



CSR Report 2019

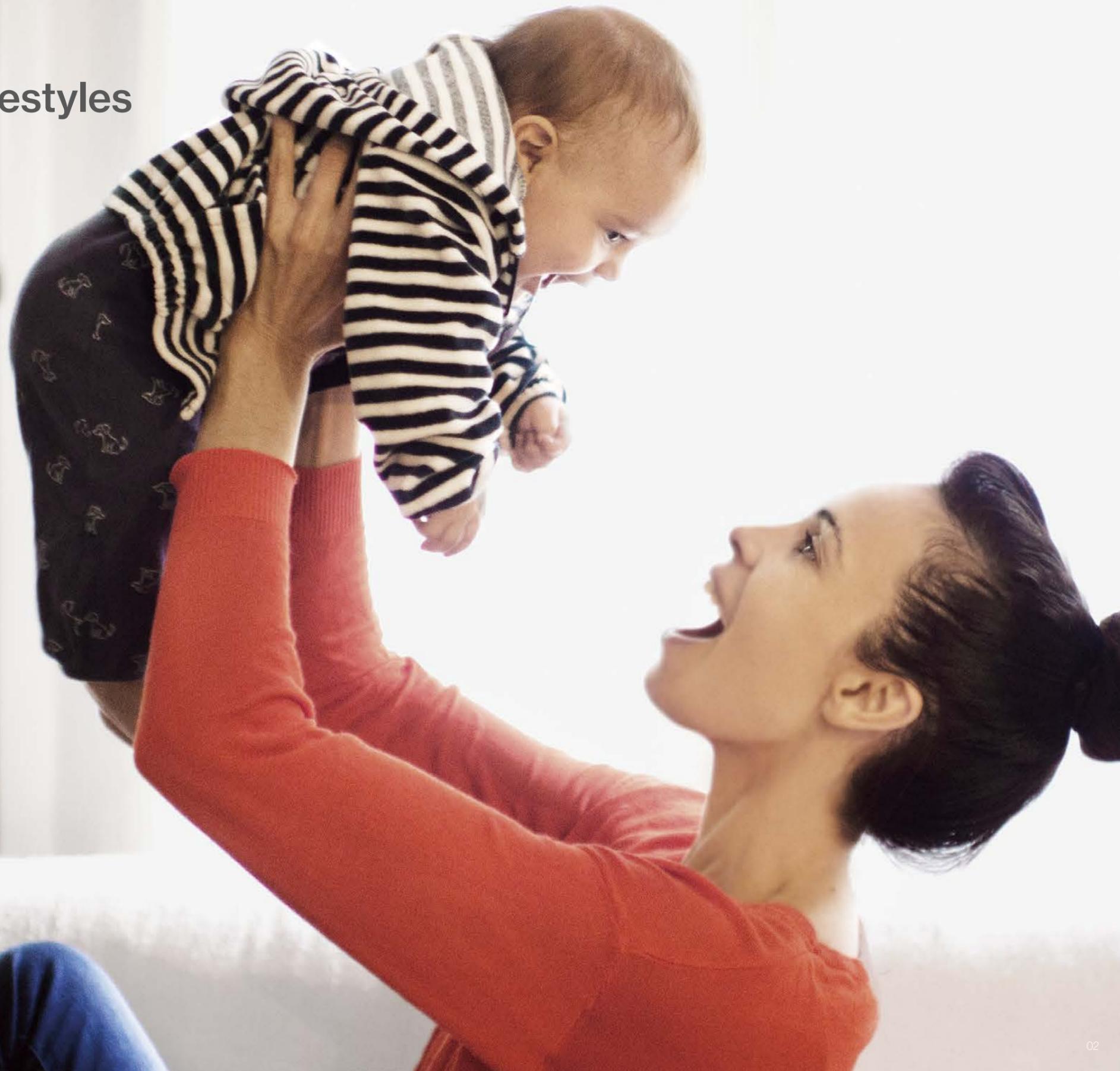
Rinnai Corporate Social Responsibility Report 2019

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

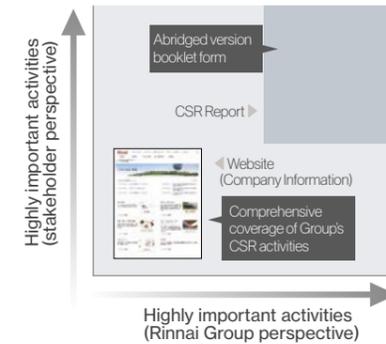
Corporate
 Social
 Responsibility

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).

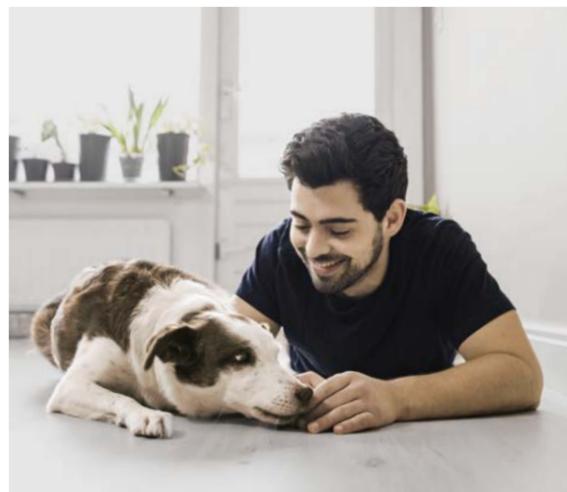
Along with creating products that are safe, trusted, and reliable, Rinnai also focuses on making housework easier by developing new products that enhance comfort and convenience, such as gas clothes dryers that shorten laundry times, and built-in hobs (stovetops) with automatic cooking functions. Of 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.

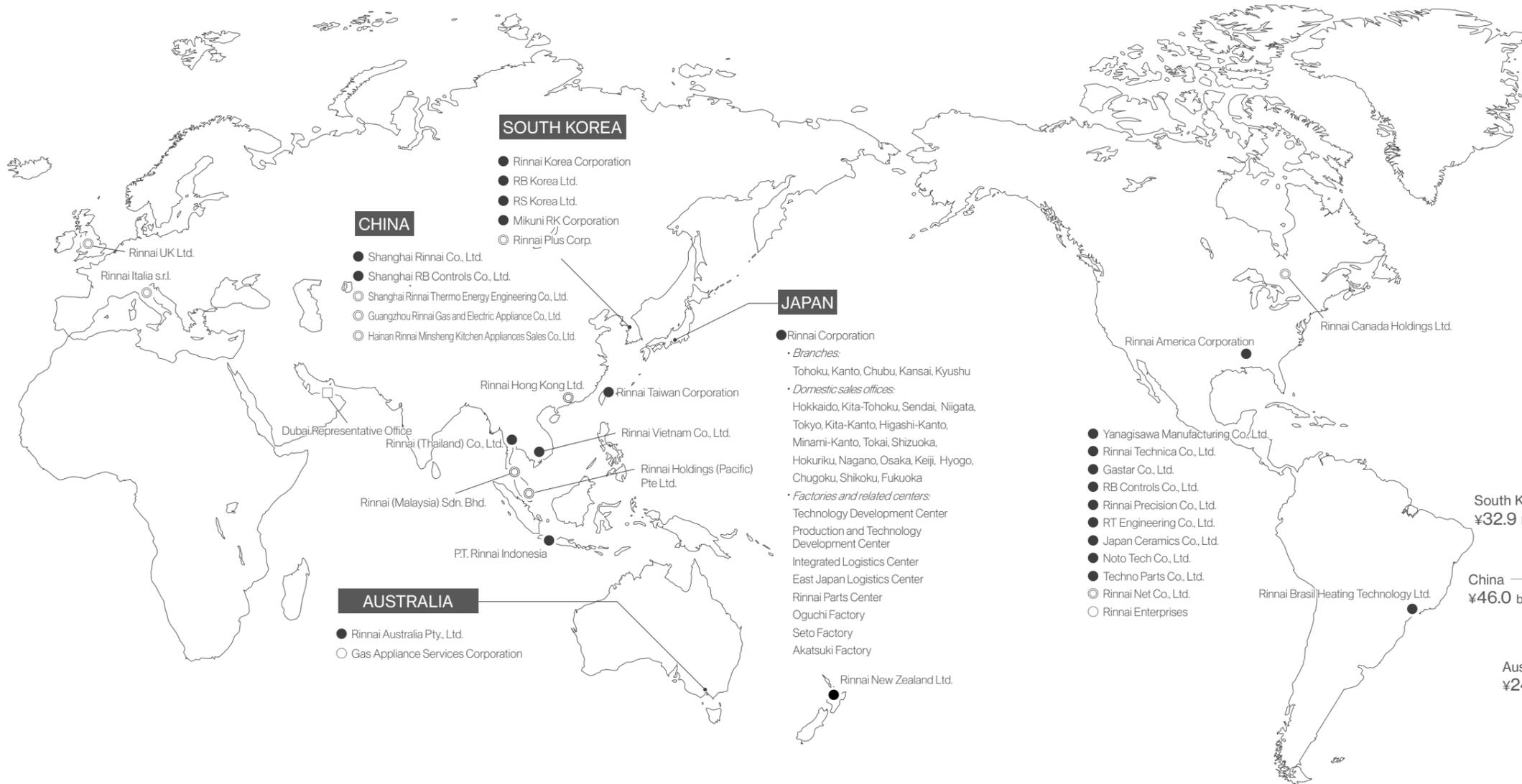
Looking toward the 100th anniversary approaching in 2020 and the future beyond, by providing convenient and accessible products of exceptional safety and quality, Rinnai will contribute to comfortable lives for its customers, and the realization of a sustainable society. I deeply appreciate your continued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

Conventional logo	New logo
Rinnai	Rinnai
<p>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.</p>	

100th Anniversary slogan and logo	
Anniversary slogan	Anniversary logo
Connected in passion for the next 100 years	

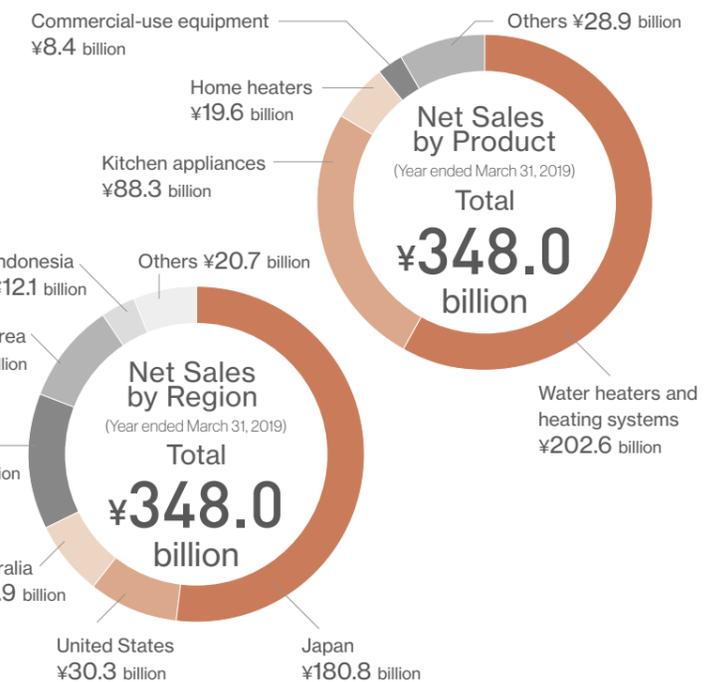
Rinnai Group Profile

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

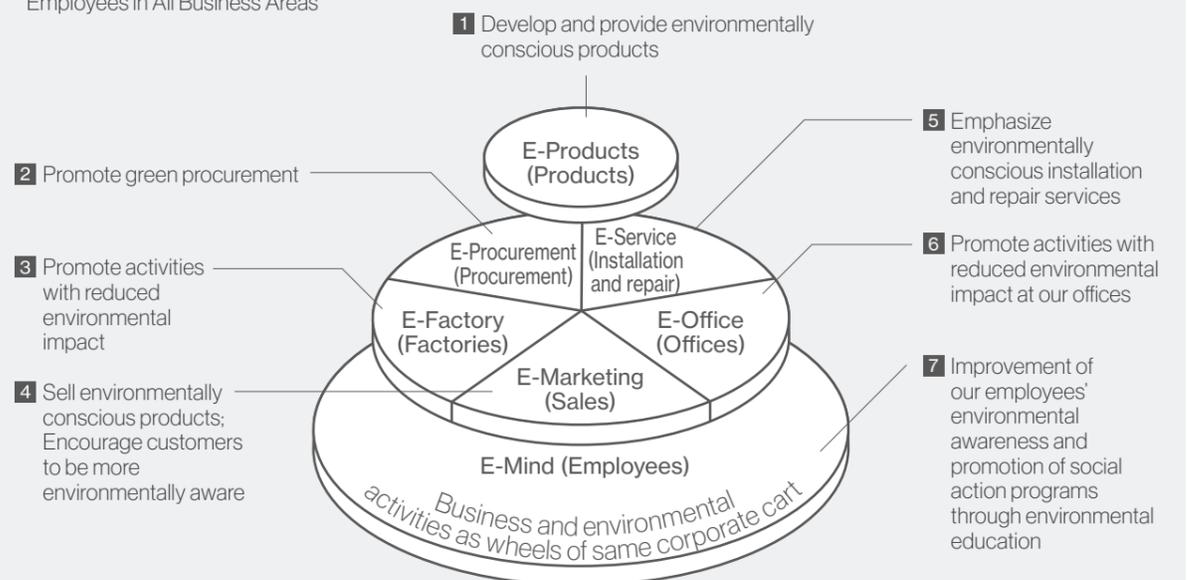
Rinnai's basic philosophy is to embrace environmental protection on a global scale and contribute to society through the pursuit of excellent, people- and planet-friendly technology, and product development, production, sales, and service infused with a sense of humanity.

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

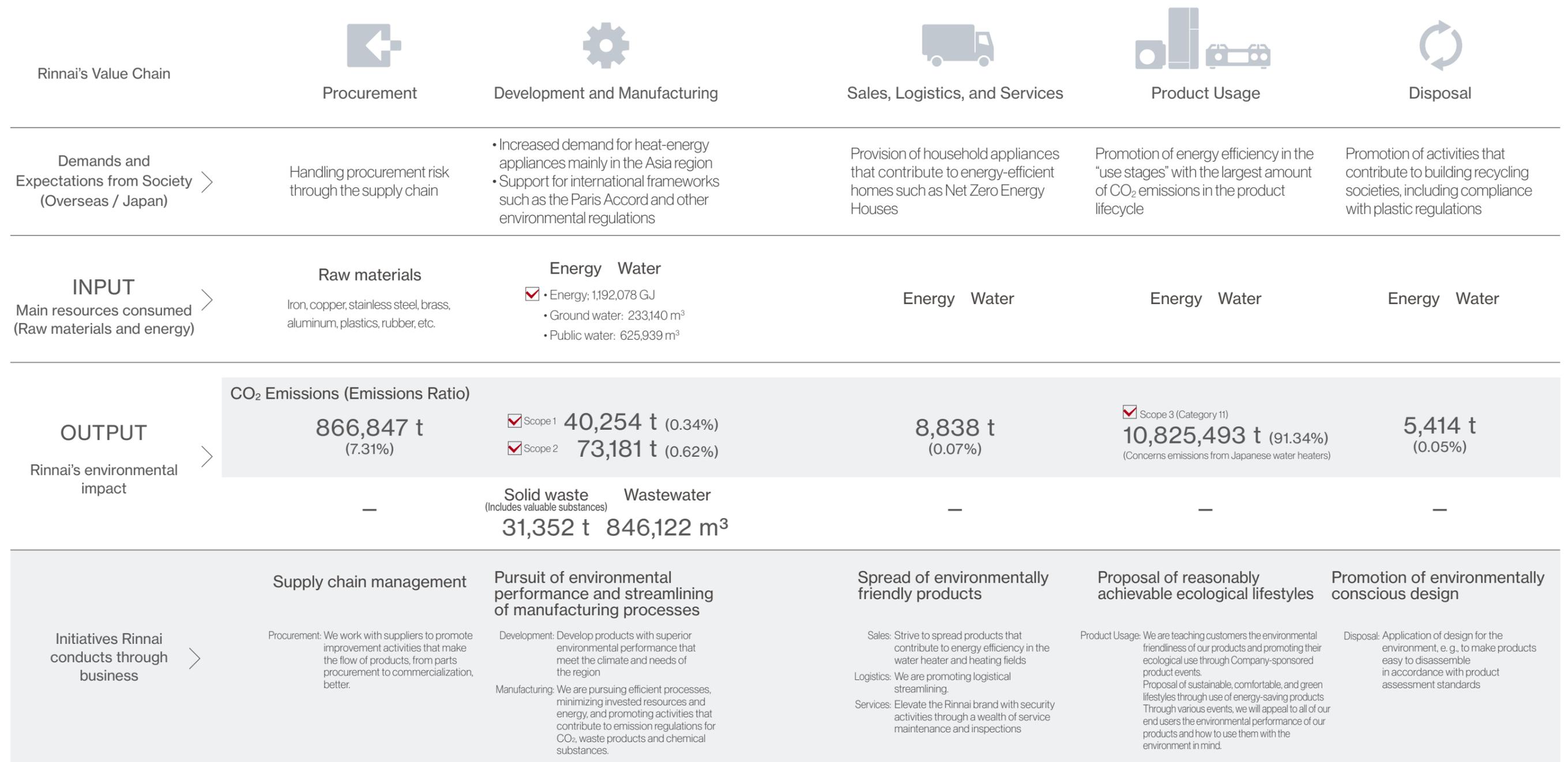
Green Activities Involving All Employees in All Business Areas



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.

