Rinnai

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Message from the Chairman

Susumu Naito, Chairman

Rinnai traces its history to 1920, when it began manufacturing and selling petroleum stoves. In the following year, it started handling gas appliances and has steadily expanded its operations ever since. During World War II, the Company's facilities were used to meet military demand, but after the war it resumed its business centering on the production and sale of gas appliances. Today, Rinnai is a comprehensive manufacturer of heat-energy appliances with operations in 16 nations worldwide, excluding Japan. We attribute our success to the support we have received from everyone over many years, and we are deeply thankful.

Under the motto of "harmony, spirit, and sincerity," Rinnai's Corporate Mission is "to use heat to provide society with comfortable lifestyles." With our top priority on the tenet that "Quality is our destiny," we focus our efforts on the pursuit of safe, high-quality products. At Rinnai, "quality" is not limited to product manufacturing, but covers all of our operations, including distribution, customer relations, and after-sales service.

Overseas, we offer products that are matched to local needs, committed to maintaining the level of quality that our customers demand in Japan. For this reason, we endeavor in principle to appoint people from local countries and communities to top positions in our overseas subsidiaries, so that we can better grasp and reflect the sentiment of consumers local to our business there.

Environmental issues, particularly global warming, have become a major international challenge. As a comprehensive manufacturer of heat-energy appliances, we are strongly aware of the huge role we must play. Going forward, we will target ongoing improvements in safety and peace of mind, comfort, and environmental performance in order to benefit society.

Message from the President

Introduction

Hiroyasu Naito, President

Rinnai is a comprehensive manufacturer of heat-energy appliances specializing in gas equipment. We advance our operations globally with strong emphases on heat and lifestyles, product quality, and contribution to local communities.

Because the appliances that we handle are essential to people's daily lives, we have a major role to play because our core business, by its nature, contributes to society.

At the heart of this approach is our corporate philosophy, "Quality is our destiny," which has guided the Company's business over many years. We focus on manufacturing products that provide comfort and environmental benefits while placing top priority on safet

Protecting the environment by promoting *Eco Jozu* hot-water units and *ECO ONE* hot-water/heating systems

One of our most important environmental challenges is the prevention of global warming, and the Rinnai Group focuses particular attention to this area.

Hot water and air-conditioning account for around 60% of energy consumed in the average Japanese home. If we can reduce the volume of greenhouse gases emitted by households, therefore,
we can contribute significantly not only to preventing global warming but also addressing various other environmental challenges. To this end, we are focusing on our *ECO ONE* hot-water/heating system with a heat pump that utilizes atmospheric heat, which combines our highly efficient *Eco Jozu* hot-water unit. Going forward, we will work hard to generate

widespread demand for *ECO ONE* while stepping up efforts to promote our *Eco Jozu* offerings.

In another initiative, we have commenced R&D aimed at bringing together the "smart house" concept and home energy management system (HEMS) technologies.

Defective dishwasher/dryers: Inspection/repair work and prevention of incident recurrence

Under our corporate philosophy, "Quality is our destiny," we have placed top priority on the pursuit of safety. In August 2012, however, it came to light that some of our dishwasher/dryers were defective. We regret the major inconvenience caused to users and other related people and deeply apologize for the problem.

When the issue came to light, we moved swiftly to form a service task force and have since undertaken about 340,000 inspections of the models in question. In each case, we have given a detailed explanation to the customer about the status of their machine and undertaken appropriate repairs. Going forward, we will work to ensure a more widespread understanding of our inspection and repair work and increase the ratio of fully repaired machines. We will not stop until every machine is fixed.

Fulfilling our responsibilities as a manufacturer, meanwhile, we will continue various efforts to prevent a recurrence. These include studying the cause of defects, conducting a rigorous design review, and modifying product design specifications.

"Barrier free temperature" bathroom heater/dryers that prevent "heat shock"

Rinnai deploys it core business to foster social contribution activities. A new initiative in this area is to achieve "barrier free temperature" environments. This means preventing the "heat shock" phenomenon that is caused by sudden increases and decreases in blood pressure when the body is subject to dramatic changes in temperature. This often happens in winter, for example, when a person moves from a warm room to a cold bathroom, then enters a hot bath. It is estimated that around 17,000 people die in their bathrooms each year in Japan, equivalent to about four times the annual death toll from road accidents, which number more than 4,000.

A very effective way to prevent heat shock is to warm up the bathroom to avoid room-to-room temperature changes as much as possible. The potential threat of "heat shock" and the effectiveness of bathroom heater/dryers in addressing the problem are not widely understood. For this reason, we plan to undertake an advertising campaign.

Advancing overseas operations in accordance with local needs and attributes

In North America, we are focusing on reorganizing our marketing activities and upgrading our distribution system. Our plan is to actively promote the convenience and environmental benefits of instant-heating (tankless) hot-water units compared with the storage type (tank-based) systems that are still mainstream in the North American market. We will use public relations activities to get this message across.

In China, we have focused mainly on the market in and around Shanghai to date. Going forward, however, we will target other major cities, such as Tianjin, Chengdu, and Chongqing, with our sales activities. We will also expand and upgrade our production facilities in China.

Similarly, in Europe, Southeast Asia, Oceania, and elsewhere, we will pursue initiatives according to specific regional attributes, such as consumer tastes, energy factors, and economic conditions.

Targeting further dramatic progress under Jump Up 2014

Rinnai is currently implementing its medium-term business plan, entitled Jump Up 2014, which began in April 2012. (For more details, please see pages 4–5.)

In the first year of the plan, ended March 2013, we posted sluggish overseas sales at the beginning of the term caused by a stagnating world economy, although our performance in Japan was solid. In August 2012, however, the problem of the defective dishwasher/dryers came to light, incurring various expenses for inspections and repairs. As a result, consolidated net sales increased 2.1% year on year, to ¥251.8 billion. Operating income slipped 1.1%, to ¥26.3 billion, and net income rose 15.3%, to ¥19.3 billion. In the current fiscal year, ending

March 2014, we are targeting net sales of ¥268.0 billion, operating income of ¥30.0 billion, and an operating margin of 11.2%.

Contributing to local economies through participation in the Nakagawa Canal Restoration Project

As a member of regional society, the Rinnai Group has focused efforts on local communities, including rejuvenating regions near its local operations and addressing local environmental issues. The Nakagawa Canal, which flows near Rinnai's Head Office, functioned for many years as an important piece of transport infrastructure.

To assist in its restoration, Rinnai has become a participant in the Nakagawa Canal Restoration and Culture/Art Activity Assistance Project (ARToC10), headed by the Nagoya Urban Institute of the Nagoya Urban Development Public Corporation. Our involvement entails donating ¥10 million annually over a 10-year period, bringing total assistance to ¥100 million. Through the project, we hope to recreate the bustling former glory of Nakagawa Canal, making it once again a valuable cultural asset that helps stimulate local communities and industries.

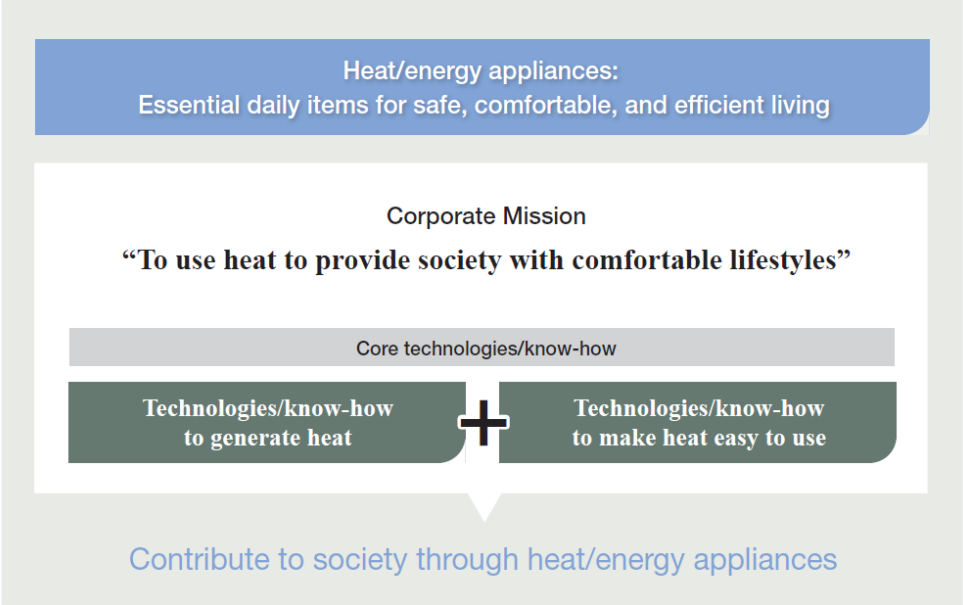
Concluding message to stakeholders

The Rinnai Group is committed to business activities based on long-term perspectives rather than the pursuit of short-term profits. Under our corporate philosophy, "Quality is our destiny," we will emphasize high quality product manufacturing that guarantees safety and peace of mind. In these ways, we will strive to improve corporate value by maintaining and enhancing the value of the Rinnai brand in the global market.

Vision and Medium-Term Business Plan

Delivering Heat and Comfortable Lifestyles

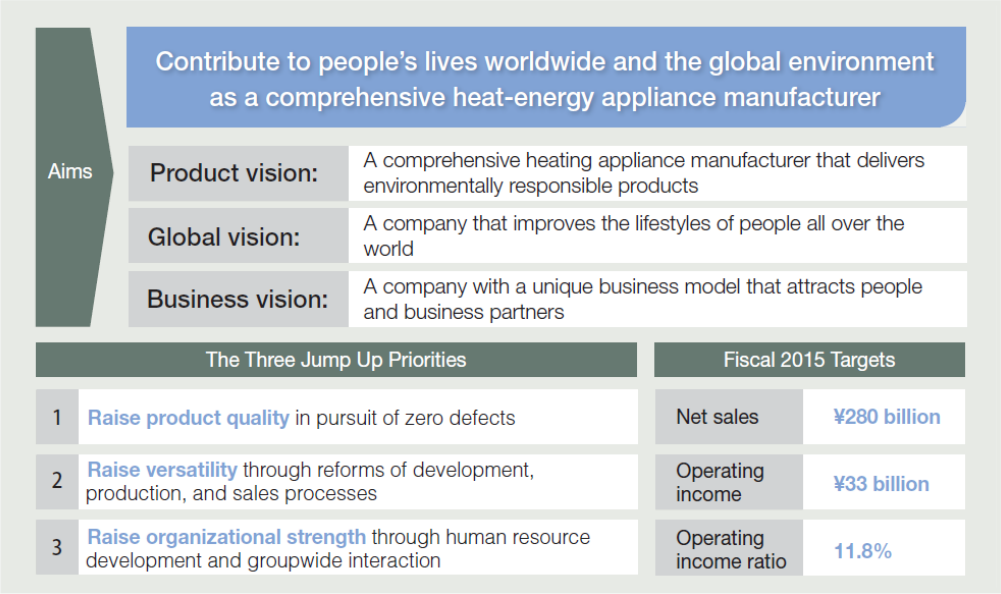
Heat and energy appliances are essential items for daily life. They are also a key factor enabling humans to use heat in a safe, comfortable, and efficient manner. Rinnai's business operations are guided by its Corporate Mission, which is "to use heat to provide society with comfortable lifestyles." We have amassed considerable know-how by accumulating technologies to generate heat and technologies that make heat easy to use. Deploying our core original technologies, we have consistently delivered safe, high-quality heat and energy appliances that enhance people's lives. Recently, however, society's needs have grown more sophisticated, and people are now demanding the "best mix" of offerings that deliver primary energy efficiency and help save energy and protect the environment. Rinnai is cognizant of customers' varying situations in such areas as number of household occupants, living patterns, energy use times, and weather conditions. In all situations, we will continue contributing to society as a comprehensive manufacturer of heat and energy appliances.



Medium-Term Business Plan: Jump Up 2014

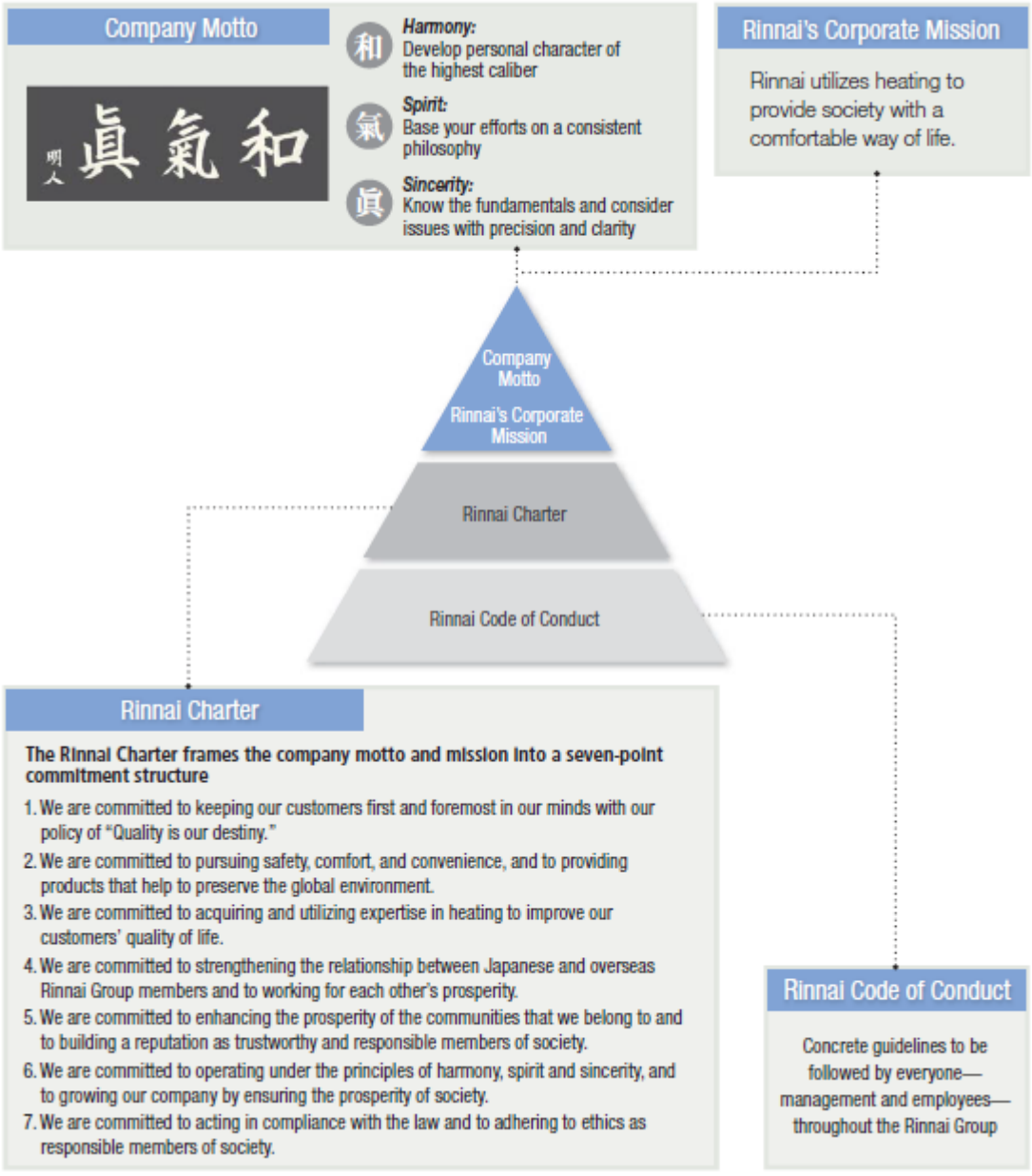
We predict that future medium- and long-term economic trends, characterized by a growing world population and improving living standards especially in newly emerging nations, will support further increases in households using advanced heating appliances. Accordingly, we look forward to continued growth in heating appliance markets. Moreover, efforts to reassess the worldwide energy structure have gathered pace, and people's lifestyles are diversifying as we approach the era of renewed demand for the best mix of energy and better environmental and energy-saving performances. Facing these challenges, the Rinnai Group formulated its medium-term business plan, Jump Up 2014. Guided by the plan, we are striving to increase corporate value and contribute to society as a comprehensive heat and energy appliance manufacturer.

We will also reinforce our corporate foundation underpinned by core management issues—which we call the Three Jump Up Priorities—in order to build a long-term growth trajectory. A key issue is to promote sales of *ECO ONE*, a hybrid hot-water/heating system that uses both electricity and gas to realize the world's best environmental and energy-saving performance levels. We are also actively promoting our *Eco Jozu* series of high-efficiency hot-water units that contribute significantly to the environment and energy-savings. In these and other ways, we are will supply products that contribute to global environmental protection. With respect to our global strategy, we will further upgrade our product lineups in existing markets while tapping new priority markets, in order to help local communities enjoy more abundant lifestyles.



