



Rinnai Report 2020 (Integrated Report)

Rinnai



Corporate Message

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

Since its founding in 1920, the Rinnai Group has contributed to comfortable lifestyles for people around the world through the provision of gas stoves, water heaters and heating systems.

At present, the Rinnai Group has bases in 18 countries and regions, and deploys products in over 80 countries throughout the world. Rinnai offers optimal solutions suitable for lifestyle cultures, climate conditions and energy requirements in each country of the world to contribute to the realization of healthy and comfortable lifestyles and sustainable societies for people throughout the world.

Fundamental Concept

Quality is our destiny

Company Motto

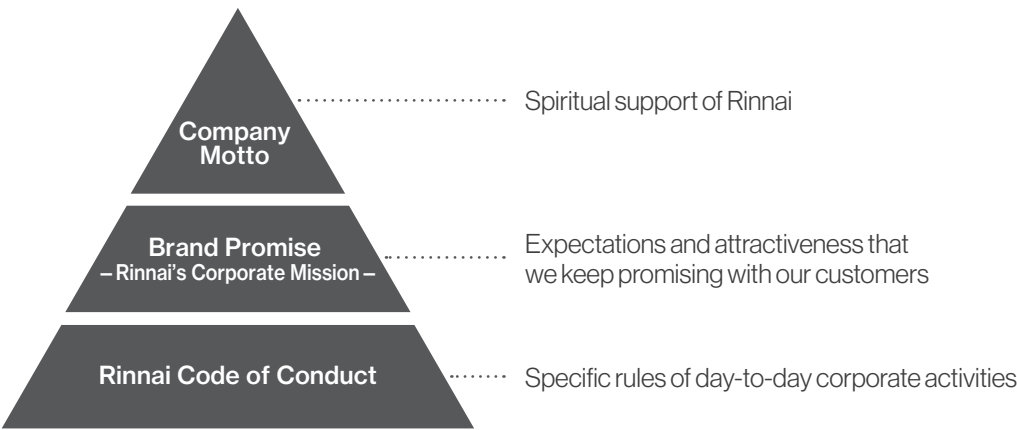


- 和 Harmony: Develop personal character of the highest caliber
- 氣 Spirit: Base your efforts on a consistent philosophy
- 真 Sincerity: Know the fundamentals and consider issues with precision and clarity

Brand Promise – Rinnai’s Corporate Mission –

Creating a healthier way of living

Schematic Diagram of Company Ideals



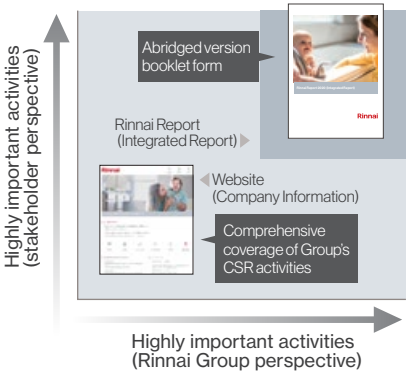
Rinnai Report 2020 (Integrated Report)

Editorial Policy

Rinnai produced this Rinnai Report 2020 (Integrated Report) to convey to stakeholders management’s approach to the realization of a sustainable society, to describe the activities undertaken Groupwide, and to encourage a deeper understanding of the Group’s operations to as many people as possible.

Rinnai’s Activities

We produce an abridged version of our Rinnai Report (Integrated Report) in booklet form. Other examples of Company initiatives, detailed information, and related data—are posted in the Company Information section of our website.



Scope

Rinnai Group
(Rinnai Corporation and companies under the Rinnai Group umbrella in Japan and overseas)

Reporting Period

This report focuses on events that occurred in fiscal 2020—April 1, 2019, to March 31, 2020—but also touches upon measures implemented and recent activities undertaken since fiscal 2020 as well as future business direction, targets, and plans.

Referenced Guidelines

GRI Standards, ISO 26000,
Environmental Reporting Guidelines, issued by Japan’s Ministry of the Environment
Environmental Accounting Guidelines, issued by Japan’s Ministry of the Environment
IIRC, The International Integrated Reporting Framework

Publication Schedule

September 2020 (Japanese version)
Previous: September 2019, Next: August 2021 (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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Upholding “Quality is Our Destiny” for a Century
With pride in our hearts, we will boldly take on
the challenge of transforming into
a “new Rinnai” for the next 100 years

President **Hiroyasu Naito**

On Reaching the 100th Anniversary of Our Founding

Thank you for reading the Rinnai Report 2020, the Rinnai Group's first integrated report. We have published an Environmental Report since 2000, and in 2012 we began publishing a CSR Report. Now, in response to increasing interest from stakeholders regarding our corporate sustainability and value creation, we have compiled this report focused on our efforts to create economic and social value over the medium- to long-term. Upon reading this report, we welcome and appreciate any and all frank opinions and feedback.

The Rinnai Group began in 1920 with the founding of Rinnai & Co., by Hidejiro Naito and Kanekichi Hayashi, who manufactured and sold pressurized oil stoves. With a deep sense of appreciation for their efforts, we commemorated our 100th anniversary in September 2020.

As a heating equipment manufacturer that contributes to enriching people's lives, Rinnai provides various products, including water heaters, kitchen appliances and air conditioners, under the keywords of “safety and peace of mind,” “comfort” and “environmentally friendly.” At present, we have bases in 18 countries and regions, including Japan, and provide

products in more than 80 countries around the world. We would like to express our sincere gratitude for the efforts of our predecessors and the ongoing support of our stakeholders, as we have continued to grow into a global Company with an overseas sales ratio of approximately 50%.

Under these circumstances, in fiscal 2020, which is the interim year of our “G-shift 2020” medium-term business plan, clothes dryers and built-in hobs (stovetops) with automatic cooking functions, which contribute to shortening the time required for housework, performed extremely well. Additionally, thorough cost reduction efforts in which we have been engaged for quite some time have steadily yielded results.

At the same time, although overseas sales were flat due to trade friction between the United States and China among other factors, water heater sales were robust, especially in the United States and China, with operating income increasing to near record-high levels. As a result, net sales in fiscal 2020 amounted to ¥340,460 million (down 2.2% year on year), with operating income of ¥34,422 million (up 11.5%).



Pressurized oil stove

Message from the President continued

Customers are unsatisfied with their current lifestyles. Thus, we must be more aware of social value.

During our long, 100 years of history, Rinnai has altered its product mix moment by moment. However, my sense is that recent changes in the social structure are occurring more rapidly and on a wider scale than ever before. Driving the aforementioned solid sales of the *Kanta-kun* gas clothes dryer and the *DELICIA* built-in hob (stovetop) is the increased value provided by making housework easier and quicker in our modern society, where the number of dual-income households has grown substantially. In addition, I think there is a significant advertising effect when purchasers of our products share their satisfaction and excitement on social media, perhaps indicating that the influence of so-called “word of mouth” publicity has become quite substantial due to the changing times. In fact, we proactively placed advertisements on television, in newspapers and in other media expressing the idea that *Kanta-kun* is a good product, but not yet well known. The result was more substantial than anticipated, reminding me once again of the importance of advertising.

In April 2019, we updated the basic design expressing the Rinnai brand worldview. And, as a

promise to our customers and society, we formulated the brand promise “Creating a healthier way of living” and are working to cultivate a brand image that conveys the creation of healthy and comfortable lifestyles. In addition to our traditional “heat and lifestyles,” “health and lifestyles” will be our new theme as we pursue the development of proprietary products with the establishment of the “New Business Strategy Office,” part of our Research & Development Headquarters. We will revisit the products we have developed up to now in an effort to create a fresh appeal.

In April 2020, we launched sales of the “micro-bubble bath unit.” This adds an element of “beauty” to “health and lifestyles,” generating a tremendous response, especially among women. Actually, I thought we already offered every function possible in terms of water heaters, but the addition of “microbubbles” in this way provides a fresh appeal. I fully realize that, as I suspected, customers are not satisfied with their current lifestyles. For this reason, I want to consider new businesses and products with a greater awareness of social value.

Delivering Fine Quality Products that Customers Want Because Rinnai Makes Them

“Quality is Our Destiny” is the foundational concept that permeates all Rinnai production bases throughout the world. When it comes to water heaters, which are part of everyday life in Japan, our products have earned a strong reputation overseas for “reliability and good temperature control performance.” In fact, last year in China, Rinnai products ranked number one in gas water heater sales revenue on “Singles Day.” In terms of units sold, we ranked fifth, which clearly demonstrates that our products have strong support even when they are priced higher than other products.

The word “quality” of course implies functionality, durability and safety, but recently, we have also been especially particular about design. The aforementioned “microbubble bath unit” has been meticulously developed with a focus on quality and “enriching peoples’

lives.” If *Kanta-kun* had reused the same design as in the past, it would probably not have sold as well as it has. Clearly, the appearance of the product is very important, and we want to deliver more fine quality products that customers choose because Rinnai makes them.



Gas clothes dryer *Kanta-kun* offers an updated design that is both simple and refined

Taking on New Challenges at Overseas Bases, Sharing the Results with the Entire Group

Overseas, we completed the construction of a new plant in response to the expansion of the tankless water heater market in the United States. In addition to enhancing local production capabilities, we opened a new innovation center in July to work on local product development. At the same time, in China, we will focus on marketing and enhancing our ability to respond to rapidly changing markets. We have much work to do, including differentiating our products from those of competitors by emphasizing water heater performance, increasing branding efforts and expanding online sales.

We are also promoting personnel exchanges among major overseas bases, mainly involving engineers. We will maintain our basic policy of promoting local production and sales as we take on various new

challenges in each country, sharing the results with the entire Rinnai Group. We have a strong sense of urgency in terms of competition with other companies, thus we will reaffirm the strengths Rinnai has built up to now and enhance our competitiveness through further differentiation.



The “Try Rinnai Tour” installed a tankless water heater in a large van that embarked on a promotional tour across North America



DELICIA built-in hob (stovetop) offers the increased convenience of automatic cooking using a linked app



Microbubble bathing provides a high-quality bathing experience with gentle bubbles

Supporting Employees Taking on Challenges to Continue Growing for the Next 100 Years

For some time now, I have told employees in sales, development, manufacturing and other divisions that are involved indirectly that I want them to hone their skills to compete not only with competitors, but also with other industries. My sense is that employees have taken this message to heart and are working diligently toward this end.

In addition to that, I have told the young employees who will be responsible for Rinnai 10 to 20 years from now that I want them to make an effort to acquire the skills necessary for their jobs as well as take on various challenges to improve themselves on a personal level.

As part of our 100th anniversary project, we held the “Rinnai of Tomorrow Proposal Awards” inviting all

employees to submit papers on Rinnai’s future. We received many outstanding proposals from each division, which I want to realize if feasible. And, in order for our Company to continue to grow for the next 100 years, we will create an atmosphere in which more employees are able to take on various challenges.

In March, the Rinnai Corporation was selected for the fourth consecutive year for inclusion in the Health and Productivity Index 2020, (sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange). While maintaining our dedication to an “at home corporate culture” and “thorough compliance,” we will promote diverse work styles and aim for further enhancements to productivity.



President Naito commemorates Rinnai's 100th anniversary (January 2020)



Contributing to the Realization of a Sustainable Society, becoming a Company Always Needed by Society

Recently in Japan, there is a heavy emphasis on keywords such as SDGs and ESG. The term “stakeholder capitalism” is heard frequently as an approach to corporate management that, rather than simply pursuing profit for the company, contributes to the happiness of employees, shareholders, customers, business partners, local communities and a wide range of other stakeholders. The Rinnai Group will also engage in an all-out effort to realize a sustainable and “better” society.

In Europe, as the zero-carbon movement is becoming more active, climate problems are said to have reached a “now or never” situation. Environmentally friendly Rinnai products, such as the ECO ONE hybrid water heater and heating system, which offers the world’s highest level of heat efficiency, will become one of our major strengths going forward. In recognition of our contributions to the environment through our products, as well as our internal commendation system and other efforts to develop environmentally conscious employees, for the second year in a row, Rinnai received the Award of Excellence at the 2019 Environmental Human Resources Development Corporate Awards. Up to now, our main focus has been on the development and sales of gas appliances, and we will further promote reductions in CO₂ emissions through our products, including hybrid water heaters that also efficiently incorporate electricity, while flexibly responding to energy diversification.

Furthermore, in addition to the environment, Rinnai positions “consumer safety and quality improvements” as critical issues. Our Company has been in business for 100 years because we have consistently upheld our founding concept “Quality is Our Destiny.” Going forward, it is of the utmost importance that we continue to build trust and elevate our reputation for “creating products that can be used with peace of mind.” We must maintain the effort and sincere support we have provided up to now so that the business partners who handle our products will continue to rely on Rinnai to respond properly in the unlikely event that trouble occurs.

Rinnai is able to celebrate the 100th anniversary of our founding in large part due to the long-term support of our shareholders. To show our appreciation, in fiscal 2020 we plan to add a commemorative dividend of ¥10 per share, bringing the full-year dividend to ¥110 per share.

We will continue to contribute to the realization of a sustainable society through the provision of products that are safe, offer excellent quality and bring convenience and comfort to everyone’s life. I sincerely appreciate your continued support of the Rinnai Group as we strive to meet your expectations.



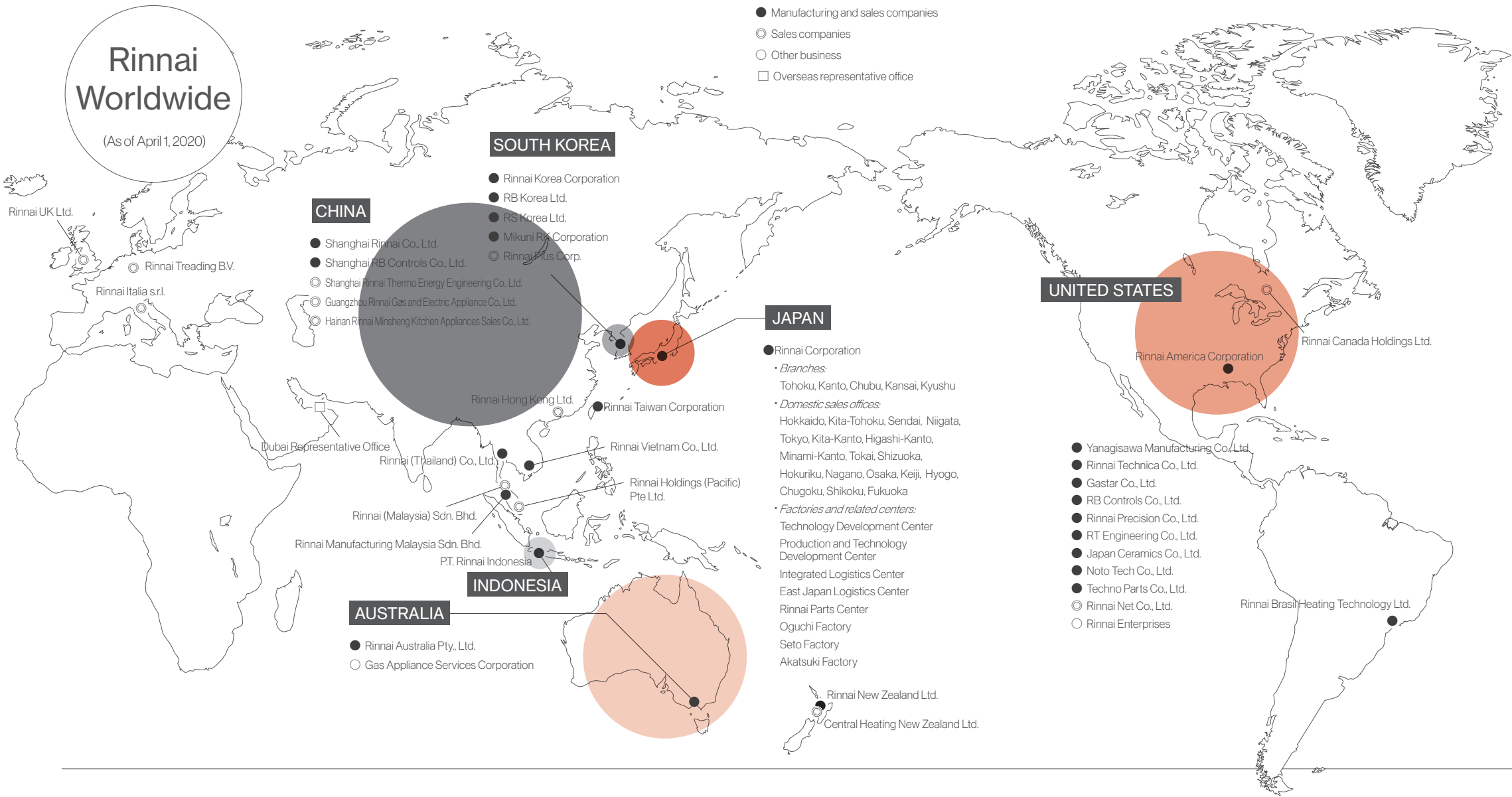
2019 Environmental Human Resources Development Corporate Awards

ハイブリッド給湯・暖房システム
ECO ONE

ECO ONE hybrid water heater and heating system, offering the world’s highest level of heat efficiency

