australia)



The Environmental Human Resource Development Company 2018 Grand Prize trophy

Communication | Communication with Stakeholders

Communication with Customers

Customer Satisfaction Research and Product and Service Improvements



Gas tabletop cooker HOWARO, sold online only

HOWARO, launched in December 2011, is a gas tabletop cooker sold only on the internet using white as the main color to brighten kitchens. A survey was conducted among customers who purchased HOWARO aimed at improving Rinnai products and services.

Among responses pertaining to requests and improvements, many customers indicated that they “want a double-sided grill” as well as an “enhanced cooking function.” We discovered that customers want models that more closely align with their lifestyles, including more convenient functions and higher cooking abilities even among tabletop cookers using white as the main color.

In response, we added the HOWARO C plus with an auto-grilling function in October 2018 and the HOWARO C with a temperature adjustment function in December 2018 to our sales lineup for a total of three compact models for customers to choose from in line with their lifestyle stage, which resulted in an even greater number of people incorporating the HOWARO series into their lives.



HOWARO C plus



HOWARO C

Communication with Business Partners

Training Aimed at Improving Productivity and Improvement Capabilities

The Rinnai Purchasing Department conducted training on production site improvements for partner companies over a four-day period from July 23–26, 2018.

The Rinnai Production Engineering Department led the training, which was attended by 22 people from 14 different partner companies. The first two days of training were for line managers and the remaining two days were focused on industrial engineering (IE), which served to deep understanding among both Rinnai and partner company personnel with regard to production site improvements.

Participants learned about 3S5 Sets (see Note 1), quality, production planning, and other subjects through practical training. The event was highly evaluated by many participants as it is able to be smoothly deployed at partner company production sites.

In addition to workshops, some partner companies also participated in internal events such as screw-making contests and lift contests, as Rinnai made every effort to create an environment where everyone could grow together with a spirit of coexistence and mutual prosperity.

Note 1: Improvement method for maintaining standards mainly applicable to production sites. 3S: Sorted, Straight, and Sanitary; 5 Sets: Set position, set form, set quantity, set product, and set time



Training related to the 3S5 Sets



Productivity improvement training using a mock assembly line

VOICE



Kimihiro Suzumura
Senior Managing Director,
Toko Industries Co., Ltd.

Development of Younger Employees through Training

Some of our younger employees participated in the line manager and industrial engineering (IE) training to improve production sites. In this training, participants engaged in foreman training aimed at ensuring quality, on-time deliveries, and manufacturing cost control, as well as hands-on training using practical problems such as methods for production system improvements, all of which enabled the participants to return to our company with a newfound sense of confidence. What was learned in the training was put into practice in our assembly line for water heater parts, enabling us to achieve the improvement goals set out above. We also utilize this training in companywide educational activities led by employees who participated in Rinnai’s training. In the future, we will continue to participate in this training, especially younger employees, so that we can continue to improve our level of production.

Communication | Communication with Stakeholders

Communication with Local Regions and Communities

Contributing to the Development of Talent That Will Lead the Next Generation through Alliances between Industry and Academia

– Creating a business model that contributes to society through our core businesses –

Through a collaboration between industry and academia, Rinnai and the Nagoya University of Arts and Sciences held a course conducted over 15 sessions starting in April 2018 pursuing the theme: “Companies and Society: The Role of Companies in Regional Society.” Students participating in the course toured Rinnai plants and held discussions with its employees and created proposals for “business models that contribute to society through core businesses.” As a format for publishing their results, in October 2018 the students’ proposals were displayed at International Design Center of NADYA PARK in Nagoya.

Rinnai continues to contribute its know-how and knowledge gained as a company to the field of education while reflecting the ideas of students as the voice of its stakeholders in its business activities.



Students from the Nagoya University of Arts and Sciences, Department of Design, who participated in a course created via collaboration between industry and academia



Students in discussions with Rinnai employees



Announcing the results at an exhibition

VOICE



Yukiko Tomiyasu

Nagoya University of Arts and School of Media and Design, Department of Design, Professor

A valuable experience enabling an understanding of the linkage between people’s daily lives and corporate activities

Nagoya University of Arts and Sciences, Department of Design’s Design Produce Course aims to “envision an even better future and create new value that can be shared with others.” Toward this end, students engage in practical exercises based on issues uncovered in the real world. Understanding a company and creating proposals that benefit it as well as society and customers was a very difficult theme for our third-year students who have limited life experience. However, taking Rinnai’s sound corporate activities as case studies served as a valuable experience toward gaining awareness of the lifestyles in front of them and their connection with industry and society.