Rinnai Group CSR

Schematic Diagram of Company Ideals



Three Key Themes

Since its establishment, Rinnai has grown and developed through an unshakable focus on three themes. Part and parcel of the Rinnai Spirit, these themes are and always will be integral to our success.

Heat and Lifestyles	Rinnai's corporate mission hinges on the use of "heating" to provide society with "comfortable lifestyles." Our strength is in sophisticated heating technologies, and we will utilize this capability to facilitate the creation of pleasant living environments.
Quality	Rinnai's catchphrase—"Quality is our destiny"—epitomizes a corporate obsession with quality. So it is only natural that we would keep production and other *monozukuri* (manufacturing) efforts in-house to sustain high-level standards. This enables us to deliver safety and peace of mind to our customers.
Contributing to Local Communities	At Rinnai, we firmly believe that contributing to a better lifestyle culture in local communities is vital to our role as a good corporate citizen. Basic strategies for expanding our presence abroad require that sales and services are executed with local conditions in mind and that manufacturing takes place in the markets where the products will be sold.

Approach to CSR

Rinnai's corporate mission hinges on the use of heat to provide society with comfortable lifestyles. This perspective infuses efforts on a groupwide basis to provide heat-energy appliances with excellent features that stress safety and peace of mind, comfort and the environment, and thereby contributes to better lifestyles for people around the world and a better outlook for the planet.

The Group pursues CSR activities through core operations, emphasizing four issues that complement the three key themes—"heat and lifestyles," "quality" and "contributing to local communities"—that Rinnai has set out for itself and the Group it leads.

Environment 	**Hot water and heating appliances account for much of the energy used in the average home. By developing, manufacturing, and selling appliances with exceptional energy efficiency, Rinnai helps reduce emissions of greenhouse gases from homes.**
Heat and Lifestyles 	**To fulfill our Corporate Mission, which is "to use heat to provide society with comfortable lifestyles," we deploy our advanced technologies and know-how to develop products that people can use in a safe, comfortable, and efficient manner. In this way, we help people lead abundant lifestyles.**
Quality 	**To offer customers safety and peace of mind, we adhere to the basic tenet that "Quality is our destiny." To this end, we pursue a "zero defects" objective when designing, making, and selling our products, to ensure they remain fault-free until they are no longer used by the customer.**
Contributing to Local Communities 	**Rinnai's aim is to deliver products and services that meet climates, lifestyle cultures, and customs that differ from Japan. In principle, we focus on local production and local sales in advancing our overseas business, so that we can help improve the lives of local people around the world.**

Corporate Governance

Toward Enhanced Transparency

From the perspective of a sharper competitive edge for the Group and sustained improvement in corporate value, Rinnai has made efforts to augment practices and enrich the scope of corporate governance top management priorities. We aim to reinforce the functions of corporate structures, such as the Board of Directors and the Audit & Supervisory Board, and seek a higher level of management transparency, which will be achieved through quick and accurate disclosure of pertinent information to various stakeholder groups and through access to a wide range of information.

Internal Control System

We regard the following four items as the aims of our internal control as we seek to reinforce our management system and fulfill our social responsibilities. Through means such as risk management and internal auditing we revise as necessary the basic policy on establishment of an internal control system that we instituted in May 2006, in our efforts to reinforce this system.

Objective of the Internal Control System

1. Effective and efficient operations
2. Reliable financial reporting
3. Adherence to laws and regulations affecting business activities
4. Safeguarding assets

To respond to the Internal Control Report System under the Financial Instruments and Exchange Act, which was first applied in April 2008, our Group ensures the reliability of our financial reporting by having the Internal Control Office, an independent division, select Group companies and business processes that will have a material impact on our entire financial reporting on a consolidated basis, and evaluate the effectiveness of their organization and application.

Structure for Monitoring Management Performance

Rinnai has four corporate auditors, two of whom are outside auditors.

Corporate auditors attend important meetings, including those of the Board of Directors.

They also monitor internal control status—that is, progress on the establishment of internal controls and implementation of associated practices—with a focus on the results achieved by directors and executive bodies, and they check on the status of operations and asset management at the head office and principal branches.

In addition, an external accounting firm undertakes accounting audits and verifies the soundness of accounting-oriented internal controls from a third-party perspective.

Board of Directors

The Board of Directors has decision-making authority for important management issues affecting Rinnai and oversees the execution of duties by directors. The Board has six members and as a rule meets once a month. Some directors below the rank of president hold concurrent positions as executive officers and are responsible for conveying the content of Board decisions to the managers of divisions under their respective supervision and for executing operations. In addition, general groupwide meetings as well as parent-only meetings are held every three months so that directors can pinpoint the status of issues affecting operations and share information on pertinent topics. Moreover, to clarify the management responsibilities of each business year and gain trust from shareholders, Rinnai regulates the term of director to be one year.

Director Compensation

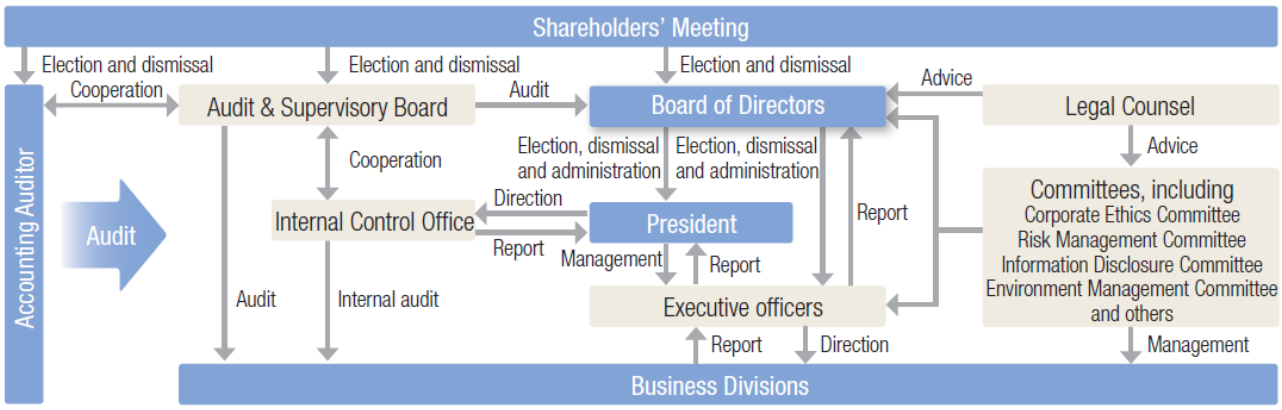
The limits of compensation for Directors and Auditors are determined in accordance with the resolution of the general meeting of shareholders. Moreover, the Rinnai's internal regulations stipulate fundamental matters related to Directors' compensations including the method of determination, revision and reduction. Based on these, the amounts of compensation for Directors are resolved at the Board of Directors and the amounts of compensation for Auditors are determined through the deliberations by Auditors. Directors are paid a fixed amount commensurate with assigned duties. Please note that Rinnai terminated the retirement benefit system for directors, following approval of a proposal put forward at the General Meeting of Shareholders on June 27, 2008.

Information Disclosure

For timely and appropriate disclosure of important information on the Group, we facilitated the internal regulations and established "Disclosure Policy", which is listed on our website, as the guidelines for information disclosure.

Corporate Governance Structure

Corporate Governance Structure



Risk Management

Risk Management Promotion System

As social structures become more complex, the risks faced by companies become more diverse. In this operating environment, the Rinnai Group strives to manage existing and emerging risks to support global business development and ensure stable business activities that sustain the trust of customers and society as a whole.

The Risk Management Committee, chaired by the president, meets regularly. The committee assigns a division to oversee each risk with the potential to influence our corporate survival, credibility, business pursuits and assets, and is also tasked with risk-lowering duties, such as formulating preventative measures, resolving issues before they turn into crises, minimizing losses and defining strategies to avert the recurrence of any risks that become a reality. Methods for hedging risk are promoted laterally throughout the Group.

In our efforts to secure workplace safety and prevent accidents we designate the 27th of each month as Safety Day. On this day, safety patrols are conducted at the Technology Development Center and factories. As a measure for reducing on-the-job accidents and injuries, we have established the *Anzen Dojo* (a safety training hall where potential workplace events are simulated) at each factory as a place for safety education.

Information Securities Measures

While society becomes more demanding toward company's security reinforcement issues, our Group as a whole promotes the adequate management of security systems by strengthening the awareness for proper information handling through the establishment of the rules for confidential information management and the personal information management. User authentication technology was adopted company-wide to manage accesses to IT system and an entry/withdrawal management system with ID cards has been introduced to various business locations including Technology Development Center one by one.

In addition, to avoid information leakage, we have been enforcing a strict management of the external use of personal computers, encryption of data stored in media to be used outside of the office, unauthorized access by outsiders and virus countermeasures.

Promotion of Businesses Continuity Plan

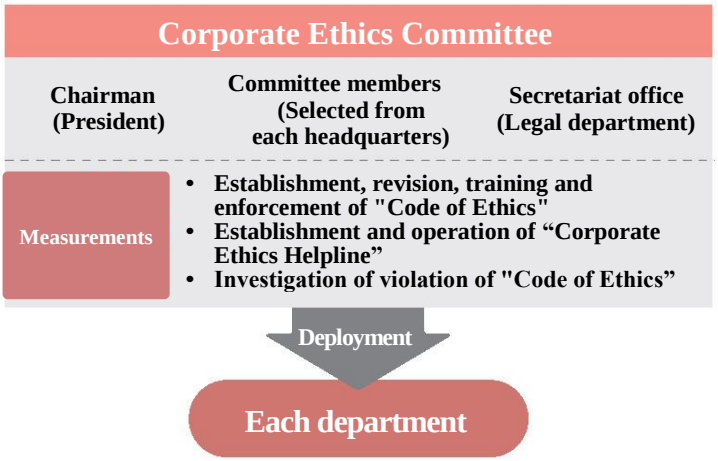
When companies have no sufficient measures for natural disasters such as earthquakes and storms and the prevalence of infectious diseases, the business operations may be suspended for a long time, result in a significant damage and give a serious impact on stakeholders. As a company which produces thermal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

We have positioned business continuity management as our of top priorities, in the event of any risks to the production or supply of important products required by our customers, and are constantly working to formulate and review business continuity plans (BCP), particularly for our domestic production divisions. Based on our experiences from the Great East Japan Earthquake on March 11, 2011, we are exploring alternative raw material suppliers and procurement sources, and continue to use multiple procurement sources on a daily basis, so that we are prepared for any large-scale earthquakes in the future, including the increasing likelihood of a devastating earthquake along the Nankai Trough.

Compliance

Compliance Promotion System

To remain a sound corporate group which wins the trust of society, the Corporate Ethics Committee was established in April 2004 headed by our President as its chairman. To promote compliance as part of our corporate culture, individual employees strive to live up to their social responsibilities and create a workplace that encourages people to actively engage in their work.



Rinnai Group "Code of Ethics"

The Rinnai "Code of Ethics" is a small booklet which combines Rinnai's Corporate Philosophy and Code of Conduct, which embodies the detailed behaviorial standards that all executives and employees are required to obey. The Compliance Committee member allocated to each workplace provides all employees in the workplace with "Code of Ethics" training each year for its enforcement.

The English-version "Code of Ethics" was issued and distributed to the 19 overseas Group companies, and local language versions were distributed to Group companies in China and South Korea.

"Code of Ethics" booklets of various countries

"Code of Ethics" training sessions (Rinnai Holdings (Pacific) Pte Ltd. (Singapore; left), and Guangzhou Rinnai Gas and Electric Appliance Co., Ltd. (China)

Compliance Education Activities

Within the company, the President himself takes the initiative by sending messages on corporate ethics to employees to improve their awareness of compliance issues.

Moreover, regarding specific laws that individual departments have close relationship with, the Legal Department takes the lead by providing legal education every year. In fiscal 2013, a total of 785 Group employees undertook training to improve their knowledge of the law.

We also provide ethical education for new recruits and for employees in specific job classes every year, with a total of 353 employees attending sessions in fiscal 2013.

Fiscal 2013, Actual of number of training attendants

Name of course	Number of attendants
Legal education	785 people
Ethic education by layer	353 people

Information Distribution to All Employees

Every October, we carry out promotional activities as part of our own Corporate Ethics Month. We post a message on corporate ethics from the President himself on the intranet and display compliance-themed posters in all workplaces.

We also post details of revisions to legislation and provide a variety of other information for domestic group employees via our intranet.

Compliance education poster

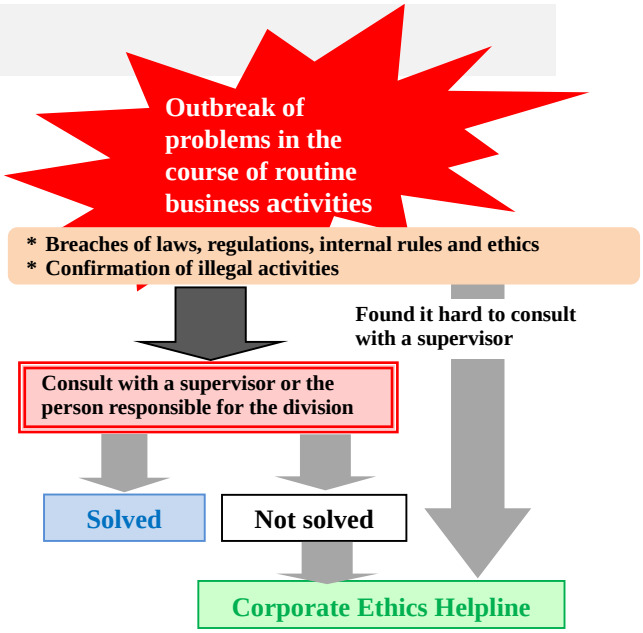
Confirmation and Modification of Compliance Activities

Every year, we conduct employee questionnaires to ascertain how deeply ingrained our Corporate Philosophy has become. In fiscal 2013, breaking down the penetration rate for each component of our corporate philosophy, we found that 99.8% of respondents were familiar with the corporate motto and 99.0% recognized our corporate mission. We will continue to actively promote compliance activities to maintain these high levels.

Facilitation of Internal Reporting System

If, in the course of business activities, an employee at a domestic company under the Group umbrella suspects possible breach of laws or the internal rules or unfair practices, and it is difficult to approach a superior or the person responsible for the division with such suspicions, the employee may report the perceived infraction to the Corporate Ethics Helpline.
In this system, we stipulated that the person who reported the incident will not receive any unfair treatment by the fact that he/she consulted the matter and we also pay a full attention to the protection of privacy of the person who made the report.

In fiscal 2013, the helpline received eight calls for consultation and report. Appropriate measures have been taken, including investigation and confirmation of the facts in these cases of alleged misconduct.



Reward and Disciplinary Committee

To maintain fair working environment, we apply strict measures to an employee who breached the internal rules, Code of Ethics or committed unfair practices based on the working rules under the guidance of the Reward and Disciplinary Committee.

Protecting Personal Information

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

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

The privacy officers also conduct an internal audit once a year to verify the quality of personal information management in each workplace. There were no instances of personal information being leaked in fiscal 2013.

Compliance Violations

There were no serious compliance violations in fiscal 2013.

With Our Stakeholders

We are committed to two-way communication with all of our stakeholders, in order to build trusting relationships, continually evolve our business, and increase stakeholder satisfaction.

Two-Way Communication Initiatives

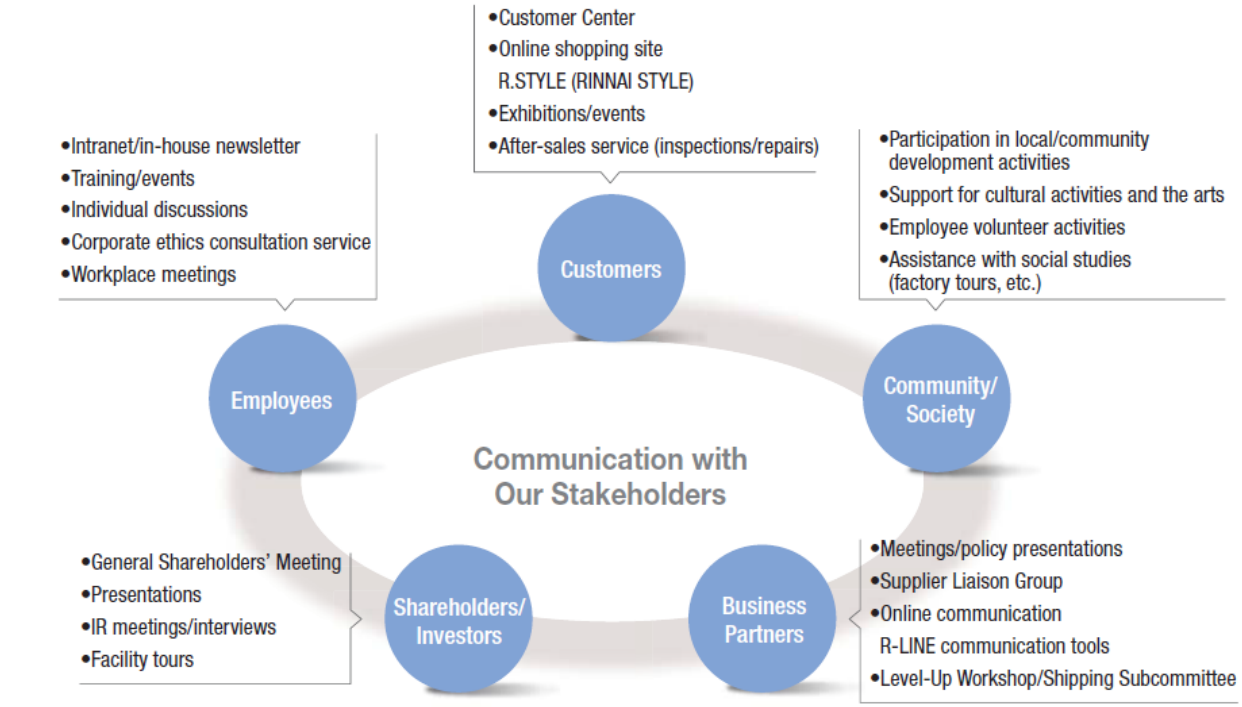
Throughout the Rinnai Group, we place great importance on communication with customers, employees, shareholders, investors, business partners, local communities and the general public.