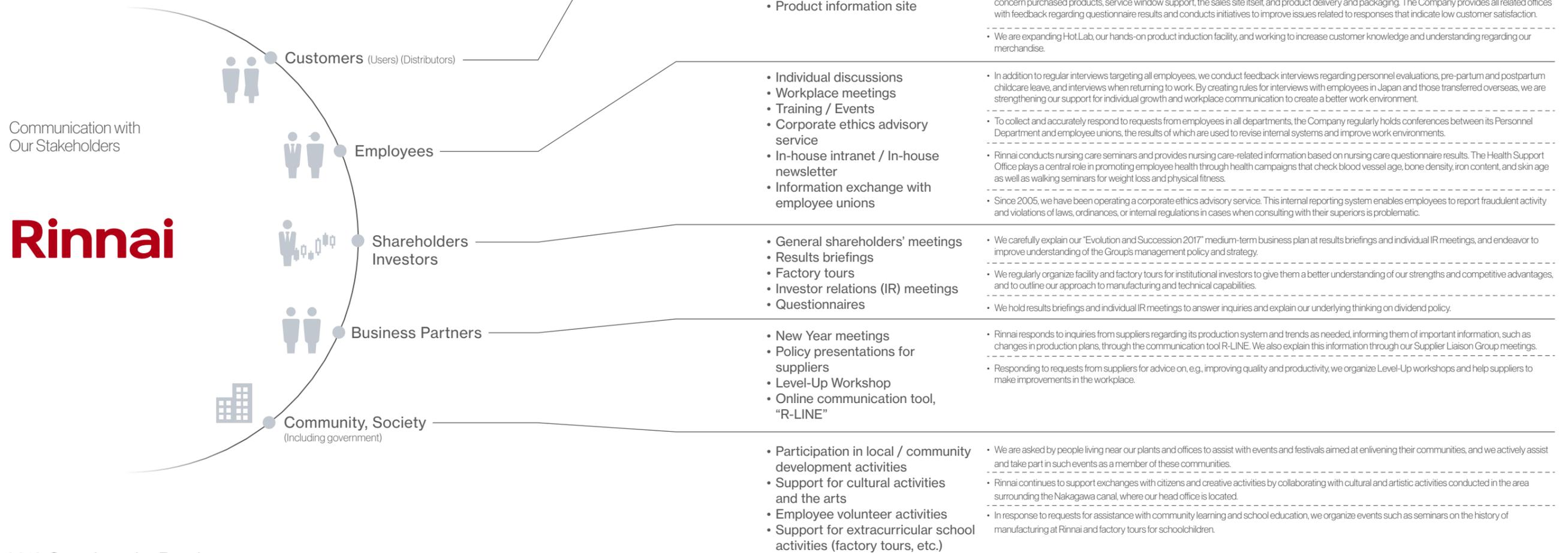


Rinnai's estimates based on the "Basic Guidelines for Calculating Green House Emissions Through the Supply Chain"
 [Target scope] Rinnai Corporation and consolidated subsidiaries (development / manufacturing), Rinnai Corporation (procurement / sales / logistics / services / product usage / disposal)
 [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).

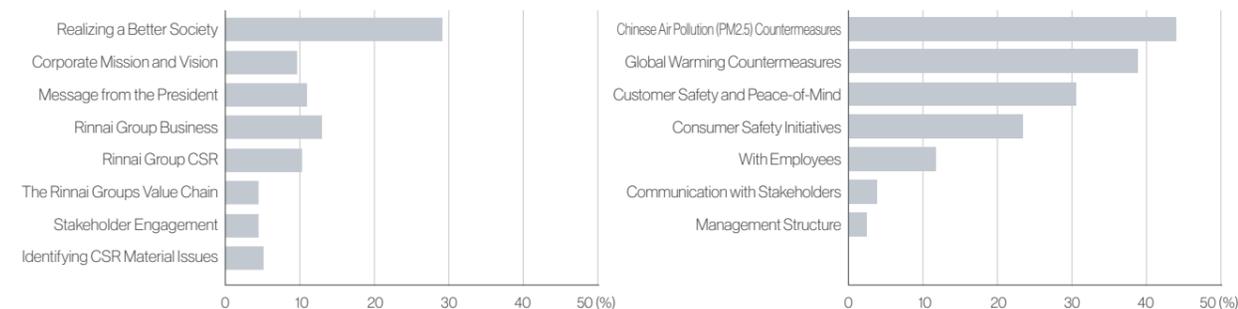
Stakeholder Engagement

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

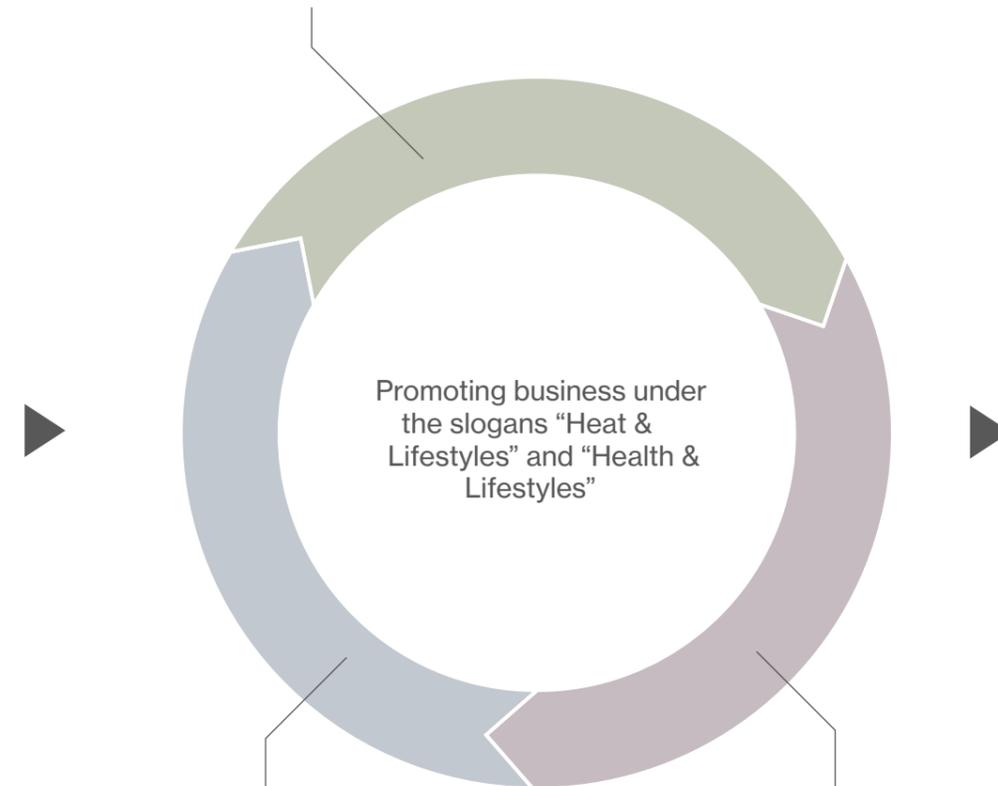
[Domestic] Expansion of thermal energy systems centered on electric power
[Domestic] Price reduction of gas appliances due to customer requests
[Domestic] Declining birthrates, an aging population, and a decreasing in the number of households
Decreasing working hours and intensifying competition for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



Development of technologies useful for people's lives
(Combustion / heat utilization, electronic control, fluid control, new technologies)

Contribute to raising standards of living globally
Social issue recognition

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

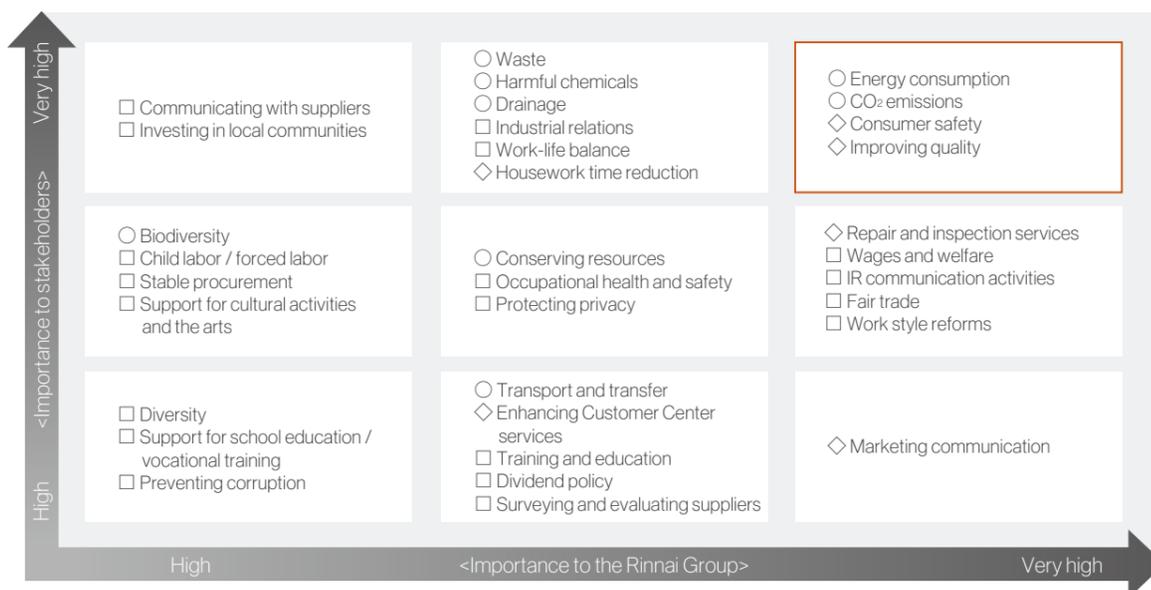


Determining and Identifying CSR Material Issues

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.

Special Issue **01** [Healthy lifestyles]

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

Linkage with SDGs



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.



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

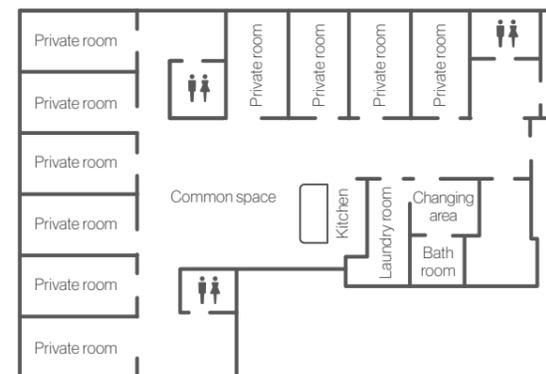


Special Nursing Care Home for the Aged Konuma Circle Home

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



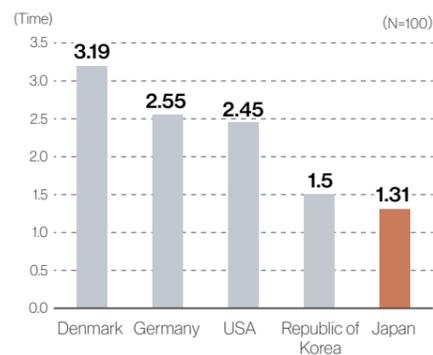
Rinnai's gas clothes dryer installed as standard in the built-for-sale houses of the Mind Square Narimasu Growrich Hills community

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.

Initiatives to prevent global warming through energy-saving water heaters

Linkage with SDGs

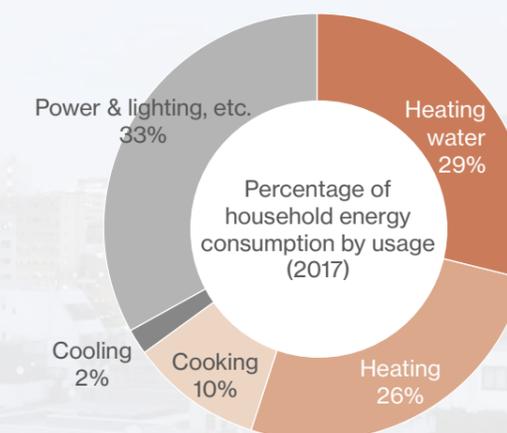


Aiming to contribute a 6.04 million ton reduction in CO₂ by 2030

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 (*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.

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



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

CSR materiality target indicator	
Amount contributed to reducing CO ₂ emissions by using the product	
2020	3.32 million tons
2030	6.04 million tons
Fiscal 2019 (actual)	2.54 million tons

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



An energy-saving home designed by Yawata Home

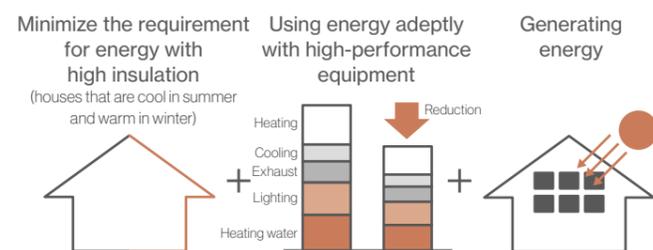
As a part of measures to prevent global warming, in Japan energy-saving efforts in housing and buildings are progressing along with the government's target to have over 50% of built-to-order housing built by housing makers be ZEHs by 2020.

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^{(*)1} had no track record with ZEHs. We therefore believe more intensive efforts will be necessary to achieve the government's target for 2020.

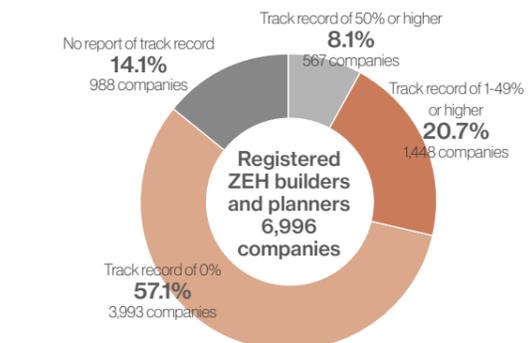
*1: Housing manufacturers, builders, architectural offices, renovation companies, built-for-sale housing sales companies, etc., that have set adoption targets for ZEH.

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)^(**2)



**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"^(**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.

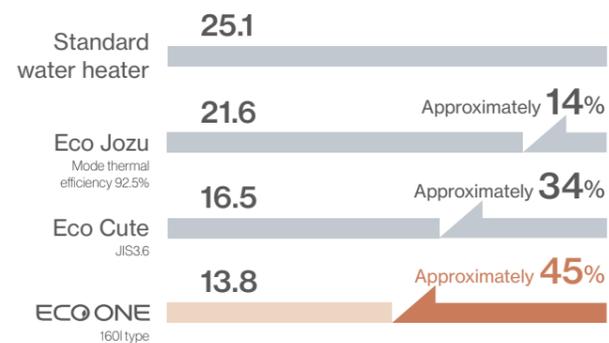
Since the start of sales in 2010 through today, Rinnai has worked to improve the energy efficiency of its water heater systems. In fact, the 160l type ECO ONE tank unit launched in August 2017 achieved 13.8 GJ/year in primary energy consumption for water heating, which is the standard for evaluating 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.



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 (**1) (GJ/year)



*1: Calculated based on the "Energy Consumption Performance Calculation Program (Residential Edition Ver 2.31" (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



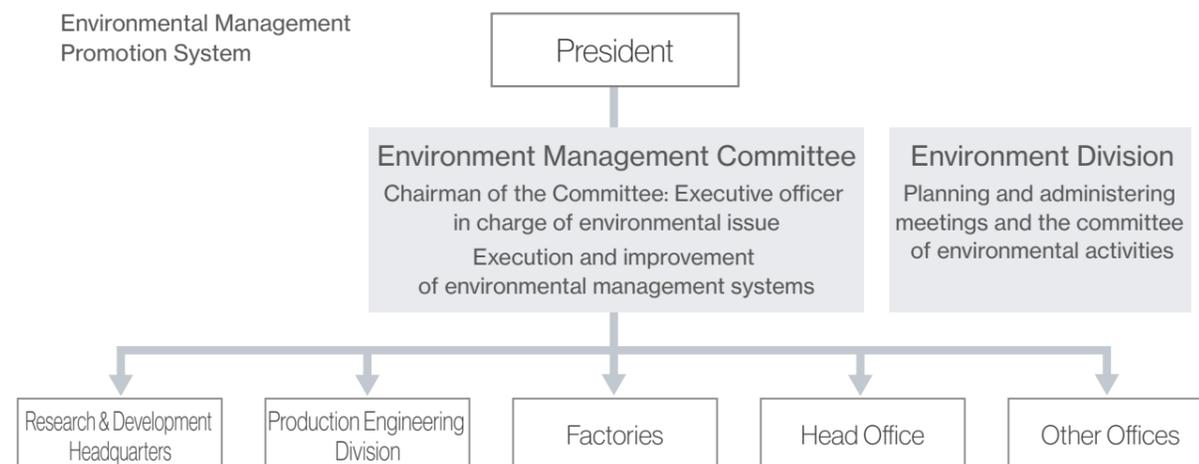
Large-scale van equipped with gas tankless water heaters

Environmental Management

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

Promotional Framework for Environmental Activities

Headed by the President, the Environment Management Committee guides corporate efforts to achieve targets of the "7E" Strategic Initiatives environmental action plan. This committee is chaired by the executive officer responsible for the environment and has the participation of representatives from all divisions. Its mandate is to promote environment-oriented activities from a "big picture" view. The Environment Management Committee discusses and decides important items including the basic environmental basic policy, the goal, and a medium to long-term plan. The committee thoroughly informs individual divisions of decisions made by the committee and promotes concrete activities in line with annual plans. We review our objectives as necessary and diligently strive to meet our targets quarterly. To perform specific activities, each division has a liaison group and holds routine meetings to make issues known to everyone in the respective division and continue improvement activities.



ISO 14001 Certification

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

External and Internal Environmental Audits

Rinnai undergoes a routine annual audit by an external screening/registration body to verify that its environmental management system is being properly applied. The routine audit for fiscal 2019 did not turn up any major findings. Regarding internal audits, the audit team is composed of auditors selected from throughout the Company with a neutral perspective in that they are not directly affiliated with any of the departments to be audited. They audit other departments for compliance with the environmental management system and with any revisions to environmental regulations as well as for the content of their activities.