The students were also fortunate to be at the cusp of Rinnai’s 100th anniversary and witness the moment a company is about to change. Our students will continue to contemplate the big questions they gained from Rinnai, such as “What does it mean to work?” “What is abundance?” and “What is soundness?”

Communication with Shareholders and Investors

Expanding Communication of Corporate Value through Field Trips for Investors

– Hifumi’s Social Studies Field Trip in Rinnai –



A Rinnai employee explaining a product’s functions

In December 2018, Rinnai partnered with institutional investor Rheos Capital Works Inc. to hold “Hifumi’s Social Studies Field Trip in Rinnai,” which invited investors and their families to a tour of Rinnai Hot Lab Yokohama. Rinnai’s Hot Labs are research facilities designed to provide our business partners with firsthand experience in using such products as the Delicia gas stove that is capable of automated cooking through connectivity to a dedicated recipe app and the Kanta-Kun gas clothes dryer that dries clothes quickly and leaves them fluffy to the touch. On the day of the field trip, representatives from Rinnai’s Corporate Planning Division explained the Company’s unique qualities and its major products to the investors. After this presentation, participants gained a deeper understanding of Rinnai’s products by actually experiencing drying a towel with a gas clothes dryer and enjoying a cooking lesson using automated cooking with a gas stove.

By having investors experience Rinnai’s products at this event, they were able to better understand Rinnai’s products and the Company’s appeal. Rinnai was also able to gain direct feedback from investors, making the event a meaningful one for both parties.

VOICE



Daisuke Kurioka

Rheos Capital Works Inc. Senior Analyst, Asset Management Division

Appreciating “Rinnai’s approaches to more fulfilling lifestyles” by experiencing its products

We jointly sponsored an event at one of Rinnai’s Hot Labs, which are facilities where visitors can try its products. Participants from a variety of backgrounds, including parents with children, and single women and men took part in the event and were able to hear about Rinnai’s past, present, and future, while enjoying dishes prepared in the Company’s kitchen.

In 2020, Rinnai will reach the 100th anniversary of its founding, a path that has been marked by remaining in close touch to the lifestyles of people around the world while keeping the belief that “Quality is our destiny” close to heart. I got the impression firsthand through the smiling faces of the participants that Rinnai will through the *monozukuri* (craftsmanship) of its heating equipment continue to make “stories” in the form of fulfilling lives for people worldwide. We are also focusing on stories that Rinnai makes through the changes in lifestyle that emerge over the next 100 years.

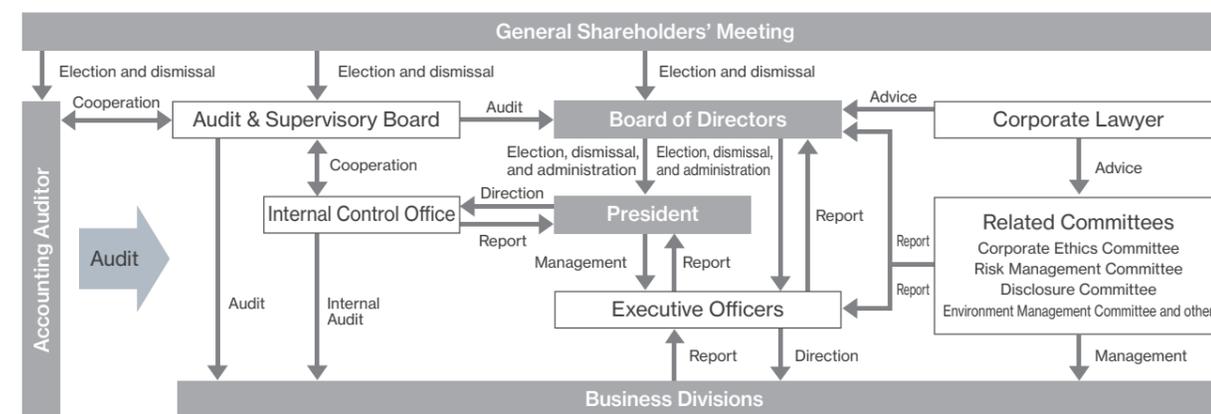
Corporate Governance

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.