We communicate with our customers through channels such as exhibitions, events and our online shopping site, and use their comments and requests to help us improve our products and services. We exchange information with our business partners on subjects such as management policies and product strategies, and also work together to improve management through activities such as our Level-Up Workshop and Shipping Subcommittee.

We disclose information to our shareholders and investors in an appropriate and timely manner, and organize regular meetings, tours and other events to give them a better understanding of the Group's activities.

We will continue to engage in close communication with all of our shareholders, so that we can evolve our business activities and improve levels of satisfaction even further in the future.

Communication with Our Stakeholders



External Evaluation

FTSE4Good

Inclusion in socially responsible investment (SRI) index

In recent years, "socially responsible investment" (SRI) has attracted increasing attention as a standard for evaluating companies in terms of their environmental and social activities, as well as their corporate performance and financial results.

We have been highly commended by external evaluation agencies, as a company that actively promotes CSR activities in the interests of sustainable development, and have been selected for inclusion in the FTSE4 Good Index Series for nine consecutive years since 2004.

CSR Report 2012 Questionnaire Results

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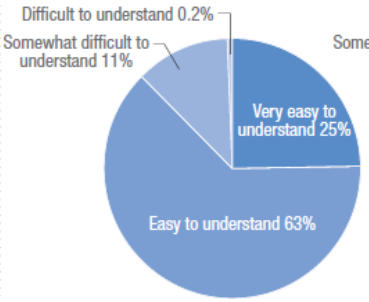
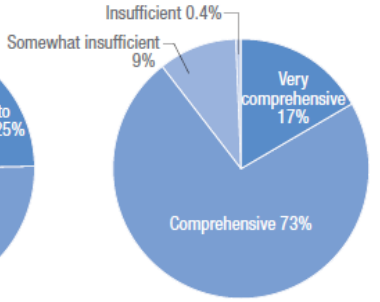
Overall ease of understanding

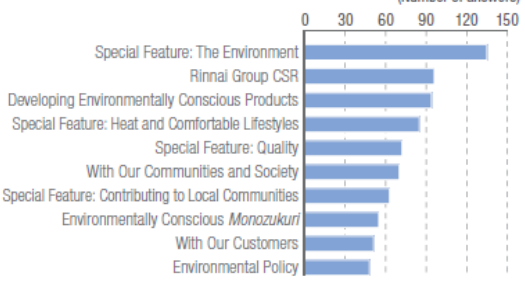


Level of information provided



Content of particular interest (print edition)

(Multiple answers/top 10)



Feature 1 Comfort, Economy, and Environment

SALES FRONTLINE PERSPECTIVE

Rinnai's *ECO ONE* Hybrid Hot-Water/ Heating System: Today and Tomorrow

In 2010, Rinnai released the world's first* hybrid hot-water/heating system. Called *ECO ONE*, it combines Rinnai's highly efficient gas water heater with an air-source heat pump. *ECO ONE* quickly gained a reputation for its rapid heating of water along with energy efficiency and environmental friendliness, and sales have climbed steadily as a result. In this special feature, we talk with Mr. Hirohisa Kakinuma from *Morinomegumi Kobo* and Ms. Yoshie Ishizuka from Sumitomo Realty & Development Co., Ltd. about the role they expect *ECO ONE* to play in the future.

* Applies to hot-water/heating system for home use that combines a heat pump and highly efficient hot-water unit.

ECO ONE for rapid generation of warmth plus a hot-water room heater

"Even if no-one in this region uses an air conditioner, you won't find anyone who doesn't use a heater. In fact, heating is so important that it comes second to the floor plan when building a new house." So says Hirohisa Kakinuma, senior managing director at *Morinomegumi Kobo*, which designs new houses centering on Sendai City in Miyagi Prefecture.

Hirohisa Kakinuma
Senior Managing Director
Morinomegumi Kobo

Houses designed by *Morinomegumi Kobo* are distinctive for their use of solid wood materials. Because floor heating warps solid wood, the company cannot use this form of heating in their houses. Mr. Kakinuma goes on to say, "In and around Sendai, you can't get through winter using only a heat pump that also works as an air conditioner. Accordingly, our company has suggested to customers that they use gas for room heating and hot water even if their house is designed to use all-electric appliances. Now, we recommend systems like *ECO ONE* and *Eco Jozu* as heat sources, because they produce hot water quickly and generate plenty of warmth by using hot water for room heating."

According to Mr. Kakinuma, there has been a shift in consumer thinking regarding electricity and gas since the Great East Japan Earthquake. Manufacturers were inundated with products needing repairs because many conventional electric Eco Cute systems sustained damage as a result of the earthquake and tsunami. It appears that manufacturers weren't able to keep up with demand due to a shortage of labor. Consequently, while electricity was restored relatively quickly, many households were unable to get hot water because of damage to the electric hot-water unit—a key component of the Eco Cute system. Gas services took a little longer to restore compared with electricity due to the time required to check that gas lines were safe. However, because gas heat sources came out largely unscathed, people living in affected areas were able to begin using hot water again with minimum delay. Mr. Kakinuma says that as a result of this experience, "Our impression is that more people now want to use gas as a heat source."

Beating the cold, a reason behind house renovation; economic merits drive the proliferation of *ECO ONE*

So how is the home renovation market reacting to *ECO ONE*? Ms. Yoshie Ishizuka from the Morioka Sales Office of Sumitomo Realty & Property Development's *Shinchiku Sokkurisan* home renovation business says, "The appeal of an *ECO ONE* system is that the overall cost is lower. That is because the cost of utilities when using the system is lower than when using electricity or kerosene as a heat source."

Yoshie Ishizuka
Interior Decorator, 2nd Class Architect & Chief Residential Manager
Shinchiku Sokkurisan Morioka Sales Office
Home Renovation Business Division
Sumitomo Realty & Development Co., Ltd.

In Morioka City and its environs, it is not unusual for the temperature to drop to –7˚C or –8˚C, and residents often decide to renovate because their home is too cold in winter. Previously, many consumers shied away from gas due to the cost, and opted for electricity or kerosene instead. However, prices of energy sources that were once reasonable have increased. This is due to various factors, including yearly increases in kerosene prices, higher electricity prices following the Great East Japan Earthquake, and the removal of discounted night-time electricity rates.

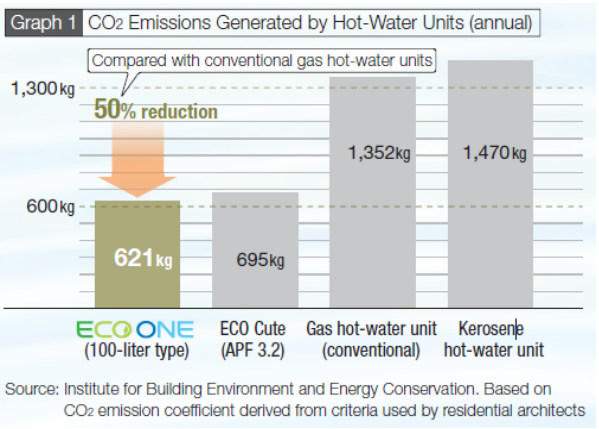
Against this backdrop, Rinnai's *ECO ONE* system has attracted growing attention as a single heating system that provides heating and hot water for the whole home. One reason for the system's proliferation has been the setting of reasonable winter gas prices thanks to the cooperation of LPG and city gas suppliers. According to Ms. Ishizuka, "There are cases where prior to renovation the cost of home heating (kerosene) stood at around ¥40,000 to ¥50,000 per month, but after renovation incorporating an *ECO ONE* system, the cost fell to ¥30,000. I recommend the use of *ECO ONE* to around 90% of the customers I deal with personally."

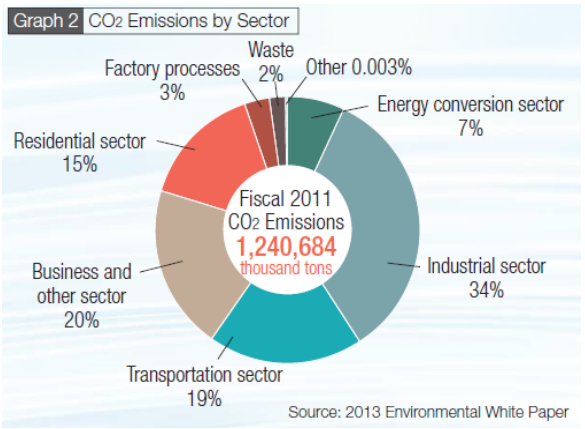
Reducing household CO2 emissions a major challenge

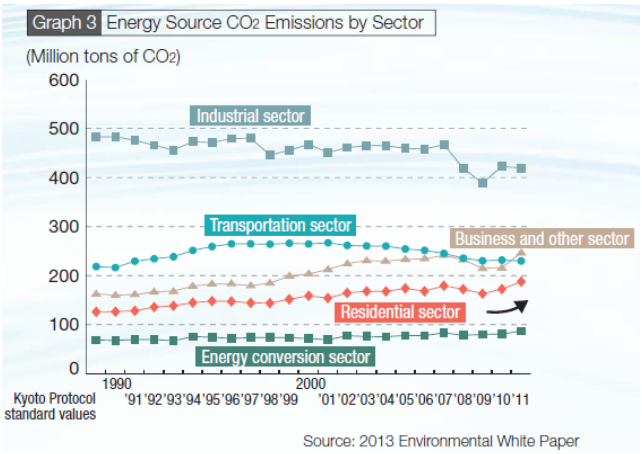
Keeping utilities charges low means using less gas and reducing CO2 emissions (see Graph 1). *ECO ONE* makes a useful contribution to the reduction of CO2 and other greenhouse gases produced by households.

With the prevention of global warming a major international challenge, industries in Japan have been working hard to reduce such emissions for some time. Households account for around 15% of the country's CO2 emissions (see Graph 2). A look at changes over the last few years reveals that while the amount of emissions generated by the industrial sector has been decreasing, emissions produced by the residential sector have risen (see Graph 3). It is becoming increasingly unlikely that the industrial sector can continue to make significant emission reductions, but there is plenty of scope for reductions in the residential sector.

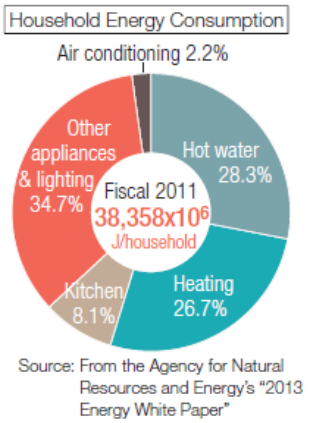
It is not generally known that hot water and room heating account for more than 50% of average household energy consumption (hot water 28.3%; room heating 26.7%; refer to Column 1). Rinnai believes that reducing the amount of energy used by hot-water units and heating appliances helps curb total household energy consumption. Our aim is to help lower household energy costs by focusing on the increased adoption of the highly energy efficient *ECO ONE* system.







COLUMN 1



Source: From the Agency for Natural Resources and Energy's "2013 Energy White Paper"

Hot water and room heating account for over 50% of total household energy consumption

For many years, various energy-saving technologies have been developed and introduced in Japan amid efforts to improve energy consumption efficiency.

However, lifestyle changes have seen an increase in the amount of CO2 emissions generated by households. A look at household energy use shows that hot water and heating account for more than 50% of energy consumption in the average home. Accordingly, a decrease in energy consumption for these purposes should make a significant contribution to overall CO2 emission reductions.

Boosting sales promotion activities to promote energy saving at home

Rinnai is taking various steps to inform more and more people about *ECO ONE*, its increasingly popular hot-water/heating system.

One such method is television commercials. By producing and broadcastin eye-catching commercials, we have increased awareness of the *ECO ONE* name. As Mr. Kakinuma also commented, "Whenever I suggest to a customer that they adopt an *ECO ONE* system, more and more of them say they have seen *ECO ONE* commercials on television." In addition, Rinnai is actively disseminating information such as by expanding information on its website explaining the system's superior performance.

While recognition of *ECO ONE* is steadily growing, Rinnai is also bolstering efforts aimed at making it easier for home appliance companies and building companies to recommend *ECO ONE* to their clients.

For example, we have produced a simulation that compares the running costs of an *ECO ONE* system with other heat sources. We designed this simulation system taking into account the regional differences in electricity and gas charges, lifestyles, and products. As a result, we are now able to obtain results that reflect the conditions in each area.

In another initiative, we have formed a dedicated *ECO ONE* sales force that is separate from our regular sales organization. At present, the new sales force has around 30 employees, including 20 full-time staff, who are engaged in sales promotion activities throughout the country. Furthermore, these employees invite home appliance companies, residential construction companies, and end-users to Rinnai's "Hot Lab" experiential showrooms at branches and sales offices to see and experience the benefits of *ECO ONE* for themselves. Some of these salespersons are women, and we are receiving positive feedback about the kitchen-related advice they give on not only hot water units but also gas stoves and other products from a female perspective.

ECO ONE offers a comfortable lifestyle using gas

The situation regarding electricity in Japan has changed dramatically since the Great East Japan Earthquake. A turnaround in the country's nuclear power generation policy has seen an increase in thermal power generation facilities and government support for renewable energy and energy creation. In response to these changes, consumers have also become more concerned about energy use. This in turn has created a surge in demand for a comfortable lifestyle that makes the most of the advantages of each form of energy. At the same time, more households with high heating requirements have chosen *ECO ONE* as a heat source for their hot water and heating needs. Moreover, LPG and city gas providers have also taken the opportunity to offer comfortable living scenarios to their customers. This has led to the creation of a new customer base for the *ECO ONE* system.

Rinnai developed the *ECO ONE* hybrid hot-water system as a product that helps protect the environment. Despite a steady increase in unit sales, we plan to focus on technological development in order to introduce further innovations. We will convey the advantages of *ECO ONE* to as many customers as possible by reinforcing sales promotion in addition to product innovation.

COLUMN 2: Message from a Marketing Manager

Kimiatsu Nakao
General Manager, Sales Planning Office, Sales Division, Marketing & Sales Headquarters

By promoting the widespread adoption of *ECO ONE*, Rinnai will work to support energy-saving housing in Japan.

Rinnai undertakes regular surveys on awareness concerning the use of energy in the home. The findings of these surveys suggest that consumers are unable to digest the excessive amount of information available to them. One of our roles is to provide information to customers in an appropriate manner. We will continue working to explain the excellent features of *ECO ONE* in a way that is easy to understand, and in so doing encourage customers to add the system to their range of options.

As a country, Japan is currently working on increasing energy-saving housing, such as through the low-carbon house certification system. When the *ECO ONE* system is adopted in a residence built with high thermal insulation, that residence fulfills the criteria for a low-carbon house. Consequently, a house doesn't have to be built by a large home construction company in order to acquire certification.

Feature 2

Contributing to Local Communities: Korea

Safe, High-Quality Product Manufacturing Coupled with Excellent After-Sales Service Makes Rinnai an Endearing Brand in South Korea

Rinnai consistently receives top company awards and earns the trust of customers

Established in 1974, Rinnai Korea Corporation is one of the Rinnai Group's oldest overseas members. Its main products are home-use boilers used for heating, as well as tabletop gas stoves and commercial appliances. Each of these products holds a solid share in the country's domestic market. Over the years, Rinnai has become the most preferred brand of South Korean consumers. Today, some 40 years since its founding, many people believe that Rinnai is a South Korean manufacturer.