A scene from an external inspection (Rinnai Precision Co., Ltd.)

Internal Auditor Education

Internal auditors play a significant role over and above their efforts to continuously improve the environmental management system. The execution of an audit requires highly specialized knowledge and communication skills. To upgrade the skills of internal auditors, we conduct regular training by in-house instructors on such topics as laws and ordinances, internal regulations, internal audit observations and improvement measures, and environment-oriented trends. In fiscal 2019, a total of 44 employees participated in training workshops.

Environmentally Conscious Design (Product Assessment)

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

With regard to the use of plastics in our products, we have set a goal to make new products lighter and with a smaller footprint than previous models as outlined in these guidelines. At the same time, we endeavor to consider how the product will be taken apart, such as minimizing the use of dissimilar materials in adhesive parts, which are difficult to disassemble.

Environmentally Conscious Design Policies

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

Supply Chain Management

Rinnai engages in global environmental conservation activities based on its basic philosophy on the environment and works to provide environmentally friendly products. Environmental activities that extend beyond the scope of our Company and into our supply chain are important for sustaining our business moving forward. We include examples and suggestions that we believe could contribute positively to the environment and green procurement in our Green Procurement Standards Guide, to which we request all of our suppliers comply. Rinnai is working to advance environmental initiatives along with its suppliers. In fiscal 2019, we understood the status at 350 business partners through a questionnaire.

Environmental Training

Raising each employee's environmental awareness is important for promoting environmental activities. Rinnai regularly provides training to internal auditors and others in charge of implementing environmental activities. In addition, we use new employee training and training for overseas secondees as opportunities to incorporate programs that will stimulate their interest in the environment and encourage them to promote activities that contribute the environment in their principal occupations.



Environmental training for staff in charge of environmental activities

Compliance with Legal Regulations

In addition to complying with legal regulations, the Rinnai Group sets even more stringent voluntary environmental standards for itself. We conduct daily monitoring, regular measurements, and environmental audits to prevent the discharge of chemical substances hazardous into the atmosphere or to water systems. Despite this, in fiscal 2019, Rinnai subsidiary Noto Tech Co., Ltd. submitted an improvement report to the regulators related to exceeding standards regarding drainage water. We have confirmed that after corrective actions were taken, the results of water-quality analyses continue to be within required standards.

Climate Change

Major changes in climate patterns due to global warming and other factors are threatening the building of sustainable societies. Rinnai is undertaking initiatives to minimize its energy consumption toward the achievement of the targets it has set for 2020 and 2030.

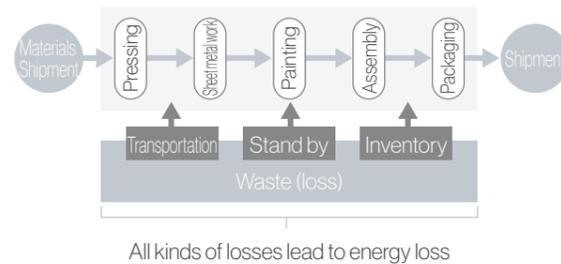
Initiatives to Reduce Energy Consumption at Worksites

Rinnai's Basic Environmental Activities "7E Strategic Initiatives" target a 4% reduction in the base unit of energy use^(*) by fiscal 2021 versus the benchmark year. The reduction in fiscal 2019 was 10.8%, so we were able to achieve the target before the final year of the target. We were able to achieve this target through daily efforts to conserve energy and electricity as well as stepped-up initiatives to save energy in manufacturing facilities, lighting, and air conditioning, while also working toward strict loss reductions in each manufacturing process.

^{*}1 Base unit of energy use: Unit standard of energy usage as defined by Rinnai.

Efficiency-raising Activities through Fully Integrated Manufacturing (Rectification)

Rinnai has established energy management policies and targets as a business operator specified under the Act on the Rational Use of Energy and is practicing rational energy use. Promoting rectification in our craftsmanship is leading to higher productivity and lower total energy consumption. The Company is conducting loss-reduction activities in transportation, standby and inventory through its fully integrated manufacturing system, from pressing through to the assembly and packaging stages.



Primary Energy-conservation Initiatives

Manufacturing	<ul style="list-style-type: none"> Eliminating wasted energy in assembly tasks that use make-shift mechanisms Improving usage efficiency in painting and drying processes Optimizing compressor operation Integrating manufacturing facilities, other 	Office	<ul style="list-style-type: none"> Removing unnecessary lighting Managing air conditioner temperature and use Green curtains, etc.
		Both	<ul style="list-style-type: none"> Upgrading to LED lighting Implementing summer dress code early and expanding its duration, other

Use of Renewable Energy

The Rinnai Group encourages the use of renewable energy, including solar and wind power, at its locations both in Japan and overseas.

The total amount of electric power generated from renewable sources in fiscal 2019 was 410,000 kWh.



Compact wind and solar power generator (Head Office)



Solar power generation equipment (Akatsuki Factory)

Improvements to Logistics

As a consigner specified under the Act on the Rational Use of Energy, Rinnai is working to improve its logistics based on a rationalization plan it has formulated for energy use. The Group's products are made at its factories and sold throughout Japan, while some are exported to other countries in Asia, Europe, North America, and beyond. The key to Rinnai's logistics network, the Integrated Logistics Center, is working to appropriately manage energy conditions related to distribution and reduce energy consumption by improving logistical efficiency. To cite one example, we are integrating and closing warehouses dispersed throughout Japan to eliminate redundant warehouses and reduce unneeded and non-urgent production while curtailing lateral shipping^(*).

^{*}2 Lateral shipping: This refers mainly to the transport of goods mainly between our factories and warehouses, in other words, to sites other than to their true destination (i.e., the customer).



Rinnai's Integrated Logistics Center

Primary Initiatives Being Pursued

- Expanding consolidated shipping within the Group
- Reviewing and adjusting product delivery routes
- Effectively using round-trip shipments
- Using modal shifts^(*)
- Increasing stacking per pallet
- Encouraging eco-driving

^{*}3 Modal shift: A shift in transportation method from trucks to large-capacity modalities, such as railway or ocean shipping.

Resource Recycling

From the perspective of intergenerational equity toward the creation of a sustainable society, there is a requirement to consume resources only to the extent that the resource needs of future generations may be met. Rinnai is continually working to develop equipment that conserves resources while aiming for zero emissions ^(*) (zero waste disposed of in landfills) and reducing the amount of waste it produces. Furthermore, it recognizes water is a precious resource and is involved in initiatives to reduce water used sourced from both water works and groundwater.

*1 Rinnai's definition of zero emissions: Recycling rate at manufacturing bases of 99.5% or higher (less than 0.5% going to landfills).

Initiatives to Reduce Waste Produced at Worksites

Rinnai's Basic Environmental Activities "7E Strategic Initiatives" target a 4% reduction in the base unit of waste production^(*) by fiscal 2021 versus the benchmark year. The reduction in fiscal 2019 was 0.8% versus the single-year target of a 2% reduction. We were unable to reach our single-year target due to an increase in scrap volume associated with an increase in production for new products. However, as we work toward the last year of the initiative in fiscal 2021, we are operating under the key assumption that raw materials deployed in our manufacturing processes will be used without waste. At the same time, we will strengthen our efforts to turn any waste that does arise despite this once again into useable resources.

*2 Base unit of waste reduction: Unit standard of waste production as defined by Rinnai.

Primary Waste-reduction Initiatives

Manufacturing	<ul style="list-style-type: none"> Introducing lightweight designs (reduce the amount of materials used) Raising the effective utilization rate for pressed components (increase yields) Effectively using leftover materials Reducing defect rates Raising the recovery rate of residual chemical agents Making transport materials returnable Eliminating excessive packaging, other 	Office	<ul style="list-style-type: none"> Promoting a shift to paperless work processes Curtailing the use of disposable and consumable materials Raising awareness by letting employees see how many copies they make and how much they cost
		Both	<ul style="list-style-type: none"> Improving the accuracy of material separation Consigning industrial waste processing to a reputable vendor, other

Management of Polychlorinated biphenyl (PCB) Waste

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

Industrial Waste Processing

When reaching agreements with waste processing subcontractors, Rinnai conducts strict inspections involving elements such as their financial condition and on-site confirmations. In addition, we visit our processing subcontractors each year to verify that they are conducting appropriate waste disposal. Once there, we confirm how manifests that contain information regarding different varieties of waste, their disposal methods, and processing statuses are being administered. We also conduct on-site confirmations regarding waste processing and exchange relevant information with the subcontractor. In fiscal 2019, the Company visited 35 locations to verify that proper waste management was being conducted.

Initiatives in energy-saving design: Taking on the Challenge of Designing a Minimal Weight Grill Box

Grill boxes are used in grilling in a gas stove. Rinnai undertook a complete review of the shape of and materials used in this equipment and was successful in significantly reducing the amount of materials required for its manufacturing by cutting the number of components and making the metal plates thinner without a loss in strength. In addition, making the assembly process for these grill boxes more efficient has contributed to a reduction in manufacturing lead time.

Primary initiatives

- Unifying composite components (to 1 part from 3 parts)
- Reducing metal plate thickness
- Eliminating paint through a change in materials

Impact (annual)

- 185-ton (18%) reduction in materials used
- Environmental benefits from eliminating paint
- 400-ton reduction in CO₂ emission volume
- 190 m³ reduction in water usage
- 1,100-liter reduction in paint thinner usage
- Reduction in manufacturing lead time to one day from 4.5 days



A grill box

Initiatives to improve packaging

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

Record of awards won by Rinnai at the Japan Packaging Contest

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

Initiatives to Reduce Water Usage at Worksites

In its Basic Environmental Activities ("7E" Strategic Initiatives), Rinnai targets a 4% reduction in the base unit of waste production^(*) by fiscal 2021 versus the benchmark year. The reduction in fiscal 2019 was 1% versus the single-year target of a 2% reduction. While we fell just short of our single-year target, our water usage is steadily declining at 98.1% compared with the base year. As it approaches fiscal 2021, the final year of the goal, Rinnai will implement improvements in line with its annual plan and will strengthen its measures to save water by promoting its efficient use.

* Base unit of water usage: Unit standard of water usage as defined by Rinnai.

Primary Initiatives

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



A poster aimed at boosting awareness for saving water (Shikoku Branch)

Assessing and Understanding Water Risk

As the world's population increases and urbanization and industrialization continue to progress, there is concern that humanity may face water shortages. To respond to business risks associated with water, Rinnai is identifying business locations with high water risk both domestically and internationally using water risk assessment tools. Rinnai, while focusing on the risk conditions in each region, views reducing water usage as an opportunity to cut manufacturing costs and is working to mitigate water risk while also reducing manufacturing costs. In addition, Rinnai is working to protect water resources in its supply chain in recognition of the impact water shortages can have on materials supplied by its business partners. We have therefore set criteria related to water resources in the Green Procurement Standards Guide, which outlines the environmental activities that we ask our business partners to participate in.

Managing Drainage Water Quality

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



Water quality monitor

Recycling initiatives

At least 80%-90% of the materials used to make gas appliances consist of recyclable materials such as iron and copper. Gas appliances that have reached the end of their useful lives are collected and disposed of through two channels: by local authorities in the case of appliances that require no installation work, and by contractors in the case of appliances that do require such work. The Environmental and Recycling Action Committee formed by the Japan Industrial Association of Gas and Kerosene Appliances, of which we are a member, regularly surveys the state of disposal of end-of-life gas and oil appliances.

The committee's surveys include confirmations and exchanges of information on questionnaire formats and confirms and recycling verification tests at recycling plants as well as the status of disposal. It thus confirms that end-of-life gas and oil appliances are being disposed of appropriately and that a high level of recycling rates is being maintained.

Recycling home electrical appliances

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

Recycling containers and packaging

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

Pollution Prevention

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

Promoting Management of Products Containing Potentially Harmful Chemical Substances

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



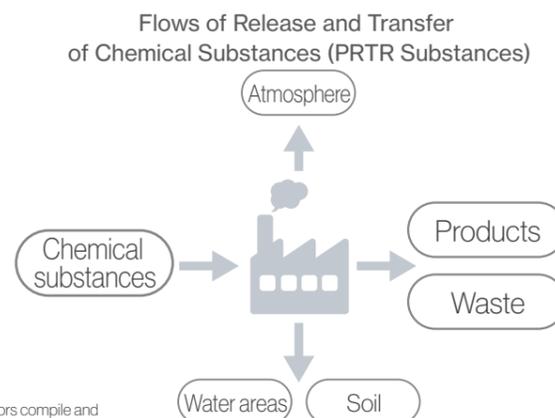
A training session for business partners

Principal regulations (examples from the EU)

RoHS: Directive on the restriction of the use of specified hazardous substances in electrical and electronic equipment
 REACH: Registration, Evaluation, Authorization and Restriction of Chemicals

Initiatives to Reduce the Environmental Impact at Factories

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



^{*}1. An abbreviation for Pollutant Release and Transfer Register. The law stipulates that business operators compile and submit documentation on the amount of specified chemical substances known to be potentially harmful that has been released into the environment (into the atmosphere, water areas, or soil) or moved offsite as waste. There are similar regulations in other countries. In Japan, the law was established in 1999 and revised in 2009.

A 2.6% Reduction in the Base Unit of Hazardous Chemicals Use

Rinnai's Basic Environmental Activities "7E Strategic Initiatives" target a 4% reduction in the base unit of hazardous chemicals use^(*) by fiscal 2021 versus the benchmark year. The reduction in fiscal 2019 was 2.6%, versus the single-year target of a 2% reduction. The use of hazardous chemicals use is declining steadily, at 99.1% versus the previous year.

^{*}2 Base unit of hazardous chemicals use: Unit standard of hazardous chemicals as defined by Rinnai.
 Note: Hazardous chemical usage intensity: Usage of hazardous chemicals per standard unit defined by Rinnai.

Initiatives to Reduce Usage of Hazardous Chemicals in Water Heaters Sold in North America

We were able to reduce usage of PRTR materials by approximately 20% in heat exchangers used in water heaters sold in North America while maintaining quality by rethinking the shape of fins used to boost thermal exchange efficiency and the clearance of brazing.

Impact (annual)

Approximately 6.5-ton (20%) reduction in brazing material



Water heater designed for the North American market



Heat exchanger

Preparing for Emergencies

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



An emergency response drill (RB Controls Co., Ltd.)

Protecting Biodiversity

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

Approach to Protection of Biodiversity

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

Rinnai Principles on Biodiversity

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

Signing of the My Action Declaration

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

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

An example of our main activities:

Rinnai is encouraging environmental communication through the growing of heirloom vegetables.

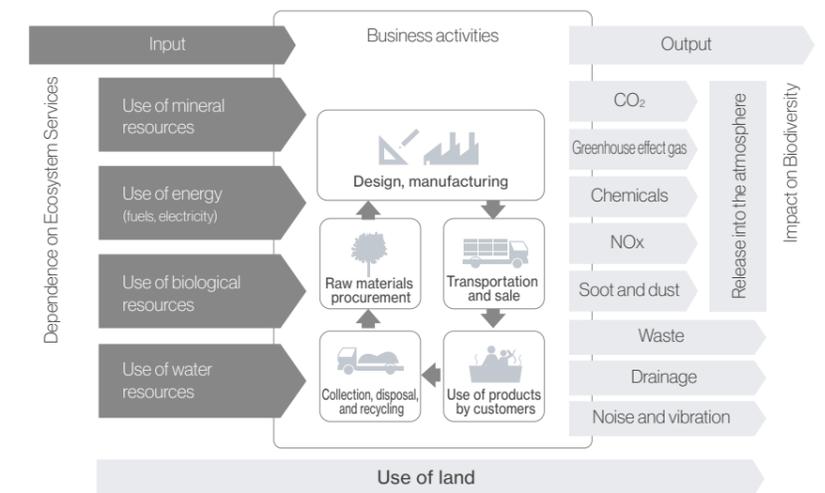


My Action Declaration

Business Activities and Biodiversity

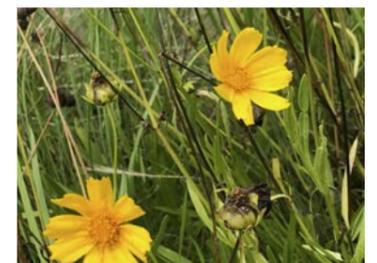
Rinnai is contributing to the protection of biodiversity through its daily efforts to reduce environmental impact in its business activities (e.g., energy, waste, chemical substances, atmosphere, water).

Relationship between the Rinnai Group's Business Activities and Biodiversity



Implementing Surveys of Wildlife Surrounding our Factory Grounds

Discovering more about local nature is the first step in preserving biodiversity. Nature rambles around our factories were therefore organized, and 46 species of plant were discovered. A native species of burnet was found to be surviving on a regularly mown embankment, while a species of tickseed called *Coreopsis lanceolata*, which has been designated an invasive species that takes over the habitat of native species, was discovered in the asphalt joints of a national highway. The ramble around a familiar landscape gave the participants fresh insights into nature.



Invasive species *Coreopsis lanceolata*

Extermination of *Coreopsis Lanceolata*, a Specified Invasive Species

Rinnai works together with local government bodies, volunteers, and employees of neighboring companies to collect and dispose of the specified invasive species *Coreopsis lanceolata*.

Specified invasive species are living organisms that the Japanese government has determined to pose a risk of harm to ecosystems when they are introduced from other regions. Their cultivation, preservation, import, transport, and breeding are prohibited. In fiscal 2019, we properly disposed of 180 kg of *Coreopsis lanceolata* in areas surrounding our factories that spanned a total of about 2,000 m². A total of 63 representatives participated in this activity, which Rinnai intends to expand moving forward.



