



## Rinnai Report 2023 (Integrated Report)

**Rinnai**

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

Since its establishment in 1920, Rinnai has contributed to more affluent lives for people around the world by providing products and services suited to the lifestyles, climates, and energy conditions of each country.

To fulfill our brand promise “Creating a healthier way of living,” we will continue to contribute to the attainment of a healthy, comfortable lifestyle and sustainable society for people worldwide by utilizing all energy sources in the areas of heat and lifestyles and health and lifestyles, and by solving global social issues with our core technologies.



Fundamental Concept

Quality is our destiny

Company Motto

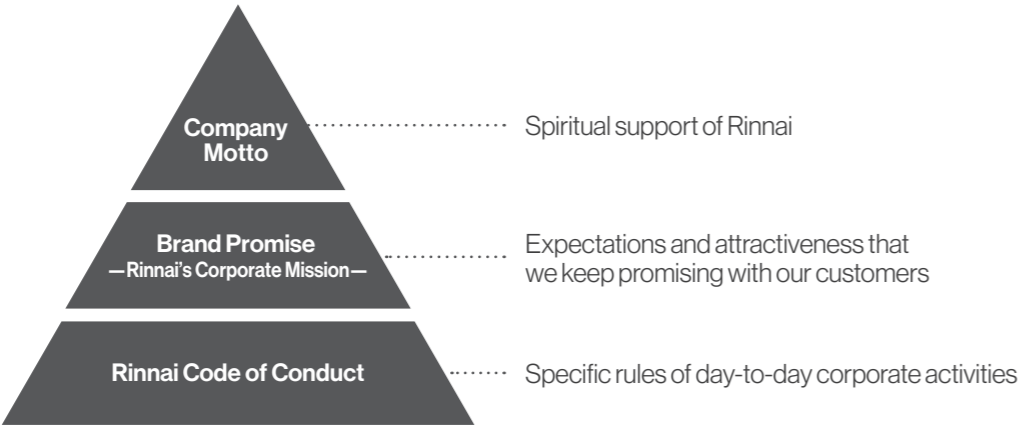


- 和 Harmony: Develop personal character of the highest caliber
- 氣 Spirit: Base your efforts on a consistent philosophy
- 真 Sincerity: Know the fundamentals and consider issues with precision and clarity

Brand Promise — Rinnai's Corporate Mission —

Creating a healthier way of living

Schematic Diagram of Company Ideals



Rinnai Human Rights Policy

In accordance with the United Nations Guiding Principles on Business and Human Rights, Rinnai Corporation established the Rinnai Human Rights Policy and hereby declares that it will respect human rights in all its business activities. For details, please refer to the following.  
<https://www.rinnai.co.jp/en/corp/human-rights/>

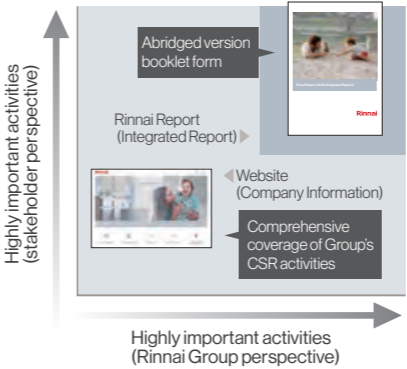
Rinnai Report 2023 (Integrated Report)

Editorial Policy

Rinnai produced the Rinnai Report 2023 (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 2023—April 1, 2022, to March 31, 2023—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 2023 (Japanese version)  
Previous: August 2022, Next: August 2024 (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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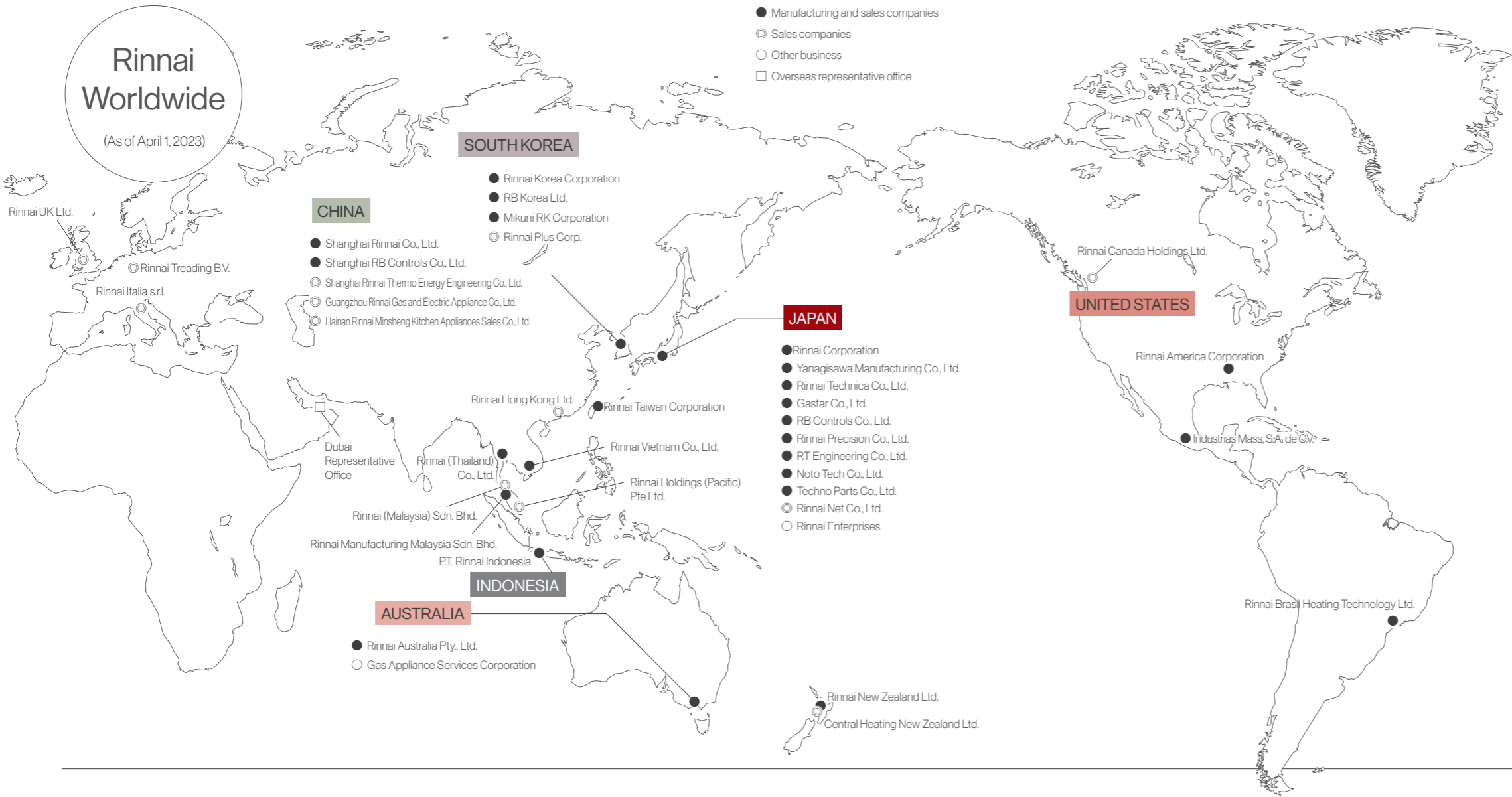
100 Years of History (Part 1) 1920–2004

Historical Overview	<div>Phase 1</div> <div>Founding and Postwar Reconstruction</div> <div>[1920–1949]</div> <p>Childhood friends Hidejiro Naito and Kanekichi Hayashi were inspired by the blue flame of an oil stove outside a shop selling <i>Imagawa-yaki</i> (sweet stuffed pancakes) and decided to start a business. Taking a character from each of their surnames, they named it Rinnai &amp; Co., launching the development and commercialization of oil and gas stoves and oil heaters.</p> <p>After the start of the Sino-Japanese war, the market for oil and gas stoves was suspended due to oil consumption regulations that prioritized military use, thus the Company survived by manufacturing parts for aircraft and other equipment. After the war ended, they relaunched their business with the manufacture of industrial and agricultural equipment, and in 1949, they resumed production of gas and oil stoves as originally intended.</p>	<div>Phase 2</div> <div>Establishing a Corporate Foundation</div> <div>[1950–1965]</div> <p>In 1950, the Company was relaunched as a corporation with the establishment of Rinnai Seisakusho. During the 1950s, sales offices were opened in Tokyo, Osaka, Fukuoka and other urban areas, creating a nationwide sales network.</p> <p>A major turning point came when they encountered Dr. Schwank, developer of the gas infrared ceramic burner. The first major hit product was a gas infrared stove using burners manufactured by Schwank GmbH based on a technology tie-up between the two companies. In the early 1960s, the Inba Factory (later the Asahi Factory) and Oguchi Factory were constructed in response to the strong demand for these stoves.</p>	<div>Phase 3</div> <div>Promoting Business Activities Overseas</div> <div>[1966–1978]</div> <p>The Company, which commemorated its 50th anniversary in 1970, changed its name to its current form, Rinnai Corporation, the following year. A Technology Center was also constructed and a development division was launched to undertake product development, establishing a development-oriented company structure.</p> <p>Overseas development began with the establishment of Rinnai International in Ohio, USA (1967), expanding to Taiwan, Australia, Malaysia, South Korea, New Zealand, Brazil, the United Kingdom and a variety of other locations, where local offices and subsidiaries were established in an effort to improve the culture of everyday life in those areas.</p>	<div>Phase 4</div> <div>Becoming a Listed Company</div> <div>[1979–1987]</div> <p>In 1979, the Company was listed on the Second Section of the Nagoya Stock Exchange, and in 1983, it was listed on the First Section of both the Tokyo Stock Exchange and the Nagoya Stock Exchange. Around the same time, the Company made progress in terms of quality cost delivery (QCD), aiming to develop molds and other critical components that up to that time had been outsourced.</p> <p>In developing new technologies and products, the Company brought new products to market meeting user needs, including the <i>Yukko</i> compact gas water heater (1982) and the push-button gas tabletop cooker (1984). Focusing efforts on enhancing its customer service system, in 1986 the Company launched telephone support available 24 hours a day, 365 days a year.</p>	<div>Phase 5</div> <div>Advancing as a Global Corporation</div> <div>[1988–2004]</div> <p>In fiscal 1989, for the first time the Company achieved its long-sought after sales target of ¥100 billion, and in commemoration of its 70th anniversary a year later, plans were made to construct a new Head Office building that was completed in 1994.</p> <p>In terms of products, the Company promoted added value through safety functions that included gas water heaters equipped with carbon monoxide sensors and hobs (stovetops) equipped with a tempura oil fire prevention function. In response to the rapid development of China and ASEAN countries, the Company established joint manufacturing bases and acquired quality and environmental management certifications, including ISO 9001 and 14001 series in promotion of initiatives undertaken as a global corporation.</p>												
	Performance	<table><tr><th>Year</th><th>Net sales</th></tr><tr><td>1951</td><td>¥21 million</td></tr><tr><td>1967</td><td>¥5.6 billion</td></tr><tr><td>1980</td><td>¥48.3 billion</td></tr><tr><td>1989</td><td>¥98.4 billion</td></tr><tr><td>2005</td><td>¥202.0 billion</td></tr></table>					Year	Net sales	1951	¥21 million	1967	¥5.6 billion	1980	¥48.3 billion	1989	¥98.4 billion	2005
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Technologies and Products	<div>1921</div> <ul style="list-style-type: none"><li>1920 The Rinnai-type kerosene gas stove registered as a utility model is launched.</li><li>1923 Gas tabletop stove, gas ranges, gas oven, gas water heater and other product deliveries to gas companies across Japan as overseas exports begin.</li><li>1937 Sales of oil and gas stoves across north China market from base in Tianjin City are launched.</li></ul> <p>Rinnai-type kerosene gas stove</p>	<div>1951–</div> <ul style="list-style-type: none"><li>1957 The company forms a technology tie-up with German company Schwank GmbH to manufacture and sell gas infrared burners and to develop heaters and cooking appliances that use them.</li></ul> <p>Schwank gas infrared heater produced domestically in Japan for the first time</p>	<div>1967–</div> <ul style="list-style-type: none"><li>1967 Technology Development Center opens.</li><li>1971 Development and sales of high-speed gas convection range, <i>Convec</i>.</li><li>1972 The company receives the Ota Award from the Japan Gas Association for its high-speed gas convection range, <i>Convec</i>.</li></ul> <p>High-speed gas convection range, <i>Convec</i></p>	<div>1980–</div> <ul style="list-style-type: none"><li>1980 Full-scale production of built-in equipment begins. A gas instantaneous water heater, <i>UT</i>, equipped with a safety mechanism to prevent incomplete combustion launches.</li><li>1983 The company receives the Ota Award from the Japan Gas Association for development of a water boiler equipped with a safety mechanism to prevent incomplete combustion.</li><li>1985 The company receives the Ota Award from the Japan Gas Association for development of a water boiler equipped with a safety mechanism to prevent incomplete combustion.</li><li>1986 The company receives the Excellent Technology Prize from the Japan Gas Association as well as the first Chunichi Industrial Technology Award for the development of an ultracompact water heater, <i>Yukko</i>.</li></ul> <p>Gas instantaneous water heater, <i>UT</i></p>	<div>1989–</div> <ul style="list-style-type: none"><li>1990 The Tsukuba Research Center (now Tsukuba Training Center) opens.</li><li>1998 Gas fan heater and air purifier are combined together.</li><li>1999 A highly efficient condensing gas water heater is launched.</li><li>2000 The company receives the Ministry of International Trade and Industry's Energy Conservation Award for its highly efficient condensing gas water heater.</li><li>2003 The company receives the Energy Conservation Grand Prize (Chairman's Prize) from the Energy Conservation Center for its glass-top stoves with inner flame burners.</li></ul> <p>Highly efficient condensing gas water heater</p>												
	Management and Organization	<ul style="list-style-type: none"><li>1920 The company is incorporated as Rinnai &amp; Co. by founders Hidejiro Naito and Kanekichi Hayashi.</li><li>1938 Manufacturing of aircraft parts takes place with the factory coming under military supervision.</li><li>1940 The company changes its name to Rinnai Aircraft Parts Manufacturing.</li><li>1947 Production of gas and kerosene appliances resumes at the rebuilt Head Office factory.</li></ul>	<ul style="list-style-type: none"><li>1950 The company is reorganized as a joint stock company and renamed Rinnai Seisakusho.</li><li>1954 The Tokyo Sales Office (now the Kanto Branch) opens.</li><li>1956 The Osaka Sales Office (now the Kansai Branch) opens.</li><li>1957 The Aichi Factory (now the Chubu Branch) opens.</li><li>1960 The Inba Factory (later the Asahi Factory) opens.</li><li>1961 The Fukuoka Sales Office (now the Kyushu Branch) opens.</li><li>1963 The Sendai Satellite Office (now the Tohoku Branch) opens.</li><li>1963 The Sapporo Satellite Office (now the Hokkaido Sales Office) opens.</li></ul>	<ul style="list-style-type: none"><li>1968 The Niigata Satellite Office (now the Niigata Sales Office) opens.</li><li>1969 The Nagoya Sales Office (now the Chubu Branch) opens.</li><li>1970 Rinnai Taiwan Corporation is established.</li><li>1970 Business partnership with Yanagisawa Manufacturing Co., Ltd.</li><li>1970 Investment in Yamauchi Yoko (now RT Engineering Co., Ltd.)</li><li>1971 The name changes to Rinnai Corporation.</li><li>1971 RB Controls Co., Ltd. is established.</li><li>1971 Rinnai Australia Pty. Ltd. is established.</li><li>1973 Rinnai (Malaysia) Sdn. Bhd. is established.</li></ul>	<ul style="list-style-type: none"><li>1979 The company is listed on the Second Section of the Nagoya Stock Exchange.</li><li>1979 Rinnai Precision Co., Ltd. is established.</li><li>1979 The Seto Factory opens.</li><li>1981 Japan Ceramics Co., Ltd. is established.</li><li>1981 Business partnership with Isomura Kiki (now Rinnai Technica Co., Ltd.)</li><li>1983 The Hiroshima Sales Office (now the Chugoku Branch) opens.</li><li>1983 The company is listed on the First Section of the Tokyo Stock Exchange and the Nagoya Stock Exchange.</li></ul>	<ul style="list-style-type: none"><li>1988 P.T. Indonesia is established.</li><li>1988 The Hong Kong Representative Office opens.</li><li>1990 Rinnai (Thailand) Co., Ltd. is established.</li><li>1990 Noto Tech Co., Ltd. is established.</li><li>1991 Rinnai Singapore Pte. Ltd. is established.</li><li>1993 Shanghai Rinnai Co., Ltd. is established.</li><li>1994 The new Headquarters building is completed.</li><li>1995 The company receives ISO9001 certification for all domestic factories.</li><li>1996 Rinnai Holdings (Pacific) Pte. Ltd. is established in Singapore.</li><li>1997 Technology Division acquires ISO14001 certification (sequentially acquired thereafter).</li><li>2004 Guangzhou Rinnai Co., Ltd. is established.</li></ul>											

