



Rinnai Report 2022 (Integrated Report)

Rinnai

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

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

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

Corporate Mission and Vision

Fundamental Concept

Quality is our destiny

Company Motto

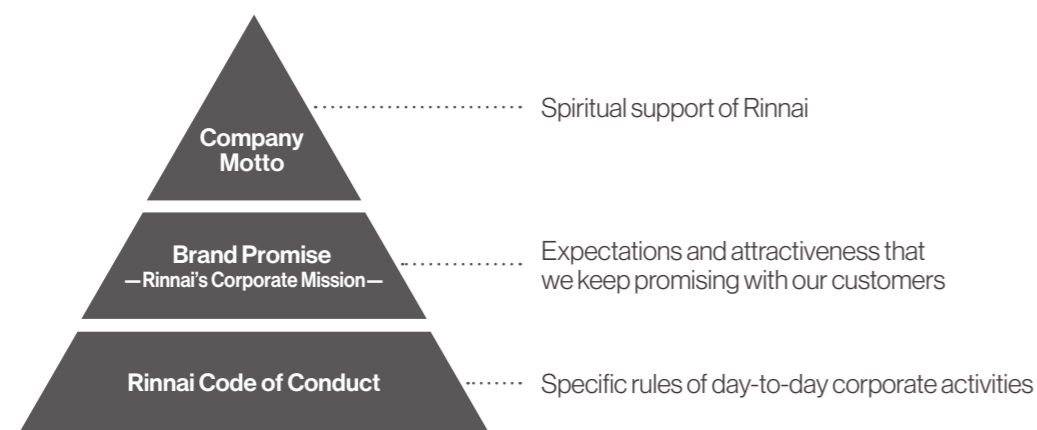


- 和** Harmony:
Develop personal character of the highest caliber
- 氣** Spirit:
Base your efforts on a consistent philosophy
- 真** Sincerity:
Know the fundamentals and consider issues with precision and clarity

Brand Promise —Rinnai's Corporate Mission—

Creating a healthier way of living

Schematic Diagram of Company Ideals



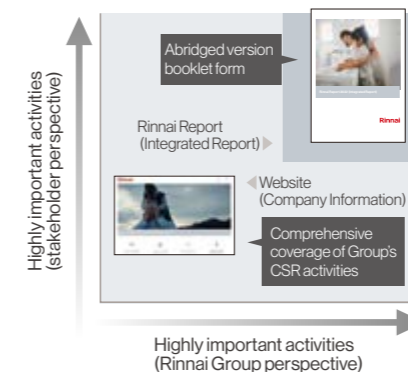
Rinnai Report 2022 (Integrated Report)

Editorial Policy

Rinnai produced the Rinnai Report 2022 (Integrated Report) to convey to stakeholders management's approach to the realization of a sustainable society, to describe the activities undertaken Groupwide, and to encourage a deeper understanding of the Group's operations to as many people as possible.

Rinnai's Activities

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



Scope

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

Reporting Period

This report focuses on events that occurred in fiscal 2022—April 1, 2021, to March 31, 2022—but also touches upon measures implemented and recent activities undertaken since fiscal 2022 as well as future business direction, targets, and plans.

Referenced Guidelines

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

Publication Schedule

August 2022 (Japanese version)
Previous: August 2021, Next: August 2023 (planned)

Important Points Regarding Future Outlook

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

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

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Data Collection

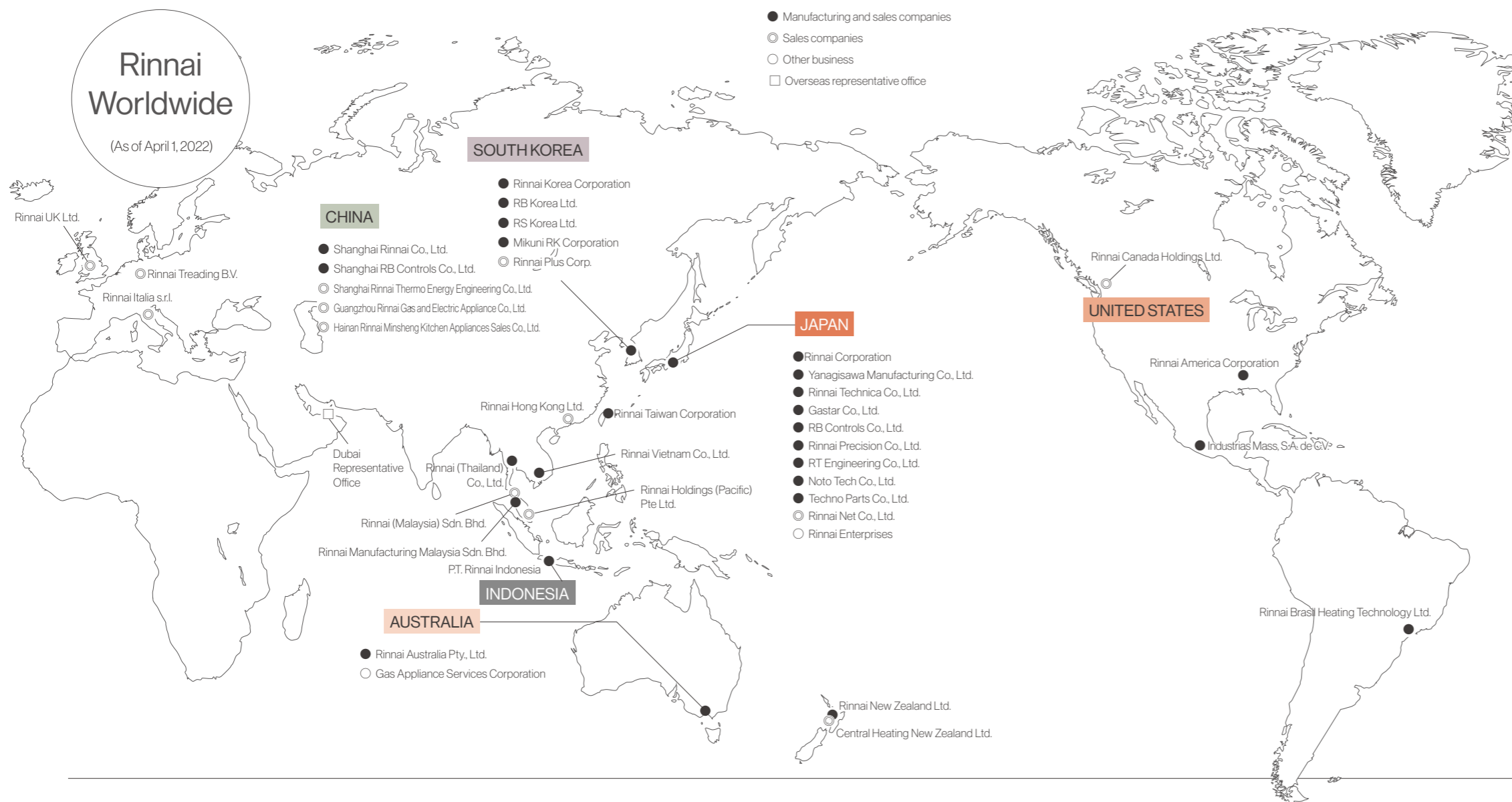
- 109 Data Collection
Eleven-Year Financial Summary, Human Resource- and Personal-related Data, Environmental Data, External Acclaim and Recognition

100 Years of History (Part 2) 2005–2025

Promoting Medium-term Business Plans Under a New Structure

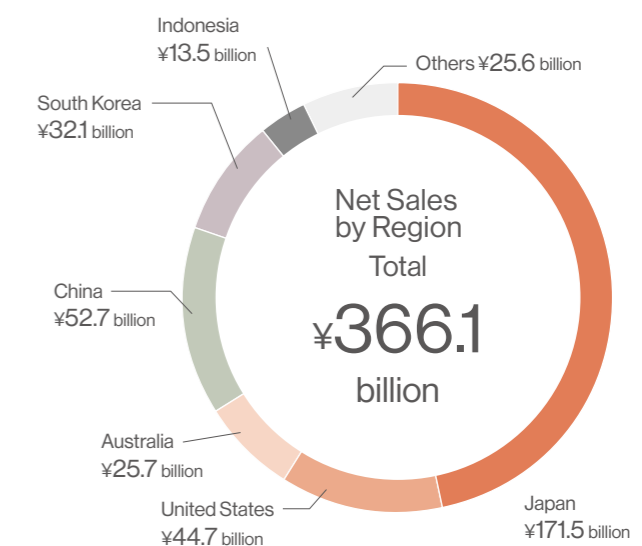
	Phase 6 V-Shift Plan [2006–2008]	Phase 7 Reform & Breakthrough [2009–2011]	Phase 8 Jump UP 2014 [2012–2014]	Phase 9 Evolution and Succession 2017 [2015–2017]	Phase 10 G-shift 2020 [2018–2020]	Phase 11 New ERA 2025 [2021–2025]
Medium-term Business Plans	<p>In 2005, the current President Hiroyasu Naito was appointed. His first policy was to “focus on a high-value-added and differentiated product strategy centered on new technologies.” This concept was made into concrete measures and incorporated into the “V-shift Plan” medium-term business plan.</p> <p>With “V” representing value, the plan, simply put, aimed to transition from quantity to quality. In line with the policies of switching from “a focus on sales and market share to added value and profits” and from an “omnidirectional strategy to selection and concentration,” the Company revised its cost structure and attempted to realize manufacturing innovations.</p>	<p>Under the medium-term business plan launched in 2009 entitled “Reform & Breakthrough,” the Company aimed to become a comprehensive heat energy appliance manufacturer contributing to people’s lifestyles throughout the world, establishing a presence with a unique business model appealing to both people and business partners.</p> <p>While accelerating manufacturing that placed top priority on the environment, the Company aimed for a lean corporate structure and the thorough elimination of wasteful business activities. At the same time, cooperation and collaborations were strengthened among Group companies in Japan and overseas, sharing the same ideals in an effort to promote the consolidation of a structure as a comprehensive heat energy appliance Group.</p>	<p>Launched directly after the Great East Japan Earthquake, “Jump UP 2014” aimed to establish a corporate structure able to supply appliances optimized from an environmental standpoint to global markets in light of social needs for the best energy mix.</p> <p>The Company stepped up its pursuit of zero defects in response to Rinnai fans who valued the brand for its safe and trouble-free products. Innovations aimed at revising development, manufacturing and sales processes enhanced mobility. Organizational capabilities were taken to a new level through Group coordination and strategic human resource development in response to globalization and increasing sophistication. While focusing efforts on these initiatives, the Company engaged in the long-term enhancement of its corporate value.</p>	<p>The Company views “succession” as indispensable for its business. With its origin in the concept “quality is our destiny,” Rinnai’s mission is to “utilize heating to provide society with a comfortable way of life” in all global markets.</p> <p>At the same time, with regard to “evolution,” in order to respond to liberalization in the energy markets, shrinking workforces and other rapid changes in the business environment, this plan targeted business model innovations through the promotion of product sophistication in Japan and overseas, the smooth horizontal deployment of technologies and products created by Group companies. The plan also aimed to establish the Rinnai brand as a comprehensive heat energy appliance manufacturer.</p>	<p>Focused on the 100th anniversary of Rinnai’s founding, this plan introduced the Group slogan “innovating technologies for the next generation and strengthening overseas growth strategies to leap forward as a global brand.”</p> <p>The “G-shift” medium-term business plan name represents three core policies aimed at promoting global strategies leveraging the Group’s network, the shift to a new generation that passes on traditions accumulated over the past 100 years and breaks common sense, and the establishment of a corporate governance system meeting the demands of society and modern times. In 2019, the Company formulated the brand promise “Creating a healthier way of living” to further clarify its stance.</p>	<p>Rinnai celebrated its 100th anniversary in 2020. As a fresh start for the next 100 years, we formulated a new Medium-Term Business Plan covering the five-year period from fiscal 2022 to fiscal 2026. The aim of the plan is to realize healthy, comfortable lifestyles and deliver sustainable corporate growth.</p> <p>We have positioned the year 2021 (101 years since our foundation) as the start of a New ERA. We will achieve Advancement in addressing social challenges through Expansion of business scale and Revolution of corporate structure.</p> <p>In anticipation of accelerated environmental changes that include efforts to achieve carbon neutrality, the transformation of needs and the entrenchment of the “new normal” and digital advances, Rinnai aims to be the brand of choice in a new and rapidly changing era, and positions the next five years as a period for delivering growth and implementing reforms from a medium- to long-term perspective.</p>
Performance						
Technologies and Products	<ul style="list-style-type: none"> ●2005 The company receives the Technology Prize from the Japan Gas Association for its Eco-Jozu condensing dual water heater/space heaters. ●2006 The company receives the Technology Prize from the Japan Gas Association for its bathroom heater/dryer with mist sauna function. ●2007 Built-in hob (stovetop) DELICIA series is launched. ●2008 Dishwasher with baking soda washing mode is released. ●2008 Rinnai Indonesia wins Best Brand Award. ●2008 Rinnai gas tankless water heater receives the Super Nova Star Award (an energy-saving award) from the Alliance to Save Energy in the United States. 	<ul style="list-style-type: none"> ●2010 The Production and Technology Development Center opens. ●2010 Commercialization of home-use hybrid water heaters combining heat pumps and gas water heaters. 	<ul style="list-style-type: none"> ●2014 The company receives the Ministry of International Trade and Industry’s Energy Conservation Award for ECO ONE, a hybrid water heater with heating system. ●2014 The company’s hybrid water heater with heating system for Hokkaido receives the Kitaguni Energy conservation and New Energy Grand Prize. 	<ul style="list-style-type: none"> ●2016 DELICIA dedicated app “DELICIA APP” with cooking support function distribution is launched (“+ R RECIPE” from 2020 onward). ●2017 Third-generation ECO ONE hybrid water heater and heating system wins Energy Conservation Grand Prize Energy Conservation Center Chairman’s Award. ●2017 High-quality and luxury kitchen appliance series G-LINE is launched. 	<ul style="list-style-type: none"> ●2018 Drop-in modular-type gas cooker “G:101” wins “iF Design Award 2018.” ●2020 Domino-style built-in stove G-LINE series wins “Red Dot Design Award 2020” at the Red Dot Design Awards. ●2020 Microbubble Bath Units are launched. 	<ul style="list-style-type: none"> ●2022 Launched sales of Leggiero waterless cooking pots. Leggiero receives the Red Dot Design Award 2022 ●2022 Successfully developed 100% hydrogen combustion technology for residential water heaters
Management and Organization	<ul style="list-style-type: none"> ●2006 Shanghai Rinnai Thermo Energy Engineering Co., Ltd. is established. ●2008 Rinnai Italia S.r.l. is established. ●2008 The Integrated Logistics Center opens. 	<ul style="list-style-type: none"> ●2009 Rinnai Canada Holdings Ltd. is established. ●2010 The Production and Technology Development Center opens. ●2011 The West Japan Customer Center opens. Great East Japan Earthquake service support is implemented. 	<ul style="list-style-type: none"> ●2013 The Akatsuki Factory opens. ●2013 The Rinnai Parts Center opens following business integration. ●2014 Bravis Climate Systems Pty. Ltd. in Australia is acquired. 	<ul style="list-style-type: none"> ●2015 The Dubai Representative Office opens. ●2016 Gastar Co., Ltd. becomes a consolidated subsidiary. 	<ul style="list-style-type: none"> ●2018 The East Japan Logistics Center opens. ●2019 Our brand promise is established and the Rinnai logo is updated. ●2020 Information Security Management System (ISMS) certification is acquired. ●2020 Rinnai wins the “Excellence Award” at the Environmental Persons Development Awards. 	<ul style="list-style-type: none"> ●2021 Rinnai America acquired Industrias MASS S.A. de C.V. (Mexico) ●2021 Announced the Rinnai Group Path to Becoming Carbon-Neutral and Rinnai Innovation Manifesto 2050 (RIM 2050) ●2022 Established the ESG Committee in April

Rinnai Group Profile



Corporate Data (As of March 31, 2022)

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



Water Heaters and Heating Systems

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



Eco Jozu, gas water heater with bath-filling system (JAPAN)

High-efficiency gas tankless water heater (UNITED STATES)

Kitchen Appliances

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



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

Drop-in gas hob (stovetop) (INDONESIA)



Home Heaters

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



Gas fan heater A-style (JAPAN)

Fanned flue heater (UNITED STATES)

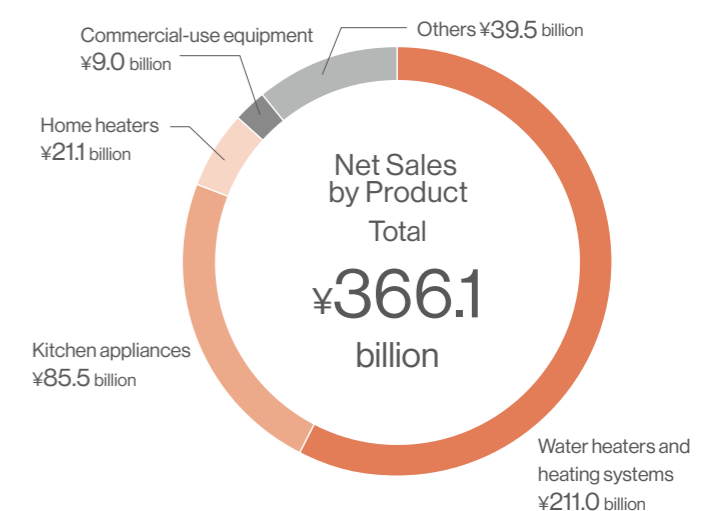
Commercial-Use Equipment, Others

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



Gas clothes dryer (JAPAN)

Commercial-use gas rice cookers (JAPAN)



Value Creation Process

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

Rinnai Group Value Creation Process

External Environment / Social Issues

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

Invested Capital (Fiscal 2022)

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

^{*1} As of March 31, 2022

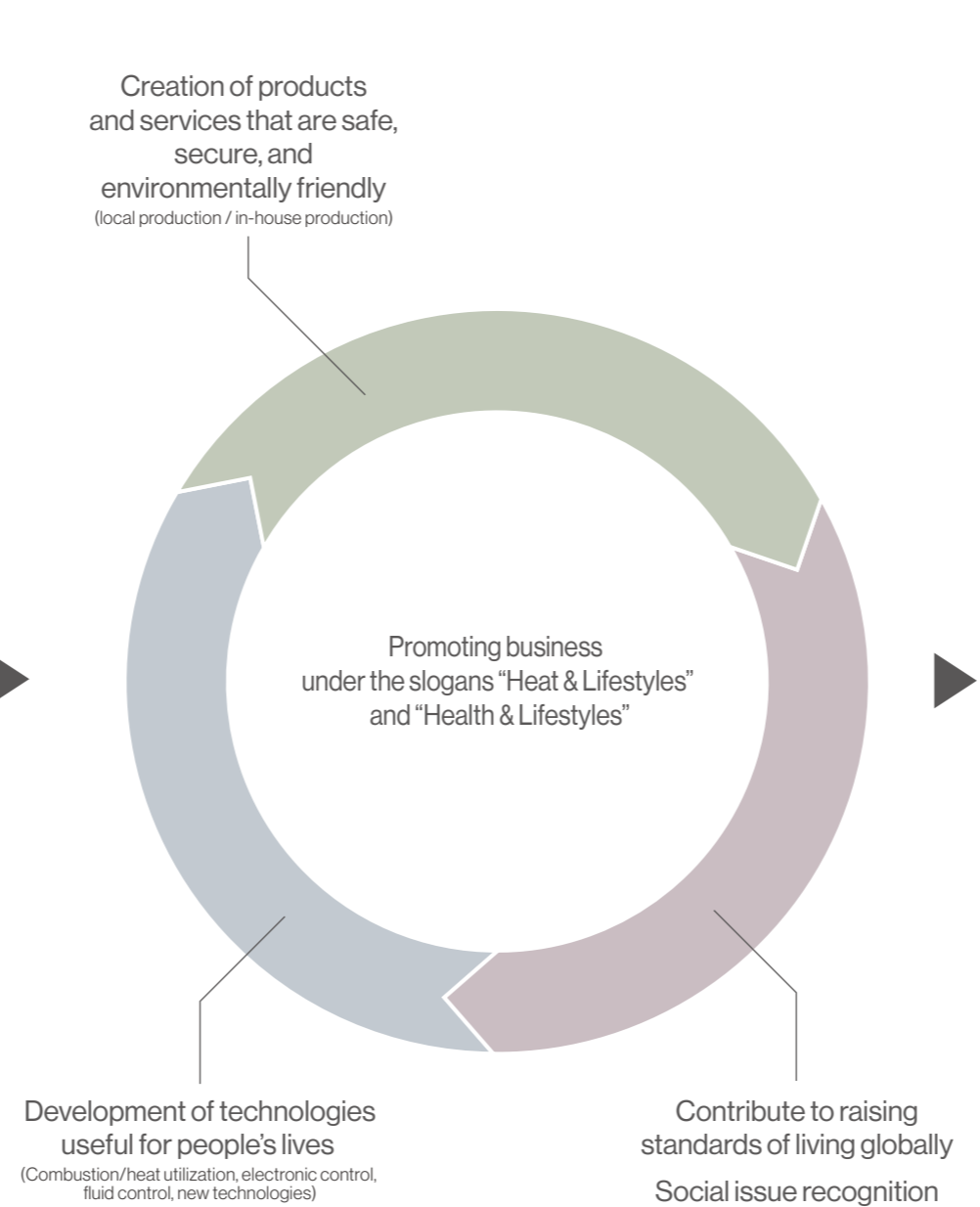
Risks

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

Opportunities

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

Business Activities



Value Provided

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

Fiscal 2022 Achievements

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

^{*} Consolidated basis

Message from the President



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

President

Hiroyasu Naito

Record Sales, but Resolution of Production Delays Bearing Close Watching

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

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

Message from the President continued

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

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

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

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

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



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



Lisse series compatible with recipe apps



The Griffin Factory of Rinnai America

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

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

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

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

Message from the President continued

Promoting Carbon Neutrality Throughout the Group

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

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

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

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

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



Development of hydrogen combustion technology announced (May 2022)

Change to Management with Leeway to Ensure Future Growth

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

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



ECO ONE X5 contributes to achieving carbon neutrality



Conceptual model of hydrogen water heater

New Medium-term Business Plan (2021–2025)

New ERA 2025

New Expansion, Revolution and Advancement

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

Brand Promise

Creating a healthier way of living

Key Strategies

We have formulated three key strategies: Help resolve social issues, expand business scale, and revolutionize corporate structure.

Advancement in addressing social challenges

- Improve quality of life
- Help resolve global environmental problems

Expansion of business scale

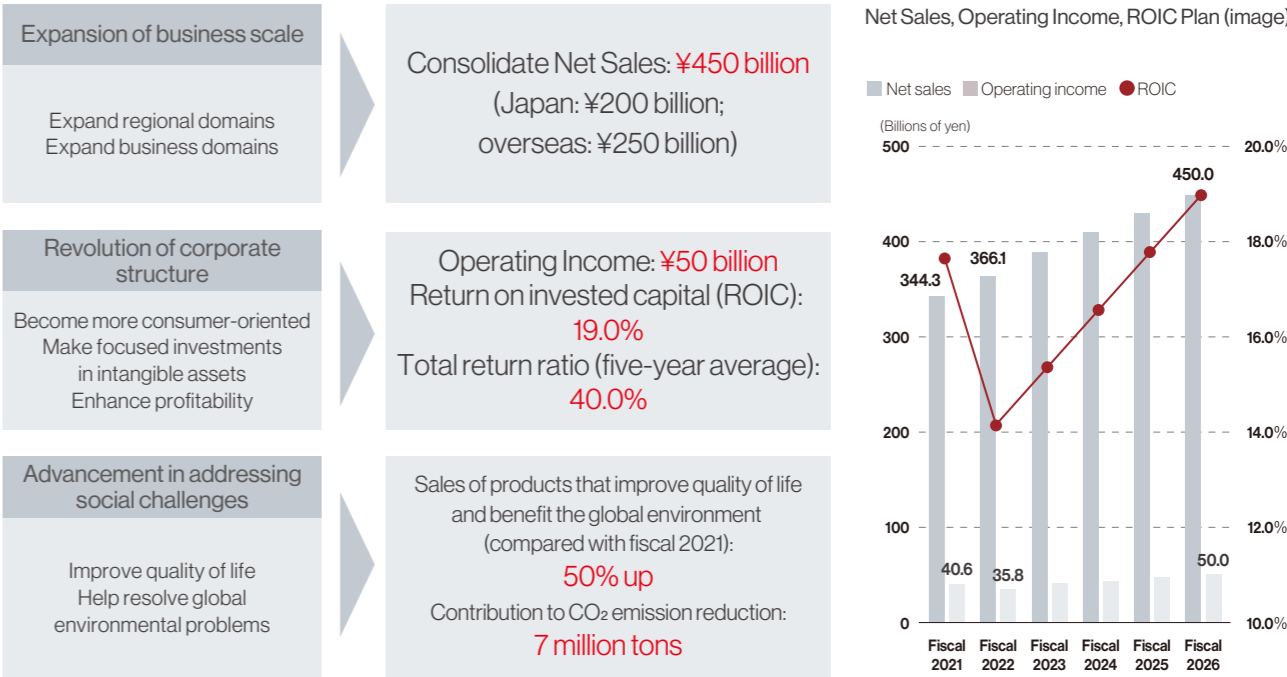
- Expand regional domains
- Expand business domains

Revolution of corporate structure

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



Medium-term Business Plan New ERA 2025 Targets



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

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

Product Supply Delays

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

Rising Product and Component Costs

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

Medium-term Management Plans

New ERA 2025 Medium-term Business Plan Progress

New ERA 2025 Medium-term Business Plan

Three Strategies Story

Advancement in addressing social issues

- Expanded lineup of products contributing to improved quality of life



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



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



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



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

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

RIM 2050

Rinnai Innovation Manifesto 2050

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

Expansion of business scale

- Expand business in the Americas



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



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

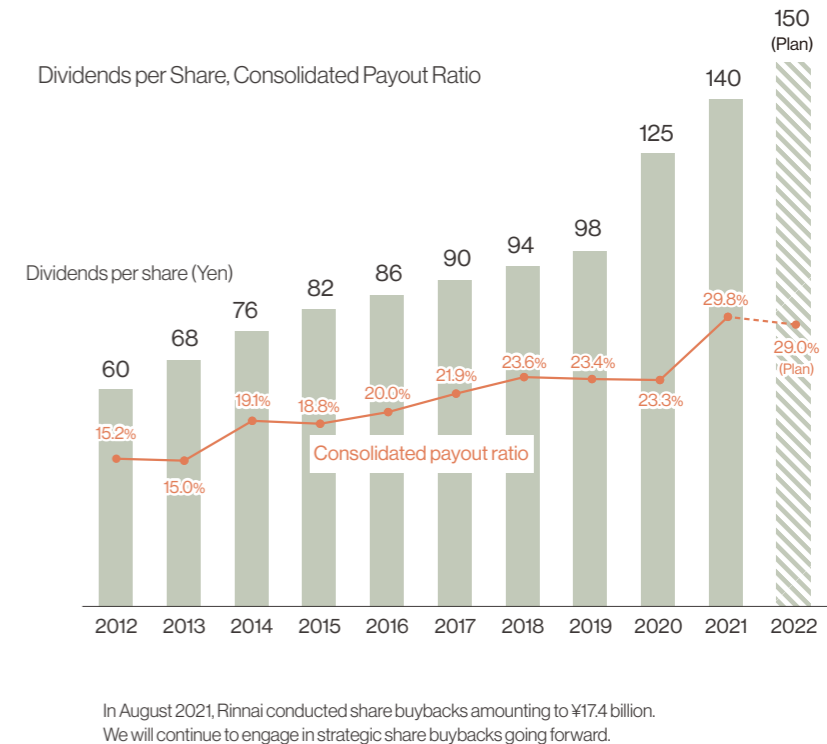
- Developed 100% hydrogen combustion technology



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

Revolution of corporate structure

- Ongoing dividend increases and total return ratio improvements



New ERA 2025 Medium-term Business Plan

KPI Achievement Progress

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

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

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

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

Consolidated net sales

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

Domestic

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

Overseas

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

Operating income

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

ROIC

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

Total return ratio

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

Message from the General Manager of the Overseas Business Headquarters

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

Yoshihiko Takasu

Senior Executive Officer, General Manager of Overseas Business Headquarters



Robust Performance in 2021 Amid Lingering Challenges

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

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

Growth Story in Key Strategic Markets

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

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



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



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



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



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

Initiatives for Realizing Carbon Neutrality

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

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

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

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

Message from the President of an Overseas Subsidiary

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

Hayao Nishizawa
President of Shanghai Rinnai Co., Ltd.