Extermination work (Komaki City, Aichi Prefecture)

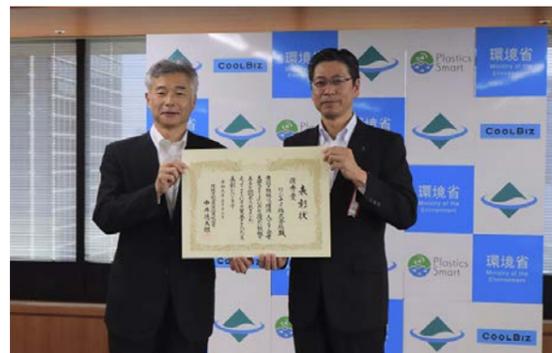
Environmental Communication

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

Rinnai Wins Award of Excellence at the Environmental Human Resources Development Corporate Awards

In recognition of its initiatives to develop environmentally conscious employees, Rinnai received the Award of Excellence at the 2018 Environmental Human Resources Development Corporate Awards, sponsored by the Ministry of Environment and the Environmental Consortium for Leadership Development (EcoLeaD). This award is designed to recognize the importance of company management with a focus on the global environment and encourage those companies who are fostering employees (i.e., environmental human resources) who work toward that end on their own initiative.

The judges evaluated Rinnai for producing results from its myriad initiatives, such as basically implementing environmental education for all employees and periodically publishing an environmental in-house newsletter as well as its CEO award program, challenge declaration, and environmental protection activities at the regional level.



2018 Environmental Human Resources Development Corporate Awards ceremony
Left: Tokutaro Nakai, Director-General for Environmental Policy, Ministry of the Environment
Right: Kinji Mori, General Manager of Rinnai's Environmental Division



ECO ONE presentation at Rinnai's booth

Exhibit at Eco Products

The Company has taken part in the Eco Products exhibition since 2013, the environmental exhibition hosted by Nikkei Inc. and the Japan Environmental Management Association for Industry. During Eco Products 2018, nearly 2,000 elementary and junior high school students visited our booth to learn about the energy used in homes and our environmental and energy-saving products.

Factory Tours

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

A total of 5,882 visitors participated in our factory tours in fiscal 2019.



Scene from a factory tour

Rinnai Group Environmental Awards Programs

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



Award ceremony

Exchange Events (Visits) to Learn from Corporate Environmental Pioneers

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



Visit to one of the pioneer companies

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

We publish a regular in-house environmental newsletter *Eco no Coe* to keep our employees around the world up to date with the Group's own environmental activities and environmental trends elsewhere in Japan and other countries. This newsletter has been published since 1999 as a means of raising environmental knowledge and awareness and encouraging communication on the subject among employees. In fiscal 2019, the topics of SDGs, water risks and "COOL CHOICE" were covered.



The in-house environmental newsletter *Eco no Coe*, Vol. 57

Activities to Raise Environmental Awareness through Cultivation of Heirloom Vegetables

We planned and held an "Heirloom Vegetable Seed Application Campaign" in which we distributed a variety of heirloom vegetable seeds from Aichi, which have been popular in Japan since the Edo era (1603–1868), to a total of 857 applicants.

This campaign provided each participant with the opportunity to try his or her hand at growing heirloom vegetables while learning about regional food culture and nature and becoming more familiar with greenery in general.

In fiscal 2018, heirloom vegetables were planted on the grounds of the Technology Development Center and the harvested produce distributed to those interested.



Harvesting vegetables (Technology Development Center)

Cleanup and Greenification Activities around Company Sites

Group employees periodically engage in cleanup and greenification activities around the Group's factories and along their commuting routes to help look after the natural environment around its operations. A total of 3,084 employees took part in fiscal 2019.



A scene from a cleanup session Cleanup activity

Safe and Eco-Friendly Driving Initiatives

We have introduced a system*1 for quantifying and centrally managing fleet operations at our sales offices and other relevant operations, and are also working to make employees more aware of how they can drive in a safer and eco-friendly manner. In addition, anti-idling reminders have been posted in Rinnai's parking lots encouraging employees and business partners to cooperate in eco-driving.

*1 The system is designed to automatically email managers if a driver drives too fast, accelerates rapidly, or brakes suddenly.



Anti-idling reminder (Chugoku Sales Office)

Encouraging Eco-Friendly Commuting

The Technology Development Center encourages employees to voluntarily commute in an eco-friendly manner by designating certain days as "no car days." On these days, employees come to work by public transport or bicycle in order to reduce CO₂ emissions and the noise pollution caused by traffic congestion near the center.



Bike racks at the Technology Development Center

Initiatives to Promote Environmental Awareness

RB Controls, a Rinnai Group company, is implementing a Light Down Campaign, in which all office lights are turned off on the day of the summer solstice. In addition, the company encouraged employees to participate in Candle Night on the same day to provide the opportunity to think about saving energy and conserving resources not only in the office, but at home as well. Original candles were distributed to those were interested—60 people took part—with the aim of turning off all lights and thinking about the environment in a quiet atmosphere under the glow of candlelight.



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 **03** [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.

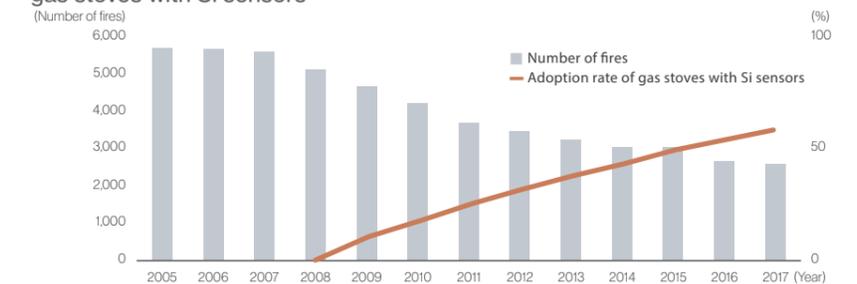
To help prevent kitchen fires in Japan, it has been legally mandatory for all burners on gas stoves made after 2008 to be fitted with safety sensors (see Note 1). We have been working to prevent fires with safety technologies, namely "oil overheating prevention devices" and "flame-failure devices," which 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



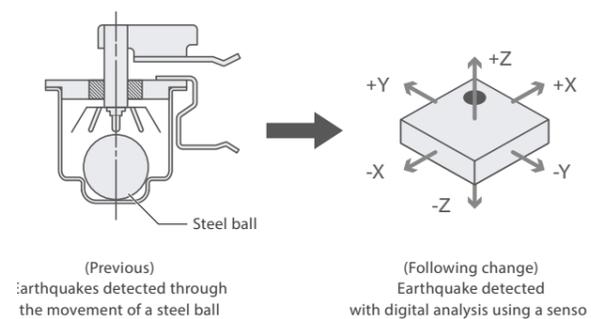
Mytone, a built-in gas stove in the mass-market price segment

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.

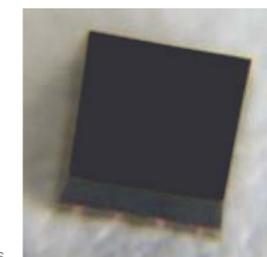
Up to now, the "Yure Pita" function was installed within the gas stove's earthquake stoppage device. It worked by automatically shutting off the stove when a steel ball moved from its fixed position within the device due to an earthquake. Yet this method resulted in higher product prices and therefore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



Ensuring High-Quality through Manufacturing

Rinnai concentrates on enhancing manufacturing quality by emphasizing quality control activities and quality-oriented proposals. We search for unnecessary or wasteful manufacturing processes and systematically work them out, aiming to improve our manufacturing efforts on a day-by-day basis. In addition, the Rinnai Group bases its manufacturing on its philosophy of developing human resources. We train human resources that can continue implementing the ideologies, techniques and technologies that Rinnai requires from its employees. Rinnai and its Group companies proactively conduct quality control (QC) group activities aimed at enhancing each individual employee's problem-solving capabilities and realizing organizational revitalization. Each year in September, awards are presented at the Company-wide QC Group Conference in recognition of outstanding QC group activities.

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



ZD Manufacturing Activities brochure, which consolidates the basic rules concerning quality



Company-wide QC Group Conference

Smooth Provision of Information through the Internet

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

Microcomputer Meter Reset Process Introduction

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



Microcomputer meter reset process introduced on the Rinnai corporate website

Posted Reminders for Safe and Correct Product Usage

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

Product-Related Accident Information Disclosure

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

After-Sales Services

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

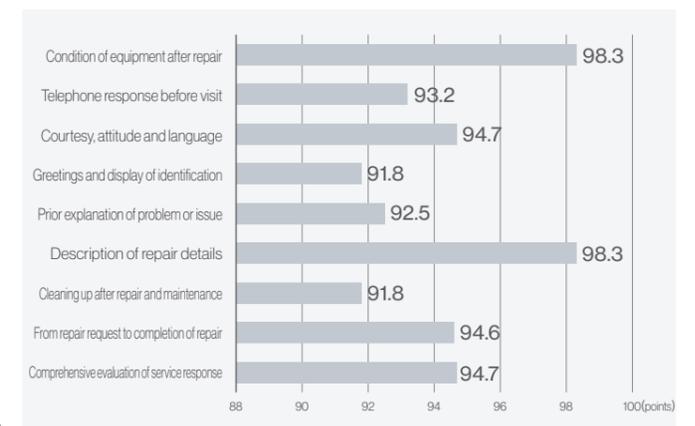
Prompt After-Sales Services

Approximately 630 servicemen across Japan repair Rinnai equipment. Confirming the status of service request from customers on portable terminal devices, servicemen make an effort to complete inspections on the same day or by the next day to provide prompt after-sales services supporting a "comfortable way of life."

Serviceman Questionnaire Assessment by Postcard

Customer feedback questionnaires are provided to customers requesting repair services. This questionnaire assesses repair visit response times and other factors determining the degree of customer satisfaction with Rinnai repair services. Customer assessment results are provided as feedback and the results of questionnaires are utilized effectively throughout the Company. In fiscal 2019, 21,000 customers completed questionnaires, which rated our after-sales services an average of 94.4 points.

Degree of customer satisfaction with repair services



Storage and Provision of Service Parts

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

Safe and secure | Safe and Secure Initiatives

Inquiries Response and Support System

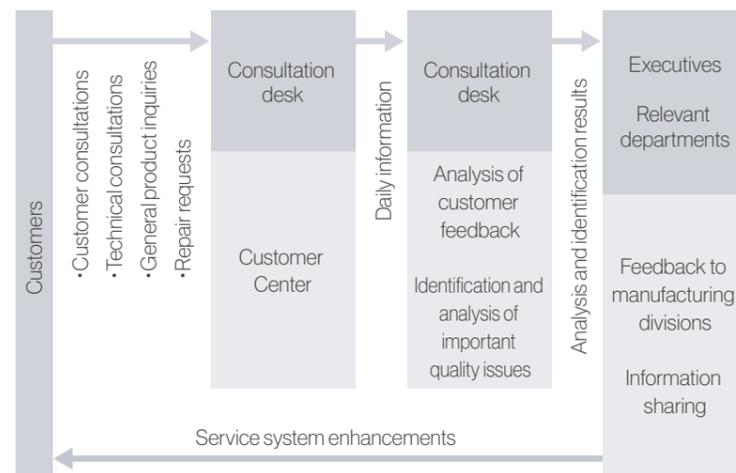
In line with our basic philosophy "quality is our destiny," Rinnai satisfies customers by "responding to requests and consultations in a sincere, prompt and accurate manner" under the policy of "providing customers with satisfaction, safety and reliability."

Basic Policies

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

Customer Center

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



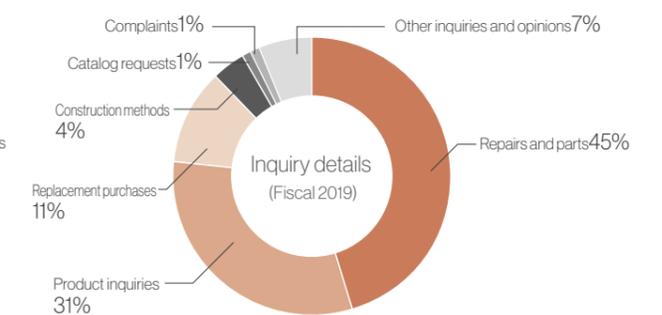
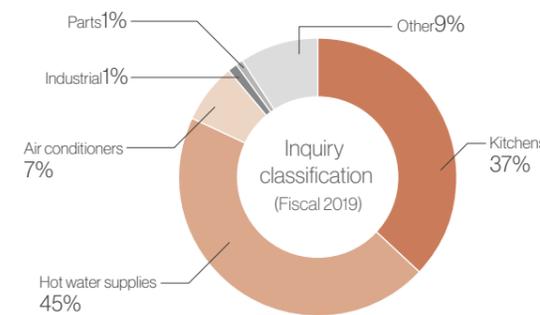
The Customer Center handles inquiries from customers via toll-free telephone numbers and emails. In fiscal 2019, approximately 890,000 toll-free calls and 15,000 email inquiries were received.

According to comments and assessments from customers in the fiscal 2019 customer questionnaire, 79% of customers complimented Rinnai on the politeness and promptness of our response to their inquiries. Comments that were critical of our response are provided as feedback and used to improve our services.



Rinnai Customer Center

Customer's Inquiries



Frequently Asked Questions (FAQ)

In response to customers who want to solve problems on their own, we created a FAQ page on our corporate website. In April 2019, we updated this content, making it easier to search.



FAQ (Japanese language only)

Initiatives for Inspections



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

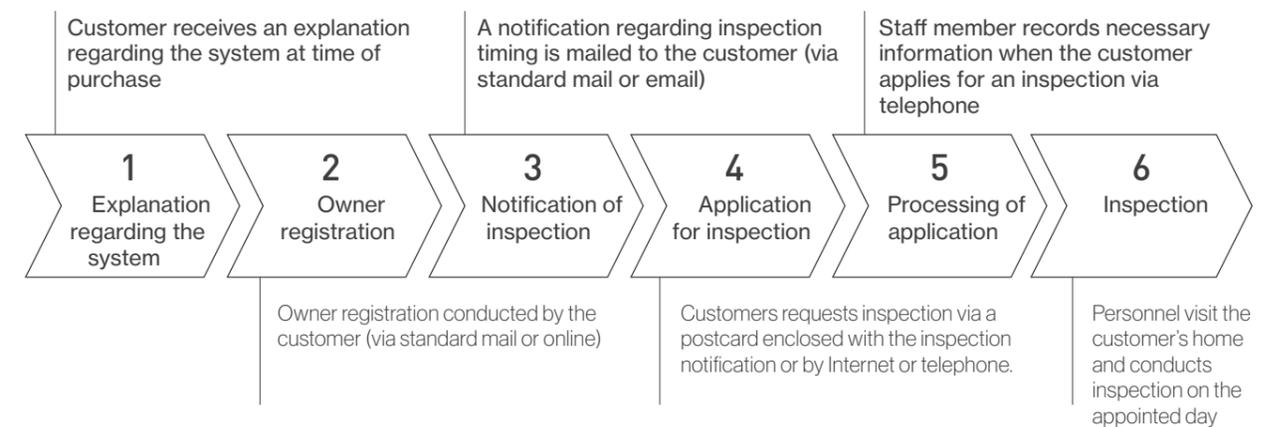
The Rinnai Group aims to enhance its maintenance check system, which employs qualified personnel to conduct appropriate inspections. At the same time, we offer unique services, such as extending product warranties for customers who registered their household hot-water equipment with us for an additional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



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



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



Additionally, the Company will further inform customers about its inspection system through the provision of information on the Rinnai corporate website as well as consultations through a maintenance check call center. These initiatives will help prevent mishaps caused by product degradation.

From 2016 until 2017, before full-scale inspections began, we performed updates on our maintenance check management system. These updates improved our system, allowing us to smoothly respond to customer demand by creating a central management that can handle individual customers' needs. Full-fledged inspections began in fiscal 2019, and we will strive to achieve even further customer understanding regarding product inspections. To this end, we have created an Inspection System Handbook and released it publicly through our website.

Additionally, we will continue to further inform customers about our inspection system by offering consultations through a maintenance check call center. This initiative will help prevent mishaps caused by product degradation.

Safe and secure | Safe and Secure Initiatives

About Inspections

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

Customer Feedback Regarding Inspections

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

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

Future Initiatives

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

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

Five Basic Inspection Work Focus Areas and Rinnai's Response

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

Efforts to Coordinate an Inspection System

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

Voluntary System Action Items and the Current Status

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

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

*Law refers to the "Consumer Products Safety Act" and "Ministerial Ordinance" refers to "Ministerial Ordinance on Ministry of Economy, Trade and Industry-Related Specific Maintenance Products." Information is as of March 31, 2019.