Corporate Governance Structure



Audit System for Monitoring and Supervising Management

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

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

Board of Directors

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

Director Compensation

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

Compensation amounts for Directors and Auditors (Fiscal 2019)

| Category | Persons | Total amount of compensation paid |
|---|-----------|-----------------------------------|
| Directors (of which are outside directors) | 7 (2) | ¥285 million (14) |
| Auditors (of which are outside auditors) | 4 (2) | ¥44 million (10) |
| Total | 11 | ¥329 million |

Director salaries do not include employee salaries for directors who also serve as employees. As of March 31, 2019, there were seven directors (including two outside directors) and four auditors (including two outside auditors).

Compliance

Rinnai Group Code of Ethics

The Rinnai Group has compiled behavioral standards that all executives and employees must obey in the "Code of Ethics," a small booklet that includes the "Rinnai Code of Conduct" as a guideline for specific daily activities. Further, the "Rinnai Code of Conduct Manual" was created as a tool to deepen understanding of the Rinnai Code of Conduct.

In addition, an English-language version of the "Code of Ethics" is issued to overseas Group companies, and local-language versions were distributed to Group companies. In countries where the official language is not English, the manual is translated into the local language of that country.

Each year, Rinnai conducts Code of Conduct awareness activities for all employees.



Rinnai Group Code of Ethics

Compliance Education Activities

Rinnai's Legal Division conducts legal education every year with regard to laws closely related to operations conducted by business divisions. In fiscal 2019, Rinnai provided legal education mainly related to work style reforms, raised awareness regarding changes to the enforcement of laws, such as regulations pertaining to upper limits on overtime hours, promoted methods for ascertaining working hours, clarified obligations for taking leave, and conducted education related to appropriate labor management. In addition, training was provided for internal compliance committee members by outside lawyers who introduced examples of potential legal violations in the workplace along with examples aimed at deepening understanding with regard to compliance.

During fiscal 2019, a total of 821 Group employees participated in training to deepen their knowledge with regard to laws and regulations. Rinnai also conducts ethics education every year during employee training for new recruits and by rank, with 188 employees attending in fiscal 2019.

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

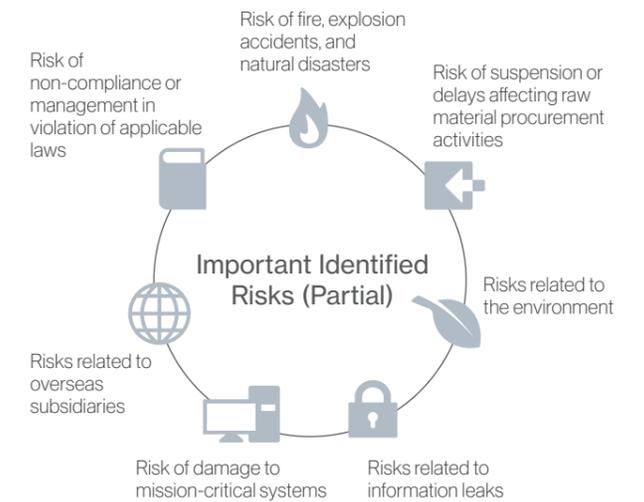


Legal education related to work style reforms

Risk Management

Promotion Structure

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



Initiatives Aimed at Reducing Risks during Earthquakes

In October 2018, we conducted an earthquake evacuation drill at the Oguchi Site, which employs a large number of employees, in an attempt to improve the level of emergency response through first aid training for injured personnel. In addition, in March 2019, we conducted tall building evacuation training using a ladder truck in collaboration with the Nakagawa Fire Station to reconfirm evacuation methods under a variety of conditions at our head office.

In 2016, the Rinnai Group introduced a safety confirmation system to quickly confirm the safety of employees in the event of a disaster. When a strong earthquake occurs, a safety confirmation email is sent to all employees and safety confirmation is conducted according to instructions in the email. The Rinnai Group strives to reduce risks when disasters occur through regular safety confirmation tests conducted on an annual basis.



Tall building evacuation training using a ladder truck in collaboration with the Nakagawa Fire Station

Governance | Management Structure

Leadership (As of June 26, 2019)

Board of Directors, and Audit & Supervisory Board Members

Kenji Hayashi
Representative Director and Chairman

Hiroyasu Naito
Representative Director and President and Executive President

Masao Kosugi
Director and Senior Managing Executive Officer
General Manager of Corporate Planning Headquarters

Nobuyuki Matsui
Director

Haruhiko Ishikawa
Standing Audit & Supervisory Board Member

Masaaki Matsuoka
Audit & Supervisory Board Member

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

Yuji Kondo
Director and Senior Managing Executive Officer
General Manager of Overseas Business Headquarters, and General Manager of Group 1 and Group 3 Sales & Marketing Division
In charge of Business Planning Division

Takashi Kamio
Director

Katsuhiko Shinji
Standing Audit & Supervisory Board Member

Ippei Watanabe
Audit & Supervisory Board Member

Notes: 1. Nobuyuki Matsui and Takashi Kamio (Directors) serve as an outside director.
2. Masaaki Matsuoka and Ippei Watanabe (Audit & Supervisory Board Members) serve as an outside auditor.