100 Years of History (Part 2) 2005–2025
Promoting Medium-term Business Plans Under a New Structure

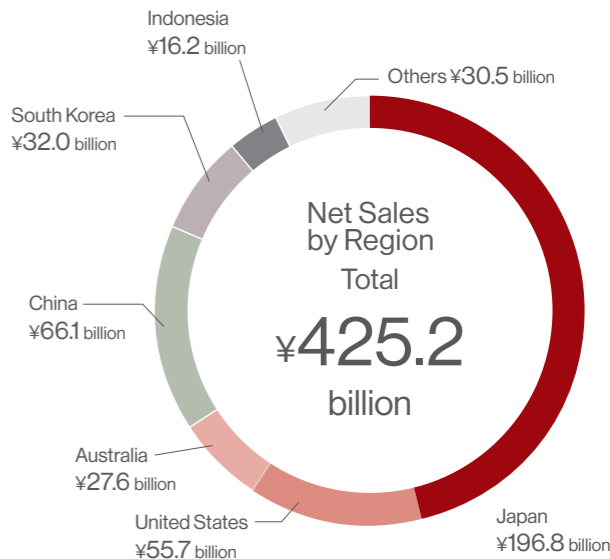
Medium-term Business Plans	<div>Phase 6</div> <div>V-Shift Plan</div> <div>[2006–2008]</div> <div>In 2005, the current President Hiroyasu Naito was appointed. His first policy was to “focus on a high-value-added and differentiated product strategy centered on new technologies.” This concept was made into concrete measures and incorporated into the “V-Shift Plan” medium-term business plan. 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.</div>	<div>Phase 7</div> <div>Reform &amp; Breakthrough</div> <div>[2009–2011]</div> <div>Under the medium-term business plan launched in 2009 entitled “Reform &amp; 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. 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.</div>	<div>Phase 8</div> <div>Jump UP 2014</div> <div>[2012–2014]</div> <div>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. The Company stepped up its pursuit of zero defects. 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.</div>	<div>Phase 9</div> <div>Evolution and Succession 2017</div> <div>[2015–2017]</div> <div>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. At the same time, with regard to “evolution,” in order to respond to 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.</div>	<div>Phase 10</div> <div>G-shift 2020</div> <div>[2018–2020]</div> <div>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.” The “G-shift” medium-term business plan name represented three core policies aimed at promoting global strategies leveraging the Group’s network linkages, 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.</div>	<div>Phase 11</div> <div>New ERA 2025</div> <div>[2021–2025]</div> <div>Celebrating its 100th anniversary in 2020, Rinnai formulated a new Medium-Term Business Plan covering the five-year period from fiscal 2022 to fiscal 2026 as it heads toward its next century. 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. In anticipation of changes in the business environment 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 and positions this as a period for delivering growth and implementing reforms from a medium- to long-term perspective.</div>
	<div>Performance</div> <div><div>■ Domestic sales ■ Overseas sales</div><div>Operating income</div><div>Operating margin</div><div>2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026</div><div>¥425.2 billion</div><div>¥41.4 billion</div><div>56%</div><div>New ERA 2025</div><div>New Expansion, Revolution and Advancement</div></div>	<div>Technologies and Products</div> <div><div>●2005 The company receives the Technology Prize from the Japan Gas Association for its <i>Eco-Jozu</i> condensing dual water heater/space heaters.</div><div>●2006 The company receives the Technology Prize from the Japan Gas Association for its bathroom heater/dryer with mist sauna function.</div><div>●2007 Built-in hob (stovetop) DELICIA series is launched.</div><div>●2008 Dishwasher with baking soda washing mode is released.</div><div>●2008 Rinnai Indonesia wins Best Brand Award.</div><div>●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.</div><div>●2010 The Production and Technology Development Center opens.</div><div>●2010 Commercialization of home-use hybrid water heaters combining heat pumps and gas water heaters.</div><div>●2014 The company receives the Ministry of International Trade and Industry’s Energy Conservation Award for <i>ECO ONE</i>, a hybrid water heater with heating system.</div><div>●2014 The company’s hybrid water heater with heating system for Hokkaido receives the Kitaguni Energy conservation and New Energy Grand Prize.</div><div>●2016 DELICIA dedicated app “DELICIA APP” with cooking support function distribution is launched (“+ R RECIPE” from 2020 onward).</div><div>●2017 Third-generation <i>ECO ONE</i> hybrid water heater and heating system wins Energy Conservation Grand Prize Energy Conservation Center Chairman’s Award.</div><div>●2017 High-quality and luxury kitchen appliance series G-LINE is launched.</div><div>●2018 Drop-in modular-type gas cooker “G:101” wins “iF Design Award 2018.”</div><div>●2020 Domino-style built-in stove G-LINE series wins “Red Dot Design Award 2020” at the Red Dot Design Awards.</div><div>●2020 Microbubble Bath Units are launched.</div><div>●2022 Launched sales of Leggiero waterless cooking pots. Leggiero receives the Red Dot Design Award 2022.</div><div>●2022 Successfully developed 100% hydrogen combustion technology for residential water heaters.</div><div>●2022 Rinnai wins the Energy Conservation Award (the Prize of Director-General of the Agency for Natural Resources and Energy) for <i>ECO ONE</i> hybrid water heater with heating systems.</div><div>●2022 An ultra fine bubble water heater launches.</div></div>	<div>Management and Organization</div> <div><div>●2006 Shanghai Rinnai Thermo Energy Engineering Co., Ltd. is established.</div><div>●2008 Rinnai Italia S.r.l. is established.</div><div>●2008 The Integrated Logistics Center opens.</div><div>●2009 Rinnai Canada Holdings Ltd. is established.</div><div>●2010 The Production and Technology Development Center opens.</div><div>●2011 The West Japan Customer Center opens. Great East Japan Earthquake service support is implemented.</div><div>●2013 The Akatsuki Factory opens.</div><div>●2013 The Rinnai Parts Center opens following business integration.</div><div>●2014 Brivis Climate Systems Pty. Ltd. in Australia is acquired.</div><div>●2015 The Dubai Representative Office opens.</div><div>●2016 Gastar Co. Ltd. becomes a consolidated subsidiary.</div><div>●2018 The East Japan Logistics Center opens.</div><div>●2019 Our brand promise is established and the Rinnai logo is updated.</div><div>●2020 Information Security Management System (ISMS) certification is acquired.</div><div>●2020 Rinnai wins the “Excellence Award” at the Environmental Persons Development Awards.</div><div>●2021 Rinnai wins the “Minister of the Environment Award (Large company category)” at the highest award of the Environmental Persons Development Awards.</div><div>●2021 Rinnai America acquired Industrias MASS S.A. de C.V. (Mexico).</div><div>●2021 Announced the Rinnai Group Path to Becoming Carbon-Neutral and Rinnai Innovation Manifesto 2050 (RIM 2050).</div><div>●2022 Established the ESG Committee in April.</div><div>●2022 The Kasugai Logistics Center opens.</div></div>			

Rinnai Group Profile



Corporate Data (As of March 31, 2023)

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	11,150 (consolidated), 3,587 (non-consolidated)
Number of Group companies	46 (domestic 12, overseas 34)



Water Heaters and Heating Systems

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



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



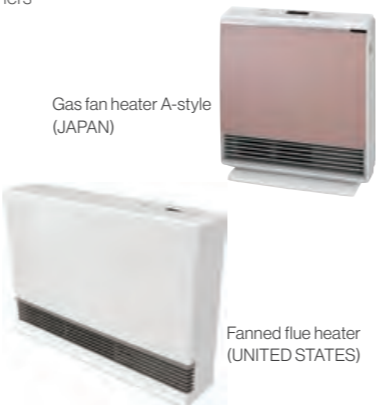
DELICIA built-in gas hob (stovetop) (JAPAN)



Dishwasher (JAPAN)

Home Heaters

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



Gas fan heater A-style (JAPAN)

Fanned flue heater (UNITED STATES)

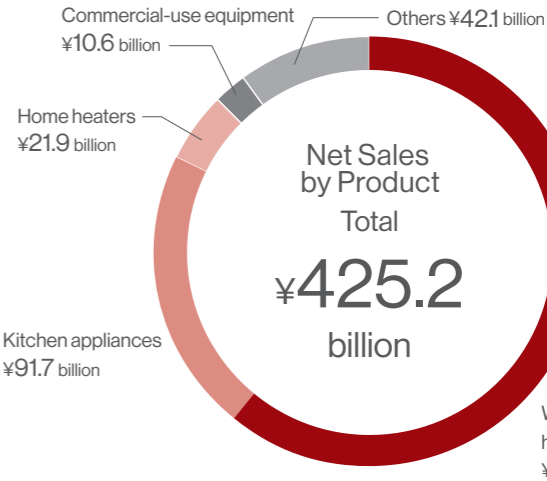
Commercial-Use Equipment, Others

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



Gas clothes dryer (JAPAN)

Duct-type air-conditioning and heating system (AUSTRALIA)





**We will pursue product quality and attractiveness to achieve sustainable growth as a company with a strong brand**

President **Hiroyasu Naito**

### **Another Record High for Earnings, but Profit Margin Improvement is an Issue**

In fiscal 2023, the fiscal year ended March 31, 2023, the Rinnai Group saw sales of hot water heaters and other products grow in Japan and overseas as the global economy continued to normalize from the COVID-19 pandemic. At the same time, the rise in raw materials and other costs surpassed our expectations and had a significant impact on our earnings. In fiscal 2023, net sales were ¥425,229 million (up 16.1% year on year), operating income was ¥41,418 million (up 15.5%), ordinary income was ¥44,565 million (up 14.1%), and net income attributable to owners of the parent company was ¥26,096 million (up 9.9%).

Although net sales, operating income, and ordinary income reached new record highs, profit margins fell below the upwardly revised plan figures due to high costs, and our initiatives to improve in profit margins treaded water. Supply chain disruptions, which had been an issue, have been resolved, and the Group is making progress in establishing a more resilient production system.

Since we will be manufacturing both components and products with more inventory than ever before, we will need to formulate a strategy going forward that accounts for higher procurement costs related to materials and parts, as well as the rising costs of personnel and raw materials.

## Message from the President

### Progress in the Second Year of New ERA 2025

#### Advancement in addressing social challenges —Adapt to the energy transition and step into the future

Rinnai has formulated the Rinnai Innovation Manifesto 2050 (commonly known as RIM 2050), a policy to achieve carbon neutrality by 2050. And in its New ERA 2025 medium-term business plan, Rinnai is working to enhance its lineup of environmentally friendly products to contribute to resolving social issues. Recently, demand has been growing for *ECO ONE*, a gas-electric hybrid water heater with heating systems that we have offered for many years. Sales in fiscal 2023 were up 28.2% versus the previous year, marking a record high. This product combines *Eco-Jozu*, a highly energy-efficient gas water heater, with a highly energy-efficient electric-powered heat pump water heater and achieves a substantial reduction in environmental impact. *ECO ONE* is eligible for subsidies from the Japanese government as part of a project to save energy consumed in the supply of hot water, and this will also encourage its widespread use.

I am confident *ECO ONE* installations will expand overseas as well. In Europe, electric hot water and heating systems are currently being used, but it is difficult to maintain sufficient warmth with these in cold climates. As such, there is a trend to re-evaluate the use of high-efficiency gas. Even in Europe, where environmental restrictions are advancing, I believe people there will continue to live not in an all-electric world but a hybrid one that also uses gas. Although it is difficult to anticipate the speed of the diffusion of this technology both in Japan and overseas, we will continue our initiatives to ensure we are ready to respond adequately when the time comes. We currently do not make our own heat pump hot water heaters for *ECO ONE*, so we need to invest in the research, development, and manufacturing of heat pump units. This will be a major investment, but we will certainly proceed with it.

Another effective way to reduce environmental impact is to switch from conventional water heaters to the highly efficient *Eco-Jozu* water heater. We intend to increase awareness of the availability of subsidies by publicizing the fact that single function hot-water units, which account for less than 10% of all hot-water unit replacements, are eligible for government support for energy-saving home renovations. Meanwhile, in overseas markets, the switchover from storage tank-type water heaters, the most widespread type in the United States, to tankless water heaters (instantaneous water heaters) and beyond that to *Eco-Jozu* will lead to a significant reduction in CO<sub>2</sub> emissions. We are targeting the new housing start market for this transition in the United States.

Rinnai established a dedicated business unit in April 2023 to further strengthen its ability to develop environmentally friendly products. Until now, Rinnai has specialized in the manufacture and sale of gas appliances, but from now on it will need to develop and manufacture products that are not focused exclusively on gas. Rinnai's basic stance is to challenge all its employees to come up with various ideas and create



ECO ONE X5 contributes to achieving carbon neutrality



Announced the successful development of hydrogen combustion technology (May 2022)

new products, and I look forward to hearing our employees' free and open-minded inspirations.

We are also making steady progress in accumulating hydrogen energy technologies and are preparing a structure that will allow us to introduce technologies and equipment as soon as the infrastructure is in place. We have launched proof of concept tests in Japan at Kitakyushu Hydrogen Town and overseas in Australia for



Concept model of hydrogen water heater

100% hydrogen combustion water heaters. We have also begun joint development with Toyota Motor Corporation for hydrogen-powered cooking equipment and are aiming to introduce this technology at Toyota Woven City.

Rinnai will continue its research and development based on the possible paths for energy at this turning point, so that we can expand our business regardless of what technology ends up dominating.

### Expanding the Scale of Business: Growing by Developing Business in Tandem with Trends in Each Country

Rinnai is also focusing on expanding the scale of its business overseas. As the world moves toward carbon neutrality, some countries are shifting to electric heat pump water heaters, but it is also a fact that others are focusing on the diffusion of gas water heaters. We will develop our business based on our contribution to the attainment of carbon neutrality, taking into account the environmental measures that each country is required to take depending on its circumstances and situation.

Overseas, we have positioned the United States and China as priority markets. In the United States, demand for instantaneous water heaters has grown to the extent that we have a backlog of orders. That said, we expect demand to slow down over the near term as conditions in the housing market began to deteriorate in the second half of 2022. It is also true that some states are stepping up environmental measures, such as banning the installation of gas lines in new buildings. Despite these challenges, we believe the US market, which is much larger than the Japanese market, holds great promise and we will aggressively pursue market share there.

Our e-commerce business has been very strong in China. Fortunately, we have not been significantly affected by the intermittent lockdowns caused by the COVID-19 pandemic, and we were able to outperform in gas water heater sales in fiscal 2023. We attribute this ability to surpass our competitor, the market leader in China, to our partnership with a Chinese company with a strong e-commerce presence. We will continue to work together to achieve a better balance of profits as well as sales.



Trade show in the United States (June 2023)

## Message from the President



Phase 2 of Shanghai Factory Construction

### Revolution of Corporate Structure: Toward a Company and Products with Brand Strength

Rinnai has a long-standing commitment to high-quality manufacturing as a company that supports people's daily lives. In addition to this, we are now focusing on improving our brand strength to transform into a company that provides high value-added products that are more attractive to consumers. In our medium-term business plan, we have set a goal of a revolution in our corporate structure to "become more consumer-oriented."

The acquisition of land and buildings in Minami-Aoyama, Minato Ward in Tokyo in April 2023 is one facet of this goal.

For some time, there have been high expectations for Rinnai to develop super-luxury kitchen products for upper-end consumers. Most system kitchens offered in Japan that combine attractive interior design aesthetics and quality are made by overseas manufacturers. As such, many customers have expressed concerns about breakdowns and maintenance, which has led to a demand for Japanese products. To address such needs, Rinnai has launched high-end models under its G:LINE series and is looking to expand its product lineup and develop even higher quality models. Minami-Aoyama is an ideal location for capturing the latest information on market trends for luxury lines and is also a favorable location for the sales perspective of the business. I am certain that our employees will develop the ability to think about and judge what higher value-added products look like in this kind of setting.

We also envision the opening of a showroom, not simply to display products, but to provide a realistic experience of the lifestyle they embody and to allow

visitors to experience the appeal of the products firsthand.

We are also working on digital transformation (DX) to create new value through innovative customer connections that have never been witnessed before. We are currently exploring the optimal ways to analyze and utilize data for Rinnai by learning from companies that excel in the application of customer data.

Over the past few years, Rinnai has continued to grow despite the dramatic social and economic changes it has experienced in both Japan and abroad. Investment in our employees, who are responsible for our business activities and are the source of the Company's vitality, is exceptionally important. In April 2023, the Company implemented a transfer of restricted stock incentives to its Employee Stock Ownership Plan. We began conducting an employee engagement survey in fiscal 2022, and one of the Company-wide issues highlighted was the lack of a framework to encourage employee growth. We expect that the restricted stock incentives will be closely linked to Rinnai's performance and growth potential, allowing employees to sense their own contributions and providing an opportunity to boost their motivation.

In terms of addressing issues raised in the employee engagement survey, we aim to improve the percentage of positive responses by 15 percentage points by fiscal 2026 versus the results of the first survey implemented in fiscal 2022 by sharing the issues identified across the Company and by each organization and implementing improvement measures.

### Rinnai will Contribute to Society by Thinking Through its Own Aspirations

Rinnai's fundamental concept is to enhance corporate value through profit growth, and we will actively invest in the basic scenario of the medium-term business plan and growth areas with optimal allocation. The research, development, and manufacture of heat pump units that I discussed earlier is part of this thinking. Assuming these growth investments are implemented as planned, our cash holdings in fiscal 2026 are expected to be lower than the projected amount of ¥180 billion, owing to an increase in shareholder returns. ROIC is estimated to be below the projected value of 19.0% (fiscal 2026) due to the search for an appropriate level of inventory to make growth resilient and the execution of growth investments.

I would like to mention that Rinnai has added ROE as a new management indicator. We aim to achieve 8% in fiscal 2026 and will make further improvements during the next medium-term business plan duration. We will improve ROE by building a business foundation for sustainable profit growth and increasing Rinnai's dividend payout ratio to around 40% in fiscal 2026 from the current level of around 30%.

From fiscal 2024, Rinnai has added two Outside Directors, including one woman. We will strive to improve our corporate value through the more transparent operation of the Board of Directors and diverse discussions including women. Furthermore, one of the new Outside Directors is an expert in investor relations and will be able to strengthen Rinnai's dialogue with the capital markets. I believe this will enable us to identify issues and make improvements in a better way.

The ESG Committee has already extracted key issues from the opinions of shareholders and investors and is working on them. In addition to this work, it is also important is to think exhaustively about what we should do from the perspective of Rinnai's place in society and the Company's sustainable growth, and to tackle on these issues on our own. Based on this basic stance, we will promote dialogue with our stakeholders, provide high value-added products, and contribute to a society that is facing many challenges.

We look forward to your continued guidance and support.



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 2023)

Human capital	Employees <sup>*1</sup> :	11,150 people
	Employed (Rinnai non-consolidated) <sup>*1</sup> :	103 people
	Training and development expenses: (Rinnai non-consolidated)	¥127 million
	Overseas trainees (Rinnai non-consolidated):	0 people
Intellectual capital	Research & Development Headquarters staff: (Rinnai non-consolidated) <sup>*1</sup>	501 people
	Production Engineering Headquarters staff: (Rinnai non-consolidated) <sup>*1</sup>	173 people
	R&D expenses (Rinnai non-consolidated):	¥8,104 million
	ISO 9001 certification acquisition: (number of companies) <sup>*1</sup>	17 companies
Financial capital	ISO 14001 certification acquisition: (number of companies) <sup>*1</sup>	15 companies
	ROE	7.4%
	ROIC	13.3%
	Equity ratio	66.6%
Manufactured capital	Rinnai Group production bases: (number of companies) <sup>*1</sup>	23 companies
	Production group staff (Rinnai non-consolidated) <sup>*1</sup> :	1,559 people
Natural capital	Capital expenditure (Rinnai non-consolidated):	¥14,934 million
	Input energy:	1,155,651 GJ
	Water used: Ground water:	220,458 m³
Social and relationship capital	Public water:	742,154 m³
	Rinnai brand, external evaluations, stakeholder engagement, Rinnai Group Code of Ethics	

<sup>\*1</sup> As of March 31, 2023

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

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

Fiscal 2023 Achievements

Consolidated net sales	¥425,229 million
Operating income	¥41,418 million
Operating income ratio	9.7%
Net income attributable to owners of the parent company	¥26,096 million
Net assets (equity ratio)	¥407,199 million (66.6%)
Dividend per share (annual)	¥160
Products contributing to improved quality of life	
Sales	Approx. ¥124,000 million
Products that benefit the global environment	
Sales	Approx. ¥176,000 million
Amount contributed to reducing CO <sub>2</sub> emissions <sup>*</sup>	5.82 million tons
Announcements of product recalls due to defects:	0 case

<sup>\*</sup> Consolidated basis

## Intellectual Capital Supporting Rinnai Growth

## R&D Policy

The Rinnai Development Division is engaged in the research and development of products, services, and technologies centered on housing equipment closely linked to people's lives, with the aim of providing people to lead richer, more enjoyable lives while also ensuring a sustainable global environment.

Specifically, to make bathroom, living room, and kitchen spaces more comfortable, we will develop products based on the combustion, heat transfer, fluid control, IoT, and electronic control technologies cultivated up to now, while further incorporating sensing, network, AI, and other advanced technologies to create new value.