Applicable Law	System Maintenance Items	Details	Rinnai's Response
Law: Article 32-19 and 18-1 Ministerial Ordinance: Article 13-1	Establish inspection offices	Arrange offices appropriately to ensure efficient implementation of inspections. Secure engineers for each office.	Inspection offices: 81 locations across Japan Certified inspectors: 619 people
Law: Article 32-19 and 18-1 Ministerial Ordinance: Article 13-2-4	Public display and notification of established inspection costs	Establish costs that do not significantly exceed the appropriate cost when the inspection is conducted efficiently, publish standards for determining inspection costs, and give prior notice of costs before the inspection, including the breakdown of the inspection costs and notification of the standards for cost determination.	Standards for determining inspection costs, inspection costs and contact information is published on the Rinnai corporate website Notification: Sent when request for inspection is received.
Law: Article 32-19 and 18-2 Ministerial Ordinance: Article 13-5-6	Preparation and management of guidance necessary for inspection	Prepare guidance based on inspection standards and store with a third-party organization.	12 types of guidance have been created (gas appliances: 10; electrical appliances: 2) Guidance is managed as follows: Gas appliances: Japan Gas Appliances Inspection Association (JIA) Electrical appliances: Japan Electrical Safety & Environment Technology Laboratories (JET)
Law: Article 32-19 and 18-3 Ministerial Ordinance: Article 13-7-8	Ownership of maintenance parts and provision of information	Establish and maintain a maintenance period. Prior to inspection, notify customer with regard to the maintenance status.	Maintenance period: Conducted from 9-11 years after production. Notification: Sent when request for inspection is received. Information regarding maintenance parts are also published on the Rinnai corporate website.
Law: Article 32-19 and 18-4 Ministerial Ordinance: Article 13-9	Providing information about items during the inspection period	Make this information available to read on the internet	Information regarding maintenance schedules for products is provided on the Rinnai corporate website (searchable by model number). This information is also listed in the product catalogues.
Law: Article 32-19 and 18-5 Ministerial Ordinance: Article 13-10	Implement technical training	Regularly hold technical seminars, conduct courses for contractors and take measures to ensure technical standards.	Technical training: Inspection certification training provided to employees. Ensuring technical standards: In addition to evaluating skills at technical seminars, we conduct qualification renewal management and skill enhancement training.
Law: Article 32-19 and 18-5 Ministerial Ordinance: Article 13-11	Record inspection results	Record inspection results and store them as a guide for three years.	Inspection results are recorded on written inspection result statements. Results are stored for seven years
Law: Article 32-19 and 18-5 Ministerial Ordinance: Article 13-12	Convey inspection	Inform the customer who requested the inspection of the results in an appropriate manner.	Communications: Written inspection result statements are provided to customers. This report indicates options available based on the results of the inspection. Moreover, customers are informed if frequent inspections are required, and in the event the use of a product becomes prohibited, the inspection will be followed up by a phone call or in writing.

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



HOWARO C

Taking Advantage of the Internet to Enhance Customer Support

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

The site started in October 2006 as an online shopping site for genuine parts for Rinnai products. The range of offerings is being constantly expanded in response to direct customer feedback and now includes cleaning and kitchen supplies that are highly compatible with our products and original products available only through R.STYLE.

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



R.STYLE online shopping site (Japanese language)

Developing More Intimate Communication through the Living Information Column

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

In creating the site, the Company placed particular importance on making it easy to read on smartphones and while moving around, so its columns can be freely read during periods of relaxation in between household chores.

The site provides wide-ranging content closely related to our daily lives, containing diverse information related to cleaning, tidying up and storage, cooking, and laundry and ironing. It also contains columns that aim to eliminate concerns regarding housework, and to share specialized expertise and information regarding new discoveries. The Group will continue to endeavor to operate a column site that offers rewarding and satisfying articles which will always bring its readers back for more.



R.STYLE column (Japanese language)

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^(*), 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.

* 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

Rinnai Group Purchasing Policy

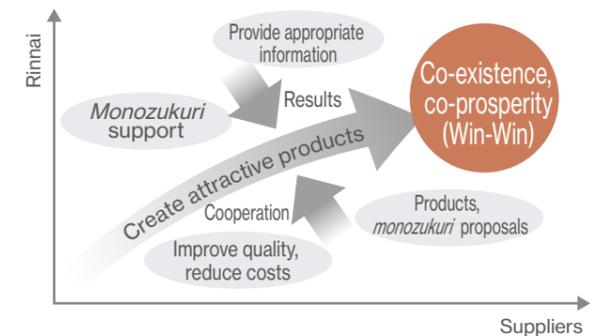
To grow along with our suppliers, we emphasize transactions based on a fair and impartial assessment and selection process and respect for laws and regulations and corporate principles, in accordance with the Rinnai Group Purchasing Policy.

Rinnai Group Purchasing Policy

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

Rinnai's Stance on the Relationship with Its Business Partners

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



Realization of Fair-and-Square Transactions

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

Communication with Our Business Partners

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

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



Policy information meeting

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 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.

Policy on Information Disclosure

We disclose information in an appropriate, timely, fair, and impartial manner, and engage in IR activities with an emphasis on two-way communication, in order to improve mutual understanding and build trusting relationships with shareholders and investors. In accordance with the Rinnai Group Code of Ethics and our Disclosure Policy, we adhere to the principle of disclosing corporate information in an appropriate, timely, and fair manner, including details of the Group’s management and business activities.

IR Activities—Communication with Shareholders and Investors

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



Investor Relations Section of our website

IR Activities for Institutional Investors and Analysts

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



Factory tour

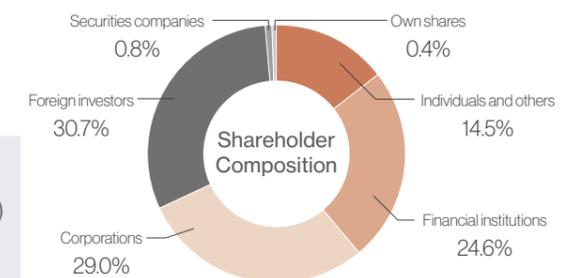
Our Policy on Dividends

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

Please refer to page 102 of this booklet for information on dividends, including past trends.

Share Information (As of March 31, 2019)

Number of authorized shares: 200,000,000 shares
Number of outstanding shares: 51,616,463 (Including treasury stock)
Number of shareholders: 4,166



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?"

Support for Nakagawa Canal Restoration and Culture/Artistic Assistance Project



Video installation "waltz" 2018 by Kei Fushiki, a subsidized project of the ARToC10

We are donating ¥10 million every year for 10 years (¥100 million in total) to the Nakagawa Canal Restoration and Cultural/Artistic Assistance Project (known as "Nakagawa Canal ARToC10") set up in fiscal 2013 to restore the canal and surrounding area. The aim of the program is to revive the district and make it a cultural and artistic hot spot by turning the canal into a venue for modern contemporary art.



Rinnai Corporation, Actual Results in Fiscal 2019

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



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 with Employees

04 Personnel Training

We defined our fundamental human resources policy as "Nurture and encourage our employees to have a high level of morality and keep challenging their own goals continuously making effort." We guide and train our employees to be able to demonstrate their initiative to drive the Company. We provide our employees with numerous opportunities to grow as an individual, such as rank-specific training programs, specialization courses, OJT training, and a rotation training program, which covers workplaces at home and abroad.

OJT Personnel Training

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

Our main training is OJT, wherein a supervisor guides his or her team member through an actual job. In addition, we provide a rank-specific training program, which supports the improvement of each employee as an individual by grouping them according to job responsibility, and a specialization course, which promotes our employees to be highly specialized in their area. These three programs form three pillars of Rinnai's training system. Moreover, we are conducting a level-up training program for Group leaders who have been promoting our business plan since fiscal 2011.

Major Rank-specific Training Programs

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

Career Development Review and Support

Visualizing skills of individual employees and guiding their growth (capability evaluations and feedback of the results in one-on-one interviews)
For each training program to function effectively, it is essential to match the capability required by the organization and the goals set by the employees. Therefore, Rinnai prepares a "Skills Map" and a "Capability Evaluation Sheet" to define the skills and capabilities required by each department and to clarify the goals and capabilities the Company expects the employees to achieve. Based on these tools, our employees understand their current roles and responsibilities. Employees also have a one-on-one interview with their supervisor, during which they receive the results of their performance evaluation and are informed of the Company's future expectations of them. They then set up their own goals to challenge every year.

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

Support for Self-directed Development

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

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

Succession of *Monozukuri*, the Spirit of Manufacturing

Training at the Production Technology Center

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

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

Worksite Training

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

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



Communication | Communication with Employees

Development of Global Human Resources

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

Management Department

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

Product Development and Production Departments

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

VOICE Feedback from Employees Assigned to Overseas Group Companies Part 2

I was engaged in the production of automated equipment in the Production Engineering Department for about 10 years. Since January 2018, I have been working as an engineer at Rinnai New Zealand. My specific work covers a wide range of initiatives, such as improving productivity through the introduction of equipment and jigs on production lines, consultations regarding quality improvements and development and cost reduction efforts.

Rinnai New Zealand produces gas fireplaces that are not manufactured by any other Rinnai Groups company. Utilizing experiences gained at Rinnai in Japan, I work with local staff to create systems that are able to leverage the strengths of both Japan and New Zealand. This has led to a renewed awareness of many things that have helped me learn even more.

Although our cultures and ways of thinking are different, I feel that the desire to make quality products is common throughout the world. Going forward, through my experience working overseas, I hope to contribute to the further development of Rinnai while working together with local staff to establish manufacturing that is compatible with the local culture.



Takahito Suzuki Rinnai New Zealand Ltd.

VOICE Feedback from Employees Assigned to Overseas Group Companies Part 1

I was engaged in the manufacture, management and maintenance of production equipment at the Seto Factory, our manufacturing base for water heaters, for eight years. Since January 2017, I have worked in manufacturing at Rinnai Brazil.

In Brazil, I am engaged in a wide range of work, such as setting up automated equipment and supporting the development of new products. This requires study and hardship, but I am engaged in work that I would not experience in Japan, thus every day is fulfilling. Although there are some challenges due to differences in work styles and ways of thinking, I communicate closely with the person in charge and strive to make workplace improvements. As soon as I arrived, a new factory building project was launched, giving me an opportunity to become involved in the layout and capital investment planning from the very beginning. This experience has contributed significantly to my personal growth.

In Brazil and the wider Latin American market, gas hot water heaters are not very popular, but they have great potential. I want to contribute to the development of the Rinnai brand by thoroughly pursuing the creation of quality products at a low cost from our production base in the Latin American market.



Keita Kaneda Rinnai Brasil Heating Technology Ltd.

VOICE Feedback from Employees Assigned to Overseas Group Companies Part 3

After joining Rinnai, I studied the basics of management and administration for five years in the Corporate Planning Division and Overseas Business Headquarters. Since September 2014, I have been working at Rinnai Australia, engaged mainly in management and administration support. During the past five years, I have been involved in numerous projects including company acquisitions and factory startups.

When this assignment began, the differences compared to Japan in terms of how work is approached frequently left me feeling bewildered. The president of Rinnai Australia at that time taught me the saying "When in Rome, do as the Romans do." In Japan, we have a similar proverb. Thus, I first decided to try and understand how the locals approach work. Based on that understanding, I gradually understood the importance of making the best use of what I had learned in Japan.

Five years have already passed, yet I still have much to learn. Although my job involves responsibility for the management of an overseas company, I engage in work with a sense of fulfillment every day.



Yuki Kishi Rinnai Australia Pty, Ltd.

Communication with Employees

05 Work-Life Balance

Support for Work-Life Balance

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

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

Formulation and Implementation of the General Employers Action Plan

Rinnai formulated the General Employers Action Plan (Fifth Period: Fiscal 2020–Fiscal 2023) based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

Fifth Period General Employers Action Plan

1. Plan period

April 1, 2019 to March 31, 2022

2. Details

Objective 1:

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

<Measures>

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

Objective 2:

To promote initiatives expanding work-life balance

<Measures>

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

Working to Enrich the Lives of Our Employees' Families



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

Major Programs in Rinnai Employees' Association

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

Communication with Employees

06 Industrial Relations and Human Rights

Establishment of Good Labor Relations

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

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

Respect for Human Rights and Individuality

P87-88 The Rinnai Group considers respect for human rights and individuality as one of its main pillars for performing its social responsibilities as a company. We therefore strictly prohibit any form of discriminatory treatment based on gender, age, nationality, physical characteristics, or any other attributes of individuals. We also refer to the ideas of the United Nations framework and ISO 26000 and reflect them in the Rinnai Group "Code of Ethics".

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

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

Measure to Prevent Child and Forced Labor

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

Measures to Prevent Harassment

To maintain a working environment that our employees find comfortable, we take measures to prevent any infringement of human rights, including sexual harassment and power harassment. To assist our employees in avoiding to commit any harassment without intention and knowledge, we produced a checklist of detailed examples of harassment that is posted on the Companywide intranet for self-assessment.

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

Communication with Employees

07 Fair and Diversified Employment

View toward Employment

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

In addition, we actively engage in mid-career hiring to capitalize on the accumulated experience and knowledge of individuals who showed they can make a contribution to our success. We hire approximately 25 skilled mid-career employees every year.

Increase of Female Employment and Support for Their Active Role

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

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

VOICE

The work engaged in by the business development group I am assigned to is focused on delivering Rinnai products to newly constructed homes. I am mainly in charge of detached housing and proposing new products to house manufacturers. In recent years, the number of double income households has increased, thus proposals from the perspective of working women focused on easy-to-use household items such as stoves with auto-cooking functions, dishwashers and drying machines and gas laundry dryers resonate with customers.

Although I am still gaining experience, I hope to expand the scope of my work so that Rinnai becomes a company that enables women to be more active in sales.



Chiho Enomoto

Living Sales Office
Life Solution Group
Kansai Branch

Formulation and Implementation of the General Employers Action Plan

Rinnai formulated the General Employers Action Plan (Fifth Period: Fiscal 2020– Fiscal 2023) based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

Second Period General Employers Action Plan

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

1. Plan period

April 1, 2018 to March 31, 2020

2. Company issues

- (1) Although the proportion of female graduates hired has increased, there is a difference in the number of years employed between men and women.
- (2) The percentage of women in managerial positions is low.

3. Targets and details of activities and timing of implementation

Objective 1:

To increase the percentage of women in general positions from 4.2% to 4.5%

Initiative details: Control the number of retirees due to workplace culture and childcare.

Ongoing: Support for return from maternity leave (utilization of interview check sheet implemented before and after leave)

New: Promotion of "Female Employee Discussions" at each business site

(Understanding requests regarding work content and workplace environment as well as support for the formation of networks)

Objective 2:

To establish the number of women in management positions at 8 people.

Initiatives: Change in awareness regarding the active participation of women through training, etc.

Ongoing: Implement programs for understanding diversity during manager training.

Ongoing: Training for female employees (union).

Reemployment of Retired Employees and Support for Demonstration of Their Abilities

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

Promoting the Employment of People with Disabilities

Rinnai is collaborating with the Public Employment Security Office and schools for handicapped children to systematically promote the employment of people with disabilities. The Company independently holds job fairs for people with disabilities and continuously conducts campus recruiting at schools for handicapped children. Employment focused on people with disabilities concentrated in specific locations was started in April 2018 and has been successful.

These employees are able to engage in a wide range of operations, from advanced computer processing work to simple tasks and from cleaning work to weeding activities. Employees are provided with an individualized business program that best suits their type and level of disability with the aim of creating a workplace that is rewarding, bright, enjoyable.



Computer operations



Weeding activities

Communication with Employees

08 Occupational Health and Safety

Basic Policy on Safety and Hygiene

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

Fiscal 2020 Basic Policy on Safety and Hygiene

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

Promoting Safety and Health Activities

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

These activities include informing employees about examples of work-related injuries and corresponding recurrence prevention measures, establishing safety and health committees that include members from both labor and management levels, creating safety and health patrols, and implementing the Company's five fundamentals of safety and health (regulation, arrangement, cleaning, sanitation, and training). Through these activities, we are working to create workplace environments that are secure, safe, and comfortable.

Promotion of Traffic Safety

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

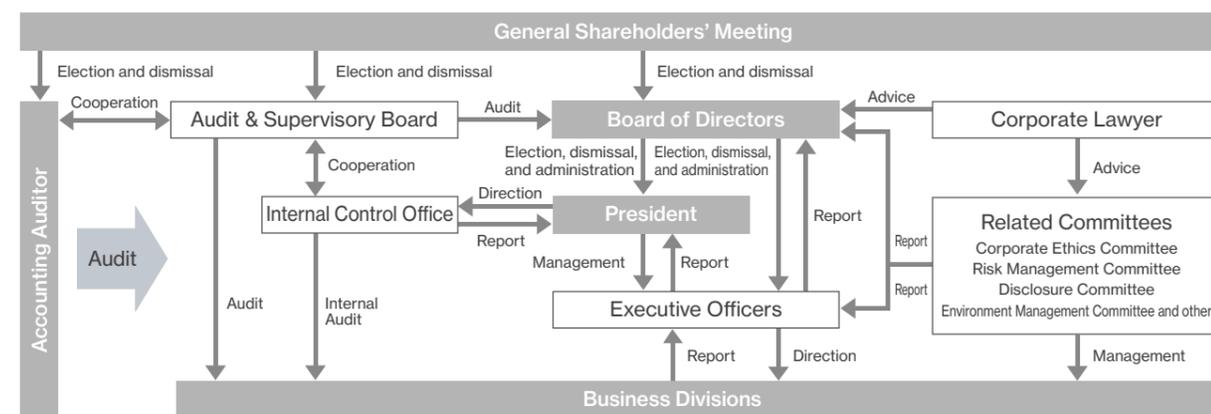
Corporate Governance

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).

Executive Structure

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

Basic Principles of the Internal Control System

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

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

Information Disclosure

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

Risk Management

Risk Management Policy

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

Promotion of Businesses Continuity Plans (BCPs)

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

We have positioned business continuity management as one of top priorities, in the event of any risks to the production or supply of important products required by our customers, and are constantly working to formulate and review BCPs, particularly for our domestic production divisions.

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

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.

Confirmation and Modification of Compliance Activities

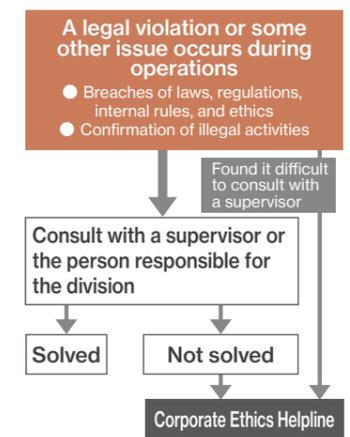
Every year, we conduct employee questionnaires to ascertain how deeply ingrained elements of our Corporate Philosophy have become. In fiscal 2019, these showed that 99.6% of respondents were familiar with the Company Motto, 99.3% of respondents recognized Rinnai Brand Promise, and 98.9% understood our Corporate Mission. We will continue to actively promote compliance activities to maintain these high levels.

Facilitation of Internal Reporting System

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

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

In fiscal 2019, the helpline received five reports and requests for advice. Appropriate measures have been taken, including investigation and confirmation of the facts in these cases of alleged misconduct.