Rinnai Korea's good reputation is also reflected in various prizes it has received, such as awards sponsored by the Korean Management Association Consulting (KMAC). Rinnai has been judged the No. 1 brand in seven categories for many years in succession. For example, it has been No. 1 in the home-use boiler section of the Korean Industry Customer Satisfaction Index (KCSI) Survey 15 times, including for seven consecutive years. Rinnai also received the Korea Best Brand Award in the gas stove section by KMAC for 14 consecutive years. Awards such as these illustrate Rinnai Korea's sustained efforts to leave its rivals far behind. In addition to acknowledging the safety and quality of its products, these awards also demonstrate the high quality of Rinnai's customer services.

Head office

Call center

Mainstay Products

Tabletop gas stoves　　Home-use gas boiler

Company Outline

Name: **Rinnai Korea Corporation**
Established: **1974**
Head Office: **Bupyeong-gu, Incheon**
Sales Headquarters: **Mapo-gu, Seoul**
Customer Service Center: **Yeongdeungpo-gu, Seoul**
Net Sales: **¥22.5 billion**
(year ended December 2012)
Products: **Home-use gas boilers, Tabletop gas stoves, Commercial appliances**

Interview with President

KANG YOUNG-CHUL
President, Rinnai Korea Corporation

As a South Korean gas appliance industry leader, we aim to become a 100-year-old company

Rinnai Korea has earned solid support from its customers as a company that has helped improve the lifestyles of Korean people over many years. Today, it continues to be a leading supplier of gas appliances, which play an indispensable role in people's daily lives. Our company is widely recognized for its role in creating the gas appliance and gas boiler sector. Going forward, we will maintain our commitment to this sector as a leading player through ongoing technical development as we seek to meet the expectations of consumers.

Next year will mark our 40th anniversary. With the aim of becoming a 100-year-old company, we will strive to reinforce Rinnai Korea's business base. At the same time, we will continue efforts to retain the place we currently hold in people's hearts for many years to come.

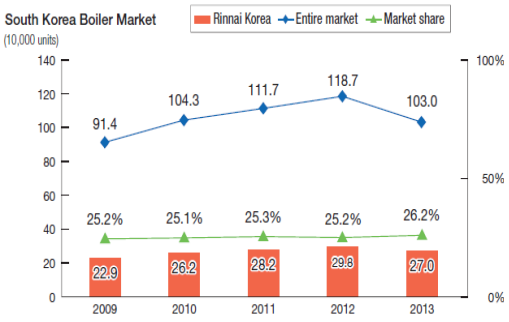
High in-house manufacturing ratio and strong product focus; customer service structure the best in the industry

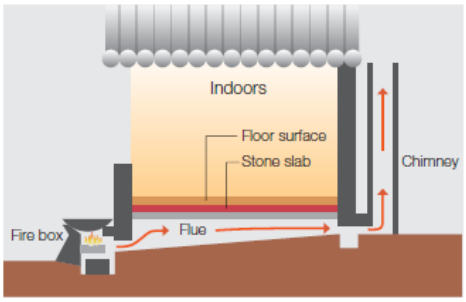
Rinnai Korea's head office and three factory sites are located in Incheon City. The company's Sales Headquarters and Customer Service Division, which includes a call center, are located in Seoul. Like Rinnai Japan, Rinnai Korea's factories are notable for their high in-house manufacturing ratio and high-quality product manufacturing.

The Customer Service Division in Seoul and 33 after-sales service centers throughout the country are tasked with fulfilling the company's industry-leading customer service function. Unlike many manufacturing companies that outsource after-sales services, Rinnai Korea operates its own after-sales service organization. The after-sales service provided for boilers, which operates around the clock every day of the year and peaks in winter, is unmatched by industry rivals.

The concept that "employees are family, and customers are benefactors" has been deeply rooted in Rinnai Korea's corporate culture for many years. The Customer Service Division deals directly with customers on a daily Call center basis while adhering to the motto "customer-centered, location-centered." This extensive support system is the reason why Rinnai Korea has taken out the top spot in the KCSI surveys (home boiler category), and has been awarded a host of prizes, including a Korean Service Quality Index prize and a Korean Industry Service Quality Index prize.

Solid support in the South Korean boiler market thanks to advanced capabilities and after-sales service





Ondol traditional Korean heating system

Winter is harsh in South Korea, with temperatures in Seoul frequently dropping to between –2˚C and –5˚C. For the past 1,500 years or so, Koreans have used a traditional heating system called *ondol*. The *ondol* heating system works by transferring direct heat from a wood fire to underneath the floor. Today, the most popular version of this traditional method of heating is under-floor heating using hot water heated by a boiler.

There are relatively few detached dwellings in South Korea's large cities, with apartment blocks providing the majority of residential accommodation. At one time, each apartment complex had a large boiler that supplied hot water (heating) to each apartment. However, this centralized heating system was not without its problems. For example, individual households were unable to regulate the temperature, and all households were charged the same rate irrespective of how much hot water they used, while the hot water supply systems deteriorated over the years. As a result, fewer and fewer of these centralized systems remain today.

Annual sales of home-use boilers in South Korea stand at around one million units. Whereas rival manufacturers have reduced the price of boilers in response to the recent economic downturn, Rinnai Korea continues to release new energy-saving and environmentally conscious products. Recent offerings include burners with high energy efficiency that generate fewer CO2 and NOx emissions, products with a "Full auto mode" that automatically adjusts hot-water and heating temperatures in accordance with changes in the outside temperature, and a system with an "Eco save mode" that cuts gas charges by at least 14% compared with ordinary heating systems.

Another important feature is the extensive after-sales service provided to customers who purchase a Rinnai boiler. Heating is essential in South Korea due to its harsh winter, so when a boiler breaks down it must be repaired as quickly as possible.

We use information/communication and GPS technologies to monitor the location of repair technicians in real time, ensuring that the nearest technician can act quickly when a customer calls. In summer, the response time to requests is within two hours of receiving a call from a customer, while in winter—when demand for repairs is heaviest—a response is made the same day, or roughly within 12 hours of receiving the initial request. Rinnai Korea earns a high level of customer satisfaction in terms of both the promptness and quality of its repair service.

Interview with Employee

OH, JU YEON
Parts Manager, Customer Consultation Team
Call Center, Customer Service Division

We approach our work mindful that we are evaluated by our responses

The response by Rinnai's call center to each customer call is important because it affects how the company is evaluated. Here in South Korea, where winters are extremely cold, a boiler breakdown can be a life-threatening situation. That is why we receive most of our calls during winter. Recently, not only have customers become more knowledgeable about products, but they have also become more demanding when it comes to the services we provide. As a result, we are putting new employees through a three-week basic training course and working in other ways to improve the center's response capabilities. Our efforts to solve customers' problems become all the more fulfilling when we receive words of appreciation.

Temperature sensors a standard feature on all gas stove burners

Rinnai strives to make its tabletop gas stoves as safe as possible. Korean cuisine does not include many deep fried dishes, such as Japanese tempura. However, boiled food is common, and the custom of boiling clothing as a means of sterilization remains. As a result, it was not uncommon for fires to be caused by leaving gas stoves on unattended.

In light of this situation, in April 2013 it became legally mandatory for one burner in a tabletop stove to be fitted with a sensor that shuts off the flame when a high temperature is reached. Since January 2014, all burners now require sensors. Rinnai Korea pre-empted this regulatory change by making temperature sensors a standard feature in its tabletop gas stoves.

With a business approach emphasizing respect and appreciation, we strive to benefit local culture and communities

Rinnai Korea's top priority is to "help improve the quality of life of consumers by offering competitive and superior products." With a business approach emphasizing respect and appreciation, we aim to be a company that is highly attractive to both employees and business partners. This approach is undoubtedly the reason why Rinnai Korea receives solid support from consumers and other stakeholders.

On a cultural and community level, in 1986 Rinnai Korea formed the Rinnai POPS Orchestra. Consisting mainly of Rinnai employees who studied music at university, it is the only corporate orchestra of its kind in the country. As well as giving regular concerts, the Rinnai POPS Orchestra performs at various community events.

Rinnai Korea has also helped in regions affected by floods, which have become more frequent in recent years. In these situations, we provide emergency relief to local communities, such as by inspecting and repairing gas appliances free of charge and drying wet clothes and bedding in our gas clothes dryers. Another social contribution initiative is the "N Campaign," in which Rinnai Korea donates a certain percentage of its earnings to social welfare organizations.

Rinnai POPS Orchestra

Emergency relief in flooded area

With Our Customers

We provide our customers with products and services that they can use with total confidence, so that they can lead “comfortable lifestyles.”

Measures for Quality

Basic Stance on Quality

Since our establishment, at Rinnai, we have always been executing our business operations being passionate about quality for our customers to safely use our products with peace of mind.

Indeed, our policy on quality-infused by the corporate philosophy "Quality is our destiny"-stresses efforts to provide customers with highly safe and satisfactory products. This enduring commitment gives customers complete peace of mind in selecting and using Rinnai products.

Basic Philosophy on Quality	Policy on Quality
"Quality is our destiny"	**We provide highly safe products that meet customers' requirements.**

Voluntary Action Plan for Product Safety

In June 2007, we formulated a voluntary action plan for product safety along with a promotion strategy that would give substance to activities based on the action plan. We encouraged divisions to embrace the action plan and its associated promotion strategy, confirmed that divisions were on board, and wrapped up the process in February 2008. Currently, the Quality Assurance Headquarters oversees the voluntary action plan for product safety, verifies implementation status as appropriate, and guides efforts to uphold our policy on quality day in and day out.

Product Development in Pursuit of Safety and Peace of Mind

The nature of our business—making and marketing gas appliances—demands *monozukuri* (manufacturing) prioritizing safety. We deliver products developed and manufactured in accordance with industry specifications and safety standards.

Safety is ensured through assessments specific to each stage of the commercialization process, including design reviews that evaluate product performance and reliability. We deal with issues that crop up on a day-to-day basis in partnership with the relevant divisions. In the event of a particularly serious issue, we call a meeting of the Quality Committee in order to discuss response measures with management.

1. Product quality and safety initiatives
2. Product safety promotion system
3. Market quality information gathering/dissemination system
4. Handling product issues and analyzing information
5. Avoiding risks during product usage
6. Internal education
7. Checking implementation of our voluntary action plan for product safety and making ongoing improvements

Monozukuri which assures high quality

In-house development of core technology

To assure our products to achieve high quality and safety, we pay considerable attention to our core technology including "combustion control technology", "heat exchange technology" and "fluid-control technologies used for gas and water" and critical security components are developed and manufactured by our group companies. By achieving high-precision heat control using sensors and electronic units, we are pursuing absolute safety and zero defects.*

*Zero defects: No failure, no defect products and no fault

Integrated production system

Critical security components which affect the quality of products are manufactured with an integrated production system from a raw material processing phase to an assembling phase paying extra-attention to manufacturing technique. Moreover, important production equipment, dies and IT system are all developed within the Group. We have been manufacturing high quality products by arranging the production of both critical security components and manufacturing tools within our group companies.

Information disclosure on “Safety and Peace of Mind”

In the event, however remote, that a Rinnai product malfunctions during use or an accident results from a defective Rinnai product or insufficient service thereof, we promptly report the details to the competent authorities in accordance with prevailing laws and regulations. Even when it is unclear whether or not an accident is attributable to one of our products, we still provide pertinent information on our website to alert customers and appliance installation and repair providers to a potential safety issue.

Customer-facing page on Rinnai website

Invigorating Quality Improvement Activities

Seeking to enhance the problem-solving skills of each and every employee and invigorate the organization, we began promoting small group quality control circles. Involving our group companies, we are actively promoting this QC program. We award to the best circles at the company-wide QC circle conference in September.

Company-wide QC circle conference

CS Policy

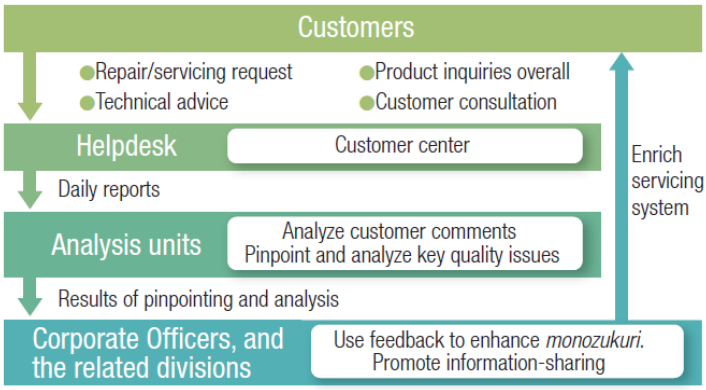
Based on our corporate philosophy "Quality is our destiny", we handle our customers' requests sincerely, promptly and appropriately, and provide satisfying, assuring and reliable services and consultation to them.

Fundamental Policy
1. We—that is, any department of our Company— identify comments and requests from our customers as our top priority. 2. We understand that customers' complaints are addressed to the entire Company and the whole organization shall be responsible for them until the cases are closed. 3. We take customers' comments seriously and share them within the Company to utilize as precious information to improve our products and services. 4. We always abide by laws and regulations and we don't give in to unreasonable demands. 5. We strictly protect the personal information of our customers by observing related laws, regulations and Rinnai's Personal Information Protection Regulations.

Inquiry Response and Support System

Customer Center

We established the Customer Center in an effort to improve customer satisfaction even further, by accepting a range of inquiries, comments and requests, either directly from customers or via channels such as telephone or our website. The numerous invaluable comments we receive are then fed back to the relevant division, so that they can be used to identify and rectify issues, in areas such as product development, quality control, sales and service standards.

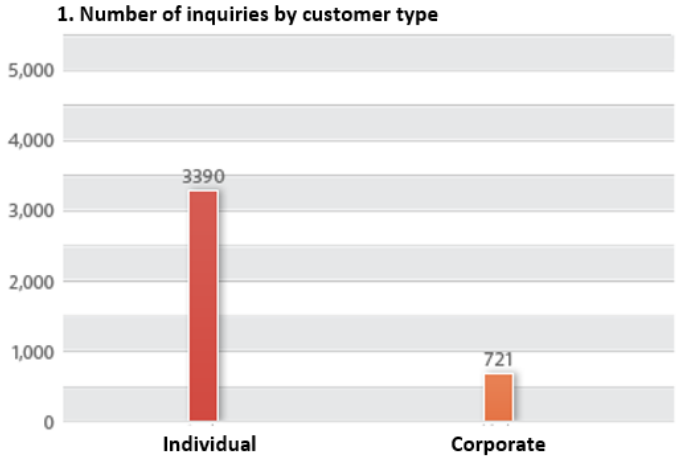


The Customer Center handles requests received from customers via our toll-free number, website and other channels. In fiscal 2013, we received approximately 970,000 calls from customers and around 4,100 comments via our website. Results from our fiscal 2013 customer questionnaire indicated a high level of trust, with an overall score of 94.3.

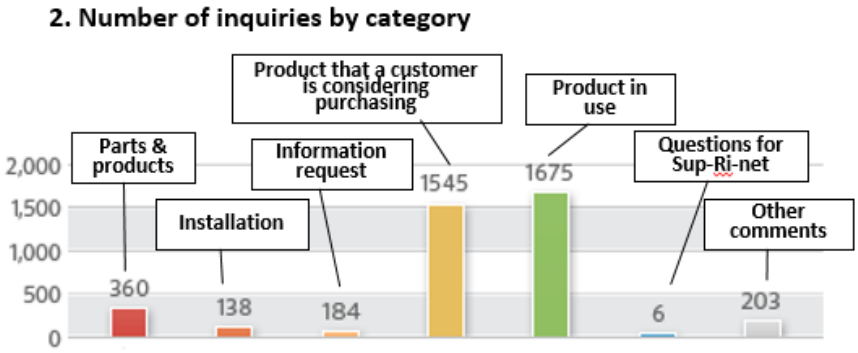
- Ease of contacting Customer Center via toll-free number 92 points
- Politeness of telephone operator 96 points

Our Customers' Comments

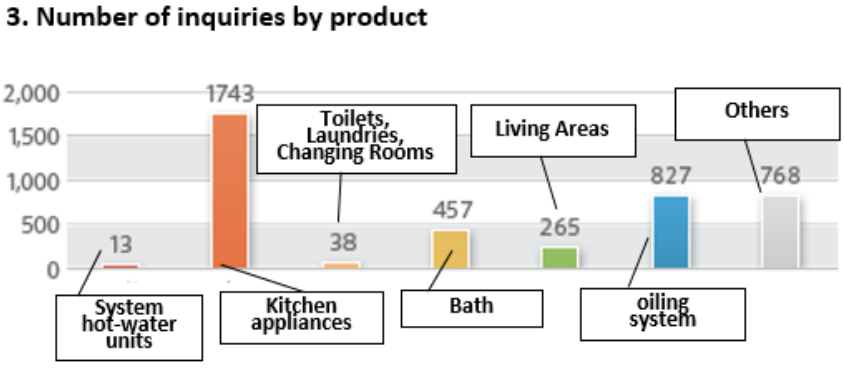
(Customers' comments and inquiries through our website in fiscal 2013)



The breakdown of inquiries from customers is 82% from individuals and 18% from companies.



