



Rinnai Report 2024 (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

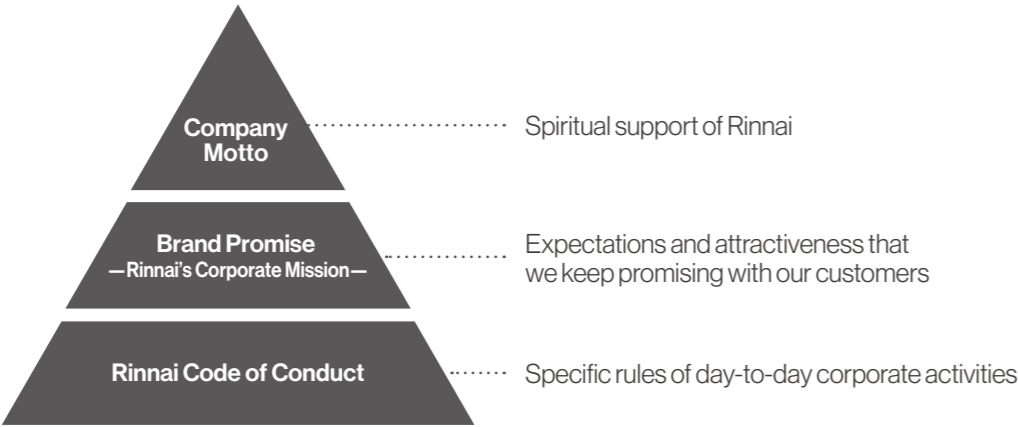


- 和 Harmony: Develop personal character of the highest caliber
- 氣 Spirit: Base your efforts on a consistent philosophy
- 真 Sincerity: Know the fundamentals and consider issues with precision and clarity

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/>

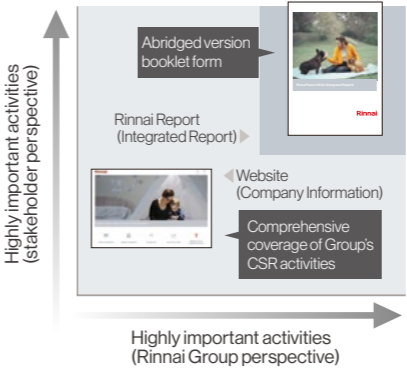
Rinnai Report 2024 (Integrated Report)

Editorial Policy

Rinnai produced the Rinnai Report 2024 (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 2024 — April 1, 2023, to March 31, 2024 — but also touches upon measures implemented and recent activities undertaken since fiscal 2023 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 2024 (Japanese version)
Previous: August 2023, Next: August 2025 (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.

Contents

- 01 Sustainability Policy
- 03 Corporate Mission and Vision Editorial Policy/Contents
- 05 Our History
- 07 Rinnai Group Profile
- 09 Message from the President
- 15 Value Creation Process
- 17 Core Competence (Intellectual Capital) Supporting Rinnai Growth
- 19 Progress Report on Medium-term Business Plan New ERA 2025
- 23 Rinnai's Approach to the SDGs Linked to its Management Strategy
- 24 Representative Examples of SDG Initiatives
- 25 Overseas Company Introduction: United States
- 27 Message from President of Rinnai America
- 29 Identifying Material Issues

Materiality

- 31 Materiality [Environment] | Materiality Special Feature (1)-1
- 32 Materiality [Environment] | Materiality Special Feature (1)-2
- 33 Materiality [Environment] | Materiality Special Feature (1)-3
- 34 Materiality [Environment] | Materiality Special Feature (1)-4
- 35 Responses to the Task Force on Climate-related Financial Disclosures
- 37 Environmental Impact within Rinnai's Value Chain
- 39 Materiality [Safety and Peace of Mind] | Materiality Special Feature (2)-1
- 40 Materiality [Safety and Peace of Mind] | Materiality Special Feature (2)-2
- 41 Materiality [Improved Quality of Life] | Materiality Special Feature (3)
- 43 Materiality [Human Capital]
- 45 Materiality [DX]
- 47 Materiality [Suppliers]
- 49 Materiality [Shareholders and Investors]

Governance

- 51 Management Structure
- 53 Leadership
- 55 Skills Matrix of Directors
- 56 Message from a Newly Appointed Outside Director
- 57 Compliance
- 58 Risk Management

Data Collection

- 59 Data Collection
Eleven-Year Financial Summary,
Human Resource- and Personnel-Related Data,
Environmental Data

Thinking Unchanged from the Company's Foundation



A catalogue of pressurized kerosene gas stoves, a product of the Rinnai founding

A product catalog issued at the time of the Company's founding in 1920 contains the same philosophy of social contribution it lives by today.

Wording listed in catalog	Aspirations unchanged even today
• Saving on fuel costs is an urgent priority	⇒ • Energy conservation and contribution to the global environment
• Achieving the ideal of scientific manufacturing	⇒ • Establishing ideal technology
• Outstanding technology that differs from conventional products and structures	⇒ • Technological advancement through breakthroughs
• We value responsibility and trust as our foundation	⇒ • Building a brand known for safety and peace of mind
• Contributing to society by improving manufacturing efficiency	⇒ • Social contribution through productivity

Two facts that make us feel our Purpose

(1) Promoting the diffusion of products that contribute to the global environment

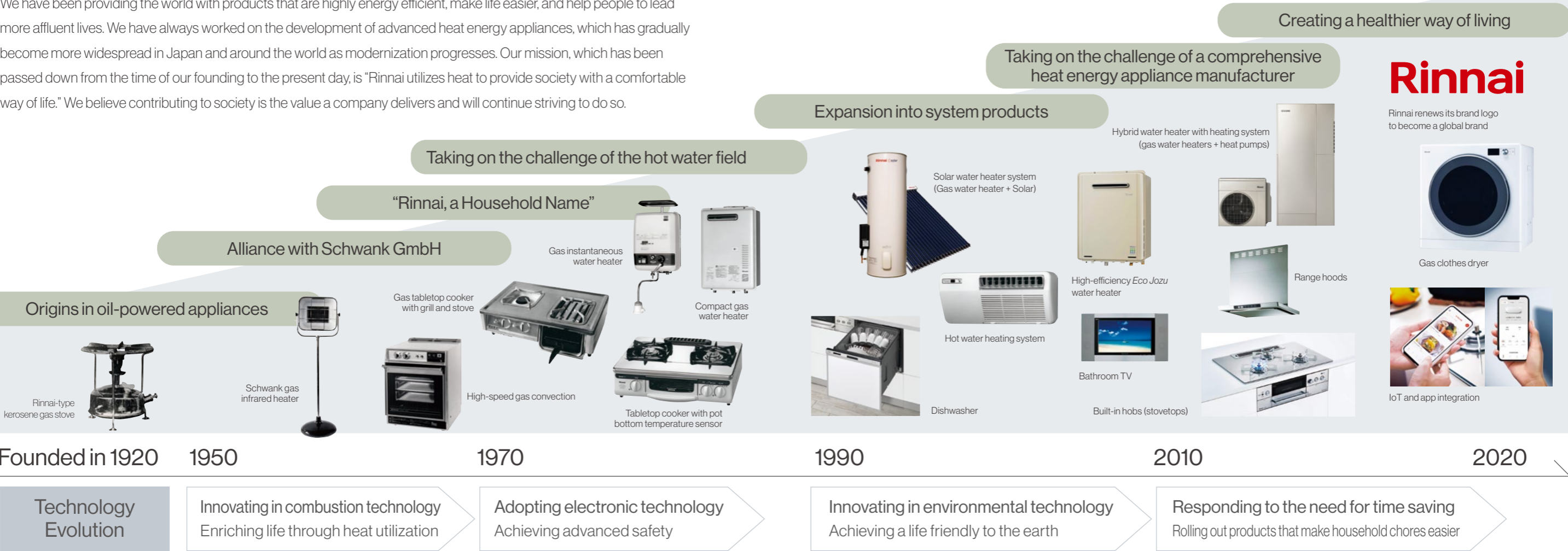
Currently, the volume of CO₂ emitted by Rinnai products used in the market accounts for about 1.5% of Japan's total emissions. While the heat energy appliances we provide are necessary for people to live affluent lives, we also recognize our responsibility as a company to reduce CO₂ emissions and feel that we must develop and promote energy-saving products that reduce CO₂.

(2) Providing a stable supply of products necessary for daily life

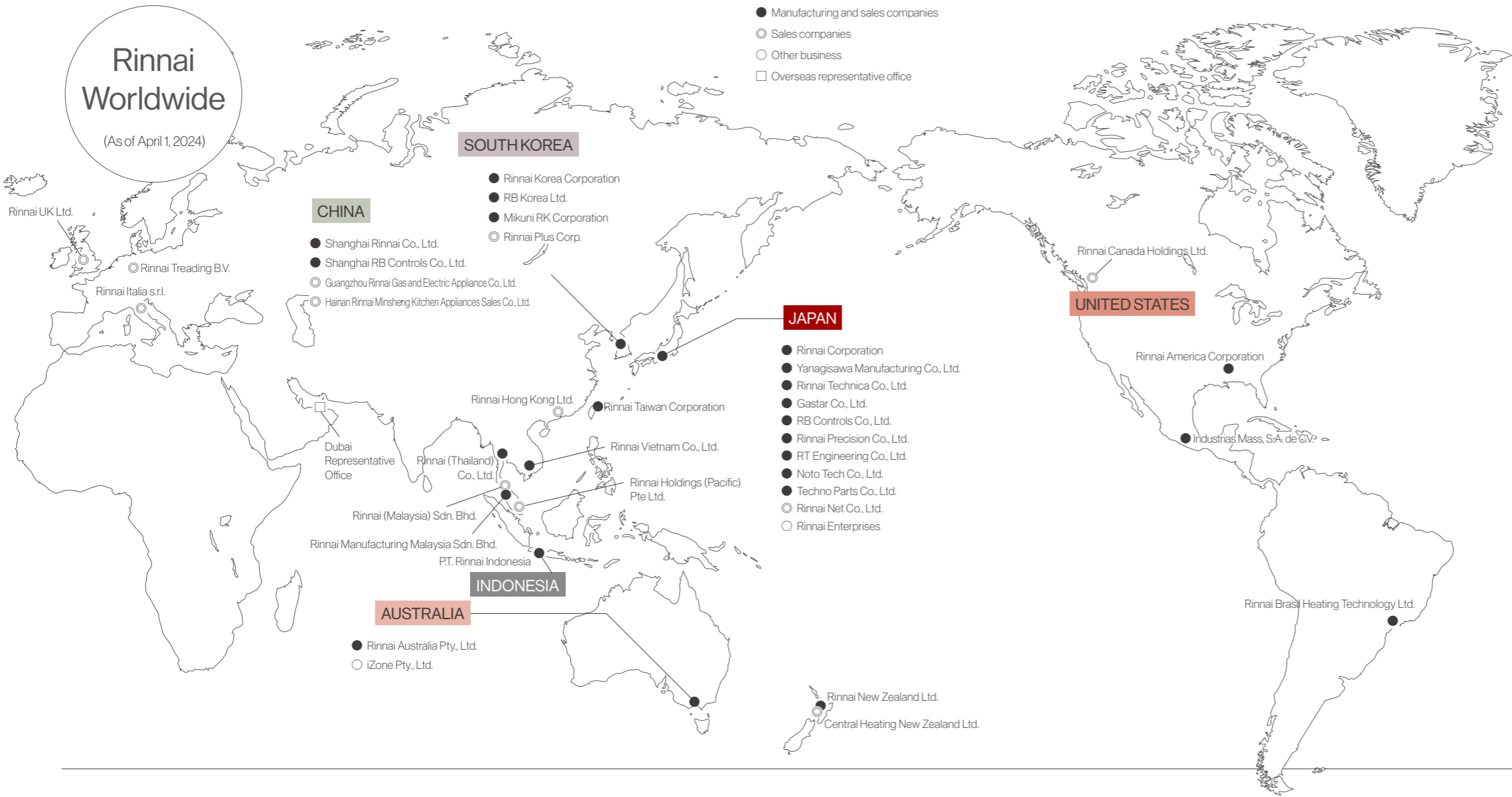
The COVID-19 pandemic triggered a shortage of materials and parts is in our recent memory. This has in turn led to difficulties in supplying our products to the market. We were made keenly aware of the deficiencies of our production system and have reflected on the great inconvenience caused to our customers who use our equipment. At the same time, this situation has also been an opportunity for us to realize once again that the products we deliver are necessary for daily life.

What we continue to do unchanged both in the past and present (evolution in the products offered)

We have been providing the world with products that are highly energy efficient, make life easier, and help people to lead more affluent lives. We have always worked on the development of advanced heat energy appliances, which has gradually become more widespread in Japan and around the world as modernization progresses. Our mission, which has been passed down from the time of our founding to the present day, is "Rinnai utilizes heat to provide society with a comfortable way of life." We believe contributing to society is the value a company delivers and will continue striving to do so.

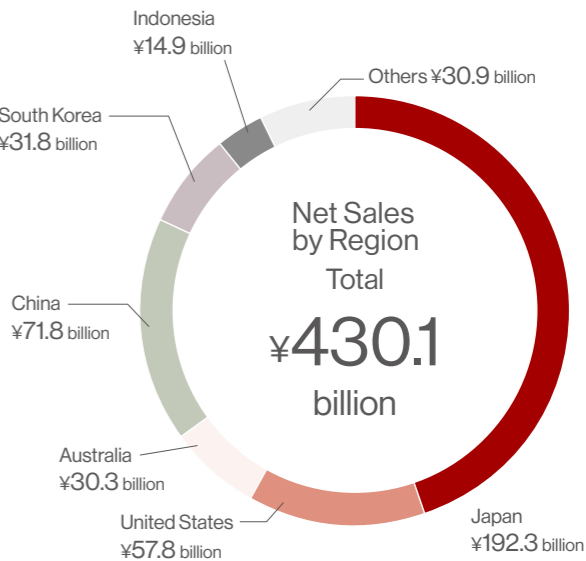


Rinnai Group Profile



Corporate Data (As of March 31, 2024)

Incorporated	September 1, 1920
Established	September 2, 1950
Paid-in capital	¥6,484,416,754
Head office	2-26, Fukuzumi-cho, Nakagawa-ku, Nagoya 454-0802, Japan
Telephone	(From outside Japan): +81-52-361-8211
Number of employees	10,837 (consolidated), 3,532 (non-consolidated)
Number of Group companies	47 (domestic 12, overseas 35)



Water Heaters and Heating Systems

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



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



High-efficiency gas tankless water heater (UNITED STATES)

Kitchen Appliances

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



DELICIA built-in gas hob (stove-top) (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)

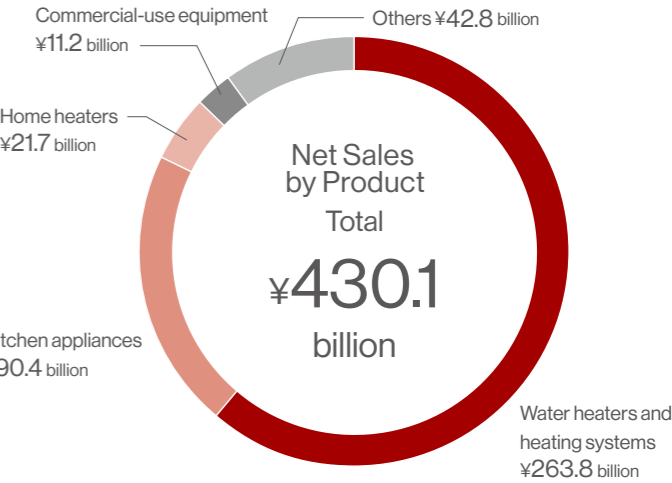
Commercial-Use Equipment, Others

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)



Ensuring Sustainable Growth through Products Meeting Society's Needs and Management Conscious of the Cost of Capital

President **Hiroyasu Naito**

A bright outlook with the return of steady demand despite an ongoing challenging business environment

In fiscal 2024, the fiscal year ended March 31, 2024, business sentiment continued to worsen as the global economy was marked by rising prices and monetary tightening implemented in various countries leading to a persistently challenging business environment both at in Japan and abroad. In the first half of the fiscal year, the Rinnai Group contended with hefty inventories associated with a retreat in consumer confidence. Yet in the second half, the Group endeavored to optimize inventory levels, and such positive factors as fixed cost reductions both in Japan and overseas, costs of goods accompanying a recovery in production volumes, and price revisions led to a meaningful recovery in both sales and profits. That said, we were unable to compensate for the losses in the first half, resulting in a decline in operating income versus the prior year. For fiscal 2024, net sales were ¥430,186 million (up 1.2% year on year), operating income was ¥39,362 million (down 5.0%), ordinary income was ¥46,071 million (up 3.4%), and net income attributable to owners of the parent company was ¥26,667 million (up 2.2%). Fiscal 2024 was the midpoint of the New ERA 2025 medium-term business plan, but looking back over the past three years, the COVID-19 pandemic and the impact of the situation in Ukraine have led to continued disruption on several fronts, including the supply-demand balance, supply chains, and logistics, which has created instability in our profit numbers. Despite this, the Rinnai continues to set new all-time highs for sales, and I believe that we can look forward higher profits moving forward as the business environment normalizes owing to the recovery of conditions in both domestic and international markets.

Message from the President

Progress in the Third Year of New ERA 2025

Advancement in Addressing Social Challenges: Rinnai Products that Support the Sustainability of Society and the Home

Rinnai has sold products that contribute to improving the quality of life and protecting the global environment to fulfill one of the strategic stories in the medium-term business plan: “advancement in solving social challenges.” It aimed to increase sales by 50% compared to fiscal 2021 by the plan’s final year, but am I pleased to report that this target was achieved in fiscal 2024.

As a result, we have revised our targets upward, aiming for a 100% increase in products that contribute to improved quality of life and a 70% increase in products that benefit the global environment. In addition, the target amount contributed to reducing CO₂ emissions by using Rinnai products has been raised from 7.0 million tons to 8.2 million tons (compared to fiscal 2021). This shows that there was very strong support for products that contribute to improving the quality of life protecting the global environment. In fiscal 2024, our *ECO ONE* gas-electric hybrid water heater with heating systems, *Kanta-kun* gas clothes dryers, and ultra-fine bubble water heaters won support from many different perspectives.

The *ECO ONE* series, which has a significant impact on reducing the burden on the environment, has been eligible for government subsidies for installation since 2023. Even major gas companies and housing manufacturers are installing it as a product suitable for carbon neutrality, and Rinnai’s first-mover advantage is being demonstrated as sales began in 2010. In fiscal 2024, the number unit sold increased 1.6-fold year on year, and our target of 300,000 units for fiscal 2031 is clearly within sight. We are focused on expanding *ECO ONE*’s product variations, such as increasing the flexibility of installation locations, and will continue to work to further expand sales. We are confident that demand for environmental technology will continue to grow as the world strives towards decarbonization.

To capture the opportunities this trend presents, we will continue to invest intensively in the development of various environmental technologies, including heat pumps and hydrogen energy.