Internal reporting system procedure

Disciplinary Actions

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

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

Protecting Personal Information

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

Accordingly, we established the position of chief privacy officer and privacy officer at the head office and require the appointment of privacy officers at all workplaces, including the offices of Group companies in Japan, to educate employees who handle personal information, and to establish physical and technical systems to insure the safe management of personal information in each workplace.

The privacy officers also conduct an internal audit once a year to verify the quality of personal information management in each workplace. There was no leakage of personal information in fiscal 2019.

Information Security Policy

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

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

Establishment of Internal Regulations

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

Arrangements to Promote Information Security

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

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

Implementation of Information Security Measures

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

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

Awareness Raising and Training

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

Response to Incidents, Accidents, and Failures

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

Continuous Improvement

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

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

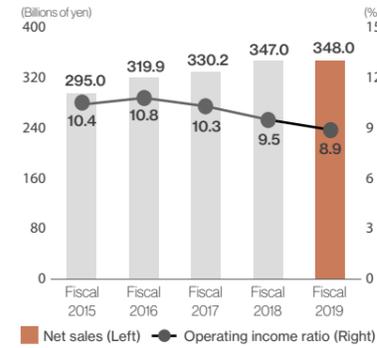
Hideyuki Shiraki
Executive Officer
Vice General Manager of Marketing & Sales Headquarters, and General Manager of Kanto Branch, Marketing & Sales Headquarters

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

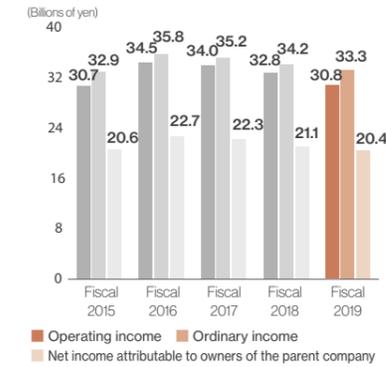
Data Collection

Financial Data (Consolidated)

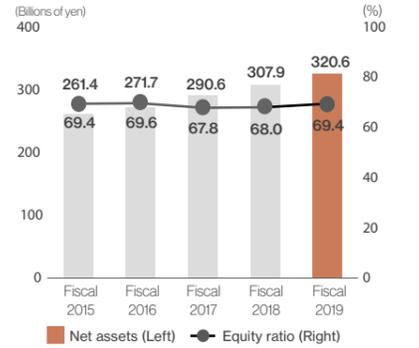
Net sales, Operating income ratio



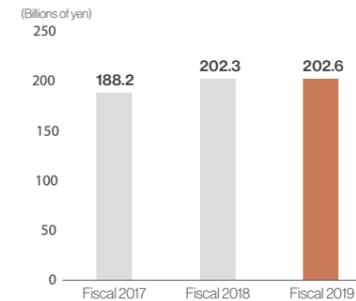
Operating income, Ordinary income, Net income attributable to owners of the parent company



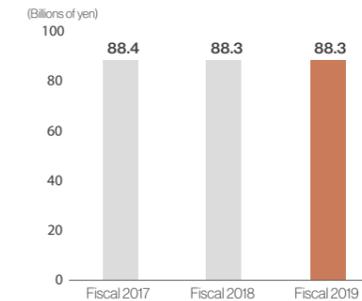
Net assets, Equity ratio (*1)



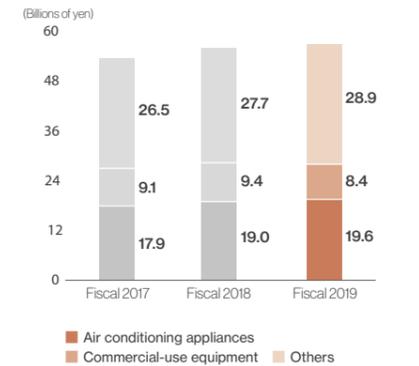
Sales of water heaters



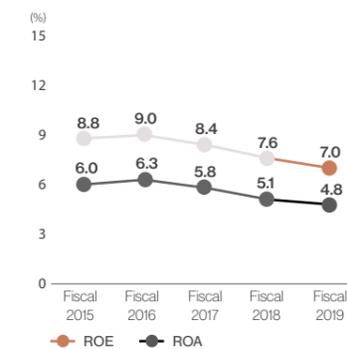
Sales of kitchen appliances



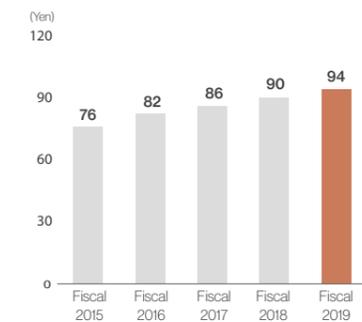
Sales of air conditioning appliances, commercial-use equipment, and others



ROE, ROA (*1)



Dividend per share (annual)



*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

Human Resource-and Personnel-Related Data

The Rinnai Group

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

		Fiscal 2017 (March 31, 2017)	Fiscal 2018 (March 31, 2018)	Fiscal 2019 (March 31, 2019)
Rinnai Corporation	Male	2,520	2,540	2,594
	Female	1,122	1,125	1,108
Domestic Group companies	Male	1,487	1,463	1,362
	Female	687	680	682
Overseas Group companies	Male	3,277	3,355	3,404
	Female	1,419	1,408	1,463
Total		10,512	10,571	10,613

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

		Fiscal 2017 (March 31, 2017)	Fiscal 2018 (March 31, 2018)	Fiscal 2019 (March 31, 2019)	Composition	Fiscal 2019 Female ratio
Japan	Male	4,007	4,003	3,956	–	31%
	Female	1,809	1,805	1,790	–	
	Subtotal	5,816	5,808	5,746	54.1%	
Asia, excluding Japan	Male	2,604	2,626	2,612	–	30%
	Female	1,143	1,133	1,138	–	
	Subtotal	3,747	3,759	3,750	35.3%	
North America and Europe	Male	138	167	191	–	32%
	Female	51	57	90	–	
	Subtotal	189	224	281	2.6%	
Other (Oceania, South America, and Europe)	Male	535	562	601	–	28%
	Female	225	218	235	–	
	Subtotal	760	780	836	7.9%	
Total		10,512	10,571	10,613	100%	31%

Rinnai Corporation
Employee Ages

		Fiscal 2017 (March 31, 2017)	Fiscal 2018 (March 31, 2018)	Fiscal 2019 (March 31, 2019)
Under 30	Male	669	656	569
	Female	495	481	416
	Subtotal	1,164	1,137	985
30–39	Male	677	697	680
	Female	352	347	357
	Subtotal	1,029	1,044	1,037
40–49	Male	677	654	660
	Female	203	217	226
	Subtotal	880	871	886
50–59	Male	483	523	568
	Female	69	79	83
	Subtotal	552	602	651
60 or older	Male	14	10	27
	Female	3	1	1
	Subtotal	17	11	28
Number of non-Japanese employees	Subtotal	4	4	2

Number of Employees (Non-consolidated)

		Fiscal 2017 (March 31, 2017)	Fiscal 2018 (March 31, 2018)	Fiscal 2019 (March 31, 2019)	Newly recruited employees on April 2016	The employees retention on April 2019		
Newly recruited employees	Male	57	80	81	Newly recruited employee retention (People)	Male	57	50
	Female	35	59	50		Female	35	33
	Subtotal	92	139	131		Subtotal	92	83
Mid-career recruitment	Male	7	4	3				
	Female	8	10	6				
Temporary staff	Subtotal	15	14	9				
Average working years	Male	410	379	283				
	Female	16.6	16.8	16.6				
	Subtotal	11.7	12.1	12.7				
Average age (Years old)	Male	15.1	15.4	15.5				
	Female	38.6	38.8	39.3				
	Subtotal	32.9	33.3	34				
Total		36.8	37.1	37.7				

Managerial Position Appointment Status (People) As of July 2019	Executive Position	Female	Male	Non-Japanese	Ratio of Women (%)
	Supervisory Position	3	685	0	0.40
	Of which are general managers or higher	0	29	0	0
	Director	0	24	0	0
	Of which are executive directors	0	13	1	0

		Fiscal 2017 (March 31, 2017)	Fiscal 2018 (March 31, 2018)	Fiscal 2019 (March 31, 2019)
Voluntary termination rate (%)		2.1	2.5	2.7
Paid leave	Number of days added with paid leave	20	20	20
	Number of days taken with paid leave	9.3	9.7	10.5
	Utilization ratio (%)	50.3	53.3	57.1
Employment of persons with disabilities	Number of persons with disabilities	60	60	66
	Employment rate (%)	1.87	1.90	2.05
Number of OJT accidents	Number of the accident	32	25	26
	Number of the disasters(%) (LTIFR)	2.22	1.99	2.01
Number of employees on mental health leave		14	17	13
Number of employees who used childcare leave		61	90	82
Number of employees who took childcare leaves of absence	Male	1	1	0
	Female	94	106	117
	Subtotal	95	107	117
Proportion of employees who return to work after taking parental leave (%)	Male	100	100	100
	Female	99	100	100
	Subtotal	99	100	100
Number of employees who used shortened work hours	Male	0	0	0
	Female	106	96	109
	Subtotal	106	96	109
Number of employees who used familycare leave	Male	0	0	1
	Female	16	36	53
	Subtotal	16	36	54
Number of employees who used nursing leave	Male	0	2	1
	Female	2	2	3
	Subtotal	2	4	4
Number of employees who took nursing leaves of absence	Male	0	0	0
	Female	0	1	2
	Subtotal	0	1	2
Number of employees who used our reemployment (Come Back) system	Male	0	0	0
	Female	0	0	0
	Subtotal	0	0	0
Number of employees who used the work from home program	Male	0	0	1
	Female	2	3	2
	Subtotal	2	3	3

Working Hours and Average Wages

		Fiscal 2017 (March 31, 2017)	Fiscal 2018 (March 31, 2018)	Fiscal 2019 (March 31, 2019)
Annual total actual working hours per employee (Hours)*2		2,139	2,123	2,097
Annual non-scheduled working hours per employee (Hours)*2		237	229	217
Average overtime per month (Hours) *2		20	19.4	18.7
Average wage (Yen)		6,142,514	6,163,282	6,201,012
Average wages at 30 years old (¥)	Highest wage at 30	309,150	303,750	309,750
	Lowest wage at 30	252,950	253,950	242,850
	Average wage at 30	284,930	283,761	277,744

Others (Social Contribution and Compliance)

		Fiscal 2017 (March 31, 2017)	Fiscal 2018 (March 31, 2018)	Fiscal 2019 (March 31, 2019)
Number of whistleblower incidents*1		8	0	5
Criminal charges for compliance related accidents and incidents (number of cases)**3		0	0	0
Total expenditure on social contribution activities (millions of yen)		13	15	14
Political contributions and lobbying activities expenditures (millions of yen)		1	1	1

*1. Including domestic consolidated subsidiaries

*2. Excluding managers

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

Data Collection Environmental Data

Basic Environmental Activities (“7E” Strategic Initiatives)

Rinnai has set the long-term goal of “achieving 6.40 million tons of CO₂ reduction by 2030” and promotes environmental activities with the participation of all employees in all business areas based on the “7E Strategy” environmental action plan to be achieved by 2020.

Below is a report regarding targets, results, and estimated results for each of the Basic Environmental Activities’ seven Es (E-marketing, E-services, E-products, E-procurement, E-minds, E-factories, and E-offices).

Basic Environmental Activities and Targets for Fiscal 2019–2021

Field	Basic Environmental Activities (“7E Strategy”) (2018–2020)	Fiscal 2020 Targets
Environment marketing (Sales) Environmental services (Construction and repair)	Expand sales of highly efficient products Set a fiscal 2021 goal of 3.32 million tons of avoided CO ₂ emissions in the hot water supply system field*1	2.72 million tons of avoided CO ₂ emissions
Environmental products (Product development)	Energy consumption and CO ₂ emissions levels Continuously develop high-efficiency equipment for Zero-Energy Homes (ZEH) and products that use less power during both standby and use	<ul style="list-style-type: none"> Develop a high-efficiency gas water heater Reduce standby power consumption
	Conserve and recycle resources Continuously evaluate each product’s environmental impact from its design stage through its lifecycle and develop smaller and lighter products	<ul style="list-style-type: none"> Product assessment Develop resource-saving (smaller and lighter) equipment
Environmental procurement	Promote supply chain management Conduct environmental conservation activities in cooperation with business partners, and continuously conduct green procurement management in compliance with regulations in each country	<ul style="list-style-type: none"> Ensure suppliers comprehend and manage environmental load data Procure and use materials in accordance with Rinnai’s green procurement standards Enhance chemical substance management in response to regulations in individual countries
Environmental minds (Regional communities and employees)	Share information and contribute to local areas <ul style="list-style-type: none"> Biodiversity conservation measures at each location Continue to contribute to the improvement of environmental brands through information dissemination with ESG awareness 	<ul style="list-style-type: none"> Exterminate specified invasive plant species at several locations Accept visits to showrooms and factories at sales offices nationwide Participate in environmental exhibitions Publish CSR Reports and release ESG information
	Environmental training and education Aim to raise environmental awareness and encourage communication regarding the environment through environmental events and education for employees	<ul style="list-style-type: none"> Plan and conduct environmental training appropriate for participants Stimulate environmental activities with our internal commendation system
Environmental factories Environmental offices	Reduce basic unit of energy consumption*2 by more than 4% compared to fiscal 2017 by fiscal 2021	Reduce by more than 3% compared to fiscal 2017 by fiscal 2020
	Reduce rate of waste discharge*2 by more than 4% compared to fiscal 2017 by fiscal 2021	Reduce by more than 3% compared to fiscal 2017 by fiscal 2020
	Maintain and advance zero-emissions initiatives	Realize recycling rate of 99.5% or higher
	Reduce rate of water use*2 by more than 4% compared to fiscal 2017 by fiscal 2021	Reduce by more than 3% compared to fiscal 2017 by fiscal 2020
	Reduce rate of harmful chemicals*2 handled by more than 4% compared to fiscal 2017 by fiscal 2021	Reduce by more than 3% compared to fiscal 2017 by fiscal 2020

Scope: Rinnai Corporation

Reporting Period: April 1, 2018 to March 31, 2019

Criteria for self-assessment of fiscal year target attainment

Degree of attainment: ○ 100% △ 70% or more × less than 70%

Fiscal 2019 Results

Field	Fiscal 2019 Targets	Fiscal 2019 Results	Assessment
Environmental management	Acquire ISO 14001:2015 certifications at domestic and international locations	ISO 14001:2015 certifications acquired at the newly established Akatsuki and East Oguchi factories Rinnai Viet Nam and the South Kanto Branch sales office acquired ISO 14001: 2015 certification	○
Environmental marketing (Sales) Environmental services (Construction and repair)	2.67 million metric tons of avoided CO ₂ emissions	2.54 million metric tons of avoided CO ₂ emissions	△
Environmental products (Product development)	Energy consumption and CO ₂ emissions levels Develop high-efficiency equipment	<ul style="list-style-type: none"> High-efficiency gas water heaters and kitchen appliances Hybrid hot water supply and heating system ECO ONE received the “Minister of the Environment Award (Products Category),” the top prize at the COOL CHOICE LEADERS AWARDS 	○
Environmental procurement	Promote supply chain management	<ul style="list-style-type: none"> Implemented questionnaire to 350 business partners to ascertain operating conditions Procured and used materials in accordance with Rinnai green procurement standards Established a foundation for chemical substance management and strengthened collaboration with suppliers 	○
Environmental minds (Regional communities and employees)	Share information and contribute to local areas <ul style="list-style-type: none"> Show consideration for biodiversity at each location Enhance environmental brands through the dissemination of ESG information 	<ul style="list-style-type: none"> Exterminated invasive species around multiple factories (exterminated weight: 180 kg) Rinnai CSR Report 2018 received the “Excellence Award” at the Environmental Communication Grand Prize ceremony 	○
	Environmental training and education	<ul style="list-style-type: none"> Conducted environmental training at each location Enacted an internal commendation system (127 applications for commendation received) Provided opportunities to become acquainted with various plant life through traditional heirloom vegetable growing (605 total participants) Rinnai environmental enlightenment activities received the “Excellence Award” at the Environmental Human Resource Development Company awards 	○
Environmental factories Environmental offices	Reduce rate of energy consumption by more than 2% compared to fiscal 2017	Reduced by 10.8% compared to fiscal 2017	○
	Reduce rate of waste discharge by more than 2% compared to fiscal 2017	Reduced by 0.8% compared to fiscal 2017	×
	Maintain and advance zero-emissions initiatives	Realized recycling rate of 99.5% or higher	○
	Reduce rate of water consumption by more than 2% compared to fiscal 2017	Reduced by 1.0% compared to fiscal 2017	×
	Reduce rate of harmful chemicals handled by more than 2% compared to fiscal 2017	Reduced by 2.6% compared to fiscal 2017	○

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

Impact on the Environment of the Rinnai Group

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

Scope of Accounting

Rinnai Corporation and consolidated subsidiaries

Company Name

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

Reporting Period

Domestic: From April 1, 2018 to March 31, 2019

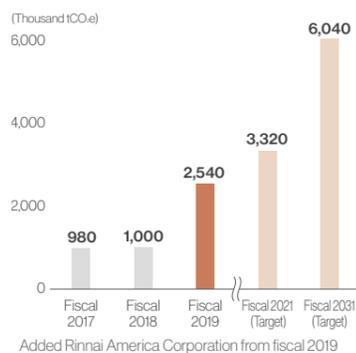
Overseas: From January 1, 2018 to December 31, 2018

Third-Party Assurance

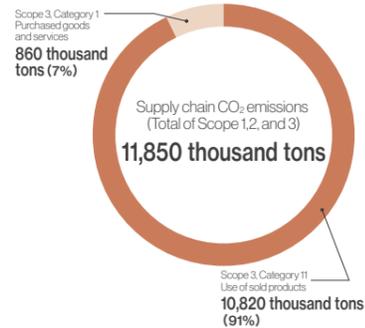
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Climate Change