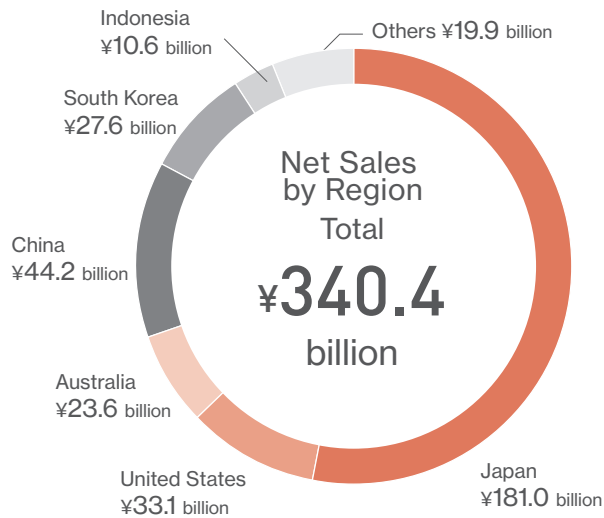


Rinnai Group Profile



Corporate Data (As of March 31, 2020)

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	10,451 (consolidated), 3,758 (non-consolidated)
Number of Group companies	48 (domestic 14, overseas 34)



Water Heaters and Heating Systems

Water heaters, water heater with bath-filling systems, water heater with heating systems, hybrid water heater with heating systems, bathroom heater/dryer, floor heating systems, and others



Kitchen Appliances

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



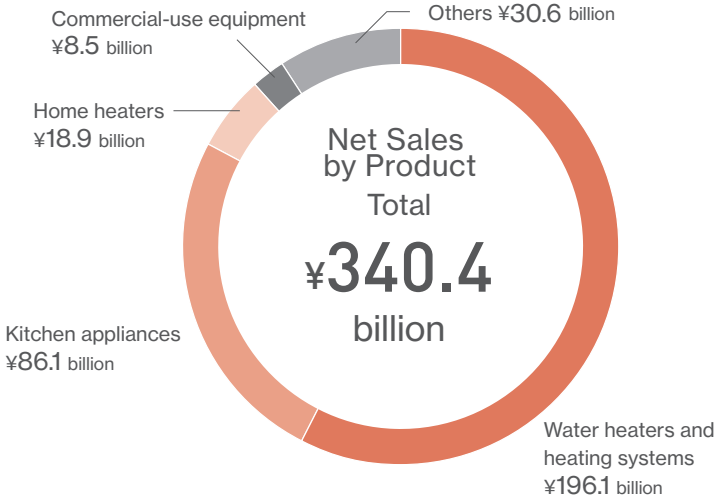
Home Heaters

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



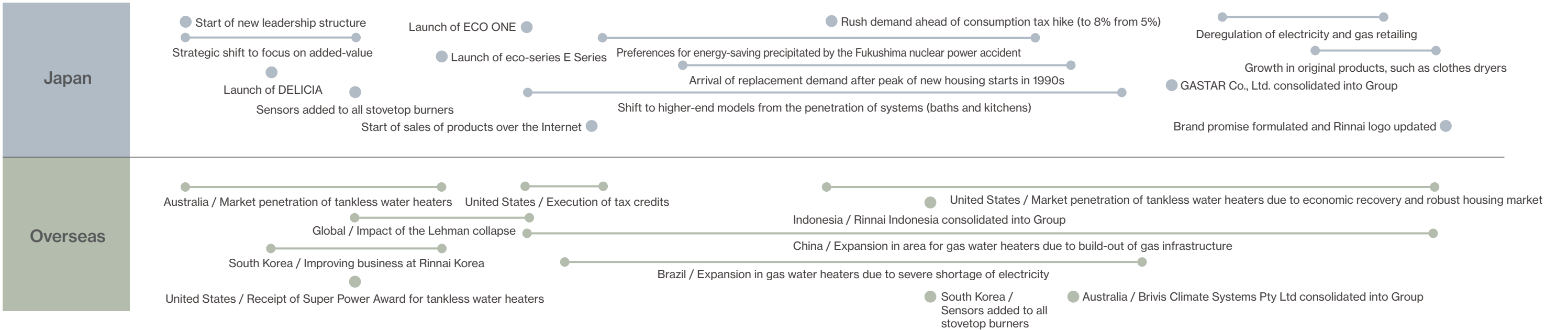
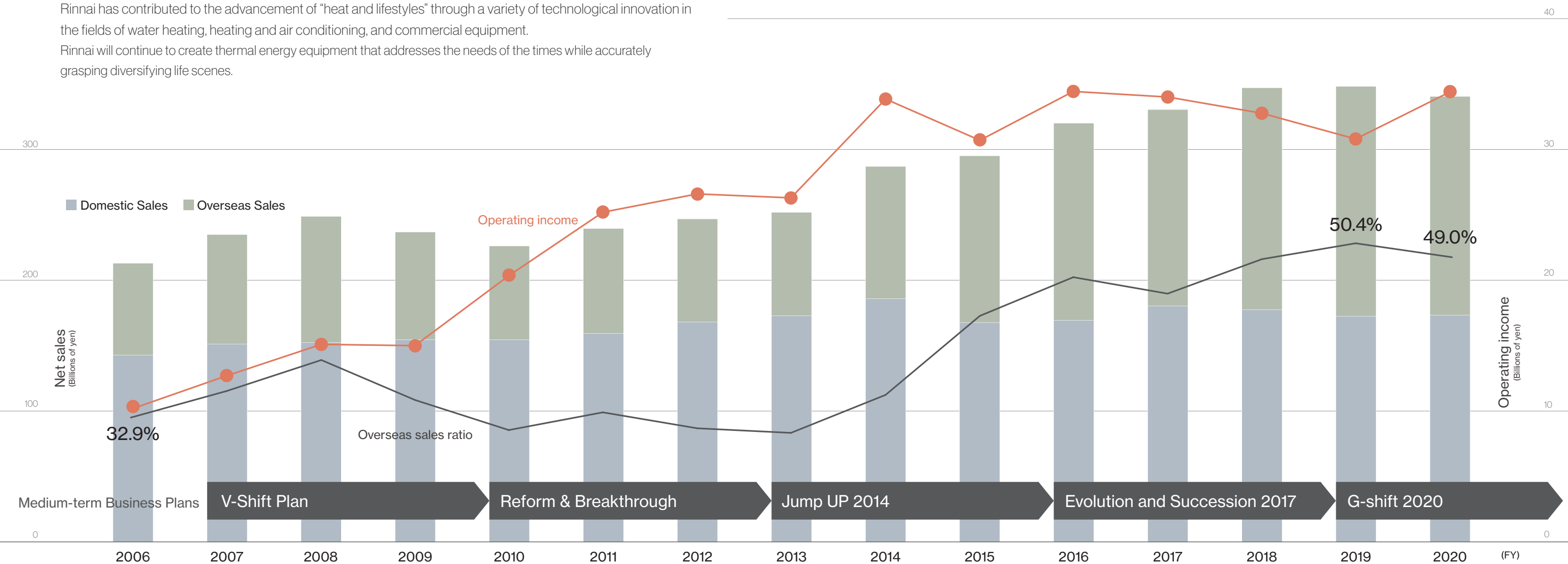
Commercial-Use Equipment, Others

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



History Viewed from Changes in Medium-Term Business Plans

Rinnai has contributed to the advancement of “heat and lifestyles” through a variety of technological innovation in the fields of water heating, heating and air conditioning, and commercial equipment.
Rinnai will continue to create thermal energy equipment that addresses the needs of the times while accurately grasping diversifying life scenes.



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 2020)

Human capital	Employees ^{*1} :	10,451 people
	Employed (Rinnai non-consolidated) ^{*1} :	84 people
	Training and development expenses: (Rinnai non-consolidated) ^{*1}	¥165 million
Intellectual capital	Overseas trainees (Rinnai non-consolidated):	10 people
	Development headquarters staff: (Rinnai non-consolidated) ^{*1}	480 people
	R&D expenses (Rinnai non-consolidated):	¥7,292 million
	ISO 9001 certification acquisition: (number of companies) ^{*1}	17 companies
Financial capital	ISO 14001 certification acquisition: (number of companies) ^{*1}	15 companies
	ROE	7.0%
	ROA	4.9%
Manufactured capital	Equity ratio	70.1%
	Rinnai Group production bases: (number of companies) ^{*1}	25 companies
	Production group staff (Rinnai non-consolidated) ^{*1} :	1,979 people
Natural capital	Capital expenditure (Rinnai non-consolidated):	¥5,330 million
	Input energy:	1,106,557 GJ
	Water used: Ground water:	191,996 m³
Social and relationship capital	Public water:	615,777 m³
	Rinnai brand, external evaluations, stakeholder engagement, Rinnai Group Code of Ethics	

^{*1} As of March 31, 2020

Risks

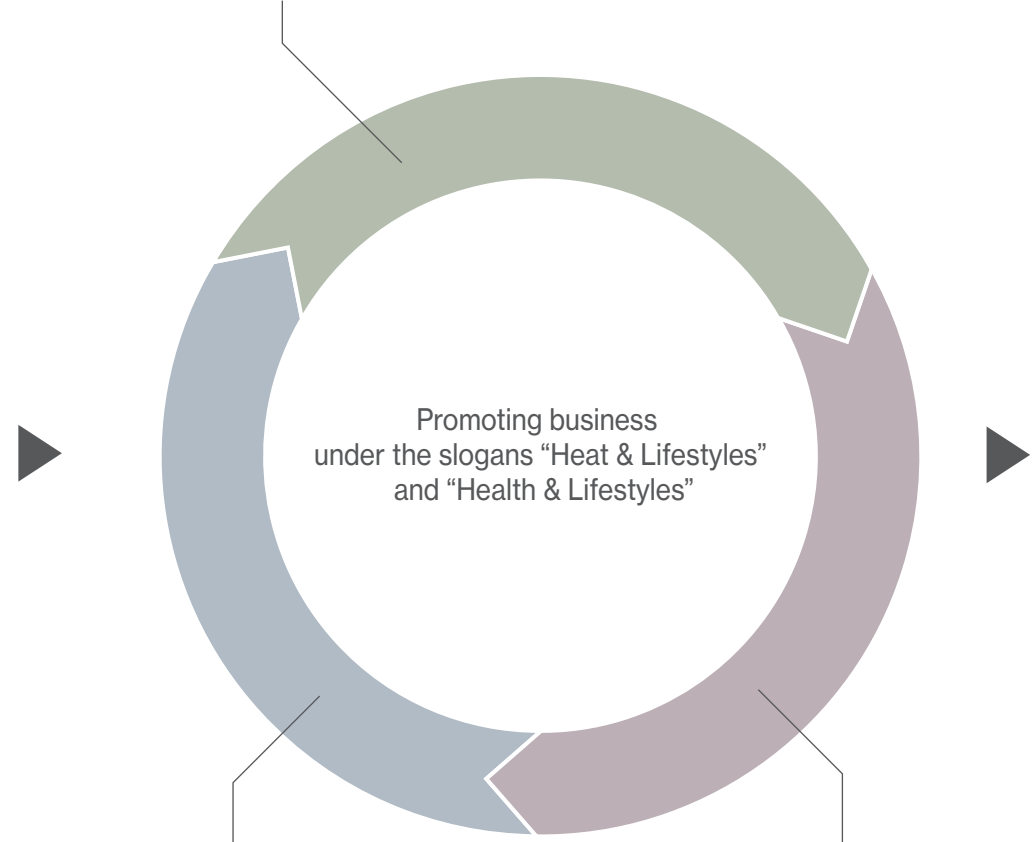
[Domestic] Expansion of thermal energy systems centered on electric power
[Domestic] Price reduction of gas appliances due to customer requests
[Domestic] Declining birthrates, an aging population, and a decreasing in the number of households
Decreasing working hours and intensifying competition for 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 2020 Achievements

Main products and services

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

Consolidated net sales

¥340,460 million

Operating income

¥34,422 million

Operating income ratio

10.1%

Net income attributable to owners of the parent company

¥21,561 million

Net assets (equity ratio)

¥340,959 million (70.1%)

Dividend per share

(annual) ¥98

Amount contributed to reducing CO₂ emissions

2.61 million tons

Announcements of product recalls due to defects: 0 case

Valuing the worldview that Rinnai is aiming for and pushing forward with the Rinnai way which represents our passion as a manufacturer

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



View of the market environment: Risks and opportunities (considering the impact of COVID-19)

We are carefully considering the impact of the novel coronavirus (COVID-19) pandemic on our business. However, Rinnai is a maker of daily necessities, so with the pandemic causing people to spend more time at home and be more concerned about cleanliness, we view the current situation as a major opportunity. In our U.S. business, where the impact of COVID-19 has been mild, tankless water heaters have driven earnings recently. In China, the stoppage of operation from mid-February had somewhat of an impact but business is now back to normal. Rinnai's thermal control technologies lead that of its global peers, and in particular the accuracy of the temperature control in our water heaters thanks to our electronic control technology has been highly regarded. Looking at the longer-term, although there is a risk that the shift away from fossil fuels may accelerate, we believe our thermal exchange technologies can be applied as energy becomes more diversified going forward, so this trend can be viewed as a growth opportunity.

In Japan, we launched the microbubble bath unit to respond to demand from health-conscious consumers and will continue to focus on product development while prioritizing marketing from the consumers' viewpoint.

Sensing progress in achievement of the medium-term business plan

From its first plan in 2006 to the current G-shift 2020 plan, we have implemented five medium-term business plans. The past four medium-term business plans focused on creating a strong profit structure, but since President Naito's appointment, we have aimed to create a stable financial foundation by actively introducing value-added products to the market.

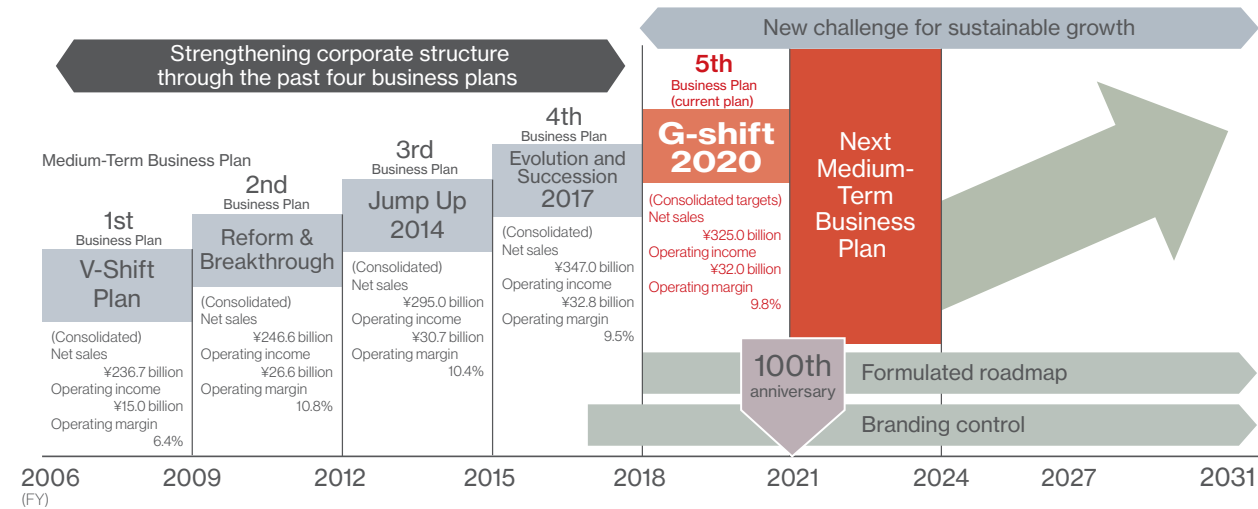
I position our performance in fiscal 2020 as a challenge to strengthen our foundations. Moving forward, we are building an innovation center in the United States to lead local product development and will invest the necessary funds in China to expand sales of gas stoves and commercial products as well as water heaters. In addition, a recent focus has been an aggressive push to strengthen our branding. We are promoting product appeal and boosting awareness of the Rinnai brand among consumers and trading partners from a global perspective. Such activities are clearly focused on global standardization, and I sense progress in the achievement of medium-term business plan as an overseas strategies to secure our position as a truly global company.

From here we will prioritize strengthening our touchpoints with consumers in Japan and overseas both real and online and collaborate with external partners who are adept in this area.

Fiscal 2020 Performance of Overseas Subsidiaries

	Net sales	YoY	Operating income	Sales ratio	Ordinary income	Sales ratio	Net income	Sales ratio
(Millions of yen)								
Rinnai America	33,133	109%	2,032	6.1%	2,025	6.1%	1,436	4.3%
Rinnai Australia	23,760	95%	593	2.5%	393	1.7%	262	1.1%
Shanghai Rinnai	43,628	92%	5,593	12.8%	5,868	13.5%	5,228	12.0%
Rinnai Korea	27,535	84%	(1,382)	—	(1,248)	—	(987)	—
Rinnai Indonesia	11,263	88%	1,600	14.2%	1,906	16.9%	1,504	13.4%

Positioning of Medium-Term Business Plan "G-shift 2020"

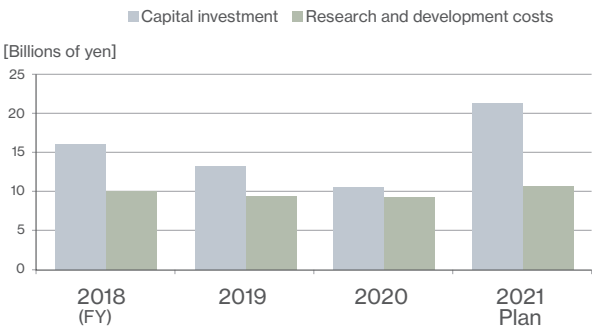


Thinking with regard to capital policies and capital investment plans

Rinnai's investment strategy has been to sustain a relatively high level of capital investment. In particular we have invested in expanding factories in the domestic business that manufacture products with growth potential, such as gas clothes dryers and ECO ONE series. Our investment has thus focused on the rationality of production.