Kanta-kun is a popular product that can reduce the burden of household chores in today’s homes, where it is the norm for both partners to be employed. I have the impression that an increasing number of new condominiums are being built with our gas dryers as standard equipment. At present, the household penetration rate for *Kanta-kun* is around 16% in Okinawa prefecture, the region with the highest rate, but only around 1% in other regions. *Kanta-kun* is often used when weather that makes it difficult to hang clothes outside to dry. And in the modern era, when climate change is being observed, we think there is ample room for it to take spread in a wide range of regions and have high hopes for its future. In recent years, there has been an upswing in social media posts applauding *Kanta-kun*, which has contributed to growing awareness of its high functionality. We recognize that *Kanta-kun* is an important product that allows users to experience the reduction of housework time and the feeling of the finished laundry, and to be impressed by it. We recognize that *Kanta-kun* not only shortens time spent on household chores but is also a product where it is important for users to have a tangible experience of feeling the finished laundry and be impressed by it. We will continue to accurately identify social needs, innovate promotional strategies, and aim to increase household penetration rates.

Ultra-fine bubble water heaters, which reduce the burden of cleaning wet areas, are now being installed in new condominiums. The system can distribute hot water with a high cleaning effect throughout the house using microbubbles less than 1 micron in diameter, preventing bothersome stains and limescale from accumulating in places such as bathrooms, washrooms, and kitchens. Ultra-fine bubbles are widely known for their health and beauty benefits, but the new advertising campaign highlighting their cleaning power from a household perspective was highly praised. Going forward, we will expand the lineup as a product that we will focus on in the future.



ECO ONE X5 contributing to the achievement of carbon neutrality

I believe that gas appliances can only be used with peace of mind when they are made with the highest quality and incorporate the latest technology. The Company has been contributing to more affluent lives for people through its products for over 100 years. *ECO ONE*, which is now a mainstay product, was first sold in 2010, and *Kanta-kun* was first sold in 1992. As such, they each have a history, but they were not as highly regarded as they are now from the outset. Undaunted, we



Kanta-kun gas clothes dryer that helps reduce time required for household chores

continued to refine their technologies and roll out new products, believing in the high value they offer to our customers. Today, where there is a demand for a sustainable society, we are proud to offer products that meet this demand, and we will continue to expand our lineup in the future. Rinnai’s promise to its customers is to create healthier and more comfortable lifestyles, and we will contribute to solving social issues through our technological capabilities and quality.

Expansion of Business Scale: Attuned to Market Trends and Policies in Each Country to Promote Growth

In terms of expansion of overseas business scale, which is a key focus of the current medium-term business plan, we have positioned the United States and China as priority markets. In fiscal 2024, the America segment posted an operating loss due to a build-up of inventory caused by a slowdown in demand. However, we are already seeing progress in inventory optimization, with the segment projected to return to profitability in fiscal 2025. In the United States, where hot water storage tanks with poor thermal efficiency are widely used, Rinnai has actively marketed its efficient instantaneous water heaters. Demand has increased thanks to these efforts, and the market has started to shift towards high-efficiency water heaters.

In the future, the key will be not only gas but also how to introduce heat pump water heaters that use electricity, so Rinnai America believes it is necessary to closely monitor trends in environmental measures and policies in the country and steer the business in that direction. The China segment has sustained its strong performance with sales through online sales and

physical stores continuing to grow, even amid continued real estate market deterioration. Previously, we only sold our products in physical stores in major metropolitan areas, but we have now also launched sales in medium-sized cities and plan to continue expanding the number of outlets that handle Rinnai products. The second phase of construction at the China Fengxian Factory in Shanghai is also underway. The expanded facility producing water heaters and boilers began full-scale operations in summer 2024. Backed by Rinnai’s strong brand power in China, we intend to continue to increasing sales volume.



Second phase of construction at the Shanghai Plant

Message from the President

Revolution of Corporate Structure – Human Capital Strategy – Developing Human Resources to Drive the Next Generation of Corporate Growth

Rinnai is strategically investing in its employees to advance the strategic stories in its medium-term business plan and achieve corporate growth. The Company is focusing on developing global and DX human resources, penetrating its brand, and investing in talent. For Rinnai, which has a ratio of overseas sales of over 50%, it is essential to recruit global human resources in appropriate quality and quantity. The number of employees with overseas experience, which has already exceeded the set target, including those in the pipeline is on the rise. In the area of DX human resource development, we have started training 22 people with the aim of developing talent who can plan out new business models. We are also promoting IT literacy training for other employees and are working to raise skill levels across the Company. To penetrate our brand internally, we delivered brand awareness training targeting all employees, achieving a 100% participation rate. I expect all employees to embody the Rinnai brand through their work. In terms of investing in human

resources to promote the growth of employees, we have started a core talent development project to identify and develop leaders who will take on executive roles in the future. We are also encouraging employees to take the initiative in their own learning and broadening the educational opportunities we offer as a company. Furthermore, to promote diversity in our talent, we are increasing the ratio of female employees at the time of new graduate recruitment while promoting the development of female leaders and managers. We will improve the ratio of female managers through education, programs, and a transformation of internal awareness. In addition, we have been increasing the amounts of base pay and regular pay raises, and we plan to continue to raise compensation levels in line with the growth of the Company. We will use these holistic initiatives to dispel any negative atmosphere in the Company, where employees may feel anxious about Rinnai and their own careers and be inclined to maintain the status quo and thus improve employee engagement.

Revolution of Corporate Structure – Capital Policy – We Will Continue to Make Proactive and Efficient Investments, Further Strengthening Our Earning Power

Return on equity (ROE) was added as a management indicator in the new capital policy announced on May 10, 2023, reflecting the importance of improving the transparency of capital policy and capital efficiency. We aim to achieve an ROE of 8% in the final year of the medium-term business plan, and then to exceed 10% in the next medium-term business plan (fiscal 2027 to fiscal 2031).

To this end, we are working to further strengthen our earning power and improve capital efficiency through flexible share buybacks. Augmenting the ¥37.4 billion in share buybacks and cancellations to be carried out between fiscal 2023 and 2025, we announced in May 2024 that we would repurchase and cancel up to ¥10 billion worth of our own shares going forward.

Furthermore, we have set return on invested capital (ROIC) as a key performance indicator from this

medium-term business plan. We are promoting efficient and proactive investment, but due partly to the impact of an increase in inventories resulting from disruption in the supply-demand balance, the result for fiscal 2024 was 10.5%, falling below plan. However, I am confident that this is a short-term situation, and I expect a quick recovery through measures such as building a highly accurate supply-demand management system to maintain inventories at an appropriate level, which had been raised intentionally to maintain a stable supply system. In such uncertain times, I believe it is prudent to have a certain amount of cash on hand to ensure stable business management, but we will continue to make proactive investments to promote the high-value-added product strategy that is supported by society set out in our medium-term business plan, and further strengthen our earning power.

We have continued to make growth investments with an eye to improving our corporate value over the medium to long term. These include investments to expand local production capacity in the key strategic markets of the United States and China as well as investments to address carbon neutrality and DX. The total amount of investment during the period of this medium-term business plan reached ¥87.5 billion as of fiscal 2024. In line with the profit growth resulting from these initiatives, our policy of expanding dividends from a medium- to long-term perspective remains unchanged. At the time of formulating the medium-term business plan, we established a shareholder return policy that included a total shareholder return of over ¥60 billion through dividends and share buybacks, with an average total payout ratio of over 40% over five years. In line with policy, the annual dividend per share for fiscal 2024 will be ¥180 (before the stock split), an increase of ¥20 from



the previous year. Combined with share buybacks of ¥10 billion, the total payout ratio comes to 78.2%, significantly exceeding the shareholder return policy set when the medium-term business plan was formulated. We will continue to pursue a policy of returning profits to our shareholders while maintaining a balance with investment in future growth.

Governance That Reflects Awareness of the Cost of Capital in Management

Rinnai increased the number of outside directors by two in fiscal 2024 and by one in fiscal 2025, of which two directors are women. Rinnai's sustained growth requires the strengthening of a governance system with diversity, and outside directors are selected to incorporate people who can deliberation on a variety of perspectives, both inside and outside the Company, by making the most of their expertise in marketing, technology development, corporate management, capital policy, and ESG. At the Board of Directors meetings, there are currently very lively discussions aimed at achieving management that is conscious of the cost of capital. In addition, we have recently revised the remuneration system for officers, excluding outside directors. The proportion of remuneration has been changed from 70% basic component and 30% performance-linked to 60% and 40%, respectively. Performance-linked compensation has been modified to also factor in ROE, the degree of improvement in employee engagement, and TSR (total shareholder return) as calculation criteria. Furthermore,

we have established new guidelines for shareholdings. Rinnai's officers will work as one to strengthen governance in order to build a business foundation that achieves sustainable profit growth and create value for stakeholders.

Until now, unlike home appliances, gas appliances have been difficult for consumers to purchase or replace by selecting and comparing product performance on their own. However, as society's values have changed significantly, so have the way we choose the infrastructure and tools that support our lives. As stated in Rinnai's medium-term business plan to "become more consumer-oriented," we will become a company that provides products with high value and appeal to customers and improve our brand power. In turn, I believe that this will boost the pride Rinnai employees have in their Company.

I would like to thank all our stakeholders for their 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 2024)

Human capital	Employees ^{*1} :	10,837 people
	Employed (Rinnai non-consolidated) ^{*1} :	94 people
	Training and development expenses: (Rinnai non-consolidated)	¥161 million
Intellectual capital	Research & Development Headquarters staff: (Rinnai non-consolidated) ^{*1}	480 people
	Production Engineering Headquarters staff: (Rinnai non-consolidated) ^{*1}	171 people
	R&D expenses (Rinnai non-consolidated):	¥8,773 million
	ISO 9001 certification acquisition: (number of companies) ^{*1}	18 companies
	ISO 14001 certification acquisition: (number of companies) ^{*1}	15 companies
Financial capital	ROE	7.1%
	ROIC	10.5%
	Equity ratio	67.2%
Manufactured capital	Rinnai Group production bases: (number of companies) ^{*1}	23 companies
	Production group staff (Rinnai non-consolidated) ^{*1} :	1,524 people
	Capital expenditure (Rinnai non-consolidated):	¥29,678 million
Natural capital	Input energy:	1,076,328 GJ
	Water used: Ground water:	182,125 m³
	Public water:	634,484 m³
Social and relationship capital	Rinnai brand, external evaluations, stakeholder engagement, Rinnai Group Code of Ethics	

^{*1} As of March 31, 2024

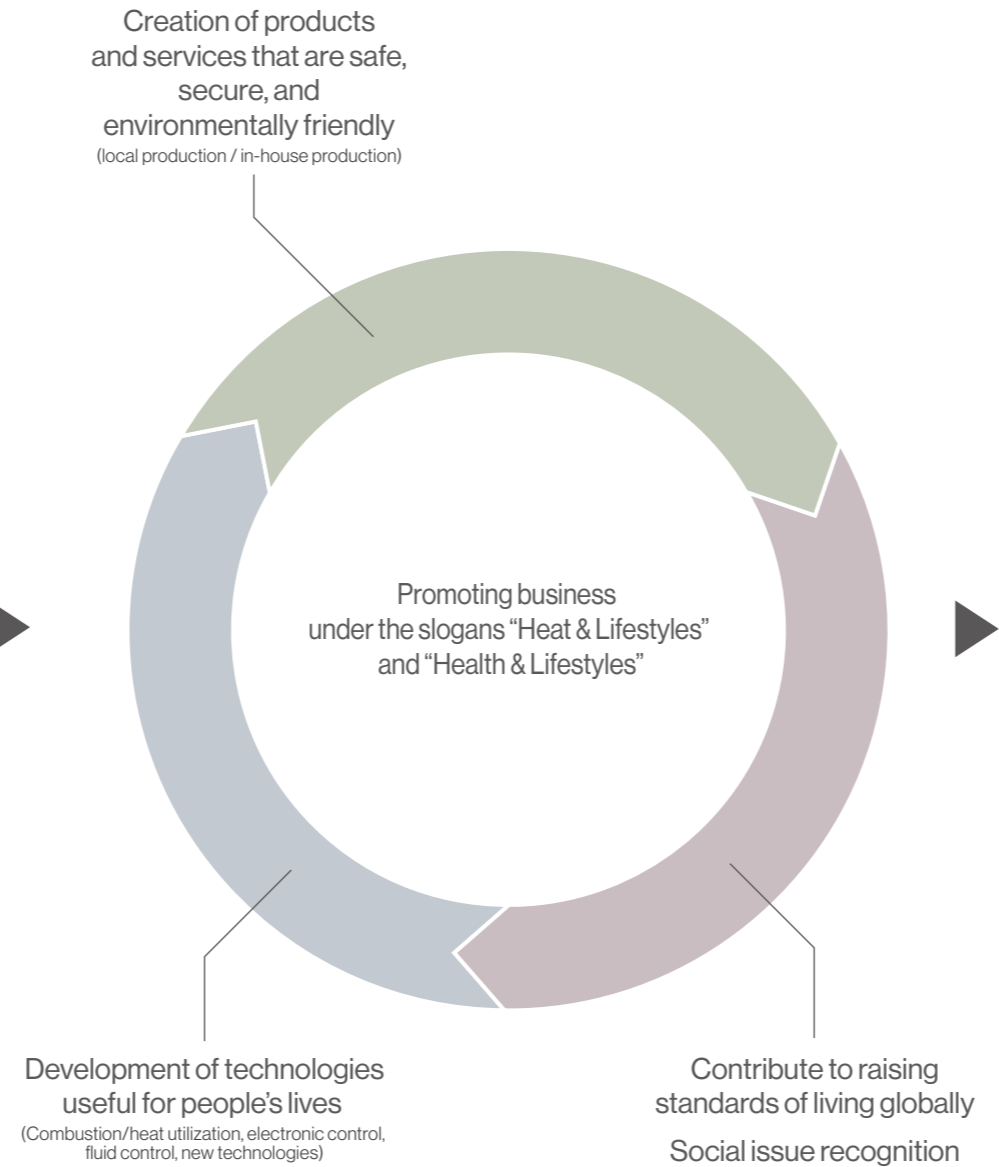
Risks

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

Opportunities

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

Business Activities



Value Provided

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

Fiscal 2024 Achievements

Consolidated net sales	¥430,186 million
Operating income	¥39,362 million
Operating income ratio	9.2%
Net income attributable to owners of the parent company	¥26,667 million
Net assets (equity ratio)	¥437,438 million (67.2%)
Dividend per share (annual) ¥60	[*] On April 1, 2023, we conducted a three-for-one stock split of our common stock.
Products contributing to improved quality of life	Sales Approx. ¥136,000 million
Products that benefit the global environment	Sales Approx. ¥178,000 million
Amount contributed to reducing CO ₂ emissions ([*] Consolidated basis)	5.48 million tons
Announcements of product recalls due to defects:	0 case

Core Competence (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.

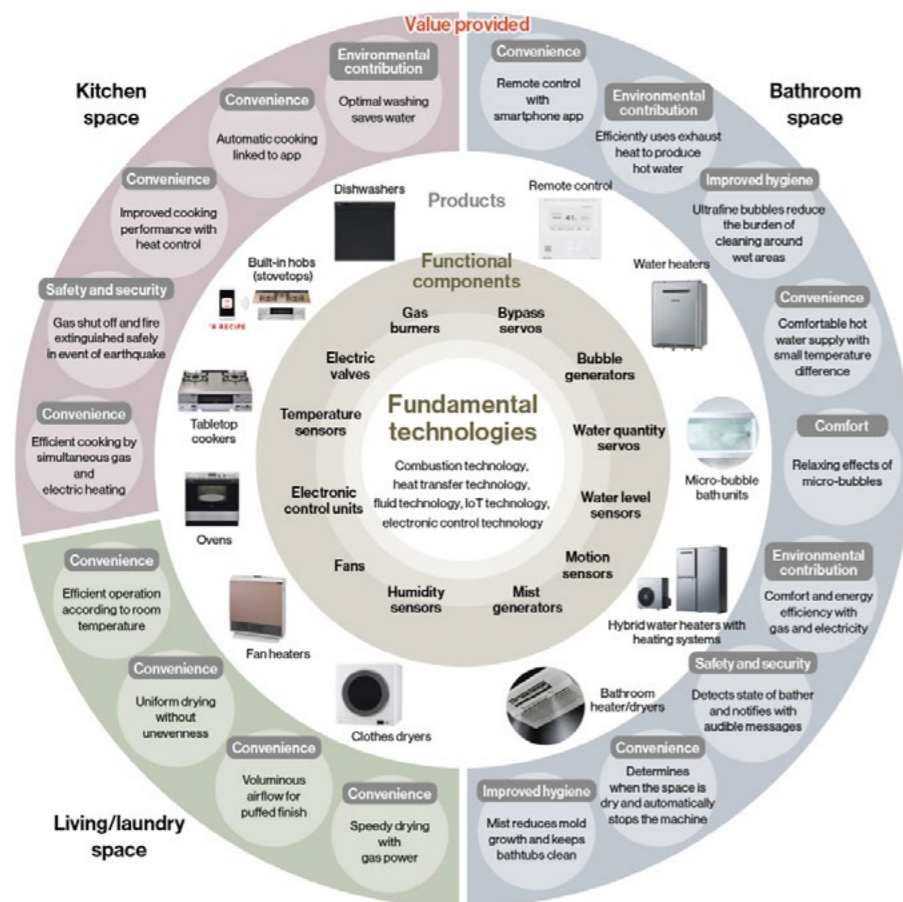
To achieve carbon neutrality, which has become a social issue, in addition to the development of *ECO ONE* hybrid water heater systems and other environmentally friendly equipment providing high energy efficiency, we will promote the research and development of hydrogen combustion and electrification-compatible 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	FY2024
Number of patent applications	217	203	223	190	200	195
Number of registered patents	101	170	178	229	179	173
Number of patents held	2,328	2,300	2,358	2,406	2,350	2,289
R&D expenses (Millions of yen)	9,503	9,308	11,802	12,762	13,458	14,302

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.