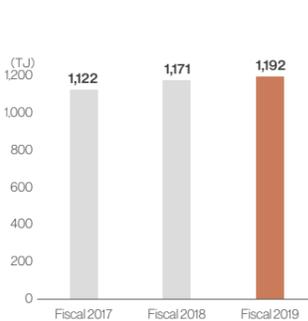
Highly Efficient Products (Reduction of CO₂ emissions)



Total CO₂ Emission through Rinnai's Value Chain



Total Energy Consumption



CO₂ Emissions

Scope	Unit	Fiscal 2017	Fiscal 2018	Fiscal 2019	Percentage	Assurance	
Scope 1*1	tCO ₂ e	38,663	40,313	40,254	0.34%	<input checked="" type="checkbox"/>	
Scope 2*2		61,843	67,977	73,181	0.62%	<input checked="" type="checkbox"/>	
Scope 3*3		1 Purchased goods and services	778,284	816,828	866,847	7.31%	-
		2 Capital goods	41,246	52,724	25,928	0.22%	-
		3 Fuel- and energy-related activities	2,937	2,955	3,263	0.03%	-
		4 Upstream transportation and distribution	10,953	10,803	8,838	0.07%	-
		5 Waste generated in operations	630	733	565	0.00%	-
		6 Business travel	597	524	530	0.00%	-
		7 Employee commuting	1,783	1,557	1,592	0.01%	-
		8 Upstream leased assets	Included in Scope 1	Included in Scope 1	Included in Scope 1	-	-
		9 Downstream transportation and distribution	-	-	-	-	-
		10 Processing of sold products	Not applicable	Not applicable	Not applicable	-	-
		11 Use of sold products	10,964,072	11,204,402	10,825,493	91.34%	<input checked="" type="checkbox"/>
		12 End-of-life treatment of sold products	6,891	6,580	5,414	0.05%	-
		13 Downstream leased assets	Not applicable	Not applicable	Not applicable	-	-
14 Franchises	Not applicable	Not applicable	Not applicable	-	-		
15 Investments	Not applicable	Not applicable	Not applicable	-	-		
Total of Scope 1, 2, and 3		11,907,899	12,205,396	11,851,905	100.0%	-	

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

Energy Consumption

Scope	Unit	Fiscal 2017	Fiscal 2018	Fiscal 2019	Assurance	
Electricity	MWh	108,748.0	118,733.3	123,664.3	<input checked="" type="checkbox"/>	
Town gas	for the use of equipment in each facility	kNm ³	10,735.0	11,096.6	11,220.3	<input checked="" type="checkbox"/>
	for vehicle use	kNm ³	3.1	2.0	1.4	<input checked="" type="checkbox"/>
Methane	km ³	24.3	34.0	35.0	<input checked="" type="checkbox"/>	
LPG	for the use of equipment in each facility	t	3,043.0	3,171.0	2,843.1	<input checked="" type="checkbox"/>
	for vehicle use	t	3.6	3.4	1.0	<input checked="" type="checkbox"/>
Butane	t	68.8	68.5	16.5	<input checked="" type="checkbox"/>	
Acetylene	t	-	-	7.7	<input checked="" type="checkbox"/>	
Ethylene	t	-	-	0.03	<input checked="" type="checkbox"/>	
Heavy oil	kl	0.20	0.20	0.18	<input checked="" type="checkbox"/>	
Heating oil	kl	25.6	20.7	21.3	<input checked="" type="checkbox"/>	
Light oil	for the use of equipment in each facility	kl	26.2	18.1	136.1	<input checked="" type="checkbox"/>
	for vehicle use	kl	315.7	391.7	431.3	<input checked="" type="checkbox"/>
Gasoline	for the use of equipment in each facility	kl	10.6	6.4	5.5	<input checked="" type="checkbox"/>
	for vehicle use	kl	1,810.0	1,933.6	2,098.7	<input checked="" type="checkbox"/>
Total energy consumption	GJ	1,122,074	1,171,151	1,192,078	<input checked="" type="checkbox"/>	

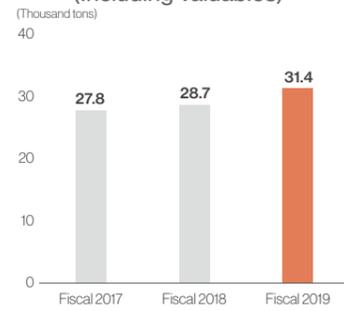
Shipping Volume and CO₂ Emissions

Scope: Rinnai Corporation

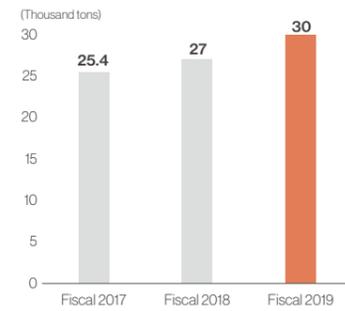
Scope	Unit	Fiscal 2017	Fiscal 2018	Fiscal 2019
Shipping volume	Millions tons/km	62.28	69.52	58.15
CO ₂ emissions	tCO ₂ e	11,083	10,891	8,838

Resource Recycling

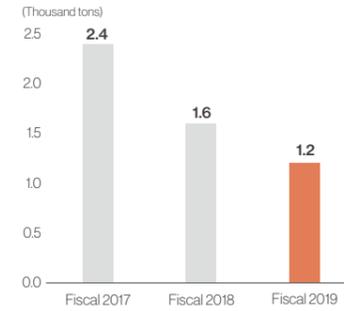
Waste Generated (Including valuables)



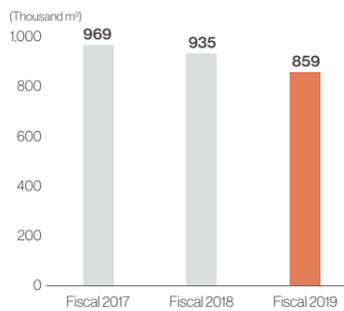
Recycled Waste



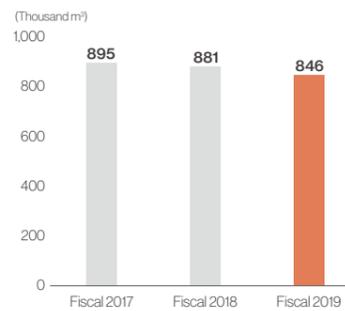
Waste into landfill



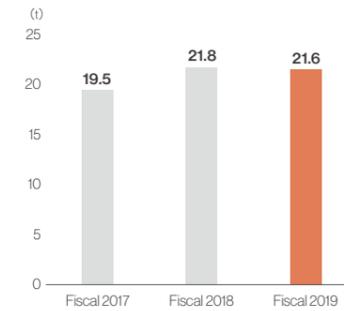
Water Withdrawal



Discharge of Water



Hazardous Chemicals*1 Use



*1 Rinnai Corporation

Protecting Biodiversity

Scope: Rinnai Corporation

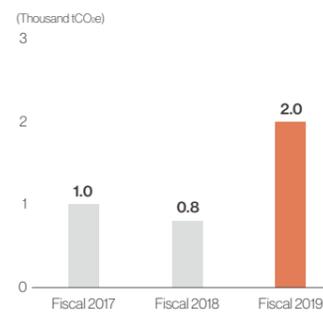
Scope	Unit	Fiscal 2017	Fiscal 2018	Fiscal 2019
Weight of exterminating specified invasive species	kg	—	30	180
Number of people participated in the extermination of specified invasive species	people	—	15	63

Environmental Accounting

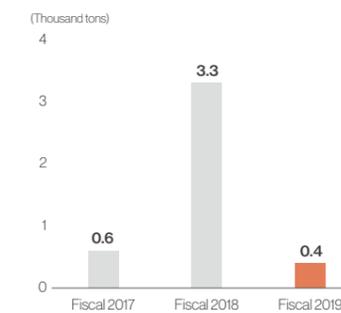
Breakdown of Costs for Environmental Protection	Key Activities	Costs (Millions of yen)			
		Fiscal 2017	Fiscal 2018	Fiscal 2019	
In the scope of operations	Pollution prevention	Mainly efforts to prevent air and water pollution	37	38	44
	Environmental protection	Mainly efforts to save energy	24	36	15
	Resource recycling	Recycling as well as treatment and disposal of industrial waste	100	104	102
Upstream/downstream	Collection/recycling and volume/weight reduction of materials such as product packaging	16	8	11	
Management activities	Mainly monitoring and surveillance of environmental impact	129	153	150	
Research and development	Research and development on environmentally conscious products	1,052	1,117	1,149	
Community efforts	Environmental communication with local regions and beautification/greening at places of business and surrounding areas	3	2	2	
Total		1,362	1,458	1,473	

Environmental protection effect	Key Activities	Unit	Environmental Impact Reduction		
			Fiscal 2017	Fiscal 2018	Fiscal 2019
	Energy reductions	Thousand tCO ₂ e	1.0	0.8	2.0
	Waste curtailment	Thousand tons	0.6	3.3	0.4
	Water saving	Thousand m ³	2.4	11.0	6.7

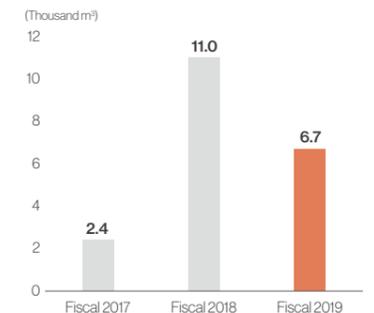
CO₂ emissions reductions



Waste curtailment



Water saving



Economic Effect Accompanying Environmental Protection Measures	Key Activities	Economic Effect (Millions of yen)		
		Fiscal 2017	Fiscal 2018	Fiscal 2019
	Reduced expenses through energy conservation, waste curtailment, and water saving	330	400	270

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

Chronology of Environmental Activities at Rinnai

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

2013	June September December	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the fourth Rinnai Group Environmental Awards ceremony Won the Chairman Award of Nagoya Industries Promotion Corporation at the IMS 18th Resource Recycling Manufacturing Symposium for improvement of logistic efficiency and reduction of waste disposal by reviewing of packing production process
2014	January June August September December	Won top energy conservation award at METI Award in the fiscal 2013 Energy Conservation Awards for <i>Eco One</i> hybrid water heater with heating systems Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Won Large and Heavy Good Packaging Prize at Japan Packaging Contest 2014 for returnable package Held the fifth Rinnai Group Environmental Awards ceremony Won 2014 Energy Saving and New Energy Grand Prize in Kitaguni (northern area in Japan) for <i>Eco One</i> hybrid water heater with heating systems for the Hokkaido region Won the Chunichi Shimbun Award at the IMS 19th Resource Recycling Manufacturing Symposium for our development of an eco-friendly water heater with bath-filling systems
2015	April June September	Market debut: <i>Eco One</i> third-generation hybrid water heater with heating systems Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the sixth Rinnai Group Environmental Awards ceremony
2016	May June July August September December	Acquired a certificate of a low-carbon building as Japan's first residential complex in which all units have <i>ECO ONE</i> and floor heating Environment Month events: Issued new environmental cards to all Rinnai employees Organized an exchange event (visit) with a corporate environmental pioneer Participated in <i>COOL CHOICE</i> campaign, a new national movement to global climatic changes and reducing greenhouse effect gas Won Good Packaging Prize at Japan Packaging Contest 2014 for a bottom tray with parts box for important attachments Held the seventh Rinnai Group Environmental Awards ceremony Won Nagoya Municipal Industrial Research Institute Director's Award (for improvements targeting paper use along the supply chain) at 21st Resource Recycling <i>Monazukuri</i> Symposium IMS
2017	January March June November	Presented a talk on Rinnai's environmental activities at the 20th Dialogue and Exchange Event hosted by EPOC Won the Energy Center Director's Award at the Energy Conservation Awards for third-generation <i>ECO ONE</i> hybrid water and space heating system Conducted inspections regarding conversion to ISO 14001:2015 standards Environment Month events: Organized action to eradicate a specified invasive species (<i>Coreopsis lanceolata</i>) Organized an exchange event (visit) with a corporate environmental pioneer 3,922 Rinnai employees participated in the My Action Declaration's five actions to protect biodiversity backed by the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J) Rinnai Kansai branch office received Eco-Drive Excellent activity certificate in the general division of the 2017 Eco-drive Activity Concours, sponsored by the Foundation for Promoting Personal Mobility and Eco-Drive Ecological Transportation
2018	January February April June September December	Held the eighth Rinnai Group Environmental Awards during our New Year's celebration Won first prize in the Aichi Environmental Awards for our development of the <i>ECO ONE</i> , which is an extremely energy-efficient water heater and heating system that cleverly and optimally uses diverse energy Published fourth edition of our Green Procurement Standards Guide Environment Month events: Removed <i>Coreopsis lanceolata</i> coreopsis plants, an invasive species, and held an Environmentally Progressive Company Inspection Council (exchange meeting) Exterminated the specified invasive species <i>Coreopsis lanceolata</i> Held internal study groups on ESG and the SDGs (invited outside lecturers) Participated in the EcoPro 2018 exhibition
2019	January February May June September	9th Rinnai Group Environmental Award Ceremony held during the New Year's ceremony Received the "Minister of the Environment Award," the top award at the COOL CHOICE LEADERS AWARD 2018 sponsored by the Ministry of the Environment (development of ECO ONE) Received the "Excellence Award" at the 22nd Environmental Communication Awards sponsored by the Ministry of the Environment (CSR Report 2018) Received the "Excellence Award" from the Ministry of the Environment (Medium-term management plan G-shift 2020 "Development of human resources to promote environmental management and contribution") Ranked 26th overall at the 22nd Environmental Management Ranking hosted by The Nikkei, which evaluates the environmental management level of Japanese companies Monthly environmental events • Held environmentally advanced company exchange meetings (inspection meetings) • Exterminated the specified invasive species <i>Coreopsis lanceolata</i> Received "Honorable Mention" at the 2nd Eco Pro Awards sponsored by the Industrial Environment Management Association of Japan (for the development of "optimal hot water supply and heating systems" according to energy and environmental conditions in each country and region)

Certification Acquisition Status

Environmental Management System International Standard [ISO 14001:2015]

Location		Certified Year/Month
Rinnai	Research and Development Headquarters	October 1997
	Production Engineering Division	October 1997
	Oguchi Factory	October 1997
	Seto Factory	December 2000
	Environment Division	December 2000
	Quality Assurance Headquarters	November 2003
	Head Office	December 2008
	Chube Branch	December 2008
	Kansai Branch	May 2010
	Logistic Control Office	May 2010
	Kanto Branch	May 2011
	Chugoku sales office	May 2011
	Rinnai Parts Center	May 2011
	Kyushu Branch	April 2012
	Hokkaido sales office	April 2012
	Niigata sales office	April 2012
	Tohoku Branch	May 2013
	Shikoku sales office	May 2013
	Higashikanto sales office	April 2014
	Kitakanto sales office	April 2016
	Customer Division	May 2017
	Akatsuki Factory	March 2018
	Oguchi Higashi Factory	June 2018
	Minami-Kanto Branch	June 2019
Domestic Group companies	Gastar Co., Ltd.	October 2001
	Rinnai Technica Co., Ltd.	December 2003
	Yanagisawa Manufacturing Co., Ltd.	June 2004
	Rinnai Precision Co., Ltd.	December 2005
	Japan Ceramics Co., Ltd.	January 2006
	RT Engineering Co., Ltd.	March 2006
	RB Controls Co., Ltd.	March 2006
	Noto Tech Co., Ltd.	January 2007
Overseas Group companies	Rinnai Korea Corporation	July 1997
	RB Korea Ltd.	October 2006
	Shanghai Rinnai Co., Ltd.	December 2008
	Rinnai Brasil Heating Technology Ltd.	June 2011
	Rinnai New Zealand Ltd.	July 2013
Rinnai Viet Nam Co., Ltd.	June 2019	

Data by Site (Fiscal 2019 Results)

Site name	Location	CO ₂ emissions		Energy use (GJ)	Amount of waste generated (including valuables) (Thousands of tons)*1	Amount of waste into landfill (Thousands of tons)	Amount of recycled waste (Thousands of tons)
		Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)				
Oguchi Factory	Oguchi-cho, Niwa-gun, Aichi	1,956	2,224	55,648	4.8	0.0	4.8
Seto Factory	Seto-shi, Aichi	1,652	4,079	64,772	2.2	0.0	2.2
Akatsuki Factory	Seto-shi, Aichi	644	1,448	23,773	1.1	0.009	1.1
Technology Development Center	Oguchi-cho, Niwa-gun, Aichi	2,710	3,078	77,232	0.1	0.0	0.1
Head Office and Sales Offices*2	—	3,765	2,123	76,589	1.7	0.007	1.6
Yanagisawa Manufacturing Co., Ltd.	Kadoma-shi, Osaka	762	700	21,016	0.4	0.0	0.4
Rinnai Technica Co., Ltd.	Kakegawa-shi, Shizuoka	1,470	1,476	36,053	1.0	0.006	1.0
Gastar Co., Ltd.	Yamato-shi, Kanagawa	1,484	1,655	43,186	0.5	0.002	0.5
RB Controls Co., Ltd.	Kanazawa-shi, Ishikawa	1,013	3,471	38,332	0.4	0.014	0.4
Rinnai Precision Co., Ltd.	Komaki-shi, Aichi	3,503	7,287	124,174	2.5	0.008	2.5
RT Engineering Co., Ltd.	Toyoda-shi, Aichi	288	1,306	15,525	0.4	0.002	0.4
Japan Ceramics Co., Ltd.	Kani-shi, Gifu	1,457	1,049	32,595	0.3	0.036	0.2
Noto Tech Co., Ltd.	Nakanoto-cho, Kajima-gun, Ishikawa	2,094	1,614	45,365	2.0	0.33	1.7
Techno Parts Co., Ltd.	Aichi	54	102	1,852	0.018	0.0	0.016
Rinnai Holdings (Pacific) Pte Ltd.	Singapore	37	21	730	—	—	—
Rinnai Hong Kong Ltd.	Hong Kong	0	3	15	—	—	—
Rinnai Italia S.r.l.	Italy	47	15	882	—	—	—
Rinnai America Corporation*3	United States of America	706	1,093	21,143	—	—	—
Rinnai Australia Pty., Ltd.	Australia	1,992	7,185	57,632	—	—	—
Shanghai Rinnai Co., Ltd.	China	2,539	9,492	91,919	—	—	—
Rinnai Korea Corporation	South Korea	2,573	5,732	95,623	—	—	—
P.T. Rinnai Indonesia	Indonesia	5,199	12,710	154,913	—	—	—
Rinnai New Zealand Ltd.	New Zealand	239	54	5,881	—	—	—
Rinnai Taiwan Corporation	Taiwan	1,567	1,242	34,798	—	—	—
Rinnai (Thailand) Co., Ltd.	Thailand	1,318	2,139	37,290	—	—	—
Rinnai Brasil Heating Technology Ltd.	Brazil	140	55	5,313	—	—	—
Rinnai Viet Nam Co., Ltd.	Viet Nam	677	729	14,400	—	—	—
RB Korea Ltd.	South Korea	91	654	6,514	—	—	—

1. In some cases, there is a mismatch between the breakdowns and totals for the amount of waste generated, the amount of waste into landfill and the amount of recycled waste (Unit: Thousands of tons).