We are also investing intensively in expanding and adding equipment at overseas factories in markets where growth is projected, which also contributes to local development.

In addition, we will invest aggressively in consumer-oriented marketing measures and promotion activities to directly associate high value-added products with the Rinnai brand both in Japan and abroad.



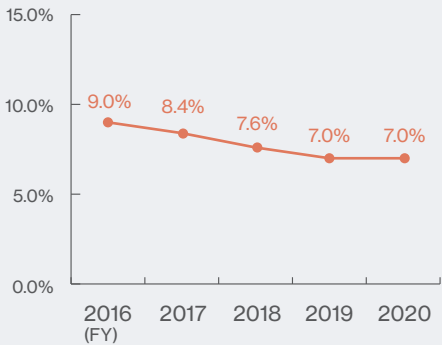
Capital investment		FY2020 Actual		FY2021 Plan	
		Amount of investment	Depreciation and amortization	Amount of investment	Depreciation and amortization
Rinnai Corporation		5,330	5,659	6,467	5,606
Domestic consolidated and affiliated companies		1,965	2,073	3,271	1,999
Overseas consolidated companies		3,284	4,402	11,750	4,372
Total		10,580	12,134	21,489	11,977
Of the above total, the amount related to molds		2,831	3,260	4,141	3,134

Research and development costs		FY2020 Actual	FY2021 Plan
		Amount of investment	Amount of investment
Rinnai Corporation		7,292	8,000
Domestic consolidated and affiliated companies		2,015	2,845
Total		9,308	10,845

Furthermore, to enhance awareness of the thinking behind capital policy, we have established a working group for capital policy for internal deliberations using ROIC, ROE, and other financial metrics that are more precise and transparent from a finance perspective. To increase awareness of asset turnover, we are using ROIC as an indicator not only at the companywide level, but also to evaluate each business unit.

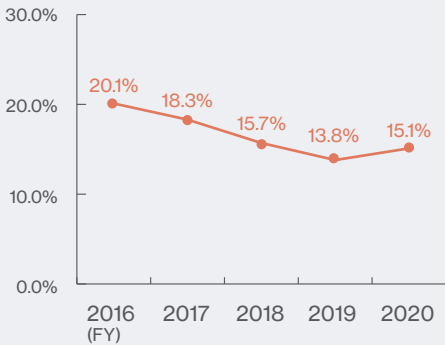
Consolidated ROE

ROE=Net income ÷ ((Shareholders' equity at current fiscal year + shareholders' equity at previous fiscal year) ÷ 2)

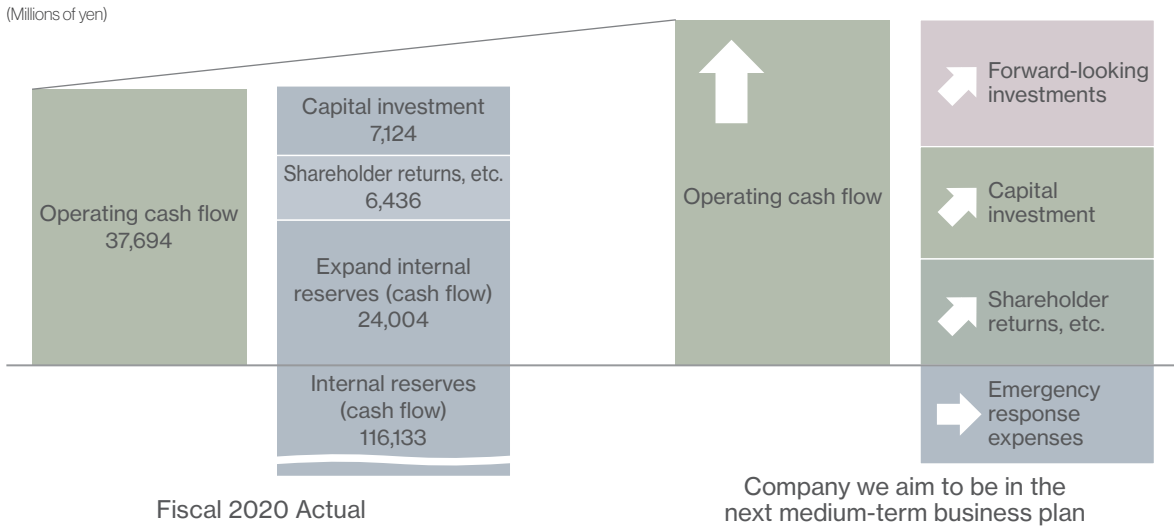


Consolidated ROIC

ROIC=NOPAT ÷ (Invested capital at current fiscal year + Invested capital at previous fiscal year) ÷ 2)



Until now, Rinnai has operated debt-free and has kept relatively stable reserves on the funding front in order to be agile. However, to prepare for the current COVID-19 situation, natural disasters, and other unpredictable circumstances, we are reviewing our policies while remaining cognizant of the need to build a strong financial foundation and to ensure our BCP measures function as intended. We have previously been strongly committed to consecutive dividend increases and stable dividends but going forward we will rethink our capital policy as "management on offense" that considers an optimal balance of return to shareholders, return to employees, and investment in the future.



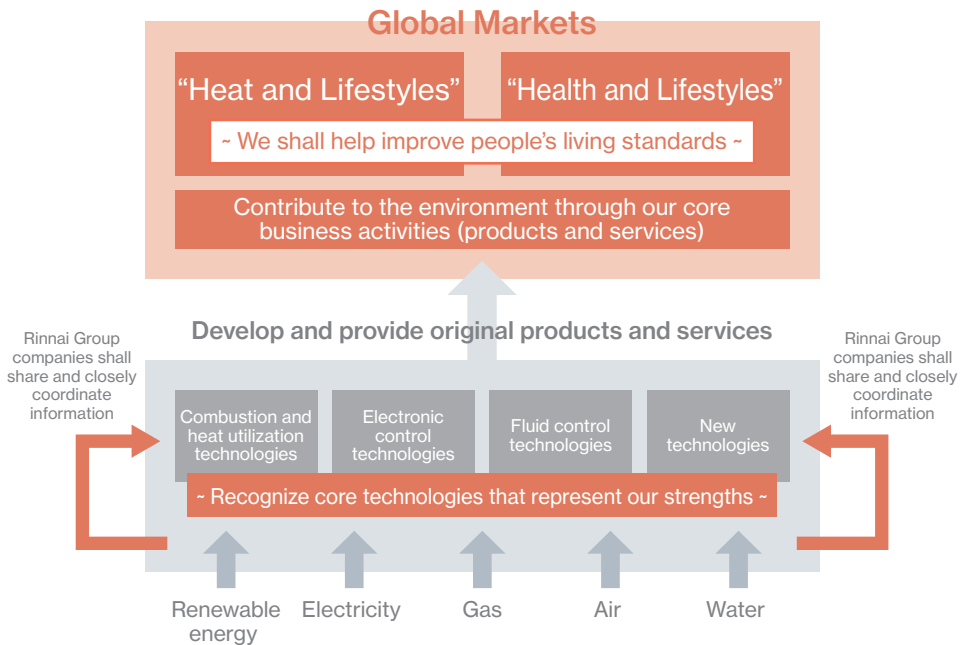
The Rinnai way is to be keenly aware of social contributions through its core business

With society's interest in ESG and SDGs on the rise, I believe Rinnai's employees are very fortunate in that Rinnai's products can help reduce CO₂ from the usage stage (Scope 3) and therefore they can take pride in the fact their work in Rinnai's core business is contributing to the environment.

In the past, Rinnai was very particular about things (products), but going forward as we provide experiences (value), we will gain consumers' empathy while we create that value. At the same time, we will value the worldview that Rinnai is aiming for and push forward with the Rinnai way which represents our passion as a manufacturer.

Management Policy

We will help improve the living standards of people around the world with the keywords of “heat and living” and “health and living.” In addition to providing existing products and services, we will create unique offerings by incorporating new technologies into our own core technologies and advancing their applications. In addition, we will shift and optimally allocate managerial resources to a new organizational structure, which will lead to sustained growth over the next 10 and 20 years.



Approach to 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.

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 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.

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.

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

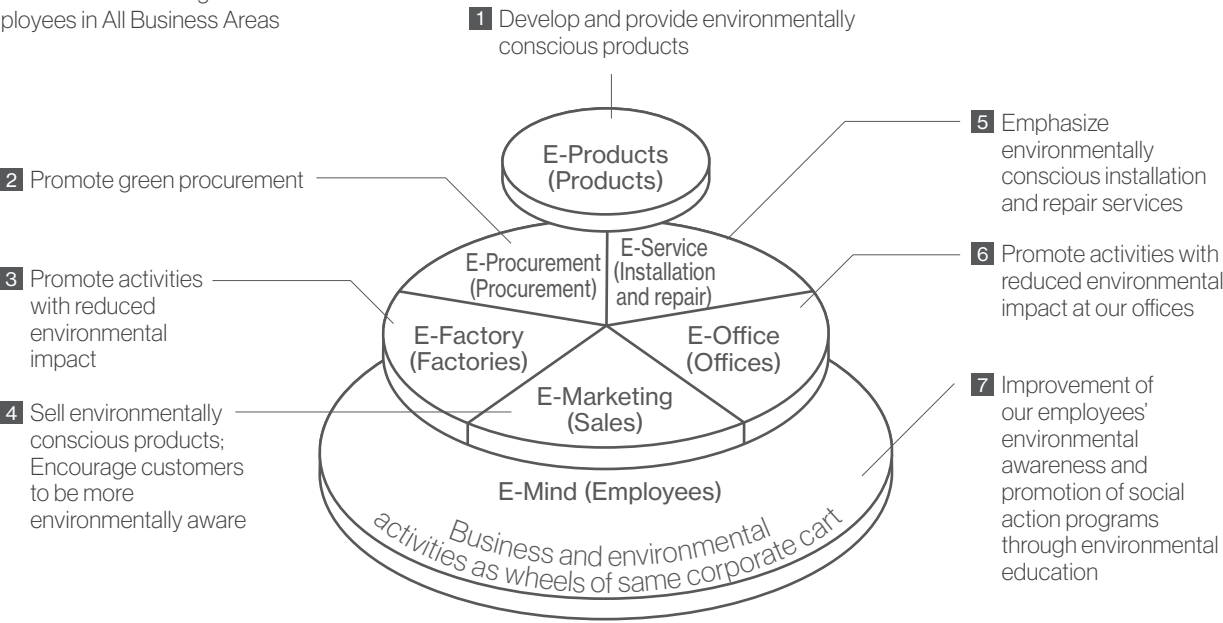
Rinnai’s basic philosophy is to embrace environmental protection on a global scale and contribute to society through the pursuit of excellent, people- and planet-friendly technology, and product development, production, sales, and service infused with a sense of humanity.

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

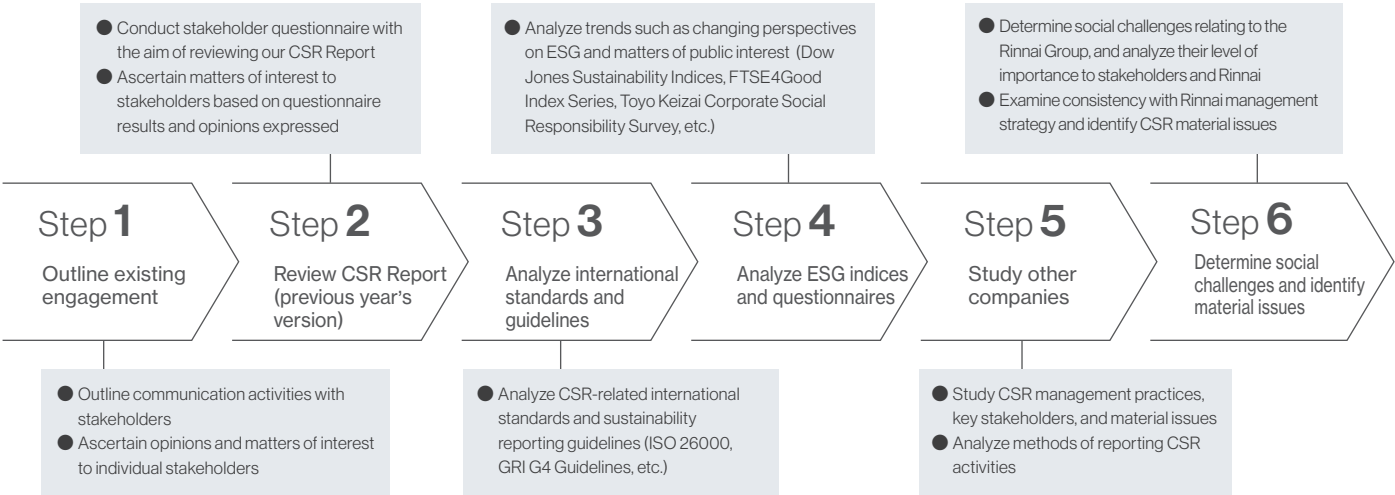
Green Activities Involving All Employees in All Business Areas



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.

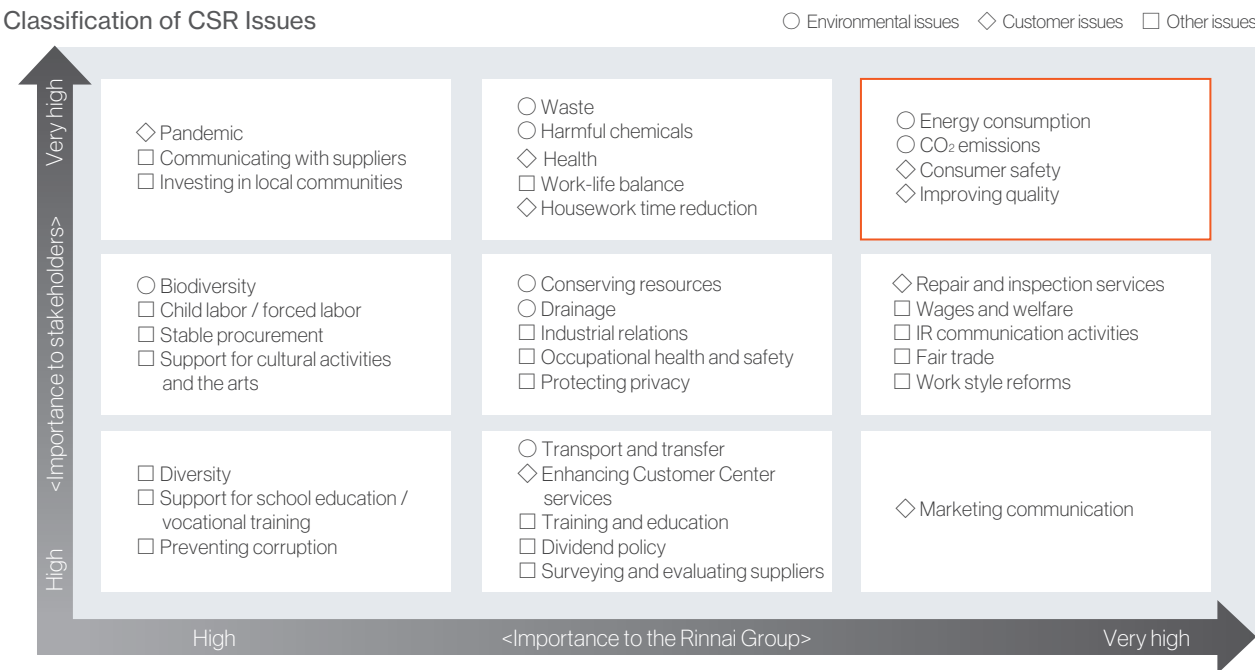
Identification Process



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



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.

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

2030 target
6.04 million tons

2019 results: **2.61 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

2019 results: **0 cases**



Toward the achievement of a sustainable society

The Rinnai Group is participating in the Sustainable Development Goals (SDGs) set at the United Nations Summit in September 2015 and its actively working to contribute to them. As Rinnai provides society products that are closely related to the global environment and people's lives, it recognizes the importance of SDGs and will further develop its business with a focus on them.

The Sustainable Development Goals (SDGs)



SDGs items related to value provided in Rinnai's value creation process

Environmental contribution	Providing lifestyles that reduced energy consumption and impact on the global environment in daily life					
Safety and security	Supporting living by preventing and avoiding risks inherent in households					
Quality of life	Proposing lifestyles in which the burden of housekeeping and time spent on household chores are reduced.					