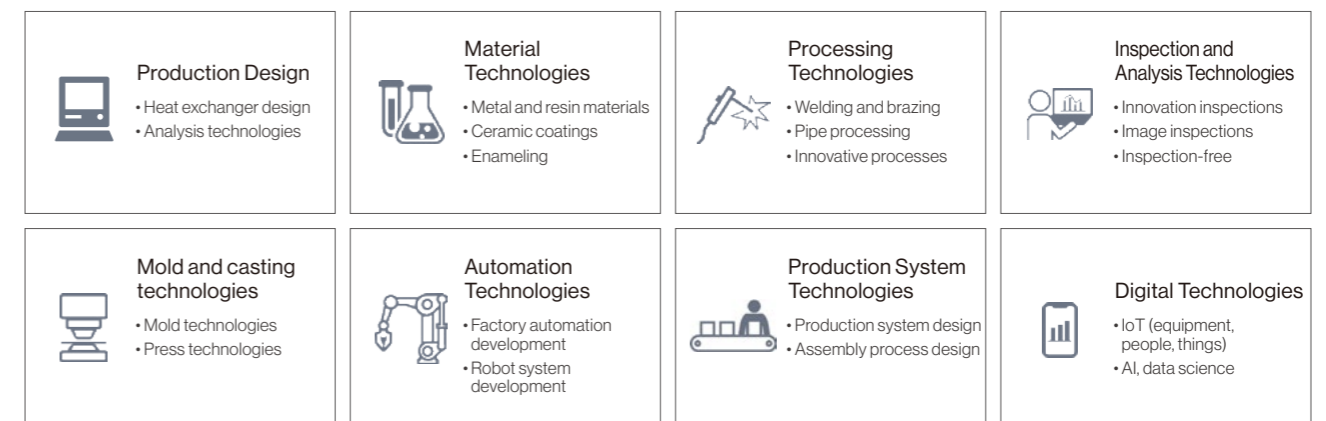
For many years, we have engaged in the research and development of technologies, methods, and mechanisms implemented at our manufacturing sites that facilitate the delivery of Rinnai Group products and services to customers in a timely manner at reasonable prices. To responsibly ensure Rinnai's fundamental 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/en/technology/>


New ERA 2025

New Expansion,
Revolution and Advancement

Medium-Term Business Plan Three Strategic Stories


Under the Medium-Term Business Plan New ERA 2025 that began in fiscal 2022, we have formulated three strategic stories centered on "Advancement in addressing social challenges," "Expansion of business scale," and "Revolution of corporate structure." Three years have now passed in the five-year plan.

Advancement in addressing social challenges




- Improve quality of life
- Help resolve global environmental problems

Expansion of business scale



- Expand regional domains
- Expand business domains

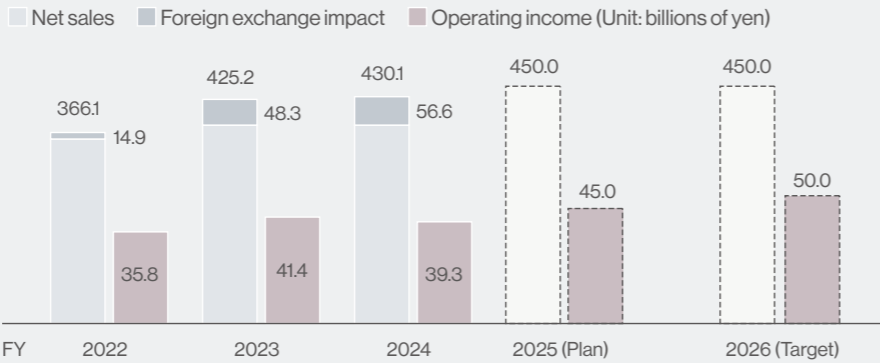
Revolution of corporate structure



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

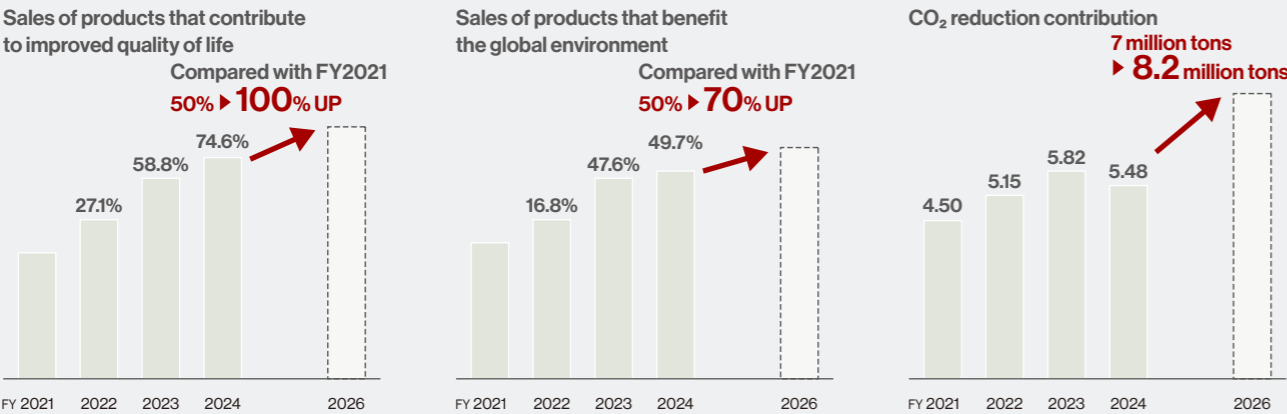
Progress in Net Sales and Operating Income

The targets for the final year of the plan, fiscal 2026, are set at ¥450 billion for net sales and at ¥50 billion for operating income. Although sales are steadily increasing, the outlook is difficult to forecast as our results include the favorable impact of foreign exchange conversion, so we have left the final year targets unchanged.



Upward Revision of Targets in Strategic Stories

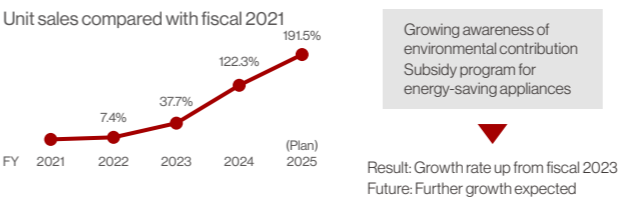
Progress toward the targets set in the medium-term business plan for products that contribute to improved quality of life, products that benefit the global environment, and reducing CO₂ emissions is exceeding our expectations. The targets were therefore revised up when financial results for fiscal 2024 were announced.



Three Strategic Stories: Advancement in Addressing Social Issues

We are promoting the sales of a family of products defined as contributing to improved quality of life and benefiting the global environment. Rinnai's strategic products support people's lives and contribute to the environment, while also driving business growth.

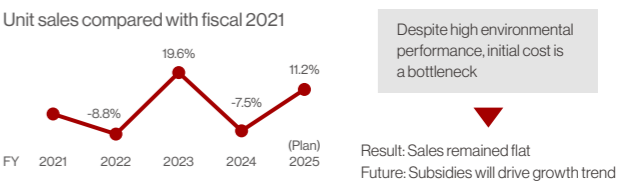
ECO ONE hybrid water heater




2024 business for energy-saving water heaters

ECO ONE: ¥150,000/unit for all models			
	Detached houses		Housing complexes
	General housing	Narrow houses	
New houses	Apr. 2024 model change 160-liter model	Launched Jun. 2022 X5 (70-liter model)	Launched Sept. 2023
Existing houses	Launched Sept. 2023 X5 Plug-in (No dedicated power supply wiring required for heat pump)		X5 PS (for balcony installation)

Eco Jozu high efficiency water heaters

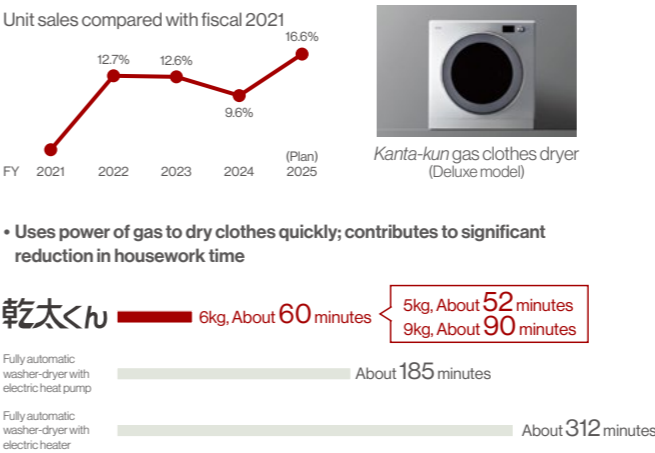


2024 business for energy-saving water heaters used in rental housing complexes

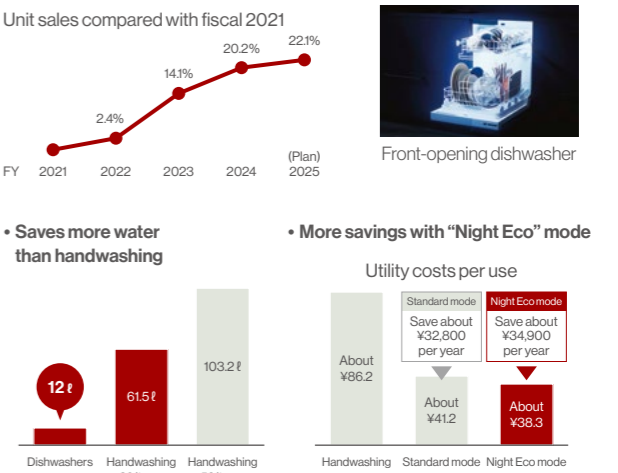
¥50,000/unit	¥70,000/unit	
No bathwater reheating	Bathwater reheating	
Hot water supply only	Bathwater heater	Gas water heater with heating system
		

* Only eligible for replacement in rental housing complexes

Kanta-kun gas clothes dryer



Dishwasher



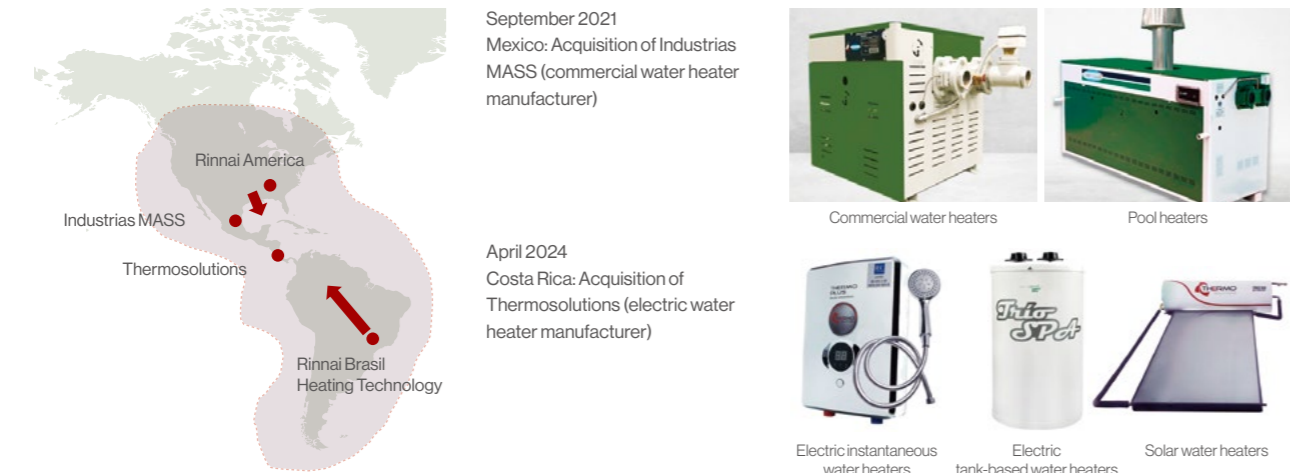
Three Strategic Stories: Expansion of Business Scale

United States In the United States, in addition to high-efficiency gas water heaters, new electrical products are also being actively introduced.

Targeting a business turnaround by introducing both gas and electrical products



In addition to Rinnai America and Rinnai Brazil, which have been the mainstays of the Americas business for some time, in recent years we have acquired a heat appliance manufacturer in Central America, which has provided a foothold for expanding our sales area.



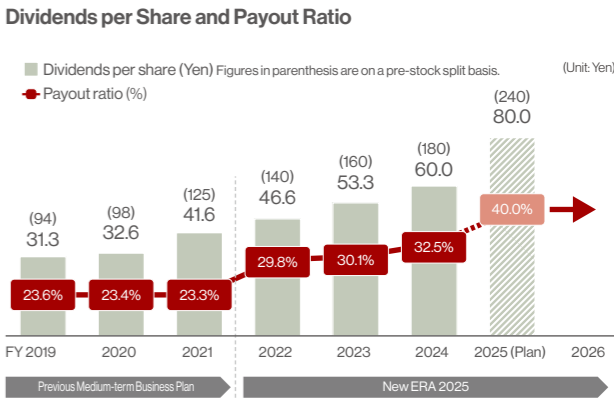
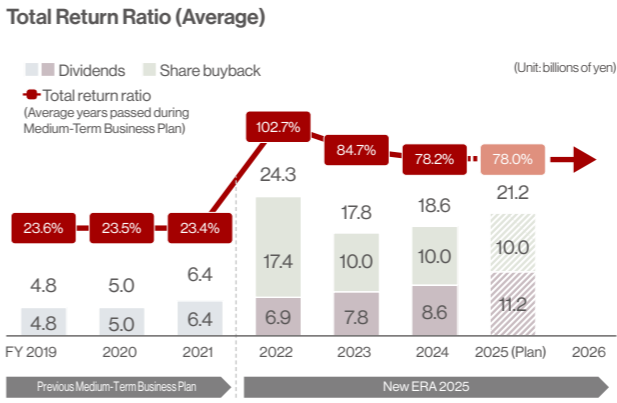
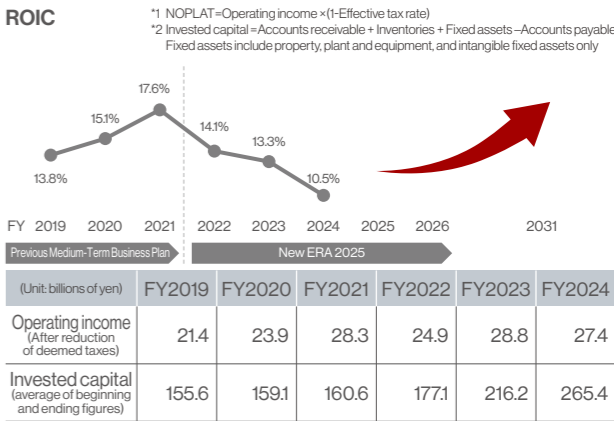
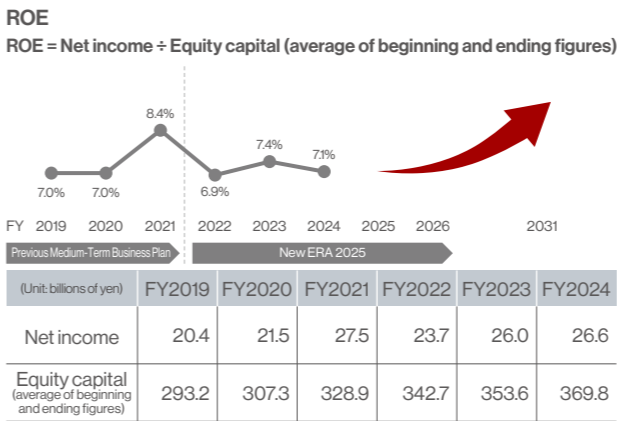
China Sales at online bricks-and-mortar stores are increasing, and business in China is also performing well. In 2024, we will focus not only on gas water heaters but also on kitchen products. In line with the growth in sales, we expanded our Fengxian Factory in Shanghai, which began full-scale operations this summer.



Three Strategic Stories: Revolution of Corporate Structure

Approach to Improving Capital Efficiency

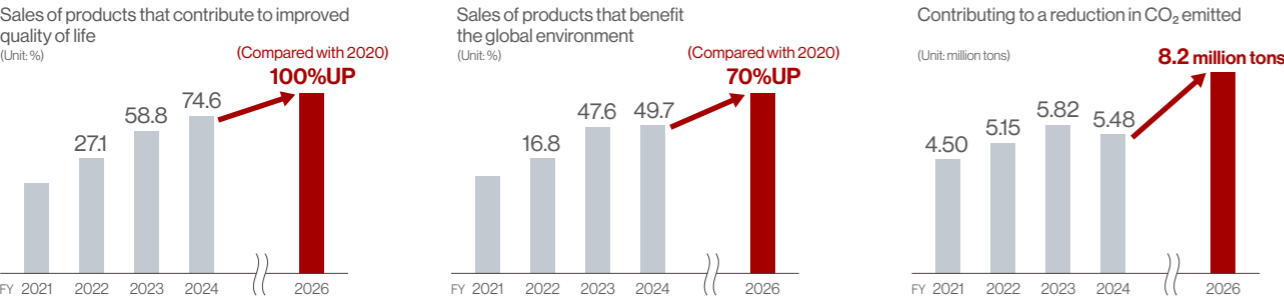
- Recognition of current status**
- The cost of equity is estimated to be between 6.5% and 7.5%
 - The ROIC target has been set at 19% for fiscal 2026, but for fiscal 2024, it is hovering at just over 10%.
Rinnai will fall short of its plan target in the short term, owing to an increase in inventory caused by a disruption in the supply-demand balance and the implementation of growth investments.
 - ROE is 7.1% in fiscal 2024, but the next medium-term business plan (scheduled to cover fiscal 2027 to fiscal 2031) will aim for over 10%.
- As a policy**
- Aim to achieve the medium-term business plan
Fiscal 2026 targets: Consolidated sales of ¥450 billion, operating income of ¥50 billion, ROIC of 19.0%, ROE of 8%
Total return ratio (5-year average) 40%, dividend payout ratio 40%
 - Based on the capital allocation set out in the medium-term business plan, we will
(1) implement growth investments and (2) enhance shareholder returns
- Specific measures to improve ROE**
- Further improvement in earning power through business recovery and growth investment (measures to promote electrification, expansion of the value chain)
 - Flexible share buybacks combined with an increase in the dividend payout ratio on a long-term growth path



Rinnai's Approach to the SDGs Linked to its Management Strategy

Under the Rinnai Medium-Term Business Plan New ERA 2025, we aim to contribute to the resolution of social issues by reducing CO₂ emitted during product use by 8.2 million tons and increasing the sales ratio of products that contribute to improved quality of life by 100% in fiscal 2026 (compared to fiscal 2021) and that benefit the global environment by 70% in fiscal 2026 (compared to fiscal 2021). Rinnai will make an effort to achieve the SDGs through products that contribute to improved quality of life and that benefit the global environment.











Targets Set under the Rinnai Medium-Term Business Plan New ERA 2025



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	
Fine bubble products	Health promotion and relaxing bathing	Products that embody a "healthier way of living"	
	Cleansing effect	The bubble cleansing effect reduces the amount of water used for cleaning.	
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	

Representative Examples of SDG Initiatives

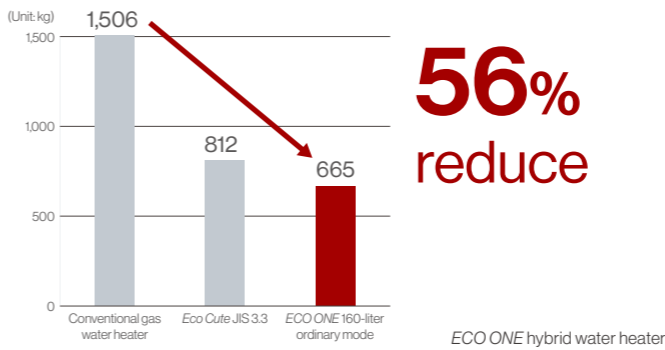
Contributing to the global environment by improving the energy efficiency of water heaters
Hybrid water heater



The proportion of energy consumption in Japanese households for hot water supply and heating combined is about 60%. Also, viewed from the product life cycle of water heaters, the most CO₂ is emitted during the usage stage.