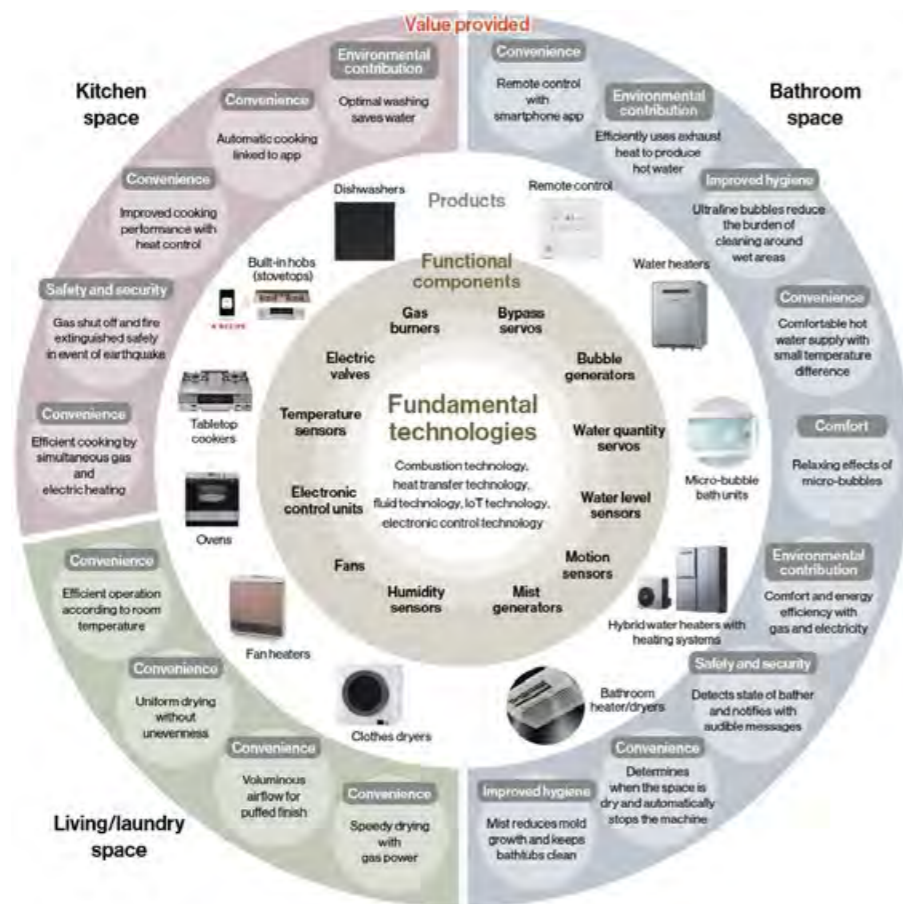
To achieve carbon neutrality, which has become a social issue, in addition to the development of *ECO ONE* hybrid water heater systems and other environmentally friendly equipment providing high energy efficiency, we will promote the research and development of hydrogen combustion and electrification-compatible equipment.

For the ever-growing overseas market, we will promote the development of products and technologies that support local lifestyles in line with the policies of each country by developing global human resources and strengthening cooperation with overseas subsidiaries.

## R&D Scope

With foundational technologies comprising combustion, heat transfer, fluid control, IoT, and electronic control technologies, Rinnai develops gas burners, electric valves, and other functional components and products that realize water heaters facilitating highly efficient hot water supplies and kitchen appliances with automatic cooking functions in an effort to create value that leads to improving customer quality of life and environmental contributions.

Having defined the scope of Development Division activities as the "Rinnai Innovation Circle" leading from foundational technologies to value provision, our mission is to further expand the framework (RIM) of this scope through innovation.



Rinnai Innovation Circle

## Intellectual Capital Key Data

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of patent applications	217	203	223	190	200
Number of registered patents	101	170	178	229	179
Number of patents held	2,328	2,300	2,358	2,406	2,350
R&D expenses (Millions of yen)	9,503	9,308	11,802	12,762	13,458

## Production Engineering Policy

The Rinnai Production Engineering Division pursues “healthy and comfortable lifestyles for people” and “a stable profit structure” through the development of manufacturing technologies.

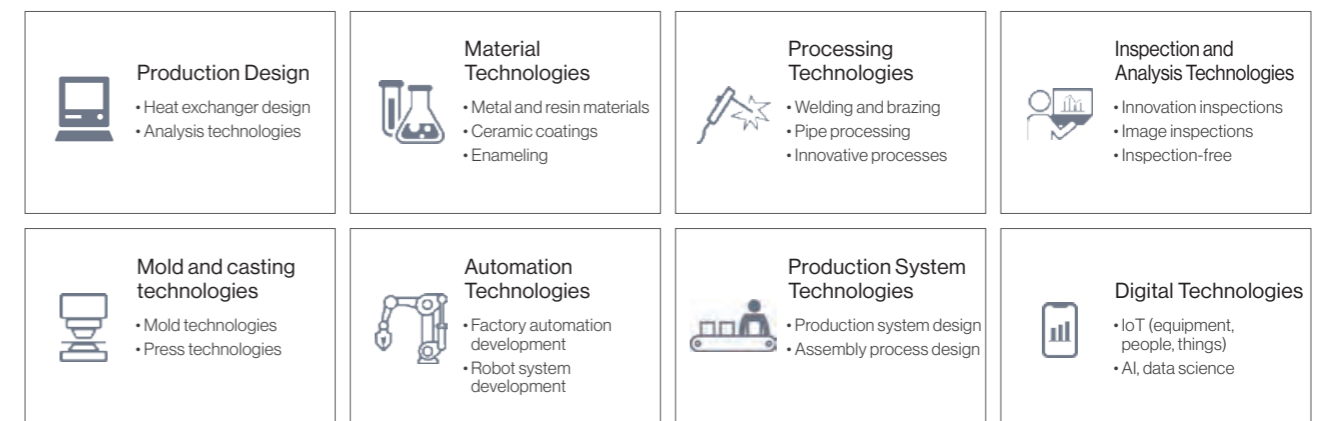
For many years, we have engaged in the research and development of technologies, methods, and mechanisms implemented at our manufacturing sites that facilitate the delivery of Rinnai Group products and services to customers in a timely manner at reasonable prices. To responsibly ensure Rinnai's fundamental concept of "quality is our destiny," we are enhancing core technologies while conducting the in-house production of molds, equipment, and information systems, as well as pursuing collaborative creations with business partners.

In recent years, amid the accelerating transition toward digitalization, globalization, and a decarbonized society, we are expanding our challenge domain to larger themes. Rinnai must transform processing methods for single parts into the assembly and development of products themselves, while transitioning from stand-alone facilities to large-scale automation systems encompassing factories, including those located overseas, as well as global supply chains. To this end, we are strengthening technological fields such as IoT, AI, robotics, and simulations, while engaging in daily efforts to create systems and develop human resources with the aim of dynamically reforming cross-functional business processes and mechanisms.

To maintain our promise of “creating a healthier way of living” for customers throughout the world, Rinnai will continue developing technologies to deliver quality products that support healthier, more comfortable, and higher quality lifestyles in a timely and reasonable manner, while growing as a professional Group that continuously takes on challenges with high aspirations.

## Core Production Technologies

The Production Engineering Division strives to improve quality based on Rinnai's fundamental concept of "quality is our destiny." Defining production design, material technologies, processing technologies, inspection and analysis technologies, molding and casting technologies, automation technologies, production system technologies and digital technologies as our "core production technologies," we are working to improve and implement these core technologies at all manufacturing sites.

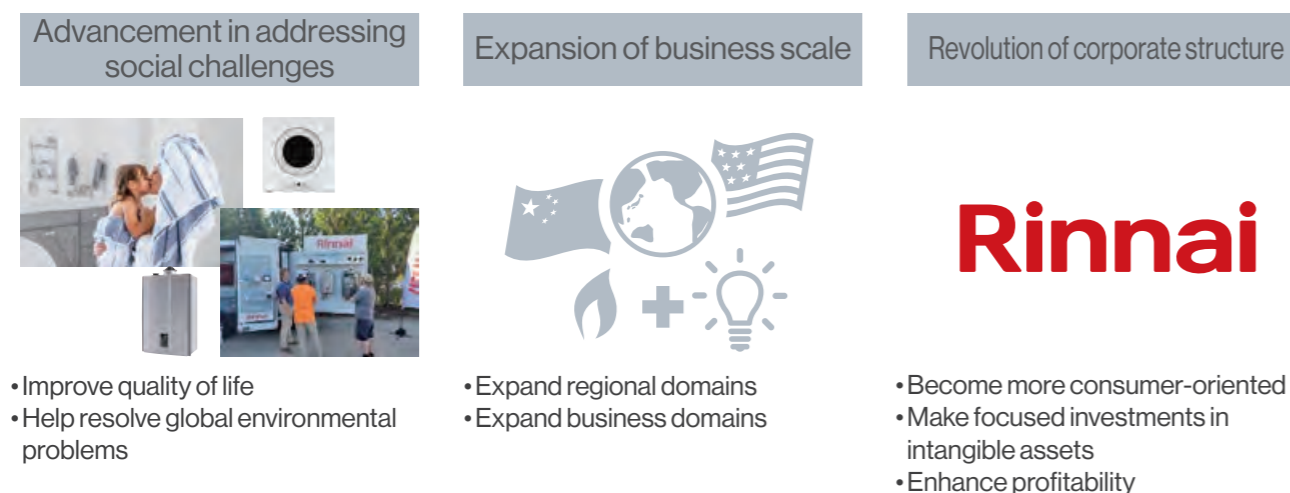


 For details regarding Rinnai technologies, please visit the "Technologies" section of our corporate website.  
<https://www.rinnai.co.jp/technology/>

# New ERA 2025 New Expansion, Revolution and Advancement

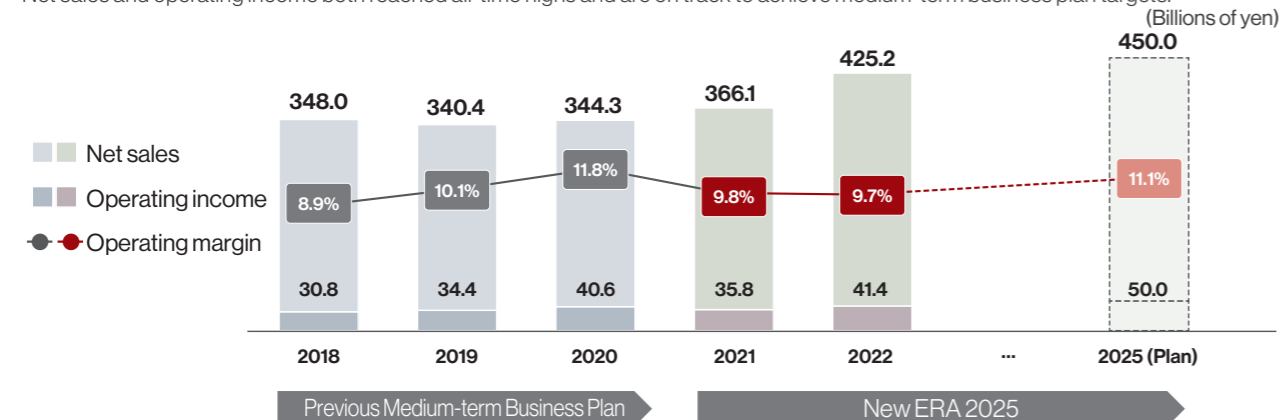
## Three Key Strategies

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



Group Net Sales and Operating Income After the Second Year of the Medium-term Business Plan

Net sales and operating income both reached all-time highs and are on track to achieve medium-term business plan targets. (Billions of yen)

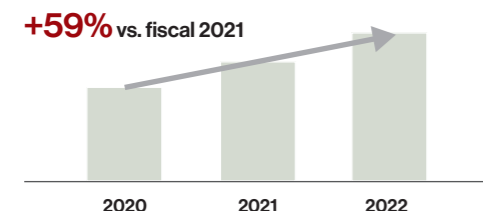


## Three Strategic Stories: Advancement in Addressing Social Issues

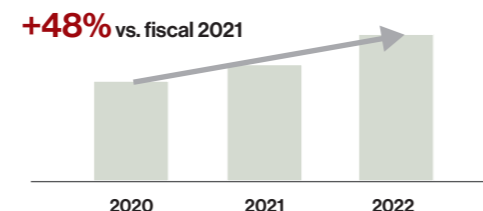
**Target in the final year of the medium-term business plan:** +50% increase (vs. fiscal 2021) in sales of products that contribute to improved quality of life and benefit the global environment

Maintain target of +50% increase in sales of products that contribute to improved quality of life and benefit the global environment.

Sales of products that contribute to improved quality of life

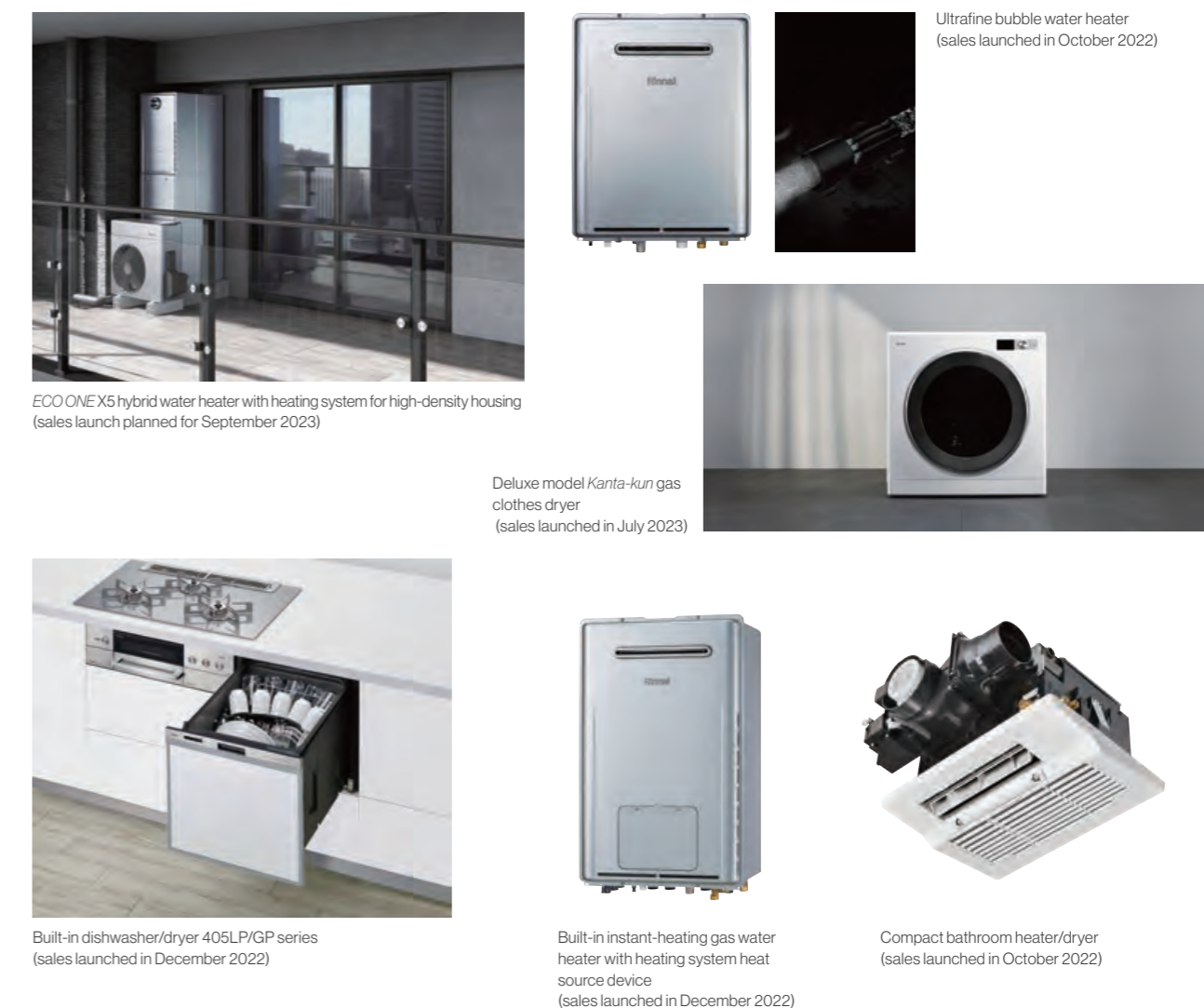


Sales of products that benefit the global environment



## Expanded Lineup of Products That Contribute to Improved Quality of Life and Benefit the Global Environment

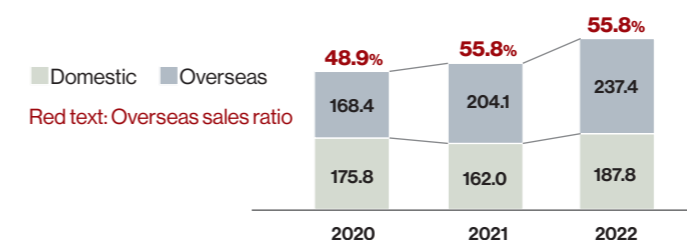
Expanded lineup of *ECO ONE* products aimed at realizing carbon neutrality, launched sales of a new deluxe model in the popular *Kanta-kun* product line.



## Three Strategic Stories: Expansion of Business Scale—Regional Domains—

Maintain overseas sales ratio at 50% by capturing growing demand overseas and increasing sales in Japan.

Consolidated Domestic/Overseas Sales (Billions of yen)



In the final year of the Medium-term Business Plan, the consolidated net sales target of ¥450 billion breaks down to domestic sales of ¥200 billion and overseas sales of ¥250 billion.

Three Strategic Stories: Expansion of Business Scale—Business Domains—

Hydrogen equipment-related business

Promote initiatives aimed at hydrogen development as part of Rinnai's RIM 2050 commitment to carbon neutrality.

1. Hydrogen water heaters (Australia) 2. Hydrogen cooking appliances 3. Field testing at Kitakyushu Hydrogen Town



Field testing conducted at the "Hydrogen House" in Australia

- Developing water heater technology based on 100% hydrogen combustion (world's first technology for residential water heaters)
- Supporting field tests using actual equipment in Australia, where hydrogen is being proactively promoted



Hydrogen cooking equipment currently under joint development

- Jointly developing hydrogen combustion-fueled cooking equipment (in conjunction with the Toyota Motor Corporation)
- Through field tests at Woven City and other facilities, we are scientifically verifying the safety and efficiency of hydrogen cooking and its effects on the taste and flavor of food



Various field testing (from Kitakyushu City website)

Rinnai hydrogen water heater (concept model)

- Commenced field-testing of Japan's first 100% hydrogen-fueled water heater at Kitakyushu Hydrogen Town (Iwatani Corporation, Kitakyushu City and elsewhere)
- Commenced field tests in environments similar to actual use (fields with proven track records of hydrogen utilization through pipelines since 2009)

Three Strategic Stories: Revolution of Corporate Structure

Increase capital productivity through efficient investment of management capital in line with improved business performance.

ROE

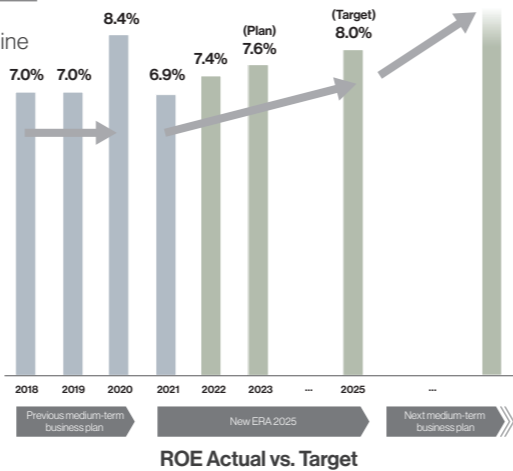
ROE has been included as a new performance indicator based on the importance of improving capital policy transparency and capital efficiency

Fiscal 2026 ROE: Targeting 8.0% and further improvements during the next medium-term plan period

ROIC

Current plan target: 19.0% ⇒ 13.3% (fiscal 2023)

Profit growth will continue, but ROIC is currently below the plan target due to appropriate inventory level revisions and the execution of growth investments.



Focused Investments for the Future

Investing in increased production capacity in the United States, China, and other countries in line with expansion of overseas business. Expanding investments to meet demand.