Approaches to Preventing Global Warming through Energy-saving Water Heaters

Linkage with SDGs



Reduction in CO₂ during product usage

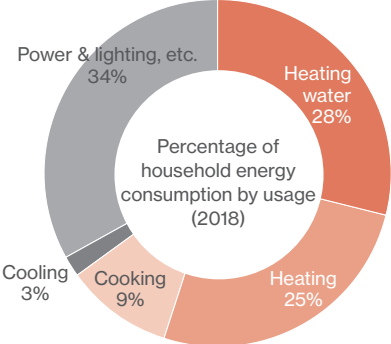
2020 Goals
3.32
million tons

2030 Goals
6.04
million tons



Aiming to contribute to 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 of over 50%, and water heating alone accounts for the largest percentage at 28%. In addition, CO₂ emissions of water heaters throughout their lifecycles are highest at their usage stage. 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*.



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

CSR materiality targets

Reduction in CO₂ during product usage

2020 Goals **3.32** million tons

2030 Goals **6.04** million tons

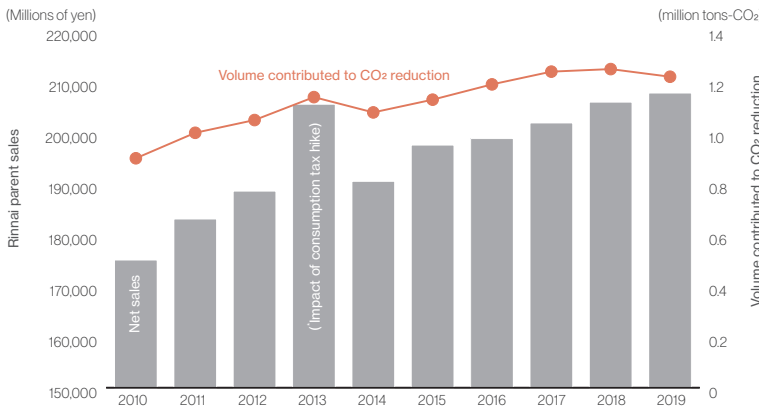
Fiscal 2020 (actual) **2.61** million tons

* Note 1: Reduction in CO₂ emissions (estimated) resulting from improvements to performance in Rinnai’s water heaters compared with products sold in 2005. (sales in Japan and the United States).

CO₂ reduction volumes are linked to the Rinnai Group’s corporate growth

Since our business is closely related to energy consumption, the amount of our contribution to CO₂ reduction is correlated with improvement in our sales and profits. In fact, as our company grows, we contribute more to CO₂ reduction.

Rinnai earnings (parent sales) and contribution to CO₂ reduction



* Volume contributed to CO₂ reduction: Japan sales portion, simple calculation

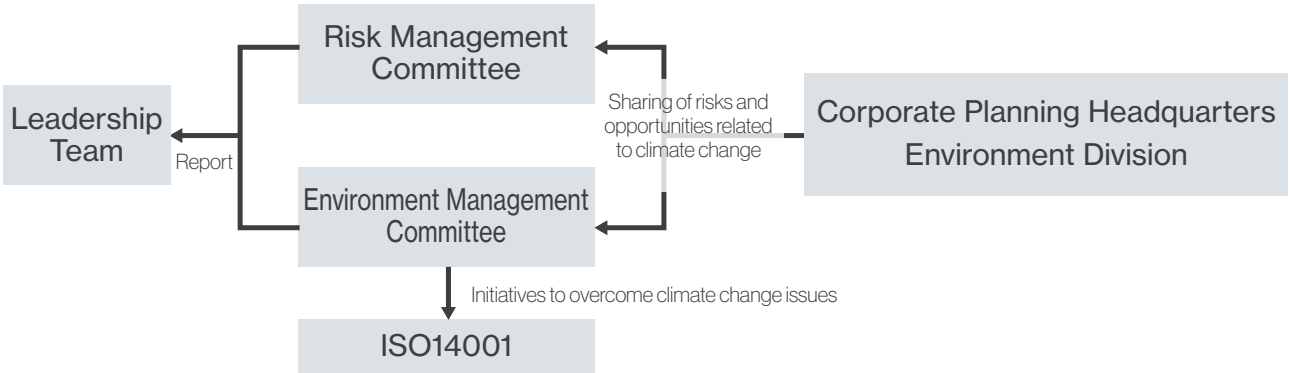
Disclosure of Environment-related Financial Data

Expressing Support for Task Force

With the aim of creating a virtuous circle of the environment and the economy which assumes a sustainable company, Rinnai has expressed its support for the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD), a taskforce established by the Financial Stability Board (FSB). We are promoting the disclosure of the financial impact on the Company caused by climate change and our approaches to resolve these issues.

1 Governance

Rinnai's Corporate Planning Headquarters and the Environment Division are taking the lead in compiling ESG-related issues and allocating them to the relevant departments to undertake improvement initiatives. In addition, the Environment Management Committee is the secretariat for ISO14001 operation and promotes initiatives related to risks and opportunities associated with climate change and reports such activities to the leadership team.



2 Strategy

In the flow to specify key CSR issues (materiality) in Rinnai's value creation process, we identify risks and opportunities associated with climate change. We also work to enhance the accuracy of our estimates of the impact of climate change on Rinnai by performing scenario analyses in accordance with the Representative Concentration Pathway (RCP) scenarios of the Intergovernmental Panel on Climate Change (IPCC) and calculating the financial impact. The impact of climate change is also checked against our management strategy and reflect in our medium-term business plans.

Rinnai's risks and opportunities associated with climate change

Risks

- 1. Restrictions on water heaters due to depletion of water resources (Financial impact: Large)
- 2. Raw material procurement risk associate with climate change (Financial impact: Large)
- 3. Restrictions on gas water heaters due to restrictions on fossil fuel (Financial impact: Large)

Opportunities

- 1. Diffusion of energy-saving hot water heaters resulting from tighter environmental restrictions (CO₂)
- 2. Diffusion of gas boilers resulting from tighter environmental restrictions (PM2.5)

3 Risk Management

Rinnai's risk management is led by its Risk Management Committee. The committee periodically updates Rinnai's risk profile including risks associated with climate change and manages risks by classifying them by frequency of occurrence and level of impact.

4 Metrics and Targets

In its approach to climate change risks, Rinnai has prioritized "improving energy efficiency and developing popularizing environmentally conscious products that achieve this". Rinnai is working to manage climate change risk by setting "energy consumption and CO₂ emissions" as CSR material issues and the "amount contributed to reducing CO₂ emissions by using the product "as a target indicator.

TCFD recommended disclosures and content of Rinnai's disclosure

Recommended disclosures	Content of Rinnai's disclosure
Governance	Environmental management https://www.rinnai.co.jp/csr/manage_system/
Strategy	Value creation process https://www.rinnai.co.jp/csr/value/
Risk management	Risk management https://www.rinnai.co.jp/csr/risk_manage_system/
Metrics and targets	Value creation process https://www.rinnai.co.jp/csr/value/ Approaches to preventing global warming through energy-saving water heaters https://www.rinnai.co.jp/csr/reduction/

Global Development of Water Heaters in the Rinnai Group

The Rinnai Group manufactures and sells water heaters broadly not only in Japan but overseas which makes its business closely linked to energy consumption and CO₂ emissions. Viewed from a different perspective, this means the development and widespread use of highly efficient water heaters may significantly reduce the burden on the environment.

Initiatives at Rinnai America Corporation

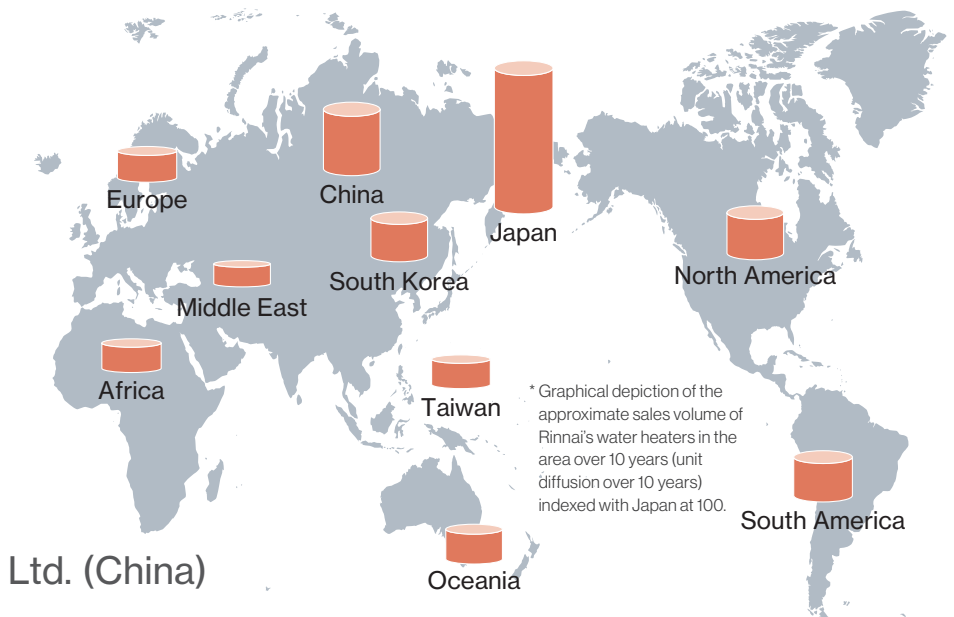


The water heater market in North America is dominated by storage tank-type units that are not very energy efficient. Rinnai has been promoting the conversion to tankless water heaters that are highly energy efficient. Efforts to boost awareness over many years are bearing fruit and sales volumes for tankless water heaters have been rising recently. Rinnai America will help ease the impact on the global environment through the wide diffusion of highly efficient tankless water heaters.

Rinnai America is focused on aggressive product PR using mass media and on expanding its sales and installation network to encourage widespread use of tankless water heaters. Rinnai has outfitted vans as mobile mini-showrooms which provided the opportunity to install and outfit tankless water heaters in a tour covering over 700 locations in the United States and Canada. Rinnai's water heaters were very well received in North America where storage tank-type units are the mainstream, as participants were able to experience firsthand the performance of tankless water heaters that offer the convenience of and endless supply of hot water.

Rinnai previously sold compact gas boilers used in heating applications on an OEM basis (procured product manufactured by another company) but subsequently built a manufacturing structure at its domestic plants and began selling the I-Series of high-efficiency boilers as a strategic model in July 2019. The boiler heats water while also being used to heat rooms and offers detailed temperature control, features which are being promoted to further expand demand.

In 2018, Rinnai America expanded its headquarters, which is now equipped with facilities to provide training on installation to the employees of sales distributors and certified service agents. We also expanded testing equipment tailored to the local usage environment as we endeavor to build out and strengthen our network in North America.



Initiatives at Shanghai Rinnai Co., Ltd. (China)



The gas infrastructure in inland China is not developed and compact electric units hold a certain share of the water heater market. However, as living standards rise, there is growing demand for high-capacity and highly efficient gas water heaters, which has supported a gradual expansion in sales of Shanghai Rinnai's main business.

Shanghai Rinnai has traditionally sold its products in Tier 1 and Tier 2 cities along coastal regions, such as Shanghai and Beijing. However, recently the installation of gas pipelines have expanded gas usage in Tier 3 and Tier 4 cities in the inland areas, and Shanghai Rinnai has been working to expand its gas water heater sales in those markets as well.

Gas water heaters overcome the shortfall of electric models, namely the supply of hot water cutting off (using hot water continuously causes the stored hot water to be depleted) and are notably more convenient. Yet they also have the disadvantage of emitting cold water stored in equipment and pipes when the water heaters are first used. Gas water heaters that instantly dispense hot water overcome this and are enjoying brisk diffusion. In 2019 Shanghai Rinnai launched a new model that instantly produces hot water and has been working to expand its market share.

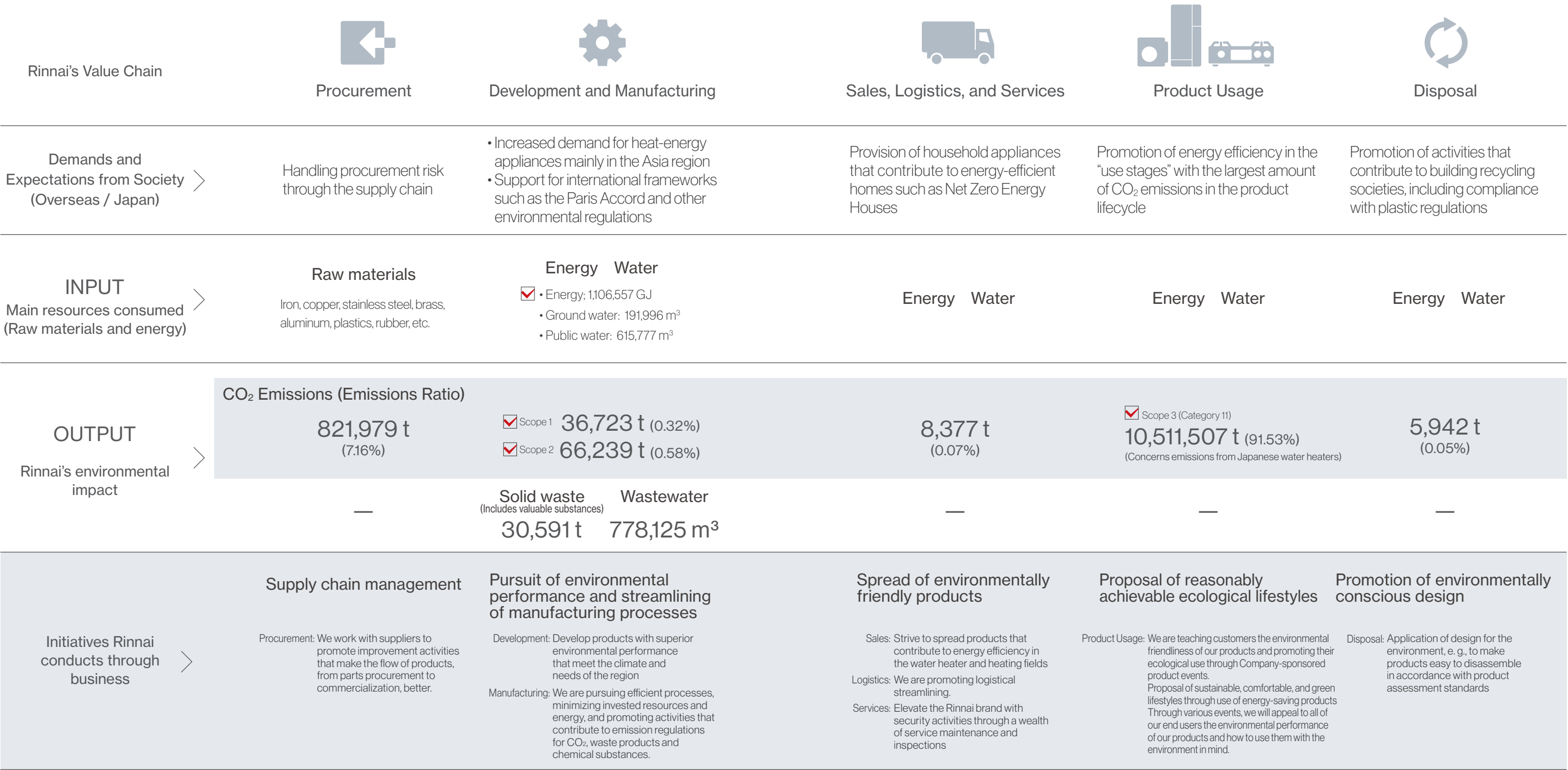
In China, Internet sales of gas equipment have been rising in tandem with the general trend in consumption toward online sales. Rinnai Shanghai's Internet sales ratio also rose by about 3 percentage points compared with 2018. We will work to enhance awareness of Rinnai by selling hot water heaters that are only available through the Internet and by promoting Rinnai's strengths in quality and performance.



Environmental Impact within Rinnai’s Value Chain

Rinnai promotes environmental impact reduction initiatives through the value chain ^(see Note 1) in consideration of societal demands and impact on the environment.

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



Rinnai's estimates based on the "Basic Guidelines for Calculating Green House Emissions Through the Supply Chain"
[Target scope] Rinnai Corporation and consolidated subsidiaries (development / manufacturing), Rinnai Corporation (procurement / sales / logistics / services / product usage / disposal)
[Target period] Domestic: Fiscal 2020 (April 2019–End of March 2020)
Overseas: January 2019–End of December 2019
[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).

Taking Pride in *Monozukuri* (craftsmanship)

Rinnai Group products for sale in Japan and a portion those for export markets are manufactured primarily at its Oguchi Factory in Oguchi-cho, Aichi Prefecture, and its Seto and Akatsuki factories, both in Seto City. Among the products Rinnai provides, heating equipment requires particularly careful quality control and therefore burner units and other key parts are manufactured within the Group.

Furthermore, our product development and design departments are located primarily in our Technology Development Center (Oguchi-cho), where products are not only designed but tested with a robust array of testing facilities. Daily innovations occur on the production side as well at our Production and Technology Development Center (Komaki City). This organization researches how to reduce the costs and improve the quality of items such as dyes, production equipment, and parts.