Among systems that play the role of hot water supply and heating, Rinnai's hybrid water heater combines gas and electricity to adeptly provide hot water and heating. This helps to cut CO₂ emissions to half that of conventional water heaters and contributes to the conservation of the global environment.

CO₂ emissions during hot water supply (1 year)



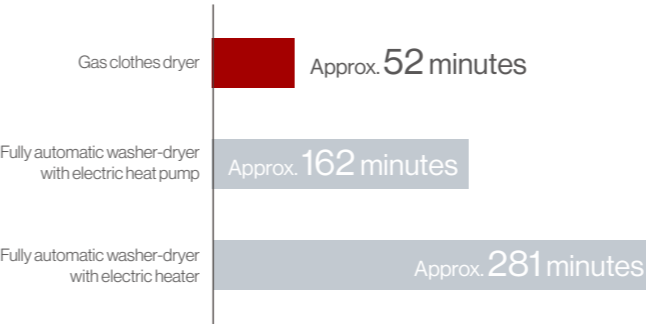
Contributing to Reductions in Housework Burdens with Powerful Gas Drying That Shortens Time Spent Doing Laundry
Gas clothes dryer



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.

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

Drying time comparison (5kg laundry)



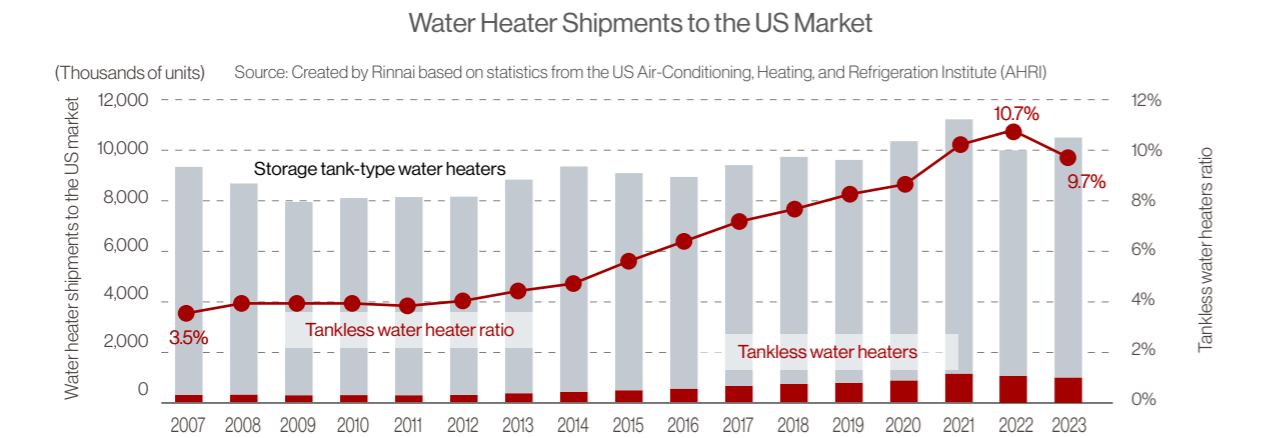
Kanta-kun gas clothes dryer

Overseas Company Introduction: United States


Rinnai America is one of the companies that accounts for a large proportion of sales within the Rinnai Group's overseas business. This section introduces current conditions and the merits of Rinnai America, a company poised for further growth that seeks to expand its share in a market with high potential.

US Water Heater Market

Of the approximately 10 million units shipped annually in the US water heater market, more than 90% are storage tank-type water heaters with low thermal efficiency, but a gradual shift to tankless water heaters with high thermal efficiency is taking place. Tankless water heaters were first introduced around 2000, and although their use has steadily expanded, they only account for just over 10% of the market, and considering examples from other countries such as Australia, there is potential for them to increase to the 30% level. Recent restrictions on the use of gas appliances, a focus on heat pump water heaters, and other factors have caused the market to slow, but awareness of tankless water heaters is increasing, and they are also becoming more efficient, so we can say a solid foundation is being built.




Features of Each Water Heater



Storage tank-type water heater

Storage tank-type water heaters store water in a large tank made of metal or other material, and slowly heat it using electricity or gas before dispensing hot water. Given its simple structure, the merits of a storage tank-type system include relatively low initial costs and easy installation and setup. That being said, water in the storage tank cannot be instantly converted to hot water, so there is the inconvenient possibility that cold water will be dispensed if hot water stored in the tank runs out. Furthermore, as time is required to heat water in the tank, it must be preheated. Depending on the timing of water usage, there is the added drawback that energy might be wasted in maintaining temperature to ensure water in the tank does not cool down.



Tankless water heater

Tankless water heaters, also known as "instantaneous water heaters," are designed to instantly heat water on demand, providing boiling water anytime it is needed.

For these reasons, tankless water heaters are highly efficient and more environmentally friendly in terms of energy consumption and CO₂ emissions compared to storage tank systems. Additionally, tankless systems can instantly dispense hot water, so there is no need to boil in advance, and hot water can be dispensed continuously. However, due to its complex structure, which includes a heat exchanger that converts cold water into hot water as it flows through the unit, the initial purchase cost is higher than storage tank-type systems.

Rinnai America Sales Strategy

As tankless water heaters utilize gas as fuel, gas lines must be installed along with the equipment. Even in the United States, where DIY is widespread, tankless water heaters are typically installed by contractors. Storage tank-type water heaters, which are simple to install, are mainly sold at home improvement centers and other stores, but tankless water heaters are handled by installers. We believe the key to widespread adoption of tankless water heaters lies in building strong relationships with installers, and hold a wide range of Rinnai Experience events so installers can experience the Rinnai brand and water heaters. As we also believe it is important to increase user awareness, we have proactively promoted tankless water heaters for some time, including the Try Rinnai Tour, a mobile exhibition that traverses the United States in a truck loaded with tankless water heaters.



Rinnai brand experience at Rinnai Experience



Truck loaded with tankless water heaters on the Try Rinnai Tour

Rinnai America Production System

Rinnai's overseas expansion begins by initially manufacturing products in Japan, where our main factories are located, then exporting them overseas. After that, we expand our sales area through alliances with local sales partners, and when the scale of business expands, we establish a local production base and aim for higher unit sales. We will successfully establish business in various countries through the efficient local provision of the highest quality products in that country and by contributing to local lifestyles.

As the proportion of tankless water heaters in the US water heater market continues to steadily expand, Rinnai America is shifting away from importing products made in Japan to the establishment of local production facilities. The company now has its own production factory in Griffin, Georgia, which has increased the ratio of locally produced water heaters. Increasing production also leads to the creation of local jobs, and together with the lifestyle support our products provide, Rinnai is playing a part in revitalizing the local community.



Griffin Factory, engaged in the local production of tankless water heaters



Expanding Rinnai "manufacturing" through local employment

Overseas Company Introduction: United States
Message from President of Rinnai America

Promoting the Appeal of Tankless Water Heaters
while Supporting Next-generation Energy,
and Expanding Business Scale through
Proactive Investments

Frank Windsor
President of Rinnai America



Year in Review and Enhancement Points

In 2023, annual sales of tankless water heaters fell nearly 6% year on year, which combined with supply chain issues caused by the pandemic, made it an extremely difficult year. The importance of condensing tankless water heaters is increasing in the tankless water heater market, and we launched the new *Sensei RX* condensing water heater at the beginning of 2024. To strengthen weaknesses in our product lineup, we will also launch new electric heat pumps, condensing boilers, and commercial boilers.

Surrounding Energy Industry and Countermeasures

The gas appliance industry has succeeded in securing the continued sale of fossil fuel and non-condensing water heaters, ensuring they remain an option for consumers. Rinnai America will continue to emphasize that our gas tankless water heaters are the most efficient on the market, and we will also continue to lobby for the ongoing necessity of these products for consumers. The gas water heater business will continue to be a supporting pillar of Rinnai America's strategy. The new *Sensei RX* water heater has a number of features that make the work of installers easier, such as the standardization of NG/LPG gas models with automatic gas volume adjustment functions, connectivity with other devices, ease of outdoor installation, ease of maintenance, and model settings. These features have been well received both by installers, as well as distributors and end users.

At the same time, in North America, the shift from fossil fuels to alternative fuels is ongoing. Examples of alternative fuels include electricity, hydrogen, renewable propane, and renewable dimethyl ether (rDME). Relevant ministries and organizations in each industry are stepping up efforts to respond to next generation energy structure changes.

In terms of electrification, we commenced sales of electric heat pump water heaters in spring 2024. In parallel with this, we are working on the development of next-generation products through a global joint development program in collaboration with Rinnai team members in New Zealand, Australia, the United States, and Japan. Regarding hydrogen, Rinnai will utilize its 100% hydrogen-burning technology to conduct demonstration experiments in California and other locations where hydrogen operations and developments are progressing. We are also working with Rinnai UK, which has a partnership with the British company Dimeta, to explore the potential of rDME.

Support for all types of energy will enhance the product portfolio of Rinnai America and the entire Rinnai Group, laying the foundation for the next generation and enabling us to exceed customer expectations.

Sales Strategy and Production Activities

Installation contractors are one of the most influential aspects of the consumer decision-making process, making them very important from a marketing perspective. One of the key priorities in our sales strategy is to build strong relationships with the industry through various initiatives such as the "Rinnai Experience" and "Try Rinnai Tour."

Within production activities, continuous improvement (*kaizen*) is an essential element of our daily work. By focusing on small changes every day, we continuously improve indicators in all areas. Furthermore, based on Rinnai's fundamental concept "Quality is our destiny," we are never satisfied with the status quo and are committed to the ongoing pursuit of excellence.

Human Resource Investments and Capital Expenditures

At Rinnai America, human resource development and investment have been at the heart of our strategy for several years. One of our core strategic priorities is "Talent Magnet." Rinnai America is dedicated to developing motivated personnel and creating a team that can deliver high performance. Employees are Rinnai's greatest asset, and we are working to create an internal environment that can attract, develop, and retain talented people.

Production at our Griffin Plant in Georgia is proceeding on track, and when developing this facility, we took future growth into consideration, so there is room for expansion. We plan to continue enhancing production capacity, including the development of condensing water heaters and other product technologies, and will make the requisite investments to achieve these aims.

Future Outlook

Rinnai America plans to achieve sales of \$500 million in 2025. We will continue to expand our product portfolio and implement proactive sales and marketing programs to boost sales and reach the target of \$700 million in 2028. In this way, we will embody Rinnai's value in the market based on the fundamental concept "Quality is our destiny." As an organization that puts the customer first, we will also steadfastly fulfill our brand promise of "Creating a healthier way of living."



Condensing tankless water heater *Sensei RX*

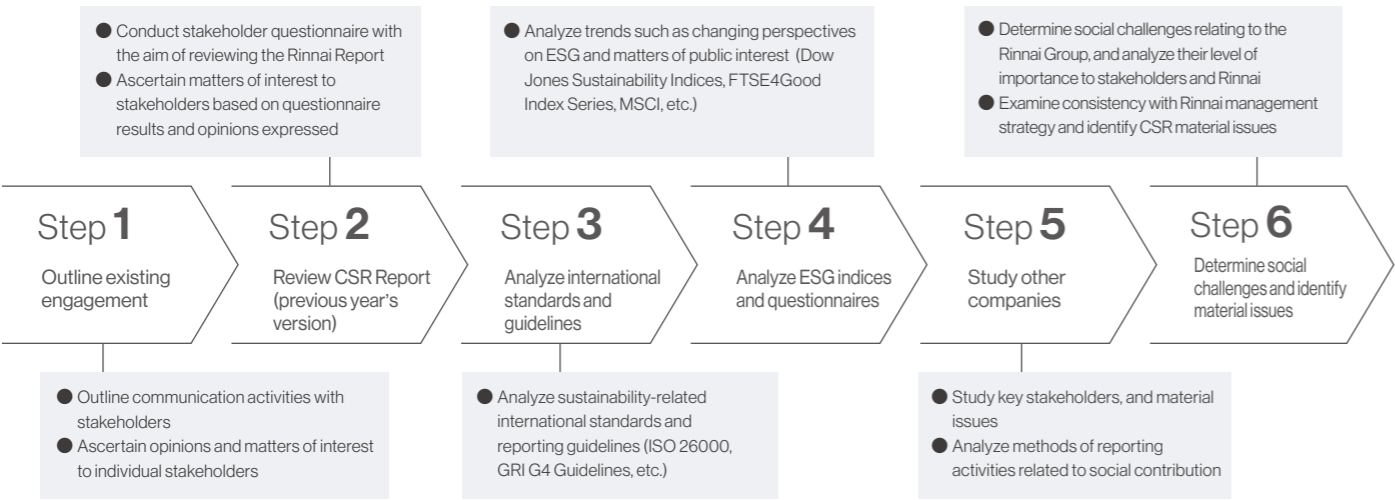


Electric heat pump water heater

Identifying Material Issues

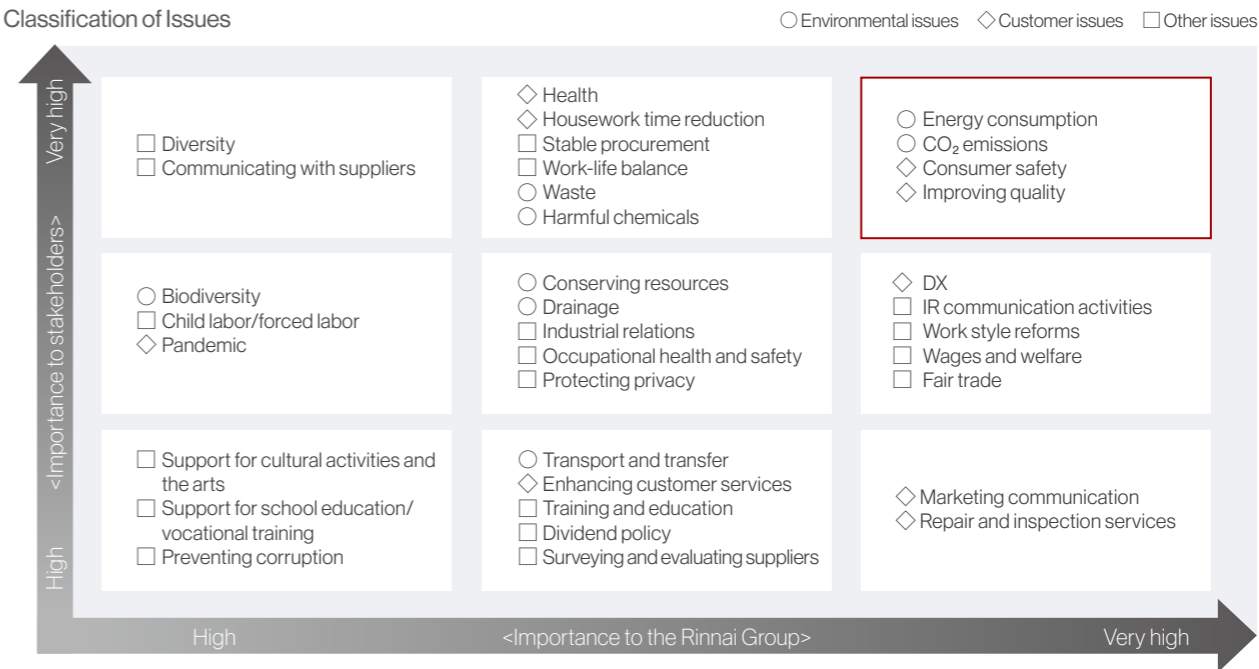
We make every effort to identify social challenges affecting the Rinnai Group through day-to-day communication activities with stakeholders coupled with study and analysis of applicable guidelines and ESG indices. We also identify CSR material issues through the Rinnai Group value creation process in 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.



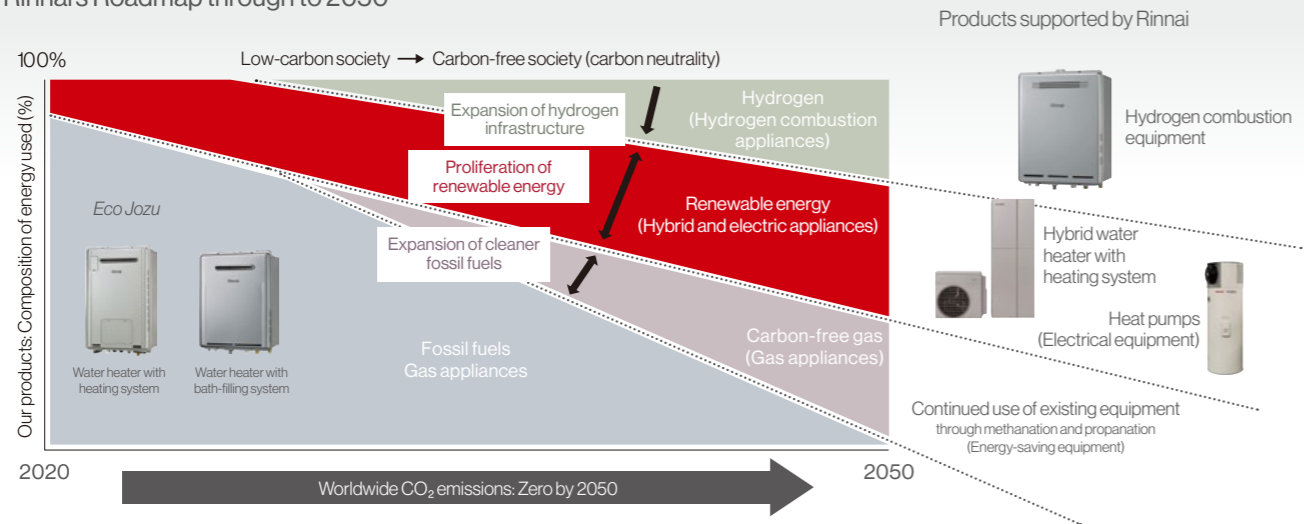
Materiality Summary

Material Issues	Main Activities and Initiatives	Key Performance Indicators (KPIs) and Issues	Themes covered	Reference page	Related goals
Energy consumption/CO ₂ emissions	Achieving carbon neutrality in business activities and product development	Amount of CO ₂ reduction contribution Fiscal 2026: 8.2 million tons	Environment	31–38	  
Consumer safety/Improving quality	Improving quality of products and workflow from the safety of customer use through to production	Number of defects leading to a recall announcement: 0	Safe and reliable	39–40	 
Health/Housework time reduction	Supporting the health of customers and improving the quality of their lives	Sales of products that contribute to improved quality of life: 200% of fiscal 2021 sales	Improving the quality of life	41–42	 
Work-life balance/Work style reforms	Supporting employee job satisfaction and ease of work Improving employee performance	Employee engagement Positive responses: Up 15 points in fiscal 2026 (compared to fiscal 2021)	Human capital	43–44	 
DX	Utilizing network tools to connect devices and support streamlining of work in all areas of business activities	DX professionals: 10, DX technicians: 50 (fiscal 2026)	DX	45–46	  
Stable procurement	Continuous and stable supply of products as lifestyle essentials to the market	Increase in on-time delivery rate	Suppliers	47–48	 
IR communication activities	Building favorable relationships with shareholders and investors Providing useful information to stakeholders	Increase in the number of IR interviews handled	Shareholders and investors	49–50	

RIM 2050 Carbon Neutrality Declaration

In 2021, we announced the Rinnai Group's Carbon Neutrality Declaration (RIM 2050). We currently continue to promote the highly efficient *Eco Jozu* water heater in Japan to move towards a "low-carbon society." Rinnai will also respond to the trend of decarbonization gas (methanation, propanation) in the fuel industry with its conventional products. At the same time, we are working to systematize hybrid water heaters, which are finding growing adoption to achieve net zero CO₂ emissions. Furthermore, we are endeavoring to establish technology for combustion equipment that is compatible with hydrogen infrastructure, and thus have built a structure for responding to a variety of external environments.