Necessary investments



United States: Griffin Factory (commenced operations in April 2022)



China: Fengxian Factory Phase 2 (scheduled to commence operations in August 2023)



Japan: Kasugai Logistics Center (commenced operations in October 2022)

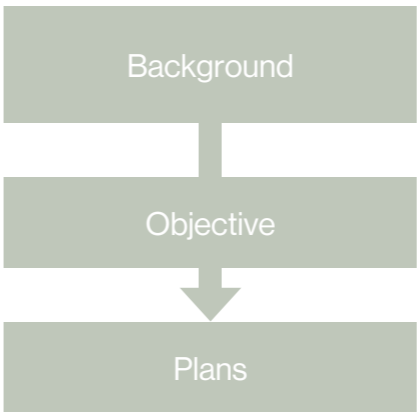
Growth investments

Embodiment • Create consumer contact points to become more consumer-oriented

Future investment themes

- Strengthen R&D, production technologies, and manufacturing capabilities (Innovation Center, etc.)
- Make focused investments in intangible assets (information, brand, human resources, know-how)
- Consider methods (M&A, etc.) needed to promote expansion of business scale and business domains

Acquiring Land and Property in Tokyo's Minami-Aoyama District to Become More Consumer Oriented



To enhance sustainable corporate value, Rinnai believes it important to empathize with the essential needs that lead to improved quality of life, and to expand and deepen awareness of the Rinnai brand. To this end, we must establish lines of communication with consumers in both the real world and in digital life, and facilitate life and brand experiences that resonate with consumers.

Rinnai will build a brand experience showroom and value creation laboratory to pursue what consumers consider "intrinsically good," experiment with value creation, and co-create with consumers and companies in other fields.

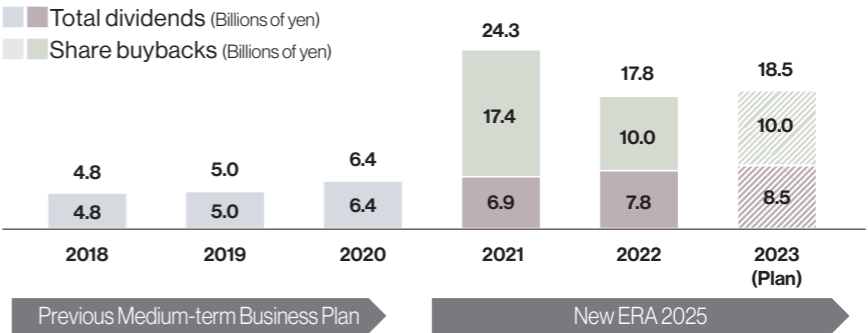
Formulate details during fiscal 2024 based on the assumption of a pre-open test run in fiscal 2025.

Total Shareholder Return

Rinnai will expand shareholder returns while placing a priority on investments in future growth and strategic spending.

Shareholder return policy under the current Medium-term Management Plan:

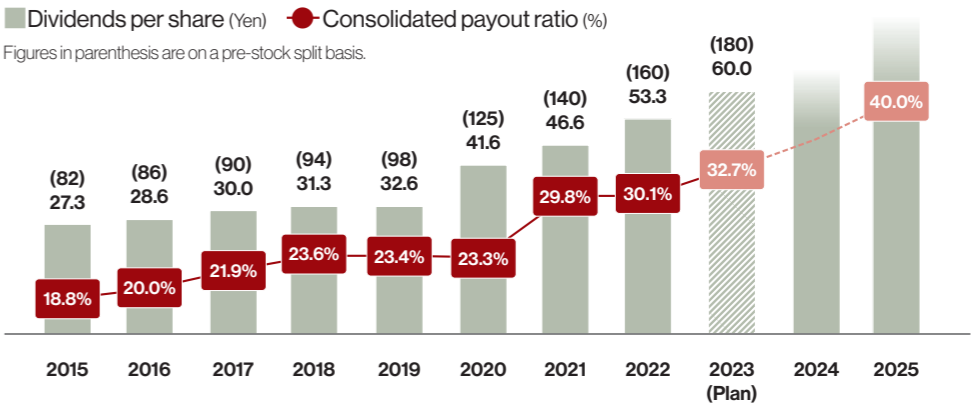
Total return ratio of 40% (2021–2025 average) ⇒ 84.7% (cumulative fiscal 2022–fiscal 2023)



Dividends per Share and Payout Ratio

Continuing to consecutively increase dividends while steadily raising the dividend payout ratio to reach 30%.

As an additional policy under the current Medium-term Management Plan, incrementally increase the payout ratio ⇒ Fiscal 2026: 40% level



Note: On April 1, 2023, Rinnai conducted a 3-for-1 split of common stock.

## Message from the General Manager of Marketing & Sales

Aiming to Further Stimulate Demand by Clearly Communicating to Customers the Value of Rinnai Products that Meet Society's Needs

**Hideyuki Shiraki**

Director, Senior Managing Executive Officer



## Fiscal 2023 Supported by Growing Demand

In fiscal 2023, the Rinnai Group achieved record-high sales and profits, driven by growth in the sales of water heaters and other products, which I attribute to two factors. First, the entire Company has made efforts to strengthen our production system and clear the order backlog that accumulated during fiscal 2022. As distributors currently have more inventory in their warehouses than ever before, we will implement various measures in fiscal 2024 to stimulate sales demand through proactive marketing. The second factor driving strong earnings was growing demand for environmentally friendly products. The Group medium-term business plan aims to help resolve global environmental problems and improve quality of life as advances in addressing social challenges. I believe we have launched high value-added products that meet the needs of society and consumers and are used in numerous households. However, in response to soaring raw material prices and rising logistics and energy costs, we had to revise prices for the second time between May and July 2023, after initially revising prices in April 2022.

## Launch of Strategic Products under the Medium-term Business Plan

In terms of environmentally friendly products, Rinnai makes *ECO ONE* hybrid water heaters, which have attracted remarkable consumer interest in recent years, and I think we should see sales expand in the next few years. *ECO ONE* combines the gas-powered *Eco-Jozu* with an air-source heat pump, and because it requires a certain amount of space for installation, it has so far been used mainly in detached housing. In September 2023, we will launch the X5 model, which can be installed on apartment building balconies and in pipe shafts, in an effort to expand the range of applications. As this product will be installed in limited residential spaces, we will work closely with home builders, condominium developers, gas companies, and other related businesses to further promote the spread of *ECO ONE*.



*ECO ONE* X5 can be installed on apartment building balconies and in pipe shafts



*Kenta-kun* gas clothes dryers help reduce time required for household chores



Bathroom heaters/dryers equipped with Mold Guard Mist



Stoves equipped with automatic cooking functions linked to a smartphone app

Rinnai products have been supported by regular replacement demand, but as there are limits to continued growth in mature markets, we are focused on providing products that add value and improve quality of life. Our launch of the industry's first water heater that generates ultra-fine bubbles, bathroom heaters/dryers with Mold Guard Mist that prevent 99.9% of black mold growth, and stoves equipped with automatic cooking functions linked to a smartphone app all play a role in reducing the burden of household chores and supporting healthy lifestyles. At the same time, in addition to purchases to replace old equipment, *Kanta-kun* gas clothes dryers are being installed at newly constructed properties, with the number of condominiums installing them as standard equipment growing throughout Japan. I think this reflects the rising awareness among consumers of the convenience and energy efficiency of gas clothes dryers, as well as condominium developer efforts to design washing and dressing rooms as spaces for household chores. In recognition of *Kanta-kun* as a product that can and will grow even further, we will focus efforts on sales going forward.

## Domestic Sales Strategy and Human Resource Development

As energy conservation and environmental friendliness in housing are expected to accelerate in order to achieve carbon neutrality by 2050, there will be an increasing number of opportunities to quantify how we can contribute to environmental measures and conduct sales activities in cooperation with related businesses. Accordingly, it will become essential to transform the style and quality of sales activities, and Rinnai will use digital technologies to facilitate these changes. Paperwork associated with sales activities will be input into this system to streamline and simplify the recording of results, while also being used to quickly analyze sales efforts, eliminate the personalization of information, and provide customers with better proposals. We will also encourage the digitalization of product orders to enhance convenience and enable customers to place orders from a smartphone. As information visualized through these efforts can also be used in meetings between supervisors and subordinates and on-the-job training, Rinnai intends to use it as a tool for developing human resources within sales activities.

Nowadays, products offer added value in addition to conventional functionality, increasing the complexity of knowledge and skills required for sales representatives. Rinnai conducts regular training and study groups that facilitate the presentation of product value to business operators, and going forward, we also plan to introduce a Meister system for each product to cultivate professionals adept in increasingly complex products.

Although Rinnai develops B2B business, we also focus efforts on brand strategies to better convey the value of our products to consumers. We will use land and buildings acquired in the Minami Aoyama district of Tokyo to create an interactive showroom that can also be used by consumers. For example, this space will be used to exhibit products sold overseas and environmentally friendly products, providing visitors with an opportunity to experience how comfortable life can be with products that make effective use of limited energy supplies. Rather than having to put up with cold and heat while pursuing energy-saving and environmentally friendly lifestyles, we want consumers to feel that Rinnai technological and product capabilities also enable them to enjoy comfort in daily life.

## Message from the President of an Overseas Subsidiary

Aiming for “Total Home Comfort” with a Lineup of  
Products that Contribute to Comfort and the  
Global Environment

**Lucas van Raay**  
CEO Rinnai Australia



### 2022 Management Review

Despite product supply issues, Rinnai Australia saw sales growth in its commercial-use business, especially the air conditioners business. Commercial-use air conditioner products are manufactured by Rinnai Engineering Malaysia and sold under the “APAC” brand developed by Specialized Engineering, acquired in 2017, whose high quality and brand power have contributed to sales and profits. At the same time, gas appliance sales are declining amid the ongoing trend toward electrification. Soaring raw material prices and increased distribution costs have also placed downward pressure on profits.

### Strategy Story and Priority Measures Going Forward

While gas tankless water heaters currently account for about 30% of the water heater market, we do not expect significant growth in the future due to the ongoing trend toward electrification. In terms of an approach to the energy mix, the Australian government is promoting the use of heat pump equipment for primary energy as well as household appliances. The main sources of profit for Rinnai Australia at present are gas water heaters and heating units, but I think heat pump-related products such as room air conditioners, duct-type air conditioners, heat pump water heaters, and commercial-use air conditioners will become sources of profit in the future.

At the same time, although hydrogen is slowly being adopted for commercial use in power generation and other areas, conditions surrounding its residential use remain unclear. The transition from natural gas to hydrogen is quite complicated in terms of social infrastructure and technology, while the transition from natural gas to electrification is very simple, hence this is the direction the Australian government seems to be promoting. However, as we must also be prepared for movement toward hydrogen combustion equipment, we are currently testing hydrogen combustion water heaters developed in Japan.



Rinnai Australia head office



Rinnai Australia warehouse



Commercial-use air conditioner



Heat pump water heater



Fireplace

Further, I think gas equipment will remain a viable market going forward as these have been the preferred products for both installers and users for many years. While gas heaters will likely be replaced by heat pump equipment, there will still be demand for tankless water heaters as they offer unique features that heat pumps do not, such as never having to worry about running out of hot water.

In line with RIM 2050, the Rinnai Group's Commitment to Carbon Neutrality, we will move forward with a focus on three directions: Heat pumps and other electric equipment, hydrogen combustion equipment, and conventional gas equipment.

### Corporate Structural Transformations: Brand Power Enhancement and Human Resource Development

Heat pump equipment is highly subsidized by the Australian government, and even companies that never had brands can enter the market and purchase heat pump equipment at low prices. To compete with such competition, I believe it is important to leverage Rinnai's strong brand power. We want to convey the message that Rinnai is not only a gas equipment company but also a company engaged in renewable energy, but I do not think we can send this message with our current product portfolio. In addition to enhancing our lineup of products that contribute to the global environment, we want to create a means of communications as a solid environmental company.

High-performing and strongly motivated employees are provided with a variety of developmental support, including special training courses for engineers and assistance with obtaining certifications. In my case, the Company supported me in acquiring an MBA degree. As employees are one of our assets, the Company encourages increased motivation and enhanced skill sets.

### The Ideal Targeted by Rinnai Australia

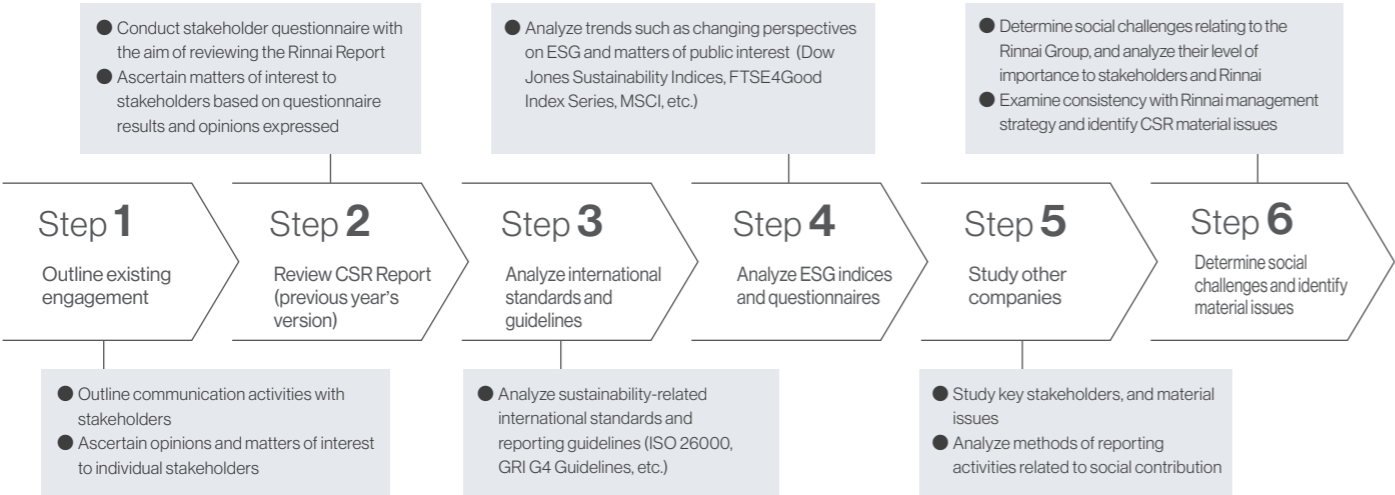
The Australian home heating and cooling sector is moving toward electrification, a trend I assume will continue. “Control technologies” will become a crucial aspect of this trend, as temperature controls for individual rooms will become as important as home automation using monitors.

I want “Total Home Comfort” to become equally as important as the Rinnai Group brand promise “Creating a healthier way of living.” We aim to achieve “Total Home Comfort” based on the idea that all Rinnai products, including home water heaters, heater units, and air conditioners, which emphasize comfort throughout the home and are recognized as a premium brand, can be used to facilitate a comfortable living environment.

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.

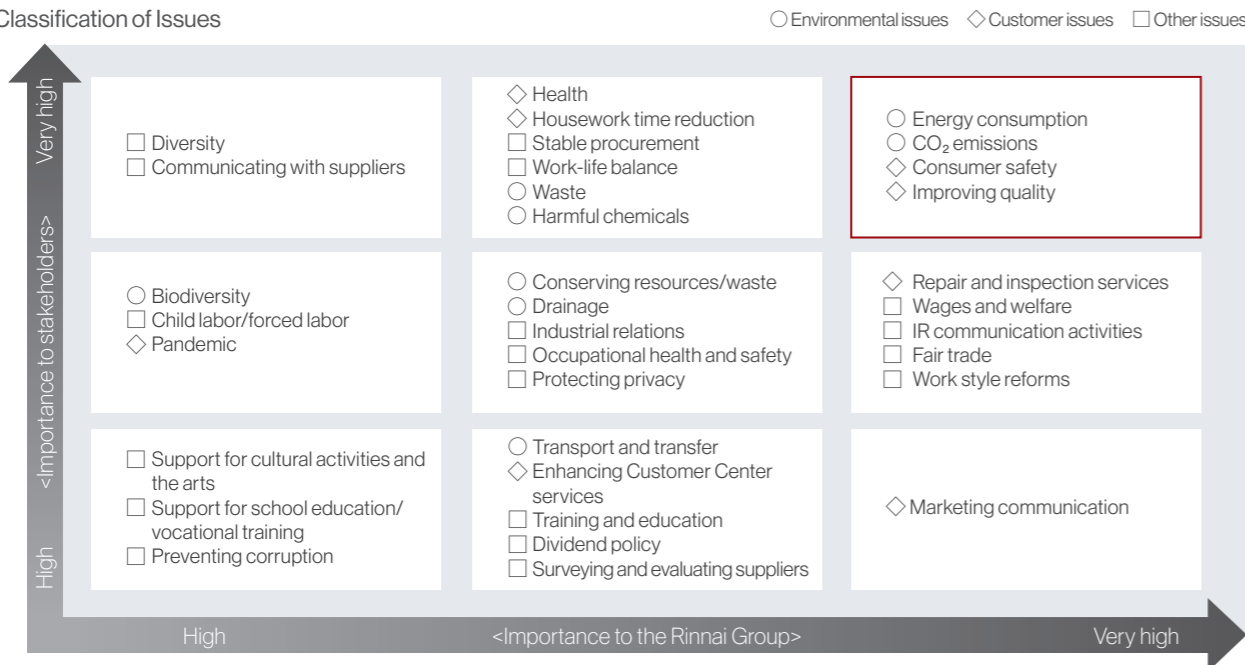
Identification Process



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.

Classification of Issues



Material Issue Targets and Results

Material Issues

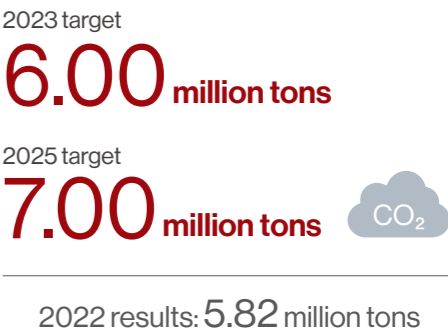
Energy consumption  
CO<sub>2</sub> emissions

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 CO<sub>2</sub> emissions.

Main Target Indicators

Amount contributed to reducing CO<sub>2</sub> emissions by using the product

Target area: Global  
Target stakeholders: All



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

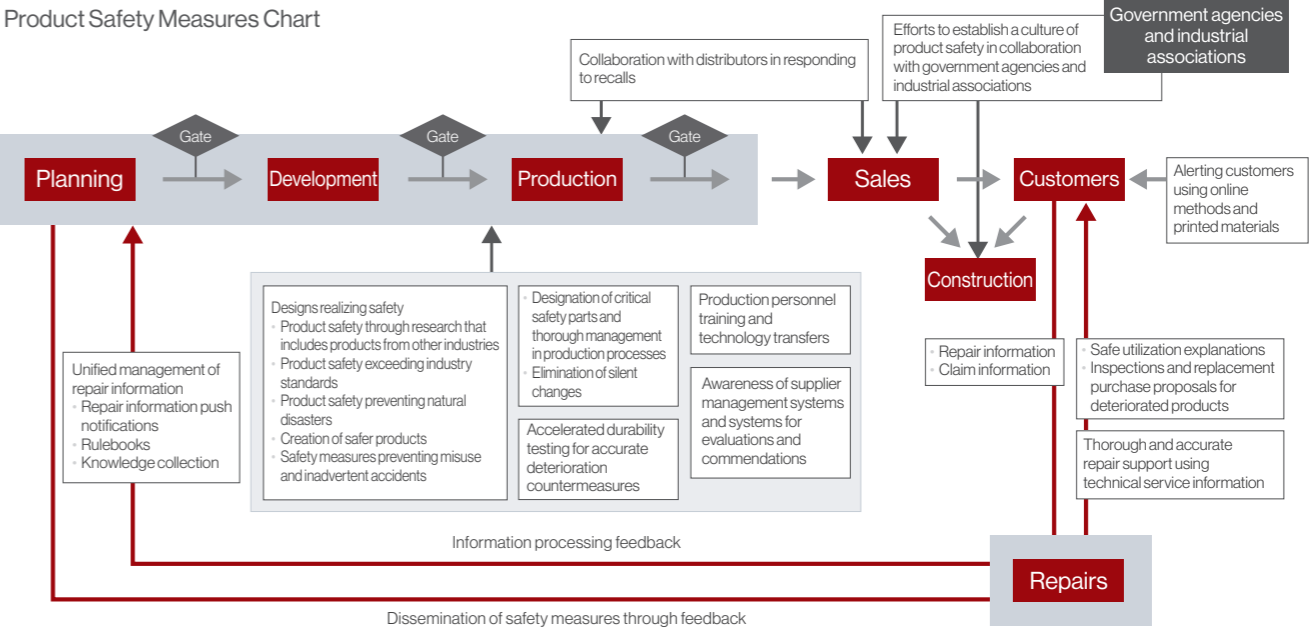
Target area: Global  
Target stakeholders: Customers



Creating a System to Support Rinnai Quality

Daily efforts to realize the goals of consumer safety and improving quality, identified as Rinnai material issues, are based on the Product Safety Measures Chart.