Seven points of pride

1. In-house design and insourcing

Key components are designed and manufactured in house. In addition, the dyes, facilities, and software required for insourcing are also made by Rinnai, depending on the status of production. Doing things independently ensures that technology and skills are accumulated and passed on and leads to the birth of even better products.

2. Modular design

We are promoting modular design by concentrating elements and functions and standardizing them along set units. Simplifying assembly improves the quality of assembly and processing, while standardizing supports cost reductions.

3. Painstaking inspection systems

Every product we make is inspected by automated equipment and by certified inspectors who have passed rigorous internal standards. In addition, each process includes error-prevention equipment that prevents the flow of defective products down lines.

4. Local production

We are proactively promoting local production and local sales. This reflects our ongoing efforts to provide products that address local needs; create employment opportunities; mitigate risks by enabling sustained production during pandemics, natural disasters, and other crises; while also contributing to society and improving Rinnai's sustainability and growth potential.

5. Fully integrated production

Handling all steps from processing to assembly, packaging, and shipment at our own factories enables us to realize high-quality product manufacturing in all processes. In addition, Rinnai is capable of multi-item, mixed-line production and can respond to market needs with agility by flexibility producing only the required amounts when they are needed.

6. Automation that can handle a variety of products

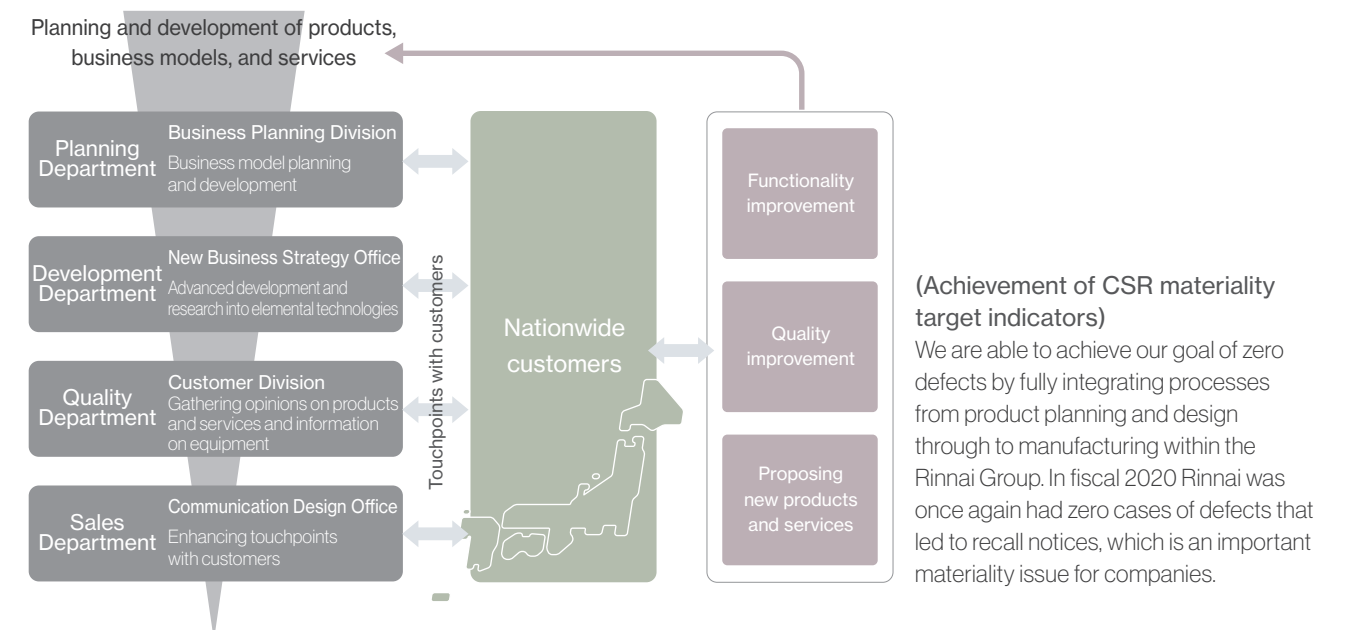
Rinnai handles a wide variety of products, for example, with gas equipment there are various types of gases used, heat settings for stoves, and variations in exhaust for hot water heaters. Since these are made in mixed-line production facilities, we have highly advanced automation technologies to handle this production.

7. Skill management (talent development)

In our view, quality is created by superior technology and skill but above all at a well-equipped and organized work environment. With a focus on 3S (Sorted, Straight, and Sanitary) and 5 Sets (set position, set form, set quantity, set product, and set time), each employee strives to create a safe and high-quality workplace.

We are providing high-quality products by keeping faithful our pride in *monozukuri*. When customers use our high-quality products, we are supporting peace of mind and safety in their lives.

Enhancing *monozukuri* and quality by strengthening touchpoints with customers



With the World's Highest Standard for Environmental Performance, ECO ONE Takes the Best of Gas and Electricity to Help during Disasters

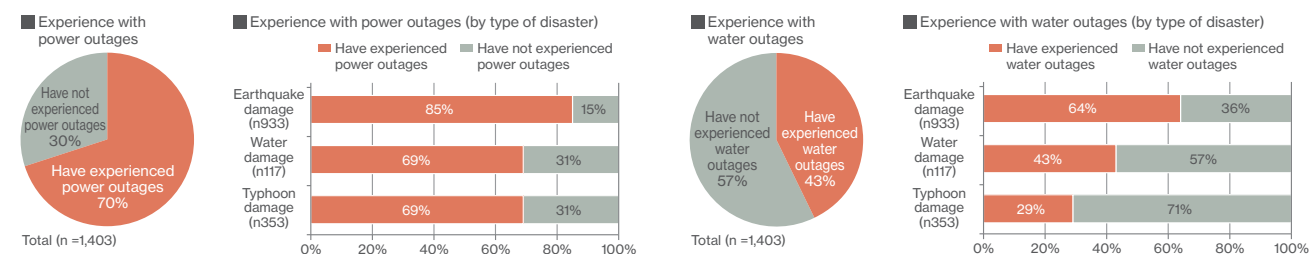


The year 2019 was marked by many natural disasters. This gave consumers the opportunity to think more deeply about risk management for disasters and heightened momentum to prepare for them on a daily basis.

January 3:	Earthquake in Kumamoto region of Kumamoto Prefecture	August 4:	Earthquake of the coast of Fukushima Prefecture
February 21:	Earthquake in middle east Iburi region in Hokkaido Prefecture	Around August 26-28:	Torrential rains in Kyushu
May 10:	Earthquake in Hyuganada, Miyazaki Prefecture	Around September 5-9:	Typhoon Faxai
May 25:	Earthquake in southern Chiba Prefecture	Around October 11-12:	Typhoon Hagibis
June 18:	Earthquake of the coast of Yamagata Prefecture		

70% of people have experienced power outages and 40% have experienced water outages when lifelines are stopped during disasters

According to a survey, 70% of respondents have experienced power outages during disasters. By type of disaster, 85% were due to earthquake damage, 69% to water damage, and 69% to typhoon damage. In addition, 43% of respondents have experienced water outages during disasters. By type of disaster, 64% were due to earthquake damage, 43% to water damage, and 29% to typhoon damage. It is apparent from this data that situations where lifeline services are interrupted occur frequently.



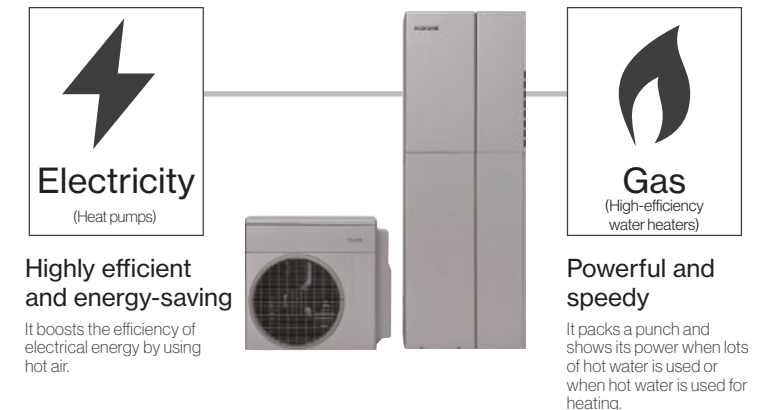
Source: EnviroLife Research Institute, Inc., 2019

Linkage with SDGs



A hot water heater that is resilient to disasters, ECO ONE is a hybrid hot water and heating system that protects and supports people's lives.

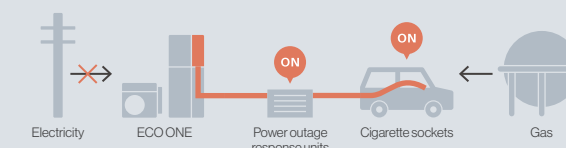
Disasters strike unexpectedly. Consumers can prepare for emergencies by installing hot water heaters that can work with both gas and electricity, and thus diversify risk so lifestyles can be sustained even when lifelines are limited.



What ECO ONE can do during a disaster

⚠ When the power is cut off

If there is power generation from cars or solar panels, gas can be used to heat water



⚠ When the water is cut off

Hot water in the tank can be used as domestic water



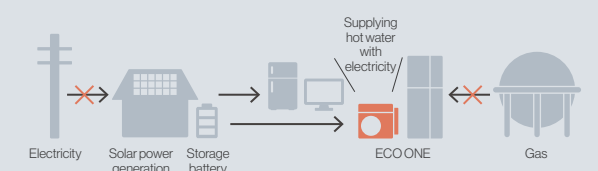
⚠ When the gas is cut off

Hot water can be supplied with electricity alone



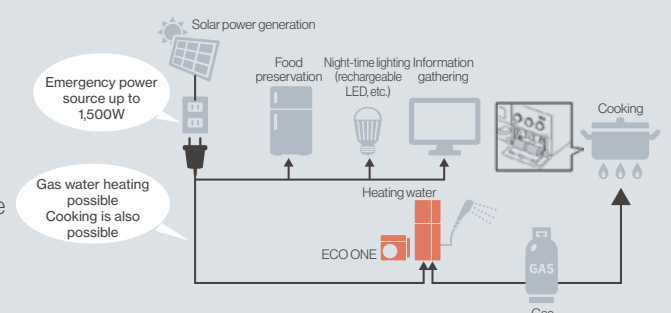
⚠ When both electricity and gas are stopped

If there is a storage battery, water can be heated with electricity



⚠ Image of hybrid lifestyle during power outages

During a disaster, by using solar power generation and ECO ONE, electricity can be used to preserve foods and for nighttime lighting while gas is used for heating water and cooking.



Rinnai supports customers' safety and endeavors to help them live comfortable lives with peace of mind by providing products like ECO ONE and the functionality built into its various products.

Health Effect and Efficacy of Bathing with the Microbubble Bath Unit

Linkage with SDGs



In April 2019, Rinnai formulated its brand promise, "Creating a healthier way of living" and renewed its brand logo. The new logo is symbolic of the new Rinnai and is intended to invoke a brand image of creating healthy and comfortable lifestyles. We have added a new theme of "health and lifestyles" to the past theme of "heat and lifestyles". In addition, as one message in promoting the theme of "health", in April 2020 we launched sales of the microbubble bath unit.

What are microbubbles?

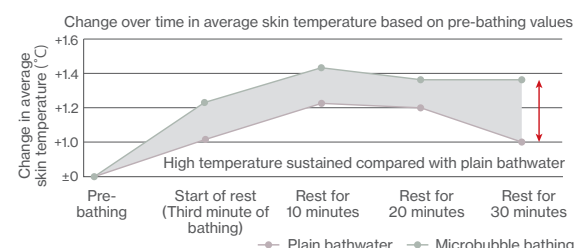
Microbubbles are ultrafine bubbles measuring 1-100μm in diameter. They have low buoyance and spread out and gently rise like a milky cloud. As time passes, they float to the surface and become even finer bubbles as they contract in water.

Microbubble bath unit

By affixing a microbubble bath unit between the bathtub and the water heater with dedicated circulator fittings (a device to spray hot water into the bathtub), microbubbles are generated and produce a variety of health benefits for the bather. We have successfully gathered a variety of verification data on the benefits of bathing with a microbubble bath unit from research by Toho Gas Co., Ltd. and Nihon Fukushi University as well as joint verification studies conducted by Rinnai and Professor Shinya Hayasaka of Tokyo City University, a leading medical researcher in the field of bathing.



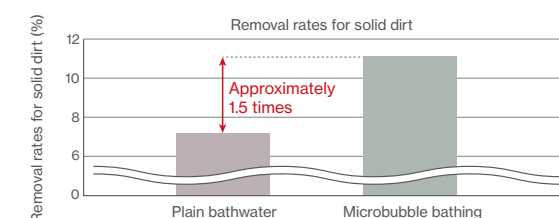
Effect and efficacy of microbubbles (1): Hot bath effect



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

Experiment parameters
Research by Toho Gas Co., Ltd. and Nihon Fukushi University
Subjects: Seven healthy women in their 30s
Bathroom environment: Room temperature 29 °C, humidity 97%
Bathing method: Whole-body bathing for 10 minutes with bathwater at 40 °C

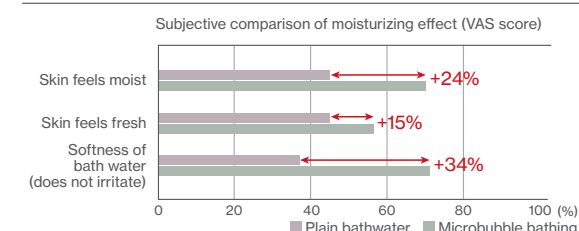
Effect and efficacy of microbubbles (2): Cleansing effect



Fine bubbles affix to and remove dirt on the skin. The bubbles also stick to dirty sebum clogged in pores and remove it to keep the skin clean. In verification testing, microbubble bathing was shown to be more effective than ordinary bathing in removing dirt.

Experiment parameters
Fiscal 2019 data from Rinnai. Stimulated dirt (a 10% blend of beef fat and carbon black) was rubbed on the subjects' midsections and color-difference meter measures were taken before and after bathing. The dirt removal ratio was calculated using brightness levels before and after bathing.
Subjects: Six healthy adult men
Bathing method: Whole-body bathing for 10 minutes with bathwater at 38 °C / *Significance probability of less than 5% indicated a statistically significant difference.

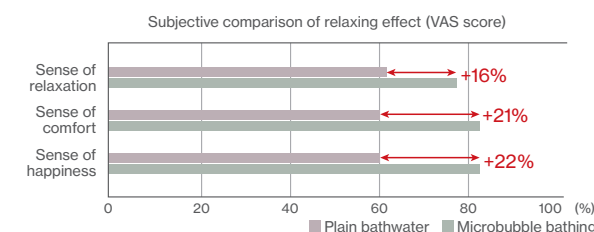
Effect and efficacy of microbubbles (3): Moisturization



People experiencing microbubble bathing offered a lot of positive feedback including that the bathwater felt softer, the skin became moist, the skin did not feel as tight, and moisturizing cream was no longer needed.

Experiment parameters
Measurement: Analysis using the VAS (visual analogue scale) method
Paper: *Mental and Physical Subjective Evaluation of Microbubble Bathing, 2020.* (Shinya Hayasaka: Japan Health Development Journal 2020)
Subjects: 11 adult women

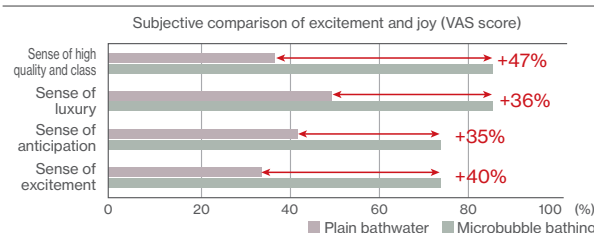
Effect and efficacy of microbubbles (4): Relaxation effect



Even ordinary bathing has been reported to lower mental stress due to the hot bath effect. Microbubble bathing was found to offer a greater sense of relaxation, sense of comfort, and sense of happiness than ordinary bathing. It is also hoped to lead to better sleep as well.

Experiment parameters
Measurement: Analysis using the VAS (visual analogue scale) method
Paper: *Mental and Physical Subjective Evaluation of Microbubble Bathing, 2020.* (Shinya Hayasaka: Japan Health Development Journal 2020)
Subjects: 11 adult women

Effect and efficacy of microbubbles (5): Sense of excitement and joy



We received many comments that bathing in the cloudy hot water felt like bathing in a hot spring. Association with the milky waters of a hot spring is believed to lead to the psychological perception of high-quality, luxury, anticipation, and excitement.

Experiment parameters
Measurement: Analysis using the VAS (visual analogue scale) method
Paper: *Mental and Physical Subjective Evaluation of Microbubble Bathing, 2020.* (Shinya Hayasaka: Japan Health Development Journal 2020)
Subjects: 11 adult women

We will continue to plan and develop products and services on the theme of "health and lifestyles" and take on the challenge of creating healthy and comfortable ways to living.