Rinnai's Roadmap through to 2050



Life cycle of Rinnai products

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



CO₂ Emission Targets and Progress

No CO₂ emissions targets for overseas operations were proposed at the time of the announcement of RIM 2050 in 2021 since CO₂ emissions were projected to increase in line with the expansion of overseas business operations. However, a new indicator called "CO₂ reduction contribution" has been established to promote the spread of energy-saving products overseas, so the alignment between corporate growth and achieving carbon neutrality is being sought (overseas-related only).

Business activities					Product use				
	2020	2022	2030	2050		2020	2022	2030	2050
Non-consolidated	2.2	100%	50%	0%		1,680	87%	67%	0%
Domestic-related	2.8	96%	50%	0%					
Overseas-related	5.4	106%	50%	0%	Additional indicator	2,820	2,986	—	0%
					CO ₂ reduction contribution	350	450	1,080	—

The figures for 2020 (base year) indicate CO₂ emissions (unit: 10,000 tCO₂)

The figures for 2020 to 2050 show the ratio of CO₂ emissions in the relevant year to the base year as a percentage (unit: %).

We spoke with the General Manager of Research & Development Headquarters about Rinnai's product development in the field of environmental technology.

VOICE

Rinnai's product development vision and system

Confidence in Achievement of the Medium-term Business Plan

The third year of our medium-term business plan New ERA 2025 has now drawn to an end. One product that has seen a significant change in circumstances since its launch is the *ECO ONE* hybrid water heater and heating system. Similarly, the highly efficient *Eco Jozu* water heater is also eligible for government subsidies, and initiatives to curtail CO₂ emissions using this product are in full swing. The Development Division is developing variations of *ECO ONE* that can be installed in not only new buildings but also as upgrades to existing structures and apartment buildings, and I am feeling that the product is becoming well established in the housing market.

Furthermore, turning to our overseas business, we have updated our high-efficiency water heaters in the United States. By establishing a common platform for the types of gas and exhaust variations, we have been able to greatly reduce the burden of holding inventory at logistics and sales locations and the like. This has been very well received by local retailers and other agents resulting in robust sales.

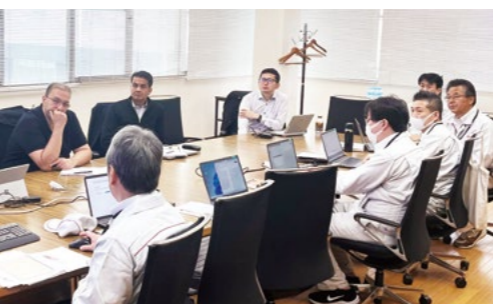
Product Development Vision

The vast majority of Rinnai's develop is focused on forward-looking development and product development for mass production. As such the ratio of fundamental research and applied research has been lower than that of general manufacturing industries. We will gradually strengthen and promote applied research as society as a whole undergoes major transformations to achieve carbon neutrality. Our emphasis will be on fields with a high affinity with our established businesses, and we seek to establish an innovation center to strengthen the development of next-generation products.

In addition to implementing the Company-wide medium-term business plan that runs through 2025, the Development Division is also working to strengthen its applied research fields with a target date of 2030. Looking further out as a long-term plan, the Research & Development Headquarters Vision has been set that envisions product development in 2040, and all of Rinnai is working to align its activities with this vision.



Managing Executive Officer
General Manager of Research & Development Headquarters
Yoshihiko Takasu



Scene from a global development meeting

Product Development System

We will also promote transformation in our development system. To cite one example, in the development of heat pump water heaters for overseas markets, engineers from Rinnai's Oceania businesses, who have a noted track record of development, will be involved in design and testing as part of development advanced via a global system. In Japan, we will expand our testing facilities and also bring together our manufacturing and development divisions to promote the development of hybrid water heaters with the aim of growing sales.

Appeal and Aspirations of Rinnai's Development Division

In tandem with trends towards electrification to achieve carbon neutrality, there are still many regions in the world where gas demand is projected to grow in the future. While endeavoring to develop technology and promote mass production in response to the transition to electrification, we are also working to refine our technologies in the markets that use gas, pursuing high quality and high efficiency. Furthermore, we would like to approach development from all fronts, also encompassing response to alternative energy sources such as hydrogen.

The Rinnai Development Division aims to achieve the Company's social goals of improving the quality of life and helping resolve global environmental problems. And in this rapidly changing society, we want to be an organization that stays one step ahead of the times. I would like to apply the experience gained in my previous role in the Overseas Business Headquarters and work hard every day to develop the abilities to anticipate the future from a global perspective and to turn that vision into reality.

Materiality [Environment] | Materiality Special Feature (1)-3

Rinnai is promoting the sale of the *ECO ONE* hybrid water heater and heating system, which combines electricity and gas to provide excellent environmental performance. We spoke with Mitsubishi Estate Residence Co., Ltd., a partner promoting the introduction of these systems in condominiums and other types of housing.

VOICE

Conversation with Mitsubishi Estate Residence on Promoting *ECO ONE* Introduction

We have recently installed Rinnai's *ECO ONE* hybrid water heater and heating system in all units of Mitsubishi Estate Residence's The Parkhouse Matsudo Honcho.

As part of Mitsubishi Estate Residence's initiatives to achieve carbon neutrality, the company has set a target of reducing CO₂ emissions by 50% by 2030 (compared to 2019). As one facet of this, we aim to make all condominiums we sell from 2025 onwards either ZEH-M Oriented or ZEH Oriented*.

ECO ONE is an excellent hybrid system that combines electricity and gas to achieve high efficiency and save energy, and its introduction has made a significant contribution to the realization of ZEH-M.

* ZEH-M Oriented or ZEH Oriented: A condominium that has reduced its overall primary energy consumption by 20% or more by improving its thermal insulation performance and installing high efficiency equipment systems.



Mitsubishi Estate Residence Co., Ltd.
(From left)
Third Development Department
Manager of Development
First Group
Shin Kohinata
First Sales Chief of
Sales Group
Naoki Hara



Entrance to The Parkhouse
Matsudo Honcho

The trend towards Zero-Energy Homes (ZEH) is ongoing everywhere in the housing industry. A phenomenon that has occurred as a result of this is forcing the choice as to whether to increase electricity or gas usage. Increasing the amount of electricity used in a condominium with ZEH restrictions limits the options for floor heating. Yet with *ECO ONE*, one can live in a ZEH-compliant condominium without having to forgo installation of comfortable housing equipment.

In terms of accessing the advantages of both electricity and gas, a major appeal of *ECO ONE* is its resilience or the ability to recover from a disaster, since even if either energy source is disrupted during a disaster, the lifeline can still be secured and water in the *ECO ONE* tank can be used for daily life.



ECO ONE X5 hybrid water heater for
apartment buildings

Our The Park House condominium series has been established as a refined brand, and *ECO ONE* complements that image. The design of the product goes without saying, but I feel that the brand image that Rinnai is communicating is one of elegance.

In my view, Rinnai's image has changed such that it is now known for its product development capabilities, tenacity, and refined design. As a company with a long history, I think it is commendable that while Rinnai has built a reputation and trust based on its past achievements, it is also innovating and reinventing itself with the times.

I have no doubt that *ECO ONE* is essential housing equipment for our strategy of reducing CO₂ and making homes ZEH-compliant, so I expect we will continue to proactively install it. But that does not mean the system is completely without issues. Since it takes a lot of space to install, room available for living areas is sacrificed, so there is still leeway for improvement. Rinnai is currently rolling out new *ECO ONE* variations, but ideas are needed for how to install them and how to combine them with other products. I would like to continue working with Rinnai to think about this, and I look forward their product development that can respond to market needs.

Materiality Special Feature (1)-4

Rinnai envisions a hydrogen society as one of the possible paths towards achieving carbon neutrality. The Rinnai Innovation Manifesto 2050 (commonly known as RIM 2050) aims to promote the development of hydrogen combustion technology, and thus far the Company has started work on the development of hydrogen water heaters and hydrogen-powered cooking equipment. We spoke to representatives of Toyota Motor Corporation, with which Rinnai announced joint development of hydrogen-powered cooking in 2022, about the current situation and future prospects of the collaboration.

VOICE

A conversation with Toyota Motor, a Rinnai partner for development of hydrogen cooking

Hydrogen has been used for industrial and commercial purposes for some time, but it seems that the era of a hydrogen society is not quite upon us. I think this is because hydrogen is still not something that is familiar to everyone in their daily lives. To overcome this, I think the way forward is to create the environment where more people can use hydrogen.

We have ventured into the development of cooking appliances that apply hydrogen combustion technology with Rinnai, particularly with the aim of creating new value from hydrogen. In 2022, Rinnai and Toyota announced their joint development agreement, and since then the companies have been collaborating on R&D and promotional activities.



Toyota Motor Corporation
Hydrogen Factory Hydrogen Product
Development Department
Masashi Nakamura



A jointly developed hydrogen stone oven

To create and spread the environment for hydrogen use, it is necessary to make the gas commercially viable. The price difference between hydrogen and other forms of energy such as electricity is difficult to close, but we believe that creating value in hydrogen has the potential to narrow this gap. We are collecting qualitative feedback based on the properties of hydrogen, such as how cooking meat with hydrogen makes it lighter and less oily while preventing it from drying out. We are quantifying these observations to conduct analyses, aiming to scientifically and sensorially prove that food cooked with hydrogen is indeed delicious.

Moving forward, we will work to keep the price of hydrogen and the added value it offers within a range that is acceptable to consumers. We are also considering building a hydrogen supply chain within local areas using the hydrogen cartridges that Toyota is developing. Yet even if we develop these hydrogen cartridges, they will be useless if they go unused. As such, I think Rinnai's help is needed in the development of cooking appliances to increase the amount of hydrogen consumed in homes and to improve the added value delivered by hydrogen utilization.

It is impossible for a single company to create a hydrogen society in isolation. I hope that everyone will play their role and build partnerships, such as Toyota creating a hydrogen supply chain and Rinnai creating cooking appliances, and all work together to achieve a hydrogen society.



Portable cooking appliance including a hydrogen griller (top)

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 CO₂ emissions" as material issues and the "amount contributed to reducing CO₂ emissions by using the product" and "sales target for environmentally friendly products" as its main target indicators.

Strategy

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

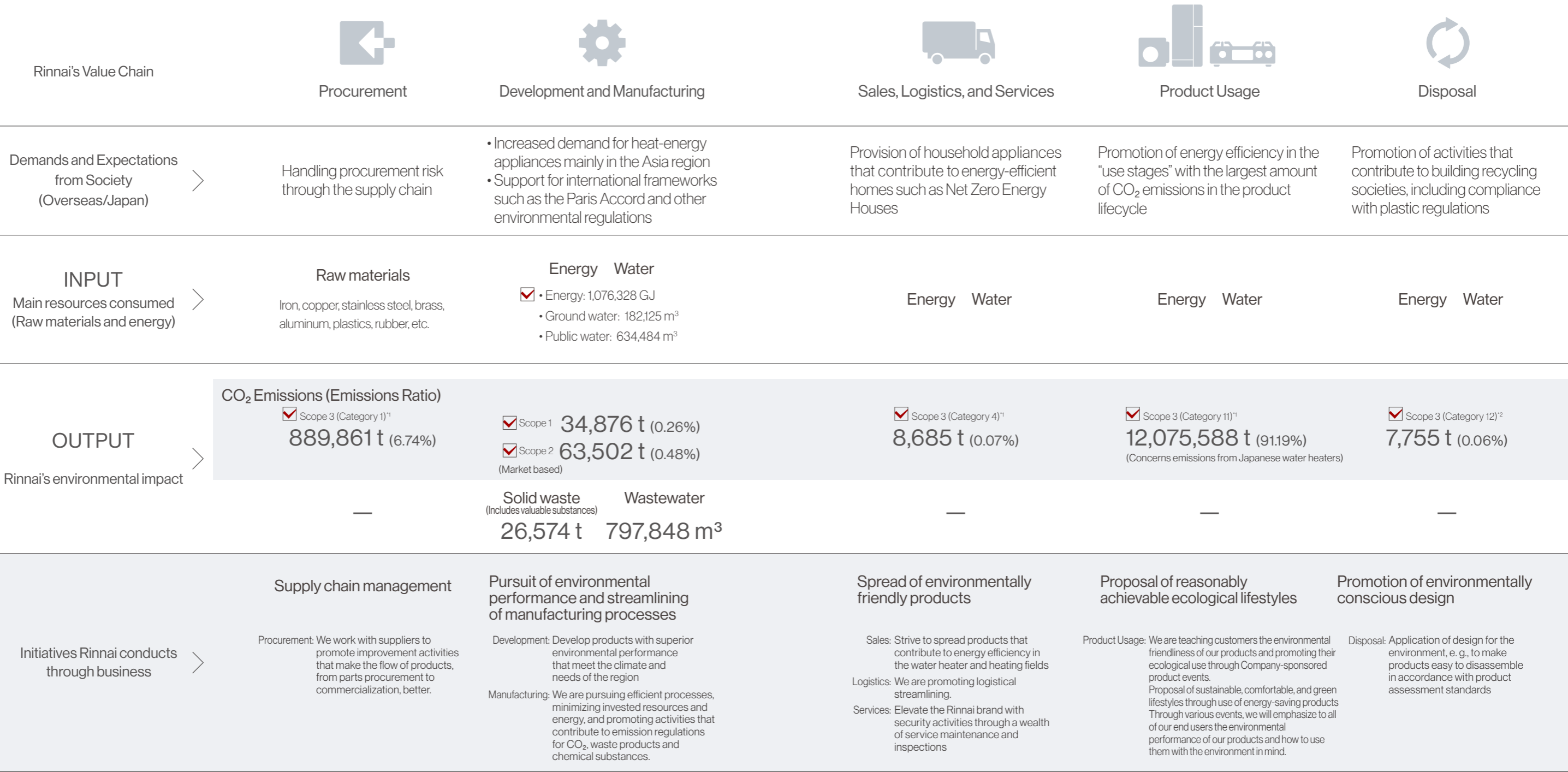
		Impact on Rinnai		Rinnai's response or impact on Rinnai.	Profit Impact (Amount/Duration)	Degree of urgency
		1.5°C scenario* (What Rinnai will do to keep the increase in temperature below 1.5°C)	4°C scenario* (Impact on Rinnai if the temperature rises by 4°C)			
Transition risks	Raw material procurement 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 ₂)	Current "low-carbon society" initiatives require higher efficiency energy-saving water heaters. Additionally, the advance of technologies such as decarbonized gas for realizing a "decarbonized society" will require more efficient energy-saving water heaters than in the past.	—	Promote the expansion of product lineups and sales of more efficient energy-saving water heaters.	¥8.4 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.	¥8.4 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 ^(see Note 1) in consideration of societal demands and impact on the environment.

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



Rinnai's estimates based on the "Basic Guidelines for Calculating Green House Emissions Through the Supply Chain" [Target scope] Rinnai Corporation and consolidated subsidiaries (*1. Rinnai Corporation *2. Rinnai Corporation and domestic consolidated subsidiaries) [Target period] Domestic: Fiscal 2024 (April 1, 2023–March 31, 2024) *2. Fiscal 2023 (April 1, 2022–March 31, 2023) Overseas: January 1, 2023–December 31, 2023 [CO₂ emissions (units)]: t/CO₂e, (%) represents the emissions ratio within each process.

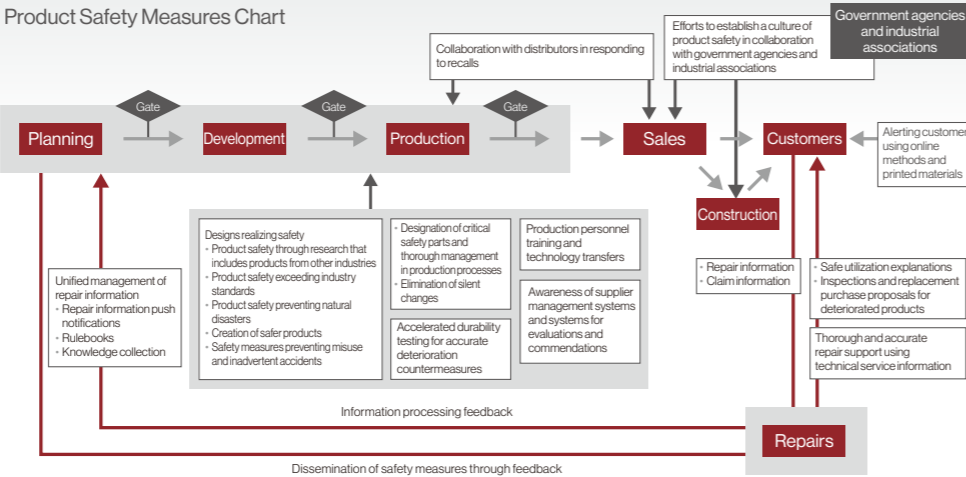
The indicators marked ☑ have received third-party assurance by LRQA Limited.

Winner of the METI Minister’s Award at the Product Safety Awards (PS Awards) 2023

Rinnai received the METI Minister’s Award in the Major Company Manufacturers and Importers Category at the Product Safety Awards (PS Awards) 2023, held by the Ministry of Economy, Trade and Industry. The Product Safety Awards (PS Awards) are a program in which the Ministry of Economy, Trade and Industry grants awards to businesses proactively working toward product safety, carefully screened from among a wide range of applicants. Evaluations are not of the safety of products themselves, but of the product safety activities in which each company is engaged.



Rinnai views improving quality and consumer safety as important business priorities, and daily efforts to achieve both are based on the Product Safety Measures System Diagram.