There are the three major topics: (1) Product in use: 41%, (2) Product that a customer is considering purchasing: 38%, (3) Parts & products: 9%



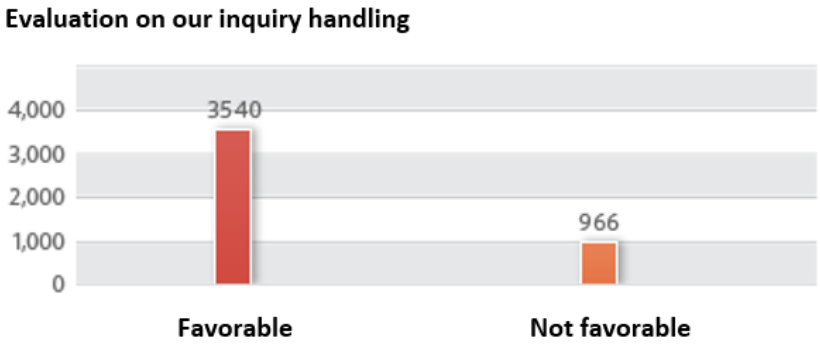
Many inquiries were kitchen appliances-related. : (1) Kitchen appliances: 42%, (2) Hot-water units and bath-related products: 31%

Strengthening our website capability to respond to our customers

Responding to our customers' request who would like to solve their issues by themselves, “FAQ” is listed on our website.
In fiscal 2013, we increased the volume of information provided via FAQ to 390 items (according to product type).

*FAQ: Frequently Asked Questions

In fiscal 2013, 78.6% people gave a favorable evaluation on our FAQ section.
We continue adding the contents to the section to be more useful to our customers.

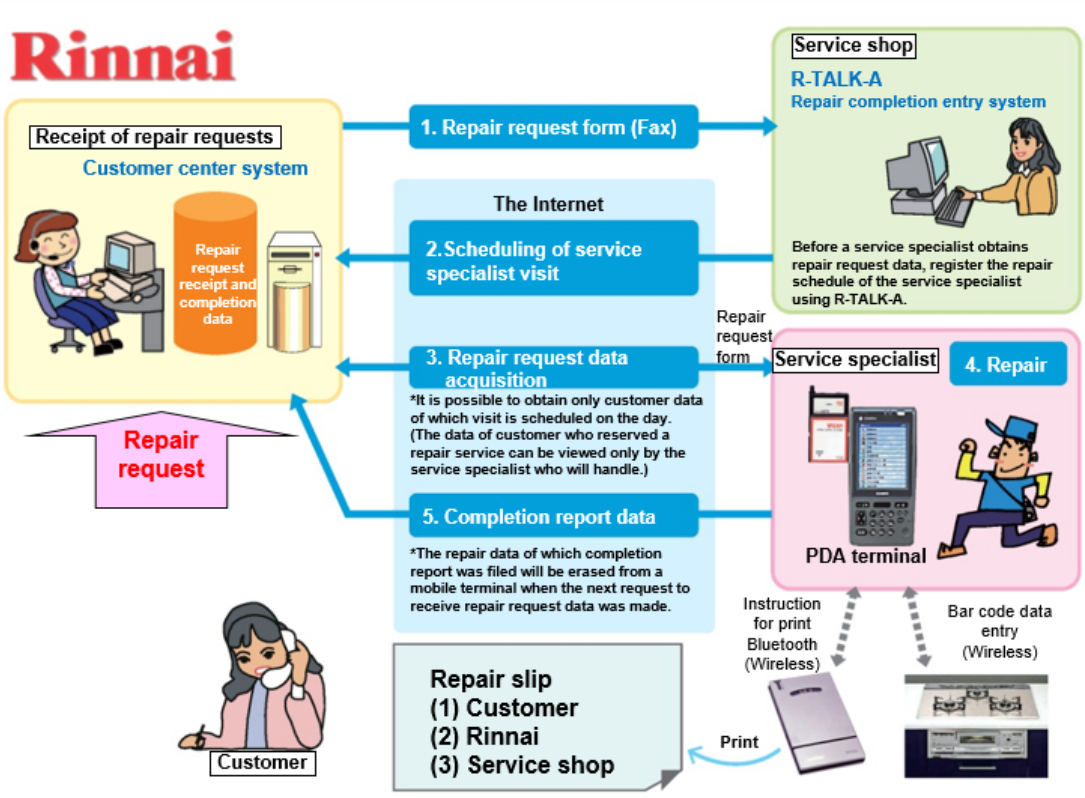


After-Sales Service

We provide our customers with services that they can use with total confidence, so that they can lead “comfortable lifestyles.”

Immediate offering of after-sales service

About 700 service specialists provide repair service nationwide every day. We make every effort to complete inspections the same day or by the following day, as part of our after-sales services for a more “comfortable lifestyle.” We were one of the first to provide service specialists with mobile PDA terminals, to help improve operational efficiency. This enables specialists to receive service orders and confirm order status onsite, so that they can provide services as quickly as possible.



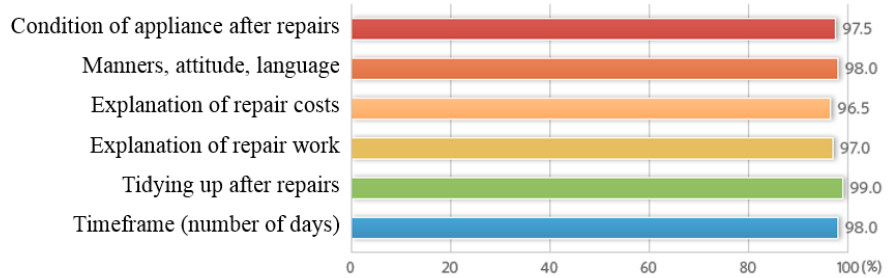
Using feedback from questionnaires to improve customer satisfaction

We ask all customers who have been on the receiving end of repair services to complete a customer questionnaire. Covering topics such as manners during repair visits, questionnaires enable customers to rate us based on their level of satisfaction. We then make effective use of questionnaire results by providing internal feedback on customer comments.

The 13,000 customers who completed questionnaires in fiscal 2013 gave us an average score of over 97(*).

* Points distributed between categories by Rinnai

Customer satisfaction with repair services



*Points distributed between categories by Rinnai

Inspection and Repair Services

For a long-term use without accidents
- Inspections like a yearly medical check-up for appliances -

In April 2009, Consumer Product Safety Act was revised and a safety inspection system for products in long-term use went into effect.

Some accidents linked to the deterioration of our products over long-term use have been reported. To make customers realize that appliances, like most products, have a particular service life and to encourage customers to have their Rinnai products inspected regularly, we send out the necessary information and extend advice through the Product Inspection Center. These efforts are aimed at preventing unforeseen accidents.

We enhance our maintenance inspection system with our qualified service specialists. In addition, we provide our original services extending a warranty period to three years for the customers who purchased our home-use hot-water unit and completed customer registration.

In April 2011, we also introduced a voluntary inspection system (Safety Inspection) for our outdoor hot-water units, in accordance with the law. This system has been gradually expanded; for instance, indoor hot-water and heating units were added to the subjects of legal inspection in July 2011.

Three years on from the introduction of the inspection system, in June 2012 the Ministry of Economy, Trade and Industry revised its guidelines in an effort to reinforce the system. As well as complying with these revised guidelines, we have also updated our website.

Fundamental stance toward inspection

Through inspections, we will enhance our customer support services.

Five focused points of our fundamental stance
1. Good inspection (Good inspector, good handling, legal knowledge, and inspection report) 2. Look through our customer's eyes (Usage of aged products, and reflection of customers' comments on products) 3. Customer satisfaction (Appropriate and caring information offering) 4. Proposal to assure peace of mind (Proposal to bring peace of mind before a product breaks, not after it has broken) 5. Trust building (Showing our appreciation for our customers' long patronage)

Efforts to coordinate an inspection system

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

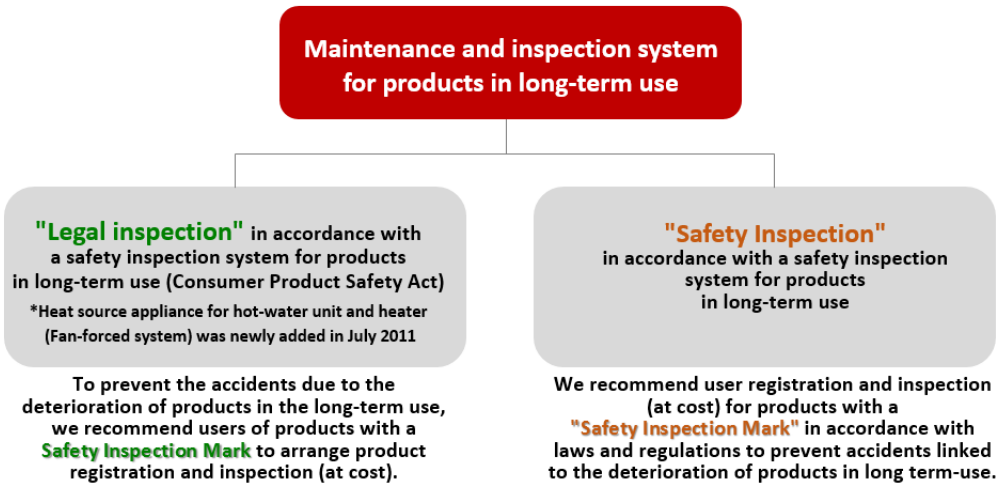
[Voluntary system action items and the current status]

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

Information about the inspection reminder function posted on the website

In November 2011, we posted information about the inspection reminder function on our website.
This function reminds users of legally mandated "specified maintenance products" of the period for their inspections after they are used for 10 years under normal conditions. Users are reminded of the period in ways such as a blinking light or indication on the remote control. This function also encourages users who have not submitted user registrations to submit them and apply for inspections.

Overview of our maintenance and inspection system



For the safe use of products, we recommend an inspection in 9 - 11* years after the production.
*For home-use appliances (Professional use: 2.5 to 4.5 years)

Designed standard service life*	Target product	Inspection period	Production Purchase 0-6 months in advance Inspection period
10-year product	Home-use gas hot-water units Electric dishwasher and dryer	9-11 years after production	Registration → 1 Notification → Inspection → 2 Suspension of use When you receive a notice, please apply for an inspection. You can also request an inspection during the time of 1 and 2.
3-year product	Commercial-use indoor-type gas hot water heaters	2.5-4.5 years after production	

"Designed standard service life" is a period that a product should be safely used without any problems under the normal circumstances with proper handling and maintenance. This is defined for each appliance. Please note that this is not the same as free warranty period. In addition, products that fall outside the scope of legal inspection (specific maintenance products) use the terminology, "Standard service life as designed".

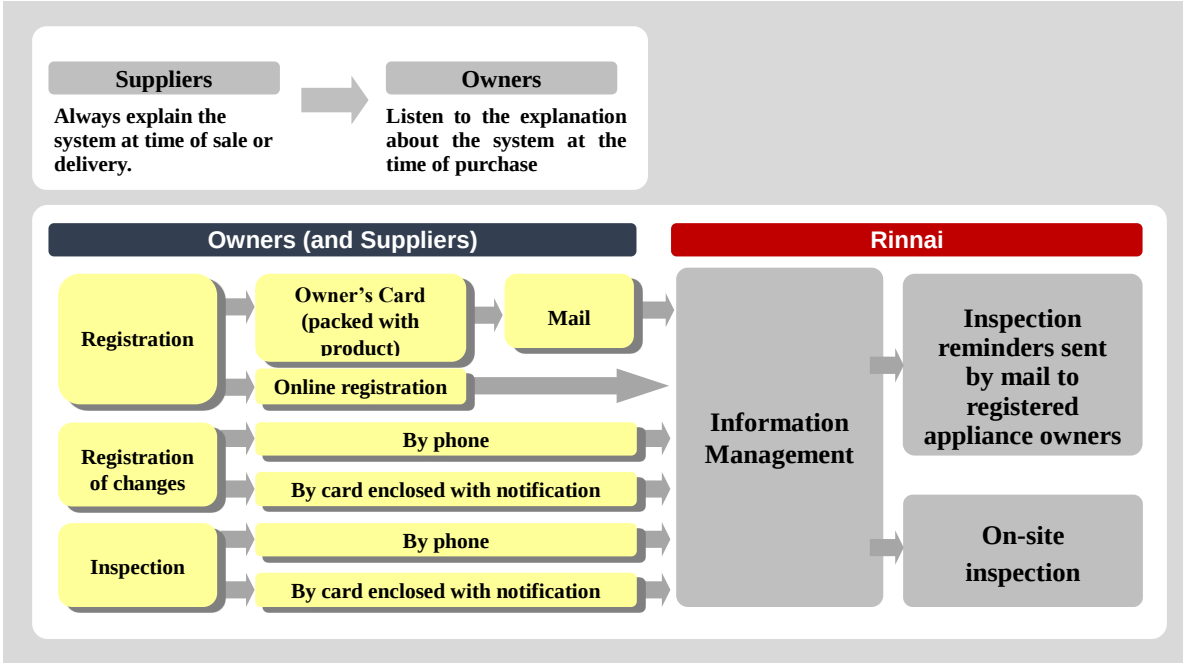
The period for legal inspection of commercial-use equipment produced in April 2009 started in October 2011, so we began sending notices on the inspection to applicable customers. About 70% of customers who responded to the notices applied for the inspection, suggesting their high interest in the inspection system. Accordingly, we will strengthen measures for informing customers of the system, aiming for (1) a higher registration rate and (2) a higher rate of inspection applications.

What is the "safety inspection system for products in long-term use"?

The "safety inspection system for products in long-term use" started in April 2009 is a system to encourage the registration of users and charged inspection for "Specified Maintenance Products" that may cause problems due to the age-related deterioration and may damage and may give serious damage to the life or health of consumers.

Rinnai products corresponding to safety inspection system		
Indoor-type gas instant hot water heaters (for city gas, and LP)	Indoor-type bath water heaters with gas burners (for city gas, and LP)	Dishwashers (built-in)

Flow of Safety Inspection System for Products in Long-term Use



Recommendation of “Safety Inspection”

In consideration of the safety inspection system for products in long-term use, we recommend “Safety Inspection” for products that fall outside the scope of the system.

The scope of the safety inspection		
• Outdoor-type gas hot water heaters and bath water heaters (Including hot-water and heating units, and heat sources only for heaters)	• Gas heaters	• Built-in-stoves
Gas hot-water units Gas bath heating systems Gas heat source for hot-water units and heaters Gas heat source only for heaters	Gas fan heaters Gas fan-forced heaters Gas stove Gas dryer	Built-in-gas-stoves Built-in-gas-oven

* Some products are out of scope.

Promoting registration

User registration is the important “first step” to connect customers with Rinnai. Information regarding inspections is contained in our catalogs and on our website. We also actively encourage customers to register with us during repair visits and other situations in which our staff have the opportunity to interact directly with customers.

From registration to inspection

Based on data provided by registered users, we mail inspection notices* to the designated address when the relevant inspection period approaches. We also carry out inspections for products that are already in use, with orders taken via our Product Inspection Center.

*Products subject to inspection notices: Any gas hot-water unit with a user registration card attached

Free inspection of small, open-type water heaters

In 2007, one of our small, open-type water heaters malfunctioned and caused an accident. To prevent a reoccurrence of this kind of accident, we continue to offer free inspections to customers using small, open-type water heaters, including the RUS-5RX, produced between July 1991 and January 1995, and the RUS-51BT, produced between May 1994 and January 1997.

Expanding eligibility for inspections: We carry out inspections for small, open-type water heaters that do not have an “inspected” sticker affixed, even if they were manufactured before April 2009 (including two models that have experienced problems).

Precautions after inspections: In cases where usage of a product is prohibited as a result of an inspection, we follow up on the relevant inspection at a later date, by telephone or in writing.

Notification on our website
We show subject products and contact for inquiries on our website. To see the information, click on the banner on the top page.