Robust Performance Amid an Environment of Lingering Uncertainty

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

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

Growth Story in the Chinese Market

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

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



Shanghai Rinnai Co., Ltd.



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



Product display in the Shanghai Rinnai Experience Center

Initiatives for Realizing Carbon Neutrality

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

Forward-looking Shanghai Rinnai Management Strategy

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



Gas water heater

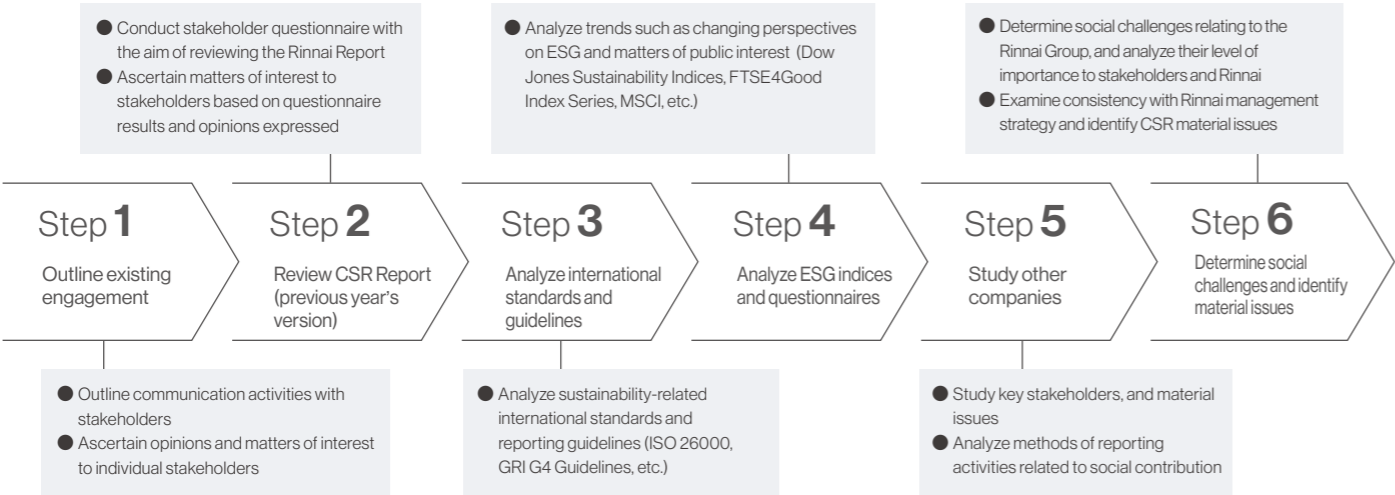


Built-in hob (stovetop)

Identifying Material Issues

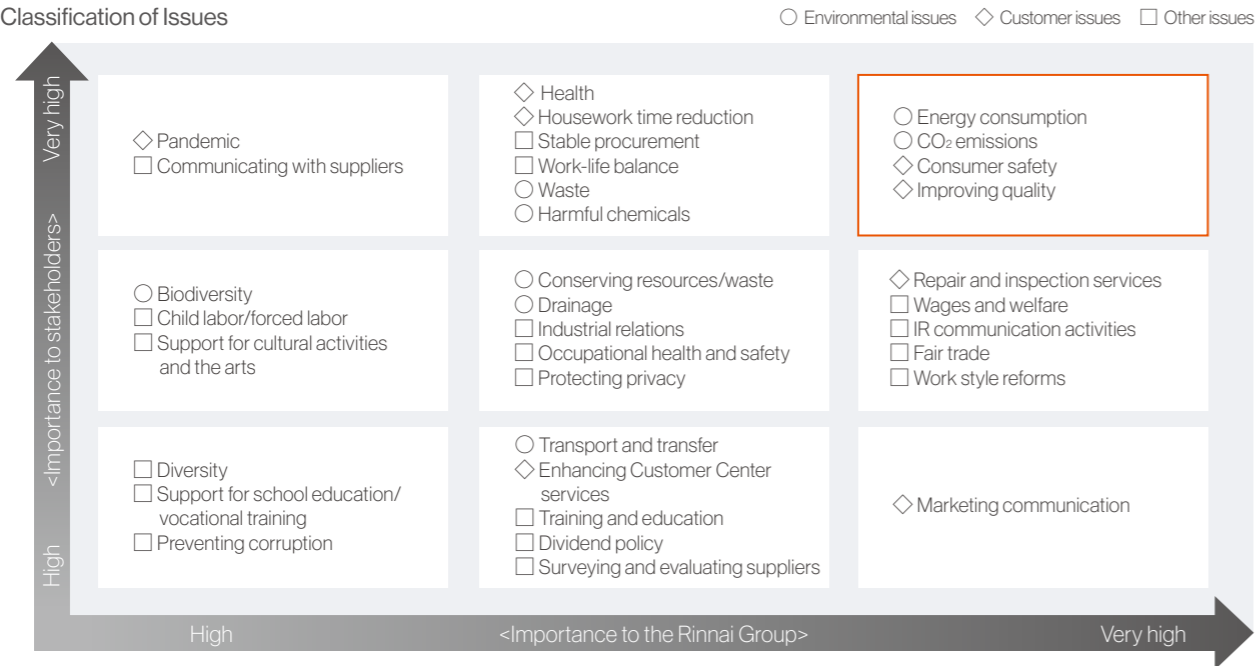
We make every effort to identify social challenges affecting the Rinnai Group through day-to-day communication activities with stakeholders coupled with study and analysis of applicable guidelines and ESG indices. We also identify CSR material issues through the Rinnai Group value creation process in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

Identification Process



Determining and Identifying Material Issues

We have determined social challenges relating to the Rinnai Group, analyzed their level of importance to stakeholders and the Group, and identified CSR material issues. As a change from the previous year, we have increased the importance level of the item "Work-life balance" to stakeholders and the Rinnai Group by one level each.



Material Issue Targets and Results

Material Issues

Energy consumption
CO₂ emissions

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

Main Target Indicators

Amount contributed to reducing CO₂ emissions by using the product

Target area: Global
Target stakeholders: All

2022 target
5.95 million tons

2025 target
7.00 million tons



2021 results: **5.15 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 cases



2021 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 works to contribute to them. As Rinnai provides society with products that are closely related to the global environment and people's lives, it recognizes the importance of SDGs and will further develop its business with this focus.

The Sustainable Development Goals (SDGs)



SDGs Related to Rinnai

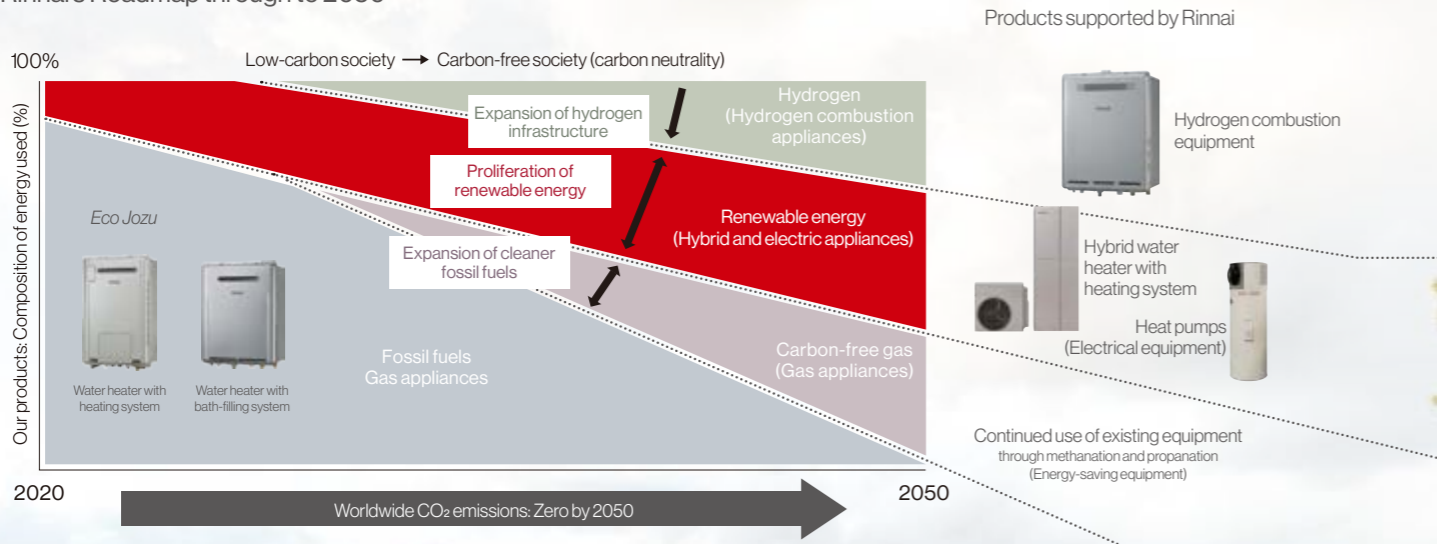
Goals	Contributions	Goals	Contributions
	Promoting health through the hot bath effect of bathing in microbubbles and the prevention of heat shock using bathroom heaters		Contributing to the global environment with more energy-efficient water heaters
	Equalizing housework burdens with time-saving products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

Environment

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

RIM 2050 Rinnai Innovation Manifesto 2050

Rinnai’s Roadmap through to 2050



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

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

Life cycle of Rinnai products



CO₂ Emissions Targets

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

(Figures of overseas products are rough estimates.)

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

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

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



Concept model of hydrogen water heater

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

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

"Hydrogen House" planned for demonstration in Australia

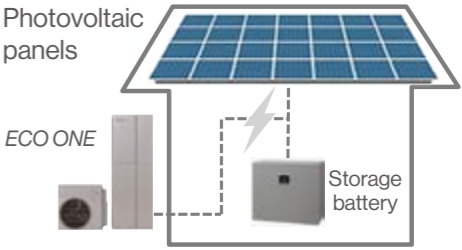


Widespread use of high-efficiency water heaters and systems using renewable energy sources

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



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



Main investments aimed at achieving carbon neutrality

Projected investment (5-year cumulative)

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

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

Environment

Responses to the Task Force on Climate-related Financial Disclosures



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

Governance

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



Risk Management

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

Metrics and Targets

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

Strategy

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

		Impact on Rinnai		Rinnai's response or impact on Rinnai.	Profit Impact (Amount/Duration)	Degree of urgency
		2°C scenario* (What Rinnai will do to keep the increase in temperature below 2°C)	4°C scenario* (Impact on Rinnai if the temperature rises by 4°C)			
Transition risks	Raw material procurement risks associated with climate change	Risk of procurement cost increases in line with raw material costs that are passed on through carbon pricing (carbon taxes and emissions trading) to suppliers of materials that emit large amounts of greenhouse gases.	—	Convert to recyclable materials	¥(11.0) billion/year	Small
				Reduce procurement costs through independent efforts	¥(1.0) billion/year	Small
	Water heater regulations as a result of water resource depletion	Risk that the sale of water heaters potentially using large amounts of water resources will be restricted as a result of global water shortage problems.	—	Develop water heaters able to restrict the amount of water used.	¥(0.5) billion/5 years	Small
	Gas water heater regulations in line with fossil fuel regulations	Risk of impending necessity of measures for replacing conventional products amid movements toward requiring different methods than in the past for consumers to realize the intended use of water heaters using fossil fuels due to the transition from the conventional concept of a "low-carbon society" focused on energy and resource conservation to the long-term concept goal of a "decarbonized society."	—	Ascertain changing conditions related to energy while developing and establishing technologies focused on essential products.	¥(5.0) billion/year	Medium
Physical risks	Physical risks from natural disasters	—	Risk of supply chain distribution disruptions due to the impact of natural disasters (floods, torrential rains, water shortages and other events).	Enhance response capabilities with business continuity planning (BCP), including decentralized materials procurement sources and production bases.	¥(0.4) billion/year	Medium
	Risk of increased operating costs	—	Risk that air conditioning and cooling equipment operating costs will increase due to a rise in average temperatures.	Promote the introduction of residential power generation through sustainable energy and other measures.	¥(5.7) billion/5 years	Small
Opportunities	Adoption of energy-saving water heaters in line with tightening environmental regulations (CO ₂)	Current "low-carbon society" initiatives require higher efficiency energy-saving water heaters. Additionally, the advance of technologies such as decarbonized gas for realizing a "decarbonized society" will require more efficient energy-saving water heaters than in the past.	—	Promote the expansion of product lineups and sales of more efficient energy-saving water heaters.	¥6.0 billion/year	Medium
	Adoption of gas boilers in line with tightening environmental regulations (PM 2.5)	In areas where coal boilers are used, gas boilers that do not generate PM 2.5 will be required.	—	Target areas where environmental regulations have not yet tightened, expanding the adoption of products corresponding to usage environments in those areas.	¥6.0 billion/year	Medium

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

Environment

Global Deployment of Rinnai Group Water Heaters

The Rinnai Group widely develops water heaters for use in Japan as well as overseas, engaging in business deeply related to global warming and energy consumption. Viewed in another way, the development and adoption of more highly efficient water heaters will enable the realization of substantial reductions in adverse environmental impacts.



Initiatives at Shanghai Rinnai (China)

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

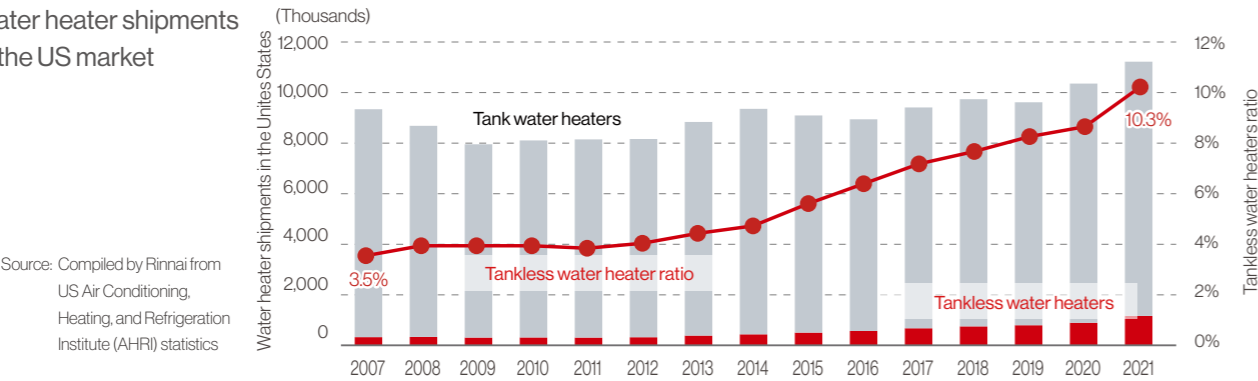
As consumer behavior is changing in China, an increasing percentage of water heaters are being purchased on line. While expanding its internet sales channels, the company is also leveraging Rinnai's brand image of high quality and performance to increase sales. In addition, in preparation for increased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



Image of factory expansion at Shanghai Rinnai

Rinnai America Corporation Initiatives

Water heater shipments in the US market



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



Assembly line at Griffin Factory

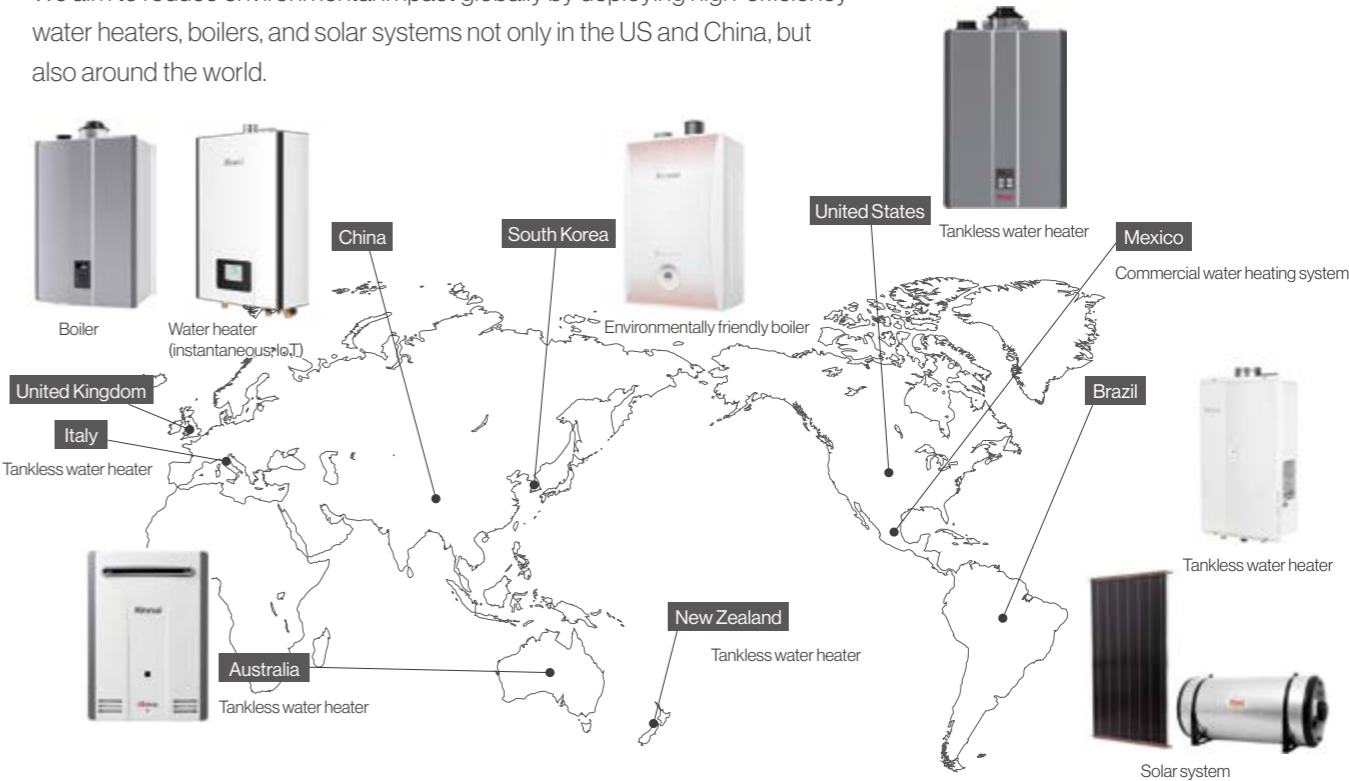
In April 2022, mass production of tankless water heaters began at Rinnai America's Griffin Factory. This will be the first Rinnai America plant to operate as a company-owned local production facility. Previously, Rinnai America operated from a leased plant in the same city of Griffin and a warehouse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



Scene from factory employee training

Global development of products that contribute to the environment

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



Environment

Environmental Impact within Rinnai’s Value Chain

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

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



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

[Target scope] Development/manufacturing: Rinnai Corporation and consolidated subsidiaries

Procurement, sales/logistics/services, product usage/end of life treatment: Rinnai Corporation

[Target period] Domestic: Fiscal 2022 (April 2021–End of March 2022)

Overseas: January 2021–End of December 2021

[CO₂ emissions (units)]: t/CO₂e, (%) represents the emissions ratio within each process.

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

Environment

Environmental Initiatives Environmental Management

Rinnai promotes green activities involving every employee in all business areas.

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 technologies, and product development, production, sales, and services infused with a sense of humanity.

Environmental Slogan

Our actions are imbued with the wisdom of many and undertaken with due consideration for the sustainability of a people- and earth-friendly environment.

Environmental Policy

At Rinnai, we promote environmental conservation activities based on the following policies in accordance with our Basic Philosophy on the Environment and Environmental Slogan.

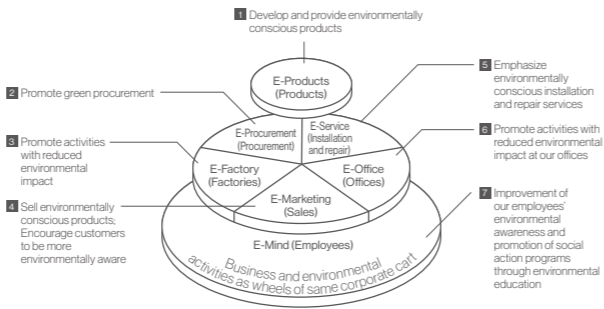
1. We will promote activities to protect the environment by accurately identifying the effects that heating appliances, including hot-water units, kitchen appliances and room heating appliances, as well as associated product development and production activities and sales and service activities have on the environment and by establishing environmental objectives and targets as well as programs that consider biodiversity, prevent environmental pollution, mitigate the effects of climate change and adapt to climate change, and reduce environmental impact.
2. We will abide by environment-related laws and regulations in addition to our own self-established standards.
3. We will conduct eco-minded materials procurement (E-Procurement) and manufacture environmentally conscious products (E-Products) at environmentally sustainable factories and offices—E-Factory and E-Office—underpinned by a high level of environmental awareness among employees (E-Mind), and through product sales and service activities that minimize impact on the environment (E-Marketing and E-Service), we will implement initiatives to prevent global warming—that is, save energy—and also effectively utilize resources, reduce waste and boost recycling, while working with communities and contributing to society.
4. We will set up a review committee at the management level and implement internal environmental audits, and we will maintain a self-monitored environmental management system and strive for constant improvement.
5. We will make this environmental policy known to employees and all people who work within our organization and disclose content to all stakeholders, that is, any interested parties.

March 28, 2016 Rinnai Corporation Representative Director and President and Executive President Hiroyasu Naito

Promoting 7E Strategic Initiatives in All Divisions

As a manufacturing company, Rinnai is advancing detailed 7E strategic initiatives in each division and all product lifecycle processes (development, procurement, production, sales, usage and disposal).

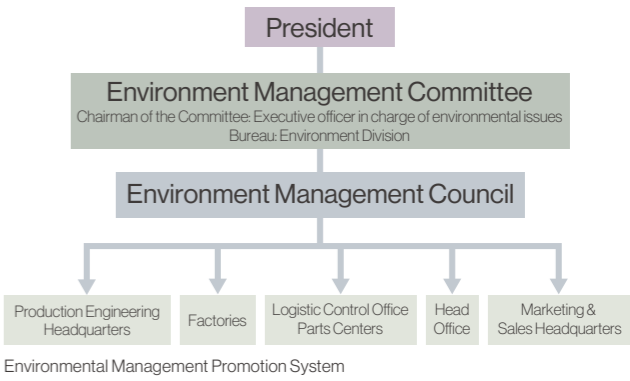
Link: destination: Data Book Environmental Data, 7E Strategic Initiatives



Promotional Framework for Environmental Activities

Headed by the President, the Environment Management Committee guides corporate efforts. This committee is chaired by the executive officer responsible for the environment and has the participation of representatives from all divisions. Its mandate is to promote environment-oriented activities from a "big picture" perspective.

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



ISO 14001 Certification

To conduct environmental conservation activities in an organized and ongoing basis in line with Rinnai's Basic Philosophy on the Environment and Environmental Policy, Rinnai promotes environmental management and works to boost its environmental performance through the acquisition of ISO 14001 and other certifications related to environmental management systems.

Link: destination Data Book Environmental Data Page 123 Status of Acquisition of Certifications

External and Internal Environmental Audits

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

We have confirmed that external and internal audits are conducted through an annual PDCA cycle.



External Environmental Audits

Environment

Environmental Training

To promote environmental activities, it is important for all employees to have an environmental mindset. Rinnai implements practical training for persons in charge and general training at each level of the organization.

Training for Internal Auditors

Our internal auditors play a key role in the ongoing enhancement of our environmental management systems. Implementing audits demands a high level of expert knowledge and communication skills. To raise the skill level of its internal auditors, Rinnai holds regular training sessions led by in-house trainers on laws and regulations, internal policies, and issues identified and corrective actions from internal audits.

General Training

Aiming to promote environmental contributions in its core businesses, Rinnai's general training incorporates various programs to raise environmental consciousness targeting newly hired employees according to employees' roles and ranks.

Compliance with Legal Regulations

While compliance with legal regulations is a given, Rinnai sets more stringent voluntary standards and engages in daily supervision, conducts periodic measurements and implements thorough environmental audits. We are working on the creation of a rapid response mechanism to prevent recurrence in the unlikely event that a violation or complaint were to occur.

In fiscal 2022, values exceeding voluntary biochemical oxygen demand (BOD) standards were detected in wastewater at some manufacturing sites. We investigated the root cause, implemented measures to ensure proper management. Subsequent water quality analyses confirmed that values were within voluntary standards without further problems.

Environmentally Conscious Design (Product Assessment)

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

With regard to the use of plastics in our products, we have set a goal to make new products lighter and with a smaller footprint than previous models as outlined in these guidelines. At the same time, we endeavor to consider how the product will be taken apart, such as minimizing the use of dissimilar materials in adhesive parts, which are difficult to disassemble. In our packaging design, we use packaging made from easy-to-recycle cardboard, and are also expanding our use of returnable packaging to promote the reuse of packaging materials and are reducing the weight and volume of packing by making more effective use of packaging components.

Environmentally Conscious Design Policies

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

Supply Chain Management

Amid rapid changes in the social environment aimed at realizing a sustainable society, to continue doing business into the future, Rinnai must contribute to the environment both as a Group and through the supply chain. In addition to communicating Rinnai's green procurement policies to our suppliers, through daily exchanges, we promote improvements that contribute to environmental management and lead to reduced greenhouse gas emissions.

In recognition of these efforts, in fiscal 2022 Rinnai received a rating of "A-" in the Supplier Engagement Rating conducted by CDP, an international non-profit organization that addresses climate change and other environmental issues.

Environment

Prevention of Global Warning

Major changes in climate patterns due to global warming and other factors are threatening the building of sustainable societies.

Rinnai will formulate long-term targets focused on 2050 and work toward minimizing energy consumption.

Formulated and Announced Commitment to Carbon Neutrality by 2050

To realize carbon neutrality in household heat utilization, we must undertake measures based on national policies, a theme closely connected to operators of energy infrastructure-related businesses.

In November 2021, we formulated and announced our commitment to carbon neutrality called Rinnai Innovation Manifesto 2050 (RIM 2050) as a corporate policy, setting 2050 as the target year.

By shifting the target metric to “actual reductions,” we will promote the establishment of technologies as a company that can provide value in heat utilization to consumers in any era while working toward the realization of a decarbonized society.

News release: Announcement of “Rinnai Group’s Path to Becoming Carbon-Neutral” (URL: https://www.rinnai.co.jp/en/releases/2021/1105/index_3.html)

The Challenge of Zero CO₂ Emissions from Product Usage

Amid global movements to curb rising temperatures, Rinnai views these efforts in terms of risks and opportunities as it takes on the challenge of realizing zero CO₂ emissions from product usage by 2050. Looking at the lifecycle of our products from procurement to disposal, CO₂ emissions during use account for more than 95% of our total emissions. This makes it necessary not only to evolve our existing energy-saving products such as high-efficiency water heaters with latent heat recovery and the *ECO ONE* hybrid water heater and heating system, but also to ultimately create products and systems that emit no CO₂ at all. In anticipation of a full-scale decarbonized society in the future, we will continue to develop and research combustion equipment that is compatible with hydrogen infrastructure and systems for net zero CO₂ emissions. Furthermore, toward the closest annual target of 2025, we will continue to work on a global scale to achieve the “CO₂ reduction contribution of 7 million tons,” as stated in the New ERA 2025 medium-term management plan.