Rinnai’s Insistence on Quality—Message from Person Responsible for Quality—

“Quality is our destiny,” which is the fundamental concept underpinning product safety, was a pledge made by former Chairman Naito in order to compete on quality amidst fierce competition during the high-growth period. This led to the idea of not relying on others, and assuming the responsibility of manufacturing ourselves. Former Chairman Naito also issued a policy applying to gas appliances the “zero defects” concept, followed by those working in the aircraft industry, where a single mistake can lead to major accidents. As the last generation to have directly inherited the intentions of former Chairman Naito, we hope to foster a corporate culture of safety within the company.

In the Production Division, we designate parts that can lead to serious accidents if handled incorrectly as “critical safety parts,” and the processes involved in their production as “critical processes,” establishing a system ensuring the same level of safety and peace of mind is maintained even when production is carried out at overseas business sites, by rigorously controlling all operational aspects, from design to materials, personnel, equipment, and error handling.

Rinnai believes quality means preventing defects in production, as well as engaging in activities aimed at encouraging the safe and secure use of our products. As part of efforts to raise awareness and ensure that products delivered to customers are used safely, we are working through the industry to inform customers about promptly repairing and replacing products that have deteriorated over time.

Another issue to consider going forward is how to respond to the aging of society. To this end, we recently developed a stove that can be used safely and with peace of mind by the elderly. We will also continue to proactively enhance product safety in line with the times.



Managing Executive Officer, General Manager of Quality Assurance Headquarters
Chuji Nakashima
(At the PS Awards ceremony)

SAFULL+, a Stove Developed Alongside People with Dementia



In February 2024, we launched SAFULL+, a stove that can be used easily by seniors and people with dementia.

Developing a stove for people with dementia is a rare undertaking in our industry, and it was also Rinnai’s first attempt at planning and developing a product together with people suffering from dementia.

This product was developed jointly by Rinnai, Saibu Gas, which is based in Fukuoka Kyushu, and Mediva, a consulting company focused on dementia and other healthcare issues.

Over the course of two years, we worked with people with dementia on multiple occasions, monitoring and discussing things like how the stove felt to operate and how the equipment felt to the touch. We would then return and



Monitoring activity

make prototypes, then have them check them again, repeating this process until this product gradually took shape. Utilizing knowledge gained during the monitoring stage, we added colored buttons so that critical on and off functions are easy to identify, utilized a design with full-sized black burner grates over a white surface, and incorporated the use of relaxed, colloquial language that makes audio notifications easy to understand.

SAFULL+ monitoring equipment was installed in an adult day care services facility where people with dementia live, and we asked for feedback after a month or so of usage. As projected, there were fewer instances of forgetting or making mistakes when operating buttons, indicating that insights from the monitoring stage, such as full-sized black burner grates over a white surface, were being utilized effectively. Above all, it was clear to see that the people with dementia were cooking with enthusiasm and enjoyment, which gave us a sense of accomplishment.

This product is attracting a lot of attention from the media and users, and we have high hopes for future sales. On this development project, we tried many new things, including product development in line with municipal social activities and products created in conjunction with people who have dementia. We want to continue leveraging opportunities such as these going forward, as hope to see the emergence of products aimed at the elderly and people with dementia throughout the world.



Installing SAFULL+ at Day Service Sakura

VOICE



KAFUJ COMPANY
Day Service Sakura
Mitsuyo Motono

I am very pleased that companies are interested in the elderly and people with dementia, and are creating products for them. I worked with Rinnai on the development of a stove for people with dementia. We installed the actual product in our facility, where everyone uses it and enjoys cooking.

I think products that provide assistance without too many restrictions on the behavior are the key to getting more of the elderly and people with declining cognitive function to use them. In developing the SAFULL+, we asked Rinnai to make changes to the button colors, burner grates, and stove top, but at the end of the day, I think simplicity is best.

Maintaining the ability to engage everyday activities such as cooking for as long as possible enables us to continue living life without losing our sense of purpose. I want to continue using SAFULL+ over the long term, and hope that companies continue to develop a deeper understanding with regard to dementia.

Bathing Habits Revealed to Improve the Body’s Ability to Dissipate Heat through Perspiration and Blood Flow, Potentially Preventing Heatstroke

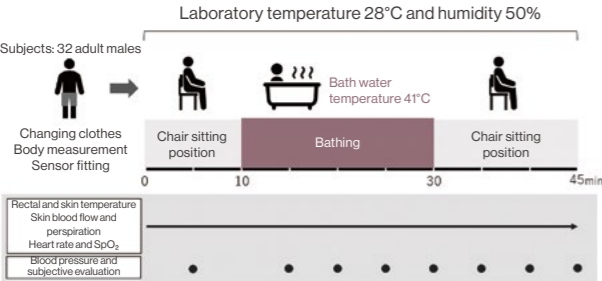
Collaborating with a research group led by Kyushu University Graduate School of Design Associate Professor Takayuki Nishimura, Rinnai has demonstrated that regular bathing habits may be able to improve perspiration and vasodilation. Our research suggests that bathing regularly increases perspiration and blood flow under hot conditions, which improves the body’s ability to dissipate heat from the surface of the skin, potentially contributing to the prevention of heat stroke and summer fatigue. These results were presented at the 84th Meeting of the Japan Society of Physiological Anthropology (2023).

[Research Background and Objectives]

Heat acclimatization is considered an effective measure against heatstroke. Heat acclimatization involves gradually building up tolerance to hot environments by getting used to the heat, but in recent years, factors such as the widespread use of air conditioners indoors and lack of exercise are thought to be preventing humans from acquiring heat acclimatization. High-intensity thermal loads are typically required to artificially achieve heat acclimatization, and Japanese people experience heat loads on a daily basis in the form of bathing, and daily bathing is thought to increase perspiration and promote heat acclimatization. Since it is not fully clear the extent to which daily bathing habits contribute to the body’s ability to adapt to hot environments, we measured the body temperature regulation function, including perspiration during bathing, with the aim of clarifying whether habitual soaking in the bath affects individual differences in thermoregulatory function.

[Experimentation Methodology]

We conducted experiments using 32 healthy male subjects. The laboratory temperature was set to 28°C with 50% humidity, and the bath water temperature was maintained at 41°C. The subjects rested in a chair in the bathroom for 10 minutes after the experiment began, then moved to the bathtub for a 20-minute soak. After that, they left the bathtub and rested in the chair for a further 15 minutes. A questionnaire on bathing habits was given to the subjects, and we inquired about bathing preferences and duration.



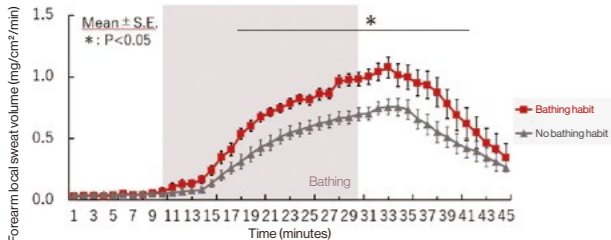
Experimentation methodology



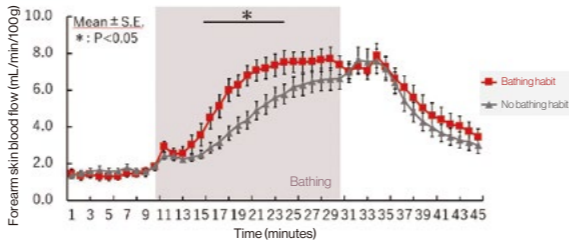
Experiment subject

[Results and Considerations]

Perspiration and blood flow were graphed for 12 subjects who habitually take baths (four or more times per week), and those who do not (fewer than four baths per week). As shown below, those who habitually take baths perspired significantly more before and after bathing, indicating that blood flow (vasodilation) increased more quickly. These results remained the same even when considering other factors, such as age, exercise habits, and BMI. These results suggest that repeated exposure to heat by bathing on a daily basis may improve the body’s heat dissipation function, even without engaging in high-intensity heat and exercise training.



Amount of perspiration during bathtime



Amount of blood flow during bathtime

VOICE



Kyushu University, Graduate School of Design Associate Professor

Takayuki Nishimura

I have loved taking baths ever since I was a child, and that love has grown to the point where I’m now studying them at university. As Rinnai is strongly associated with bathing, we felt they would be a highly compatible partner for our research into the pros and cons of bathing.

In bathing culture, there is increasing polarization between those who soak in the bath and those who only shower, and in the process of collecting various data to gain insight, we were able to quantitatively observe that the perspiration effect is stronger in people who take baths. As our research progressed, we were able to generate solid numerical results and gather enough data to prove our findings, and are now at a stage where we can make this announcement. Going forward, I hope to verify the changes that occur when people who do not take baths develop a regular bathing habit.

My image of Rinnai was a company that makes water heaters, but I learned that in addition to bathrooms, they also manufacture equipment for kitchens, and I was surprised at the breadth and scale of their business, which has expanded beyond Japan and throughout the world. In conducting joint research, I had the opportunity to interact with Rinnai employees, some of whom were serious, and others relaxed, but they were all united in their commitment to this project.

Rinnai is a leading manufacturer of hot water heaters, and I think it can lead the industry based on its strong association with bathing. I would even go so far as to say I hope Rinnai promotes bath and bathing culture throughout the world, as it can bring about global changes. I believe Rinnai has the power to make this happen.

Comfortable Bathing Experiences with Air Bubble Technology

To create new value in existing business domains, Rinnai developed the industry’s first residential-use water heater that provides hot water containing fine bubbles, which are divided into categories such as ultra-fine bubbles and microbubbles, depending on the difference in bubble diameter. We have defined the generation of fine bubbles from hot water equipment as “Air Bubble Technology” and are working to further advance fine bubble technology.

Air Bubble Technology is used in Microbubble Bath Units and ultra-fine bubble water heaters, making daily baths more relaxing, and simplifying the cleaning of wet rooms throughout the house. With Air Bubble Technology, Rinnai is providing new experiences in everyday life.

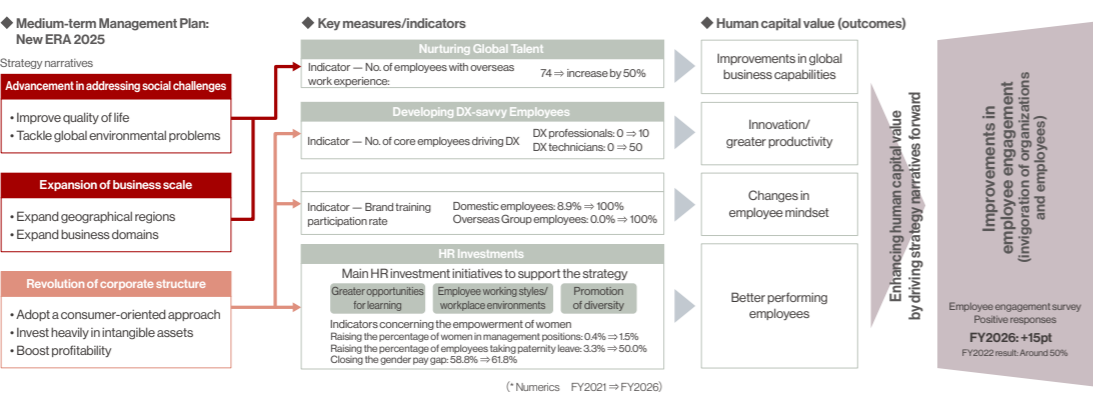


Materiality [Human Capital]

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.

Specific initiatives include clarifying positions needed by country and department, developing programs for overseas talent development, and establishing an overseas talent pool. Currently, we have 120 employees with overseas secondment experience, and our talent pool stands at 118 and projected to continue growing. We will continue to enhance our support for employee training, increase our competitiveness in the global marketplace, and focus more than ever on advancing our overseas business to ensure sustainable growth and competitiveness.

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.

In March 2024, Rinnai was designated as a “DX Certified Business Operator” under the DX Certification System established by the Ministry of Economy, Trade and Industry.

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 have launched specialized training programs. Currently, we have identified 22 candidates to become DX-savvy business personnel and have started their talent development. Besides training for than these core individuals, we are also promoting IT literacy training for employees. In fiscal 2024, some 300 employees invested a total of 10,000 hours to improve their skills.

Looking ahead, the Company as a whole will work towards improving the skills needed to create new business and streamline management.

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. In addition, we regularly survey our employees’ level of understanding of our brand, and in fiscal 2024, 56% of employee responses received were positive (down 4% from the previous year). Based on these results, we promoted further penetration of the brand through targeted education for brand ambassadors and designated staff in each department. Another initiative was the delivery of brand awareness training to all Rinnai employees, and we achieved our target for the year of 100% participation. We will continue to ensure that each employee is aware of the brand promise and work to firmly establish Rinnai as the brand of choice for our customers.

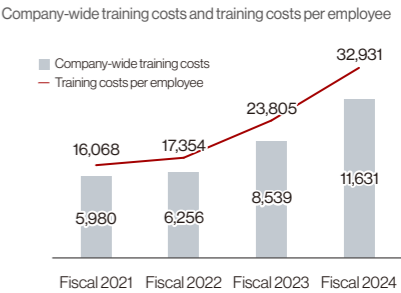
HR investments to support the strategy

(1. Greater opportunities for learning, 2. Promotion of diversity, 3. Employee working styles/workplace environments)

Alongside our global, DX, and branding initiatives, we are also undertaking medium- to long-term HR investments with the intention of enhancing employee performance, which is essential to the execution of our management strategies. We believe that for a company to grow, it is vital that employees feel empathy for its policies and strategies, take pride in their work, and approach their responsibilities in a self-directed manner. Since fiscal 2022, Rinnai has been conducting an employee engagement survey for all employees to clarify the current issues in each organization and implement invigoration measures. In the most recent survey conducted in October 2023, the positive response rate from employees declined 5 points from the previous survey, which was not a favorable result. Employees take pride in providing products and services that are essential to people’s lives and work with a strong sense of mission. Despite this, the engagement scores have fallen due to the influence of the Rinnai’s atmosphere, which is characterized by anxiety about the Company and employees’ own careers, and a strong mentality to prefer the status quo. Taking this employee feedback to heart, we would like to further accelerate our HRs investments to support the strategy of focusing on greater opportunities for learning, promotion of diversity, and employee working styles/workplace environments to both drive corporate growth and improve employee engagement.

1. Greater opportunities for learning

We recognize that investment in employee education is particularly critical within our human capital strategy and provide therefore proactive educational opportunities to support the improvement and growth of our employees’ capabilities. Rinnai’s training and education expenses have been steadily increasing over the past few years, as shown in the figure on the right. This increase is directly linked to the improvement and growth of employees’ capabilities and contributes to enhancing the organization’s competitiveness organization as a whole. We have also created an environment that encourages employees to take the initiative in improving their fundamental business skills and expertise and to learn with their sights on their future careers. The number of employees participating in our self-improvement programs has steadily increased to 796 (up 36% compared to the previous year). Self-improvement by employees not only enhances motivation and skills, but also contributes to the formation of the desired organizational culture and sustainable growth.



In addition to the above, in fiscal 2022 we launched a core talent development project, as we believe it is essential to identify and nurture human resources from a Company-wide perspective. The second cohort of participants is currently undergoing this program, and 48 people have participated in the project to date. We have also implemented pre-management education as a measure to improve management skills at an early stage, with 50 employees attending the first session. Up ahead, we will continue to invest in education and training and work to develop the capabilities of our employees and the organization.

2. Promotion of diversity

Rinnai is introducing various initiatives to spark new ideas by utilizing human resources with diverse values and experiences. In particular, we recognize that there is still room for improvement in terms of utilizing the capabilities of female employees. The status of initiatives in fiscal 2024 is as follows: 11 women (11% of the total) were hired as new graduates for career-track positions, four women (four out of four eligible) were transferred from support roles (general positions) to career-track positions, and the ratio of female managers was 0.96% (three women were promoted to management positions). Rinnai is thus actively promoting diversity from various angles and encouraging the active participation of female employees in key postings. In addition to initiatives targeted at female employees, we are also encouraging male employees to take childcare leave. In fiscal 2024, we made progress toward our target of 50% in fiscal 2026, with a 36% rate of leave taken. Alongside efforts to create a comfortable workplace environment in which female employees can keep working, we are also raising the understanding of childcare among male employees, reassessing work styles, raising awareness of unconscious bias, selecting candidates for management roles and systematically training them, and thus fostering an internal culture that embraces diversity. Although this is a work in progress, we will continue to actively work to address the issues we face in promoting the advancement of women in Rinnai, and we will promote the participation and changing the awareness of all employees. We will be also striving to improve the innovativeness and competitiveness of the entire organization by promoting diversity and inclusion.

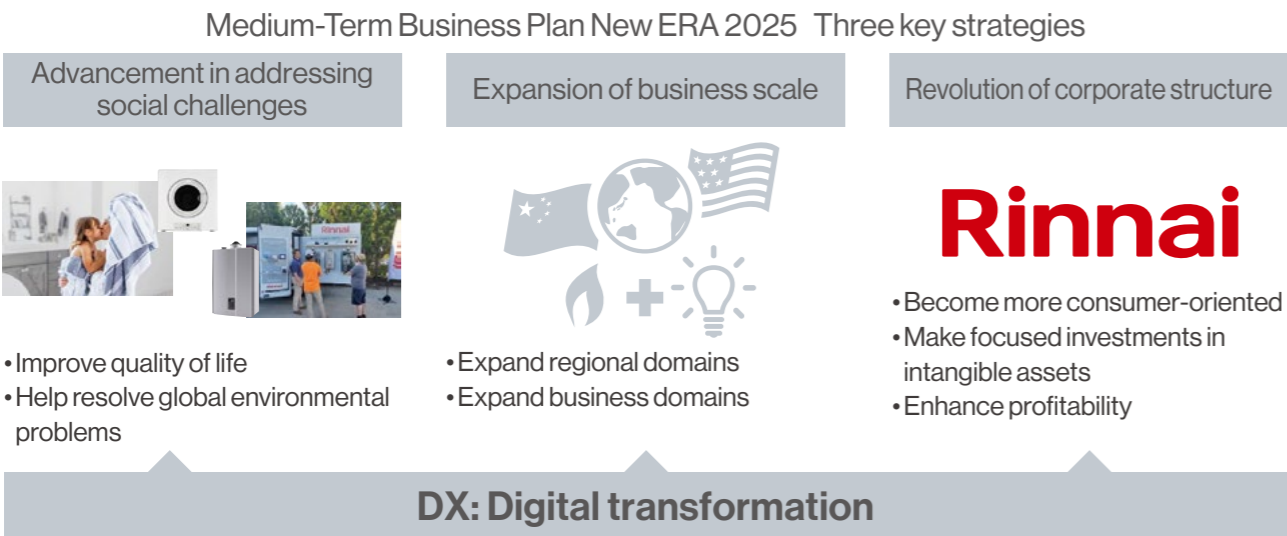
3. Employee working styles/workplace environments

We are working earnestly to improve employees’ working styles and workplace environments. We aim to improve employee engagement and productivity through initiatives such as health support and revisions to the personnel system. Rinnai is actively developing health support programs as part of the employee benefits services available to all employees. The number of users is increasing every year, with 2,098 people taking advantage of the services (up 806 compared to the previous year). In addition, we support the health and stress management of our employees by providing regular health checkups, stress checks, and healthy food options in our newly renovated staff cafeteria. In terms of the personnel system, we felt that it was necessary to review programs that were suited to employees’ working styles and to changing times. We therefore introduced a paid time off program, reviewed family allowances, and reviewed the working styles of reemployed people. Enabling employees to feel a sense of improvement in their work-life balance creates more fulfilling work environments leads to more positive outcomes for the organization as a whole. We will continue to listen to the opinions of our employees and work towards creating even better workplace environments.