Questionnaires

Customer trends in response to inspections

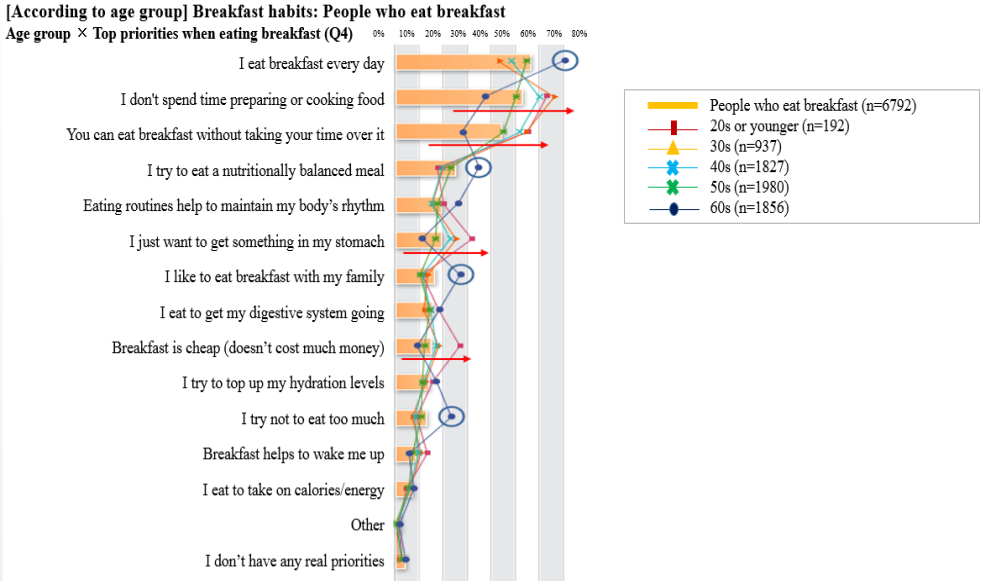
We continue to expand customer support via our inspection services.
We are always reviewing inspection procedures based on information from inspection questionnaires, so that we can improve our services even further.

Forming New Relationships with Customers

Harnessing the Power of the Internet to Improve Customer Support

To enable our products to be used for a long time, we sell cleaning products and parts that our customers can replace by themselves via our online shopping site "*R.STYLE* (RINNAI STYLE)."

In fiscal 2013, the number of registered members surpassed 140,000, opening up even more opportunities to interact with customers using Rinnai products. We communicate with our customers through channels such as conducting online questionnaires (18 times a year), planning products that reflect customers' needs based on gathered data, and resolving issues. We will continue to increase direct interaction with our customers in the future, in an effort to improve our services.



Priorities amongst younger age groups tend to include "I don't spend time preparing or cooking food", "You can eat breakfast without taking your time over it", "I just want to get something in my stomach" and "Breakfast is cheap (doesn't cost much money)".
Priorities amongst those in their 60s or older tend to include "I eat breakfast every day", "I try to eat a nutritionally balanced meal", "I like to eat breakfast with my family" and "I try not to eat too much".

Using customers' comments via the website to improve the company

We receive a great many comments and suggestions regarding our products and services from customers who have used our online shopping site R.STYLE (RINNAI STYLE). We received a total of 4,994 comments in fiscal 2013. We quickly share customer comments via an internal site called "*Himawari Messenger*". This enables individual divisions to examine shared information and take steps to improve quality or broaden the scope of their services.

Strengthening relationships with our customers

In December 2011, we launched HOWARO, an online-exclusive gas stove designed to meet the needs of customers across a wide range of age groups. In December 2012, one year after the launch, we brought out a new model and expanded our product range to reflect comments received directly from customers via our shopping site.

Following the launch of HOWARO, we received comments directly from customers asking for products with increased functionality but the same simple design, directly via R.STYLE. In response to such requests, in April 2013 we launched Seiso, a tabletop gas stove combining a simple design with a wide range of features. We will continue to share the full range of comments and suggestions from our customers, to assist with product development in the future.

With Our Employees

We strive to create an atmosphere in which employees can be happy and productive—a corporate climate that motivates each and every employee to do well and enables individuals to demonstrate their full potential. We also seek to maintain workplace environments that keep employees safe and healthy, both physically and mentally.

For our employees to be able to work with a sense of achievement and accomplishment, we provide support through our personnel system as well as various welfare programs to take care of employees' health and cater for their families. Moreover, for each employee to fully demonstrate his/her capability, we try to create a family-like office culture, and improve and maintain our workplace to be safe, secure and healthy. We believe that the source of motivation for employees to grow and fully demonstrate their skills is "the provision of the opportunities to improve" and "the sense of achievement and accomplishment". To increase the satisfaction level of our employees, we are promoting the following four items as our foundation:

(1) Provision of opportunities for our employees to grow [Rank-specific training programs, specialization courses, On-the-Job Training (OJT) guidance, appropriate staff allocation and rotation]
(2) Evaluation and reward which is fair and convincing (Performance appraisal, interview system, salary increase and benefit improvement)
(3) Creation of family-like working environment (Improvement of office building, working environment and facilities, annual events, club activity support, and interdepartmental cooperation)
(4) Welfare program for employees and their families (Welfare program options, health support, corporate pension and events with the Rinnai Employees' Association)

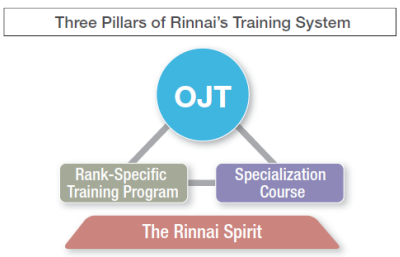
Personnel Training

We defined our fundamental human resources policy as "Nurture and encourage our employees to have a high level of morality and keep challenging their own goals continuously making effort." We guide and train our employees to be able to demonstrate their initiative to drive the Company while giving priority to our Corporate Philosophy embodied in our Company Motto, "Harmony, Spirit and Sincerity", which Rinnai has been pursuing since its establishment in 1920, and our Corporate Mission, "Rinnai utilizes heating to provide society with a comfortable way of life."

We provide our employees with numerous opportunities to grow as an individual such as rank-specific training programs, specialization courses, OJT trainings and a rotation training program, which covers workplaces at home and abroad.

OJT Personnel Training

We position human resources as our most important management resource and we offer personnel training to assist employees to fully demonstrate their capabilities. Our main training is on-the-job training (OJT), wherein a supervisor guides his/her team member through an actual job. In addition, we provide a rank-specific training program, which supports the improvement of each employee as an individual by grouping them according to job responsibility, and a specialization course, which promotes our employees to be highly specialized in their area. These three programs form three pillars of Rinnai's training system. Moreover, we are conducting a level-up training program for Group leaders who have been promoting our business plan since fiscal 2011. We plan and provide high-quality internal training programs.



<Major Rank-specific Training Programs in Fiscal 2013>

Training	Subject	Content	Number of trainees
New employee training program	New employees	Basic training for professionals (manners, awareness as a professional), Fundamental training for Rinnai employees (company overview, the Rinnai Spirit, corporate ethics, personnel system, policy on quality and environment), IT skills and mental health	140 people
New employee follow-up training	Generalists in their 1st year, clerical employees (technical employees) in their 1st year	Training for increasing motivation to work and raising professional awareness (Reconsolidation of what was learned in the new employee training program; employees who joined the company in the same year gather and share information about their current status)	128 people
S4 level qualified employee training	S4 level qualified employees	Reconsolidation of fundamentals (corporate ethics and management policy), Recognition of his/her characteristics (to improve the strength) and the reinforcement of awareness of management (creation of management plans)	102 people
M6 level qualified employee training	M6 level qualified employees	Reconsolidation of corporate ethics and management policy Understanding duties of managerial supervisors (rules of employment, Labor Standards Act, handling of problematic employees), Understanding of management	49 people
M6 level qualified employee follow-up training	M6 level qualified employees	Reaffirming shared goals Reconsolidation of values concerning managers' actions Reviewing the efficiency of the entire workplace	47 people
Performance reviewer training	Managers who need to review/interview their team members	Reconsolidation of personnel system, objectives of performance review and its method, and actual interview sessions (coaching and listening)	107 people

New employee training program

President's speech

Career Development Review and Support

Visualizing skills of individual employees and guiding their growth (capability evaluations and feedback of the results in one-on-one interviews)

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

Therefore, Rinnai prepares a "Skills Map" and a "Capability Evaluation Sheet" to define the skills and capabilities required by each department and to clarify the goals and capabilities the company expects the employees to achieve. Based on these tools, our employees understand their current roles and

responsibilities. Employees also have a one-on-one interview with their supervisor, during which they receive the results of their performance evaluation and are informed of the company's future expectations of them. They then set up their own goals to challenge every year.

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

Support for Self-Directed development

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

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

Development of Global Human Resources

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

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

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

Comment from an Employee Stationed Overseas 1

I was assigned to Rinnai Australia from the Production Development Division roughly one year ago. My main duties cover a wide range of areas, including coordinating with Japan on new product development, providing feedback on local information, relaying technical advice from Japan, and liaising with Group companies in other countries. There are fewer jobs that you can do single-handedly overseas, so cooperating with related divisions is essential. I really appreciate and feel encouraged by all the support I get from those around me on a daily basis. It's important to get to know one another when you're working with people from different cultures and with different customs. Even so, I am still making new discoveries after a whole year. I'm determined to absorb as much as possible, however, so that I can contribute to further development in the future.

Naoya Okada, Rinnai Australia Pty., Ltd.

Comment from an Employee Stationed Overseas 2

Having been assigned to the US a year ago, I have spent most of that time coordinating between Japan and local staff, and handling admin duties. I go to industry fairs and visit customers, so I have had plenty of opportunities to learn about the market and hear customers' comments. I definitely make the most of every day. I have become keenly aware of some of the differences between Japan and the US, in terms of language, culture, customs and our ways of thinking, but working here has confirmed that trusting relationships are every bit as important in business in the US as they are in Japan.
I will continue to focus on relationships in the future, as I strive to become a truly reliable member of the team over here. I will continue to stay alert too, so that can absorb as much knowledge and information as possible.

Kazuchika Ito, Rinnai America Corporation

Comment from an Employee Stationed Overseas 3

Having continued to studiously learn about manufacturing as part of the die production process during the 12 years I have been with Rinnai, I have now been assigned to Brazil. As a technical advisor, I am currently serving in a supporting role, dealing with development, production technology and manufacturing. Working in manufacturing in another country, faced with differences in language, culture, customs and techniques, I am making the most of the experience I built up in Japan, based on the notion that "if you know what is right and do nothing, you lack courage." I encounter things that I don't understand on a daily basis, both inside and outside work, but I also do things like going cycling with my colleagues and am constantly being helped along by the uniquely friendly people here in Brazil. I always have the same grand ambition in mind – to share Rinnai's hot water culture and help improve people's lifestyles throughout South America! I am determined to keep on growing one step at a time with my local colleagues, so that I can become an outstanding engineer.

Kenji Miyakoshi, Rinnai Brazil Heating Technology Ltd.

Succession of *Monozukuri*, the Spirit of Manufacturing

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

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



Training


Visual manual

Training at individual facilities

We have set up "*monozukuri* legacy stations" at each of our facilities to accumulate and maintain intangible assets, in the form of existing processing technologies, new technologies and "frontline insights" established by experienced employees. As well as giving newly assigned employees the opportunity to learn the basics of *monozukuri* (manufacturing), we use stations as a means of sharing and conveying the essence of *monozukuri* and training employees in areas such as improving efficiency and reinforcing production management.


Employee conduct display
(Oguchi Factory)


Coating training station
(Seto Factory)

New Engineer Training
New employees who are assigned technical jobs at the Technology Center and Production Technology Center, before their actual allocation to each department, receive onsite training at the Research and Development Headquarters and Production Engineering Division as well as practical manufacturing training at factories and production Group companies to learn about the importance of *monozukuri* including product and technology development.


Studying the structure of
dish washer


Studying the structure of
plug of gas appliances


Studying about gas combustion

Work-Life Balance

Support for Work-life Balance

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

In fiscal 2013, we are planning to extend the period of childcare leave and childcare shortened work hours, which many employees use, to strengthen support for working women. We will also actively develop and apply measures for supporting health management.

< Major Programs and Measures in Fiscal 2013 >

Program and measure	Content	Number of users	
		Fiscal 2013	Fiscal 2012
Childcare leave	An employee who lives with and is the caretaker of a child younger than 12 months of age can take leave until the child turns 1, or alternatively until the child is aged 1 year and two months.	42	47
Childcare shortened work hours	In the event that an employee is the caregiver of a child that hasn't been enrolled in an elementary school, or is the caregiver of a family member that requires nursing, the employee in question will be exempt from working late shifts (10:00PM - 5:00AM) with the exception of cases wherein the employee's absence would preclude or inhibit the continuation of normal business operations	57	33
Child nursing leave	An employee can take up to five days leave per year (10 days per year if nursing two or more children)	2	2
Extended family care leave	In principle, total 93 days of leave may be granted per one family member who falls in to the subject of the care.	2	0
Family-care shortened work hours	Any employee who is responsible for a family member that requires full-time or nursing care may shorten his/her daily working hours, provided that a minimum of 6 hours are worked each day. This provision is possible for 93 days per such family member.	0	0
Family care leave	An employee can take up to five days leave per year (10 days per year if two or more family members require care)	0	0
Work from home program	The longest duration of "Work from home program" shall be one year per application. Utilizing IT equipment, an employee may work partially or entirely at home.	1	2
Come Back program	The program offers an employment opportunity to our former employees who had to leave the Company for unavoidable reasons such as marriage, child-care and family-care, or on his/her discretion.	0	0
Measure to reduce working hours (Flexible working hours)	Depending on work plan, working hours and work start/end time can be negotiated.	Production divisions Management divisions	
Measure to reduce working hours (No overtime day)	Every Wednesday is set as “No overtime day” to encourage employees to leave early.	Applicable to certain departments	
Measure to increase the ratio of consumed paid-leave	To promote the utilization of paid-leave, we encourage employees to take at least one day per each half fiscal year, total 2 days a year, as "Refreshing paid-leave"	Applicable to all departments	

Measures to Enrich Our Employees' Family Lives

The Rinnai Employees' Association is the lead organizer of courses for employees on the themes "Education for the Soul" and "Passion for Life." These courses are intended to prepare people for the different stages that life will take them through, with a focus on ethics, communication skills, life planning and money matters. Of the firm belief that a positive perspective on work is essentially a reflection of a happy home life, we encourage employees to take advantage of opportunities, such as barbecues and sports days, where they can gather as families with families. These events foster a sense of harmony among colleagues.

<Major Programs in Fiscal 2013>

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

Nationwide Events	Number of participants
Chubu Sports Festival (Oguchi Sogo Ground)	1,664
Walking Festival (Higashiyama Zoo)	1,448
Kanto Festival (Kasai Rinkai Park)	179
Kansai Festival (Expo '70 Commemorative Park)	197
Nationwide event (Barbecue) Sapporo, Tohoku, Niigata, Shizuoka, Hiroshima and Kyushu	Total 571

30th Walking Festival	
This annual walking event is designed to let employees enjoy time with their families and raise their awareness of health. The venue this time was the Higashiyama Zoo and Botanical Gardens where, under the theme of "biodiversity," participants enjoyed environmental quizzes and games while walking the 10,000-step (approx. 4.1 km) course. A total of 1,448 employees and family members participated in the 30th annual event.	 

Training Seminar by Age	Number of participants
Personality design seminar	80
Life design seminar	59
Self-realization seminar	88
New employee communication seminar	136


Personality design seminar


New employee communication

seminar

Industrial Relations and Human Rights

At the Rinnai Group, aiming to provide the work environment and culture that employees can feel as "I am happy to work at Rinnai.", the Rinnai Employees' Association and Personnel Affairs Division regularly convene the Labor-Management Council to confirm and share the information on management policy, actual results, and comments from each workplace as a periodic improvement activity.

Moreover, our basic stance toward human rights, the respect for each other's personality and the prevention of harassment is compiled as "Rinnai Code of Ethics" to educate and enforce all employees in the Group. In addition, we also established the Corporate Ethics Helpline to maintain the sound environment of the workplaces.

Respect for Human Rights and Individuality

Our Group considers respect for human rights and individuality as one of its main pillars for performing its social responsibilities as a company. We therefore strictly prohibit any form of discriminatory treatment based on gender, age, nationality, physical characteristics, or any other attributes of individuals. We also refer to the ideas of the United Nations framework and ISO26000 and reflect them in the Rinnai Group Code of Ethics.

To promote and enforce the contents of the Rinnai Group Code of Ethics among all Group employees, a compliance committee member is allocated to each workplace to regularly conduct education on corporate ethics. At rank-specific training programs, we also educate our employees based on their roles and job responsibilities.

Establishment of Good Labor Relations

The Employees of the Company are "members of the Rinnai Employees' Association" which functions as the organization to represent entire employees.

Based on mutual understanding and trust, the Company and the Association establish healthy and sound labor relations openly exchanging opinions on management issues, labor condition, workplace environment and compensations and discussing improvement plans.

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

Measure to Prevent Child and Forced Labor

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

Measures to Prevent Harassment

To maintain working environment that our employee find comfortable, we take measures to prevent any infringement of human rights including sexual harassment and power harassment.
To avoid our employee to commit any harassment without any intention and knowledge, we produced a check list of detailed examples of harassment case that is posted on the company-wide intranet for self-assessment.