VOICE



Shinya Hayasaka MD, PhD
Tokyo City University, Japan

Effects of bathing with microbubble baths

Soaking in hot water has a major impact on physical and psychological health, and there is even research that found "people who take a bath everyday tend to be happier".^{*1}

When microbubbles are added to the heating effect of bathing, heat transfer is further promoted to the body, which prevents feeling chilly after leaving the bath. The bubbles also have the cleansing effect of lifting dirt from the skin's surface. Microbubble bathing is therefore expected to produce even better effects than ordinary bathing in terms of recovery from fatigue, sleep promotion, deodorization, and other benefits. In addition, microbubbles have been found to have a positive subjective impact on the mind and body^{*2} and also produce a softer feel in the water as well as improved moisture in the skin and a better sense of relaxation. I believe this is due in large part to the visual impact of the white bathwater created by the microbubbles. I think the ability to experience microbubble baths in your own home will create high-quality and healthy lifestyle.

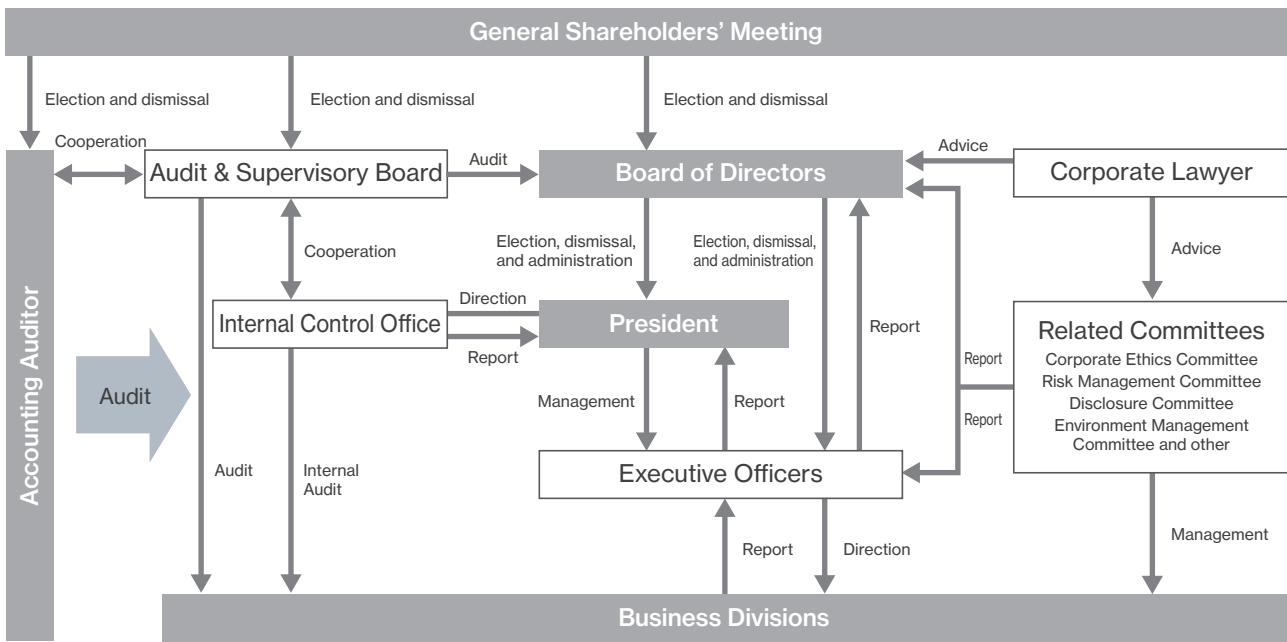
^{*1} A survey of 6,000 residents of Shizuoka Prefecture by Professor Shinya Hayasaka's research team
^{*2} Paper: *Mental and Physical Subjective Evaluation of Microbubble Bathing, 2020.* (Shinya Hayasaka: Japan Health Development Journal 2020)
Subjects: 11 adult women

Management Structure

Basic Principles

- 01
- Rinnai views reinforcement and enhancement of corporate governance as important management priorities from the perspectives of strengthening competitiveness and continually improving corporate value of the Group.
- 02
- Rinnai takes care to preserve equality of shareholders by ensuring that their rights are essentially protected and that those rights can be exercised smoothly.
- 03
- Rinnai views appropriate cooperation with all stakeholders as essential to improving corporate value and, through its business activities, strives for its own growth together with social and economic prosperity.
- 04
- Rinnai emphasizes highly transparent management through the swift and appropriate disclosure of wide-ranging information while stepping up efforts to ensure that disclosure of Company information is based on legal regulations.
- 05
- Rinnai's Board of Directors recognizes its fiduciary responsibilities to shareholders and strives to continually improve corporate value 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 2020)

Category	Persons	Total amount of compensation paid
Directors (of which are outside directors)	7 (2)	¥286 million (14)
Auditors (of which are outside auditors)	5 (2)	¥45 million (10)
Total	12	¥331 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). There is a variance from the number of auditors shown above which is due to the inclusion of one auditor who resigned as of the end of the 69th Ordinary General Meeting of Shareholders convened on June 26, 2019.

Governance

Leadership (As of June 26, 2020)

Board of Directors

Kenji Hayashi Representative Director, Chairman of the Board

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

Hiroyasu Naito Representative Director and President and Executive President

Career Summary and Current Position in the Corporation:
Apr. 1983 Joined Rinnai Corporation
Jun. 1991 Director, Deputy General Manager of Technology Research Headquarters, and concurrently General Manager of New Technology Development Division
Jul. 1998 Director, General Manager of Technology Research Headquarters
Jul. 2001 Director, General Manager of Corporate Planning Division and concurrently, General Manager of Administration Division
Jun. 2003 Managing Director, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division
Jun. 2005 Director, Managing Executive Officer, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division
Nov. 2005 Representative Director, President and Executive Officer of the Corporation (current)

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

Career Summary and Current Position in the Corporation:
Apr. 1979 Joined Rinnai Corporation
Jun. 1999 General Manager of Information System Division
Jun. 2005 Executive Officer, General Manager of Information System Division and Distribution Control Division
Nov. 2005 Executive Officer, Deputy General Manager of Administration Headquarters and concurrently, General Manager of Corporate Planning Division, Information System Division, and Distribution Control Division
Apr. 2007 Executive Officer, General Manager of Administration Headquarters and concurrently General Manager of Corporate Planning Division
Jun. 2007 Director, Executive Officer, General Manager of Administration Headquarters, and concurrently, General Manager of Corporate Planning Division
Apr. 2010 Director, Managing Executive Officer, General Manager of Administration Headquarters, and concurrently General Manager of Corporate Planning Division and Information System Division
Apr. 2016 Director, Senior Managing Executive Officer, General Manager of Corporate Planning Headquarters, and concurrently, General Manager of Corporate Planning Division, Information System Division, In charge of Administration Headquarters
Jul. 2016 Director, Senior Managing Executive Officer, General Manager of Corporate Planning Headquarters, and concurrently, General Manager of Corporate Planning Division, In charge of Administration Headquarters
Apr. 2018 Director, Senior Managing Executive Officer, General Manager of Corporate Planning Headquarters (current)

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

Career Summary and Current Position in the Corporation:
Apr. 1967 Joined Rinnai Corporation
Jun. 1988 Director, General Manager of Technology Research Headquarters and concurrently General Manager of Quality Guarantee Division
Jun. 2001 Managing Director, General Manager of Production Headquarters
Jun. 2005 Director, Managing Executive Officer, and General Manager of Production Headquarters
Nov. 2005 Director, Managing Executive Officer, in charge of domestic business, and concurrently General Manager of Marketing & Sales Headquarters
Apr. 2006 Director, Senior Executive Officer, in charge of domestic business, and concurrently General Manager of Marketing & Sales Headquarters
Apr. 2009 Director, Executive Vice President; responsible for Research & Development Headquarters, Production Headquarters, Overseas Business Headquarters and Customer Division, and General Manager of Marketing & Sales Headquarters
Apr. 2010 Representative Director, Executive Vice President; responsible for Research & Development Headquarters, Production Headquarters, Overseas Business Headquarters and Customer Division, and General Manager of Marketing & Sales Headquarters
Oct. 2010 Representative Director, Executive Vice President; responsible for Research & Development Headquarters, Production Headquarters, Overseas Business Headquarters, and General Manager of Marketing & Sales Headquarters
Apr. 2016 Representative Director, Executive Vice President, President's Assistant, in charge of Production Headquarters and Overseas Business Headquarters
Apr. 2018 Representative Director, Executive Vice President, President's Assistant (current)

Yuji Kondo Director and Senior Managing Executive Officer, General Manager of Overseas Business Headquarters, and in charge of Business Planning Division

Career Summary and Current Position in the Corporation:
Apr. 1979 Joined Rinnai Corporation
Jul. 2001 Deputy General Manager of Research & Development Headquarters, and concurrently General Manager of Electronic Research & Development Division
Nov. 2005 Executive Officer, General Manager of Research & Development Headquarters and concurrently, General Manager of Technology Development Division
Jul. 2007 Executive Officer, General Manager in charge of Research & Development Headquarters
Apr. 2008 Executive Officer, General Manager of Research & Development Headquarters and concurrently, General Manager of Technology Administration Division
Jun. 2009 Director, Executive Officer, General Manager of Research & Development Headquarters and concurrently General Manager of Technology Administration Division
Apr. 2010 Director, Managing Executive Officer, General Manager of Research & Development Headquarters and concurrently General Manager of Technology Administration Division
May 2011 Director, Managing Executive Officer, General Manager of Research & Development Headquarters and concurrently General Manager of Electronics Development Division
Apr. 2013 Director, Managing Executive Officer, General Manager of Research & Development Headquarters
Apr. 2016 Director, Senior Managing Executive Officer, General Manager of Marketing & Sales Headquarters, in charge of Research & Development Headquarters
Apr. 2018 Director, Senior Managing Executive Officer, General Manager of Overseas Business Headquarters, and concurrently, General Manager of Group 3 Sales & Marketing Division, and in charge of Business Planning Division
Apr. 2019 Director, Senior Managing Executive Officer, General Manager of Overseas Business Headquarters, and concurrently General Manager of Group 1 and 3 Sales & Marketing Divisions, and in charge of Business Planning Division
Apr. 2020 Director, Senior Managing Executive Officer, General Manager of Overseas Business Headquarters, and in charge of Business Planning Division (current)

Nobuyuki Matsui Outside director, Independent officer

Career Summary and Current Position in the Corporation:
Apr. 1985 Professor at Department of Electrical Engineering in Nagoya Institute of Technology
Jan. 2004 President at Nagoya Institute of Technology
Apr. 2010 Auditor at Aichi University of Education, Adviser of Aichi Prefectural Government Office (Industrial Labor Section)
Apr. 2012 Professor at Chubu University
Jun. 2014 Outside director, Rinnai Corporation (current)

Current Representation in Other Companies:
Outside director at Aichi Tokei Denki Co., Ltd.

Takashi Kamio Outside director, Independent officer

Career Summary and Current Position in the Corporation:
Apr. 1965 Joined Toyota Motor Co., Ltd.
Jun. 1996 Director at Toyota Motor Corporation
Jun. 1999 Managing Director at Toyota Motor Corporation
Jun. 2001 Senior Managing Director at Toyota Motor Corporation
Jun. 2005 Senior Advisor at Toyota Motor Corporation
President at Towa Real Estate Co., Ltd.
Jun. 2006 Director at Nakanihon Kogyo Co., Ltd.
May 2010 Advisor at Toyota Motor Corporation
Jun. 2010 Senior Advisor at Towa Real Estate Co., Ltd.
Jun. 2011 Audit & Supervisory Board Member at Central Nippon Expressway Company Limited
Jun. 2016 Outside director, Rinnai Corporation (current)

Current Representation in Other Companies:
Chairman of Sasaei, specified nonprofit corporation

Audit & Supervisory Board Members

Haruhiko Ishikawa Standing Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:
Apr. 1980 Joined Rinnai Corporation
Nov. 2005 General Manager of Administration Division, Administration Headquarters
Apr. 2014 Executive Officer, General Manager of Administration Division, Administration Headquarter
Jun. 2016 Audit & Supervisory Board member (current)

Katsuhiko Shinji Standing Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:
Apr. 1981 Joined Rinnai Corporation
Dec. 2000 President of Shanghai Rinnai Co. Ltd.
Jun. 2004 Director of Rinnai Corporation; President of Shanghai Rinnai Co. Ltd.
Jun. 2005 Executive Officer of Rinnai Corporation; President of Shanghai Rinnai Co. Ltd.
Apr. 2009 Executive Officer, Deputy General Manager of Overseas Business Headquarters in Charge of Asia, Rinnai Corporation; President of Shanghai Rinnai Co. Ltd.
Apr. 2011 Executive Officer of Rinnai Corporation; President of Shanghai Rinnai Co. Ltd.
Apr. 2019 Assistant to General Manager of Overseas Business Headquarters, Rinnai Corporation
Jun. 2019 Audit & Supervisory Board member (current)

Masaaki Matsuoka Outside Independent Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:
Sep. 1976 Registration of a certified public accountant
Jul. 1988 Partner at Deloitte Tohmatsu LLC (Now, Deloitte Touche Tohmatsu LLC)
Jun. 2014 Retired from Deloitte Touche Tohmatsu LLC
Jul. 2014 Established Masaaki Matsuoka CPA office (current)
Jun. 2016 Audit & Supervisory Board Member (current)

Current Representation in other companies
Audit & Supervisory Board Member at Kanemi Co., Ltd.
Outside Audit & Supervisory Board Member at Mitachi Co., Ltd.

Executive Officers (excluding concurrent directors)

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

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

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

Kenichi Ebata Executive Officer
General Manager of General Affairs Division

Hiroyuki Hoyano Executive Officer
General Manager of Kanto Branch, Marketing & Sales Headquarters, and General Manager of Living Room Sales Office

Ippei Watanabe Outside Independent Audit & Supervisory Board Member

Career Summary and Current Position in the Corporation:
Apr. 1978 Registration of attorneys
Joined Saji & Ohta Law firm
Jun. 1991 Established Ohta & Watanabe Law firm (currently, TRUTH & TRUST Law Office) (current)
Jun. 2016 Audit & Supervisory Board Member (current)

Current Representation in other companies
Outside director at Howa Machinery, Ltd. (Audit and supervisory committee member)

Hideyuki Shiraki

Managing Executive Officer
General Manager of Marketing & Sales Headquarters

Hirohisa Ooi Executive Officer
General Manager of Production Headquarters

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

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

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

Terumasa Kaneko Executive Officer
General Manager of Customer Service Supervisory Division, Marketing & Sales Headquarters

Kazuto Inoue Executive Officer
General Manager of Production Engineering Division

Takuya Ogawa Executive Officer
Deputy General Manager of Corporate Planning Headquarters

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

Governance

Compliance

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

Rinnai Group Code of Ethics

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

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

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

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



Rinnai Group Code of Ethics
(Japanese and English versions)



Scenes where the Rinnai Group Code of Ethics is being entrenched (left: Brazil, right: Malaysia)



Compliance Education Activities

Rinnai’s Legal Division conducts legal education every year with regard to laws closely related to operations conducted by business divisions. Rinnai also conducts compliance education every year during employee training for new recruits and by rank, with 251 employees attending in fiscal 2020.

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.



New recruit training

Risk Management

Risk Management Policy

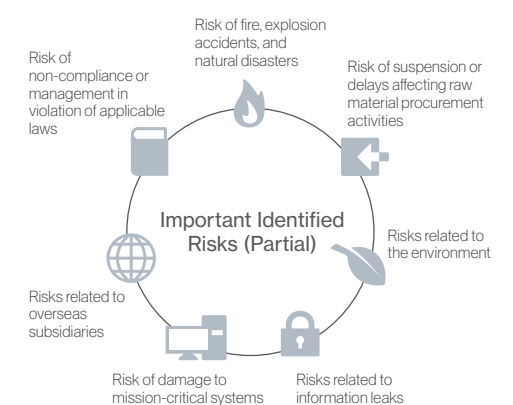
As society becomes increasingly complex, companies face a variety of risks. Against this backdrop, the Rinnai Group is promoting its business on a global scale and is implementing risk management to ensure it remains trusted by its customers and society and conducts business activities in a stable fashion.

Promotion of Business Continuity

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

Promotion Structure

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



Rinnai’s Approaches to Preventing the Spread of Novel Coronavirus (COVID-19)

In January 2020, when COVID-19 infections were confirmed in the Wuhan area of China, Rinnai set up a Crisis Response Headquarters and sent an internal communication titled “Requests related to Novel Coronavirus (COVID-19) Countermeasures” (restrictions on overseas travel, etc.) to encourage awareness.

After that, the situation evolved with such events as the declaration of a state of emergency, but we endeavored to prevent the spread of infections by holding response meetings as needed and issuing rules while maintaining strong internal controls.

Main countermeasures

- Thorough handwashing, gargling, mask wearing, use of disinfectants, and ventilation of workplaces.
- Daily temperature checks and reporting of the number of those with abnormal readings (employees with temperatures of 37.0 °C or higher or with cold symptoms are prohibited from coming to work, etc.)
- Review of cafeteria layout (avoiding face-to-face seating), encouraging self-restraint regarding conversations while eating
- Self-restraint regarding internal meetings, encouragement of web meetings, in principle a ban on visiting customers
- Encouraging working from home and off-peak commuting, switching to commuting by personal cars, etc.