Executive Officers (excluding concurrent directors)

Terumasa Kaneko
Managing Executive Officer
General Manager of Marketing & Sales Headquarters

Yasuo Koketsu
Managing Executive Officer
General Manager of Administration Headquarters

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

Masanori Shimizu
Executive Officer
General Manager of Technology Development Division, Research & Development Headquarters

Koji Fujioka
Executive Officer
General Manager of Sales Division, Marketing & Sales Headquarters

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

Greg Ellis
Managing Executive Officer
President of Rinnai Australia Pty., Ltd.

Hirohisa Ooi
Executive Officer
General Manager of Production Headquarters, and General Manager of Production Control Division

Kazuto Inoue
Executive Officer
General Manager of Production Engineering Division

Fuminobu Ishikawa
Executive Officer
President of GASTAR Co., Ltd.

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

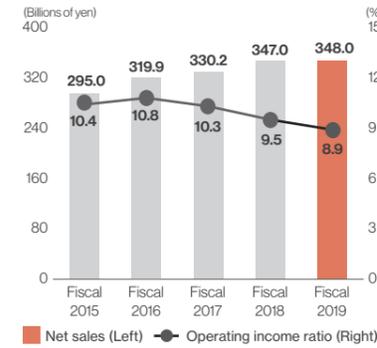
Hideyuki Shiraki
Executive Officer
Vice General Manager of Marketing & Sales Headquarters, and General Manager of Kanto Branch, Marketing & Sales Headquarters

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

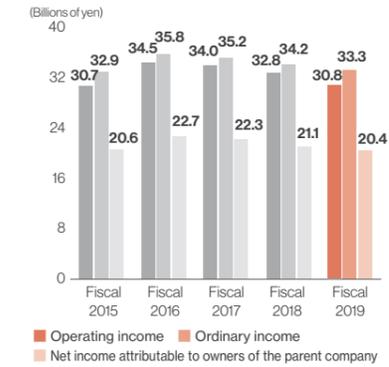
Data Collection

Financial Data (Consolidated)

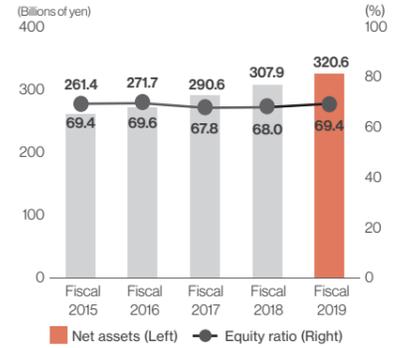
Net sales, Operating income ratio



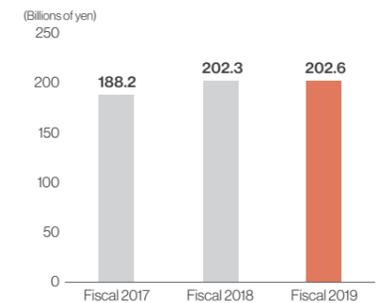
Operating income, Ordinary income, Net income attributable to owners of the parent company



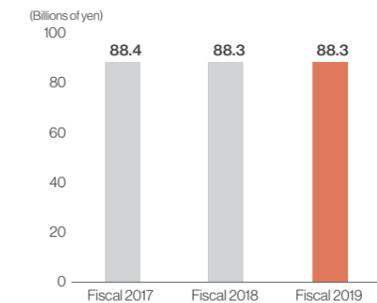
Net assets, Equity ratio (see Note 1)