Product Safety Measures Chart



## Promoting Carbon Neutrality by Expanding Sales of the *ECO ONE* Hybrid Water Heater and Heating System Offering the Highest Level of Environmental Performance



PLUG-IN MODE (L plug-in model) compatible with household outlets aimed at expanding the *ECO ONE* series

The Rinnai carbon neutrality declaration RIM 2050 sets forth an *ECO ONE* hybrid water heater and heating system sales target of 300,000 units per year in calendar 2030. *ECO ONE* is a hybrid water heater combining both electricity and gas offering the highest thermal efficiency in the industry, making it an outstanding example of energy-saving equipment among housing equipment.

Rinnai launched sales of the *ECO ONE* in fiscal 2010, and while its reputation has grown in line with repeated functional and performance improvements that have caused sales to gradually increase, there has been no major breakthrough to date, and sales have been limited to around 10,000 units per year.

Despite being one of the industry's most energy-efficient products, installation workability is one factor preventing sales expansion. Rinnai is making efforts to broaden its target by expanding the *ECO ONE* product lineup, including the *ECO ONE* X5 launched in 2022 offering the same functions in a smaller unit, the X5 series used in high-density housing planned for launch during fiscal 2024, and plug-in models being prepared for use in existing buildings.

At the same time, with regard to the external environment, the environment surrounding climate change issues is changing, with the first Japanese government subsidy program for the hybrid water heater category launched in 2023, and new systems related to the mandatory installation of solar power generation equipment in Tokyo and other areas set to commence in April 2025. Further, businesses that have introduced energy-saving equipment offer fuel cell battery energy farms as products suitable for carbon neutrality, while city gas companies have added *ECO ONE* to their product lineups, conveying a sense of acceleration in all efforts aimed at realizing carbon neutrality. We asked Hironao Sato of Tokyo Gas Living Advance, which conducts Tokyo Gas Group home equipment-related business, about the reasons behind the Tokyo Gas Group's proactive introduction of *ECO ONE*, mainly in newly constructed housing.



*ECO ONE* installed at Proud Season Inagi Minamiyama (Nomura Real Estate Development Co., Ltd.) in Inagi, Tokyo

## VOICE

### Conversation with Tokyo Gas, Focused on the Introduction of *ECO ONE*

The Tokyo Gas Group has a long-established culture of proposing gas-powered hot-water floor heating as a comfortable heating solution. Customer feedback indicates that while hot-water floor heating systems are highly satisfactory with regard to comfort, the use of floor heating is less efficient than heat-pump air conditioners from the perspective of energy consumption, putting these systems at a relative disadvantage in terms of environmental impact. Given these conditions, hybrid water heater and heating equipment can reduce energy consumption even when gas-powered hot-water floor heating is used, achieving both carbon neutrality and comfort in daily life.

Additionally, as the benefits of selling electricity generated using solar power are decreasing, we believe that hybrid water heater and heating systems, which can store energy in the form of hot water without incurring storage battery costs, are one of the best ways to use energy for household consumption. For this reason, we recommend *ECO ONE* as a water heater and heating system compatible with solar power generation systems.



Managing Director, General Manager of Distribution Department  
TOKYO GAS LIVING ADVANCE CO., LTD.

Hironao Sato

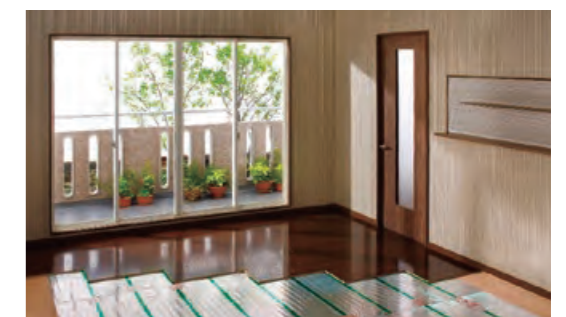


*ECO ONE* is highly compatible with solar power generation

In this era of energy deregulation, the Tokyo Gas Group is no longer focused on "gas" or "electricity" with respect to energy sources and equipment sales. We are now in a position to simply lead customers in the right direction and make proposals based on themes such as comfort and contribution to the global environment. Further, regarding the achievement of carbon neutrality as a social issue, we are at a major turning point with respect to changes in customer values and the direction of government policies on climate change issues. We believe companies that provide energy equipment for household use view *ECO ONE* as a more optimal solution.

Even today, with disasters on the rise and difficulties in fully securing infrastructure, we feel that hybrid systems able to use both gas and electricity provide great peace of mind in everyday life and are truly superior in terms of resilience.

The Tokyo Gas Group plans to expand its sales target for hybrid water heater and heating systems in the newly built detached housing market to 10,000 units by fiscal 2026. At present, although most products are installed in newly built detached housing, as *ECO ONE* continues to improve its space-saving and functional capabilities, we expect to add this product to our lineup for the volume zone, comprising existing detached houses and newly built high-density housing, while pursuing carbon neutrality and customer comfort as energy that is closer to people, supports society, and leads to future developments.



*ECO ONE* provides energy savings and comfort



## Launching Field Test of Japan's First 100% Hydrogen-burning Water Heaters at Kitakyushu Hydrogen Town

In May 2022, Rinnai announced that it had succeeded in the technological development of 100% hydrogen-burning residential water heaters. We then began preparing for overseas field tests in Australia and, in April 2023, announced the launch of 100% hydrogen-burning water heater field testing in conjunction with Iwatani Corporation at Kitakyushu Hydrogen Town in Japan.

Kitakyushu Hydrogen Town was constructed in 2011 as part of the Ministry of Economy, Trade and Industry's "Demonstration Program for Establishing a Hydrogen Utilization Society System," the world's first (as of 2011) attempt to supply byproduct hydrogen from factories to urban areas via pipelines to utilize hydrogen as energy for ordinary residences as well as commercial and public facilities. Subsequently, infrastructure construction and environmental improvements have commenced, and hydrogen utilization field tests have been conducted, with the hydrogen water heaters installed becoming the first 100% hydrogen-burning residential water heaters in Japan.

The 100% hydrogen-burning water heaters will be installed in rental housing built within Kitakyushu Hydrogen Town, with three of the seven buildings for sale equipped with hydrogen water heaters. These rental housing units are occupied by members of the general public, and we will examine the conditions under which they use hot water in their daily lives, while ensuring sufficient safety precautions. In addition to general residences, these water heaters will be installed in a privately owned café to conduct field tests of commercial use cases that differ from everyday life.



Kitakyushu Hydrogen Town street view



Buried hydrogen pipeline



Installed 100% hydrogen-burning water heaters



We spoke with Noriaki Seki, Chairman of NPO SATOYAMA, who has been involved with Kitakyushu Hydrogen Town since its inception in 2011, and also owns a house there equipped with a 100% hydrogen-burning water heater.

## VOICE



Chairman of NPO SATOYAMA  
Noriaki Seki

### Thinking about New Urban Development through Hydrogen Energy

NPO SATOYAMA began engaging in activities based on an awareness of "satoyama as a model for a sustainable society," becoming an NPO in 2002, and remaining active up to now based on the concept of coexistence and co-prosperity between nature and people. Living in cities, even with opportunities to come in contact with nature, it is not a daily experience. Having developed this idea further, we are now engaged in efforts aimed at "converting cities into satoyama."

Kitakyushu Hydrogen Town is located on the site of a former factory, one that is still there today. We believe that the utilization of energy generated from byproduct hydrogen produced by this factory will enable the achievement of a sustainable society and facilitate coexistence between the town and people.

I feel that Rinnai hydrogen-burning water heaters are an important part of this project in terms of "making hot water," which is essential in our daily lives, and I assume field tests will go well and that hydrogen energy will be used naturally in our daily lives.

The term "carbon neutral" has become commonplace, and I believe we have now reached a point where the world supports this goal. Hydrogen is said to be the ultimate clean energy, and if we can create a system whereby this energy functions properly and circulates efficiently from production to usage, we can expect to create new communities where nature, the city, and people are able to coexist and prosper together.

## Field Testing Hydrogen Equipment Overseas

100% hydrogen-burning water heater field testing has commenced overseas in Australia. In conjunction with the Australian Gas Infrastructure Group (AGIG), we have installed a 100% hydrogen-burning water heater at the "Hydrogen House" located in the state of Victoria, and are currently verifying the equipment. Hydrogen-burning equipment for residential use will be installed in the "Hydrogen House" to test the operational status of the equipment in actual daily usage with the aim of realizing the utilization of hydrogen in everyday life. Two 100% hydrogen-burning water heaters will be installed and tested in various hot water usage scenarios involving the kitchen, sinks, and bathroom showers, with the aim of commercialization by 2030.



Australia's "Hydrogen House"

Having formulated the RIM 2050 carbon neutrality declaration, Rinnai is exploring potential advances and developing technologies necessary to comply with various environmental and energy policies being advanced in countries throughout the world. Hydrogen technology development is one of these options, constituting a theme that must be developed in order to address climate change and achieve carbon neutrality. Recognizing the extreme importance of Rinnai's positioning amid advances in hydrogen development, we will maintain these efforts going forward.

# 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 and popularizing environmentally conscious products that achieve this." Rinnai is working to manage climate change risk by setting "energy consumption and CO<sub>2</sub> emissions" as material issues and the "amount contributed to reducing CO<sub>2</sub> 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.

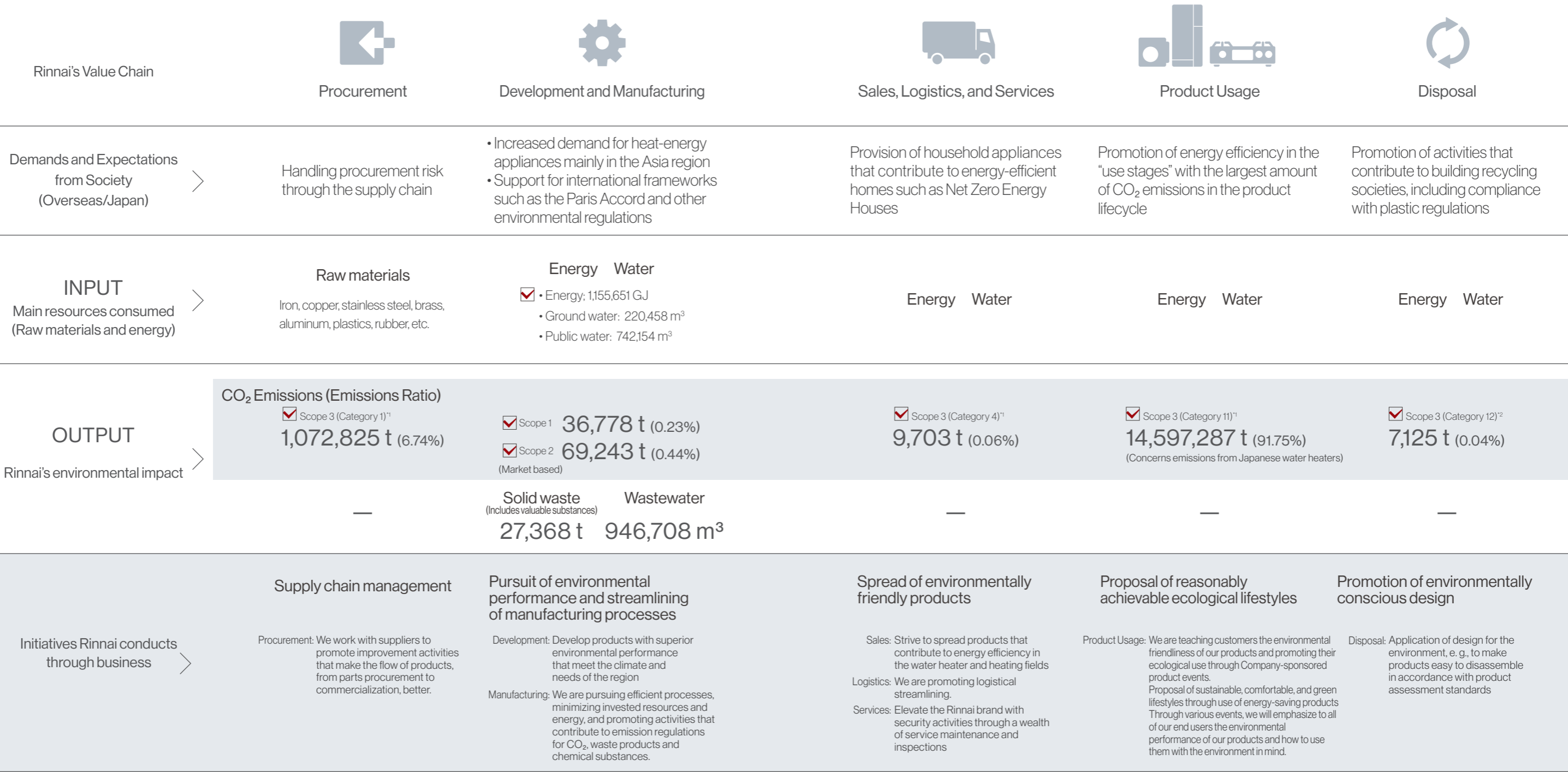
		Impact on Rinnai		Rinnai's response or impact on Rinnai.	Profit Impact (Amount/Duration)	Degree of urgency
		1.5°C scenario* (What Rinnai will do to keep the increase in temperature below 1.5°C)	4°C scenario* (Impact on Rinnai if the temperature rises by 4°C)			
Transition risks	Raw material procurement 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	¥(15.4) billion/year	Low
				Reduce procurement costs through independent efforts	¥(1.4) billion/year	Low
	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.	¥(0.7) billion/5 years	Low
	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.	¥(15.0) 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.	¥(8.6) billion/5 years	Low
Opportunities	Adoption of energy-saving water heaters in line with tightening of environmental regulations (CO <sub>2</sub> )	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 of 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

\* 1.5°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 1.5°C and 4°C temperature increases due to global warming.

Environmental Impact within Rinnai's Value Chain

Rinnai promotes environmental impact reduction initiatives through the value chain <sup>(see Note 1)</sup> 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: Rinnai Corporation/end of life treatment: Rinnai Corporation (Domestic consolidated subsidiaries)

[Target period] Domestic: Fiscal 2023 (April 2022–End of March 2023)

Overseas: January 2022–End of December 2022

[CO<sub>2</sub> emissions (units)]: t/CO<sub>2</sub>e, (%) represents the emissions ratio within each process.

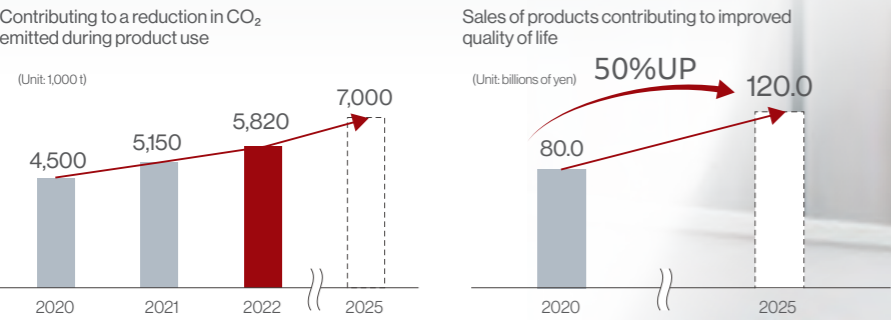
The indicators marked ☑ have received third-party assurance by LRQA Limited.

Environment

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 CO<sub>2</sub> 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.

Products Provided by Rinnai and their Connection to the SDGs

Product	Theme	Contribution	Goal
Hybrid water heaters	Energy-efficiency	Higher energy-efficient water heaters contribute to the global environment	 
	Resilience	Gas-electric hybrids contribute to the securing of lifelines during emergencies	
Micro Bubble Bath units	Health promotion	The hot bath effect from bathing in ultrafine air bubbles contributes to healthy lifestyles	
Gas clothes dryers	Reduces time required for housework	Powerful gas drying shortens time spent doing laundry, contributes to reducing housework burdens	
Dishwashers	Reduced water usage	Conserves water when washing dishes, contributes to the conservation of water resources	
	Reduces time required for housework	Automated dishwashing contributes to reducing housework burdens	
Stoves with automatic cooking functions	Reduces time required for housework	Automated cooking contributes to reducing housework burdens	
Bathroom heaters/dryers	Prevents heat shock	Bathroom heating eliminates temperature differences when bathing, contributes to the prevention of heat shock	
Gas tankless water heaters	Energy-efficiency	Enhancing the energy efficiency of water heaters contributes to the global environment	 
Gas boilers	Air pollution countermeasures	Switching fuel from coal to gas in water heaters with heating systems contributes to the control of air pollution	 

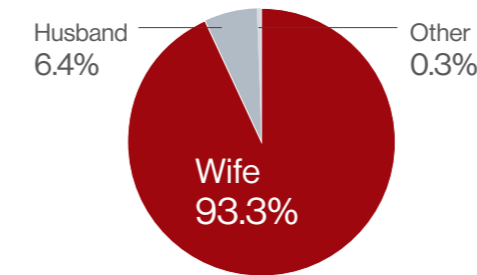
Contributing to Reductions in Housework Burdens with Powerful Gas Drying That Shortens Time Spent Doing Laundry



Gas clothes dryers use gas-heated air to dry clothing straightaway. This shortens the 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.

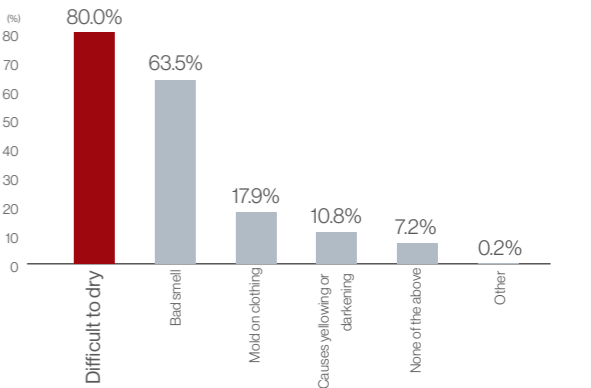
Rinnai Conducts Surveys and Analyses on Various Social Issues, Disseminating Information through the *Netsu to Kurashi Tsushin* (Heat & Life Newsletter).

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



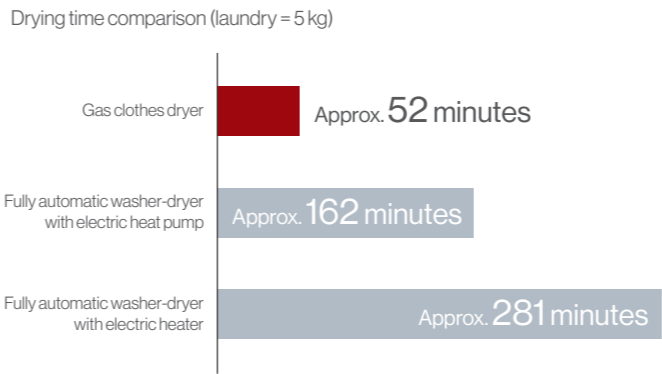
Awareness Survey on Laundry, *Netsu to Kurashi Tsushin*, May 2019; N = 534

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.