News release: World’s first 100% hydrogen combustion technology for residential water heaters (URL: <https://www.rinnai.co.jp/en/releases/2022/0530/>)



Most Recent Awards for Environmentally Conscious Products

Hybrid heating/cooling and water heater systems for cold regions

June 2022	Heat Pump & Thermal Storage Technology Center of Japan (HPTCJ) Promotion Award	Demand-Side Management Award for 2022 (Organizer: Heat Pump & Thermal Storage Technology Center of Japan (HPTCJ))
March 2022	Excellence Award	2021 Energy Saving and New Energy Grand Prize in Kitaguni (Organizer: METI Hokkaido Bureau of Economy, Trade and Industry)
January 2022	Energy Conservation Center Chairman's Award	2021 Energy Conservation Center Grand Prize (Organizer: The Energy Conservation Center, Japan)

Hybrid heating/cooling and water heater systems

October 2021	Energy Saving Division Grand Prize	2021 Hokkaido Government Energy Saving / New Energy Promotion Grand Prize (Organizer: Hokkaido Government)
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The Challenge of Zero CO₂ Emissions from Factories and Offices

Rinnai aims to achieve zero CO₂ emissions from factories that manufacture products and offices including the Head Office and sales offices. Among greenhouse gas emissions, we will target Scope 1 and Scope 2 emissions, and in addition to reducing CO₂ emissions through daily manufacturing improvements, Rinnai aims to achieve zero CO₂ emissions in 2050 through the proactive transition to green electricity among other efforts.

Main indicators	Examples of potential approaches for achieving these goals
<ul style="list-style-type: none"> Domestic bases will be converted to green electricity by 2030 Overseas bases will be converted to green electricity by 2050 	<ul style="list-style-type: none"> Promote zero energy through karakuri¹ improvements Thoroughly eliminate waste by minimizing processes and lines of flow Promote renewable energy through the electrification of equipment, etc.
1. A simple mechanism that uses gravity rather than a motor or other electrical power source that is useful when transporting parts.	

Case Study: Promoting the Use of Renewable Energy at Each Worksite

At each of our worksites, we are using the construction of new buildings and updating of facilities as opportunities to install renewable energy equipment, such as solar panels. Notably, our subsidiary RB Controls, Co., Ltd. converted to a renewable energy-derived electricity menu in April 2022, in effect sourcing the electricity used at its head office from 100% renewable energy. In addition, the head office building at this site has been expanded as a net zero energy building (ZEB), certified with environmentally conscious building specifications.



Installation of solar panels in house

Also Taking on the Challenge to Achieve Zero CO₂ Emissions Outside of Product Use under Scope 3

In addition to CO₂ emissions from product use, we believe there is room to reduce CO₂ emissions from procurement of materials and parts, logistics, human movement, and disposal, with the aim of mitigating the risks associated with climate change. We will promote optimal energy-saving and CO₂ reduction activities in each process and take on the challenge of achieving zero CO₂ emissions under Scope 3. Specific plans for 2030 and beyond will be developed and discussed within the RIM 2050 Council with a view toward achieving a decarbonized society in 2050.

Examples of potential approaches for achieving these goals

Procurement	Enhance and promote environmentally friendly initiatives with an insistence on procuring materials and parts alongside business partners, etc.
Logistics	Strengthen CO ₂ reduction efforts that expand the scope of improvements to include logistics and suppliers, etc.
Disposal	Promote comprehensive recovery schemes within construction and operations, etc.

Environment

Resource Recycling

From the perspective of intergenerational equity toward the creation of a sustainable society, there is a requirement to consume resources only to the extent that the resource needs of future generations may be met. Rinnai is working to reduce the amount of waste generated (including valuables) in its business activities and develop resource-saving products as well as reducing the amount of clean water and groundwater used.

Waste Generation Control and Zero Emissions

Rinnai continues to engage in reducing waste generation and zero emissions¹ (zero landfill waste) efforts, maintaining a recycling rate of 99.5% or higher. Although we assume raw materials used in the manufacturing process are used without waste, we nevertheless make every possible effort to recycle unwanted materials that are generated.

1. Rinnai manufacturing site zero emissions definition: Recycling rate of 99.5% or higher (less than 0.5% landfill waste)

Primary Initiatives

Manufacturing	<ul style="list-style-type: none"> Lightweight design (reduced material usage) Increasing yields by raising the effective utilization rate for pressed components (measures aimed at the root cause) Effectively using leftover materials Reducing defect rates Raising the recovery rate of residual chemical agents Making transport materials returnable Eliminating excessive packaging, other 	Office	<ul style="list-style-type: none"> Promoting a shift to paperless work processes through digital transformation (DX) Curtailing the use of disposable and consumable materials Raising awareness by letting employees see how many copies they make and how much they cost
		Both	<ul style="list-style-type: none"> Improving the accuracy of material separation Consigning industrial waste processing to a reputable vendor, etc.

Case Study: Reuse of Used Waste Acid

To improve resource recycling in factories, it is important to establish a system to treat or reuse all waste within the same factory, instead of sending it externally for processing. Our subsidiary Noto Tech Co., Ltd. has developed a technology that enables in-house treatment of waste acid that has been generated in enamel production lines without outsourcing the treatment. In addition, Noto Tech is improving its technology so that it can be reused as coagulants at wastewater treatment plants, contributing to significant reductions in waste and costs. This initiative received the “Governor of Ishikawa Prefecture Award,” the most prestigious award in the 2022 Ishikawa Prefecture Award for Creativity and Ingenuity in the Workplace.

Annual impact: Waste liquid -9 tons

Link: Noto Tech receives Governor of Ishikawa Prefecture Award (URL: <https://www.nt-k.co.jp/>)



Wastewater treatment facility



Award ceremony

Industrial Waste Processing

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

In fiscal 2022, the Company visited 37 locations to verify that proper waste management was being conducted.



Regular patrol at waste treatment plant

Management of Polychlorinated biphenyl (PCB) Waste

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

Initiatives in Resource-Saving Design

As one facet of environmentally conscious product development, CAE analysis was used in the design of a dishwasher/dryer to create the lightest water tank in the industry. At the same time, we are contributing to energy savings in molding through improvements that shorten cycle time during production.

Annual impact: Mass reduction rate: -360g/unit (-10%)
CO₂ emissions reduction -5 tons (-10%)



Dishwasher/dryer

Initiatives to Improve Packaging

Rinnai uses packaging made from easy-to-recycle cardboard, while also expanding the use of returnable packaging to promote the reuse of packaging materials in an effort to reduce the weight and volume of packing by making more effective use of packaging components.

Environment

Recycling Initiatives

At least 80%–90% of the materials used to make gas appliances consist of recyclable materials such as iron and copper. Gas appliances that have reached the end of their useful lives are collected and disposed of through two channels: by local authorities in the case of appliances that require no installation work, and by contractors in the case of appliances that do require such work. The Environmental and Recycling Action Committee formed by the Japan Industrial Association of Gas and Kerosene Appliances, of which we are a member, regularly surveys the state of disposal of end-of-life gas and oil appliances. Thus far, the committee has conducted examinations in various formats, including questionnaires, verification testing at recycling plants and processing condition confirmation. Through these efforts, the committee has confirmed that used gas and petroleum equipment has been properly disposed of and that the recycling rate has been maintained at a high level.

Recycling Home Electrical Appliances

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

Report on Recycling Specified Household Appliances (link: <https://www.rinnai.co.jp/csr/result/index.html>) (in Japanese only)

Recycling Containers and Packaging

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

Initiatives to Recycle Materials Used in Uniforms

Rinnai subsidiary RB Controls Co., Ltd. has collected and reused uniforms in conjunction with the renewal of its uniforms. Uniform collection boxes were installed at each site, and the collected uniforms were crushed and turned into cotton using a dedicated machine. The material is then used for vehicle interior parts and other purposes.

Annual impact: Waste emissions: -2 tons (-100%)
(equivalent to the interior materials for 360 vehicles)



Uniforms being collected Cotton-like state after crushing

Concern for Water

Rinnai recognizes water as a critical resource and is working to reduce its usage of both public water and groundwater in its business activities. In addition, we endeavor on a daily basis to save water and use circulating water while undertaking thorough drainage water management to ensure the water used does not harm the environment.

Primary Initiatives to Reduce Water Usage

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

Case study: Water Circulation and Reuse

GASTAR Co., Ltd., a Rinnai subsidiary, has established a system to recirculate water returned from assembly and inspection lines. It is using this water for flushing toilets and other purposes, thus reducing the company's water usage by roughly half.

Annual impact: Water saved: -19,000 m³ (-40%)



Water circulation system cooling equipment (left)

Assessing and Understanding Water Risk

As the world's population increases and urbanization and industrialization continue to progress, there is concern that humanity may face water shortages. To respond to business risks associated with water, Rinnai is identifying business locations with high water risk both domestically and internationally using a water risk assessment tool known as Aqeduct* and sharing the results of analyses performed with the tool. Rinnai, while focusing on the risk conditions in each region, views reducing water usage as an opportunity to cut manufacturing costs and is working to mitigate water risk while also reducing manufacturing costs. In addition, Rinnai is working to protect water resources in its supply chain in recognition of the impact water shortages can have on materials supplied by business partners.

We have therefore set criteria related to water resources in the Green Procurement Standards Guide, which outlines the environmental activities that we ask our business partners to participate in.

* Aqeduct: A water risk atlas and information tool provided free of charge by the World Resources Institute (WRI)

Environment

Pollution Prevention

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

Promoting Management of Products Containing Potentially Harmful Chemical Substances

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



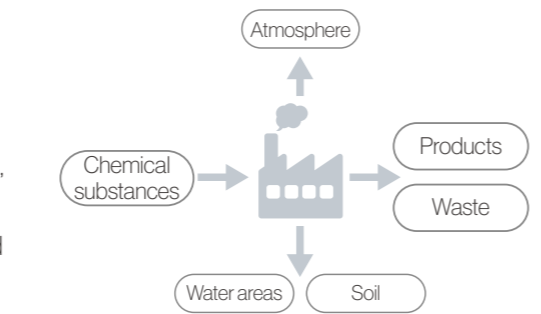
Briefing on chemical substance management guidelines for business partners (online meeting)

Initiatives to Reduce the Environmental Impact at Factories

To minimize the impact on the environment, Rinnai is reducing and eliminating the use of hazardous chemical substances through such initiatives as reviewing the chemical compounds used in the relevant manufacturing processes and improving processing equipment. At each manufacturing site, we check and manage the amounts handled, released, and transferred of the 462 Class 1 chemical substances designated under the PRTR1 Law, for which 500 kg or more is handled each year.

In fiscal 2022, we achieved a 3.4% year on year reduction in the amount of hazardous chemical substances handled* compared to the targeted 2% reduction from the base year. This achievement reflects the successful implementation of planned daily improvement efforts at production bases.

* Amount of hazardous chemical substances handled: Per unit standard for amount of hazardous chemical substances handled, established by Rinnai.



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

Main Initiatives

Manufacturing-related	<ul style="list-style-type: none"> • Introduction of environmentally friendly painting equipment in line with construction of a new factory • Optimization of piping routes for color change valves and paint guns • Review of processing oils, other
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Case Study: Environmental Improvements on Painting Lines

As part of our environmentally conscious manufacturing, we are striving to reduce environmental impact, including the use of hazardous chemicals in paints, through improvement activities in the coating lines at group manufacturing sites.

At the Oguchi Factory, improvement activities such as taking a fresh look at painting hangers led to improved paint application efficiency and reduced the amount of paint used. In addition, doubling the number of parts hung per hanger has improved productivity and contributed to energy conservation.

Annual impact: Use of hazardous chemicals -10%, CO₂ emissions -4%



Painting line: Hob (stovetop) parts being hung (Oguchi Factory)

Preparing for Emergencies

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



Scenes from emergency response training

Inspection of Environmentally Critical Facilities

We prioritize inspection of facilities that have a risk of impacting the environment and safety, conducting inspections on such environmentally critical facilities on a regular basis. We work to prevent serious accidents by inspecting individual facilities, verifying measuring equipment is working as expected, and conducting simulations of emergency situations.

Environment

Protecting Biodiversity

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

Approach to Protection of Biodiversity

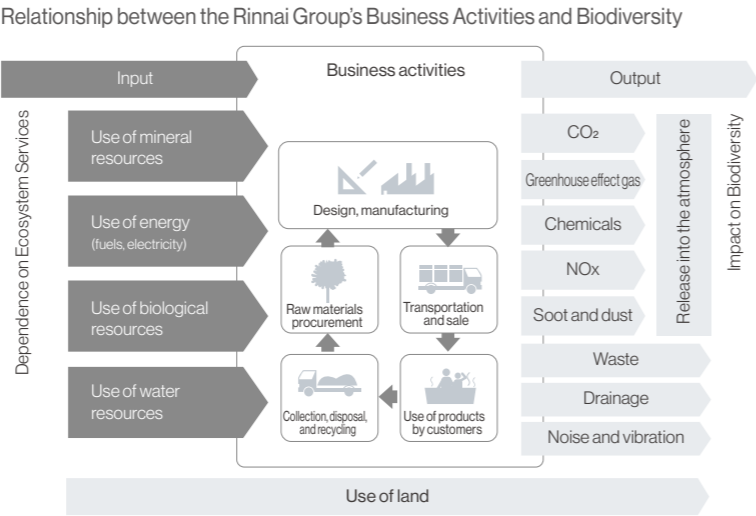
We have incorporated "consideration for biodiversity" into our ISO 14001 environmental policy and are pursuing action on an organization-wide basis in accordance with the following principles.

Rinnai Principles on Biodiversity

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

Business Activities and Biodiversity

The Rinnai Group promotes activities that contribute to the protection of biodiversity through its daily efforts to reduce environmental impact (e.g., CO₂, waste, atmosphere, water) in its business activities at each worksite.



Extermination of Specified Invasive Species

Since fiscal 2018 during Environment Month in June, Rinnai works together with local government bodies, volunteers, and employees of neighboring companies to collect and dispose of the specified invasive species *Coreopsis lanceolata*. Specified invasive species are living organisms that the Japanese government has determined to pose a risk of harm to ecosystems when they are introduced from other regions. Their cultivation, preservation, import, transport, and breeding are prohibited.

Continuing from the previous year, in fiscal 2022 Rinnai collected and properly disposed of *Coreopsis lanceolata* while paying careful attention to safety by limiting the area for removal and number of participants in consideration the of COVID-19 pandemic.



Extermination of the invasive species *Coreopsis lanceolata*

Toward the Spread of Biodiversity Conservation: Initiatives in Local Production for Local Consumption

Local production for local consumption, which involves eating locally grown food and savoring what is in season, is another initiative that leads to the conservation of biodiversity. As part of our environmental awareness program, since fiscal 2017 we have been growing heirloom* and other local vegetables that have been popular since the Edo period. To date, local vegetable seeds have been distributed to more than 1,000 employees and their families, providing them with opportunities to experience local food culture and nature and become familiar with greenery through growing, harvesting, and eating the vegetables themselves.

*Heirloom vegetables: Vegetables that have long been popular in a region, such as Kyoto and Kaga vegetables.

Case Study: Providing Menus Using Local Ingredients in Company Cafeteria

RB Controls, a subsidiary headquartered in Ishikawa Prefecture, offers a limited lunch menu using heirloom vegetables such as Kaga vegetables and other local ingredients in its employee cafeteria. This is an opportunity for employees to learn about local production for local consumption and environmental issues (biodiversity conservation). RB Controls also recommends its partner cafeteria operators and neighboring businesses to convey the importance of local production for local consumption.



Mixed tempura of Kaga vegetables

Kaga thick cucumber simmered with ginger

Deep-fried young amberjack from Noto with thick vegetable sauce

Noto pork stir-fry with grated ginger sauce

Environment

Nijyu-maru Project* Registration Efforts

The Rinnai Group endorses the *Nijyu-maru* Project organized by the Japan Committee for the International Union for Conservation of Nature (IUCN-J) and promotes global biodiversity conservation activities. “*Nijyu-maru* Project Registration” pertains to initiatives in line with the 20 goals outlined in the “Aichi Targets,” which are global objectives adopted at the 2010 Tenth Meeting of the Conference of the Parties to the Convention on Biological Diversity held in Nagoya, Aichi Prefecture. Thus far, five projects have been registered.

* *Nijyu-maru* Project: A framework in which citizens' organizations, companies, local authorities, and others state and register their declaration to do what they can to contribute to the Aichi Biodiversity Targets (*Nijyu-maru* Declaration)



Environment

Environmental Communication

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

Rinnai Receives the Minister of the Environment Prize, the Top Award at the 2020 Environmental Human Resource Development Corporate Awards

In recognition of efforts to develop environmental human resources, Rinnai received the Minister of the Environment Prize (Large Company Category), the top award at the 2020 Environmental Human Resource Development Corporate Awards, organized by the Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD). This is our third award, following two previous consecutive Awards for Excellence. Rinnai was recognized for its "7E Strategy," which promotes environmental activities throughout the product lifecycle, as well as employee ideas and daily improvements that motivate employees in their work, both of which contribute significantly to the environment and management.



Link: Rinnai Receives the Minister of the Environment Prize, the Top Award

Presentation on Rinnai's Environmental Initiatives at a Lecture on the Environment and Manufacturing

Nagoya Industries Promotion Corporation hosted the "2021 Lecture on Environment and Manufacturing" at the Nagoya Municipal Industrial Research Institute (Nagoya City, Aichi Prefecture), where Rinnai was a featured speaker. Rinnai's presentation was also delivered via an online conferencing tool, with more than 80 participants, including those online.

The presentation, titled "Environmental Strategy Directly Linked to Business," introduced Rinnai's "7E Strategy" for environmental activities along with specific case studies. This was followed by a Q&A session that provided an opportunity for a lively exchange of opinions.



Presentation on Rinnai's environmental activities

Communication with Local Communities

Rinnai invites local students and other groups to tour its factories to learn about its environmental activities and various other business activities. Explanations during tours and subsequent Q&A sessions are an opportunity for visitors to gain an understanding of Rinnai's environmental, quality, safety, and manufacturing activities.



Hosting local high school students

Rinnai Group Environmental Awards Programs

The Rinnai Group Environmental Awards are held annually to recognize outstanding environmental activities and stimulate more action on the environment throughout the Group. These awards recognize major contributions to environmental conservation and regional communication and are open to all bases in Japan and throughout the world. The 12th awards ceremony was held at the Rinnai Group New Year Convention, at which Rinnai's CEO presented the awards. In fiscal 2022, there were a record 141 entries submitted, from which one Grand Prize and 11 category-specific awards covering manufacturing, offices, logistics and social contributions were selected.



In-house award and submission awareness poster

In-house Environmental Newsletter *Eco no Coe*

Rinnai regularly distributes the in-house environmental newsletter *Eco no Coe* to ensure employees around the world stay up to date with Group environmental activities and environmental trends elsewhere in Japan and other countries. This newsletter has been published since 1999 as a means of enhancing environmental knowledge and awareness, encouraging communication among employees.

In fiscal 2022, Rinnai introduced the trend of carbon neutrality and deepened understanding of the content of *Eco no Coe* newsletter published so far by asking questions in a quiz format.



Eco no Coe cover (Quiz on the Environment)

Cleanup and Greening Activities around Company Sites

Group employees periodically engage in cleanup and greening activities around the Group's factories and along their commuting routes to help look after the natural environment around its operations.

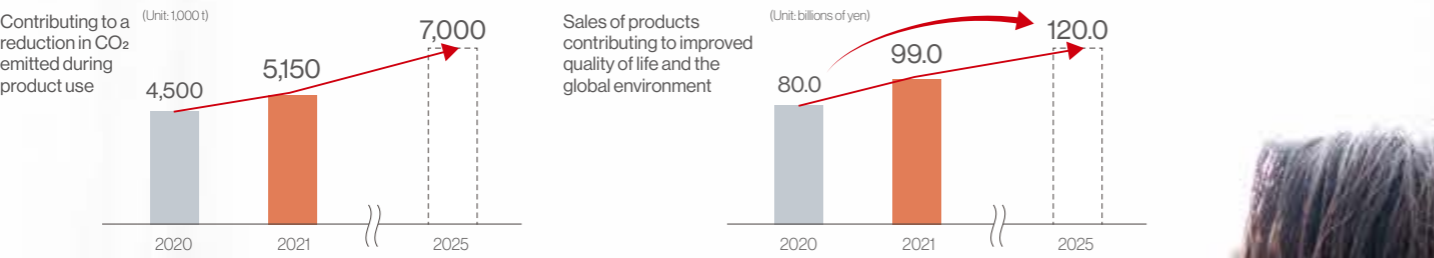
Social

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

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

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

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



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Products provided by Rinnai and their connection to the SDGs

Product names	Themes	Contributions	Goals
Hybrid water heaters	Energy-efficiency	Higher energy-efficient water heaters contribute to the global environment	7 Affordable and Clean Energy, 13 Climate Action
	Resilience	Gas-electric hybrids contribute to the securing of lifelines during emergencies	11 Sustainable Cities and Communities
Micro Bubble Bath units	Health promotion	The hot bath effect from bathing in ultrafine air bubbles contributes to healthy lifestyles	3 Good Health
Gas clothes dryers	Reduces time required for housework	Powerful gas drying shortens time spent doing laundry, contributes to reducing housework burdens	5 Gender Equality
Dishwashers	Reduced water usage	Conserves water when washing dishes, contributes to the conservation of water resources	6 Clean Water and Sanitation
	Reduces time required for housework	Automated dishwashing contributes to reducing housework burdens	5 Gender Equality
Stoves with automatic cooking functions	Reduces time required for housework	Automated cooking contributes to reducing housework burdens	5 Gender Equality
Bathroom heaters/dryers	Prevents heat shock	Bathroom heating eliminates temperature differences when bathing, contributes to the prevention of heat shock	3 Good Health
Gas tankless water heaters	Energy-efficiency	Enhancing the energy efficiency of water heaters contributes to the global environment	7 Affordable and Clean Energy, 13 Climate Action
Gas boilers	Air pollution countermeasures	Switching fuel from coal to gas in water heaters with heating systems contributes to the control of air pollution	3 Good Health, 11 Sustainable Cities and Communities

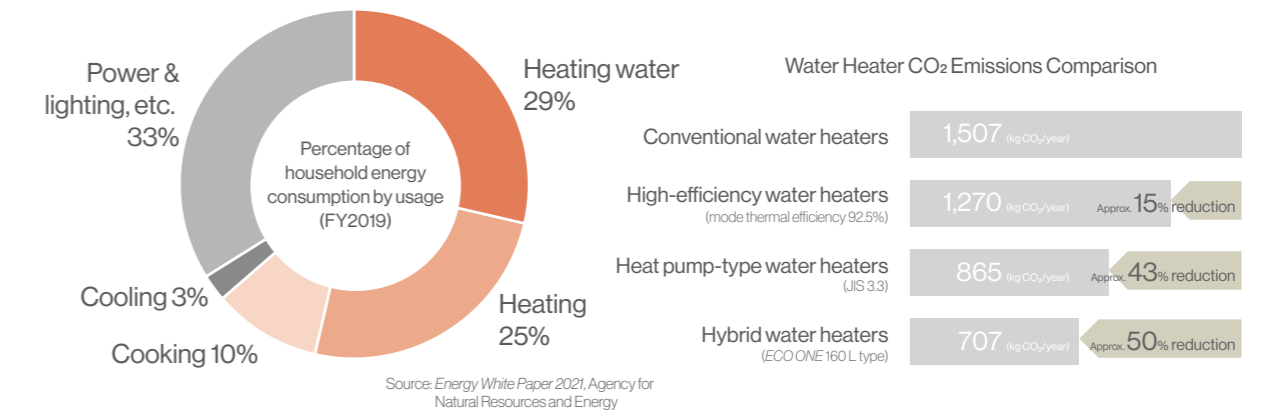
Contributing to the Global Environment by Enhancing the Energy Efficiency of Water Heaters



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

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

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



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



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

Electricity
(Heat pumps)

Highly efficient and energy-saving
It boosts the efficiency of electrical energy by using hot air.

Gas
(High-efficiency water heaters)

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

Hybrid water heaters

Social

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



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

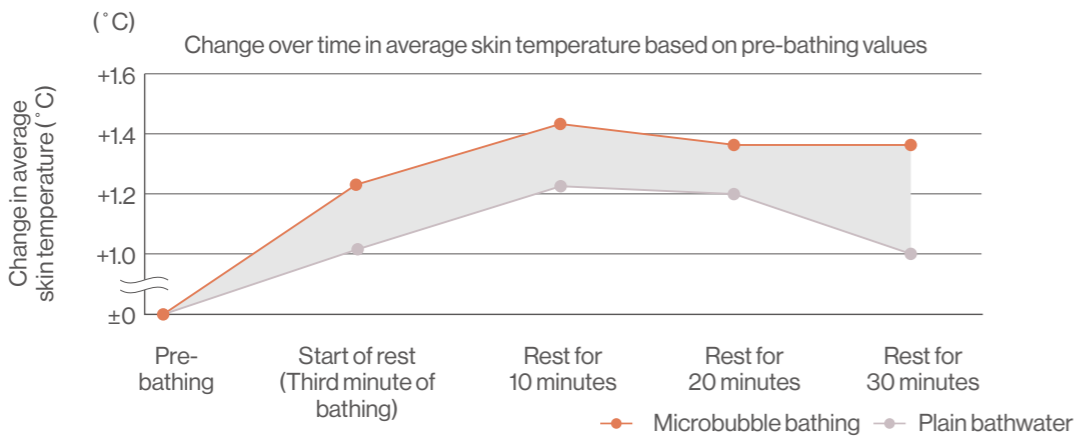
What are microbubbles?

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

Microbubble bath unit

By affixing a microbubble bath unit between the bathtub and the water heater with dedicated circulator fittings (a device to spray hot water into the bathtub), microbubbles are generated and produce a variety of health benefits for the bather.

Effect and efficacy of microbubbles: Hot bath effect



Experiment parameters Research by Toho Gas Co., Ltd. and Nihon Fukushi University in fiscal 2019.
 Subjects: Seven healthy women in their 30s
 Bathroom environment: Room temperature 29°C, humidity 97%
 Bathing method: Whole-body bathing for 10 minutes with bathwater at 40°C



Microbubble bath unit

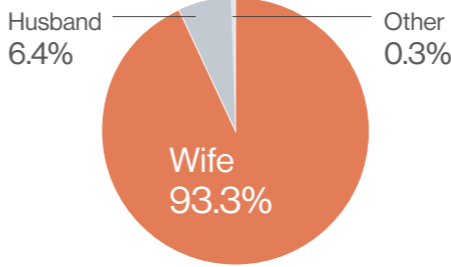
Contributing to Reductions in Housework Burdens with Powerful Gas Drying that Shortens Time Spent Doing Laundry



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

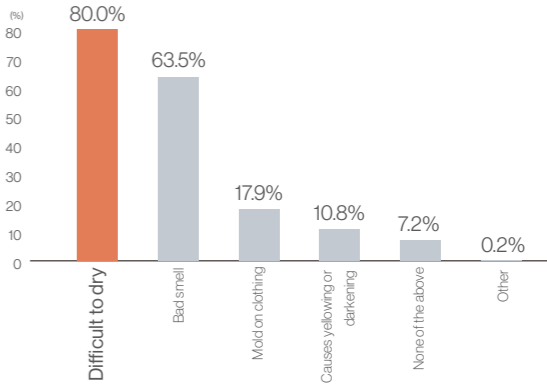
Rinnai conducts surveys and analysis on various social issues, disseminating information through the *Netsu to Kurashi Tsushin* (Heat & Life Newsletter).