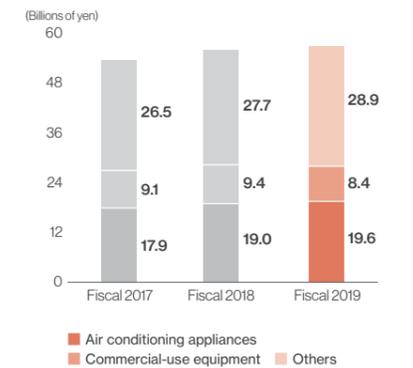
Sales of water heaters



Sales of kitchen appliances



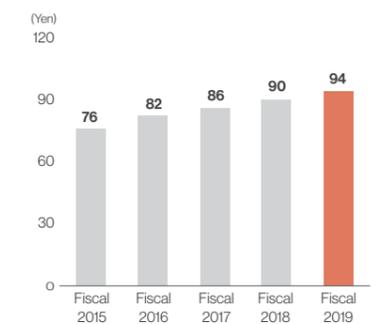
Sales of air conditioning appliances, commercial-use equipment, and others



ROE, ROA (see Note 1)

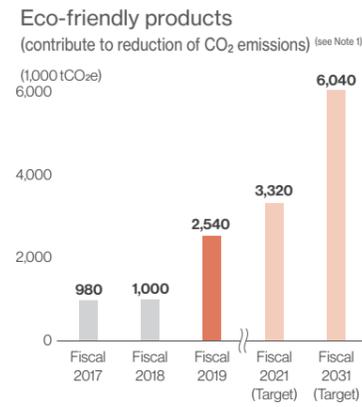


Dividend per share (annual)

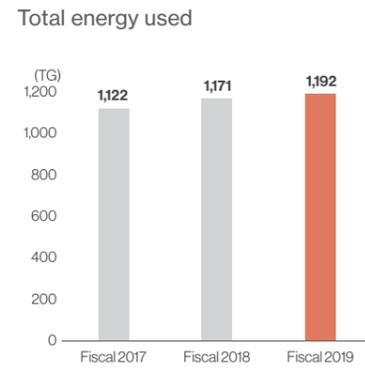


Note 1: From this consolidated accounting period, Rinnai has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting," and amounts have been retroactively adjusted for past fiscal years

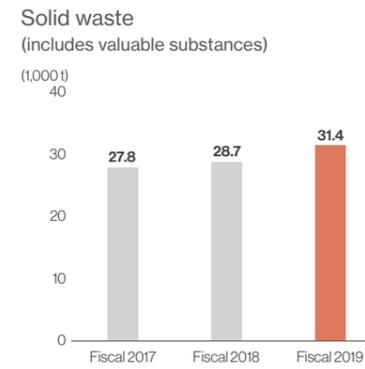
Environmental Data



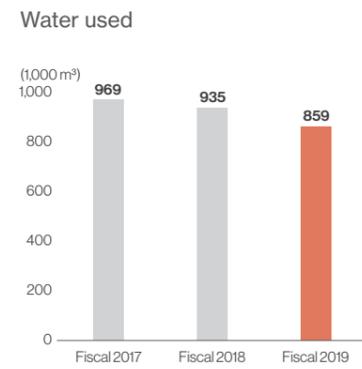
Applies to: Rinnai Corporation, and from fiscal 2019, also to Rinnai America Corporation



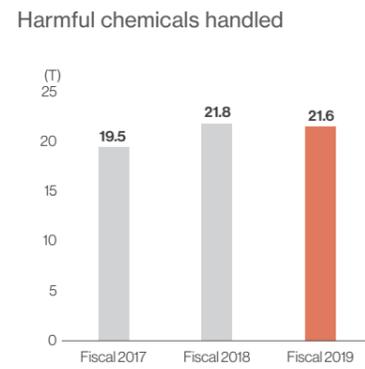
Applies to: Rinnai Corporation and consolidated subsidiaries



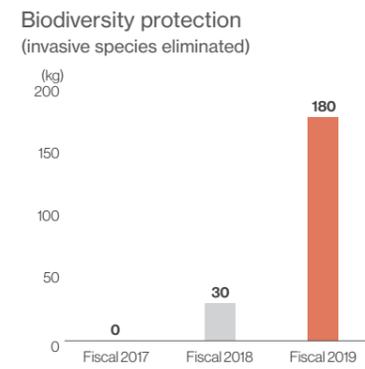
Applies to: Rinnai Corporation and consolidated subsidiaries