Gas clothes dryer

Microbubble Baths Help Hydrate the Skin and Promote Better Sleep

Microbubbles Keep the Skin Moist for Longer

The results of a study have indicated that immersing oneself in the water of our microbubble bath units leads to an increase in skin moisture content compared to bathing in regular water. Taking a bath in microbubbles not only makes it easier to remove grime from the skin, but it has also been demonstrated to have a moisturizing effect essential for maintaining skin health.



Fine bubbles generated in the bathtub

We use Air Bubble Technology to create fine bubbles

Rinnai's water heaters that generate fine bubbles

\* Fine bubbles are microscopic in size and classified as either ultrafine bubbles or microbubbles. They are effective at removing bodily dirt and grime from water pipes and the like.



VOICE



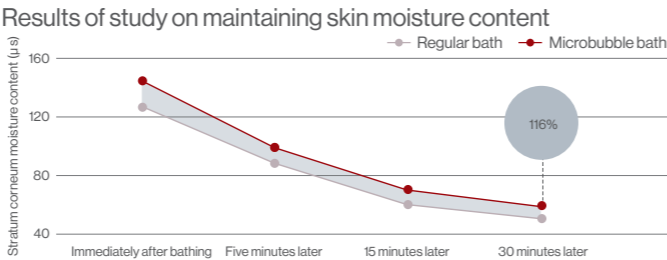
Human Life Sciences, Tokyo City University  
Professor Shinya Hayasaka

Microbubble bathing can cleanse the body of dirt, but when dirt is removed, the natural oils in the skin, called sebum, are also reduced. It is commonly thought that a decrease in sebum tends to limit the skin's ability to remain hydrated, but research has shown that despite a reduction in sebum, microbubble baths are capable of maintaining the skin's stratum corneum moisture content.

To begin with, the moisturizing effect of bathing itself is supported by multiple studies that suggest various mechanisms are at play. The mechanism thought to be the most significant is the warming of the body and improved blood circulation that bathing promotes. With improved circulation, more moisture content is transported to the skin via the bloodstream, which suggests that moisture can be distributed to all areas of the skin.

Microbubble baths are capable of cleansing the entire body, reaching even the tiniest of crevices. There is no need to vigorously scrub one's body, making it a time-saving option. The easy, gentle cleansing of the skin provided by microbubble baths are believed to contribute to beautiful skin over the long term.

Experimental conditions Measurement: Stratum corneum moisture content of the forearm before and after a microbubble bath and a regular bath  
Research paper by Shinya Hayasaka, Yuko Iwama, and Masao Nonoyama: "Effects of microbubble bathing on stratum corneum moisture content"; Japanese Journal of Health and Research; 2022; Vol. 43, p.39-43 (test subjects: 15 adult females)



Some parents have expressed concern about not being able to take care of their own skin after taking a bath because their attention soon turns to looking after their children. Ultimately, they worry and stress about having dry skin. Research indicates that the skin's moisture content 30 minutes after a microbubble bath is higher than the moisture content 15 minutes after a regular bath. This allows for a more relaxed skincare routine.

Also, microbubble baths are recommended for children because of their sensitive skin. Choosing the right soap for a child is actually quite challenging because some products do not agree with the child's skin. Using as little soap as possible when bathing is also advisable in some cases, so in this regard, a microbubble bath is reassuring because it only uses air and water.

Microbubble Baths also Support Better-Quality Sleep

The results of a study also indicated that when compared to a regular bath, a microbubble bath leads to a shorter duration between the post-bath state of excitement and the state of calmness.

VOICE

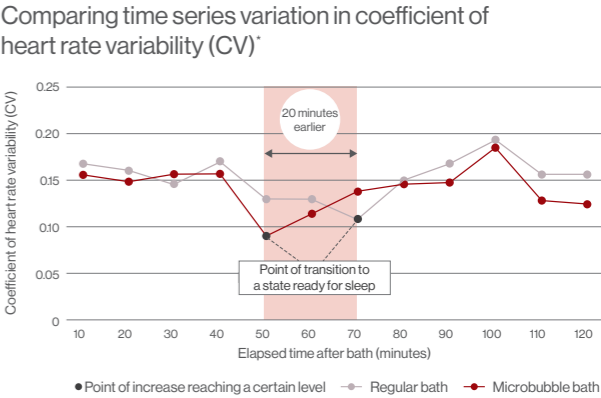


Faculty of Science and Technology,  
Keio University  
Ph.D Yasue Mitsukura

Usually after taking a bath, one's body is in a state of excitement or tension, and will not be ready for sleep for another 70 minutes or so. After a microbubble bath, however, this period of tension can be reduced to around 50 minutes. For busy people, the considerable advantage of saving 20 minutes before falling asleep can help ensure as much sleep time as possible.

To be able to fully recover from exhaustion and refresh the mind through sleep, entering a state of deep sleep soon after the onset of sleep is ideal. Taking a bath can help one's body fall into a deeper sleep more quickly.

Considering the findings of this study, we surmise that microbubble baths might further shorten the time it takes for the body to enter such a state of deep sleep.



Experimental conditions Experimental conditions: FY2020 Rinnai Corporation test data  
A simulated dirt mixture of tallow and 10% carbon black was applied to the abdominal area and brightness was measured using a spectrophotometer before and after bathing. The removal rate was calculated from the brightness values before and after bathing. Test subjects: six healthy adult males. Bathing method: full-body immersion for 10 minutes at 38°C. \*Statistically significant difference at a significance probability of less than 5%.  
\* The coefficient of heart rate variability (CV) is considered an indicator of parasympathetic nervous system functions and is used for the simplified assessment of autonomic nervous system functions.

With good sleep, even a short duration can be enough to feel refreshed. Microbubble baths can help people benefit from quality sleep whilst also saving time.

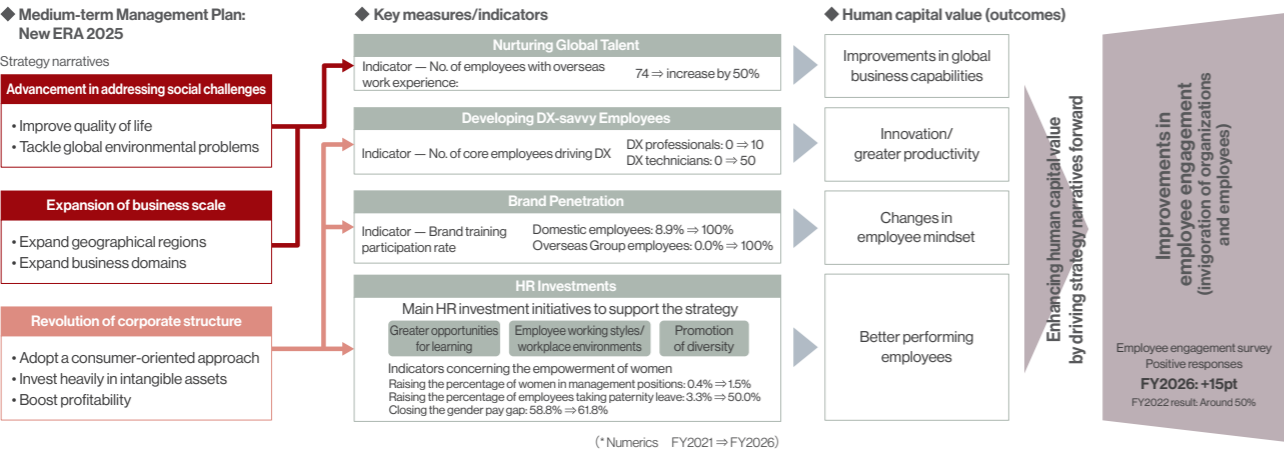
The everyday, casual use of hot water can deliver a myriad of functions that underpin our comfortable lifestyles and overall health. At Rinnai, our proprietary technology related to microbubbles and ultrafine bubbles is called Air Bubble Technology—an area in which we will continue to pursue technological developments.

For more information about our Air Bubble Technology, please visit the following websites: Microbubble bath units: <https://rinnai.jp/lp/microbubble/>  
Ultrafine bubble water heaters: <https://rinnai.jp/ultrafinebubble/>

Rinnai's Human Capital Strategy

In our Medium-term Management Plan, New ERA 2025, we formulated a set of strategy narratives around how we intend to contribute to “Advancement in addressing social challenges”, “Expansion of business scale”, and “Revolution of corporate structure.” The aim of the plan is to achieve sustainable and sound long-term growth. In order to put these strategy narratives into practice as the first step towards growth for the next generation, it is absolutely essential that we mobilize the strengths of our employees—the driving force of growth—and constantly embrace challenges. We intend to actively invest in human capital tied to our management strategy, and not only will we aim to achieve corporate growth by furthering our strategy narratives, but we will facilitate employee growth and higher levels of engagement by driving this process forward.

• Outline of Human Capital Strategy (metrics and targets)



• Key Measures (HR development policy, workplace environment development policy)

Nurturing Global Talent

Considering that overseas sales account for more than 50% of our total revenue, growth in international markets is a major driver accelerating the expansion of our business scale. To expand our presence overseas more aggressively than ever before, guaranteeing the quality and quantity of global talent will be a key element in our human resources strategy. In addition to the specialist fields of mainly product technology, manufacturing technology, and financial skills required for our hitherto endeavors in the global market, we will seek to nurture internationally minded employees backed by real-life experiences abroad.

Developing DX-savvy Employees

In a society characterized by changing buying behaviors and distribution structures, it is crucial that we fundamentally reassess our conventional business and operating processes and transform our corporate structure, primarily by shifting to a consumer-oriented approach, in order to ensure future competitiveness in our mainstay business. To that end, we are currently driving a digital transformation (DX), and we have already undertaken a number of initiatives, such as establishing a framework to promote DX, training human resources, developing tech infrastructure, and building a data management platform. Particularly in terms of human resources, we have defined two types of core employees that will lead the Company's digital transformation—DX professionals and DX technicians—and we have launched some specialized training programs to aid their development. Other than these core individuals, we are also promoting basic digital training for employees that use IT devices with the goal of raising their level of IT literacy. The Company as a whole will work towards generating innovation and improving work productivity.

Brand Penetration

Since 2016 we have deployed a unified brand strategy both domestically and internationally. At the core of our branding activities is the instillment of our brand message among employees. That is why since launching the new brand, we have run training sessions for mainly employees in Japan, based on the thinking that having every employee understand, and embody in their day-to-day tasks, the brand promise of “creating a healthier way of living,” is vital to the establishment of the Rinnai brand. Going forward, with the aim of realizing a brand that is even more differentiated and preferred than ever before, we will expand this training program to overseas Group company employees and set about changing the mindset of employees.

HR investments to support the strategy (greater opportunities for learning, promotion of diversity, employee working styles/workplace environments)

Alongside our global, DX, and branding initiatives, we are also undertaking medium- to long-term investments in human resources with the aim of enhancing employee performance, which is essential to the execution of our management strategy.

• Greater Opportunities for Learning

In terms of employee education initiatives, we have long focused on improving the skills of employees under a framework comprising mainly rank-based and departmental training, as well as self-improvement programs. However, an analysis of the results of the first-ever engagement survey conducted in October 2021 revealed two Company-wide issues: (1) a significant difference in engagement scores between managerial and non-managerial employees; and (2) a shortage of mechanisms that encourage employee growth. To remedy these issues and improve the capabilities of individual employees, as well as organizational strength, we are currently implementing various support measures. For example, initiatives that facilitate a change in mentality (such as an improvement in management skills) among managerial staff who play a pivotal role in linking management and frontline operations, initiatives that improve the basic business skills and expertise of employees, and the development of an environment that encourages proactive learning in view of future career planning. Also, in addition to the above, the environment in which corporations currently operate is characterized by a wide range of issues, such as carbon neutrality, digitalization, and Japan's aging population. To ensure the sustained growth of the Company into the future, it is vital that we identify and nurture leaders who can shoulder the responsibilities of management from a holistic perspective. In this regard, in FY2021 we launched a core talent development project, for which we have already completed the selection process and training program for the first cohort of participants. Up ahead, we will continue to work on nurturing outstanding leaders.

• Promotion of Diversity

As Japan's working population continues to shrink, we are advancing initiatives around the utilization of female employees, senior personnel, people with disabilities, and mid-career hires in order to secure enough labor and spark new ideas by harnessing a workforce possessing different values and experiences. Particularly regarding female employees, even though they make up roughly 30% of our workforce, most of them work in support roles (general positions) and we acknowledge that there is still more to be done when it comes to leveraging their capabilities. We are actively hiring personnel for career-track positions and enabling employees to transition from a general position to a more specialized role. In addition, we are appointing female employees to key postings through the selection and planned development of candidates for managerial positions. Alongside efforts to create a comfortable workplace environment in which female employees can keep working, mainly with the use of a shortened working hours system and childcare leave, we are aiming to boost productivity by raising the understanding of childcare among male employees and reassessing work styles. We are also taking steps to increase the percentage of male employees taking paternity leave.

• Employee Working Styles/Workplace Environments

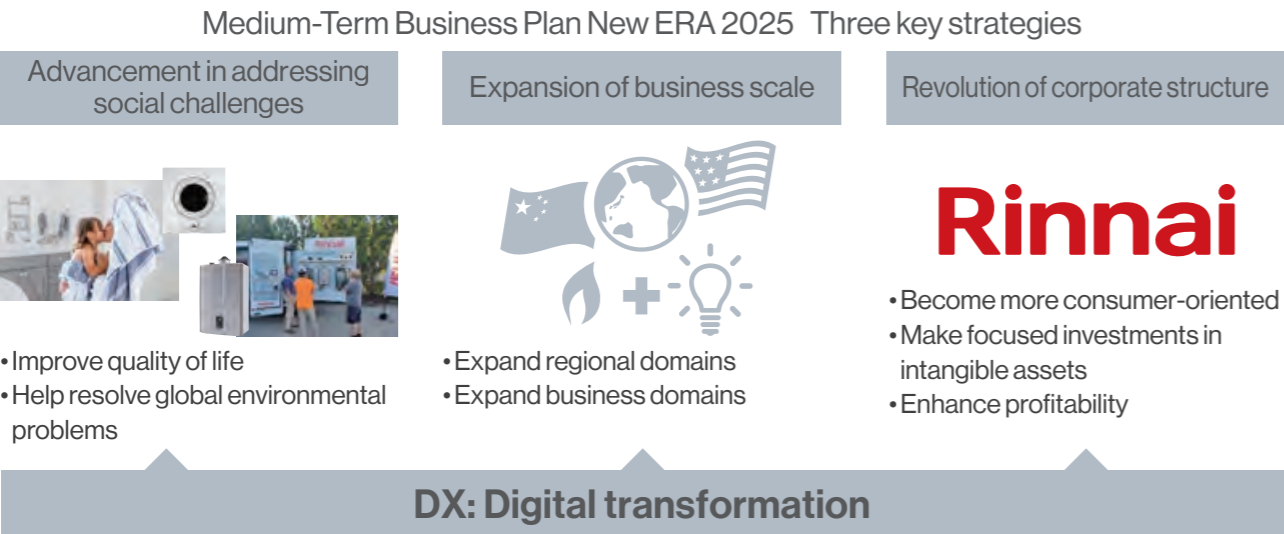
With the arrival of Japan's so-called “age of centenarians” and in the midst of considerable changes in societal values, including the way people view their own career, we are encouraging our employees to embrace new ways of working, including telecommuting, and we are taking steps to develop workplace environments that are supportive of the physical and mental well-being of employees in order to ensure that they are highly motivated and can continue to unleash their full potential. With the aim of raising employee awareness of health matters on a daily basis, we are undertaking a raft of initiatives that support the day-to-day performance of employees. This includes more healthy food options in the cafeteria, the rollout of health programs linked to the employee benefits scheme, and the promotion of various harassment training and health & safety activities to ensure the psychological and physical safety of employees.

Social

Communication with Customers

Rinnai DX Initiatives

We have formulated three key strategies under the Medium-Term Management Plan New ERA 2025: Advancement in addressing social challenges, Expansion of business scale, and Revolution of corporate structure. By utilizing digital transformation (DX), we will ensure the realization of our strategies, including the achievement of numerical targets. We aim to contribute to solving social issues by strengthening our touchpoints with customers and business partners and providing products and services that contribute to improving the quality of life in a timely manner. Furthermore, we will thoroughly review business processes in business and administrative divisions through the use of digital technology, leading to the transformation of the corporate structure and expansion of business scale.



Examples of Initiatives 1

The Rinnai App, which allows users to control bath-filling systems, bathroom heater/dryers, floor heating systems, and panel heaters from their smartphones, can collect product usage and sensor information. By analyzing and utilizing this information, Rinnai will propose ways of using the ecosystems that match the lifestyles of our customers and solve their problems, thereby contributing to the improvement of their quality of life. We will also expand our business domains by offering attractive new services.

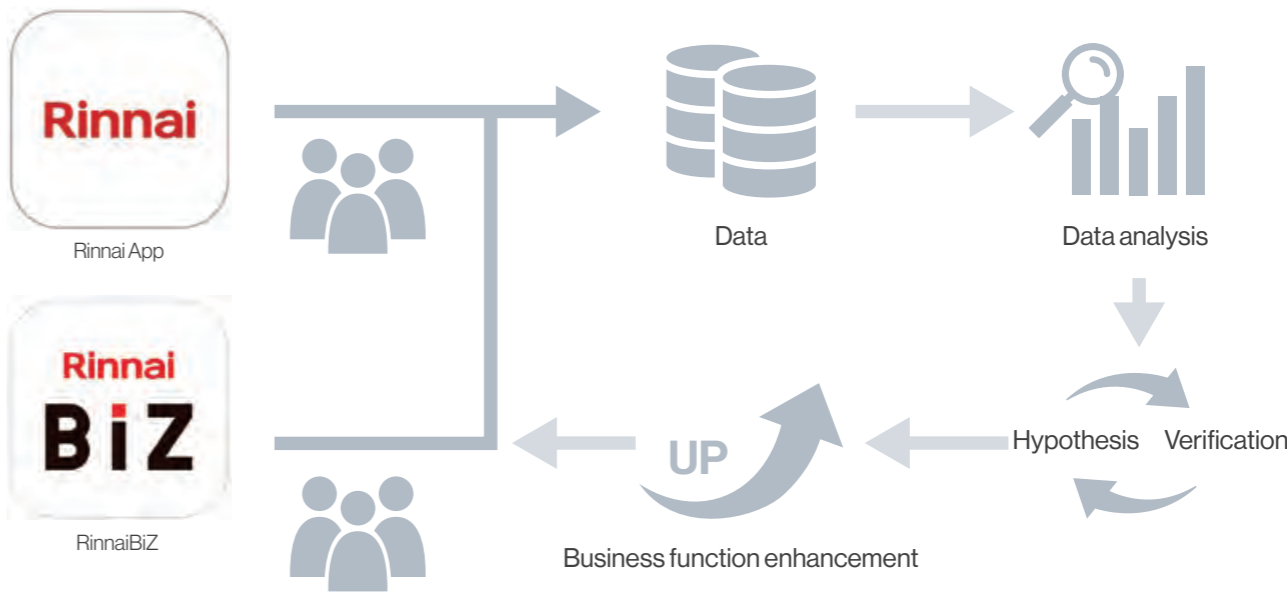


Examples of Initiatives 2

We have released “RinnaiBiZ,” a new information communication platform connecting business partners with Rinnai. The site provides the latest product information, replacement and inventory searches, catalog browsing, building information, and other business support services, as well as a variety of content to enhance sales. We will build an optimal cycle of information dissemination, proposals, and business support to enhance profitability by analyzing the information accumulated through daily sales activities and the usage status of RinnaiBiZ.