Communication with Employees

Selected as a “2020 Health & Productivity Stock”



Rinnai was selected as a “2020 Health & Productivity Stock” under a program sponsored by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE). “Health & Productivity Stock” selections have been made since 2015 from among outstanding companies listed on the TSE that are engaging in a health and productivity management program. In addition, Rinnai was also selected as an “Outstanding Health and Productivity Management Organization (large enterprise category) 2020 (White 500)” (sponsored by METI). Not limited to listed companies, this certification also recognizes organizations that implement excellent health and productivity management practices.

Rinnai’s Initiatives

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

Mental Health Measures

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

Measures to Prevent Lifestyle-related Diseases

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

Measures Against Metabolic Syndrome

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



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

Development of Global Human Resources

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

With regard to human resources in Japan, we give the opportunities for secondment to overseas group companies from their 20s. The program is based on gaining actual experience through an overseas posting and aims to develop participants’ adaptability to different cultures and international business sense.

VOICE



Rinnai Indonesia
Mulyadi

Coming to Japan from Indonesia for Training

I joined Rinnai Indonesia in 1994 and have been involved in machining dyes for parts with machining devices, assembly, and design. I am currently working on dye design, so I am able to apply my experience on the front lines in parts machining and assembly. This experience has motivated me to machine, assemble, and confirm the parts I have designed in the downtime I have between design jobs.

My first experience with training at Rinnai was in 2007 when I was doing dye part machining. I spent a year experiencing precision parts machining and assembly. At the time, I did not understand Japanese and must have been a bother to the Rinnai staff looking after me.

My second Rinnai training was in 2019. I learned design for an important component to be used in a new tabletop stove being planned for Rinnai Indonesia. It was a dye for automated press equipment (line spacer) that was already in operation at Rinnai Indonesia, and I learned a lot by overcoming many design criteria that I had not experienced before.

I would like to work to build high-quality and cost-competitive dyes by adopting Rinnai’s standardized dye design, parts machining, and assembly in Rinnai Indonesia.



Rinnai America (third from left)
Akinori Ando

Secondment to Overseas Group Company

I was in charge of Latin American sales for one and a half years in the Overseas Business Headquarters. Since June 2019, I have been posted in the United States to be closer to our customers and to work with them without a major time difference. I conduct sales in countries other than Brazil, which is covered by Rinnai Brazil. My sales coverage is a market encompassing 32 Latin American countries with a population of 400 million, including Chile, Mexico, Argentina, Peru, Bolivia, and Colombia. Our direct business partners are the distributors who will import and sell our products. I try my best to expand sales by getting as many people as possible to understand the appeal of Rinnai’s products and to introduce products that fit each market. In addition, I am actively looking to create new business partners in countries where we do not have distributors yet.

I basically travel alone on business trips. Admittedly, there are some challenges as some countries are different from Japan in areas like public, but I find my work truly rewarding as I can spread Rinnai’s products and brand while interacting with the customs and cultures of various countries. It’s always an effort to communicate in Spanish or English. Yet language is only a tool; what is important is how you plan your business and the value-added that your services provide. I am working daily to quickly build Rinnai into the number one brand in Latin America.

Communication with Shareholders and Investors

Aiming for Longer-Term Business Growth and Stable Shareholder Returns

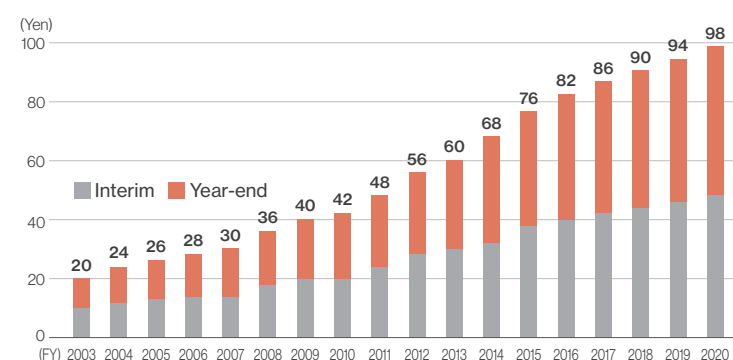


We disclose information in an appropriate, timely, fair, and impartial manner, and engage in IR activities with an emphasis on two-way communication in order to earn the trust of shareholders and investors. In an effort to provide our shareholders and investors with direct updates on our business activities,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

Dividend Increases for 18 Consecutive Fiscal Years

One of our top management priorities is to sustain a stable return of profits to shareholders. When deciding on dividends we consider consolidated performance, return on equity, financial status, but we have increased our annual dividend for 18 consecutive fiscal years since fiscal 2003. Furthermore, we plan to pay a commemorative dividend of ¥10 (¥5 in the first half and ¥5 at year-end) in honor of the 100th anniversary of Rinnai's founding in September 2020 in addition to the ordinary dividends for the fiscal year.

Dividend per share



Communication with Customers

Improving Products and Services Based on Customer Surveys



ILO
イロ

Launched in April 2019, ILO is a series of built-in hobs (stovetops) sold exclusively over the Internet with customized color combinations featuring 10 top plate colors, three front panel colors, and two stovetop colors.

During the planning for this product, Rinnai surveyed current stovetop users regarding their preferences for colors. When asked about why color preferences were selected, many respondents noted, "I want to be able to select the colors I like" and "I want the color to match the atmosphere of my kitchen." From such customer feedback, we created a stovetop that is not "a stovetop selected from an abundance of choices", but rather, "a stovetop that offers combinations to realize the ideal kitchen space" and implemented product planning and sales from that viewpoint. We also conducted a survey of customers who purchased after ILO was launched.

From interactions with customers in the sales process and responses to the survey of customers who purchased the model, we were able to gather specific information on queries about ILO's functions and on questions customers had before purchasing, such as regarding removal of the old stovetop. The questions we received from customers are posted on our sales site, and we will continue showing ingenuity in valuing our ties with customers after sales so they can make purchases with peace of mind.

Communication with Business Partners

Quality Improvement Activities Undertaken Together with Business Partners

Rinnai's fundamental concept is "Quality is our destiny" and its business partners also understand the importance of quality as we work together to improve it in everything we do. We cannot manufacture high-quality products without parts of good quality.

Rinnai is not only enhancing the inspection of the parts its purchases, but also focusing on enhancing the *monozukuri* and quality improvement of its business partners.

In fiscal 2020 six business partners participated in intensive quality improvement activities. Each company selected a theme related to an issue they faced and worked to improve it according to an annual plan. We were able to deepen mutual understanding and enhance each other's capabilities through periodic site visits and meetings to report on quality improvement.

In addition, we are enhancing quality management to respond rising market demands for quality. In fiscal 2020, we completely updated our quality assurance manual for business partners.

Going forward, Rinnai will continue working to build an environment under which we can grow together with our business partners under a spirit of co-existence and co-prosperity.



Scene from meeting to report on quality improvement



Reporting on examples of improvement through site visits

Communication with Local Communities and Society

Activities to Disseminate and Support the Parasport Boccia*



A scene from a boccia match



Competing against KEI in the finals of the main draw



Group photo with Office de Boccia participants

The Rinnai team participated in the inter-company boccia tournament "Office de Boccia in Nagoya: Winter 2020 Battle" held on February 7, 2020. This tournament is sponsored by the All Japan Business Committee for the Tokyo 2020 Olympic and Paralympic Games and is held in numerous venues with the aim of allowing participants to experience the depth and fun of boccia and to spread the appeal of parasports. Eighty-two companies and organizations entered the "Office de Boccia in Nagoya: Winter 2020 Battle" and only the 32 teams that made it through qualifying rounds competed in the main draw.

Rinnai's team successfully made it through the qualifiers to reach the main draw. It lost its first match in the main draw but won three in a row after earning a repechage position to reach the finals. The Rinnai team faced off against the two-time champion KEI team, but was unable to overcome them and finished a strong second. Through boccia, we were able to deepen our understanding of disabilities and parasports. And given Rinnai's ambition to create healthy and comfortable lifestyles for all people regardless of disability, we intend to participate in future tournaments.

* Boccia: Boccia is a sport created in Europe designed for people with severe cerebral palsy or similar severe limb dysfunction and is an official Paralympic sport. Players compete by throwing, rolling, or striking other balls with six red and blue balls toward a target white ball called the jack to see who can place the most balls closest to it.

VOICE



Tadashi Mishina
President & Representative Director
TECHNOMISUGI Co., Ltd.

Enhancing Trust Through Better Purchasing

I participated in Rinnai's quality improvement activities aimed at improving quality. I selected "how to eliminate human errors from preconceptions" as our theme. We approached this from employee training and built a check structure at equipment changeovers and other transition points. As a result, we had zero quality issues with parts to be delivered. As a supplier, I believe delivery good products will lead to building trust. From here on, I would like to further raise our awareness of *monozukuri* and have this lead to the tireless pursuit of better quality.

VOICE



Keita Kato
President & Representative Director
KEI Co., Ltd.

Seeking to Create Excitement for Parasports Together Through Boccia

I believe the "Office de Boccia in Nagoya: Winter 2020 Battle" held this February created a lot of excitement and was enjoyable for all participants beyond the bounds of parasports. Our team's goal was to win the tournament for a third consecutive year. We met Rinnai in the finals, and I was anticipating a close match, so we aimed to stick to the fundamentals. As expected, Rinnai's team showed good control and strategy which had us on edge. Yet we were a little better on the strategy side and therefore able to win our third consecutive championship.

As the representative of KEI Co., Ltd. and as a Paralympian, it is my sincere wish to work with companies to create excitement for boccia and other parasports even after the Tokyo Paralympics.

CSR Activities Underway Across the World

United States

Rinnai America donated 1,251 sanitary items to the Bloom Closet organization. Bloom Closet is a foster child support organization that sells sanitary items and clothing at low prices for foster children. Rinnai America is also engaged in a variety of other charitable activities.

Donation of sanitary items to a foster child support organization



Thailand
Each year, Rinnai Thailand employees hold an environmental protection event. In August 2019, 50 employees planted 150 mangrove trees in Samut Sakhram province.

Planting mangrove trees

Brazil

In May 2020, Rinnai Brazil donated hot water heaters for a temporary hospital (Campo Grande University Hospital) established to treat COVID-19 patients in Campo Grande City. Working in cooperation with Copagaz, a major supplier of LPG, Rinnai Brazil installed a gas hot water supply system in the temporary hospital.

Donation of hot water heater to a temporary hospital



Donation of gas clothes dryers to a social welfare facility

South Korea
Together with the 2020 social welfare corporation “Warm Accompaniment”, Rinnai Korea donated gas clothes dryers at 44 locations where families live with disabled persons who are preparing to live independently. Housing in which disabled persons can live independently are constantly short of space since various household items must be placed as needed for life in a wheelchair. Gas dryers are highly appreciated for drying clothes quickly and eliminating the need to hang clothes to dry.

Taiwan

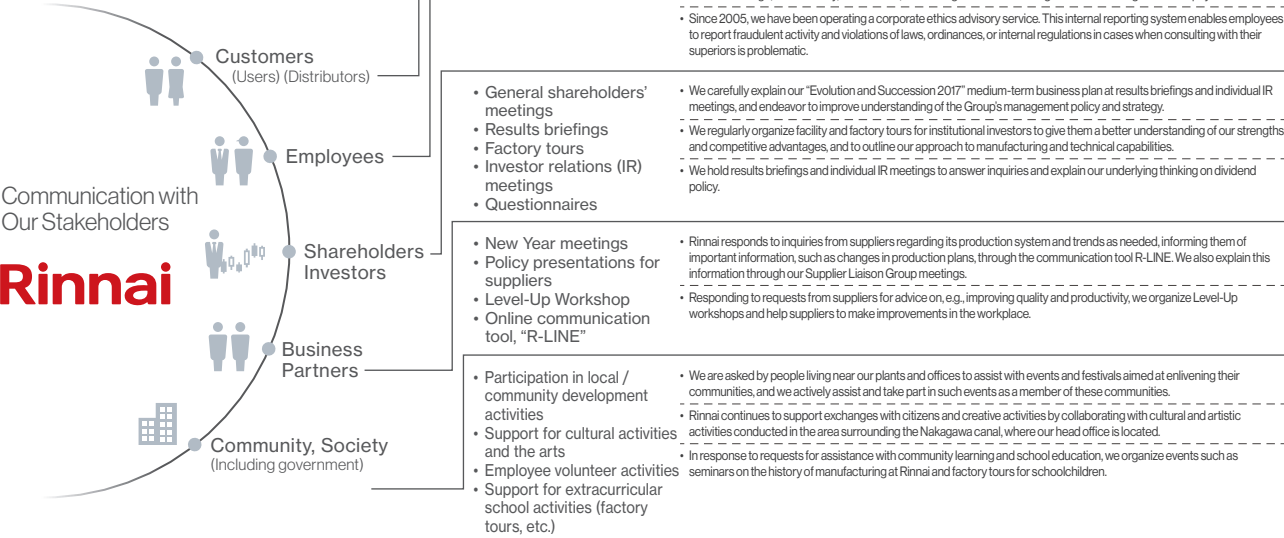
Rinnai Taiwan’s health promotion activities in 2019 included a contest to lose weight and reduce fat called “Together, Health, Beauty, Summer” aimed at reducing the health metrics of body mass index (BMI) and total cholesterol of its employees. Health checks showed a major improvement in these metrics, and in January 2020, Rinnai Taiwan was awarded the “Health Start Mark Certification for Healthy Workplaces” by the Health Promotion Administration of the Ministry of Health and Welfare of Taiwan.



Award related to health presented by the Ministry of Health and Welfare of Taiwan

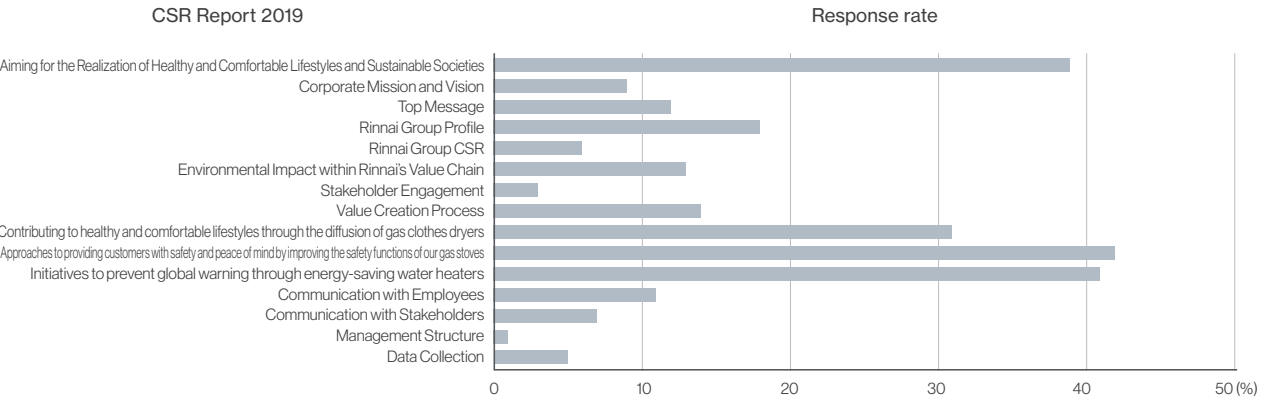
Stakeholder Engagement

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



Results of Questionnaire Regarding “CSR Report 2019” n=275

We sent a questionnaire to readers of our 2019 CSR Report and asked them to vote on topics they found interesting. We intend to incorporate the results of this questionnaire in our next edition.