Each year we also provide newly assigned section chiefs with harassment-prevention education to reinforce this prevention.

Increase in the Allocation/Promotion of Female Employees

(1) Current status of positions held by female employees

The ideas and comments from women are very important to our products. Many women are demonstrating their capabilities in various roles, demonstrating their strengths especially in the product planning department, sales planning promotional department, fixed customer sales department and production department.
Moreover, the ratio of women in total generalists (core job positions) is also increasing every year and the Company actively assigns women to management positions.
In Japan, as of April 2013, the Company had 55 female managers (2.4% of total managing positions), doubling the number in 2006.

(2) Enhancement of Support Programs for Working Women

For women to keep working for the Company after getting married, we provide various working styles and support programs.

<Major Programs>

(i) Career track conversion system
A system which allows employees to convert from generalists to clerical employees (when they do not wish to relocate for job assignment or if there is a request for shortened working hours), or from clerical employees to generalists (because of superior work performance)

(ii) Reemployment system (Come Back Program)
A program that enables former employees to return to work as a full-time employee

(iii) Childcare leave and Family care long leave
Programs to support employees to raise children

(iv) Shortened work hour system
A program to support employees to raise children and care their family members

(v) Flexible working hours system
A program to support employees to raise children, care their family members

(vi) Work from home program
A program to support employees to raise children, care their family members and recover from diseases

Fair and Diversified Employment

View toward Employment

We respect the diversity of individuals and provide employees with various job opportunities and a working environment where they can demonstrate their various capabilities.

Rinnai Group Code of Ethics stipulates that "Any discriminatory act toward an individual based on gender, age, nationality or physical characteristics, etc. is prohibited". Based on this, we maintain fair and equitable hiring practices, in line with prevailing business plans and recruitment needs.

In addition, we actively engage in mid-career hiring to capitalize on the accumulated experience and knowledge of individuals who showed they can make a contribution to our success. We hire about 40 mid-career skilled employees every year.

Reemployment of Retired Employees and Support for Demonstration of their Abilities

Rinnai promotes a reemployment program for employees who retired due to the age limit in order to continuously utilize technology and skills that skilled employees possess and to smoothly pass on the skills and the Rinnai Spirit to following generations. There are currently 160 employees working under this program.We offer one-year contracts until the age of 65, with a choice of three options, enabling employees to work full time, alternate days or reduced hours, to fit in with a wide range of individual lifestyles.

This reemployment program provides employees with purpose and motivation in life as a leader/mentor and maintains and improves the corporate culture and dynamics within the workplace.

Promotion of recruitment of handicapped employees

Since fiscal 2009, we have promoted recruitment of handicapped employees in a planned manner by cooperating with the public employment security office and schools for the disabled. In the initial year, the employment rate of persons with disabilities at the Company was only 0.79%, so out of a sense of social responsibility (sense of urgency) we took a more active stance toward recruiting handicapped people.

In July 2008, the public employment security office greatly assisted us with recruitment of handicapped people. The office allowed us to hold an exclusive job interview meeting at which we interviewed a total of 28 applicants and employed 15. We later began to recruit new graduates from schools for disabled students and implemented an internship program for second-year students of those schools. The number of newly recruited disabled employees has been increasing each year.

The Customer Center we established in fiscal 2011 has toilets and ramps for wheelchair users, and barrier-free elevators; thereby improving the Company's internal facilities for handicapped employees. The employment rate of persons with disabilities at the Company has consequently been significantly improved to 1.71%. We will continue to promote recruitment activities and improve the workplace environment toward achievement of the legally mandated minimum employment rate of 2.0%.

Occupational Health and Safety

The Group gives priority to the assurance of the health and safety of our employees and stakeholders and abides by the laws related to health and safety. In addition, all the employees in the Group strive to create, maintain and manage a working environment which is safe and sanitary and develop an active organizational culture which encourages our employees to be physically and mentally healthy.

Basic Policy on Safety and Hygiene

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

Fiscal 2014 Basic Policy on Safety and Hygiene
(1) Comply with all applicable laws and internal regulations
(2) Undertake safety activities based on a clear understanding of risks
(3) Maintain two-way communication between managers and workers
(4) Improve health management and promote occupational health activities

Status of On-the-Job Accidents and Injuries

In fiscal 2013, we made efforts to achieve the goal of zero accidents under the Rinnai Companywide Health and Safety Committee, serving as the administrative organization of Group companies in Japan. Unfortunately, however, we recorded a total of 36 on-the-job accidents (five more than in the previous year).

Broken down by division and percentage, 29 of the accidents took place in production divisions (93%), five occurred in sales and marketing divisions (7%) and two occurred in research and development division. The most frequent were as follows.

1st: Cutting hand, arm, leg, or foot from contact with equipment or material: 11 cases (31%)
2nd: Cutting or bone fracture of a body part caught in equipment, jig, or tool: 8 cases (22%)
3rd: Bone fracture of hand, arm, leg, or foot due to fall: 4 cases (11%)

In response, under the improvement plan for fiscal 2014, we will comprehensively review what protective gear to wear at each workplace and for each type of work, establish rules and standards based on the results of the review, and make it a top priority to comply with the rules and standards.

With regard to the on-the-job accidents occurring in the previous year, each Group company will as soon as possible take measures for preventing their recurrence. The entire group will thus make concerted efforts to ensure prevention of accidents toward achieving the goal of zero accidents.

Accident Prevention Measures

To give our No.1 priority to work safety and peace of mind, the Group promotes various accident prevention measures under the guidance of the “Risk Management Committee” headed by the President.

With the rising frequency of large-scale disasters at home and abroad, the Rinnai Group, aiming to build a strong corporate structure to withstand crisis situations, establishes business continue plans for a quick recovery at the time of disaster.

(1) Activities to prevent fire and explosion: Enforcement of safety inspection of environmental safety equipment (gas feeders and furnaces, etc.) and test and evaluation equipment, and the improvement and renewal of equipment as our top priority
(2) Reduction of risk of earthquake damage: Preventing objects in factories and office buildings from falling over, dropping, and scattering
(3) Production site onsite guidance: Horizontal development of the production sites under the guidance of the Safety and Health Committee of Production Group
(4) Training for clerical work staff and new employees: KYT training for new employees including a monthly information sharing session regarding on-the-job accidents, designed to promote work-safety awareness.
(5) Implementation of emergency drill: "Earthquake and fire drill" more than once a year

*KYT: *Kiken Yochi* (danger prediction) Training

With the rising frequency of large-scale disasters at home and abroad, the Rinnai Group, aiming to build a strong corporate structure to withstand crisis situations, establishes business continue plans for a quick recovery at the time of disaster.

Emergency drill

Promotion of Traffic Safety

To minimize traffic accidents involving employees, various measures and education programs are provided. We apply to the Japan Safe Driving Center, and obtain a certificate of driving record for each employee who is granted permission to drive a company car or commute by car. This is to accurately gauge the number of employees' traffic accidents and violation of traffic rules to improve self-awareness for compliance. In particular, it is mandatory for employees in sales divisions to report accidents and violation of rules. Depending on the details, an employee may receive a suspension of the permission to drive a company car or may require taking a safety seminar provided by an external agent.
In addition, we introduced a safe driving "eco-drive" promotion system into company cars to check daily driving records. This system contributes to fuel efficiency and environmental awareness, in addition to improved consciousness of safety issues.
Moreover, new employees receive an actual driving lesson using a company car, receiving instruction from a driving school, a program which encompasses risk anticipation training using video, education of traffic rules and regulations and an aptitude test to improve their awareness of safe driving.

Driver education at a driving school

Care for Health

To promote the creation of a vibrant corporate environment wherein people can work healthily -both physically and mentally, it is a precondition that each employee to be health conscious and promote sound self-management and health enhancement.

To maintain and improve the health of our employees and their families, through collaboration with the Rinnai Health Insurance Society, the Company encourages 100% of employees to undergo a medical checkup and receive consultation from an industrial doctor if the employee requires further examination. Various measures including mental health care workshops, medical checkup support, support for special medical checkups (complete medical checkups and cancer screening) and introduction of subsidized sporting events are also actively implemented.

Support for Health Promotion

Through the alliance with the Rinnai Health Insurance Society, we provide a range of medical support services to our employees and their dependent families which include regular checkups as well as detection examinations for various types of cancer (including prostate, intestinal and breast cancer checks). Thorough physical examinations are also available. For patients with lifestyle diseases, specific health guidance and an individual follow-up are provided to make sure the employee is fully recovered.
For physical fitness, we are also eager to financially support sporting events organized by the employee union and voluntary club activities for employees all over Japan (23 clubs including soccer, baseball, golf, cycling, table tennis, bowling, and distance running) to promote employees' health.

Mental Health Care

We make every effort to maintain sound workplaces by caring for the mental health of our employees, focusing particularly on preventive measures and early stress detection. In fiscal 2013, we organized three different courses; a stress self-care seminar to help employees diagnose and deal with day-to-day stress, a basic seminar for managers to teach them how to manage and handle members of staff, and a practical seminar for managers focusing on group work. With 22 seminars across the three courses, a total of 428 employees attended. We have also introduced an external mental health care service that employees can consult regarding concerns within their local community or at home, as well as individual concerns in the workplace.

Mental health care workshop

Outline of our Education System

Education programs for all employees	**Managerial supervisor**		**Line care**
	Basic program	**Applied program**	
New employees When joining the company; once	**Self management All employees**		**Self care**
Mental health counseling service (telephone/face-to-face)			**External care**
Industrial doctors, health supervisors, labor managers, Personnel Affairs Division, etc.			**Internal care**

Joining the Company → Retirement

Human Resource and Personnel Related Data

We disclose human resource and personnel related data including the number of employees and the status of fulltime employees.

Number of full-time employees (consolidated, year-end)

		Fiscal 2011 (At March 31, 2011)	Fiscal 2012 (At March 31, 2012)	Fiscal 2013 (At March 31, 2013)
Rinnai Corporation	Male	2,449	2,471	2,517
	Female	1,116	1,114	1,111
Domestic Group Companies	Male	1,061	1,069	1,099
	Female	590	578	582
Overseas Group Companies	Male	2,170	2,326	2,361
	Female	1,008	1,120	1,154
Total		8,394	8,678	8,824

Number of full-time employees by region (consolidated, year-end)

		Fiscal 2011 (At March 31, 2011)	Fiscal 2012 (At March 31, 2012)	Fiscal 2013 (At March 31, 2013)	Composition
Japan	Male	3,510	3,540	3,616	-
	Female	1,706	1,692	1,693	-
	Sub-total	5,216	5,232	5,309	60.2%
Asia excluding Japan	Male	1,756	1,876	1,923	-
	Female	828	908	957	-
	Sub-total	2,584	2,784	2,880	32.6%
North America, and Europe	Male	100	103	74	-
	Female	36	35	35	-
	Sub-total	136	138	109	1.2%
Other (Oceania, South-America)	Male	314	347	364	-
	Female	144	177	162	-
	Sub-total	458	524	526	6.0%
Total		8,394	8,678	8,824	100%

Number of employees (non-consolidated)

		Fiscal 2011 (At March 31, 2011)	Fiscal 2012 (At March 31, 2012)	Fiscal 2013 (At March 31, 2013)
Newly recruited employees	Male	107	82	102
	Female	41	54	61
Mid-career recruitment	Male	8	11	15
	Female	22	17	13
Average working years		13.4	13.7	13.7
Average age (years old)		35.2	35.7	35.3
Separation rate (%)		2.8	2.2	2.0
Paid leave utilization ratio (%)		34.9	37.5	36.2
Employment rate of persons with disabilities (%)		1.42	1.65	1.71
Number of employees who used childcare leave		49	47	42
Number of employees who used shortened work hours		24	33	57
Number of employees who used the work-from-home program		0	2	1
Number of on-the-job accidents		29	31	36
Annual average training time per employee * Excluding division-specific training		4.4	4.4	6.6

With Our Shareholders and Investors

Policy on Information Disclosure

We disclose information in an appropriate, timely, fair and impartial manner, and engage in IR activities with an emphasis on two-way communication, in order to improve mutual understanding and build trusting relationships with shareholders and investors.

In accordance with the Rinnai Group Code of Ethics and our Disclosure Policy, we adhere to the principle of disclosing corporate information in an appropriate, timely and fair manner, including details of the Group's management and business activities.

IR Activities – Communication with Shareholders and Investors

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

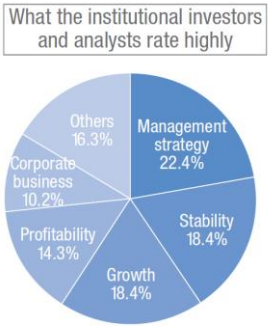
"Information for Shareholders and Investors" on our website, presentation materials, and our shareholder report

General Shareholders' Meetings

We held the general shareholders' meeting for our 63rd term at the Meitetsu New Grand Hotel in Nakamura-ku, Nagoya on June 27, 2013. To encourage more shareholders to get involved in discussions and attend the meeting, we send out notices to convene earlier than the legally required date. We also include photos, graphs, explanations and other such content in our shareholder reports, which we send to all of our shareholders, to make our results easier to understand.

Communication with Institutional Investors and Analysts

In addition to biannual presentations outlining our results, we discuss our performance and actively exchange opinions with institutional investors and analysts through activities such as small meetings, visiting individual investors and accepting telephone interviews. We also take part in conferences organized by securities firms, in an effort to expand our IR activities. We organize factory tours every year as an opportunity to provide a better understanding of our commitment to *monozukuri* (manufacturing).



Factory tour

Results Briefings for Individual Investors

We take part in events such as seminars for individual investors in order to give investors a better understanding of our business activities. We use accompanying materials to provide simple explanations of our corporate philosophy, management policies, business strategies and overseas operations, to give investors a wide-ranging insight into our activities.

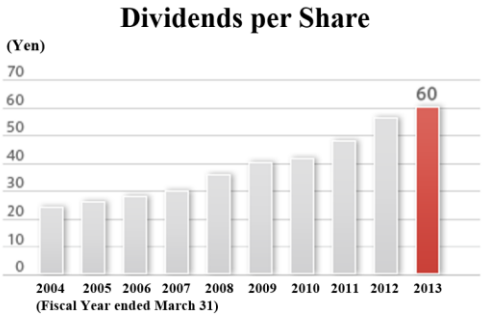
Seminar for individual investors

Our Policy on Dividend

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

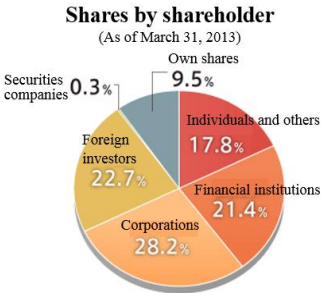
Seeking to enhance corporate value, management looks at retained earnings with a view to the long term, effectively applying this source of capital toward R&D, capital spending and investments accompanying the expansion of sales at home and abroad.

The annual dividend for fiscal 2013 was ¥60 per share, up ¥4 per share from fiscal 2011.
This marked the 11th consecutive year of higher dividends.



Share Information

Share Information (As of March 31, 2013)
Number of authorized shares: 200,000,000 shares
Number of outstanding shares: 54,216,463 (Including treasury stock)
Number of shareholders: 3,871



Inclusion in SRI Index

Socially responsible investment (SRI) is a method of selecting investments by evaluating companies based on their social, ethical and environmental performance, in addition to conventional investment criteria based on financial analysis and growth forecasts. We have been selected for inclusion in the FTSE4 Good Global Index, a worldwide SRI index, for nine consecutive years since 2004.

FTSE4Good

*FTSE is an index calculation and management company wholly owned by the London Stock Exchange. FTSE indexes are widely used by investors all over the world, for purposes such as analyzing investments, evaluating results and managing assets.

*The FTSE4 Good Global Index is one of the leading indexes for socially responsible investment. It was set up in 2001 by the FTSE Group, which selects companies that meet international standards for corporate social responsibility (CSR).

With Our Business Partners

We disclose fair and impartial information in a timely and appropriate manner, and through open channels to shareholders and investors we pursue investor relations (IR) activities that foster greater trust.

Coexistence and Prosperity with Business Partners

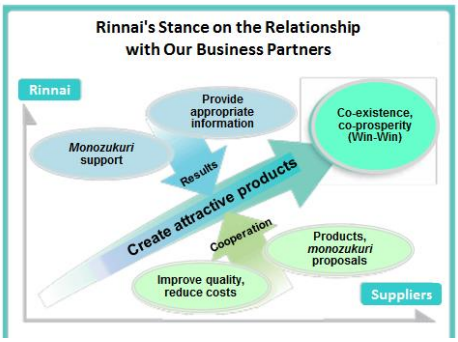
Rinnai Group Purchasing Policy

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

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

Rinnai's Stance on the Relationship with Our Business Partners

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



Realization of Fair-and-Square Transactions

In accordance with the Rinnai Code of Conduct in the Rinnai Group Code of Ethics, our supplier acceptance process is applied uniformly, whether the company is an old-time supplier or seeking to become a supplier.