Rinnai’s DX collects various types of information obtained through business activities and repeatedly makes hypotheses and verifies them based on findings from data analysis to improve business functionality. The Company aims to build a virtuous cycle in which the provision of attractive services leads to an increase in the number of users, and in turn an increase in the amount of information that can be obtained further accelerates the upgrading of functionality.



To aggressively promote DX, we are working on the establishment of a framework, human resource development and technology environment, and data management infrastructure. In the promotion structure, members to promote DX are assigned to each of the business and administrative divisions. We have also established a cross-functional project to unite the entire Company.

For human resource development, we have defined “DX business personnel” to lead business transformation and DX technology personnel to create strategies through the use of digital technology as “DX promotion core personnel” and are working to cultivate them. At the same time, we are striving to improve skills Company-wide to ensure that we have the competencies to respond to business models that utilize digital technology. In establishing the technological environment, we are promoting a swift environment build-out and optimizing operations through the use of cloud technology and have begun reviewing the entire system to ensure that it can flexibly respond to new business processes. Our data management infrastructure is working to build an environmental infrastructure that can accumulate and analyze a variety of information necessary for the creation of new value.

Social

Communication with Business Partners

Working with the Supply Chain to Build a Stable Procurement System

In 2022, the ongoing COVID-19 pandemic and the outbreak of the Russia-Ukraine conflict continued to make stable parts procurement very challenging.

Going forward, geopolitical risks and natural disaster risks are expected to remain ever-present and create an urgent need to build a stable parts procurement system.

In this context, Rinnai works closely with its business partners to exchange information, examine supply chain risks and grasp the marketability, availability and future viability of parts. To mitigate risks, Rinnai is engaged in the diversification of materials, processes and logistical networks. It also promotes inventory optimization to prepare for various risk scenarios.

To ensure a more stable supply of our products, which are essential to daily life, our supply chain will work together to build a robust product supply system that can respond to the risks it is exposed to.

Flow of Initiatives

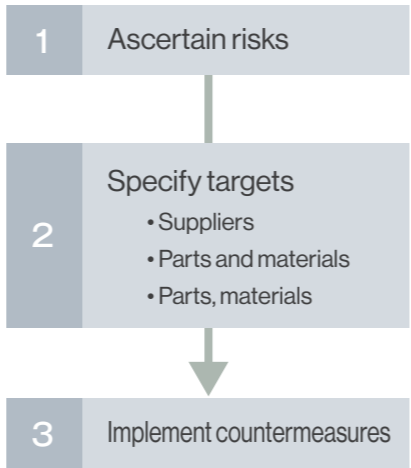
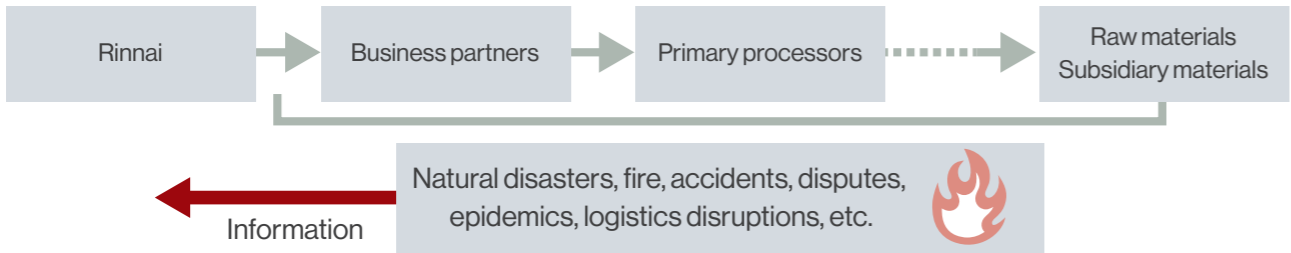


Diagram of Information Linkage



VOICE



Tateyama Kagaku Sensor Technology Co., Ltd.  
Representative Director & President  
Iwao Hayashi

Initiatives to Ensure Stable Supply

Rinnai's overseas production bases have temporarily shut down their plants due to the pandemic and geopolitical factors, and on the logistics side, ports and airports have also been shut down on occasion.

Based on this experience, we first established multiple production bases and built a production system by designing, developing, and building new automated machines in Japan as well as at separate bases outside of Japan. Furthermore, the company is diversifying its suppliers of parts and materials.

We will continue to promote BCP initiatives in close cooperation with our customers, considering stable supply to be our top priority so that our customers can place orders with peace of mind.

Implementation of CSR Questionnaire

In accordance with the Rinnai Human Rights Policy, which is based on the United Nations Guiding Principles on Business and Human Rights, Rinnai identifies and assesses the negative human rights impacts of its business activities and conducts ongoing human rights due diligence to prevent or mitigate such risks. In fiscal 2023, we requested our suppliers to respond to a CSR questionnaire and received replies from 246 of them (including 173 primary suppliers).

When issues are uncovered through the CSR questionnaire, we encourage our suppliers to correct them. We also conduct audits, including on-site inspections and interviews, as necessary.

Responsible Mineral Procurement

To fulfill our social responsibility in procurement activities, we will ensure that payments for minerals (tin, tantalum, tungsten, and gold) used in our products are not diverted to finance militant forces involved in civil wars and conflicts that cause serious human rights abuses in conflict and high-risk areas by conducting responsible mineral procurement throughout the entire supply chain.

Promoting responsible mineral sourcing requires due diligence that is undertaken throughout the supply chain. We will ask relevant suppliers to provide information on smelters and refiners through the supply chain and aim to procure from issue-free suppliers.

We use industry standard survey forms such as the Conflict Minerals Reporting Template (CMRT) published by the Responsible Minerals Initiative (RMI) as survey tools since responsible mineral surveys require the cooperation of all our business partners, down to smelters and refiners.

Survey of Conflict Minerals

Rinnai conducts surveys regarding conflict minerals for its suppliers. In fiscal 2023, survey forms were collected from 173 suppliers who were requested to participate. Based on the collected forms, we conduct risk analysis and evaluation, and if risks are detected, we request procurement from smelters and refiners without issues.

It is available in advance on the website shown below. (Bottom of page below)  
<https://www.rinnai.co.jp/csr/b-partner/> (in Japanese only)

Social

Communication with Shareholders and Investors

Aiming for Longer-Term Business Growth and Stable Shareholder Returns



In August 2023, Rinnai invited investors and their families to Rinnai Hot.Lab Yokohama for a hands-on product experience event held jointly with institutional investor Commons Asset Management, Inc. Rinnai Hot.Lab is a training facility for clients that provides hands-on experience with products that include DELICIA stoves with automatic cooking functions, and *Kanta-kun*, which dries clothes quickly using the power of gas. This event was attended by many investors in the Commons Asset Management “Kodomo Trust” and their children, who were able to experience the fluffiness of dried towels from *Kanta-kun* gas clothes dryers and try meals prepared by using DELICIA, which contributed to deepening their understanding of our products and Company initiatives by seeing and actually touching them.

Kodomo (Children’s) Trust is an account for underage children provided by Commons Asset Management that facilitates asset growth in tandem with the growth of children. Kodomo Trust seminars provide children with opportunities to experience initiatives promoted by the companies in which they are invested and learn that investing is a way to support the efforts of these companies. The Kodomo Trust seminar was a great opportunity for communication among investors and children, as well as with companies.



As Rinnai handles products related to “clothing, food, and housing,” we provided children with an opportunity to experience how these products are related to their daily lives. We provided a dietary education program to provide children with an opportunity to learn about “eating,” which is very important to them, and to experience what happens before and after the process of eating “food,” as well as what kinds of “ingredients” become “cuisine” when processed using “cooking utensils.”



Announcement of Rinnai's year-end financial results

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.

Fiscal 2023 Activities

IR interviews conducted a total of 251 times	Fiscal 2023 interim results briefing (livestream):
One-on-one interviews: (Tokyo: 45; Nagoya: 16)	105 attendees
Telephone interviews: 36 times	Fiscal 2023 year-end results briefing (livestream):
Online coverage: 154 times	78 viewers

Institutional Investor Opinions at Fiscal 2023 Year-End

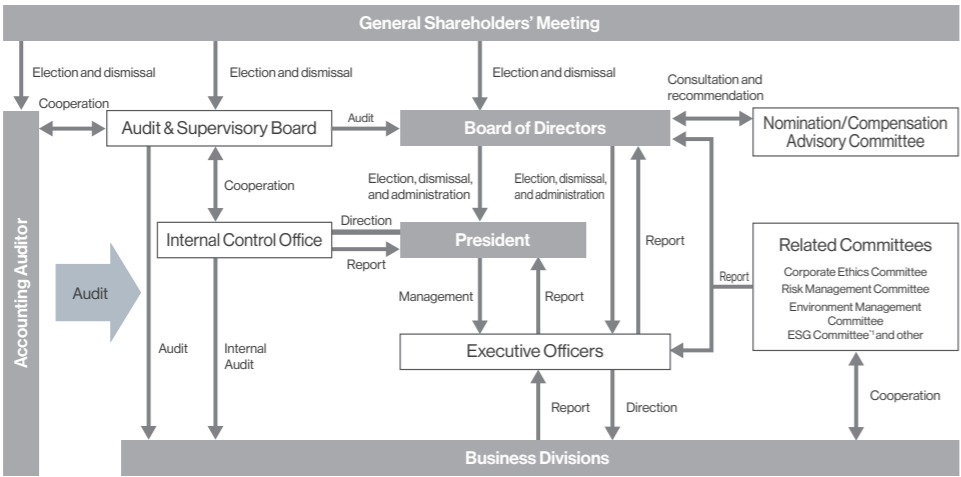
In addition to customary questions regarding business performance, future outlook, and the status of product sales, at the fiscal 2023 financial results announcement, institutional investors and analysts had a wide range of questions and comments pertaining to domestic and international demand fluctuations related to the pandemic, capital expenditures, capital policies, and other recent events and announcements.

This was a period of wide-ranging discussions on capital policy and growth strategy, with many exchanges regarding the use of funds, including share buybacks, dividend increases, and proactive investments. Rinnai will deepen communications with shareholders and investors as we move forward with the dynamic movement of funds.



Management Structure

Corporate Governance Structure



Audit System for Monitoring and Supervising Management

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

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

Remuneration for Directors and Audit & Supervisory Board Members (Fiscal 2023)

Category	Total Remuneration (Millions of yen)	Total Remuneration by Item (Millions of yen)			Recipients (persons)
		Basic component	Annual bonus	Restricted stock	
Directors (including outside directors)	286 (16)	199 (16)	79 (—)	7 (—)	5 (2)
Audit & Supervisory Board members (including outside members)	44 (12)	44 (12)	— (—)	— (—)	5 (2)
Total (including outside members)	330 (28)	243 (28)	79 (—)	7 (—)	10 (4)

Director Compensation System

A summary of the details of the Company's policy for determining the content of compensation, etc. for individual directors is presented in 1. through 4. below. The "Basic principles on determining compensation for directors" stipulate that the Company shall continuously verify the appropriateness of 2. the structure of compensation system and 3. the level of compensation, which will be reviewed in fiscal 2024.

1. Basic principles on determining compensation for directors

- I. Promoting solid corporate value creation over the medium to long term
- II. Securing objectivity and transparency to underline our accountability to a broad range of stakeholders, including shareholders

2. Structure of compensation

Compensation for directors 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 Company's shares for the medium to long term.

Compensation for outside directors is limited to a basic component (fixed compensation) only, in order to promote proper conduct of their duties to supervise and give advice to management from a position independent of executive management.

The composition of compensation and summary of each component are as follows:



3. Level of compensation

The level of compensation for directors (excluding outside directors) is set so that directors are strongly motivated to realize increased corporate value and attain goals through the concerted efforts of the entire Company. It is determined on the basis of position and duties and by using objective data on executive compensation gathered through a survey conducted by an outside expert agency (Willis Towers Watson's Executive Compensation Data) and using those of selected comparable companies as a benchmark.

4. Process of determining compensation

Policies on determining compensation for directors are deliberated objectively at a meeting of the Compensation Advisory Committee, composed of a majority outside directors, and ratified by resolution of the Board of Directors based on the Committee's recommendations. The amount of each director's compensation, including an assessment of an individual performance-evaluation component, is determined by deliberation of the Compensation Advisory Committee to which the Board of Directors has resolved to delegate authority, ensuring more objectivity and transparency in the process of determining compensation.

Deliberations of the Compensation Advisory Committee are conducted from an objective viewpoint and by referring to expertise about compensation systems. Accordingly, information is obtained from an outside expert agency (Willis Towers Watson in fiscal 2023) when necessary. The following are the members of the Compensation Advisory Committee who deliberated policies for fiscal 2023 and their activities during the fiscal year.

Members

- Nobuyuki Matsui, Outside Director (Chairman of the Committee)
- Tadashi Ogura, Outside Director
- Takashi Kamio, Outside Director
- Hiroyasu Naito, Inside Director

Activities

- May 18, 2022: Decision of annual bonus for fiscal 2022, and deliberation on compensation policies for fiscal 2023
- June 29, 2022: Deliberation on selection of Compensation Advisory Committee Chairman and individual amounts of compensation for officers (directors) for fiscal 2023

Governance

Leadership (As of June 29, 2023)

Board of Directors

<b>Kenji Hayashi</b> 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
Sept. 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)

<b>Hiroyasu Naito</b> 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	Current Representation in Other Companies: Outside Director at Nagoya Railroad Co., Ltd.

<b>Tsunenori Narita</b> 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. 1991	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	

<b>Hideyuki Shiraki</b> Director, Senior Managing Executive Officer		
Career Summary and Current Position and Responsibility in the Corporation:		
Apr. 1989	Joined Rinnai Corporation	Apr. 2008 Vice President of Rinnai Korea Corporation
Apr. 2017	Executive Officer, General Manager of Marketing & Sales Headquarters	Jun. 2012 President of Rinnai Precision Co., Ltd.
Apr. 2019	Executive Officer, Deputy General of Marketing & Sales Headquarters, concurrently, General Manager of Kanto Branch Office	Apr. 2016 Executive Officer of the Corporation, General Manager of Production Control Division, Production Headquarters
Jun. 2020	Managing Executive Officer, General Manager of Marketing & Sales Headquarters	Apr. 2017 Executive Officer, Deputy General Manager of Production Headquarters
Apr. 2023	Senior Managing Executive Officer, General Manager of Marketing	Apr. 2018 Executive Officer, General Manager of Production Engineering Headquarters
Jun. 2023	Director, Senior Managing Executive Officer, General Manager of Marketing (current)	Apr. 2021 Managing Executive Officer, General Manager of Production Engineering Headquarters
		Apr. 2023 Senior Managing Executive Officer, General Manager of Production Engineering Headquarters
		Jun. 2023 Director, Senior Managing Executive Officer, General Manager of Production Engineering Headquarters (current)

<b>Nobuyuki Matsui</b> 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. 1985 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, Advisor 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 Tokei Denki Co., Ltd., President at International Professional University of Technology in Nagoya	Jun. 2006 Director at Nakanihon Kogyo Co., Ltd.
		May 2010 Advisor at Toyota Motor Corporation
		Jun. 2010 Senior Advisor at Towa Real Estate Co., Ltd. (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 Sasaeai, specified nonprofit corporation	

<b>Tadashi Ogura</b> Outside Director, Independent Officer		
Career Summary and Current Position and Responsibility in the Corporation:		
Apr. 1975	Joined Nippon Toki Co., Ltd. (currently, NORITAKE CO., LIMITED)	Apr. 1975 Joined The Bank of Tokyo, Ltd. (currently, MUFG Bank, Ltd.)
Jun. 2005	Director at NORITAKE CO., LIMITED	Apr. 1993 Deputy General Manager of Finance Development Division at The Bank of Tokyo
Apr. 2008	Director, & Managing Executive Officer at NORITAKE CO., LIMITED	Sept. 1996 Joined World Bank Group (WBG)
Jun. 2010	Director, & Senior Managing Executive Officer at NORITAKE CO., LIMITED	Sept. 1998 Investment Officer of International Finance Corporation under WBG
Jun. 2011	Director & Vice President, Executive Officer at NORITAKE CO., LIMITED	May 2001 Joined Toyota Motor Europe S.A./N.V.
Apr. 2012	Representative Director & Vice President, Executive Officer at NORITAKE CO., LIMITED	Jan. 2013 General Manager of Investor Relations at Toyota Motor Europe S.A./N.V.
Jun. 2013	Representative Director & President, Executive Officer at NORITAKE CO., LIMITED	Jan. 2015 General Manager of Global Treasury and Investor Relations at Toyota Motor Europe S.A./N.V.
Jun. 2018	Representative Director & Chairman at NORITAKE CO., LIMITED (current)	Jun. 2018 In charge of Investors Relations and Accounting Division, and Stock Group at Toyota Motor Corporation
Jun. 2023	Outside Director, Rinnai Corporation (current)	Nov. 2018 Joined SoftBank Group Corp. In charge of Finance, General Manager of Investor Relations
	Current Representation in Other Companies: Representative Director & Chairman at NORITAKE CO., LIMITED	Feb. 2020 Joined SoftBank Group International Managing Partner, Head of Investor Relations
		Jun. 2020 Outside Director of NIPPO LTD. (current)
		Jun. 2023 Outside Director, Rinnai Corporation (current)
	Current Representation in Other Companies: Outside Director of NIPPO LTD. Trustee of Daiwa Anglo-Japanese Foundation	

Audit & Supervisory Board Members

<b>Kinji Mori</b> Standing Audit & Supervisory Board Member		<b>Masanori Shimizu</b> Standing Audit & Supervisory Board Member	
Career Summary and Current Position in the Corporation:		Career Summary and Current Position in the Corporation:	
Apr. 1981	Joined Rinnai Corporation	Apr. 1984	Joined Rinnai Corporation
Apr. 2010	Executive Officer, General Manager of Product Development Division, Research & Development Headquarters	Apr. 2016	Executive Officer, General Manager of Technology Development Division, Research & Development Headquarters
Apr. 2011	Executive Officer, Deputy General Manager of Research & Development Headquarters, General Manager of Product Development Division	Apr. 2021	Executive Officer, Deputy General Manager of Quality Assurance Headquarters, concurrently General Manager of Quality Assurance Division
Apr. 2016	Managing Executive Officer, General Manager of Research & Development Headquarters	Apr. 2022	Senior Executive Officer, General Manager of Quality Assurance Headquarters
Apr. 2018	Managing Executive Officer, General Manager of Research & Development Headquarters, General Manager of Technology Administration Division	Jun. 2023	Standing Audit & Supervisory Board Member (current)
Apr. 2019	Managing Executive Officer, General Manager of Quality Assurance Headquarters, General Manager of Environment Division		
Jun. 2022	Standing Audit & Supervisory Board Member (current)		

<b>Masaaki Matsuoka</b> Outside Independent Audit & Supervisory Board Member		<b>Ippei Watanabe</b> Outside Independent Audit & Supervisory Board Member	
Career Summary and Current Position in the Corporation:		Career Summary and Current Position in the Corporation:	
Sept. 1976	Registration of a certified public accountant	Apr. 1978	Registration of attorney
Jul. 1988	Partner at Deloitte Tohmatsu LLC (Now, Deloitte Touche Tohmatsu LLC)		Joined Saji & 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		Current Representation in other companies
	Audit & Supervisory Board Member at Kanemi Co., Ltd.		Outside director at Howa Machinery, Ltd. (Audit and supervisory committee member)
	Outside Audit & Supervisory Board Member at Mitachi Co., Ltd.		