Data Collection

Eleven-Year Financial Summary

		FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Net sales	(Millions of yen)	226,117	239,436	246,636	251,832	286,981	295,022	319,935	330,256	347,071	348,022	340,460
Operating income	(Millions of yen)	20,392	25,238	26,634	26,351	34,018	30,787	34,593	34,056	32,849	30,879	34,422
Operating income margin	(%)	9.0%	10.5%	10.8%	10.5%	11.9%	10.4%	10.8%	10.3%	9.5%	8.9%	10.1%
Ordinary income	(Millions of yen)	21,481	26,824	28,907	29,064	36,910	32,938	35,807	35,280	34,286	33,318	35,679
Net income attributable to owners of the parent company	(Millions of yen)	11,642	15,510	16,807	19,371	23,254	20,647	22,710	22,322	21,194	20,480	21,561
Total net assets	(Millions of yen)	142,502	141,110	154,737	178,007	232,635	261,414	271,709	290,638	307,965	320,696	340,959
Total assets	(Millions of yen)	222,324	221,495	238,853	262,590	334,382	355,140	368,084	402,107	422,422	430,885	450,486
Net assets per share	(Yen)	2,684.46	2,798.07	3,070.14	3,516.11	4,245.48	4,742.42	4,924.24	5,245.62	5,589.17	5,819.80	6,140.52
Net income per share	(Yen)	219.83	311.52	342.60	394.86	454.74	397.03	436.71	429.27	410.41	398.45	419.49
Equity ratio	(%)	62.5%	62.0%	63.1%	65.7%	66.0%	69.4%	69.6%	67.8%	68.0%	69.4%	70.1%
Return on equity	(%)	8.5%	11.2%	11.7%	12.0%	11.8%	8.8%	9.0%	8.4%	7.6%	7.0%	7.0%
Cash flows from operating activities	(Millions of yen)	29,687	27,536	23,074	22,872	36,453	25,671	36,066	39,554	29,914	29,479	37,694
Cash flows from investing activities	(Millions of yen)	(15,865)	(10,634)	(16,222)	(12,607)	(32,908)	(23,649)	(17,770)	(17,732)	(12,190)	(7,288)	(7,124)
Cash flows from financing activities	(Millions of yen)	(12,203)	(16,958)	(3,937)	(5,002)	13,183	(8,659)	(6,554)	(5,217)	(11,725)	(6,150)	(6,436)
Cash and cash equivalents at end of year	(Millions of yen)	46,570	46,145	48,648	55,030	74,279	69,340	79,600	95,297	101,697	116,133	140,138
Capital expenditures	(Millions of yen)	9,380	7,590	9,378	8,222	12,439	13,774	16,938	20,664	16,105	13,481	10,580
Research and development expenses	(Millions of yen)	6,764	6,934	7,665	8,060	8,380	8,895	9,113	9,340	9,918	9,503	9,308
Dividends	(Yen)	42	48	56	60	68	76	82	86	90	94	98
Payout ratio	(%)	19.1%	15.4%	16.3%	15.2%	15.0%	19.1%	18.8%	20.0%	21.9%	23.6%	23.4%
Number of outstanding shares	(Shares)	54,216,463	54,216,463	54,216,463	54,216,463	52,216,463	52,216,463	52,216,463	52,216,463	51,616,463	51,616,463	51,616,463
Closing price at the end of the period	(Yen)	4,910	5,520	5,960	6,770	9,070	8,910	9,940	9,230	10,100	7,830	7,650
Market capitalization	(Millions of yen)	266,203	299,275	323,130	367,045	473,603	465,249	519,032	481,958	521,326	404,157	394,866

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

Data Collection

Financial Data

(Millions of yen)			FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Results of profit and loss	Consolidated	Net sales	226,117	239,436	246,636	251,832	286,981	295,022	319,935	330,256	347,071	348,022	340,460
		Operating income	20,392	25,238	26,634	26,351	34,018	30,787	34,593	34,056	32,849	30,879	34,422
		Ordinary income	21,481	26,824	28,907	29,064	36,910	32,938	35,807	35,280	34,286	33,318	35,679
		Net income	11,642	15,510	16,807	19,371	23,254	20,647	22,710	22,322	21,194	20,480	21,561
	Rinnai Corporation	Net sales	169,277	175,045	183,091	188,559	205,598	190,475	197,592	198,870	201,936	206,015	207,805
		Operating income	13,455	16,131	18,045	18,066	24,278	18,675	20,191	18,814	15,378	14,602	17,359
		Ordinary income	15,515	17,647	22,573	19,911	27,138	22,073	21,946	21,512	18,466	19,026	20,295
		Net income	8,654	10,467	13,869	12,804	18,176	15,339	15,602	16,215	13,850	14,175	15,058
	Domestic consolidated and affiliated companies	Net sales	85,884	91,097	97,082	96,824	105,111	99,967	99,599	124,806	125,536	122,181	101,938
		Operating income	1,835	1,821	2,071	2,403	2,775	2,086	2,552	3,626	2,749	2,748	3,248
		Ordinary income	2,030	2,029	2,270	2,571	2,881	2,199	2,735	3,837	2,924	3,014	3,476
		Net income	1,127	545	1,238	1,573	1,889	1,426	1,902	2,029	2,069	2,087	2,475
	Overseas consolidated companies	Net sales	71,023	79,872	76,806	77,083	99,152	126,880	149,987	149,917	169,125	175,756	171,409
		Operating income	4,832	6,884	6,179	5,963	7,255	9,921	11,636	12,453	14,765	13,640	12,242
		Ordinary income	4,647	7,085	7,077	6,584	8,260	11,026	12,542	13,060	15,555	14,932	13,182
		Net income	3,307	5,338	5,345	6,224	6,006	8,497	9,236	9,411	11,673	11,510	10,604
	Total	Net sales	326,185	346,015	356,979	362,467	409,862	417,323	447,178	473,595	496,597	503,953	481,153
		Operating income	20,122	24,837	26,297	26,432	34,308	30,682	34,380	34,894	32,893	30,991	32,850
		Ordinary income	22,193	26,762	31,921	29,067	38,280	35,299	37,224	38,409	36,946	36,973	36,954
		Net income	13,088	16,351	20,452	20,603	26,071	25,262	26,741	27,655	27,593	27,773	28,138
Sales by product	Consolidated	Water heaters	105,906	114,534	121,028	127,125	146,883	153,697	169,623	188,202	202,387	202,630	196,122
		Kitchen appliances	78,669	79,600	78,792	78,782	88,031	90,838	93,340	88,456	88,364	88,322	86,193
		Conditioning appliances	14,635	15,754	16,681	15,666	16,716	14,972	19,463	17,952	19,084	19,642	18,901
		Commercial-use appliances	6,268	6,739	6,846	6,912	7,552	9,227	10,041	9,122	9,499	8,452	8,556
		Others	20,636	22,806	23,286	23,346	27,797	26,287	27,466	26,521	27,735	28,974	30,685
	Rinnai Corporation	Water heaters	78,086	81,614	88,005	92,608	103,942	99,636	105,999	109,258	112,561	116,810	115,908
		Kitchen appliances	65,523	66,910	66,348	66,629	71,953	62,236	62,849	61,359	59,509	58,852	59,934
		Conditioning appliances	10,873	11,067	12,296	12,029	12,069	10,725	9,965	9,945	9,535	9,139	8,658
		Commercial-use appliances	2,756	2,630	2,638	2,748	2,692	2,673	2,675	2,629	2,308	2,226	2,225
		Others	12,037	12,822	13,803	14,543	14,941	15,203	16,103	16,677	18,021	18,986	21,079
	Domestic consolidated and affiliated companies	Water heaters	19,164	21,395	24,412	25,513	27,199	26,714	28,259	51,822	52,280	49,210	33,583
		Kitchen appliances	26,511	27,332	26,048	24,955	28,435	24,006	22,260	21,139	19,128	18,934	15,611
		Conditioning appliances	1,213	1,149	1,308	1,147	1,051	786	628	669	678	714	704
		Commercial-use appliances	1,718	1,614	1,605	1,618	1,474	1,620	1,590	1,609	1,501	1,337	1,363
		Others	37,275	39,605	43,707	43,588	46,949	46,838	46,859	49,564	51,946	51,985	50,676
	Overseas consolidated companies	Water heaters	38,585	43,626	44,058	45,218	57,906	70,902	84,335	88,082	104,149	110,131	107,979
		Kitchen appliances	12,129	11,781	11,661	11,465	15,828	29,246	31,346	28,368	29,809	30,746	29,736
		Conditioning appliances	6,118	7,889	7,244	6,227	7,631	7,309	12,828	12,212	13,116	13,791	13,294
		Commercial-use appliances	5,357	5,665	4,570	4,624	5,311	7,114	8,010	7,206	7,689	6,708	6,943
		Others	8,832	10,909	9,271	9,548	12,474	12,307	13,465	14,047	14,360	14,379	13,454
	Total	Water heaters	135,837	146,636	156,476	163,340	189,048	197,253	218,594	249,163	268,992	276,151	257,471
		Kitchen appliances	104,165	106,024	104,058	103,050	116,217	115,489	116,457	110,868	108,448	108,533	105,282
		Conditioning appliances	18,205	20,106	20,849	19,404	20,753	18,822	23,422	23,827	23,329	23,645	22,657
		Commercial-use appliances	9,832	9,910	8,813	8,991	9,477	11,408	12,276	11,445	11,498	10,272	10,532
		Others	58,145	63,337	66,782	67,679	74,364	74,349	76,427	80,290	84,328	85,351	85,210
Results of profit and loss by overseas consolidated subsidiaries (Before elimination of consolidation)	Rinnai America	Net sales	12,799	13,041	11,584	11,333	15,487	17,754	22,602	23,504	27,738	30,390	33,133
		Operating income	553	796	242	315	845	1,020	1,817	1,661	2,207	1,491	2,032
		Ordinary income	535	803	243	317	849	1,036	1,841	1,644	2,219	1,481	2,025
		Net income	290	519	174	200	536	667	1,145	1,037	1,254	1,100	1,436
	Rinnai Australia	Net sales	12,618	15,367	14,996	13,752	15,272	15,360	23,137	21,515	23,585	25,033	23,760
		Operating income	1,595	2,719	3,137	2,186	2,337	1,456	1,366	1,461	1,803	1,720	593
		Ordinary income	1,836	3,011	3,877	2,611	2,776	1,634	1,522	1,447	1,847	2,065	393
		Net income	1,277	2,095	2,704	1,818	1,939	1,130	1,049	998	1,208	1,459	262
	Shanghai Rinnai	Net sales	12,207	12,953	12,907	14,207	20,652	27,202	33,958	37,448	45,969	47,511	43,628
		Operating income	1,500	1,258	556	1,175	1,650	2,174	2,727	3,136	5,133	5,088	5,593
		Ordinary income	1,537	1,350	650	1,300	1,817	2,472	3,016	3,268	5,223	5,319	5,868
		Net income	1,255	1,124	549	1,082	1,461	1,972	2,378	2,519	4,283	4,378	5,228
	Rinnai Korea	Net sales	20,318	21,107	20,574	19,720	25,054	31,215	33,594	32,254	34,905	32,803	27,535
		Operating income	516	733	717	725	407	1,371	1,356	1,233	727	102	(1,382)
		Ordinary income	150	442	598	638	519	1,236	1,551	1,306	802	269	(1,248)
		Net income	53	545	643	1,818	301	1,184	1,144	1,043	499	242	(987)
	Rinnai Indonesia*	Net sales	-	-	-	-	-	11,733	11,640	11,327	12,041	12,840	11,263
		Operating income	-	-	-	-	-	1,366	1,486	2,052	1,952	1,828	1,600
		Ordinary income	-	-	-	-	-	1,879	1,707	2,295	2,209	2,076	1,906
		Net income	-	-	-	-	-	1,456	1,334	1,776	1,720	1,620	1,504

* Rinnai Indonesia has been included into Rinnai's consolidated financial statements from the fiscal year ended March 2015 (it has been included in the consolidated balance sheets as of the fiscal year ended March 2014).

Data Collection

Data related Society

		FY2018	FY2019	FY2020
Newly recruited employees	Men	80	81	62
	Women	59	50	22
	Total	139	131	84
Mid-career recruitment	Men	4	3	2
	Women	10	6	6
	Total	14	9	8
Temporary employees	Total	379	283	376
Average working years	Men	16.8	16.6	17.3
	Women	12.1	12.7	13.3
	Total	15.4	15.5	16.1
Average age (Years old)	Men	38.8	39.3	39.7
	Women	33.3	34.0	34.5
	Total	37.1	37.7	38.2

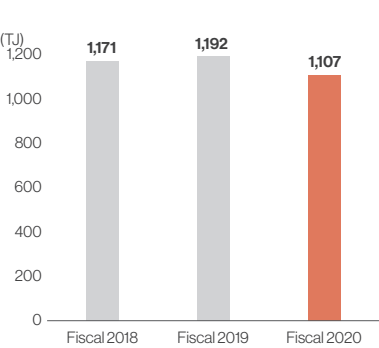
		FY2018	FY2019	FY2020
Days of paid leave taken	Number of days granted	20.0	20.0	20.0
	Number of days taken	9.7	10.5	12.1
	Paid leave utilization ratio (%)	53.3	57.1	58.0
Employment of persons with disabilities	Number of employees with disabilities	60	66	74
	Employment rate of persons with disabilities (%)	1.90	2.05	2.23
Number of occupational accidents	Number of OJT accidents	25	26	37
*Includes domestic consolidated subsidiaries				
Mental health leave	Lost time injury frequency rates (LTIFR)	1.99	2.01	2.82
Number of employees who took childcare leaves of absence		90	82	57
Number of employees who used childcare leave	Men	1	0	0
	Women	106	117	123
	Total	107	117	123
Proportion of employees who return to work after taking parental leave (%)	Men	100.0	100.0	-
	Women	100.0	100.0	100.0
	Total	100.0	100.0	100.0
Number of employees who used shortened work hours	Men	0	0	0
	Women	96	109	131
	Total	96	109	131
Number of employees who used family care leave	Men	0	1	1
	Women	36	53	48
	Total	36	54	49
Number of employees who used nursing leave	Men	2	1	1
	Women	2	3	4
	Total	4	4	5
Number of employees who took nursing leaves of absence	Men	0	0	1
	Women	1	2	4
	Total	1	2	5
Number of employees who used reemployment system	Men	0	0	1
	Women	0	0	2
	Total	0	0	3
Number of employees who used the work from home program	Men	0	1	59
	Women	3	2	14
	Total	3	3	73

Working hours *Excluding managers and supervisors		FY2018	FY2019	FY2020
Annual total actual working hours per employee		2,123.0	2,097.0	2,007.9
Annual non-scheduled working hours per employee		229.0	217.0	199.2
Average overtime per month (Hours)		19.4	18.7	16.6

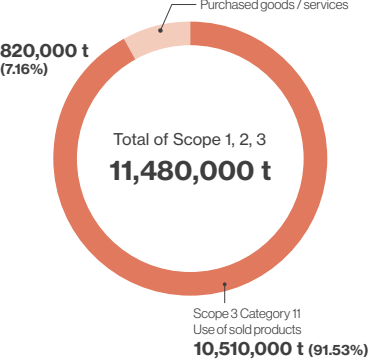
Other (Social contributions, Compliance)		FY2018	FY2019	FY2020
Whistleblowing incidents *Includes domestic consolidated subsidiaries		9	5	6
Criminal charges (Number of cases) for compliance-related accidents and incidents (see Note 3)		0	0	0
Total amount of social contribution activities (Millions of yen)		15.0	14.0	14.0
Expenditures for political contributions and lobbying activities (Millions of yen)		1.0	1.0	1.0

Environmental Data

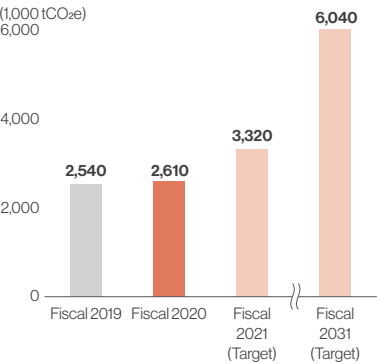
Total energy used



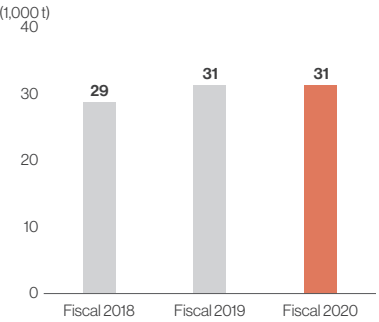
Total amount ratio of the entire value chain (CO₂ emissions) *1



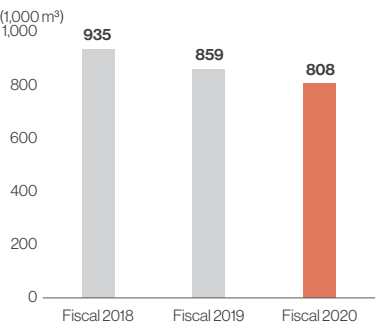
Eco-friendly products (contribute to reduction of CO₂ emissions)



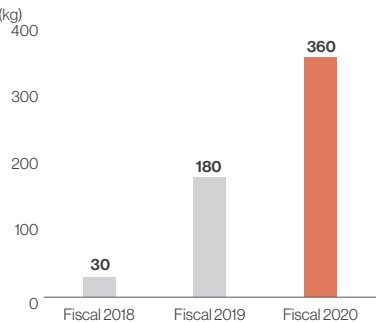
Solid waste (includes valuable substances)



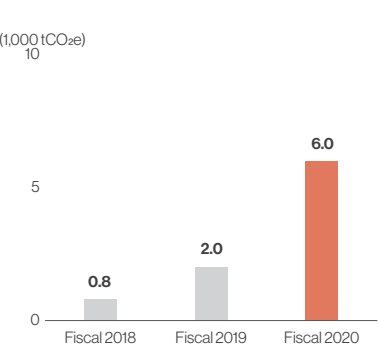
Water used



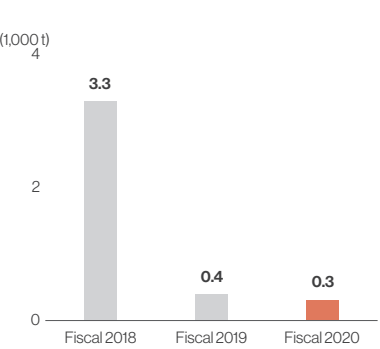
Biodiversity protection (invasive species eliminated)



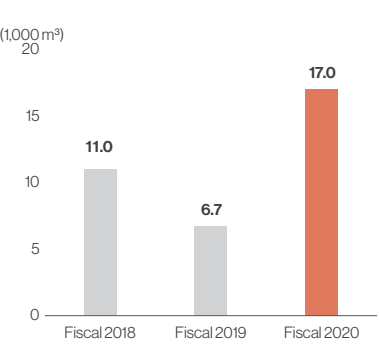
CO₂ reduction results



Solid waste reduction results*2



Water conservation results*2



[Target scope] Rinnai Corporation and consolidated subsidiaries

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

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

Rinnai Corporation

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