Applies to: Rinnai Corporation and consolidated subsidiaries

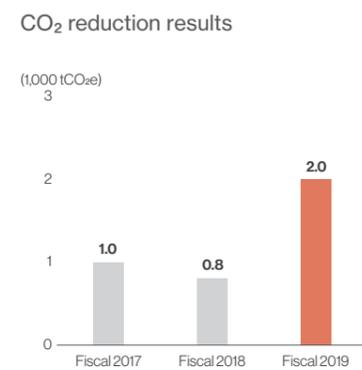


Applies to: Rinnai Corporation

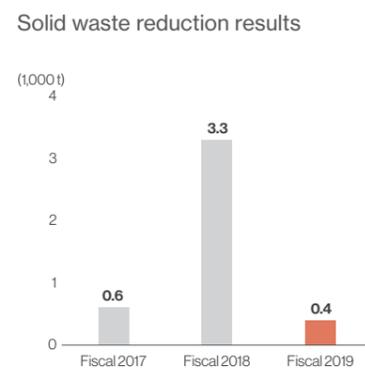


Applies to: Rinnai Corporation

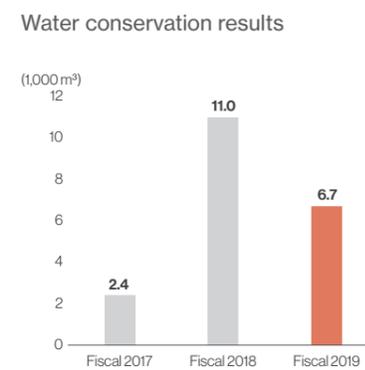
Environmental protection results (see Note 2)



Applies to: Rinnai Corporation and consolidated subsidiaries



Applies to: Rinnai Corporation and consolidated subsidiaries



Applies to: Rinnai Corporation and consolidated subsidiaries

Notes: 1. Reduction in CO₂ emissions achieved through improved performance of Rinnai-brand water heaters, compared to products sold in 2005.
2. Only the amount judged to be the effective amount of each site's activities is recorded, not the total amount (effects of application cases (total) for the Rinnai Group Environmental Award (President's Award) for all domestic and overseas Group sites).

Company Data (Rinnai non-consolidated)

Personnel data

| | FY2017 | FY2018 | FY2019 |
|---|--------|--------|--------|
| Newly recruited employees | 92 | 139 | 131 |
| Mid-career recruitment | 15 | 14 | 9 |
| Temporary employees | 410 | 379 | 283 |
| Average working years | 15.1 | 15.4 | 15.5 |
| Average age (Years old) | 36.8 | 37.1 | 37.7 |
| Days of paid leave taken | 9.3 | 9.7 | 10.5 |
| Paid leave utilization ratio (%) | 50.3 | 53.3 | 57.1 |
| Employment rate of persons with disabilities (%) | 1.87 | 1.90 | 2.05 |
| Number of occupational accidents *Includes domestic consolidated subsidiaries | 32.0 | 25 | 26 |
| Number of OJT accidents | 2.22 | 1.99 | 2.01 |
| Mental health leave | 14 | 17 | 13 |
| Number of employees who took childcare leaves of absence | 61 | 90 | 82 |
| Number of employees who used childcare leave | 95 | 107 | 117 |
| Proportion of employees who return to work after taking parental leave (%) | 99 | 100 | 100 |
| Number of employees who used shortened work hours | 106 | 96 | 109 |
| Number of employees who used family care leave | 16 | 36 | 54 |
| Number of employees who used nursing leave | 2 | 4 | 4 |
| Number of employees who took nursing leaves of absence | 0 | 1 | 2 |
| Number of employees who used the work from home program | 2 | 3 | 3 |

Working hours *Excluding managers and supervisors

| | FY2017 | FY2018 | FY2019 |
|---|--------|--------|--------|
| Annual total actual working hours per employee | 2,139 | 2,123 | 2,097 |
| Annual non-scheduled working hours per employee | 237 | 229 | 217 |
| Average overtime per month (Hours) | 20 | 19.4 | 18.7 |

Other (Compliance, Social contributions)

| | FY2017 | FY2018 | FY2019 |
|--|--------|--------|--------|
| Whistleblowing incidents *Includes domestic consolidated subsidiaries | 8 | 9 | 5 |
| Criminal charges (Number of cases) for compliance-related accidents and incidents (see Note 3) | 0 | 0 | 0 |
| Total amount of social contribution activities (Millions of yen) | 13 | 15 | 14 |
| Expenditures for political contributions and lobbying activities (Millions of yen) | 1 | 1 | 1 |

3. In fiscal 2019, Rinnai subsidiary Noto Tech Co., Ltd., exceeded wastewater standard limits and submitted an improvement report to the government. The results of water quality analysis after countermeasures confirm that the standards have been maintained without any subsequent problems.

Rinnai Corporation

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