Materiality [DX]

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 operate and 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.

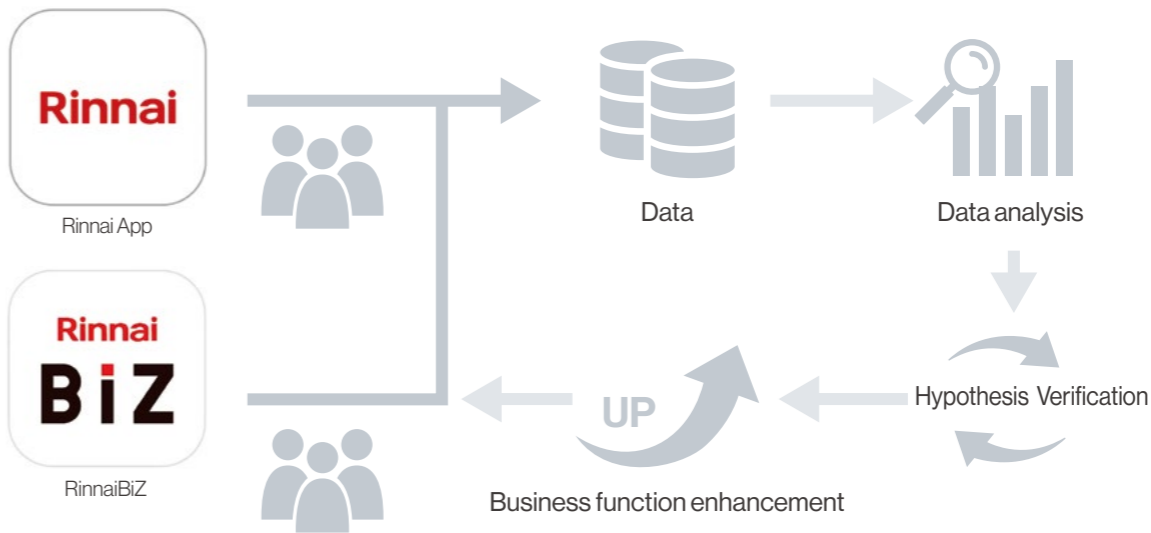


Examples of Initiatives 2

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. We also believe that generative AI, which has been evolving rapidly in recent years, is an important technology for improving productivity, and we are creating an environment in which generative AI can be used safely, and promoting its use. 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.

In March 2023, Rinnai obtained certification as a DX-certified business operator under the national Digital Transformation (DX) Certification initiative established by the Ministry of Economy, Trade and Industry. We will continue utilizing digital technologies to embody our brand promise, “Creating a healthier way of living.”



Materiality [Suppliers]

Building a Management and Production Structure Facilitating Stable Supplies

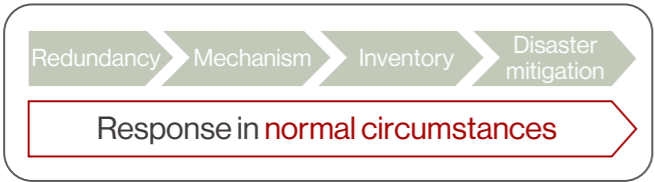
The Noto Peninsula earthquake occurred on January 1, 2024, and it is thought that there is a high probability of a Nankai Trough earthquake occurring within the next few decades. In addition to earthquakes, geopolitical and natural disaster risks are always on the horizon, and we are urgently establishing a stable parts procurement system. To this end, it is extremely important to take action and make efforts to minimize the impact of damage under normal circumstances, before a risk event occurs.

We are working with suppliers to build a stable procurement system through joint initiatives, such as diversifying production bases and raw material procurement sources, maintaining appropriate inventory levels to respond to risk, implementing disaster mitigation measures, and shortening the recovery period.

In fiscal 2025, we are specifically anticipating a Nankai Trough earthquake, and have selected and visited 19 companies predicted to be significantly impacted by this event as we work with suppliers to promote disaster mitigation activities.

We will continue to engage in these activities on an ongoing basis, aiming to achieve the ambitious goal of building a procurement system with zero stockouts, and regardless of risks that may arise in the future, we will continue to vigorously promote these activities going forward.

Building a stable procurement system



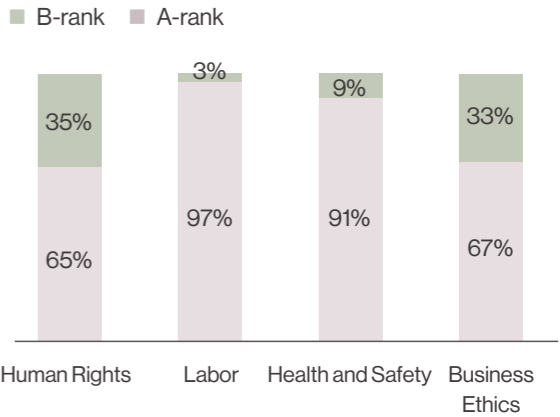
Worksite patrol

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 2024, we requested suppliers to respond to a CSR questionnaire, and received replies from 221 of them (including 175 primary suppliers).

As a result, there were no C-rank suppliers. If any issues are found, we approach the supplier to make corrections. We also conduct audits, including worksite inspections and interviews, as necessary.

Risk Ranking	Score	Explanation
A-rank	80 points or higher	No problems
B-rank	40–79 points	Some items require improvement, but voluntary improvement is possible
C-rank	39 points or lower	Some items require improvement, and immediate improvement and monitoring are required



Responsible Mineral Procurement

To fulfill our social responsibility in procurement activities, Rinnai ensures that payments for minerals (tin, tantalum, tungsten, and gold) used in 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.

Rinnai uses 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 175 suppliers who were requested to participate. Approximately 66% use CFS* equipment. We conduct risk analysis and evaluation, and if risks are detected, we request procurement from smelters and refiners without issues.

* Conflict-free smelter. Smelters and refiners that have been audited and certified as conflict-free.

VOICE



CANOX CORP.
Nagoya Head Office General Manager of
Steel Sheet Department
Kenkichi Hamada

Learning from Numerous Disasters

We have 10 bases nationwide, from Hokkaido to Kyushu, and 12 Group companies that handle processing and logistics.

In the Great East Japan Earthquake, there was damage to factories and offices, and we experienced road network disruptions and rolling blackouts. By sharing these experiences, we are working to ensure safety and formulate recovery plans in the event of a disaster, with BCP based on the idea that these are events that affect us personally, rather than merely something that affects other people. Joint site inspections provided us with advice from new perspectives, and we immediately implemented countermeasures.

We will continue to work with customers to strengthen the foundation of stable supplies by considering what we should be doing now to prepare.

Materiality [Shareholders and Investors]

Dialogue on Rinnai Initiatives for Medium- to Long-term Business Growth



In April 2024, Rinnai held an IR event at its Oguchi Factory in collaboration with the institutional investor Commons Asset Management, Inc. welcoming investors and their families. On the day of the event, investors in Commons Asset Management's *Kodomo* (Children's) Trust and their children experienced "*karakuri* improvement," a typical example of improvement at the factory.

The *Kodomo* Trust is an account for minors provided by Commons Asset Management, which enables asset building as children grow. The asset management company also provides opportunities for children to participate in its *Kodomo* Trust Seminars. At these events, participants can experience the initiatives of the companies in which the trust has invested, while learning firsthand how investing supports companies. This *Kodomo* Trust Seminar at Rinnai was a great forum for investors, children, and the Company to communicate with each other.



Unlike mechanized systems, a *karakuri* operates based on natural principles without using artificial energy. In our factories, *karakuri* improvements are used to make work easier and eliminate waste without using electricity or other energy sources. Participants were able to experience the principles at work using levers.

After that, they toured the factory and viewed how the *karakuri* improvements that they had experienced are actually used. I believe that the participants were able to gain insight as to how Rinnai is constantly improving its products and delivering them to customers.



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.

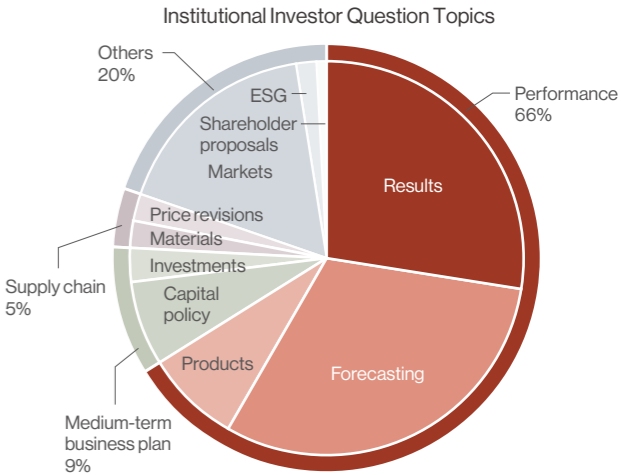
Fiscal 2024 Activities

IR interviews conducted a total of 270 times	Fiscal 2024 interim results briefing (livestream):
One-on-one interviews: (Tokyo: 62; Nagoya: 25)	80 attendees
Telephone interviews: 9 times	Fiscal 2024 year-end results briefing (livestream):
Online coverage: 174 times	100 viewers

Institutional Investor Opinions at Fiscal 2024 Year-End

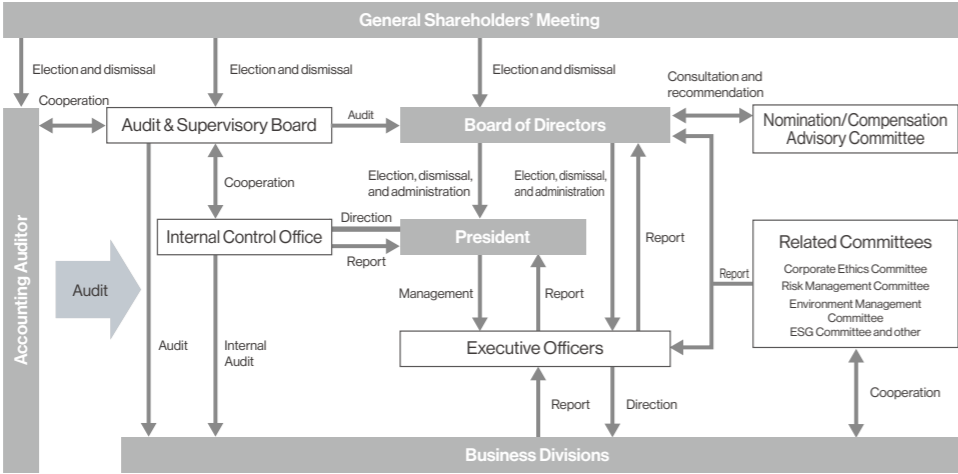
In addition to customary questions regarding business performance, future outlook, and the status of product sales, at the fiscal 2024 financial results announcement, institutional investors and analysts also touched on also topics such as trends in raw material prices and the effects of price revisions, environmental policies and corresponding measures, and capital investment in carbon neutrality.

There were wide-ranging discussions on capital policy and growth strategy, with many exchanges regarding the use of funds, including share buybacks, dividend increases, and investments. As a result, there seemed to be a lot of attention on how ROE and ROIC will fluctuate in the future.



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.

Audit & Supervisory Board members attend Board of Directors' meetings and other important meetings to monitor director and executive organization execution of duties and development and operation of the internal control system. 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 nine members, four 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. In addition to resolutions on matters such as M&A deals, the Board of Directors also discusses measures aimed at realizing management that is conscious of capital costs and stock price, evaluates the effectiveness of the Board of Directors, and reports on feedback from dialogues with investors.

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 and chaired by outside 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 2024)

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)	350 (27)	261 (27)	72 (—)	16 (—)	9 (4)
Audit & Supervisory Board members (including outside members)	45 (13)	45 (13)	— (—)	— (—)	5 (2)
Total (including outside members)	396 (41)	307 (41)	72 (—)	16 (—)	14 (6)

Director Compensation System

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 60:40 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:



Annual Remuneration General Summary

- Consisting of a financial evaluation portion (80%) and a nonfinancial evaluation portion (20%)
- The financial evaluation portion varies between 0 and 200% of the standard amount, depending on the degree to which operating income and ROE targets have been achieved.
- The non-financial evaluation portion varies between 0 and 200% of the standard amount, depending on the degree of improvement in employee engagement (+ qualitative evaluations).

Restricted Stock Compensation General Summary

- Fixed + qualitative evaluation (considers total shareholder return)

3. Stock ownership guidelines

Effective the 75th fiscal year (ending March 31, 2025), the Corporation will establish the following guidelines for the number of shares of its stock to be held by directors during their terms of office, with the aim of steadily increasing corporate value and further promoting common interests between directors and shareholders.

- President and representative directors: Shares equivalent to 1.5 times the amount of base compensation by the end of three years after assuming office
- Other directors (excluding outside directors): Shares equivalent to one time the amount of base compensation by the end of three years after assuming office

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 a non-financial evaluation portion of annual bonuses and additional delivery of restricted stock based on corporate value evaluation, is determined by deliberation of the Compensation Advisory Committee to which the Board of Directors has resolved to delegate authority.

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 2024) when necessary. The following are the members of the Compensation Advisory Committee who deliberated policies for the 75th fiscal year and their activities during the fiscal year.

Members

- Takashi Kamio, Outside Director (Chairman of the Committee)
- Kumi Sato, Outside Director
- Tadashi Ogura, Outside Director
- Hiroyasu Naito, President and Representative Director

Activities

- February 29, 2024: Deliberation on revision of policy for determining details of compensation for directors
- May 17, 2024: Discussion of individual director compensation amounts for fiscal 2025
- June 27, 2024: Selection of the Compensation Advisory Committee chairperson and discussion of individual officer compensation amounts for fiscal 2025

Governance

Leadership

(As of June 27, 2024)

Board of Directors

Kenji Hayashi	Representative Director, Chairman of the Board
Career Summary and Current Position in the Corporation:	
Apr. 1972	Joined Rinnai Corporation
Sept. 1978	Director
Feb. 1980	Director, and General Manager of Corporate Planning Office
Jun. 1983	Managing Director, and General Manager of Production Technology Division

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

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

Hideyuki Shiraki	Director, Senior Managing Executive Officer
Career Summary and Current Position and Responsibility in the Corporation:	
Apr. 1989	Joined Rinnai Corporation
Apr. 2017	Executive Officer, General Manager of Kanto Branch Office, Marketing & Sales Headquarters
Apr. 2019	Executive Officer, Deputy General of Marketing & Sales Headquarters, concurrently, General Manager of Kanto Branch Office
Jun. 2020	Managing Executive Officer, General Manager of Marketing & Sales Headquarters
Apr. 2023	Senior Managing Executive Officer, General Manager of Marketing
Jun. 2023	Director, Senior Managing Executive Officer, General Manager of Marketing (current)
Jun. 2023	Director, Senior Managing Executive Officer, General Manager of Production Engineering Headquarters (current)

Takashi Kamio	Outside Director, Independent Officer
Career Summary and Current Position in the Corporation:	
Apr. 1965	Joined Toyota Motor Co., Ltd.
Jun. 1996	Director at Toyota Motor Corporation
Jun. 1999	Managing Director at Toyota Motor Corporation
Jun. 2001	Senior Managing Director at Toyota Motor Corporation
Jun. 2005	Senior Advisor at Toyota Motor Corporation
	President at Towa Real Estate Co., Ltd. (currently, Toyota Fudosan Co., Ltd.)
Jun. 2006	Director at Nakanihon Kogyo Co., Ltd.
May 2010	Advisor at Toyota Motor Corporation
Jun. 2010	Senior Advisor at Towa Real Estate Co., Ltd. (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

Yoko Dochi	Outside Director, Independent Officer
Career Summary and Current Position and Responsibility in the Corporation:	
Apr. 1987	Joined The Bank of Tokyo, Ltd. (currently, MUFG Bank, Ltd.)
Sept. 1996	Joined World Bank Group (WBG)
May 2001	Joined Toyota Motor Europe S.A./N.V.
Jan. 2015	General Manager of Global Treasury and Investor Relations at Toyota Motor Europe S.A./N.V.
Mar. 2018	In charge of Investors Relations and Accounting Division, and Stock Group at Toyota Motor Corporation
Nov. 2018	Joined SoftBank Group Corp. Managing Director, in charge of Finance, General Manager of Investor Relations
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)
Mar. 2024	Outside Audit & Supervisory Board Member at Kirin Holdings Company, Limited (current)
	Current Representation in Other Companies:
	Outside Director of NIPPO LTD. Trustee of Daiwa Anglo-Japanese Foundation
	Outside Audit & Supervisory Board Member at Kirin Holdings Company, Limited

Jul. 1992	Managing Director, and General Manager of Related Business Division
Jun. 2005	Director, Managing Executive Officer, and General Manager of Related Business Division
Jun. 2006	Representative Director, Vice Chairman of the Corporation
Apr. 2017	Representative Director, Chairman of the Board (current)

Jun. 2003	Managing Director, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division
Jun. 2005	Director, Managing Executive Officer, General Manager of Corporate Planning Division and concurrently General Manager of Administration Division
Nov. 2005	Representative Director, President and Executive Officer of the Corporation (current)

Current Representation in Other Companies: Outside Director at Nagoya Railroad Co., Ltd.