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



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

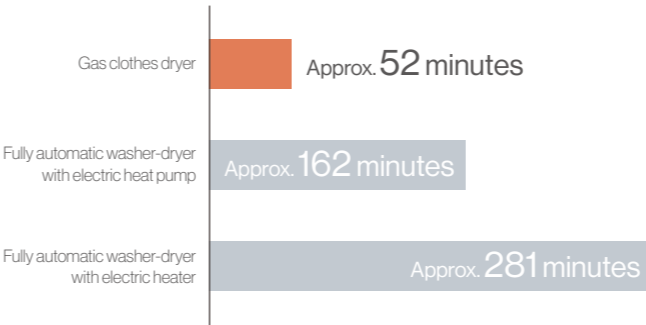
In a questionnaire asking, "What are your concerns regarding doing laundry during the rainy season?" 80% of households responded "difficult to dry."



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

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

Drying time comparison (laundry = 5 kg)



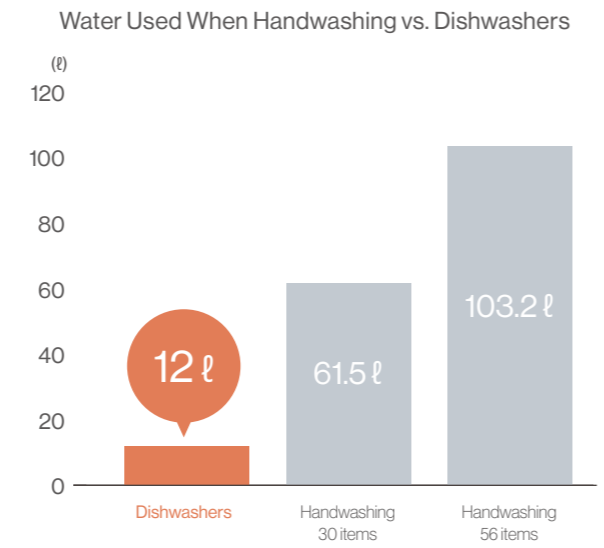
Gas clothes dryer

Social

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



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

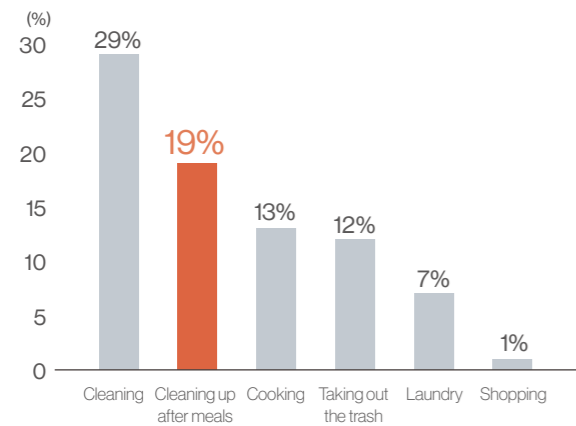


Contributing to Reduced Housework Burdens with Automated Dishwashers



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

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



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



Dishwasher

Contributing to Reduced Housework Burden with Automated Cooking



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



Stove with automated cooking function

Waterless Cooking Pots Also Compatible with Automated Cooking and Recipe App

Waterless cooking pots

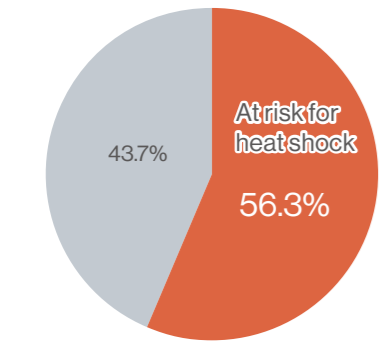
In recent years, high-performance cooking pots compatible with anhydrous cooking and automated cooking have been garnering attention amid increasing demands for easier and faster cooking methods. In response, we developed proprietary waterless cooking pots compatible with Rinnai stoves equipped with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

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

Social

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

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

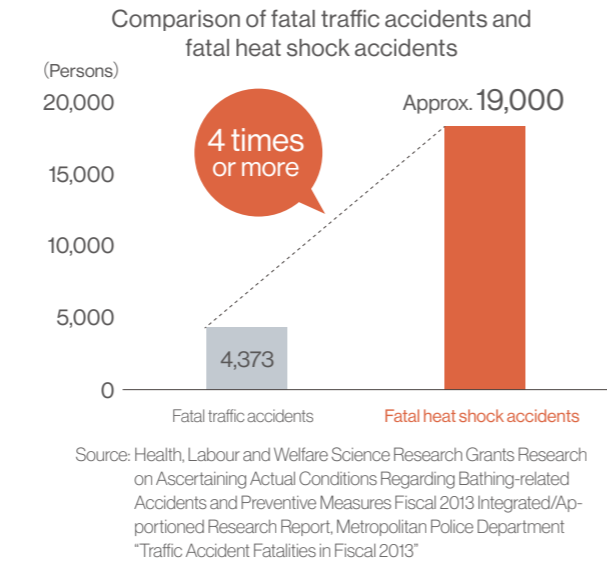


Rinnai Heat Shock Risk Confirmation Test conducted in December 2021; N = 2,350

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



Bathroom heaters/dryers



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

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



Intellectual Capital Supporting Rinnai Growth

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

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

Rinnai Technologies Supporting Comfortable Lifestyles and Society

Preventing Fires with Sensor Technologies

Rinnai has been engaged for some time in the development of safety sensors, establishing a track record of fire prevention activities through sales promotion and promulgation efforts. Further, in South Korea, mandatory safety sensor requirements similar to those in Japan have been mandated since 2014, achieving similar results. Rinnai is promoting efforts encouraging the adoption of these products to prevent residential fire incidents, which have become a social challenge.



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



Gas stoves with sensors (China)



Hydrogen Combustion Technologies Contributing to the Realization of Carbon Neutrality

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

Social

Safe and Secure Initiatives

Smooth Provision of Information through the Internet

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

Microcomputer Meter Reset Process Introduction

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



Microcomputer meter reset process introduced on the Rinnai corporate website

Posted Reminders for Safe and Correct Product Usage

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

Product-Related Accident Information Disclosure

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

After-Sales Services

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

Prompt After-Sales Services

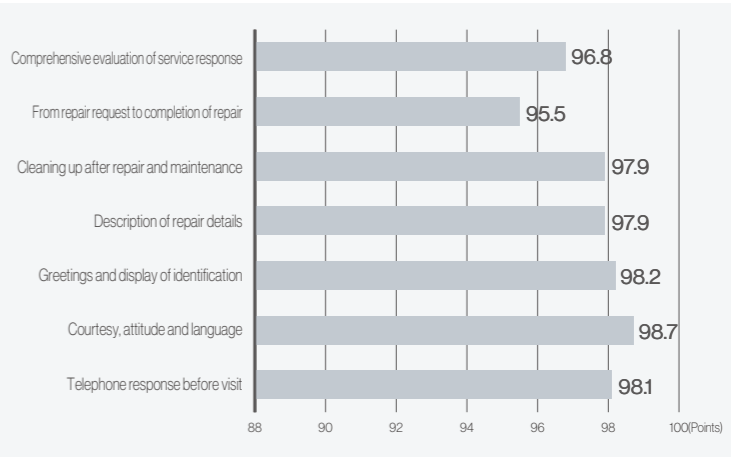
Approximately 600 servicemen across Japan repair Rinnai equipment. Confirming the status of service requests from customers on portable terminal devices, servicemen make an effort to complete inspections on the same day or by the next day to provide prompt after-sales services supporting a “comfortable way of life.”

Service Technician Assessment Questionnaire

Customer feedback questionnaires are provided to customers requesting repair services. This questionnaire assesses repair visit response times and other factors determining the degree of customer satisfaction with Rinnai repair services. Customer assessment results are provided as feedback and the results of questionnaires are utilized effectively throughout the Company.

In fiscal 2022, 81,000 customers completed questionnaires, which rated our after-sales services an average of 97.9 points.

Degree of customer satisfaction with repair services



Storage and Provision of Service Parts

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

Social

Inquiries Response and Support System

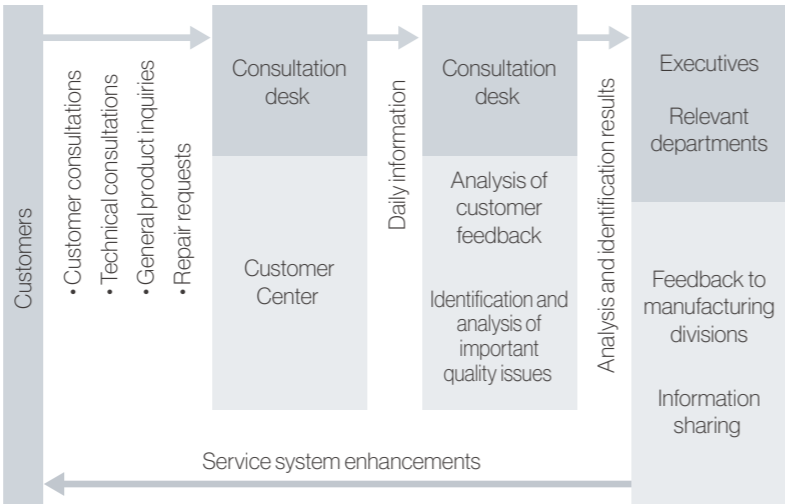
In line with our basic philosophy “quality is our destiny,” Rinnai satisfies customers by “responding to requests and consultations in a sincere, prompt and accurate manner” under the policy of “providing customers with satisfaction, safety and reliability.”

Basic Policies

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

Customer Center

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

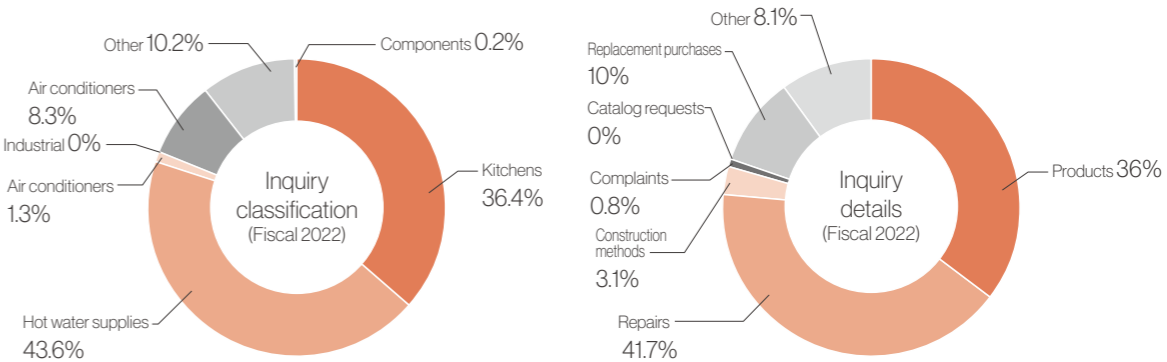


The Customer Center handles inquiries from customers via toll-free telephone numbers and emails. In fiscal 2022, approximately 810,000 toll-free calls and 13,000 email inquiries were received.



Rinnai Customer Center

Customers' Inquiries



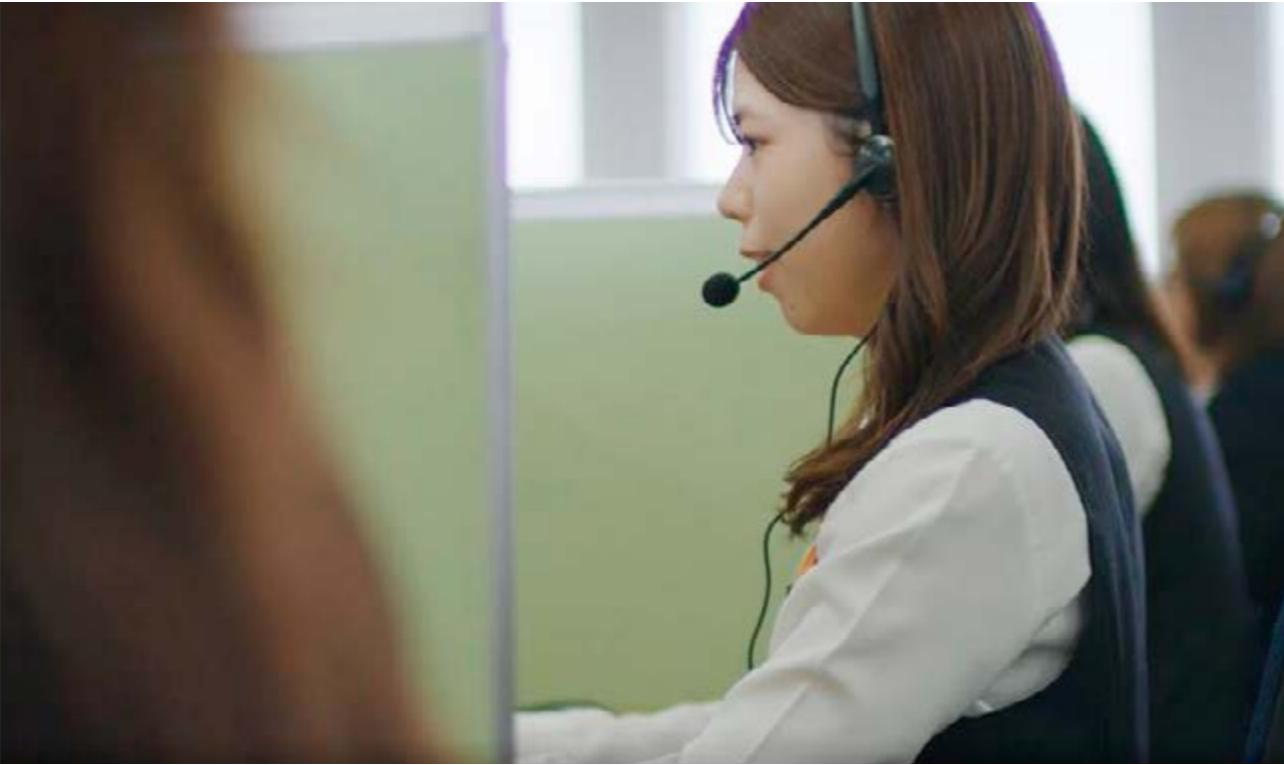
Frequently Asked Questions (FAQ)

In response to customer desires to solve problems on their own, Rinnai created a “Frequently Asked Questions” page on its corporate website, with many customers taking advantage of how-to videos that approximately 73% of respondents said resolved their issue.



FAQ (Japanese language only)

Inspection Efforts



The long-term use of products can pose safety hazards due to deterioration that occurs over time. Rinnai conducts safety inspections in an effort to prevent accidents caused by deterioration over time. These inspections are conducted in line with standards based on inspection guidelines formulated by the industrial association to which Rinnai belongs, in accordance with the Consumer Product Safety Act's Product Safety Inspection System for Long-Term Use. With the understanding that products also have a standard usage period, we recommend that customers using Rinnai products have them inspected.

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

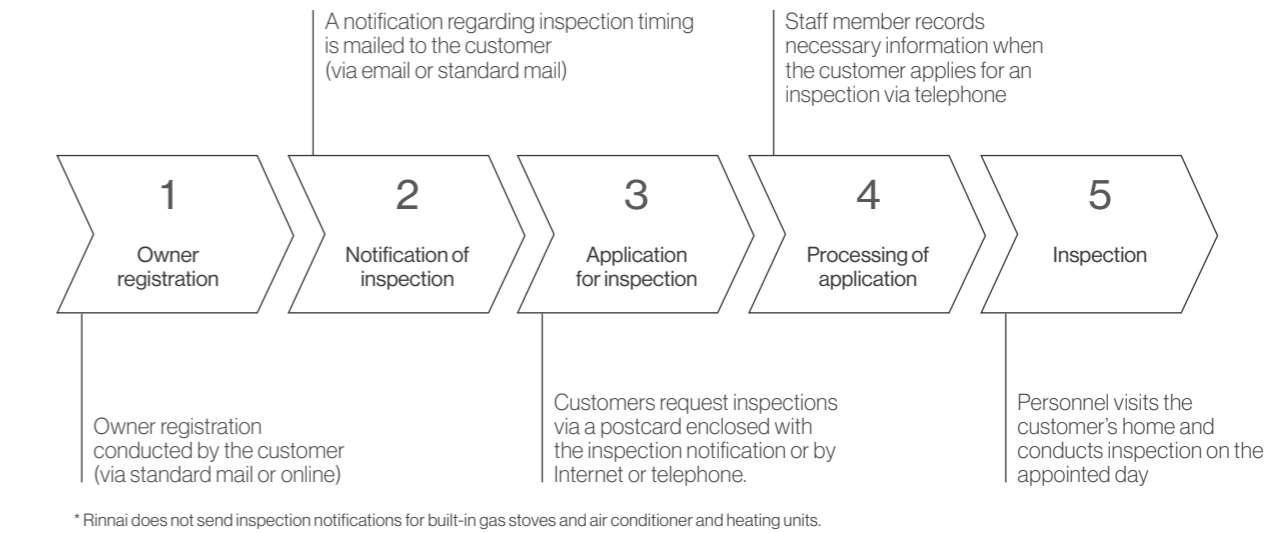
In addition, we work to increase customers' understanding of our inspection program and prevent accidents by providing information through our website and consultations via our maintenance and inspection call centers.

The Consumer Product Safety Act was revised in August 2021. Prior to this revision, owners of products designated as specified maintenance products were required to undergo statutory, fee-based product inspections. The 2021 revisions exempt some products from this requirement. For details, please see "Regulatory Revisions Related to Legal Compliance Inspections" on the Rinnai website (Japanese language only)

Products Requiring Safety Inspections



Inspection Process



Through central management of owner registration status to the inspection of each customer, Rinnai strives to improve customer satisfaction so that we can respond smoothly to any inquiries.

We protect personal information appropriately based on laws, regulations and strict management, never provide it to third parties, and do not anonymously process information. We will continue to improve our system and management structure to further heighten trust from customers.

Social

About Inspections

Rinnai recommends safety inspections (fee-based) to prevent product accidents caused by age-related deterioration. If inspections are not conducted, we recommend equipment be replaced.

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

Customer Feedback Regarding Inspections

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

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

Future Initiatives

Traditionally, manufacturers have engaged in activities such as the development, manufacturing, sales, and repair of products, and are now involved in inspections through the safety inspection system, among other customer safety activities.

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

Five Basic Inspection Work Focus Areas and Rinnai's Response

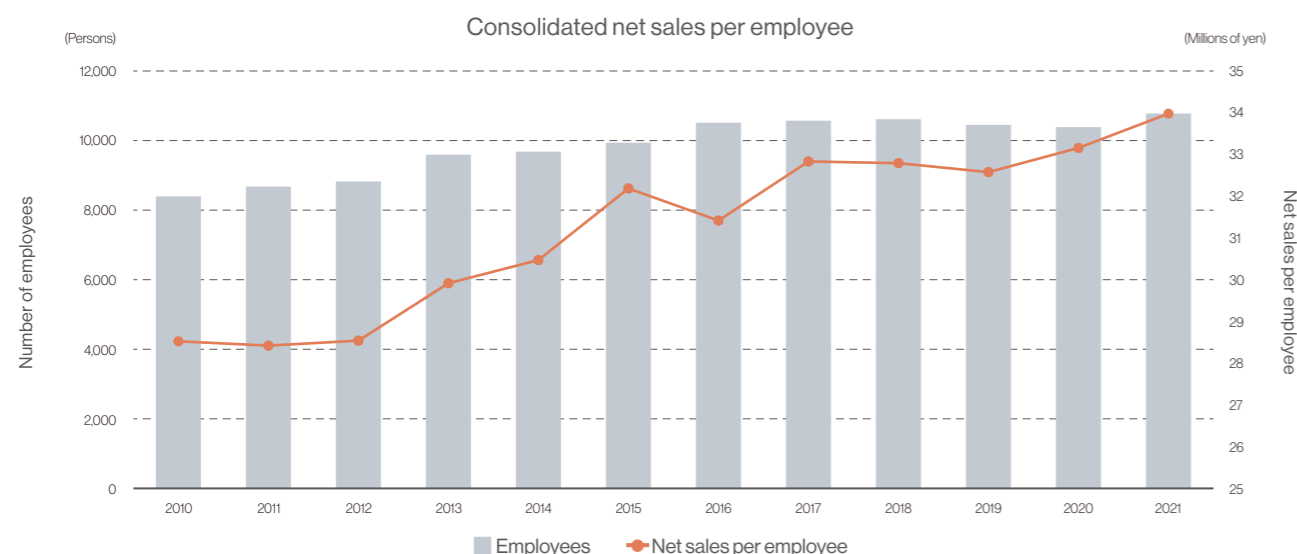
Five Focus Areas			Rinnai's Response
1	Quality inspection	Quality inspector, quality support, legal compliance, inspector report	<ul style="list-style-type: none">• From appointment to completion of inspection, all work conducted according to the inspection manual to promote higher CS• Check progress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

Social

About Human Capital

Net Sales per Employee

As Rinnai business expands, we continue to increase the number of employees, while proactively promoting improvements in labor productivity and human resource skills, resulting in a steady increase in net sales per employee. We will expand business globally while continuing to emphasize human capital and promote corporate prosperity in line with personal growth.



Increasing Employee Engagement

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

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

Positive response rates in the employee engagement survey

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



Health Management Initiatives

Rinnai has clearly stated policies on the maintenance and promotion of employee health set forth in the Group Code of Ethics and the Personnel Affairs Division management plan. The Personnel Affairs Division established dedicated departments (health and welfare team, health support office) as part of Rinnai's three-pronged approach to supporting employee health, incorporating the health insurance union, employee union and the Company.

In 2013, Rinnai established the Health Support Office, where full-time public health nurses provide individual health guidance and consultations, as well as information related to personal health, including countermeasures for preventing lifestyle-related diseases, while also conducting health promotion seminars to support mental and physical health.

We provided more detailed care to target employees to prevent the taking of leave due to mental stress, while at the same time, we strengthened support systems enabling a smooth return to the workplace for employees who had taken leave. We expanded the scope of mental health seminars and enhanced support for employees with cancer, incurable diseases and other physical ailments, as well as those with mental health issues. In addition to conducting stress checks on individual employees, we are working to systematically reduce employee stress and create a comfortable workplace by conducting group analyses of results from each division.

Rinnai believes healthy employees are important to enable the continued support of healthy customer lifestyles, thus we conduct various measures to protect the health of employees. As a result, Rinnai was selected as an Outstanding Health Management Company 2022 (Large Enterprise Category), sponsored by the Ministry of Economy, Trade and Industry, in recognition of our efforts to promote health as a company practicing excellent health management.



Rinnai Health Management Initiatives

- **Mental Health Measures**
We conduct mental health seminars according to occupational level and encourage stress checks targeting a 95% or better participation rate.
- **Lifestyle Disease Prevention Measures**
We provide guidance on the prevention of serious illnesses to insured persons with diabetes and hypertension who are not in treatment. We also organize events such as sport and walking festivals.
- **Metabolic Syndrome Prevention Measures**
We provide specific health guidance aimed at reducing the number of employees with metabolic syndrome by five percentage-points annually.

Social

Personnel Training

Consistently taking the initiative based on the idea of “developing employees who respect individual abilities and characteristics and continuously take on challenges autonomously to achieve their goals,” Rinnai promotes the cultivation of human resources who are able to drive the Company forward. We provide employees with numerous opportunities to grow as individuals, such as rank-specific training programs, specialization courses, OJT training and rotation training programs both in Japan and overseas.

OJT Personnel Training

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

Our main training is OJT, wherein a supervisor guides his or her team member through an actual job. In addition, we provide a rank-specific training program, which supports the improvement of each employee as an individual by grouping them according to job responsibility, and a specialization course, which encourages our employees to be highly specialized in their area. These three programs form the three pillars of Rinnai’s training system.

Major Rank-specific Training Programs

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

Career Development Review and Support

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

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

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

Support for Self-directed Development

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

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

Succession of *Monozukuri*, the Spirit of Manufacturing

Training at the Production Technology Center

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

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

Worksite Training

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

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

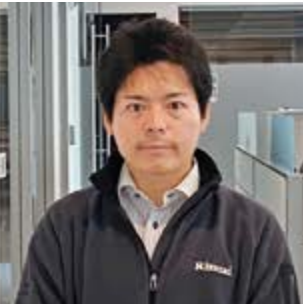


Development of Global Human Resources

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 provide opportunities for assignments to overseas group companies to employees in their 20s. The program is based on gaining actual experience through overseas assignments and aims to develop participants' adaptability to different cultures and international business sense.

VOICE



Rinnai America Corporation
Naoto Mase

Transferred from the Research & Development Headquarters' Hot Water Equipment Development Office to Overseas Group Company

Having spent nearly 10 years in the Research and Development Headquarters' Hot Water Equipment Development Office, where I was mainly engaged in the development of products for overseas markets, in March 2017, I was transferred to Rinnai America.

My work here primarily entails consultation on new product development specifications, technical support, testing assistance, and liaising with Japan on quality-related issues, such as investigating market quality problems and responding when trouble occurs. Since being assigned to this position, there have been several major changes, including Head Office and testing room expansions and renovations, as well as the launch of water heater production at a local factory, which have enabled me to become more engaged with local employees.

After work, I interact with local employees, with whom I enjoy bowling, eating out and other activities. In this way, I am able to engage in work while making the most of my time in and outside the office.



VOICE



Rinnai (Thailand) Co., Ltd.
Yuji Hayashi

Assigned to an Overseas Group Company Based on Various Business Experiences

After joining Rinnai, I worked in the Production Engineering Division for three years developing press dies and processing technologies, then spent 12 years in the Purchasing Division involved mainly in overseas procurement before returning to the Production Engineering Division for a further eight years where I was in charge of new product support operations. In March 2020, I was assigned to Rinnai Thailand. While working in the Purchasing Division, I had spent three years from 2006 to 2009 working in the southern China city of Guangzhou, so this is my second overseas assignment, but it is extremely invigorating to work in a different country with a different culture.

At Rinnai Thailand, I am the manufacturing site manager, responsible for overseeing the work of approximately 150 people, accounting for one-third of the entire workforce. To improve quality and productivity, I work with staff on a daily basis to improve the work site and make it worthy of the Rinnai brand. Initially, very few opinions were expressed, but proposals have gradually come forward. As someone who values teamwork, my sense is that we are beginning to see a positive response. There are a large number of Japanese expatriates in Thailand, with hospitals and other infrastructure providing support for Japanese people, making daily life here worry-free.



Work-Life Balance

Support for Work-Life Balance

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

Program and Measure	Content
Childcare leave	Employees living with and raising a child or children less than one year of age may take a leave of absence from work until the child or children reach one year or one year and six months of age. (The leave of absence may be extended until the child or children reaches two years of age, dependent upon the conditions of the application for leave.)
Childcare shortened work hours	Employees who live with and raise children until March 31 of the third year of elementary school can request to have their prescribed working hours changed within a range of not less than six hours a day.
Sick or injured childcare leave program	Employees may take a maximum of 10 days (20 days for employees with two or more applicable children) of leave per year in half-day units to care for sick or injured children.
Extended family care leave	Employees may take a maximum of 10 days (20 days for employees with two or more applicable family members) of leave per year in half-day units to care for a family member in need of long-term care.
Family care shortened work hours	Any employee who is responsible for a family member that requires full-time or nursing care may shorten his or her daily working hours, provided that a minimum of 6 hours are worked each day. This provision is possible for more than once during three years from the starts of use of this program per such family member.
Family care leave	An employee can take up to 10 days leave per year (20 days per year if two or more family members require care).
Work from home program	The longest duration of “Work from home program” shall be one year per application. Utilizing IT equipment, an employee may work partially or entirely at home.
Come Back program	This program offers an employment opportunity to our former employees who had to leave the Company for unavoidable reasons such as marriage, childcare and family care, or on his or her discretion.
Measure to reduce working hours (Flexible working hours)	Depending on work plan, working hours and work start/end time can be negotiated.
Measure to reduce working hours (No overtime day)	Every Wednesday is set as “No overtime day” to encourage employees to leave early.