2. Includes the Head Office, nation-wide sales offices, logistics centers and the Rinnai Parts Center.

3. Includes Rinnai Canada Holdings Ltd.

4. Includes Gas Appliance Services Corporation.

5. Includes Shanghai Rinnai Thermo Energy Engineering Co., Ltd.

Environmental Management System “Eco Action21”

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

Water Discharge*1 (Fiscal 2019 results)

Site	Water discharge standard (Water discharge to)	Substance	Regulation value	Voluntary	Actual value	
					Maximum	Mean
Oguchi Factory	Sewer	pH	5.7 ~ 8.7	5.8 ~ 8.7	7.4	7.0
		BOD	300	240	130	72
		COD	—	—	—	—
		SS	300	240	88	33
Seto Factory	River (Yatoko River)	pH	5.8 ~ 8.6	6.0 ~ 8.4	7.7	7.4
		BOD	25(20)	20	3.0	1.1
		COD	25(20)	20	4.6	2.2
		SS	30(20)	20	5.0	1.0
Akatsuki Factory	River (Kazunari River)	pH	5.8 ~ 8.6	5.8 ~ 8.6	7.5	7.2
		BOD	20	16	11.0	4.7
		COD	20	16	10.0	9.1
		SS	20	16	Less than 1	Less than 1
Yanagisawa Manufacturing Co., Ltd.	Sewer	pH	5.0 ~ 9.0	5.9 ~ 8.5	8.4	7.7
		BOD	600	300	35.0	7.0
		COD	—	—	—	—
		SS	600	300	30.0	5.4
Rinnai Technica Co., Ltd.	River (Ota River)	pH	5.8 ~ 8.6	6.3 ~ 8.1	7.7	7.4
		BOD	25(20)	20(20)	21.0*2	10.9
		COD	160(120)	20(15)	7.7	6.0
		SS	50(40)	30(20)	5.4	4.7
Gastar Co., Ltd., Head Office and Factories	Sewer	pH	5.0 ~ 9.0	5.2 ~ 8.8	7.8	7.6
		BOD	600	480	16	12
		COD	—	—	—	—
		SS	—	—	—	—
Gastar Co., Ltd., Research Building	River (Sakai River)	pH	5.8 ~ 8.6	6.0 ~ 8.4	7.8	7.7
		BOD	15	12	Less than 5	Less than 5
		COD	25	20	Less than 5	Less than 5
		SS	40	32	Less than 5	Less than 5
Rinnai Precision Co., Ltd., Head Office and Komaki Factory	Sewer	pH	5.8 ~ 8.6	6.0 ~ 8.4	7.2	6.9
		BOD	300	300	250	117
		COD	—	—	—	—
		SS	300	300	2.8	1.0
Rinnai Precision Co., Ltd., Kani Factory	River (Kani River)	pH	5.8 ~ 8.6	5.8 ~ 8.6	6.7	6.4
		BOD	15	15	4.8	2.3
		COD	—	—	—	—
		SS	30	30	4.2	2.0
RT Engineering Co., Ltd.	Sewer	pH	5.7 ~ 8.7	5.7 ~ 8.0	7.6	6.9
		BOD	300	150	6.4	3.5
		COD	—	—	—	—
		SS	300	150	3.0	1.4
Japan Ceramics Co., Ltd.	River (Kani River)	pH	5.8 ~ 8.6	5.8 ~ 8.6	7.5	7.2
		BOD	15(10)	15	9.3	4.4
		COD	160(120)	30	10.0	—
		SS	30(25)	30	10.0	3.1
Noto Tech Co., Ltd.	River (Nagaso River)	pH	5.8 ~ 8.2	6.0 ~ 8.2	7.7	7.4
		BOD	40(30)	36(27)	15.0	8.2
		COD	160(120)	140(100)	25.0	16.3
		SS	40(30)	36(27)	5.0	3.0

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

*2. As a result of water quality inspections of wastewater, values exceeding the voluntary standard value was detected in BOD at Rinnai Technica Co., Ltd.

While identifying the source together with the measuring company, the maintenance cycle of the septic tank was revised with the intention of replacing the equipment renewal and improvements such as processing control optimization were implemented because the processing capacity of the septic tank was assumed to be insufficient. Water quality results after these measures show no problems in terms of maintaining the voluntary standards.

PRTR*3 (Fiscal 2019 results)

Site	Number	Class I designated chemical substance name	Handling amount	Amount of emission/discharge				Amount of transfer	
				Air	Public waters	Soil	Landfill	Sewers	Outside the relevant office
Oguchi Factory	53	Ethylbenzene	1,400	890	0	0	0	0	390
	71	Ferric chloride	1,700	0	0	0	0	0	0
	80	Xylene	2,500	1,600	0	0	0	0	690
	296	1,2,4-trimethylbenzene	1,000	1,000	0	0	0	0	0
	300	Toluene	1,700	1,100	0	0	0	0	490
	309	Nickel compounds	1,100	0	0	0	0	0	130
	405	Boron compounds	3,100	0	0	0	0	0	350
Seto Factory	53	Ethylbenzene	1,800	1,400	0	0	0	0	390
	80	Xylene	2,300	1,900	0	0	0	0	390
	87	Chromium and chromium (III) compounds	17,000	0	0	0	0	0	0
	300	Toluene	1,300	1,200	0	0	0	0	88
	308	Nickel	31,000	0	0	0	0	0	0
Akatsuki Factory	53	Ethylbenzene	1,000	920	0	0	0	0	120
	80	Xylene	2,400	2,300	0	0	0	0	100
	300	Toluene	1,100	330	0	0	0	0	770
RB Controls Co., Ltd.; Kanaiwa Factory	31	Antimony and its compounds	3,100	0	0	0	0	0	3,100
	265	Tetrahydromethylphthalic anhydride	17,000	0	0	0	0	0	0
	448	Methylenebis (4,1-phenylene) diisocyanate	2,700	0	0	0	0	0	0
RB Controls Co., Ltd.; Tsurugi Factory	460	Tritolyl phosphate	2,900	0	0	0	0	0	2,900
	448	Methylenebis (4,1-phenylene) diisocyanate	43,000	0	0	0	0	0	0
Japan Ceramics Co., Ltd.	460	Tritolyl phosphate	59,000	0	0	0	0	0	59,000
	53	Ethylbenzene	1,500	1,300	0	0	0	0	200
	80	Xylene	2,200	1,900	0	0	0	0	230
	300	Toluene	10,000	9,900	0	0	0	0	370
Noto Tech Co., Ltd.	412	Manganese and its compounds	1,600	0	0	0	0	0	950
	31	Antimony and its compounds	11,000	0	0	0	0	0	0
	71	Ferric chloride	1,200	0	0	0	0	0	0
	309	Nickel compounds	1,400	0	2	0	0	0	400
405	Boron compounds	9,700	0	120	0	0	0	1,600	

*3. Class I designated chemical substance stipulated by the Pollutant Release and Transfer Register (PRTR) Law (Unit: kg). Two significant digits

Emissions into the Air*1 (Fiscal 2019 results)

Site	Facility	Substance	Regulation value	Voluntary	Actual value (Maximum)
Oguchi Factory	Combustion furnace	Soot and dust	0.25	0.16	0.001
		NOx emissions	180	150	67
	Boiler	Soot and dust	0.1	0.08	0.002
		NOx emissions	150	96	60
Seto Factory	Boiler	Soot and dust	0.1	0.05	0.002
		NOx emissions	150	79	26
Akatsuki Factory	Combustion furnace	Soot and dust	0.20	0.15	0.003
		NOx emissions	230	200	2
Yanagisawa Manufacturing Co., Ltd.	Boiler	Soot and dust	0.1	0.1	0.002
		NOx emissions	150	150	32
	Combustion furnace	Soot and dust	0.1	0.1	0.002
		NOx emissions	150	120	29
GASTAR Co., Ltd.	Boiler	Soot and dust	0.1	0.08	0.0012
		NOx emissions	150	120	29
Japan Ceramics Co., Ltd.	Combustion furnace	Soot and dust	0.125	0.125	0.032
		NOx emissions	90	90	15
		SOx	0.25	0.25	0.01

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

Conditions for Calculations

Scope 1

CO₂ conversion factors

Emission factor: MOE/METI, GHG Emission Calculation and Reporting Manual (Ver. 4.3.2)

Heating value: • City gas: 45 MJ/Nm³

• Methane gas: 39.7 MJ/m³

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

Scope 2

CO₂ conversion factors

Domestic emission factors: "Emission Factors by Electricity Utility (for FY2019 Reporting)" in MOE/METI, GHG Emission Calculation and Reporting Manual (Ver. 4.3.2)

Overseas emission factors: Latest figures published for electricity utilities, etc., in the countries concerned

Electricity	Australia	0.6110 ~ 1.2700	tCO ₂ e/MWh
	New Zealand	0.1120	tCO ₂ e/MWh
	United States	0.3010 ~ 0.4490	tCO ₂ e/MWh
	Hong Kong	0.8000	tCO ₂ e/MWh
	Taiwan	0.5401	tCO ₂ e/MWh
	South Korea	0.4585	tCO ₂ e/MWh
	Indonesia	0.8770	tCO ₂ e/MWh
	Thailand	0.5020	tCO ₂ e/MWh
	China (Shanghai)	0.8046	tCO ₂ e/MWh
	Brazil	0.0740	tCO ₂ e/MWh
	Singapore	0.4192	tCO ₂ e/MWh
	Vietnam	0.8649	tCO ₂ e/MWh
	Italy	0.4455	tCO ₂ e/MWh

Scope 3

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

Scope of calculation	Rinnai Corporation
Emission factors	<ul style="list-style-type: none"> • MOE, Emission Factor Database (Ver. 2.6) • CFP Communication Program Secretariat, Carbon Footprint Communication Program: Basic Database (Ver. 1.01) (Domestic Data)

- Conditions for category 11 (Use of sold products)

Products covered: Water heaters sold by Rinnai

Period: 10 years

Conditions: Conditions defined by Rinnai

Emission factors:

- Electricity: 0.570 kgCO₂e/kWh

Federation of Electric Power Companies of Japan, Environmental Action Plans in the Electricity Industry, September 2015 (reference materials: collected data on performance in FY2014)

- City gas: 2.21 kgCO₂e/m³

Tokyo Gas Co., Ltd., City Gas CO₂ Emission Factors (13A, 45 MJ/m³, ordinary households and other customers receiving low-pressure supply)

Third-Party Assurance Statement



Independent Assurance Statement
Related to Rinnai Corporation's GHG Emissions Inventory and
Energy Consumption Data for the fiscal year 2018

Terms of Engagement

This assurance statement has been prepared for Rinnai Corporation.

Lloyd's Register Quality Assurance Ltd. (LR) was commissioned by Rinnai Corporation ("the organisation") to assure its GHG emissions inventory and energy consumption data ("the report") for the fiscal year 2018¹. The report relates to direct GHG emissions (Scope 1), energy indirect GHG emissions (Scope 2), energy consumption data², and other indirect GHG emissions related to the use of sold products (Scope 3, Category 11)³ associated with the activities of the organisation and its consolidated subsidiaries in Japan and overseas.

Management Responsibility

The organisation's management was responsible for preparing the report and for maintaining effective internal controls over the data and information disclosed. LR's responsibility was to carry out an assurance engagement on the report in accordance with our contract with the organisation.

Ultimately, the report has been approved by, and remains the responsibility of the organisation.

LR's Approach

Our verification has been conducted in accordance with ISO 14064-3:2006 *Greenhouse gases - Part 3: Specification with guidance for validation and verification of greenhouse gas assertions* to provide limited assurance that the GHG emissions and energy consumption data as presented in the report and as summarized in Table 1 and Table 2 below have been prepared in conformance with the organisation's in-house reporting procedures.

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

- reviewed the management system documents for energy consumption data, GHG emissions data and its records;
- interviewed relevant staff of the organisation responsible for managing energy consumption data, GHG emissions data and records;
- assessed the effectiveness of implementation of the GHG management system and internal data verification controls;
- visited RB Controls Co., Ltd. and Noto Tech Co., Ltd. to establish whether the in-house procedures have been effectively implemented; and
- verified historical GHG emissions and energy consumptions data and records at an aggregated level for the fiscal year 2018, including the associated main activity data for each type of energy consumption as summarised in Table 1 and Table 2 below.

Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at a materiality of the professional judgement of the verifier.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that the total GHG emissions disclosed in the report and as summarised in Table 1 and Table 2 below are not materially correct and the report has not been prepared in conformance with the organisation's in-house reporting procedures.

¹ The reporting period is based on the fiscal year of domestic and overseas subsidiary companies: (1) domestic subsidiary companies: FY2018 (01/04/2018 – 31/03/2019), and (2) overseas subsidiary companies: CY2018 (01/01/2018 – 31/12/2018)

² Energy consumption data includes electricity, town gas, LPG, light oil, gasoline, heavy oil, kerosene, methane, butane, acetylene and ethylene.

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

**LR's Recommendation**

The organisation should further strengthen its data management process by making maximal use of newly-introduced data collection/aggregation/control system as well as formalisation and dissemination across Rinnai Group of the GHG calculation Rule Book.

LR's Independence

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

Table 1. Summary of Rinnai Corporation's GHG Emissions Inventory, 2018

Scope of emissions	Tonnes CO ₂ e
Energy direct GHG emissions (Scope 1)	40,254
Energy indirect GHG emissions (Scope 2, Market-based)	73,181
Other indirect GHG emissions (Scope 3, Category 11)	10,825,493

Table 2. Summary of Rinnai Corporation's Energy Consumption Data, 2018

Electricity		123,664.3 MWh	445,038 GJ
Town gas	for the use of equipment in each facility	11,220.3 kNm ³	504,914 GJ
	for vehicle use	1.4 kNm ³	64.3 GJ
Methane		35.0 km ³	1,388.2 GJ
LPG	for the use of equipment in each facility	2,843.1 t	144,427.5 GJ
	for vehicle use	1.0 t	55.7 GJ
Butane		16.5 t	814.3 GJ
Acetylene		7.7 t	386.8 GJ
Ethylene		0.03 t	1.6 GJ
Heavy oil		0.18 kl	7.0 GJ
Kerosene		21.3 kl	782.1 GJ
Light oil	for the use of equipment in each facility	136.1 kl	5,130.5 GJ
	for vehicle use	431.3 kl	16,262.1 GJ
Gasoline	for the use of equipment in each facility	5.5 kl	192.2 GJ
	for vehicle use	2,098.7 kl	72,614.1 GJ

Signed:

Dated: 5 July 2019

Koji Tagami
 LR Lead Verifier

On behalf of Lloyd's Register Quality Assurance Limited
 Japan Business Centre, Queen's Tower A, 10th Floor
 2-3-1 Minatomirai, Nishi-ku, Yokohama 220-6010, Japan
 LR reference: YKA4005612

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In the case of any conflict between the English and Japanese versions of this legal section, the English version shall prevail.

External Acclaim and Recognition

International Recognition for CSR Efforts

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



Received “Minister of the Environment Award” at the COOL CHOICE LEADERS AWARDS 2018

In recognition of our development of the ECO ONE hybrid water heaters with heating systems, Rinnai received the “Minister of the Environment Award” in the Products Category at the COOL CHOICE LEADERS AWARDS 2018 (organized by the Ministry of the Environment).



Received “Excellence Award” at the 22nd Environmental Communications Awards

The Rinnai CSR Report 2018 received the “Excellence Award for Environmental Reporting at the 22nd Environmental Communication Awards” co-organized by the Ministry of the Environment (MOE) and the Global Environmental Forum (GEF).



Received “Excellence Award” at the Environment-Friendly Human Resource Company Awards 2018

Rinnai received the “Excellence Award” at the Environment-Friendly Human Resource Company Awards 2018 (sponsored by the Ministry of the Environment and the Environmental Consortium for Leadership Development [EcoLeaD]) in recognition of our efforts to foster environmental human resources, such as environmental conservation activities aimed at protecting local nature through participation in photography.



Exterminated the specified invasive species *Coreopsis lanceolata*

Certified by the City of Nagoya as a “Company Promoting Women’s Activities”

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

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



Registered by Aichi Prefectural Government as a “Family Friendly Company”

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



Certified as a “General Business Owner Meeting Standards”

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



Certified as a “Parent-Friendly Company”

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



Rinnai Corporation

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