Kazuto Inoue	Director, Senior Managing Executive Officer
Career Summary and Current Position and Responsibility in the Corporation:	
Apr. 1985	Joined Rinnai Corporation
Apr. 2008	Vice President of Rinnai Korea Corporation
Jun. 2012	President of Rinnai Precision Co., Ltd.
Apr. 2016	Executive Officer of the Corporation, General Manager of Production Control Division, Production Headquarters
Apr. 2017	Executive Officer, Deputy General Manager of Production Headquarters
Apr. 2018	Executive Officer, General Manager of Production Engineering Headquarters
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)

Tadashi Ogura	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)
Jun. 2005	Director at NORITAKE CO., LIMITED
Apr. 2008	Director, & Managing Executive Officer at NORITAKE CO., LIMITED
Jun. 2010	Director, & Senior Managing Executive Officer at NORITAKE CO., LIMITED
Jun. 2011	Director & Vice President, Executive Officer at NORITAKE CO., LIMITED
Apr. 2012	Representative Director & Vice President, Executive Officer at NORITAKE CO., LIMITED
Jun. 2013	Representative Director & President, Executive Officer at NORITAKE CO., LIMITED
Jun. 2018	Representative Director & Chairman at NORITAKE CO., LIMITED (current)
Jun. 2021	Outside Director at Meiko Trans Co., Ltd. (current)
Jun. 2023	Outside Director, Rinnai Corporation (current)

Current Representation in Other Companies:
Representative Director & Chairman at NORITAKE CO., LIMITED

Kumi Sato	Outside Director, Independent Officer
Career Summary and Current Position and Responsibility in the Corporation:	
1989	Editor-in-chief and publisher of an English-language magazine "AVENUES"
2005	Producer, Friendship Film Festival of the 2005 World Exposition, Aichi, Japan
Apr. 2012	Professor, Faculty of Global and Media Studies, Kinjo Gakuin University
Apr. 2014	Event Director, Aichi International Women's Film Festival (Aichi Gender Equality Foundation)
Apr. 2021	Professor, Faculty of Technology, International Professional University of Technology in Nagoya (current)
Jun. 2024	Outside Director, Rinnai Corporation (current)

Current Representation in Other Companies:
Professor, Faculty of Technology, International Professional University of Technology in Nagoya

Audit & Supervisory Board Members

Masanori Shimizu	Standing Audit & Supervisory Board Member
Career Summary and Current Position in the Corporation:	
Apr. 1984	Joined Rinnai Corporation
Apr. 2016	Executive Officer, General Manager of Technology Development Division, Research & Development Headquarters
Apr. 2021	Executive Officer, Deputy General Manager of Quality Assurance Headquarters, concurrently General Manager of Quality Assurance Division
Apr. 2022	Senior Executive Officer, General Manager of Quality Assurance Headquarters
Jun. 2023	Standing Audit & Supervisory Board Member (current)

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

Current Representation in other companies
President of Masaaki Matsuoka CPA office
Audit & Supervisory Board Member at Kanemi Co., Ltd.
Outside Audit & Supervisory Board Member at Mitachi Co., Ltd.

Atsuo Kashima	Standing Audit & Supervisory Board Member
Career Summary and Current Position in the Corporation:	
Apr. 1986	Joined Rinnai Corporation
Apr. 2018	General Manager of Accounting Division
Apr. 2021	Executive Officer, General Manager of Accounting Division
Apr. 2024	Assistant to Chief of Corporate Management Headquarters
Jun. 2024	Standing Audit & Supervisory Board Member (current)

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

Current Representation in other companies
President of TRUTH & TRUST Law Office
Outside Director at Howa Machinery, Ltd. (Audit and Supervisory Committee Member)

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
Managing Executive Officer	Hayao Nishizawa	General Manager of Overseas Business Headquarters and General Manager of Second Sales Division
Executive Officer	Katsunori Tanioka	Deputy General Manager of Marketing & Sales Headquarters and General Manager of Sales Division
Executive Officer	Hiroyuki Hoyano	General Manager of Kanto Branch, Marketing & Sales Headquarters
Executive Officer	Daisuke Naito	Deputy General Manager of Overseas Business Headquarters

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/ Risk management	Sustainability	IT/Digital Transformation (DX)
Kenji Hayashi	●	●	—	—	●	●	●	—	—
Hiroyasu Naito	●	●	●	—	●	—	—	●	—
Tsunenori Narita	●	—	●	●	—	●	—	—	—
Hideyuki Shiraki	—	—	—	●	—	●	—	—	●
Kazuto Inoue	—	●	●	—	—	—	—	—	●
Takashi Kamio	●	●	—	●	—	—	●	—	—
Tadashi Ogura	●	—	●	—	—	●	●	—	—
Yoko Dochi	—	●	—	—	●	—	●	●	—
Kumi Sato	—	●	—	—	—	●	—	●	●

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

Reasons behind Selecting Eight-Point Skills Matrix

Skill items	Reasons for selecting items (Requirements for achieving the medium-term business plan "New ERA 2025")
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 (E)>	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 solid knowledge and experience in human resource strategy and development to reform its human resource system to support employees' challenges and self-realization, propose new workstyles and improve brand power, and solidify the foundation for sustainable growth.
Governance (G)/Legal matters/ Risk management	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.
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.

Message from a Newly Appointed Outside Director



Kumi Sato
Outside Director

As the editor-in-chief and publisher of an English-language magazine, I have worked with many foreign journalists. In conducting interviews with them and completing articles introducing Japan, I learned that respecting each other’s culture and history is the first step towards understanding different cultures.

At present, there are approximately 3.4 million foreigners living in Japan, accounting for 2.5% of the total population, but it is estimated that this ratio will rise to 12.4% in 2070, around 50 years from now, meaning that there will be more than one foreigner for every ten Japanese people. At the same time, the rapid decline in Japan’s population and the aging of its society on the economy and nation is viewed as a problem. It is important to build an attractive future for Japan together with people from various cultural backgrounds who live in Japan. In this sense, Rinnai is required to develop products while remaining cognizant of the many foreign residents in Japan.

The university where I teach has a policy of cultivating “designers in society.” In my classes, I teach about the kind of society that the SDGs are aiming for. The SDGs focus on both economic developments, as well as on tackling environmental and social issues in a balanced way, and aim to sustain the world through fundamental solutions. In class, students are asked to present ideas that utilize the digital technologies they are studying at university to resolve these social issues and serve as models for growing new businesses. I hope that this will be a step toward students acquiring a management perspective based on the SDGs. Rinnai, which aims to “contribute to the resolution of social issues,” would also like to help from the perspective of developing global human resources well-versed in digital transformations (DX).

In addition to the SDGs, “well-being” is attracting attention around the world as the next target on the way toward achieving the 2030 goal. Well-being refers to a “physical, mental, and socially healthy state,” and is considered an indicator of human wealth and satisfaction that cannot be measured by economic indicators alone. Rinnai’s corporate mission since its founding has been to provide society with comfortable living through heat, and I think Rinnai products deliver well-being to customers. At the same time, this concept also represents a more proactive pursuit of Rinnai employee happiness. There are various benefits for companies, such as retaining human resources and improving productivity, and for employees, the benefits include improved engagement and job satisfaction. I would like to help share this corporate philosophy and create a multicultural environment so that people from diverse backgrounds can work together with enthusiasm.

Rinnai clearly defines its brand promise as “Creating a healthier way of living” with the aim of “realizing healthy and comfortable lifestyles and sustainable societies.” The world is moving strategically towards energy transitions and decarbonization, giving rise to innovations in energy technologies. I want to support and contribute to Rinnai so the Company can continue taking on new challenges with shrewd yet flexible strategies while carefully assessing the changing circumstances and remaining true to their brand promise.

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.

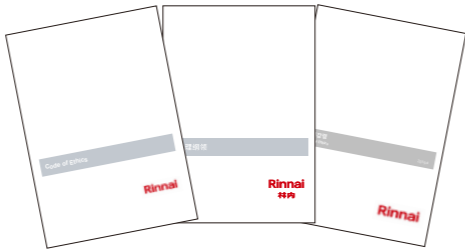
Furthermore, in Japan we have created the “Rinnai Code of Conduct Guidebook” as a tool to deepen understanding of the content in the “Rinnai Code of Conduct” and we also implement tests using e-learning to confirm the level of understanding.



Code of Ethics summary awareness meeting (Rinnai Holdings)



Code of Ethics summary awareness meeting (Rinnai (Viet Nam))



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



Rinnai (South Korea) written pledges

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.

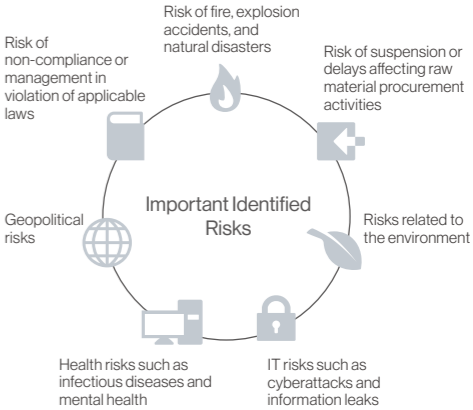
Material Risks (Excerpted)		
Management Risk	• Compliance • Product accident defects • Labor-related • Environment	• Intellectual property • Supply chain • Market environment, etc.
Financial Risk	• Foreign exchange rates	• Taxation, etc.
Accident and Disaster Risk	• Production shutdowns, etc.	
IT Risk	• 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

		FY2014	FY2015 ^{*1}	FY2016 ^{*1}	FY2017 ^{*1}		FY2018 ^{*1}	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Net sales	(Millions of yen)	286,981	295,022	319,935	330,256		347,071	348,022	340,460	344,364	366,185	425,229	430,186
Operating income	(Millions of yen)	34,018	30,787	34,593	34,056		32,849	30,879	34,422	40,690	35,864	41,418	39,362
Operating income margin	(%)	11.9	10.4	10.8	10.3		9.5	8.9	10.1	11.8	9.8	9.7	9.2
Ordinary income	(Millions of yen)	36,910	32,938	35,807	35,280		34,286	33,318	35,679	42,400	39,060	44,565	46,071
Net income attributable to owners of the parent company	(Millions of yen)	23,254	20,647	22,710	22,322		21,194	20,480	21,561	27,581	23,748	26,096	26,667
Total net assets	(Millions of yen)	232,635	261,414	271,709	290,638		307,965	320,696	340,959	371,318	378,856	407,199	437,438
Total assets	(Millions of yen)	334,382	355,140	368,084	402,107		422,422	430,885	450,486	497,291	512,867	547,114	577,088
Net assets per share	(Yen)	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	2,707.86
Net income per share	(Yen)	151.58	132.34	145.57	143.09		136.80	132.82	139.83	178.87	156.80	176.92	184.75
Equity ratio	(%)	66.0	69.4	69.6	67.8		68.0	69.4	70.1	68.8	66.9	66.6	67.2
Return on equity	(%)	11.8	8.8	9.0	8.4		7.6	7.0	7.0	8.4	6.9	7.4	7.1
Cash flows from operating activities	(Millions of yen)	36,453	25,671	36,066	39,554		29,914	29,479	37,694	49,491	28,696	19,387	43,347
Cash flows from investing activities	(Millions of yen)	(32,908)	(23,649)	(17,770)	(17,732)		(12,190)	(7,288)	(7,124)	(15,820)	(25,486)	(30,087)	(19,968)
Cash flows from financing activities	(Millions of yen)	13,183	(8,659)	(6,554)	(5,217)		(11,725)	(6,150)	(6,436)	(7,269)	(27,109)	(21,313)	(23,664)
Cash and cash equivalents at end of year	(Millions of yen)	74,279	69,340	79,600	95,297		101,697	116,133	140,138	166,524	147,972	120,213	123,829
Capital expenditures	(Millions of yen)	12,439	13,774	16,938	20,664		16,105	13,481	10,580	13,301	22,682	26,521	41,114
Research and development expenses	(Millions of yen)	8,380	8,895	9,113	9,340		9,918	9,503	9,308	11,802	12,762	13,458	14,302
Dividends	(Yen)	22.6	25.3	27.3	28.6		30.0	31.3	32.6	41.6	46.6	53.3	60.0
Payout ratio	(%)	15.0	19.1	18.8	20.0		21.9	23.6	23.4	23.3	29.8	30.1	32.5
Number of outstanding shares	(Shares)	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	146,677,171
Closing price at the end of the period	(Yen)	3,023	2,970	3,313	3,077		3,367	2,610	2,550	4,130	3,057	3,235	3,484
Market capitalization	(Millions of yen)	473,603	465,249	519,032	481,958		521,326	404,157	394,866	639,528	458,693	485,454	511,023

^{*1} 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.

^{*2} On April 1, 2023, we conducted a three-for-one stock split of our common stock. Performance prior to the stock split is shown based on the post-split conversion.

Data Collection

Human Resource- and Personnel-Related Data

Number of Employees (Non-consolidated)		Fiscal 2022	Fiscal 2023	Fiscal 2024
Newly recruited employees	Male	71	89	76
	Female	13	14	18
	Subtotal	84	103	94
Mid-career recruitment	Male	7	5	9
	Female	1	6	3
	Subtotal	8	11	12
Mid-career recruitment ratio (%)	Subtotal	9	10	11
Temporary staff	Subtotal	178	181	168
Average working years	Male	18.7	19.1	19.5
	Female	15.3	16.2	16.9
	Subtotal	17.7	18.3	18.8
Average age (Years old)	Male	41.0	41.4	41.7
	Female	36.3	37.3	37.9
	Subtotal	39.6	40.2	40.6

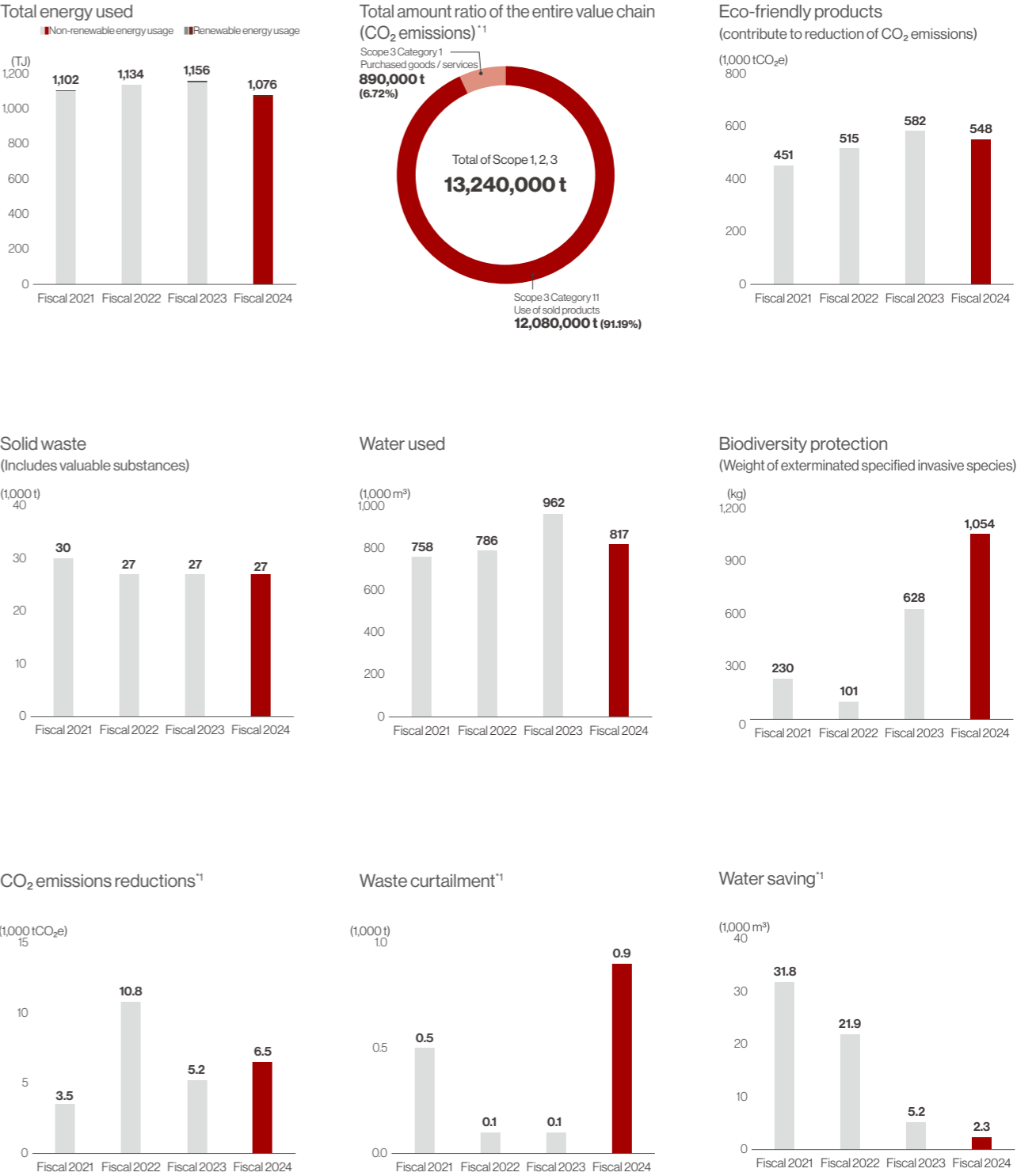
		Fiscal 2022	Fiscal 2023	Fiscal 2024
Paid leave	Maximum number of days added with paid leave	20	20	20
	Average number of days taken with paid leave	14.0	11.6	13.9
	Utilization ratio (%)	70	61	73
Employment of persons with disabilities	Number of persons with disabilities	82	79	93
	Employment rate (%)	2.33	2.19	2.62
Number of OJT accidents * Includes domestic consolidated subsidiaries	Number of accidents	26	25	23
	Number of disasters(%)(LTIFR)	0.00	0.74	0.38
Number of employees on mental health leave		31	21	30
Periodic health checkup participation ratio		100	100	100
Secondary health checkup participation ratio		88.6	91.7	95.8
Smoking ratio		19.9	19.4	19
Participation ratio in measures ^{*1} for high-risk individuals ^{*2} (%)		100	100	100
Stress check test taker ratio (%)		94.4	95.8	98.6
Number of employees who used childcare leave		63	64	56
Number of employees who took childcare leave of absence	Male	7	18	33
	Female	123	91	76
	Subtotal	130	109	109
Proportion of employees who took maternity leave (%)	Male	6.5	21.7	35.8
	Female	85.7	106.4	109.5
Proportion of employees who return to work after taking parental leave (%)	Male	100	100	100
	Female	97	98	100
	Subtotal	99	99	100
Number of employees who used shortened work hours	Male	4	2	1
	Female	199	215	174
	Subtotal	203	217	175
Number of employees who used family care leave	Male	2	4	7
	Female	38	59	94
	Subtotal	40	63	101
Number of employees who used nursing leave	Male	3	4	5
	Female	2	9	33
	Subtotal	5	13	38
Number of employees who took nursing leave of absence	Male	0	1	0
	Female	1	0	0
	Subtotal	1	1	0
Number of employees who used our reemployment (Come Back) system	Male	0	0	1
	Female	0	1	0
	Subtotal	0	1	1
Number of employees who used the work from home program	Male	512	806	495
	Female	210	233	148
	Subtotal	722	1,039	643

^{*1} Employees who have two or more of the "Recommended Value for Medical Examination" items and have at least one untreated item.
^{*2} Measures to prevent aggravation of health insurance

Working Hours	Fiscal 2022	Fiscal 2023	Fiscal 2024
Annual total actual working hours per employee	2,054	2,065	2,019
Annual non-scheduled working hours per employee	211.3	246.7	193.7
Average overtime per month (Hours)	17.6	19.9	15.8
Average annual salary	6,532,997	6,671,135	6,784,474

Others (Social Contribution and Compliance)	Fiscal 2022	Fiscal 2023	Fiscal 2024
Number of whistleblower incidents * Includes domestic consolidated subsidiaries	10	16	8
Criminal charges for compliance-related accidents and incidents (Number of cases)	0	0	0
Total expenditure on social contribution activities (Millions of yen)	27	24	12
Political contributions and lobbying activities expenditures (Millions of yen)	0.7	1.2	0.7

Environmental Data



[Target scope] Rinnai Corporation and consolidated subsidiaries
^{*1} 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/>