Formulation and Implementation of the General Employers Action Plan

Rinnai formulated the General Employers Action Plan (Sixth Period: Fiscal 2023– Fiscal 2024) based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

Sixth Period General Employers Action Plan

1. Plan period
April 1, 2022 to March 31, 2024
2. Details
Objective:
To improve workplace environment and change awareness for realization of balance between childcare and work
- <Measures>
 - Conduct roundtable discussions facilitating the exchange of information during training sessions for female employees.
 - Improve the rate of male employees taking childcare leave by publishing interviews with male employees who have taken childcare leave and spreading awareness of amendments to paternity leave conditions under the Child and Family Care Act.
 - Create a system covering the duties of employees taking leave through employee training aimed at instilling expertise across multiple work areas.

Working to Enrich the Lives of Our Employees’ Families



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

Major Programs in Rinnai Employees’ Association

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

Industrial Relations and Human Rights

Establishment of Good Labor Relations

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

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

Respect for Human Rights and Individuality

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

To promote and enforce the contents of the Rinnai Group “Code of Ethics” among all Group employees, a Compliance Committee member is allocated to each workplace and materials are published on the Company intranet.

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

Efforts to Prevent Child Labor and Forced Labor

As a measure to prevent child labor and forced labor, the “Rinnai Code of Conduct: 4.2 Prohibition of Child Labor and Forced Labor” stipulates that “We will not use any inappropriate labor including child labor that subjects persons under the legal working age to harmful labor or any form of unjust labor contrary to the intent of workers.” The entire Group abides by and acts on this rule.

Measures to Prevent Harassment

To maintain a working environment that our employees find comfortable, we take measures to prevent any infringement of human rights, including sexual harassment and power harassment. With regard to sexual harassment, power harassment and harassment related to pregnancy, childbirth, childcare leave and nursing care leave (maternity/paternity harassment), we produced a checklist of detailed examples of harassment that is posted on the Companywide intranet for self-assessment.

Furthermore, in rank-specific training for promoted employees, we also provide harassment education to reinforce prevention.

Additionally, as a measure preventing maternity/paternity and nursing care leave harassment, we established employment regulations and in-house rules prohibiting disadvantageous treatment, and clarified harassment prohibition details and disciplinary actions based on employment regulations in the event an employee violates these rules.

Social

Fair and Diversified Employment

View toward Employment

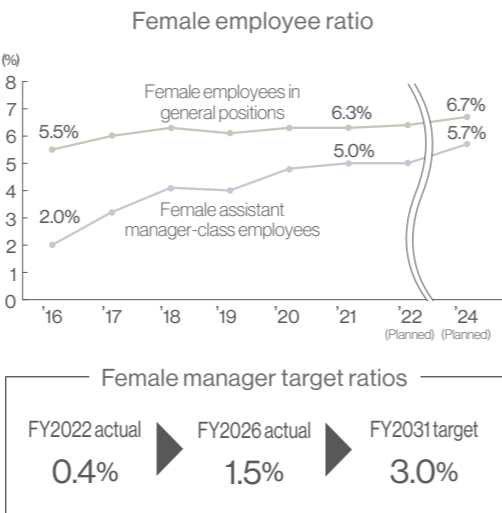
We respect the diversity of individuals and provide employees with various job opportunities and a working environment where they can demonstrate their various capabilities. The Rinnai Group Code of Ethics stipulates that “Any discriminatory act toward an individual based on gender, age, nationality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

In addition, we actively engage in mid-career hiring to capitalize on the accumulated experience and knowledge of individuals who showed they can make a contribution to our success. We hire approximately 10 skilled mid-career employees every year.

Supporting the Promotion and Active Participation of Women

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

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



VOICE

Daily Diligence Enabling Better System Development

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

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

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



Production Engineering Headquarters
Chihiro Akai

Formulation and Implementation of the General Employers Action Plan

Rinnai formulated the General Employers Action Plan (Fourth Period: Fiscal 2023– Fiscal 2024) based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

Fourth Period General Employers Action Plan

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

1. Plan period
April 1, 2022 to March 31, 2024

2. Company issues
(1) Although Rinnai continues to hire female career-track employees among new graduates, there are differences in the length of employment between male and female employees, hence it is necessary to develop systems and environments enabling employees to work for longer periods of time.
(2) The percentage of women in managerial positions is low. It is necessary to increase the number of women in positions one level below section chief and increase the number of women promoted to managerial positions.

3. Goals, initiative details and implementation timeframes

Goal 1: Reduce the difference in average years of service between men and women from 4.6 years to 4.0 years.
Initiative details: Reduce the number of retirees due to childcare, family care or other factors.

- Support for employees working shortened hours.
- Expansion of telecommuting system.

Goal 2: Increase the percentage of women in general positions (non-managerial positions) from 6.3% to 6.7%.
Initiative details: Reduce the number of retirees due to workplace culture, childcare and family care.

- Support for returning to work after maternity leave (usage and revision of interview check sheet used before and after returning).
- Promotion of female employee roundtable discussions at each business site (understanding requests for work details and environment and network formation support).
- Appeal to female general employees using in-house newsletters and other means of communication.

Goal 3: Increase the percentage of women at the section chief level from 5.0% to 5.7%.
Initiative details: Change awareness of women's advancement by training and other methods.

- Conducting training for female employees (unions).
- Implementing a program fostering an understanding of diversity within managerial training.
- Implemented a program to motivate chiefs to seek promotion to section chiefs.

Disclosure of Information about Promotion of Women's Participation and Advancement

- (1) Percentage of women at the section chief level 5.0%
 (2) Difference in average years of service between men and women 3.6 years
 (Note: Employees with labor contracts having no fixed term. Excludes contract employees and temporary staff.)

Reemployment of Retired Employees and Support for Demonstration of Their Abilities

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

Promoting the Employment of People with Disabilities

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

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



Computer operations



Weeding activities

Occupational Health and Safety

Basic Policy on Safety and Hygiene

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

Basic Policy on Safety and Hygiene

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

Promoting Safety and Health Activities

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

Within safety and health activities conducted at each business site, to prevent disasters, activities include the horizontal deployment of examples informing employees about work-related injuries and corresponding recurrence prevention measures, establishing safety and health committees that include members from both labor and management, conducting safety and health patrols, and implementing the Company's five fundamentals of safety and health (regulation, arrangement, cleaning, sanitation and training). Through these activities, we are working to create workplace environments that are secure, safe and comfortable.

Promotion of Traffic Safety

We carry out various educational activities with the aim of raising employee awareness of traffic safety and contributing to the local community. As a "Zero Day" activity, employees themselves stand on the streets and call out to passers-by. We hold lectures by police officers in collaboration with local police stations, and for new employees, we rent out a driving school and hold practical training and risk prediction courses. Furthermore, through the periodic acquisition of driving record certificates, we ascertain the status of employee safe driving behaviors and provide individual guidance as situations demand. Rinnai company vehicles are equipped with drive recorders, corner sensors and other safety equipment, including safe driving eco-drive promotion systems (telematics), in an effort to promote employee traffic safety and eco-friendliness from practical as well as theoretical perspectives.

Social

Communication with Stakeholders

Communication with Shareholders and Investors

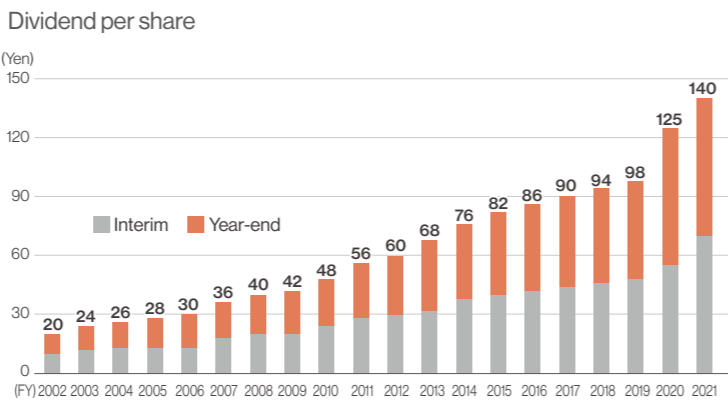
Aiming for Longer-Term Business Growth and Stable Shareholder Returns



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 20 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, and have increased our annual dividend for 20 consecutive fiscal years since fiscal 2003. Additionally, in the fiscal year ending March 31, 2023, Rinnai plans to provide an interim dividend of ¥75 and a year-end dividend of ¥75, amounting to a full-year dividend of ¥150.



IR Activities for Institutional Investors and Analysts

As IR activities have been curtailed by the pandemic, we are currently shifting to the online dissemination of financial results briefings to ensure the same level of communication with institutional investors and analysts. In addition to conducting IR interviews using conventional conference calls, we have adopted an online meeting system to enhance communications.

We explained Rinnai's carbon neutrality policy at the fiscal 2022 Q2 results briefing, and held a separate carbon neutrality briefing for investors and analysts to provide more detail regarding disclosure and responses.



Carbon neutrality briefing for investors and analysts (online meeting screenshot)

Fiscal 2022 Activities

IR interviews conducted a total of 176 times
 One-on-one interviews: 14 (Tokyo: 9; Nagoya: 5)
 Telephone interviews: 69 times
 Online coverage: 93 times
 Fiscal 2022 interim results briefing (livestream): 67 attendees
 Fiscal 2022 year-end results briefing (livestream): 89 viewers

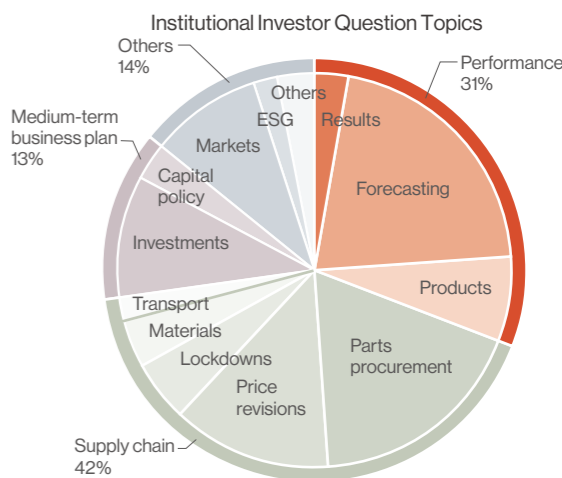


IR interviews

Institutional Investor Opinions at Fiscal 2022 Year-End

Rinnai received many inquiries pertaining to parts procurement instability in the second half of fiscal 2022 and price revisions implemented in April 2023 among usual questions related to business performance, future outlook and the status of product sales from institutional investors and analysts at the fiscal 2022 financial results announcement.

There was more interest than ever in how major environmental changes surrounding the pandemic will affect Company activities and future business conditions. Rinnai communicated the latest performance results and explained the ongoing implementation of the medium-term business plan, highlighting achievements thus far.

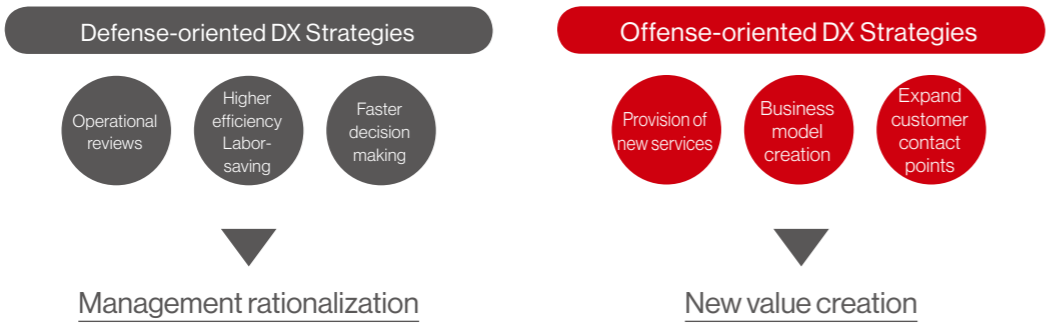


Social

Communication with Customers

Rinnai DX Initiatives

Rinnai is proactively promoting the transformation of its corporate structure (digital transformation [DX]), executing a comprehensive review of existing business and operational processes and shifting to a consumer-oriented approach. We will respond flexibly to market changes, steadily pursuing sustainable development through business expansion and global development.



Having defined defense-oriented DX strategies as management rationalization, and offense-oriented DX strategies as new value creation, Rinnai is engaged in initiatives on both fronts.

Management rationalization: Restructuring business processes utilizing new digital technologies and internal data
Initiatives: Revising operations, streamlining and conserving manpower in processes, accelerating decision-making

New value creation: Utilizing product usage data, customer feedback and browsing history
Initiatives: Providing new services meeting needs, creating business models and expanding customer contact points

In terms of promoting DX, Rinnai is creating a DX promotion structure, developing human resources, establishing a technological environment and building data management infrastructure. We have allocated personnel to this promotion structure to advance DX in each business and management division. Further, we launched a Company-wide cross-functional project aimed at building a system uniting the entire Company.

In developing human resources, we provide training for personnel who promote DX to inculcate the latest technological trends and case studies, as well as the mindset and skills required to promote DX. We also created an environment enabling IT staff to learn about AI, IoT and other information technologies as part of efforts to incorporate them into business activities.

To improve Rinnai's technological environment, we are promoting the rapid development of environments and operational optimizations using cloud technologies while reviewing backbone systems, which can be a barrier to the promotion of DX. With regard to data management infrastructure, we are working to build an environment for storing and analyzing various data necessary to create new value.

DX Promotion Platform			
Promotion structure creation <ul style="list-style-type: none"> Allocate promotion personnel to each division Create cross-sectional organizational structure 		Human resource development <ul style="list-style-type: none"> Cultivate DX-personnel Technology training for IT staff 	
Develop technological environment <ul style="list-style-type: none"> Use of cloud technologies Backbone systems review 		Creating a data management platform <ul style="list-style-type: none"> Data storage platform creation Data analysis platform creation 	

Taking Advantage of the Internet to Enhance Customer Support

We supply care products and user replaceable parts via our R. STYLE online shopping site to help our customers get the most out of their purchases for as long as possible. The range of offerings is being constantly expanded in response to direct customer feedback and now includes cleaning and kitchen supplies that are highly compatible with our products and original products available only through R.STYLE.

We recently revamped the Rinnai website design to align it with Rinnai's brand promise and improve the members-only section. In addition to traditional credit card and convenience store payment methods, our website now supports online payments via smartphone. In April 2022, the number of registered members exceeded 970,000, providing even more opportunities for contact with users of our products. To keep in touch with members' needs, we conduct online questionnaires (annually more than four times) and use the data obtained to design products that meet these needs and resolve issues that they raise. We will continue to expand direct contact with customers in our quest to deliver better service.



The new Rinnai Style aligned with our brand promise

Developing More Intimate Communication through the Living Information Column

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

The site provides wide-ranging content closely related to our daily lives, containing diverse information related to cleaning, tidying up and storage, cooking, and laundry and ironing. It also contains columns that aim to eliminate concerns regarding housework, and to share specialized expertise and information regarding new discoveries. We try to make articles as plain and simple as possible so that readers can easily try out the recommendations of experts.

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



Rinnai Style Magazine

Social

Communication with Business Partners

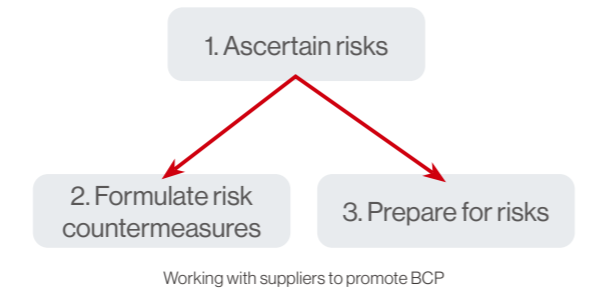
Working with Suppliers to Promote BCP

In 2021, the pandemic continued to cause plant shutdowns and logistical problems, making parts procurement extremely difficult. Compared to the past, Rinnai's materials procurement network has expanded globally, with the importance of BCP increasing to unprecedented levels. We will work with suppliers to firmly promote BCP.

We work closely with business partners to exchange information, examine supply chain risks and grasp the marketability, availability and future viability of parts. To mitigate risks, we also promote inventory optimization to prepare for various risk scenarios and are engaged in the diversification of materials, processes and logistical networks.

In recent years, as we have also seen an increase in parts procurement problems due to plant fires and natural disasters. In October and November 2021, we conducted fire and natural disaster inspection patrols in conjunction with 13 suppliers. Rinnai will strengthen BCP by further enhancing accident prevention and mitigation with respect to fires and natural disasters.

Going forward, we will continue to deepen communications with suppliers in an effort to maintain stable production.



Fire and natural disaster inspection patrols (with 13 suppliers)

Rinnai Group Purchasing Policy

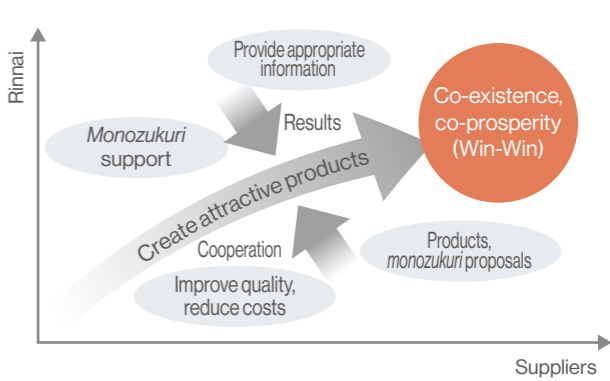
To grow along with our suppliers, we emphasize transactions based on a fair and impartial assessment and selection process and respect for laws and regulations and corporate principles, in accordance with the Rinnai Group Purchasing Policy.

Purchasing Policy

We will give equal opportunity to all companies at home and abroad and undertake fair evaluations to procure excellent parts that meet our requirements. <https://www.rinnai.co.jp/en/corp/plan/>

Rinnai's Stance on the Relationship with Its Business Partners

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



Realization of Fair-and-Square Transactions

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

Communication with Business Partners

In 2021, procurement activities were more difficult than in 2020 due to shortages in electronic and wire component supplies and lockdowns in Vietnam.

We strive to ensure stable procurement by communicating with primary suppliers from who we procure directly, as well as secondary and tertiary manufacturers and trading companies. Taking complex electrical wire components deployed in the global supply chain as an example, Rinnai is strengthening business activity risk countermeasures through the face-to-face sharing of information and delivery date negotiations for components that include electrical wires, connector parts, resin and metal materials.



Electrical wire components used by numerous companies

VOICE



Toko Co., Ltd.
Senior Managing Director
Kimihiro Suzumura

Fire and Disaster Mitigation Efforts

Having acquired ISO 14001 certification for this inspection, we had a certain degree of confidence, but still received a wealth of useful guidance aimed at reducing the potential for the spread of fires or other disasters to near zero, including in-depth guidance related to education and training. We are already taking measures to address identified issues, and will continue to conduct regular internal inspections to implement improvements as quickly as possible.

Social

Communication with Local Communities and Society

Sponsoring the *Oshigoto Hakubutsukan* Career Development Support Project

Rinnai sponsors *Oshigoto Nenkan*, the core teaching material for the *Oshigoto Hakubutsukan* Career Development Support Project promoted by The Asahi Shimbun Company.

The *Oashigoto Nenkan* is a supplemental teaching material for elementary and junior high school student career development donated to all elementary and junior high schools and libraries across Japan. It has been published for six consecutive years as an educational resource.

Sponsorship Background

As Rinnai handles hobs (stovetops) and water heaters providing hot water for use in kitchens and baths, we have a duty to inform the public about the principles of flames and safe usage. With elementary and junior high school students in particular, we explain in an easily understandable way how flames are created and how gas and open flames can be used safely in the home. We will continue to provide this information so that everyone can understand and use heating equipment with peace of mind.

Oshigoto Nenkan: Why are gas stovetop flames blue?
<https://oshihaku.jp/nenkan/page/13152686>

The Ministry of Education, Culture, Sports, Science and Technology (MEXT) has set the goal of creating a better school education and society through cooperation and collaboration between communities and schools (families) aimed at realizing a curriculum open to society. Rinnai will continue to sponsor the *Oshigoto Hakubutsukan* career development project in support of equal access to quality education for all people.



Oshigoto Nenkan 2022



Rinnai sponsored page: Why are gas stovetop flames blue?

Contributing to Regional Cultural Development

Participating in the International Canal Forum



The International Canal Forum Nagoya 2020 was held at Aichi University (Nagoya) and other venues in May 2021 to discuss the use of canals in urban development. Due to the pandemic, the forum was presented in a format that enabled online participation streamed live for the general public.

At the International Canal Forum, participating company involvement with the Nakagawa Canal, including past efforts and expectations for the future, were discussed at length. In addition to donating ¥10 million every year for the past 10 years since fiscal 2013 to ARToC10, a project subsidizing cultural and artistic activities in support of exchanges with citizens and creative activities in the Nakagawa Canal Restoration and Cultural/Artistic Assistance Project's "Nigiwai (Bustling) Zone."

Rinnai Corporation, Actual Results in Fiscal 2022

- Support for restoration project on the Nakagawa Canal
- Nagoya Philharmonic Orchestra
- Campus Venture Grand Prix, Chubu Area
- Nagoya Shonen Shojō Hatsumei Club (Invention and Innovation Youth Club)
- Keidanren Committee on Nature Conservation
- Nagoya University Foundation
- Chinese Spring Festival in Nagoya
- Sponsorship of the Connecting Traditional Japanese Culture Project
- Green Fund
- Monodzukuri Nihon Conference
- *Choju-no-Kai* (Classical Japanese dance)

Social Contribution Amounts in Fiscal 2022

- Social contribution activities funding: ¥27,830,000
- Political donations: ¥790,000

Social

Global Social Contribution Activities

■ China (Shanghai Rinnai)

In March 2022, COVID-19 began to spread once again, with conditions in Shanghai being particularly serious. In cooperation with distributors, suppliers and others, Shanghai Rinnai donated electric water heaters, water purifiers and daily necessities to quarantine facilities for infected people. During subsequent lockdowns, as food (especially vegetables) was in short supply, we worked with distributors to collect 15 tons of vegetables in one night, which we then donated to the Shanghai Fengxian District government.



Donating electric water heaters to medical quarantine facilities



Pro-environment boiler donation ceremony

■ South Korea (Rinnai Korea)

In April 2022, four South Korean boiler manufacturers, including Rinnai Korea, as well as the Seoul Metropolitan Government and the Seoul Council on Social Welfare, met to discuss the expansion of measures supporting pro-environment boilers contributing to the global environment and held a pro-environment boiler donation ceremony.

■ United States (Rinnai America)

In March 2022, Rinnai America promoted the campaign theme "Break the Bias," for International Women's Day 2022. Throughout the entire month of March, we showcased female employees and their work on our official Facebook page. As efforts promoting gender equality are a year-round priority, Rinnai will continue to Break the Bias.



Showcasing women's active participation on social media



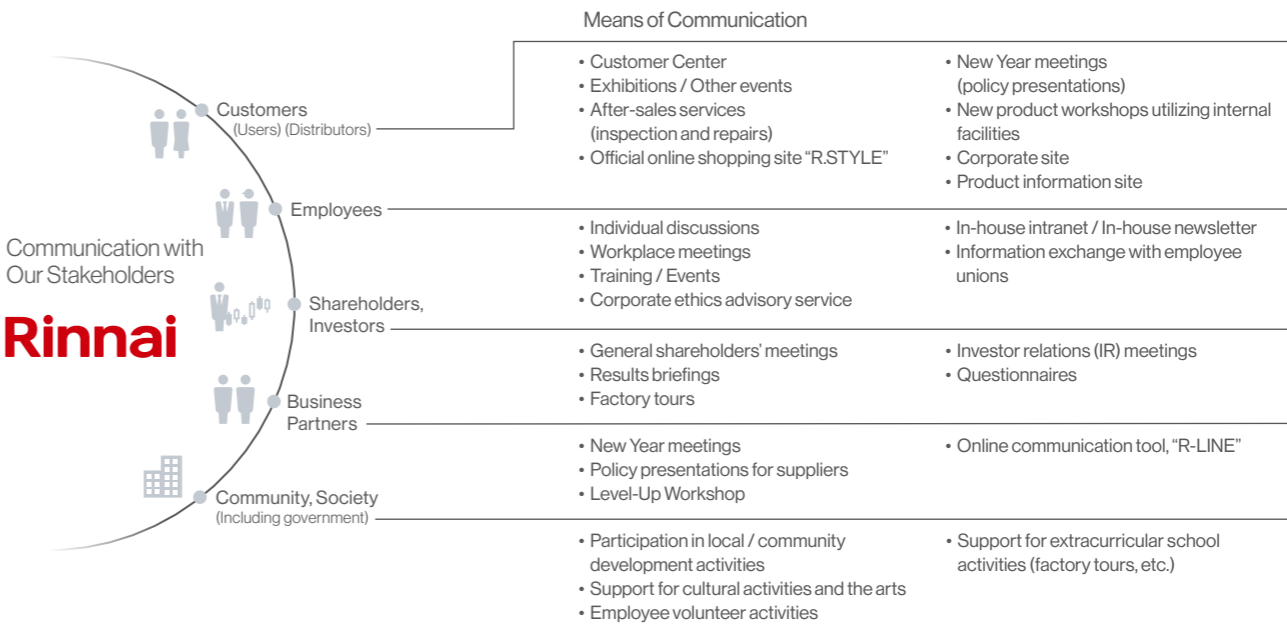
Donating high-flow oxygen concentrators to local hospitals

■ Thailand (Rinnai Thailand)

In September 2021, we donated high-flow oxygen concentrators to local hospitals for use in treating patients infected with COVID-19.

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.



Feedback from the Nikkei Integrated Report Award 2021

Rinnai entered the Nikkei Integrated Report Award 2021 sponsored by Nikkei, Inc., receiving a wealth of evaluative feedback from judges that we will consider reflecting in subsequent issued of the Rinnai Report.

Main Points of Evaluation

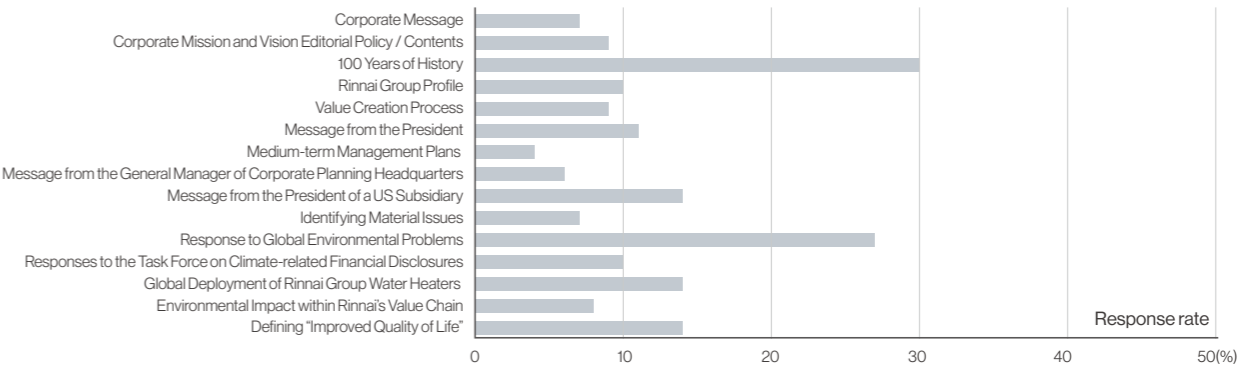
- In Message from the President, the president's passionate ideas and commitment to being a profitable company are evident.
- Rinnai financial targets are highly original, as they include improving quality of life and contributing to the environment as part of corporate value creation.
- In addition to financial data, useful non-financial data is also presented in an extremely exemplary format.