Executive Officers (excluding concurrent directors)

Managing Executive Officer	Chuji Nakashima	General Manager of Quality Assurance Headquarters
Managing Executive Officer	Hirohisa Ooi	General Manager of Production Headquarters
Managing Executive Officer	Takuya Ogawa	General Manager of Corporate Planning Headquarters
Managing Executive Officer	Yoshihiko Takasu	General Manager of Research & Development Headquarters, and General Manager of Technology Administration Division
Senior Executive Officer	Kenichi Ebata	General Manager of President's Office, and General Manager of General Affairs Division
Senior Executive Officer	Hayao Nishizawa	General Manager of Overseas Business Headquarters
Executive Officer	Katsunori Tanioka	General Manager of Chubu Branch, Marketing & Sales Headquarters
Executive Officer	Hiroyuki Hoyano	General Manager of Kanto Branch, Marketing & Sales Headquarters
Executive Officer	Atsuo Kashima	General Manager of Accounting Division
Executive Officer	Daisuke Naito	Deputy General Manager of Overseas Business Headquarters
Executive Officer	Kenji Endo	President of RB Controls Co., Ltd. and President of Noto Tech Co., Ltd.

Governance

Skills Matrix of Directors

	Corporate management	Global management	Technology <Development/ Production/ Environment (E)>	Business Plans/ Marketing	Finance/ Accounting/ Capital Policy	Human Resources Strategy (S)	Governance (G)/ Legal Matters	ESG/ Sustainability	IT/Digital Transformation (DX)
Kenji Hayashi	●	●	—	—	●	●	●	—	—
Hiroyasu Naito	●	●	●	—	●	—	—	●	—
Tsunenori Narita	●	—	●	●	—	●	—	—	—
Hideyuki Shiraki	—	—	—	●	—	●	—	—	●
Kazuto Inoue	—	●	●	—	—	—	—	—	●
Nobuyuki Matsui	—	—	●	—	—	●	●	—	●
Takashi Kamio	●	●	—	●	—	—	●	—	—
Tadashi Ogura	●	—	●	—	—	●	●	—	—
Yoko Dochi	—	●	—	—	●	—	—	●	—

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

Reasons behind Selecting Eight-Point Skills Matrix

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 a fair and equitable workplace environment.
ESG/Sustainability	Directors with solid knowledge and experience in the field of ESG and sustainability are needed to solve social issues as well as to incorporate them into business activities as earnings opportunities toward the realization of a sustainable society.
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.

Messages from Newly Appointed Outside Directors



Tadashi Ogura  
Outside Director

I served as President and Chairman of NORITAKE CO., LIMITED, which was founded as a maker of Western-style tableware, but now industrial products such as grinding and polishing tools account for 95% of its sales. I first joined that company's R&D Division followed by stints in the Engineering Division and Human Resources Division and then by six years as general manager at two plants. During my tenure as President, I invited Toyota Production System (TPS) trainers from Toyota Motor Corporation and promoted monozukuri activities throughout the company for more than 10 years. Furthermore, as Chairman of the Chubu Productivity Center until May 2023, I had been involved in activities that contribute to the improvement of productivity necessary for the sustainable growth of companies. Through these experiences, I became keenly aware that improving productivity depends on people and how critical it is to support their growth, create workplaces where they can express their abilities, and foster their engagement there.

Since its founding in the Chubu region, the heart of monozukuri in Japan, Rinnai has developed its heat energy appliance business by cultivating heat-related technologies underpinned by the fundamental concept of "Quality is our destiny." As it aims to continue going out in the world and take on challenges, in my opinion Rinnai must create synergies through the formation of diverse human capital and partnerships with universities and other external institutions to generate innovation on a sustained basis. I will do my utmost to contribute my knowledge and experience to the advancement of the Company.



Yoko Dochi  
Outside Director

For more than 20 years, I have been at the front lines of numerous dialogues with investors and shareholders in Japan and overseas as the general manager and head of investor relations for Toyota Motor Corporation and SoftBank Group Corp.

I aim to apply the skills and experience cultivated in building relationships of trust through dialogue on business strategy, finance, technology, ESG (environmental, social, and governance), and other issues at various stages of growth and in various management environments. In this way, I aim to be a Director with a high level of sensitivity so that I can always understand investor and shareholder expectations, interests, and concerns regarding Rinnai and reflect them in discussions at our board meetings.

Rinnai has been a monozukuri company for more than 100 years and has just started running toward its next century. Going forward, against the backdrop of the global demand for carbon neutrality, it will become increasingly vital for its core business, which is led by gas appliances, to respond to the diversification of energy sources and decarbonization. As Rinnai seeks to achieve sustainable growth and enhance its corporate value toward the next 100 years of its history, I would like to contribute to the decision-making process related to future-oriented growth strategies and capital policies that are inextricably linked to these strategies, from the perspectives of different industries, a global view, and from the viewpoint of its stakeholders.

Governance

Compliance

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

Rinnai Group Code of Ethics

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

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

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



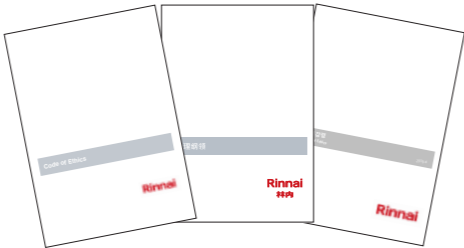
Code of Ethics summary awareness meeting (Rinnai (Thailand))



Code of Ethics summary awareness meeting (Guangzhou Rinnai Gas and Electric Appliance)



Rinnai (New Zealand) written pledges



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

Risk Management

Risk Management Policy

As society becomes increasingly complex, companies face a variety of risks. As a manufacturer of thermal energy equipment that supports people's daily lives, we believe it is our social responsibility to continue to provide products in a stable manner. We are committed to risk management to live up to the trust of our customers and society and to conduct stable business activities.

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 identifies risks that may affect life, Rinnai's reputation, business activities, and assets, and prepares a List of Material Risks, which evaluates the importance of each item in terms of magnitude of impact and potential frequency of occurrence. The Committee also determines which business divisions have a primary responsibility for each type of risk. These divisions discuss and work on developing mechanisms to prevent risks from materializing, rapidly resolve crises, minimize any damage that may occur as a result, and prevent recurrences. The Committee works with all divisions and Group companies to mitigate risks and enhance risk response capabilities.

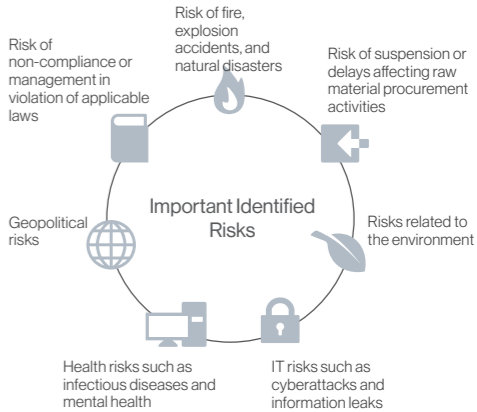
Material Risks (Excerpted)		
Management Risk	• Compliance • Product accident defects • Labor-related • Environment	• Intellectual property • Supply chain • Market environment, etc.
Financial Risk	• Foreign exchange rates	• Taxation, etc.
Accident and Disaster Risk	• Production shutdowns, etc.	
IT Risk	• Cyberattacks	• Information leakage, etc.
Health Risk	• Infectious diseases	• Mental health, etc.
Country Risk	• Geopolitical risk, etc.	

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 in annual drills using the safety confirmation system.



Data Collection

Eleven-Year Financial Summary

		FY2013	FY2014	FY2015	FY2016		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	(Millions of yen)	251,832	286,981	295,022	319,935		330,256	347,071	348,022	340,460	344,364	366,185	425,229
Operating income	(Millions of yen)	26,351	34,018	30,787	34,593		34,056	32,849	30,879	34,422	40,690	35,864	41,418
Operating income margin	(%)	10.5	11.9	10.4	10.8		10.3	9.5	8.9	10.1	11.8	9.8	9.7
Ordinary income	(Millions of yen)	29,064	36,910	32,938	35,807		35,280	34,286	33,318	35,679	42,400	39,060	44,565
Net income attributable to owners of the parent company	(Millions of yen)	19,371	23,254	20,647	22,710		22,322	21,194	20,480	21,561	27,581	23,748	26,096
Total net assets	(Millions of yen)	178,007	232,635	261,414	271,709		290,638	307,965	320,696	340,959	371,318	378,856	407,199
Total assets	(Millions of yen)	262,590	334,382	355,140	368,084		402,107	422,422	430,885	450,486	497,291	512,867	547,114
Net assets per share	(Yen)	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	7,462.80
Net income per share	(Yen)	394.86	454.74	397.03	436.71		429.27	410.41	398.45	419.49	536.62	470.39	530.76
Equity ratio	(%)	65.7	66.0	69.4	69.6		67.8	68.0	69.4	70.1	68.8	66.9	66.6
Return on equity	(%)	12.0	11.8	8.8	9.0		8.4	7.6	7.0	7.0	8.4	6.9	7.4
Cash flows from operating activities	(Millions of yen)	22,872	36,453	25,671	36,066		39,554	29,914	29,479	37,694	49,491	28,696	19,387
Cash flows from investing activities	(Millions of yen)	(12,607)	(32,908)	(23,649)	(17,770)		(17,732)	(12,190)	(7,288)	(7,124)	(15,820)	(25,486)	(30,087)
Cash flows from financing activities	(Millions of yen)	(5,002)	13,183	(8,659)	(6,554)		(5,217)	(11,725)	(6,150)	(6,436)	(7,269)	(27,109)	(21,313)
Cash and cash equivalents at end of year	(Millions of yen)	55,030	74,279	69,340	79,600		95,297	101,697	116,133	140,138	166,524	147,972	120,213
Capital expenditures	(Millions of yen)	8,222	12,439	13,774	16,938		20,664	16,105	13,481	10,580	13,301	22,682	26,521
Research and development expenses	(Millions of yen)	8,060	8,380	8,895	9,113		9,340	9,918	9,503	9,308	11,802	12,762	13,458
Dividends	(Yen)	60	68	76	82		86	90	94	98	125	140	160 <sup>*2</sup>
Payout ratio	(%)	15.2	15.0	19.1	18.8		20.0	21.9	23.6	23.4	23.3	29.8	30.1
Number of outstanding shares	(Shares)	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	50,021,057 <sup>*2</sup>
Closing price at the end of the period	(Yen)	6,770	9,070	8,910	9,940		9,230	10,100	7,830	7,650	12,390	9,170	9,705 <sup>*2</sup>
Market capitalization	(Millions of yen)	367,045	473,603	465,249	519,032		481,958	521,326	404,157	394,866	639,528	458,693	485,454
Three stock splits <sup>*2</sup>													
Dividends	(Yen)	20.0	22.6	25.3	27.3		28.6	30.0	31.3	32.6	41.6	46.6	53.3
Number of outstanding shares	(Shares)	162,649,389	156,649,389	156,649,389	156,649,389		156,649,389	154,849,389	154,849,389	154,849,389	154,849,389	150,063,171	150,063,171
Closing price at the end of the period	(Yen)	2,257	3,023	2,970	3,313		3,077	3,367	2,610	2,550	4,130	3,057	3,235
Net assets per share	(Yen)	1,172.04	1,415.16	1,580.81	1,641.41		1,748.54	1,863.06	1,939.93	2,046.84	2,220.13	2,296.59	2,487.60
Net income per share	(Yen)	131.62	151.58	132.34	145.57		143.09	136.80	132.82	139.83	178.87	156.80	176.92

<sup>\*1</sup> We have applied the Partial Revisions to Accounting Standards for Tax Effect Accounting (Corporate Accounting Standards No. 28, February 16, 2018) since fiscal 2019.  
As such, figures for fiscal 2015–fiscal 2018 have been adjusted to retroactively apply said accounting standards.  
<sup>\*2</sup> On April 1, 2023, we conducted a three-for-one stock split of our common stock.

Data Collection

Human Resource- and Personnel-Related Data

Number of Employees (Non-consolidated)		Fiscal 2021	Fiscal 2022	Fiscal 2023
Newly recruited employees	Male	66	71	89
	Female	35	13	14
	Subtotal	101	84	103
Mid-career recruitment	Male	0	7	5
	Female	1	1	6
	Subtotal	1	8	11
Mid-career recruitment ratio (%)	Subtotal	1	9	10
Temporary staff	Subtotal	194	178	181
Average working years	Male	17.9	18.7	19.1
	Female	14.2	15.3	16.2
	Subtotal	16.8	17.7	18.3
Average age (Years old)	Male	40.1	41.0	41.4
	Female	35.3	36.3	37.3
	Subtotal	38.7	39.6	40.2

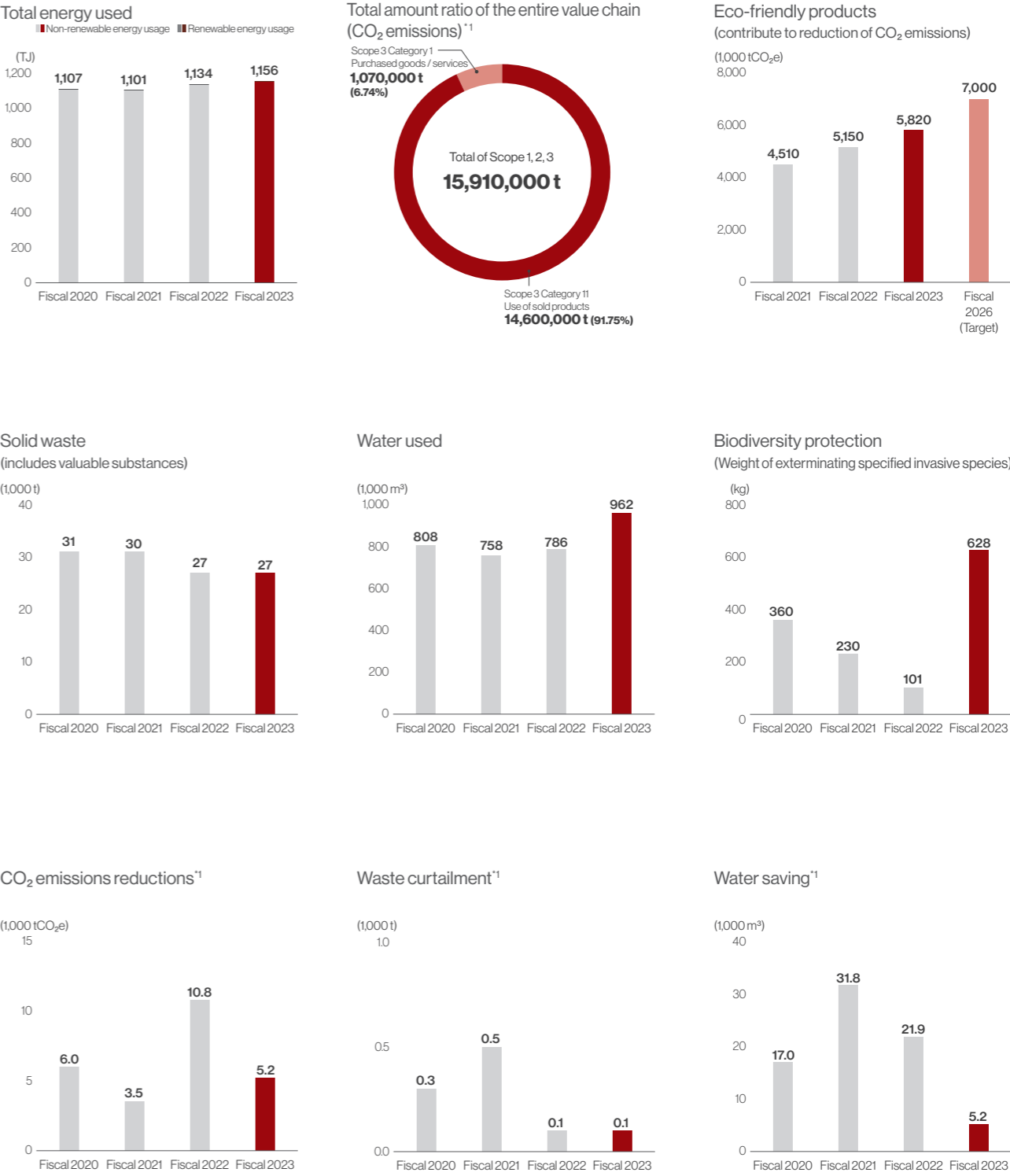
		Fiscal 2021	Fiscal 2022	Fiscal 2023
Paid leave	Maximum number of days added with paid leave	20	20	20
	Average number of days taken with paid leave	12.2	14.0	11.6
	Utilization ratio (%)	63	70	61
Employment of persons with disabilities	Number of persons with disabilities	79	82	79
	Employment rate (%)	2.22	2.33	2.19
Number of OJT accidents	Number of accidents	28	26	25
*Includes domestic consolidated subsidiaries	Number of disasters(%) (LTIFR)	0.56	0.00	0.74
Number of employees on mental health leave		20	31	21
Periodic health checkup participation ratio		100	100	100
Secondary health checkup participation ratio		72.3	88.6	91.7
Smoking ratio		21.8	19.9	19.4
Participation ratio in measures <sup>*1</sup> for high-risk individuals <sup>*2</sup> (%)		100	100	100
Stress check test taker ratio (%)		95.4	94.4	95.8
Number of employees who used childcare leave		62	63	64
Number of employees who took childcare leave of absence	Male	4	7	18
	Female	95	123	91
	Subtotal	99	130	109
Number of employees who took maternity leave (persons)	Male	3.3	6.5	21.7
	Female	103.3	85.7	106.4
	Subtotal	106.6	92.2	128.1
Proportion of employees who return to work after taking parental leave (%)	Male	100	100	100
	Female	98	97	98
	Subtotal	99	99	99
Number of employees who used shortened work hours	Male	0	4	2
	Female	161	199	215
	Subtotal	161	203	217
Number of employees who used family care leave	Male	1	2	4
	Female	27	38	59
	Subtotal	28	40	63
Number of employees who used nursing leave	Male	2	3	4
	Female	3	2	9
	Subtotal	5	5	13
Number of employees who took nursing leave of absence	Male	0	0	1
	Female	5	1	0
	Subtotal	5	1	1
Number of employees who used our reemployment (Come Back) system	Male	0	0	0
	Female	0	0	1
	Subtotal	0	0	1
Number of employees who used the work from home program	Male	835	512	806
	Female	247	210	233
	Subtotal	1,082	722	1,039

<sup>\*1</sup> Employees who have two or more of the "Recommended Value for Medical Examination" items and have at least one untreated item.  
<sup>\*2</sup> Measures to prevent aggravation of health insurance

Working Hours	Fiscal 2021	Fiscal 2022	Fiscal 2023
Annual total actual working hours per employee	1,952	2,054	2,065
Annual non-scheduled working hours per employee	176.7	211.3	246.7
Average overtime per month (Hours)	14.7	17.6	19.9
Average annual salary	6,440,168	6,532,997	6,671,135

Others (Social Contribution and Compliance)	Fiscal 2021	Fiscal 2022	Fiscal 2023
Number of whistleblower incidents *Includes domestic consolidated subsidiaries	2	10	16
Criminal charges for compliance-related accidents and incidents (Number of cases)	0	0	0
Total expenditure on social contribution activities (Millions of yen)	13	27	12
Political contributions and lobbying activities expenditures (Millions of yen)	0.7	0.7	1.2

Environmental Data



[Target scope] Rinnai Corporation and consolidated subsidiaries  
<sup>\*1</sup> Not an increase or decrease in the total amount, only the effect size evaluated by the improvement activities of each site is recorded.

# Rinnai Corporation

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