Main Issues

- The report should integrate the link between Rinnai's growth story and the enhancement of corporate value.
- Rinnai should provide more thorough explanations of its investment plan, new organization, technological advantages, and other points indicating the future direction of the company.
- The report should indicate the status of Board of Director and other management meetings, as well as provide a realistic overview of their activities.

Results of Questionnaire Regarding Rinnai Report 2021 (Integrated report) n=275

We sent a questionnaire to readers of our 2021 Rinnai Report and asked them to vote on topics they found interesting. We intend to incorporate the results of this questionnaire in our next edition.



Governance

Management Structure

Basic Principles

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

Audit System for Monitoring and Supervising Management

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

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

Board of Directors

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

Nomination Advisory Board and Compensation Advisory Board

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

Director Compensation

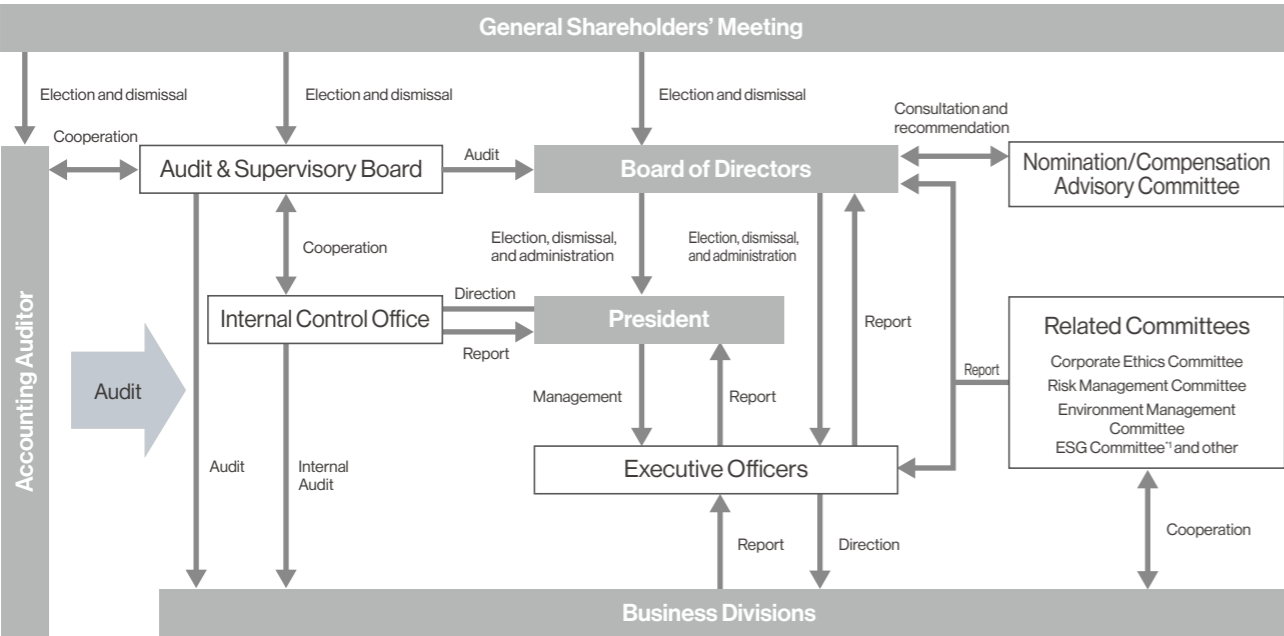
Compensation limits for directors and auditors are determined in accordance with the resolution of the general meeting of shareholders.

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

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

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

Corporate Governance Structure



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

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

Governance

Leadership

(As of June 29, 2022)

Board of Directors

Kenji Hayashi			Representative Director, Chairman of the Board		
Career Summary and Current Position in the Corporation:					
Apr. 1972	Joined Rinnai Corporation	Jul. 1992	Managing Director, and General Manager of Related Business Division		
Sep. 1978	Director	Jun. 2005	Director, Managing Executive Officer, and General Manager of Related Business Division		
Feb. 1980	Director, and General Manager of Corporate Planning Office	Jun. 2006	Representative Director, Vice Chairman of the Corporation		
Jun. 1983	Managing Director, and General Manager of Production Technology Division	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. 2003	Managing Director, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division		
Jun. 1991	Director, Deputy General Manager of Technology Research Headquarters, and concurrently General Manager of New Technology Development Division	Jun. 2005	Director, Managing Executive Officer, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division		
Jul. 1998	Director, General Manager of Technology Research Headquarters	Nov. 2005	Representative Director, President and Executive Officer of the Corporation (current)		
Jul. 2001	Director, General Manager of Corporate Planning Division and concurrently, General Manager of Administration Division				

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

Nobuyuki Matsui			Outside director, Independent officer		
Career Summary and Current Position in the Corporation:					
Apr. 1985	Professor at Department of Electrical Engineering in Nagoya Institute of Technology	Apr. 1965	Joined Toyota Motor Co., Ltd.		
Jan. 2004	President at Nagoya Institute of Technology	Jun. 1996	Director at Toyota Motor Corporation		
Apr. 2010	Auditor at Aichi University of Education, Adviser of Aichi Prefectural Government Office (Industrial Labor Section)	Jun. 1999	Managing Director at Toyota Motor Corporation		
Apr. 2012	Professor at Chubu University	Jun. 2001	Senior Managing Director at Toyota Motor Corporation		
Jun. 2014	Outside director, Rinnai Corporation (current)	Jun. 2005	Senior Advisor at Toyota Motor Corporation		
Apr. 2021	President at International Professional University of Technology in Nagoya (current)		President at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan Co., Ltd.)		
Current Representation in Other Companies: Outside director at Aichi Tokai Denki Co., Ltd., President at International Professional University of Technology in Nagoya			Director at Nakanihon Kogyo Co., Ltd.		
			May 2010		
			Advisor at Toyota Motor Corporation		
			Jun. 2010		
			Senior Advisor at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan Co., Ltd.)		
			Jun. 2011		
			Audit & Supervisory Board Member at Central Nippon Expressway Company Limited		
			Jun. 2016		
			Outside director, Rinnai Corporation (current)		
			Current Representation in Other Companies:		
			Chairman of Sasaeei, 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	Apr. 1981	Joined Rinnai Corporation		
Nov. 2005	General Manager of Administration Division, Administration Headquarters	Apr. 2010	Executive Officer, General Manager of Product Development Division, Research & Development Headquarters		
Apr. 2014	Executive Officer, General Manager of Administration Division, Administration Headquarter	Apr. 2011	Executive Officer, Deputy General Manager of Research & Development Headquarters, General Manager of Product Development Division		
Jun. 2016	Audit & Supervisory Board member (current)	Apr. 2016	Managing Executive Officer, General Manager of Research & Development Headquarters		
		Apr. 2018	Managing Executive Officer, General Manager of Research & Development Headquarters, General Manager of Technology Administration Division		
		Apr. 2019	Managing Executive Officer, General Manager of Quality Assurance Headquarters, General Manager of Environment Division		
		Jun. 2022	Audit & Supervisory Board member (current)		

Masaaki Matsuoka			Outside Independent Audit & Supervisory Board Member		
Career Summary and Current Position in the Corporation:					
Sep. 1976	Registration of a certified public accountant	Apr. 1978	Registration of attorneys		
Jul. 1988	Partner at Deloitte Tohmatsu LLC (Now, Deloitte Touche Tohmatsu LLC)		Joined Saiji & Ohta Law firm		
Jun. 2014	Retired from Deloitte Touche Tohmatsu LLC	Jun. 1991	Established Ohta & Watanabe Law firm (currently, TRUTH & TRUST Law Office) (current)		
Jul. 2014	Established Masaaki Matsuoka CPA office (current)				
Jun. 2016	Audit & Supervisory Board Member (current)	Jun. 2016	Audit & Supervisory Board Member (current)		
Current Representation in other companies					
Audit & Supervisory Board Member at Kanemi Co., Ltd.			Current Representation in other companies		
Outside Audit & Supervisory Board Member at Mitachi Co., Ltd.			Outside director at Howa Machinery, Ltd. (Audit and supervisory committee member)		

Skills Matrix of Directors

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

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

Reasons behind Selecting Eight-Point Skills Matrix

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

Executive Officers

(excluding concurrent directors)

Hideyuki Shiraki Managing Executive Officer General Manager of Marketing & Sales Headquarters and General Manager of Sales Division	Chuji Nakashima Managing Executive Officer General Manager of Research & Development Headquarters, and General Manager of Technology Administration Division	Kazuto Inoue Managing Executive Officer General Manager of Production Engineering Headquarters	Hirohisa Ooi Senior Executive Officer General Manager of Production Headquarters	Takuya Ogawa Senior Executive Officer General Manager of Corporate Planning Headquarters
Yoshihiko Takasu Senior Executive Officer General Manager of Overseas Business Headquarters	Masanori Shimizu Senior Executive Officer General Manager of Quality Assurance Headquarters	Kenichi Ebata Senior Executive Officer General Manager of President's Office, and General Manager of General Affairs Division	Katsunori Tanioka Executive Officer General Manager of Chubu Branch, Marketing & Sales Headquarters	Hiroyuki Hoyano Executive Officer General Manager of Kanto Branch, Marketing & Sales Headquarters
Atsuo Kashima Executive Officer General Manager of Accounting Division	Kazuhiko Matsumoto Executive Officer Presidents of Rinnai Precision Co., Ltd.	Kenji Endo Executive Officer President of RB Controls Co., Ltd. and President of Noto Tech Co., Ltd.	Hayao Nishizawa Executive Officer President of Shanghai Rinnai Co., Ltd.	

Governance

Message from an Outside Director



Takashi Kamio
Outside Director, Independent Officer

My Views on Rinnai’s Initiatives and Business Performance

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

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

What I Find Good about Rinnai

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

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

Issues Facing Rinnai

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

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

Compliance

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

Rinnai Group Code of Ethics

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

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

Each year, Rinnai conducts Code of Conduct awareness activities for all Group employees including those outside of Japan.

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.



Code of Ethics summary awareness meeting
(Rinnai Holdings Pacific)



Code of Ethics summary awareness meeting
(Rinnai Korea)



Rinnai (New Zealand)
Written Pledge



Rinnai (Malaysia) Training via Zoom



Rinnai Group Code of Ethics
(English, Chinese and Korean versions)

Governance

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 221 employees attending in fiscal 2022. Compliance training was also conducted for divisional heads by Rinnai's corporate lawyer.

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

Confirmation and Modification of Compliance Activities

Every year, we conduct employee questionnaires to ascertain how deeply ingrained elements of our Corporate Philosophy have become. In fiscal 2022, these showed that 99.7% of respondents were familiar with the Company Motto, 97.6% of respondents recognized Rinnai Brand Promise, and 96.0% understood our Corporate Mission.

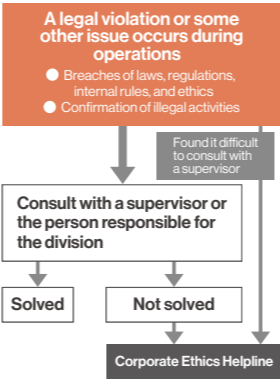
We will continue to actively promote compliance activities to maintain these high levels.

Facilitation of Internal Reporting System

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

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

In fiscal 2022, the helpline received 10 reports and requests for advice. Appropriate measures have been taken, including investigation and confirmation of the facts in these cases of alleged misconduct.



Disciplinary Actions

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

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

Compliance Violations

In fiscal 2022, there were no serious compliance violations.

Protecting Personal Information

Rinnai has established internal rules based on the Act on the Protection of Personal Information. We also established a Privacy Policy as a guideline for handling personal information that is published on our website (<https://www.rinnai.co.jp/en/policy/privacy/>). Through these efforts, we strive to properly manage, use and protect personal information.

Specifically, a Personal Information Protection Manager is appointed at the Head Office to maintain and teach internal rules. Personal Information Protection Committee members are assigned in each workplace and domestic Group company to provide guidance on methods and procedures to the person in charge of handling personal information.

In addition, the Personal Information Protection Committee member conducts internal audits once each year under the direction of the Personal Information Protection Manager regarding the management status of personal information in each workplace.

In fiscal 2022, there were no personal information leakage incidents.

Executive Structure

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

Governance

Basic Principles of the Internal Control System

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

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

Internal control reports (Link destination: <https://www.rinnai.co.jp/ir/internal/>) (in Japanese only)

Information Disclosure

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

Disclosure policy (Link destination: <https://www.rinnai.co.jp/en/ir/disclosure/>)

Risk Management

Risk Management Policy

As society becomes increasingly complex, companies face a variety of risks. As a Company that produces thermal energy appliances to support people's lifestyles, we believe it is our responsibility to maintain the stable supply of our products. The Rinnai Group is implementing risk management to ensure it remains trusted by its customers and society and conducts business activities in a stable fashion.

Promotion Structure

Rinnai's Risk Management Committee is comprised mainly of executive officers and divisional heads with the President serving as Chairman. The Risk Management Committee meets regularly to identify key risks to life, its credibility, business activities, and assets. It prepares a "List of Material Risks," which evaluates the importance of each item in terms of degree of impact and frequency of occurrence. The Committee also determines which business divisions have a primary responsibility for each type of risk. It also discusses and 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.

Material Risks (Excerpted)

Management Risk	<ul style="list-style-type: none">• Compliance• Product accident defects• Labor-related• Environment• Intellectual property• Supply chain• Market environment, etc.
Financial Risk	<ul style="list-style-type: none">• Foreign exchange rates• Taxation, etc.
Accident and Disaster Risk	<ul style="list-style-type: none">• Production shutdowns, etc.
IT Risk	<ul style="list-style-type: none">• Cyberattacks• Information leakage, etc.
Health Risk	<ul style="list-style-type: none">• Infectious diseases• Mental health, etc.
Country Risk	<ul style="list-style-type: none">• Geopolitical risk, etc.

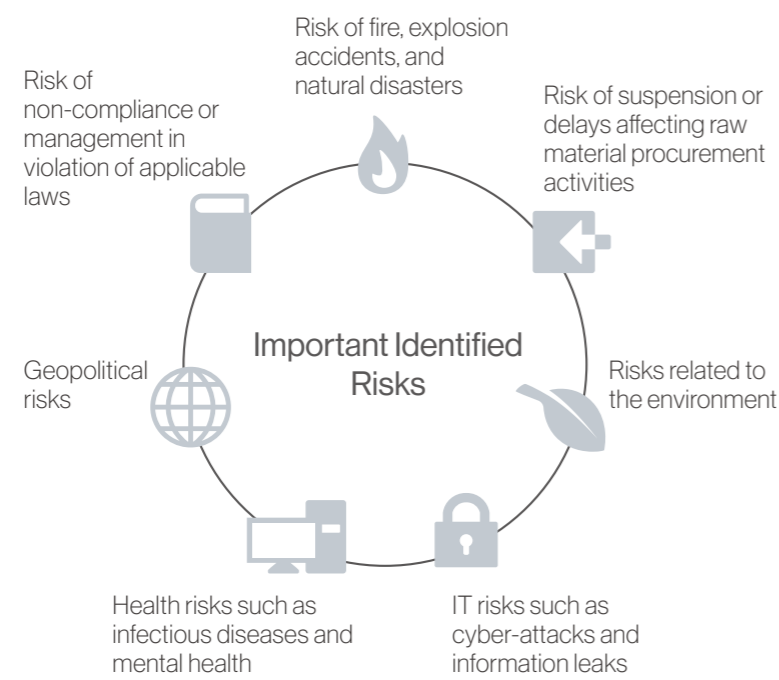
Governance

Promotion of Business Continuity

In the event of a major risk such as a natural disaster, fire, or infectious disease materializing, we envision that business operations may be suspended for a long time, resulting in significant losses and having a serious impact on stakeholders. 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 continuity planning (BCP).

Response to Natural Disasters

Rinnai's business sites are concentrated in the Chubu region. To prepare for a Nankai Trough Mega Earthquake that is said to occur within the next 30 years, we are promoting Companywide seismic and disaster prevention measures and reviewing our BCP. In addition, all employees participate annual drills using the safety confirmation system.



Rinnai Efforts to Prevent the Spread of COVID-19

In February 2020, we established the COVID-19 Countermeasures Headquarters in anticipation that the spread of COVID-19 would have a significant impact on the continuation of our business operations. From the perspective of first and foremost protecting safety and health of our employees and their families but also business continuity, we strive to ensure the health and safety of our employees and other stakeholders by thoroughly implementing telecommuting and infection prevention measures in the workplace through Companywide notifications. Furthermore, to ensure a stable supply of products, we evaluate the impact of each supplier and item and simultaneously switch to alternative suppliers and in-house production as needed.

Examples of Responses

Headquarters	Priority Operations for Continuity	Response
Marketing & Sales Headquarters	Sales activities (customer visits, etc.)	<ul style="list-style-type: none"> • Telecommuting (online negotiations) • Sales calls without visiting the worksite • Closure of sales offices • Business shifting between neighboring locations
	Ordering and receiving office work, etc.	<ul style="list-style-type: none"> • Telecommuting • Shift work • Closure of sales offices • Business shifting between neighboring locations
	Installation work After-sales service	<ul style="list-style-type: none"> • Installation in neighboring area • Adjustment to different service shop
	Call centers	<ul style="list-style-type: none"> • Adjustment of balance between two sites
Production Headquarters	Factory production	<ul style="list-style-type: none"> • Follow current BCP • Substitute production at mother factory
	Parts procurement	<ul style="list-style-type: none"> • Purchasing from multiple companies and adjustment of delivery quantities • In case of shutdown of cooperative factories <ol style="list-style-type: none"> 1. Halt production (insource) 2. Dispatch personnel
	Equipment and dyes	<ul style="list-style-type: none"> • Adjustment of balance among cooperative factories
	Logistics	<ul style="list-style-type: none"> • Multi-company transportation (company assignment to be coordinated) • Multi-company warehousing (selected by region)
Research & Development Headquarters	Development (design changes) Testing	<ul style="list-style-type: none"> • Shift work • Telecommuting (online meetings)
Overseas Business Headquarters	Export (Shipping)	<ul style="list-style-type: none"> • Multi-company shipping (changes to ports and routes) • Use of air cargo
Other Indirect Operations	—	<ul style="list-style-type: none"> • Telecommuting (Electronic applications, paperless documentation, online meetings) • Shift work • Staggered working hours

Governance

Information Security

Information Security Policy

We have created the Rinnai Group Information Security Policy, which establishes policies regarding the development of internal rules, promotion systems, the implementation of information security measures, enlightenment, education, training and continuous improvements, and we are unifying the direction of information security measures throughout the Group.

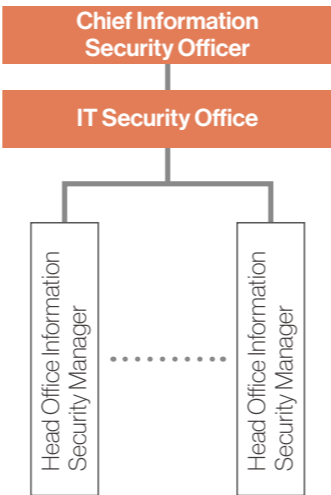
Amid necessary preparations for cyberattacks, we are working daily to further strengthen information security measures throughout the entire Group in accordance with these policies.

Information Security System Maintenance

In order to implement Companywide information security measures, Rinnai has appointed a Chief Information Security Officer (CISO) who oversees information security measures, and we have also established the IT Security Office to promote information security measures among a variety of other initiatives.

In addition, we have appointed Information Security Managers at each business site. The IT Security Office and the Information Security Managers work closely together to create a system that enables smooth progress toward information security countermeasures.

Further, we regularly hold Information Security Measures meetings consisting of employees involved in information security measures, including the Chief Information Security Officer, and we strive to enhance the level of information security measures by conducting discussions and information sharing as well as conducting education and training on information security measures.



Information Security System Diagram

Implementation of Information Security Measures

To combat intensifying cyberattacks, Rinnai has implemented countermeasures targeting computer viruses and unauthorized access and has also strengthened attack e-mail filters. We are also working to detect cyberattacks by collaborating with third-party security specialists and establishing an information security monitoring system. To prevent damage from cyberattacks, we are also working daily to improve our response and recovery measures in the event of an attack. Furthermore, measures to prevent information leaks include encryption of data before information assets are removed from company premises, control of devices such as USB memory sticks, management of access to each worksite, and control access to sensitive areas.

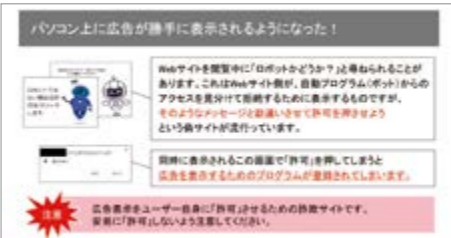
Also, when a new system for internal use is deployed, system requirements are set forth in internal standards. Requirements are reviewed periodically and efforts are made to maintain and improve the security level of the internal systems.

Information Security Education and Training Activities

The Rinnai Group conducts information security education every year to ensure that all employees are fully aware of the importance of information security measures and properly handle information assets used in business activities.

In fiscal 2022, we conducted education on the themes of “cyberattack incidents and precautions for avoiding damage.” Education is provided to all employees who use personal computers via e-learning. We regularly release videos of our training content to facilitate employee understanding and learning.

In addition, we regularly conduct cyberattack email training in an effort to hone employee experience so that we can respond promptly when problems related to information security occur.



Information security training for newly recruited employees

Information Security Countermeasures Status Verification

The Rinnai Group conducts IT assessments to inspect the status of information security measures at overseas Group companies and to strengthen governance. We set goals for information security measures to enhance the capabilities of the entire Rinnai Group.

Additionally, in order to objectively evaluate information security initiatives, Rinnai’s Product Inspection Center acquired ISMS certification (ISO 27001). To facilitate even more appropriate handling of important information from customers, we created an information security management system and promote ongoing improvements to information security countermeasures.

Data Collection

Eleven-Year Financial Summary

		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales	(Millions of yen)	246,636	251,832	286,981	295,022	319,935	330,256	347,071	348,022	340,460	344,364	366,185
Operating income	(Millions of yen)	26,634	26,351	34,018	30,787	34,593	34,056	32,849	30,879	34,422	40,690	35,864
Operating income margin	(%)	10.8%	10.5%	11.9%	10.4%	10.8%	10.3%	9.5%	8.9%	10.1%	11.8%	9.8%
Ordinary income	(Millions of yen)	28,907	29,064	36,910	32,938	35,807	35,280	34,286	33,318	35,679	42,400	39,060
Net income attributable to owners of the parent company	(Millions of yen)	16,807	19,371	23,254	20,647	22,710	22,322	21,194	20,480	21,561	27,581	23,748
Total net assets	(Millions of yen)	154,737	178,007	232,635	261,414	271,709	290,638	307,965	320,696	340,959	371,318	378,856
Total assets	(Millions of yen)	238,853	262,590	334,382	355,140	368,084	402,107	422,422	430,885	450,486	497,291	512,867
Net assets per share	(Yen)	3,070.14	3,516.11	4,245.48	4,742.42	4,924.24	5,245.62	5,589.17	5,819.80	6,140.52	6,660.40	6,889.76
Net income per share	(Yen)	342.60	394.86	454.74	397.03	436.71	429.27	410.41	398.45	419.49	536.62	470.39
Equity ratio	(%)	63.1%	65.7%	66.0%	69.4%	69.6%	67.8%	68.0%	69.4%	70.1%	68.8%	66.9%
Return on equity	(%)	11.7%	12.0%	11.8%	8.8%	9.0%	8.4%	7.6%	7.0%	7.0%	8.4%	6.9%
Cash flows from operating activities	(Millions of yen)	23,074	22,872	36,453	25,671	36,066	39,554	29,914	29,479	37,694	49,491	28,696
Cash flows from investing activities	(Millions of yen)	(16,222)	(12,607)	(32,908)	(23,649)	(17,770)	(17,732)	(12,190)	(7,288)	(7,124)	(15,820)	(25,486)
Cash flows from financing activities	(Millions of yen)	(3,937)	(5,002)	13,183	(8,659)	(6,554)	(5,217)	(11,725)	(6,150)	(6,436)	(7,269)	(27,109)
Cash and cash equivalents at end of year	(Millions of yen)	48,648	55,030	74,279	69,340	79,600	95,297	101,697	116,133	140,138	166,524	147,972
Capital expenditures	(Millions of yen)	9,378	8,222	12,439	13,774	16,938	20,664	16,105	13,481	10,580	13,301	22,682
Research and development expenses	(Millions of yen)	7,665	8,060	8,380	8,895	9,113	9,340	9,918	9,503	9,308	11,802	12,762
Dividends	(Yen)	56	60	68	76	82	86	90	94	98	125	140
Payout ratio	(%)	16.3%	15.2%	15.0%	19.1%	18.8%	20.0%	21.9%	23.6%	23.4%	23.3%	29.8%
Number of outstanding shares	(Shares)	54,216,463	54,216,463	52,216,463	52,216,463	52,216,463	52,216,463	51,616,463	51,616,463	51,616,463	51,616,463	50,021,057
Closing price at the end of the period	(Yen)	5,960	6,770	9,070	8,910	9,940	9,230	10,100	7,830	7,650	12,390	9,170
Market capitalization	(Millions of yen)	323,130	367,045	473,603	465,249	519,032	481,958	521,326	404,157	394,866	639,528	458,693

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

Data Collection

Financial Data

(Millions of yen)			FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Results of profit and loss	Consolidated	Net sales	251,832	286,981	295,022	319,935	330,256	347,071	348,022	340,460	344,364	366,185
		Operating income	26,351	34,018	30,787	34,593	34,056	32,849	30,879	34,422	40,690	35,864
		Ordinary income	29,064	36,910	32,938	35,807	35,280	34,286	33,318	35,679	42,400	39,060
		Net income	19,371	23,254	20,647	22,710	22,322	21,194	20,480	21,561	27,581	23,748
	Rinnai Corporation	Net sales	188,559	205,598	190,475	197,592	198,870	201,936	206,015	207,805	212,388	204,929
		Operating income	18,066	24,278	18,675	20,191	18,814	15,378	14,602	17,359	20,612	14,275
		Ordinary income	19,911	27,138	22,073	21,946	21,512	18,466	19,026	20,295	23,515	19,975
		Net income	12,804	18,176	15,339	15,602	16,215	13,850	14,175	15,058	18,208	15,435
	Domestic consolidated and affiliated companies	Net sales	96,824	105,111	99,967	99,599	124,806	125,536	122,181	101,938	104,234	98,019
		Operating income	2,403	2,775	2,086	2,552	3,626	2,749	2,748	3,248	3,859	2,988
		Ordinary income	2,571	2,881	2,199	2,735	3,837	2,924	3,014	3,476	4,090	3,391
		Net income	1,573	1,889	1,426	1,902	2,029	2,069	2,087	2,475	2,948	2,416
	Overseas consolidated companies	Net sales	77,083	99,152	126,880	149,987	149,917	169,125	175,756	171,409	170,830	207,746
		Operating income	5,963	7,255	9,921	11,636	12,453	14,765	13,640	12,242	14,959	19,142
		Ordinary income	6,584	8,260	11,026	12,542	13,060	15,555	14,932	13,182	16,264	20,885
		Net income	6,224	6,006	8,497	9,236	9,411	11,673	11,510	10,604	13,369	16,552
	Total	Net sales	362,467	409,862	417,323	447,178	473,595	496,597	503,953	481,153	487,453	510,695
		Operating income	26,432	34,308	30,682	34,380	32,893	30,991	32,850	39,431	36,405	
		Ordinary income	29,067	38,280	35,299	37,224	38,409	36,946	36,973	36,954	43,869	44,252
		Net income	20,603	26,071	25,262	26,741	27,655	27,593	27,773	28,138	34,525	34,404
Sales by product	Consolidated	Water heaters	127,125	146,883	153,697	169,623	188,202	202,387	202,630	196,122	195,755	211,026
		Kitchen appliances	78,782	88,031	90,838	93,340	88,456	88,364	88,322	86,193	88,441	85,531
		Conditioning appliances	15,666	16,716	14,972	19,463	17,952	19,084	19,642	18,901	19,013	21,109
		Commercial-use appliances	6,912	7,552	9,227	10,041	9,122	9,499	8,452	8,556	7,726	9,007
		Others	23,346	27,797	26,287	27,466	26,521	27,735	28,974	30,685	33,428	39,509
	Rinnai Corporation	Water heaters	92,608	103,942	99,636	105,999	109,258	112,561	116,810	115,908	118,052	113,587
		Kitchen appliances	66,629	71,953	62,236	62,849	61,359	59,509	58,852	59,934	60,598	55,744
		Conditioning appliances	12,029	12,069	10,725	9,965	8,945	9,535	9,139	8,658	8,369	8,102
		Commercial-use appliances	2,748	2,692	2,673	2,675	2,629	2,308	2,226	2,225	1,997	2,291
		Others	14,543	14,941	15,203	16,103	16,677	18,021	18,986	21,079	23,369	25,202
	Domestic consolidated and affiliated companies	Water heaters	25,513	27,199	26,714	28,259	51,822	52,280	49,210	33,583	34,343	32,282
		Kitchen appliances	24,955	28,435	24,006	22,260	21,139	19,128	18,934	15,611	15,873	13,601
		Conditioning appliances	1,147	1,051	786	628	669	678	714	704	846	852
		Commercial-use appliances	1,618	1,474	1,620	1,590	1,609	1,501	1,337	1,363	3,903	1,453
		Others	43,588	46,949	46,838	46,859	49,564	51,946	51,985	50,676	49,267	49,829
	Overseas consolidated companies	Water heaters	45,218	57,906	70,902	84,335	88,082	104,149	110,131	107,979	107,315	134,938
		Kitchen appliances	11,465	15,828	29,246	31,346	28,368	29,809	30,746	29,736	30,382	32,680
		Conditioning appliances	6,227	7,631	7,309	12,828	12,212	13,116	13,791	13,294	13,593	15,540
		Commercial-use appliances	4,624	5,311	7,114	8,010	7,206	7,689	6,708	6,943	6,134	7,196
		Others	9,548	12,474	12,307	13,465	14,047	14,360	14,379	13,454	13,403	17,390
	Total	Water heaters	163,340	189,048	197,253	218,594	249,163	268,992	276,151	257,471	259,712	280,808
		Kitchen appliances	103,050	116,217	115,489	116,457	110,868	108,448	108,533	105,282	106,854	102,026
		Conditioning appliances	19,404	20,753	18,822	23,422	21,827	23,329	22,645	22,657	22,810	24,495
		Commercial-use appliances	8,991	9,477	11,408	12,276	11,445	11,498	10,272	10,532	12,035	10,942
		Others	67,679	74,364	74,349	76,427	80,290	84,328	85,351	85,210	86,040	92,422
Results of profit and loss by overseas consolidated subsidiaries (Before elimination of consolidation)	Rinnai America	Net sales	11,333	15,487	17,754	22,602	23,504	27,738	30,390	33,133	36,971	44,752
		Operating income	315	845	1,020	1,817	1,661	2,207	1,491	2,032	2,187	2,012
		Ordinary income	317	849	1,036	1,841	1,644	2,219	1,481	2,025	2,187	2,003
		Net income	200	536	667	1,145	1,037	1,254	1,100	1,436	1,742	1,475
	Rinnai Australia	Net sales	13,752	15,272	15,360	23,137	21,515	23,585	25,033	23,760	24,404	25,895
		Operating income	2,186	2,337	1,456	1,366	1,461	1,803	1,720	593	928	1,615
		Ordinary income	2,611	2,776	1,634	1,522	1,447	1,847	2,065	393	839	1,928
		Net income	1,818	1,939	1,130	1,049	998	1,208	1,459	262	639	1,286
	Shanghai Rinnai	Net sales	14,207	20,652	27,202	33,958	37,448	45,969	47,511	43,628	39,192	52,131
		Operating income	1,175	1,650	2,174	2,727	3,136	5,133	5,088	5,593	5,512	7,117
		Ordinary income	1,300	1,817	2,472	3,016	3,268	5,223	5,319	5,868	6,186	8,278
		Net income	1,082	1,461	1,972	2,378	2,519	4,283	4,378	5,228	5,492	7,306
	Rinnai Korea	Net sales	19,720	25,054	31,215	33,594	32,254	34,905	32,803	27,535	27,506	30,298
		Operating income	725	407	1,371	1,356	1,233	727	102	(1,382)	58	906
		Ordinary income	638	519	1,236	1,551	1,306	802	269	(1,248)	165	1,036
		Net income	1,818	301	1,184	1,144	1,043	499	242	(987)	126	812
	Rinnai Indonesia*	Net sales	-	-	11,733	11,640	11,327	12,041	12,840	11,263	11,766	14,297
		Operating income	-	-	1,366	1,486	2,052	1,952	1,828	1,600	2,423	2,826
		Ordinary income	-	-	1,879	1,707	2,295	2,209	2,076	1,906	2,785	3,116
		Net income	-	-	1,456	1,334	1,776	1,720	1,620	1,504	2,248	2,487

Note: Before conversion to a wholly owned subsidiary, thus no data is available prior to the fiscal year ended March 31, 2014.

Data Collection

Human Resource- and Personnel-related Data

The Rinnai Group

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

		Fiscal 2020	Fiscal 2021	Fiscal 2022
Rinnai Corporation	Male	2,631	2,619	2,533
	Female	1,127	1,103	1,072
Domestic Group companies	Male	1,282	1,290	1,273
	Female	650	696	688
Overseas Group companies	Male	3,295	3,245	3,553
	Female	1,466	1,433	1,658
Total		10,451	10,386	10,777

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

		Fiscal 2020	Fiscal 2021	Fiscal 2022	Composition
Japan	Male	3,913	3,909	3,806	—
	Female	1,777	1,799	1,760	—
	Subtotal	5,690	5,708	5,566	51.65%
Asia, excluding Japan	Male	2,498	2,451	2,501	—
	Female	1,137	1,094	1,242	—
	Subtotal	3,635	3,545	3,743	34.73%
North America	Male	215	217	408	—
	Female	101	109	173	—
	Subtotal	316	326	581	5.39%
Other (Oceania, South America, and Europe)	Male	582	577	644	—
	Female	228	230	243	—
	Subtotal	810	807	887	8.23%
Total		10,451	10,386	10,777	100%

Fiscal 2022 Female ratio
31.6%
33.2%
29.8%
27.4%
31.7%

Rinnai Corporation
Employee Ages

		Fiscal 2020	Fiscal 2021	Fiscal 2022
Under 30	Male	583	534	447
	Female	399	329	271
	Subtotal	982	863	718
30–39	Male	714	756	733
	Female	392	434	451
	Subtotal	1,106	1,190	1,184
40–49	Male	689	641	606
	Female	237	232	233
	Subtotal	926	873	839
50–59	Male	631	676	730
	Female	97	107	116
	Subtotal	728	783	846
60 or older	Male	14	12	17
	Female	2	1	1
	Subtotal	16	13	18
Number of non-Japanese employees	Subtotal	3	4	5

Number of Employees (Non-consolidated)

		Fiscal 2020	Fiscal 2021	Fiscal 2022			Newly recruited employees in April 2019	Employees retained in April 2021
Newly recruited employees	Male	62	66	71	Newly recruited employee retention	Male	62	56
	Female	22	35	13		Female	22	20
	Subtotal	84	101	84		Subtotal	84	76
Mid-career recruitment	Male	2	0	7				
	Female	6	1	1				
	Subtotal	8	1	8				
Mid-career recruitment rate (%)	Subtotal	9	1	9				
Temporary staff	Subtotal	189	194	178				
Average working years	Male	17.3	17.9	18.7				
	Female	13.3	14.2	15.3				
	Subtotal	16.1	16.8	17.7				
Average age (Years old)	Male	39.7	40.1	41.0				
	Female	34.5	35.3	36.3				
	Subtotal	38.2	38.7	39.6				

Managerial Position Appointment Status (People) * End-FY2022 Compiled from the Rinnai Corporation	Executive Position	Female	Male	Non-Japanese	Ratio of Women (%)
	Supervisory position	3	673	0	0.44
	Of which are general managers or higher	0	41	0	0
	Director	0	24	0	0
	Of which are executive directors	0	15	0	0

		Fiscal 2020	Fiscal 2021	Fiscal 2022
Voluntary termination rate (%)		2.3	1.8	1.2
Paid leave * Rinnai parent Based on the status of leave taken by permanent employees	Maximum number of days added with paid leave	20.0	20.0	20.0
	Average number of days taken with paid leave	12.1	12.2	14.0
	Utilization ratio (%)	58.0	63.0	70.1
Employment of persons with disabilities	Number of persons with disabilities	74	79	82
	Employment rate (%)	2.23	2.22	2.33
Number of OJT accidents *Includes domestic consolidated subsidiaries	Number of the accident	37	28	26
	Number of the disasters(%) (LTIFR)	0.23	0.56	0.00
Number of employees on mental health leave		21	20	31
Number of employees who used childcare leave		57	62	63
Number of employees who took childcare leaves of absence	Male	0	5	7
	Female	123	95	123
	Subtotal	123	100	130
Proportion of employees who return to work after taking parental leave (%)	Male	—	100	100
	Female	100	98	97
	Subtotal	100	99	99
Number of employees who used shortened work hours	Male	0	0	4
	Female	131	161	199
	Subtotal	131	161	203
Number of employees who used family care leave	Male	1	1	2
	Female	48	27	38
	Subtotal	49	28	40
Number of employees who used nursing leave	Male	1	2	3
	Female	4	3	2
	Subtotal	5	5	5
Number of employees who took nursing leaves of absence	Male	1	0	0
	Female	4	5	1
	Subtotal	5	5	1
Number of employees who used our reemployment (Come Back) system	Male	1	0	0
	Female	2	0	0
	Subtotal	3	0	0
Number of employees who used the work from home program	Male	59	835	512
	Female	14	247	210
	Subtotal	73	1,082	722

Working Hours and Average Wages

		Fiscal 2020	Fiscal 2021	Fiscal 2022
Annual total actual working hours per employee (Hours)*		2,007.9	1,952.0	2,054.4
Annual non-scheduled working hours per employee (Hours)*		199.2	176.7	211.3
Average overtime per month (Hours)*		16.6	14.7	17.6
Average wage (Yen)*		6,309,876	6,440,168	6,532,997
Average wages at 30 years old (Yen) *Excluding overtime pay	Highest wage at 30	311,750	319,550	303,150
	Lowest wage at 30	256,850	269,450	265,450
	Average wage at 30	289,647	296,680	284,965

Others (Social Contribution and Compliance)

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

* Excluding managers

Data Collection

Environmental Data

With the aim of promoting environmental efforts by all employees in all business domains, Rinnai promotes environmental activities (7E strategic initiatives) in all business processes (development, procurement, production, sales, use and disposal). We report targets and achievements for each 7E activity (E-marketing, E-services, E-products, E-procurement, E-mind, E-factories and E-offices).

Basic Environmental Activities and Targets for Fiscal 2022–2026

Field	Basic Environmental Activities	Fiscal 2022 Results
Environment marketing (Sales) Environmental services (Construction and repair)	Promotion of low-carbon and decarbonization through products (Reductions in Scope 3 Category 11) Expanding Sales of Environmentally Friendly Products (Japan & Overseas) CO ₂ reduction contribution by fiscal 2026: 7 million tons	• 5.15 million tons of CO ₂ reduction contribution ^{*1} when using products
Environmental products (Product development)	Promotion of low carbon and decarbonization Continuously develop high-efficiency equipment for Zero-Energy Homes (ZEH) and products that use less power during both standby and use	• Developed technology for 100% hydrogen combustion in residential water heaters • Developing highly efficient gas water heaters and kitchen equipment
	Promotion of resource conservation and resource recycling Continuously evaluate each product's environmental impact from its design stage through its lifecycle and develop smaller and lighter products	• Implementing designs to reduce the weight of water heaters and gas stoves • Hybrid heating/cooling and water heater systems for cold regions received Energy Conservation Center Chairman's Award
Environmental procurement	Promote Supply Chain Management Conduct environmental conservation activities in cooperation with business partners, and continuously conduct green procurement management in compliance with regulations in each country	• Conducting the management of Rinnai Green Procurement Standards Guide (Material procurement and use, including new parts) • Increasing cooperation with business partners and improving the management level of chemical substance • Received an A- rating on the CDP Supplier Engagement Rating (SER) evaluation

Field	Basic Environmental Activities	Fiscal 2022 Results
Environmental minds (Regional communities and employees)	Communication of ESG-related Information Rinnai continuously engages in dialogues with stakeholders to deepen understanding, as well as efforts that contribute to environmental brand improvement.	• ESG Committee established to strengthen ESG initiatives • Participating in various external evaluations
	Contributing to Local Communities Rinnai continuously engages in activities that ensure the preservation of biodiversity, as well as efforts that contribute to local governments and schools.	• Implementing efforts to exterminate specified invasive species at multiple worksites • Events held to learn about local production for local consumption through heirloom vegetables and other local foods
	Conducting Environmental Training and Awareness Activities Continuing with initiatives that foster environmental awareness and the enhanced ability to take action in employees through training	• Multiple environmental awareness events and information dissemination implemented for employees • Received the "Minister of the Environment Award (Large Enterprise Category)" at the 2020 Environmental Human Resources Development Corporate Awards organized by the Ministry of the Environment
Environmental factories Environmental offices	Promotion of low-carbon and decarbonization at worksites (Scope 1 and 2 reductions) Reduction of per-unit energy consumption ^{*2} by more than 6% compared to fiscal 2020 by fiscal 2026	Increased by 8.5% compared to fiscal 2020
	Shift to energy use with lower CO ₂ emissions	Consideration of adopting electricity with low CO ₂ emission factor (Introduction of renewable energy, others)
	Reduction of waste discharge ^{*2} by more than 6% compared to fiscal 2020 by fiscal 2026	Reduced by 0.4% compared to fiscal 2020
	Maintain and advance zero-emissions initiatives Realized recycling rate of 99.5% or higher	Realized recycling rate of 99.8%
	Reduction of water use ^{*2} by more than 6% compared to fiscal 2020 by fiscal 2026	Increased by 2.8% compared to fiscal 2020
	Reduction of harmful chemicals ^{*2} handled by more than 2% compared to fiscal 2020 by fiscal 2022	Reduced by 3.6% compared to fiscal 2020

Reporting Period: April 1, 2021 to March 31, 2022

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

Data Collection

Impact on the Environment of the Rinnai Group

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

Scope of Accounting

Rinnai Corporation and consolidated subsidiaries

Company Name

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

Reporting Period

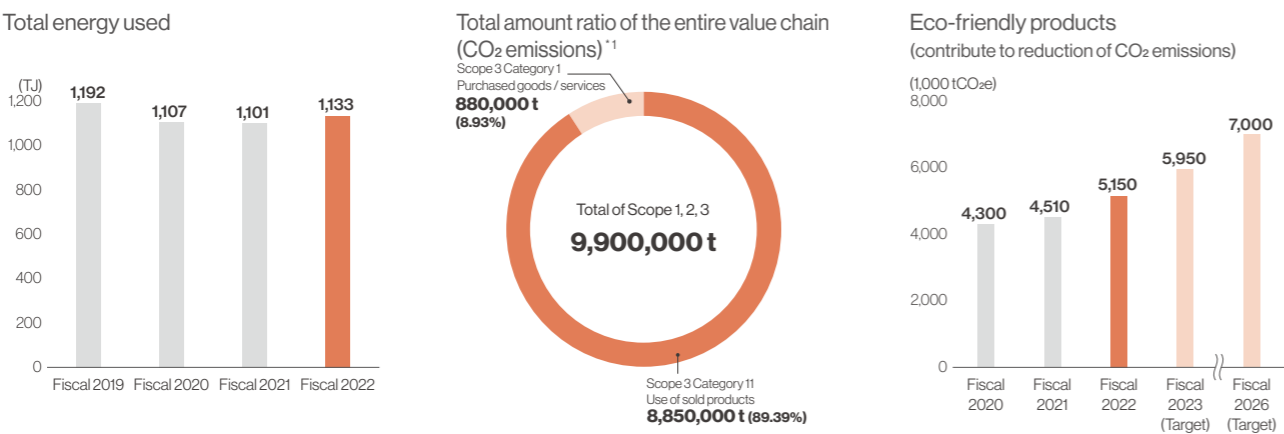
Domestic: From April 1, 2021 to March 31, 2022

Overseas: From January 1, 2021 to December 31, 2021

Third-Party Assurance

☒ This icon indicates that a measure has third-party assurance from Lloyd's Register Quality Assurance (LRQA).

Global Warming Prevention



Energy Consumption

Scope		Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Assurance
Electricity		MWh	123,664.3	117,642.1	122,561.4	127,665.4	<input checked="" type="checkbox"/>
Town gas	for the use of equipment in each facility	kNm ³	11,220.3	10,391.1	10,461.1	10,698.2	<input checked="" type="checkbox"/>
	for vehicle use	kNm ³	1.4	1.2	0.5	0.1	<input checked="" type="checkbox"/>
Methane		km ³	35.0	38.7	46.1	41.6	<input checked="" type="checkbox"/>
LPG	for the use of equipment in each facility	t	2,843.1	2,538.0	2,338.6	2,353.3	<input checked="" type="checkbox"/>
	for vehicle use	t	1.0	1.4	1.9	1.3	<input checked="" type="checkbox"/>
Butane		t	16.5	13.8	15.2	9.8	<input checked="" type="checkbox"/>
Acetylene		t	7.7	7.7	7.5	9.7	<input checked="" type="checkbox"/>
Ethylene		t	0.03	0.07	0.04	0.04	<input checked="" type="checkbox"/>
Heavy oil		kl	0.18	0.18	0.18	0.18	<input checked="" type="checkbox"/>
Heating oil		kl	21.3	18.5	15.6	20.1	<input checked="" type="checkbox"/>
Light oil	for the use of equipment in each facility	kl	136.1	107.2	88.1	90.6	<input checked="" type="checkbox"/>
	for vehicle use	kl	431.3	419.6	359.3	320.2	<input checked="" type="checkbox"/>
Gasoline	for the use of equipment in each facility	kl	5.5	5.1	4.7	5.4	<input checked="" type="checkbox"/>
	for vehicle use	kl	2,098.7	1,819.3	1,420.2	1,552.3	<input checked="" type="checkbox"/>
Total		GJ	1,192,078	1,106,557	1,100,713	1,133,492	<input checked="" type="checkbox"/>

Renewable Energy

Scope	Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Assurance
Total of renewable energy	MWh	385	428	451	504	–

CO₂ Emissions

Scope			Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Percentage	Assurance
Scope 1 ¹			tCO ₂ e	40,254	36,723	35,161	35,941	0.36%	<input checked="" type="checkbox"/>
Scope 2 ²				73,181	66,239	68,606	67,987	0.69%	<input checked="" type="checkbox"/>
	1	Purchased goods and services		866,847	821,979	848,727	883,457	8.93%	–
	2	Capital goods		25,928	21,078	23,661	39,589	0.40%	–
	3	Fuel- and energy-related activities		3,263	4,379	4,386	4,475	0.05%	–
	4	Upstream transportation and distribution		8,838	8,377	9,384	8,953	0.09%	–
	5	Waste generated in operations		565	5,668	1,036	1,028	0.01%	–
	6	Business travel		530	535	531.8	515	0.01%	–
	7	Employee commuting		1,592	1,598	1,586	1,544	0.02%	–
Scope 3 ³	8	Upstream leased assets		Included in Scope 1	Included in Scope 1	Included in Scope 1	Included in Scope 1	–	–
	9	Downstream transportation and distribution		–	–	–	–	–	–
	10	Processing of sold products		Not applicable	Not applicable	Not applicable	Not applicable	–	–
	11	Use of sold products		10,825,493	10,511,507	10,497,104	8,846,480	89.39%	<input checked="" type="checkbox"/>
	12	End-of-life treatment of sold products		5,414	5,942	5,937	6,109	0.06%	–
	13	Downstream leased assets		Not applicable	Not applicable	Not applicable	Not applicable	–	–
	14	Franchises		Not applicable	Not applicable	Not applicable	Not applicable	–	–
	15	Investments		Not applicable	Not applicable	Not applicable	Not applicable	–	–
Total of Scope 1, 2, and 3			11,851,905	11,484,025	11,496,120	9,896,078	100%		

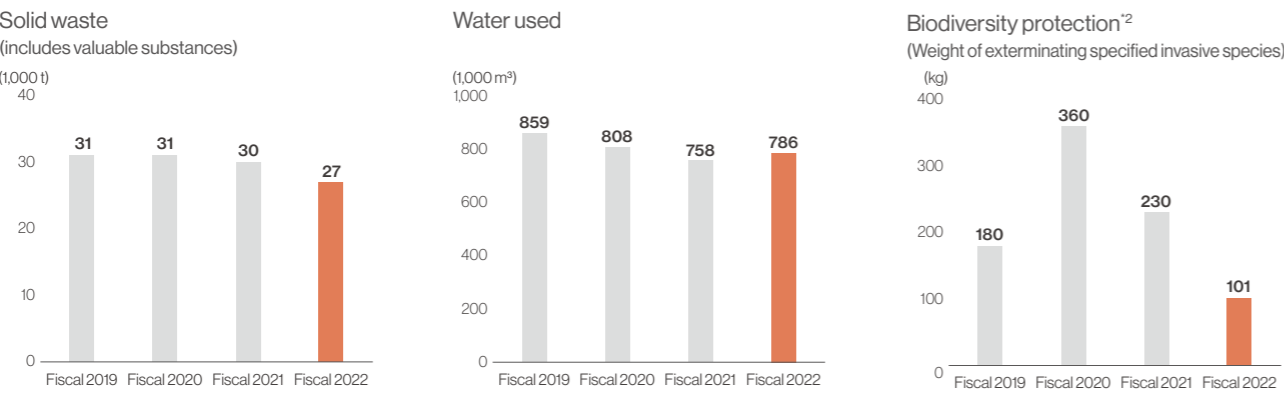
Please refer to the conditions for calculation on p. 127–128 for the calculation range of CO₂ emissions.
*1 Scope 1: The volume of greenhouse gases that are leaked directly into the Earth's atmosphere from sources related to Rinnai's business activities
*2 Scope 2: The volume of emissions that occur during electricity and heat generation phases when using electricity and heat supplied by third parties
*3 Scope 3: The volume of emissions that occur during business activities conducted throughout Rinnai's supply chain (excluding those in Scope 1 and 2)

Shipping Volume and CO₂ Emissions

Scope	Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Shipping volume	Millions tons/km	58.15	58.37	65.24	61.52
CO ₂ emissions	tCO ₂ e	8,838	8,377	9,384	8,953

Data Collection

Resource Recycling, Pollution Prevention, and Protecting Biodiversity



	Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Waste generated (Including valuables)	Thousand tons	31	31	30	27
Recycled waste	Thousand tons	31	29	28	25
Waste into landfill	Thousand tons	1.2	1.8	1.2	1.7
Water withdrawal	Thousand m³	859	808	758	786
Discharge of water	Thousand m³	846	778	742	754
Hazardous chemicals ^{*1} use	t	237	217	224	238
Weight of exterminating specified invasive species ^{*2}	kg	180	360	230	101
Number of people participated in the extermination of specified invasive species ^{*2}	Persons	63	89	42	31

^{*1} Class I designated chemical substance stipulated by the Pollutant Release and Transfer Register (PRTR) Law
Scope: Rinnai Corporation, Rinnai domestic manufacturing affiliates (Figures for prior periods have been adjusted retroactively due to a change in the scope of coverage.)
^{*2} In fiscal 2021 and fiscal 2022, the area and number of participants were limited due to the COVID-19 pandemic and were handled while paying due attention to safety.

Environmental Accounting

Breakdown of Costs for Environmental Protection		Key Activities	Costs (Millions of yen)			
			Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
In the scope of operations	Pollution prevention	Mainly efforts to prevent air and water pollution	44	27	37	50
	Environmental protection	Mainly efforts to save energy	15	31	11	28
	Resource recycling	Recycling as well as treatment and disposal of industrial waste	102	117	103	95
Upstream/downstream		Collection/recycling and volume/weight reduction of materials such as product packaging	11	12	13	11
Management activities		Mainly monitoring and surveillance of environmental impact	150	109	119	100
Research and development		Research and development on environmentally conscious products	1,149	733	1,243	1,239
Community efforts		Environmental communication with local regions and beautification/greening at places of business and surrounding areas	2	2	3	2

Environmental Protection Effect	Key Activities	Unit	Environmental Impact Reduction			
			Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
	CO ₂ emissions reductions	Thousand tCO ₂ e	2.0	6.0	3.5	10.8
	Waste curtailment	Thousand tons	0.4	0.3	0.5	0.1
	Water saving	Thousand m³	6.7	17.0	31.8	21.9

• Environmental protection effect are not increases or decreases in overall costs but rather an effective amount regarded for its economic benefit through the associated activities of each site.

Economic Effect Accompanying Environmental Protection Measures	Key Activities	Economic Effect (Millions of yen)			
		Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
	Reduced expenses through energy conservation, waste curtailment, and water saving	270	295	538	359

• The calculations above exclude depreciation and amortization expense.
• The economic effects achieved through energy-savings and waste reduction are not increases or decreases in overall costs but rather an effective amount regarded for its economic benefit through the associated activities of each site.
• Deemed effects, such as avoiding risks and enhanced product sales, fall outside the scope of economic effects because the standard for evaluation is too vague.

Data Collection

Chronology of Environmental Activities at Rinnai

1993	March December	Drafted Environmental Preservation Action Plan; established Environment Committee Won prize at 4th Energy Conservation Vanguard 21 for gas-blast type high-heat griller RGM-4, 6, 8
1994	July	Market debut: Low-NOx burner built-in water heater (NOx at less than 60 ppm)
1996	March	Won top prize at 1st Eco-Design Awards, sponsored by Tokyo Gas, Osaka Gas and Toho Gas for water heater, fan heater and small hot-water heater
1997	March June October December	Won special prize at 2nd Eco-Design Awards for tabletop cooking stove Market debut: Absorption-type gas air conditioner (non-CFC) Acquired ISO 14001 certification at Oguchi Factory Won prize at 8th Energy Conservation Vanguard 21 for tabletop oven RSBN-096
1998	April Awards October	Won top prize for gas clothes dryer and special awards for small hot-water heater and for absorption-type gas air conditioner at 3rd Eco-Design Awards Market debut: <i>Yukko</i> V Series, featuring no styrene packing, low stand by power consumption and low NOx emissions
1999	June July September October	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer Established Environment Division Market debut: Ecomax burner and Eco burner-equipped gas cooking stove Market debut: Condensing water heater boasting 95% heat efficiency and NOx emissions under 30 ppm
2000	February May June August	Won Minister of Economy, Trade and Industry Award for condensing water heater at Ministry's 10th Energy Conservation Awards Drafted Rinnai Environmental Action Principles Environment Month event: Talk given at Rinnai by a corporate environmental pioneer Published inaugural issue of Environmental Report
2001	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
2002	June	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer
2003	June October	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2003 for built-in 75 cm-wide glass-top gas cooking stove
2004	June December	Environment Month event: Talk given at Rinnai by a corporate environmental pioneer Won Logistics Prize at Japan Packaging Contest 2004 for bathroom heater/dryer Created the Green Procurement Standards Guide (first edition)
2005	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Participated in Team Minus 6%, a national movement to prevent global warming
2006	June October	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2006
2007	June	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
2008	June September October	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Gas tankless water heater sold in the United States captured 2008 Super Nova Star Award (Stars of Energy Efficiency) in the United States from the Alliance to Save Energy Won Electric Equipment Packaging Category Award in the Good Packaging division at Japan Packaging Contest 2008 for gas fan heater
2009	February June	Market debut: <i>Eco-Jozu</i> hot-water/heating unit RVD-E Series Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer
2010	January February June September	Market debut: <i>Eco-Jozu</i> water heater with bath-filling systems RUF-E Series Participated in Challenge 25 campaign, a national movement to prevent global warming Won Silver Award at Aichi Environmental Award 2010 sponsored by Aichi Prefecture for global promotion of high-efficiency combustion appliances and systems, including latent heat recovery water heaters (development of latent heat recovery type water heaters) Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the first Rinnai Group Environmental Awards ceremony
2011	April June December	Market debut: <i>Eco One</i> hybrid water heater with heating systems for colder regions Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the second Rinnai Group Environmental Awards ceremony Won the Resource Recycling Manufacturing Research Group Chairman's Award at the IMS 16th Resource Recycling Manufacturing Symposium
2012	June September October December	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the third Rinnai Group Environmental Awards ceremony Won Large and Heavy Good Packaging Prize at Japan Packaging Contest 2012 for <i>Eco One</i> hybrid water heater with heating systems Won the Resource Recycling Manufacturing Research Group Chairman's Award at the IMS 17th Resource Recycling Manufacturing Symposium
2013	June September December	Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the fourth Rinnai Group Environmental Awards ceremony Won the Chairman Award of Nagoya Industries Promotion Corporation at the IMS 18th Resource Recycling Manufacturing Symposium
2014	January June August September December	Won top energy conservation award at METI Award in the fiscal 2013 Energy Conservation Awards for <i>Eco One</i> hybrid water heater with heating systems Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Won Large and Heavy Good Packaging Prize at Japan Packaging Contest 2014 for returnable package Held the fifth Rinnai Group Environmental Awards ceremony Won 2014 Energy Saving and New Energy Grand Prize in Kitaguni (northern area in Japan) for <i>Eco One</i> hybrid water heater with heating systems for the Hokkaido region Won the Chunichi Shimbun Award at the IMS 19th Resource Recycling Manufacturing Symposium for our development of an eco-friendly water heater with bath-filling systems

2015	April June September	Market debut: <i>Eco One</i> third-generation hybrid water heater with heating systems Environment Month event: Organized an exchange event (visit) with a corporate environmental pioneer Held the sixth Rinnai Group Environmental Awards ceremony
2016	May June July August September December	Acquired a certificate of a low-carbon building as Japan's first residential complex in which all units have <i>ECO ONE</i> and floor heating Environment Month events: Issued new environmental cards to all Rinnai employees Organized an exchange event (visit) with a corporate environmental pioneer Participated in <i>COOL CHOICE</i> campaign, a new national movement to global climatic changes and reducing greenhouse effect gas Won Good Packaging Prize at Japan Packaging Contest 2014 for a bottom tray with parts box for important attachments Held the seventh Rinnai Group Environmental Awards ceremony Won Nagoya Municipal Industrial Research Institute Director's Award at 21st Resource Recycling <i>Monozukuri</i> Symposium IMS
2017	January March June November	Presented a talk on Rinnai's environmental activities at the 20th Dialogue and Exchange Event hosted by EPOC Won the Energy Center Director's Award at the Energy Conservation Awards for third-generation <i>ECO ONE</i> hybrid water and space heating system Conducted inspections regarding conversion to ISO 14001:2015 standards Environment Month events: Organized action to eradicate a specified invasive species (<i>Coreopsis lanceolata</i>) Organized an exchange event (visit) with a corporate environmental pioneer 3,922 Rinnai employees participated in the My Action Declaration's five actions to protect biodiversity backed by the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J) Rinnai Kansai branch office received Eco-Drive Excellent activity certificate in the general division of the 2017 Eco-drive Activity Concours, sponsored by the Foundation for Promoting Personal Mobility and Eco-Drive Ecological Transportation
2018	January February April June September December	Held the eighth Rinnai Group Environmental Awards during our New Year's celebration Won first prize in the Aichi Environmental Awards, which is an extremely energy-efficient water heater and heating system that cleverly and optimally uses diverse energy (development of <i>ECO ONE</i>) Published fourth edition of our Green Procurement Standards Guide Environment Month events: Removed <i>Coreopsis lanceolata</i> coreopsis plants, an invasive species, and held an Environmentally Progressive Company Inspection Council (exchange meeting) Exterminated the specified invasive species <i>Coreopsis lanceolata</i> Held internal study groups on ESG and the SDGs (invited outside lecturers) Participated in the EcoPro 2018 exhibition
2019	January February May June September November December	9th Rinnai Group Environmental Award Ceremony held during the New Year's ceremony Received the "Minister of the Environment Award," the top award at the COOL CHOICE LEADERS AWARD 2018 sponsored by the Ministry of the Environment (development of <i>ECO ONE</i>) Received the "Excellence Award" at the 22nd Environmental Communication Awards sponsored by the Ministry of the Environment (CSR Report 2018) Received the "Excellence Award" from the Ministry of the Environment (Medium-term management plan G-shift 2020 "Development of human resources to promote environmental management and contribution") Ranked 26th overall at the 22nd Environmental Management Ranking hosted by The Nikkei, which evaluates the environmental management level of Japanese companies Monthly environmental events • Held environmentally advanced company exchange meetings (inspection meetings) • Exterminated the specified invasive species <i>Coreopsis lanceolata</i> Received "Honorable Mention" at the 2nd EcoPro Awards sponsored by the Industrial Environment Management Association of Japan (for the development of "optimal hot water supply and heating systems" according to energy and environmental conditions in each country and region) Received an Award at the Biodiversity Action Awards 2019 (Let's grow heirloom vegetables together) organized by the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J) Participated in the EcoPro 2019 exhibition
2020	January May June July October	10th Rinnai Group Environmental Award Ceremony held during the New-Year Convention Received the "Excellence Award" in the Ministry of the Environment's 2019 Environmental Persons Development Awards Environment Month events: Exterminated the specified invasive species <i>Coreopsis lanceolata</i> Selected as "Good Practice" at the Aichi-Nagoya Biodiversity Best Practice Received the Japan Packaging Contest "Packaging Category Award (Industrial Packaging Category Award)" for exported water heater packaging improvements
2021	January March June July October November	Held the 11th Rinnai Group Environmental Awards during the Company's New Year's celebration Received the "Silver Prize" at the Sustainability Website Awards 2021 organized by the CSR Communications Association Received the "Minister of the Environment Award (Large Enterprise Category)" at the 2020 Environmental Human Resources Development Corporate Awards organized by the Ministry of the Environment Environment Month event: Engaged in efforts to eradicate the specified invasive species <i>Coreopsis lanceolata</i> Conducted a lecture on Rinnai's environmental efforts at the "Environment and Manufacturing Conference" organized by the Nagoya Industries Promotion Corporation Received the Energy Saving Division Grand Prize in the 2021 Hokkaido Government Energy Saving / New Energy Promotion Grand Prize Announced commitment to carbon neutrality (RIM 2050)
2022	January March April May June	Held the 12th Rinnai Group Environmental Awards during the Company's New Year's celebration Received the Energy Conservation Center Chairman's Award in the 2021 Energy Conservation Center Grand Prize Received the Excellence Award in the 2021 Energy Saving and New Energy Grand Prize in Kitaguni organized by METI Hokkaido Bureau of Economy, Trade and Industry Established ESG Committee Succeeded in developing the world's first 100% hydrogen combustion technology for home-use water heaters Received the Heat Pump & Thermal Storage Technology Center of Japan (HPTCJ) Promotion Award in the Demand-Side Management Award for 2022 organized by HPTCJ Environment Month event: Engaged in efforts to eradicate the specified invasive species <i>Coreopsis lanceolata</i>

Data Collection

Certification Acquisition Status

Environmental Management System International Standard [ISO 14001:2015]

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

Environmental Management System “Eco Action21”

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

Data by Site (Fiscal 2022 Results)

Site name	Location	☑ CO ₂ emissions		☑ Energy use (GJ)	Amount of waste generated (Including valuables) (Thousands of tons)*	Amount of waste into landfill (Thousands of tons)	Amount of recycled waste (Thousands of tons)
		Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)				
Oguchi Factory	Oguchi-cho, Niwa-gun, Aichi	1,930	1,788	55,561	4.4	4.4	0.009
Seto Factory	Seto-shi, Aichi	1,681	3,906	71,067	2.2	2.2	0
Akatsuki Factory	Seto-shi, Aichi	791	1,447	28,592	1.2	1.2	0
Technology Development Center	Oguchi-cho, Niwa-gun, Aichi	2,210	2,426	67,050	0.1	0.1	0
Head Office and Sales Offices ²	—	3,350	2,046	72,185	0.5	0.5	0.02
Yanagisawa Manufacturing Co., Ltd.	Kadoma-shi, Osaka	737	709	21,590	0.4	0.4	0
Rinnai Technica Co., Ltd.	Kakegawa-shi, Shizuoka	1,283	1,251	32,819	1	1	0.006
Gastar Co., Ltd.	Yamato-shi, Kanagawa	1,307	1,295	37,992	0.4	0.4	0.001
RB Controls Co., Ltd.	Kanazawa-shi, Ishikawa	899	2,741	36,411	0.4	0.4	0.043
Rinnai Precision Co., Ltd.	Komaki-shi, Aichi	5,275	7,210	163,872	2.4	2.4	0.003
RT Engineering Co., Ltd.	Toyoda-shi, Aichi	288	1,174	16,095	0.2	0.2	0.006
Noto Tech Co., Ltd.	Nakanoto-cho, Kajima-gun, Ishikawa	1,233	1,104	29,088	1.5	1.4	0.14
Techno Parts Co., Ltd.	Aichi	219	215	6,251	0.06	0.06	0.001
Rinnai Holdings (Pacific) Pte Ltd.	Singapore	40	21	774	—	—	—
Rinnai Hong Kong Ltd.	Hong Kong	0	3	13	—	—	—
Guangzhou Rinnai Gas and Electric Appliance Co., Ltd.	China	49	85	1,102	—	—	—
Rinnai Italia S.r.l.	Italy	52	11	996	—	—	—
Rinnai America Corporation ³	United States of America	707	1,347	25,006	—	—	—
Rinnai Australia Pty., Ltd. ⁴	Australia	1,860	7,067	58,800	—	—	—
Shanghai Rinnai Co., Ltd. ⁵	China	2,301	11,212	96,294	—	—	—
Rinnai Korea Corporation	South Korea	2,307	5,329	87,479	—	—	—
P.T. Rinnai Indonesia	Indonesia	4,624	11,393	142,263	—	—	—
Rinnai New Zealand Ltd.	New Zealand	257	91	6,329	—	—	—
Rinnai Taiwan Corporation	Taiwan	699	1,118	20,574	—	—	—
Rinnai (Thailand) Co., Ltd.	Thailand	1,191	1,935	34,813	—	—	—
Rinnai Brasil Heating Technology Ltd.	Brazil	150	119	6,343	—	—	—
Rinnai Viet Nam Co., Ltd.	Viet Nam	425	403	8,943	—	—	—
RB Korea Ltd.	South Korea	77	542	5,188	—	—	—

1. In some cases, there is a mismatch between the breakdowns and totals for the amount of waste generated, the amount of waste into landfill and the amount of recycled waste (Unit: Thousands of tons).
2. Includes the Head Office, nationwide sales offices, logistics centers and the Rinnai Parts Center.
3. Includes Rinnai Canada Holdings Ltd.
4. Includes Gas Appliance Services Corporation.
5. Includes Shanghai Rinnai Thermo Energy Engineering Co., Ltd.

Data Collection

Water Discharge*1 (Fiscal 2022 Results)

Site	Water discharge standard (Water discharge to)	Substance*1	Regulation value	Voluntary	Actual value (Maximum)
Oguchi Factory	Sewer	pH	5.7-8.7	5.8-8.7	6.9-7.6
		BOD	300	240	76
		COD	—	—	—
		SS	300	240	45
Seto Factory	River (Yatoko River)	pH	5.8-8.6	6.0-8.4	7.2-7.6
		BOD	25(20)	20	2
		COD	25(20)	20	3.6
		SS	30(20)	20	10
Akatsuki Factory	River (Kazunari River)	pH	5.8-8.6	5.9-8.5	7.1-7.3
		BOD	20	19	7
		COD	20	19	9.7
		SS	20	19	3
Yanagisawa Manufacturing Co., Ltd.	Sewer	pH	5.0-9.0	5.9-8.5	6.7-8.1
		BOD	600	100	7
		COD	—	—	—
		SS	600	100	46
Rinnai Technica Co., Ltd.	River (Ota River)	pH	5.8-8.6	6.3-8.1	6.8-7.1
		BOD	25(20)	20(15)	13
		COD	160(120)	20(20)	16
		SS	50(40)	30(20)	8.1
Gastar Co., Ltd., Head Office and Factories	Sewer	pH	5.0-9.0	5.2-8.8	7.6-8.0
		BOD	600	480	less than 5
		COD	—	—	—
		SS	—	—	—
Gastar Co., Ltd., Research Building	River (Sakai River)	pH	5.8-8.6	6.0-8.4	7.7-8.0
		BOD	15	12	less than 5
		COD	25	20	less than 5
		SS	40	32	less than 5
Rinnai Precision Co., Ltd., Head Office and Komaki Factory	Sewer	pH	5.8-8.6	6.0-8.4	7.4-7.6
		BOD	600	300	580*2
		COD	—	—	—
		SS	300	10	3
Rinnai Precision Co., Ltd., Kani Factory The Second Building	River (Kani River)	pH	5.8-8.6	5.8-8.6	6.6-8.5
		BOD	15	15	9.9
		COD	—	—	—
		SS	30	30	13
Rinnai Precision Co., Ltd., Kani Factory The Third Building	River (Kani River)	pH	5.8-8.6	5.8-8.6	6.6-8.2
		BOD	15	15	8.4
		COD	—	—	—
		SS	30	30	13
RT Engineering Co., Ltd.	Sewer	pH	5.7-8.7	5.7-8.2	6.1-7.8
		BOD	300	150	27
		COD	—	—	—
		SS	300	150	120
Noto Tech Co., Ltd.	River (Nagaso River)	pH	5.8-8.2	6.0-8.2	6.9-7.4
		BOD	40(30)	36(27)	20
		COD	160(120)	140(100)	17
		SS	40(30)	36(27)	6

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

*2. As a result of water quality inspections of wastewater, values exceeding the voluntary standard value were detected in BOD at Rinnai Technica Co., Ltd.
While identifying the source together with the measuring company, the maintenance cycle of the septic tank was revised with the intention of replacing the equipment, renewal and improvements such as processing control optimization were implemented because the processing capacity of the septic tank was assumed to be insufficient. Water quality results after these measures show no problems in terms of maintaining the voluntary standards.

PRTR*3 (Fiscal 2022 Results)

Site	Number	Class I designated chemical substance name	Handling amount	Amount of emission/discharge				Amount of transfer	
				Air	Public waters	Soil	Landfill	Sewers	Outside the relevant office
Oguchi Factory	53	Ethylbenzene	1,400	870	0	0	0	0	370
	71	Ferric chloride	1,100	0	0	0	0	0	1,100
	80	Xylene	2,500	1,300	0	0	0	0	570
	300	Toluene	1,800	1,100	0	0	0	0	480
	309	Nickel compounds	1,100	0	0	0	0	0	130
	405	Boron compounds	3,200	0	0	0	0	0	380
Seto Factory	53	Ethylbenzene	1,400	1,100	0	0	0	0	330
	80	Xylene	1,900	1,500	0	0	0	0	330
	87	Chromium and chromium (III) compounds	33,000	0	0	0	0	0	0
	308	Nickel	59,000	0	0	0	0	0	0
Gaster Co., Ltd. Yamato Head Office Factory	53	Ethylbenzene	1,200	310	0	0	0	0	900
Akatsuki Factory	53	Ethylbenzene	2,300	2,200	0	0	0	0	150
	80	Xylene	5,200	5,000	0	0	0	0	150
	296	1,2,4-trimethylbenzene	1,200	1,200	0	0	0	0	23
	300	Toluene	1,800	720	0	0	0	0	1,100
RB Controls Co., Ltd.; Kanaiwa Factory	31	Antimony and its compounds	2,100	0	0	0	0	0	250
	265	Tetrahydromethylphthalic anhydride	13,000	0	0	0	0	0	0
	448	Methylenebis (4,1-phenylene) diisocyanate	1,100	0	0	0	0	0	0
	460	Tritolyl phosphate	1,900	0	0	0	0	0	260
RB Controls Co., Ltd.; Tsurugi Factory	448	Methylenebis (4,1-phenylene) diisocyanate	35,000	0	0	0	0	0	0
	460	Tritolyl phosphate	42,000	0	0	0	0	0	4,500
Rinnai Precision Co., Ltd. Kani Factory	53	Ethylbenzene	1,300	1,000	0	0	0	0	300
	80	Xylene	1,700	1,500	0	0	0	0	200
	300	Toluene	6,900	6,900	0	0	0	0	0
Noto Tech Co., Ltd.	31	Antimony and its compounds	8,900	0	0	0	0	0	250
	309	Nickel compounds	650	0	0	0	0	0	170
	405	Boron compounds	5,200	0	63	0	0	0	1,800

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

Data Collection

Emissions into the Air (Fiscal 2022 Results)

Site	Facility	Substance ^{*1}	Regulation value	Voluntary	Actual value (Maximum)
Oguchi Factory	Combustion furnace	Soot and dust	0.25	0.16	0.001
		NOx emissions	180	150	51
	Boiler	Soot and dust	0.1	0.08	0.002
		NOx emissions	150	96	70
Seto Factory	Boiler	Soot and dust	0.1	0.05	0.002
		NOx emissions	150	79	25
Akatsuki Factory	Combustion furnace	Soot and dust	0.2	0.16	0.004
		NOx emissions	230	180	3
Yanagisawa Manufacturing Co., Ltd.	Boiler	Soot and dust	0.1	0.1	0.002
		NOx emissions	150	150	24
	Combustion furnace	Soot and dust	0.2	0.2	0.002
Gaster Co., Ltd.	Boiler	Soot and dust	0.1	0.08	0.0012
		NOx emissions	150	120	40

^{*1}Soot and dust: g/m³N, NOx: ppm, SOx: m³N/h

Conditions for Calculations

Scope 1

- Scope of calculations: Rinnai Corporation and its consolidated subsidiaries
- CO₂ conversion factors

Emission factor: MOE/METI, GHG Emission Calculation and Reporting Manual (Ver. 4.8)

Heating value: • City gas: 45 MJ/Nm³

• Methane gas: 39.7 MJ/m³

Gas	Town gas	2.24	tCO ₂ e/1,000 Nm³
	Methane	2.02	tCO ₂ e/1,000 Nm³
	LPG	3.00	tCO ₂ e/t
	Butane	3.00	tCO ₂ e/t
Oil	Heavy oil	2.71	tCO ₂ e/kl
	Kerosene	2.49	tCO ₂ e/kl
	Light oil	2.58	tCO ₂ e/kl
	Gasoline	2.32	tCO ₂ e/kl

Scope 2

- Scope of calculations: Rinnai Corporation and its consolidated subsidiaries
- CO₂ conversion factors

Domestic emission factors: “Emission Factors by Electricity Utility (for FY2022 Reporting)” in MOE/METI, GHG Emission Calculation and Reporting Manual (Ver. 4.8)

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

Electricity	Australia	0.4400 ~ 1.1020	tCO ₂ e/MWh
	New Zealand	0.1940	tCO ₂ e/MWh
	United States	0.3538 ~ 0.3890	tCO ₂ e/MWh
	Hong Kong	0.7100	tCO ₂ e/MWh
	Taiwan	0.5079	tCO ₂ e/MWh
	South Korea	0.4590 ~ 0.4836	tCO ₂ e/MWh
	Indonesia	0.8000	tCO ₂ e/MWh
	Thailand	0.4670	tCO ₂ e/MWh
	China (Shanghai)	0.7921 ~ 0.8042	tCO ₂ e/MWh
	Brazil	0.1264	tCO ₂ e/MWh
	Singapore	0.4080	tCO ₂ e/MWh
	Viet Nam	0.8041	tCO ₂ e/MWh
	Italy	0.2134	tCO ₂ e/MWh

Scope 3

- Calculated in accordance with MOE/METI, Basic Guidelines on Calculation of Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.4)
- Conditions for all categories

Scope of calculation: Rinnai Corporation

Emission factors: MOE, Emission Factor Database (Ver. 3.2)

Sustainable Management Promotion Organization’s LCI database IDEAv2 (for calculating GHG emissions in the supply chain)

- Conditions for category 11 (Use of sold products)

Products covered: Water heaters sold by Rinnai

Period: 10 years

Conditions: Conditions defined by Rinnai

Emission factors:

Electricity: 0.570 kgCO₂e/kWh

Federation of Electric Power Companies of Japan, Environmental Action Plans in the Electricity Industry, September 2015 (reference materials: collected data on performance in fiscal 2014)

City gas: 2.21 kgCO₂e/m³

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

Data Collection

Third-Party Assurance Statement



LRQA Independent Assurance Statement

Relating to Rinnai Corporation’s Environmental Data for the fiscal year 2021

This Assurance Statement has been prepared for Rinnai Corporation in accordance with our contract.

Terms of Engagement

LRQA Limited (“LRQA”) was commissioned by Rinnai Corporation (“the Company”) to provide independent assurance on its environmental data (“the report”) for the fiscal year 2021 ¹ against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISAE 3000 (Revised) and ISO 14064-3:2019 for greenhouse gas (“GHG”) emissions.

Our assurance engagement covered the Company and its consolidated subsidiaries’ operations and activities in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company’s reporting methodologies for the selected indicators;
- Evaluating the accuracy and reliability of data for only the selected indicators listed below:
 - Scope 1 GHG emissions (tonnes CO₂e) ^{2 3}
 - Scope 2 GHG emissions [Market-based] (tonnes CO₂e)
 - Scope 3 GHG emissions (Category 11) (tonnes CO₂e) ⁴
 - Energy consumption (GJ) ⁵

Our assurance engagement excluded the data and information of the Company’s suppliers, contractors and any third-parties mentioned in the report.

LRQA’s responsibility is only to the Company. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The Company’s responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LRQA’s Opinion

Based on LRQA’s approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements of the Company’s reporting methodologies
- Disclosed accurate and reliable environmental data as summarized in Table 1 and Table 2 below

The opinion expressed is formed on the basis of a limited level of assurance⁶ and at the materiality of the professional judgement of the verifier.

¹ The reporting period is based on the fiscal year of domestic and overseas subsidiary companies: (1) domestic subsidiary companies: FY2021 (01/04/2021 – 31/03/2022), and (2) overseas subsidiary companies: CY2021 (01/01/2021 – 31/12/2021)

² GHG quantification is subject to inherent uncertainty.

³ The scope 1 GHG emissions cover only energy-oriented CO₂.

⁴ Scope 3 emissions data cover activities associated with the usage of water heaters domestically sold by Rinnai Corporation.

⁵ The scope includes the breakdown of energy consumption.

⁶ The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



Table 1. Summary of Rinnai Corporation’s GHG Emissions Inventory in FY 2021

Scope		Tonnes CO ₂ e
Energy direct GHG emissions (Scope 1)		35,941
Energy indirect GHG emissions (Scope 2, Market-based)		67,987
Other indirect GHG emissions (Scope 3, Category 11)		8,846,480

Table 2. Summary of Rinnai Corporation’s Energy Consumption Data in FY2021

Electricity		127,665.4	MWh	459,595.5	GJ
Town gas	for the use of equipment in each facility	10,698.2	kNm ³	481,526.9	GJ
	for vehicle use	0.1	kNm ³	4.6	GJ
Methane		41.6	km ³	1,651.2	GJ
LPG	for the use of equipment in each facility	2,353.3	t	119,548.8	GJ
	for vehicle use	1.3	t	66.1	GJ
Butane		9.8	t	483.3	GJ
Acetylene		9.7	t	488.2	GJ
Ethylene		0.04	t	2.1	GJ
Heavy oil		0.18	kl	7.0	GJ
Kerosene		20.1	kl	737.4	GJ
Light oil	for the use of equipment in each facility	90.6	kl	3,414.0	GJ
	for vehicle use	320.2	kl	12,069.8	GJ
Gasoline	for the use of equipment in each facility	5.4	kl	185.9	GJ
	for vehicle use	1,552.3	kl	53710.8	GJ

LRQA’s Approach

LRQA’s assurance engagements are carried out in accordance with ISAE 3000 (Revised) and ISO 14064-3:2019 for GHG emissions. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company’s data management systems to confirm that there were no significant errors, omissions or misstatements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Interviewing with those key people responsible for compiling the data and drafting the report.
- Sampling datasets and traced activity data back to aggregated levels;
- Verifying the historical environmental data and records for the fiscal year 2021; and
- By implementing the Company’s “No Visitor” Policy due to the global infection spread of COVID-19, conducting the remote verification to Yanagisawa Mfg Co.,Ltd. , Rinnai Corporation Kansai Branch Office, and Kanto Branch Office for confirming the effectiveness of its data management systems via emails and Microsoft Teams.

Observations

- The Company has demonstrated improvement in its data management system over the years. But the Company is expected further demonstrate the completeness of its future environmental indicators. In particular, based on the interests of stakeholders, it is expected that the verification of Scope 3 GHG emissions, which is currently being disclosed, will be expanded.
- In addition, considering that the Company has a product line that uses fluorocarbons as a refrigerant, we expect the Company to newly estimate the amount of HFC leakage from product use to disposal, which is not currently calculated as Category 11 of Scope 3 GHG emissions.



LRQA’s Standards, Competence and Independence

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021-1 *Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part1: Requirements* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This is the only work undertaken by LRQA for the Company and as such does not compromise our independence or impartiality.

Signed

Dated: 10 July 2022

Jun Yasumoto
LRQA Lead Verifier
On behalf of LRQA Limited
10th Floor, Queen’s Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN

LRQA reference: YKA4005612

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Data Collection

External Acclaim and Recognition

International Recognition for ESG Efforts

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



Rinnai was selected for inclusion in the FTSE Blossom Japan Index formulated by FTSE Russell, a leading environmental, social and governance (ESG) rating organization. In addition to the ESG assessment, Rinnai was evaluated for environmental impact and management approach to climate change risks and opportunities.



Rinnai was selected for inclusion in the “Sompo Sustainability Index” launched by SOMPO Asset Management Co., Ltd.



Evaluation of Climate Change

The Carbon Disclosure Project (CDP), an international non-profit organization, globally evaluates corporate efforts regarding climate change.

- CDP Climate Change**
 CDP Climate Change evaluates the corporate response to climate change. Rinnai has received a B rating.
- CDP Supplier Engagement Rating (SER)**
 The CDP SER evaluates performance in governance, targets, Scope 3 emissions, and value chain engagement within the CDP Climate Change Questionnaire. Rinnai has received an A- rating.



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

Rinnai was certified as a “company promoting women’s activities,” as part of a scheme operated by the City of Nagoya (Aichi Prefecture) in fiscal 2014. We have been certified in recognition of three key initiatives aimed at expanding frameworks, assigning duties, and changing attitudes, to support female employees so that they play a greater role in the workplace.



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

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



Certified as a “General Business Owner Meeting Standards”

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



Certified as a “Parent-Friendly Company”

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



Rinnai Corporation

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