Our evaluations are fair, giving equal opportunity to any and all companies with the right stuff, whether at home or abroad. Essentially, the divisions involved in procurement—that is, divisions responsible for technology, quality and purchasing—consider all factors, including quality, price and delivery as well as the potential supplier's technological capabilities, safety, and its environment-oriented activities, in reaching an impartial, well-considered decision.

Communication with Our Business Partners

We request our business partners to independently establish a quality assurance system and assure the implementation of the system to help us achieve our policy on quality, "We provide highly safe products that meet customers' requirements."

We provide opportunities for suppliers to learn more about our perspective on quality and the basis of *monozukuri*

at Rinnai through annual events including a get-together at the beginning of the year and policy information meetings and regular meetings of the Supplier Liaison Group. These meetings are also ideal for gathering information through suggestions from suppliers and promoting dialogues based on submitted questions. Indeed, these meetings promote a stronger commitment to teamwork.
In terms of online information disclosure tools, we continue to operate our existing one-way communication tool "R-TALK" and have also launched an interactive tool called "R-LINE." We are working to improve user-friendliness even further, evolving from tools that are "used" to tools that are "usable."

We also promote green procurement processes with an emphasis on environmentally friendly supply chain management. We formulated E-Procurement Standards and work together with our business partners to pursue *monozukuri* with an environmental conscience. This includes implementation of proper environmental management and environmentally friendly approaches toward materials as well as parts production and use. We have also introduced controls for chemical substances contained in materials and parts, in accordance with the Chemical Substance Management Rank Guidelines for Products*[1].

*1: Policy to eliminate or reduce the use of six substances listed in the Reduction of Hazardous Substances (RoHS) Directive

Improvement Activities with Our Business Partners

We organize Level-Up Workshop events as part of improvement activities in conjunction with our business partners, to provide guidance on improving capabilities and training next-generation leaders. The aim is for business partners to appreciate the benefits of improvements, through direct guidance with onsite operations for instance, and to improve their level of *monozukuri* (manufacturing). Specialist members of staff also provide individual consultations for next-generation leaders, to enhance essential skills and knowledge.

Our aim in providing onsite and management support in this way is to improve overall standards at each of our business partners.

Level-Up Workshop

Measures for Risk Management and Stable Procurement

We are committed to risk management and stable procurement of parts and materials, so that we can ensure customer satisfaction and reliably supply the safest possible products. With changes in demand and market globalization however, our supply chain is increasingly expanding all over the world, making it virtually impossible to reduce risks on our own. It is therefore essential to take joint measures with our business partners. We are currently implementing joint measures such as dispersing production sites to guard against unforeseen circumstances, gathering information on secondary processors and companies carrying out later processing, maintaining information on dies, leased equipment and other assets, and formulating business continuity plans (BCP), with our business partners.

We are also able to quickly arrange alternative production and equivalent parts in the event of a natural disaster or other such unforeseen circumstances, so that we can minimize any impact on production activities.

Promotion of Acquisition of ISO9001 and ISO14001 Certifications

To ensure provision of high-quality, safe, environmentally friendly products, all our domestic factories acquired ISO9001 certification (for quality management systems) and ISO14001 certification (for environmental management systems).

We also ask our business partners to understand our approach to quality and the environment and to obtain ISO9001 and ISO14001 certifications or establish equivalent management systems, and we help them operate the systems.

In addition, we use our online tool "R-LINE" for the purpose of chemical management, and ensure rigorous management by updating information on timely basis.

Working with Logistics Partners to Improve Logistics

Integrated Logistics Center

At our Integrated Logistics Center, we are working to establish a streamlined logistics system linked to both production and sales, in an effort to improve the quality of logistics and services.
We are receiving more orders for system products and there is a greater demand for a wider variety of products with smaller lot sizes. Moreover, we need to cope with more diversified requests from our customers such as shortened lead time before the delivery, and a delivery to locations where the product must be actually installed. Previously, we stored products in a distributed fashion across up to 14 logistics center in Aichi, where our production is mainly based. Today, however, due to the results of a company-wide effort to reduce inventories, we have managed to consolidate our logistics bases into two. This has boosted logistics efficiency and contributed to a reduced environmental burden.

The Integral Logistics Center has introduced item-by-item control with QR code and an inspection system. QR codes, which identify each product, are affixed to all products and utilized in many processes in the logistic centers such as when products are brought in and out. By reading the data of QR code, we have drastically improved the quality of logistics by preventing errors and improving the traceability of each item. In addition, the combined use of wireless terminals, real-time operation instruction and actual result collection resulted in a significant improvement of the operations.

In August 2013, we established the Iwakura Logistics Center, as a central warehouse for smaller items. Integrating management of auxiliary and optional items will enable us to combine shipments for parts that had previously been delivered separately, thereby improving the quality of customer delivery services and increasing efficiency. Being located next to a central parts warehouse will also improve transport efficiency within the group and help to optimize operations as a whole.

Integral Logistics Center

Product Label
Information includes product code, gas type, production number, production date, production line, etc.

Communication with Logistics Partners

Every April, we hold a logistics policy information meeting to help service providers gain deeper insight into the logistics policy, targets and measures of our company and logistics department. In addition, we arrange a quarterly quality conference to reduce environmental burden related to the transportation and storage of products, and to improve the quality. We also visit their working sites regularly to share issues with them and help them make improvements.

Our Logistics Partners' Measures to Improve their Logistics Quality

In May 2010, eight mixed consignment carriers* of our logistics partners voluntarily established a "Logistics Working Group" for quality improvement. To promote the improvement of logistics quality and safe transportation, the Working Group is tackling the issues that are common with mixed consignment carriers through information exchange and improvement activities with the leadership of onsite staff. In fiscal 2013, the Working Group implemented specific measures such as regular visits to premises where cargo is shipped or received, creation of awareness posters, and countermeasures against incorrect deliveries. The Working Group is contributing to the improvement of the logistics services of our company as well as the performance level of each carrier.

*Mixed consignment carrier: Services to transport consignment collected from any number of consigners, or an operator that offers the services.

Communication with Logistics Partners

In fiscal 2012, upon the request of our logistics partners, we made it possible to print addresses and names of delivery destinations in *kanji* (Chinese characters) on invoices (delivery statements), on which it had previously only been possible to print *katakana* characters. We have also improved our shipping labels (tags) by allowing the printing of *kanji*. This has made printed characters more legible and facilitated checking by our logistics partners, resulting in reduction of incorrect deliveries caused by characters being misread. We will continue to improve our logistics by cooperating with our partners for further efficiency in logistics operations.

Measures to reduce shipping amount

The company is designated as a specified shipper under the revised Rationalization in Energy Use Law. Therefore, by cooperating with our logistics partners we strive to reduce CO_2 emissions through such measures as eco-friendly driving and establishment of appropriate transportation routes. In fiscal 2011, we consolidated our logistics bases and eliminated and consolidated warehouses that were scattered around Japan. This enabled us to achieve a reduction of intra-company transportation and more efficient transportation of collected cargo, and to reduce the impact on the environment. Our next environmental measures include the increase of combined shipments grouping products shipped to the same destination and reduction of the transportation routes not heading directly to the final destination.
In addition, we consolidated our logistics bases into two in Aichi, where our four factories are located and streamlined warehouses spread around Japan. This eliminated redundant inventory at logistic centers, the production that is neither urgent nor important, and so called “horizontal transportation”*. Moreover, improved logistics efficiency contributed to cost reduction and minimization of environmental burden. Our next measures include the following two: to increase combined shipments grouping products shipped to the same destination; and to reduce the transportation routes that are not directly heading to the final destination.

*”Horizontal transportation”: transportation that doesn’t include final destination (customer site), such as the route between Rinnai factory and its warehouse

Trend of shipping volume and CO_2 emission

Fiscal year ended March 31	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Shipping volume (ton x km)	7,042	6,519	6,483	6,333	6,687	6,587
CO_2 emission volume (TCO_2)	11,228	10,013	9,901	9,837	10,238	10,440

With Our Communities and Society

We actively, voluntarily and continuously engage in a wide range of activities aimed at contributing to society throughout the Rinnai Group. We carry out activities in close cooperation with local communities all over the world.

In Touch with the Community

Visiting an Elderly Welfare Facility

In September 2012, employees from Rinnai Brasil Heating Technology Ltd. visited a welfare facility for the aged, Pro+Vida in Mogi das Cruzes. Members of staff donated adult diapers, food and other items, and enjoyed talking to residents at the facility



Mountain Climbing for Charity

In July 2013, Rinnai UK Ltd. organized an event in which employees and members of their families climbed up Snowdon, a 1,085-meter mountain in Wales, carrying a water heater. The aim of the event was to raise £2,000 to donate to a non-profit organization called Ciaran's Cause.

Support for the Restoration of the Nakagawa Canal

The Nakagawa Canal that runs near our headquarters used to be alive as a transportation route for foreign ships connecting the Port of Nagoya and the center of Nagoya city. With the development of transportation by railroads and automobiles, the utilization of canal transportation diminished greatly. In 2010, the Nakagawa Canal celebrated the 80th anniversary of its creation. To commemorate, an art event, "The Nakagawa Canal Art", was held in every October from 2010 based on a plan to restore the Nakagawa Canal as the new core of the Nagoya city. The Nakagawa Canal was used as the stage for a number of events, including a performance by choreographer Nobuyoshi Asai, a recital by children from a local violin school and magical candlelight illuminations along the canal. As a local company, we are providing our support for a joint government-community-industry project to restore the Nakagawa Canal. In fiscal 2013, we also decided to donate a total of ¥100 million to the Nakagawa Canal Restoration & Cultural/Artistic Activity Assistance Project. We will continue to work with local residents to utilize and restore the Nakagawa Canal, and to promote community development activities.

Nakagawa Canal Restoration & Cultural/Artistic Activity Assistance Project

This is a project based on guidelines issued by the City of Nagoya and the Nagoya Port Authority, as part of plans for the restoration of the Nakagawa Canal. Nagoya Urban Institute (Nagoya Urban Development Public Corporation) is aiming to assist with cultural and artistic activities designed to provide ongoing support for interactive and creative activities in the "Nigiwai Zone (Bustling Zone)" as part of the restoration plan.

The Nakagawa Canal

The Nakagawa Canal by candlelight

Participants decorating candles

Support for fund raising for cystic fibrosis patients

Rinnai America Corporation leant its support to the March of Dimes Walk in April 2012 by providing £3,000 in sponsorship. Employees and family members also took part in the event, which is part of a support program for pregnant mothers and babies.

March of Dimes Walk

Participation in the program of "Habitat for Humanity" and "Happiness-sharing 'N' Campaign"

The Habitat for Humanity movement in South Korea started during the latter part of the 1980s, as a volunteer project aimed at building houses for the homeless. Rinnai Korea Corporation has been supporting activities every year since 2009, providing gas stoves for all families moving into Habitat homes nationwide. We donated a total of 96 gas stoves in 2012, for new and renovated homes in Seoul, northern Kyonggi, Daegu, Chuncheon, Cheonan-Asan and Kunsan.

We have also signed up to the "Happiness-Sharing N Campaign" organized by the Korea National Council on Social Welfare (a support scheme whereby companies save around 1% of the proceeds from sales of products and services certified with the "N mark", as a symbol of sharing, in a fund and provide a portion of their sales revenue to social welfare organizations in need of support). Our own "Happiness-Sharing N Campaign" fund, consisting of a portion of revenue from gas stoves sold during the year, reached a total of 30 million won, which has been used to replace hot-water units and gas stoves, re-hang wallpaper, and refit boards, to improve living conditions for the less fortunate.

Disaster-prevention and crime-prevention activities for local communities

Each Rinnai Group location actively cooperates with disaster-prevention and crime-prevention activities by the local government and community. In fiscal 2013, 10 employees from our Seto Factory took part in the Seto City Fire Department New Year Parade (Aichi prefecture).

Communicating with Students

Factory Tours for Students

To encourage interaction with the local community, each factory provides cooperation for a factory tour program for local elementary school students. Schools utilizes this program as an opportunity for students to learn about society and *monozukuri* through the presentation of facilities in production lines, assembly method and products.

Seto Factory

Asahi Factory

Acceptance of high-school student trainee

The Rinnai Group cooperates with internship programs by each year proactively accepting high school students as interns at its offices and factories.

Seto Factory

Noto Tech Co., Ltd.

Support for Sports and Culture

The Group supports events that foster international exchange in the arts and culture as well as sporting events.

Rinnai Corporation, Actual Results in Fiscal 2013

Major financial contribution	Major sponsorship
* Foundation for the Arts, Nagoya * Chubu High-tech Center (CHC) * Japan Academy of Chamber Music *The Nakagawa Canal Art *Nakagawa Canal Restoration & Cultural/Artistic Activity Assistance Project *Japanese Red Cross Nagoya Daiichi Hospital	* Japan Virtuoso Symphony Orchestra Concert * "Kamikaze," opera by Shigeaki Saegusa * Nagoya Philharmonic Orchestra * Nagoya School of Music, The Music Competition of Japan, Award-winning Celebration Concert * Campus Venture Grand Prix, Chubu Area * Nagoya Shonen Shojo Hatsumei Club (Invention and Innovation Youth Club) * Toyota International Youth Football Championship * Nippon Domannaka Festival * TALK-TCS (Table Coordinator Standards) "Eat Together at Noritake Garden"

Support for the World's Largest Long-Distance Relay

Rinnai America Corporation supported Ragnar Relay, the longest relay in the world that takes up to 12 runners to finish a course of about 300km in the U.S, by installing shower rooms at two staging points and the goal point.

The Ragnar Relay

Rinnai POPS Orchestra Program

"Rinnai POPS Orchestra" operated by Rinnai Korea Corporation, is the only one private orchestra in Korea. It was established in 1986 for the emotional development in the youth, the contribution for the growth of culture in the local community and the improvement of the level of culture of the nation. The orchestra provides charity concerts including a regular concert and concert trip visiting various sites based on requests and invitation. In 2011, the orchestra held 28 concerts.

Our Employee's Voluntary Activities

Participation in Environmental Beautification Activities

Each location of the Rinnai Group promotes local environmental beautification activities such as the cleaning of the company vicinity and commuting routes of the employees. Our activities are deeply rooted in each community.

From the left: activities around Yanagisawa Manufacturing Co., Ltd.,
the Asahi Factory, Rinnai Technica Co., Ltd., and RT Engineering Co., Ltd.

Participating in a Tree-Planting Ceremony at a New Hospital

In fiscal 2013, employees from Rinnai Technica Co., Ltd., took part in a tree-planting event at the Chutoen General Medical Center, part of the "Saving Lives: Planting Trees of Hope Project" organized by Kakegawa City in Shizuoka prefecture.

Blood Donation Program

RB Controls Co., Ltd., runs a "Give Blood for Love" blood donation campaign twice a year, in August and February. There are always at least 100 employees willing to take part.

Environmental Policy

We engage in environmentally friendly initiatives across all of our business activities, in line with our Basic Environmental Policy, to help create a sustainable society and a sustainable planet.

Ever since Rinnai was established, our corporate mission has always hinged on "the use of heating to provide society with comfortable lifestyles." Drawing on our expertise in maintaining harmony between heating and lifestyles, built up over many years, we have always striven to protect the environment and contribute to sustainable development. At the same time, we recognize that our wide-ranging activities are inextricably linked to the environment and have made it one of our top priorities to care for the environment through our core operations.

Basic Philosophy on the Environment

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

Environmental Slogan

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

Basic Environmental Policy

1. **Provide environmentally conscious products that have minimal impact on the environment.**
   Through the diligent pursuit of product development stressing reduced consumption of resources and energy and higher recycling rates as well as eco-minded materials procurement (E-Procurement), we will provide environmentally conscious products (E-Products) that have minimal impact on the environment and contribute to a healthier planet.

2. **Create green factories and offices with the environment in mind.**
   We will emphasize activities that save energy, reduce waste and limit or eliminate hazardous chemical substances, and we will work toward the establishment of environmentally sustainable factories and offices—E-Factory and E-Office—that fit in with the natural surroundings.

3. **Consider how sales and service activities might affect the environment.**
   We will reduce the impact that sales (E-Marketing), services (E-Service) and other business activities in general might have on the environment.

4. **Formulate an environmental management system and continuously improve it.**
   We will formulate an environmental management system and continuously enhance its scope through the establishment and management of appropriate environmental objectives and targets.

5. **Ensure activities are in compliance with regulations and restrictions, including laws, and self-established standards.**
   Obviously, we will abide by laws, ordinances, agreements and other regulations and restrictions, but we will also set and adhere to self-established standards corresponding to social demands. We will always strive to enhance our response to meet revised regulations and evolving standards.

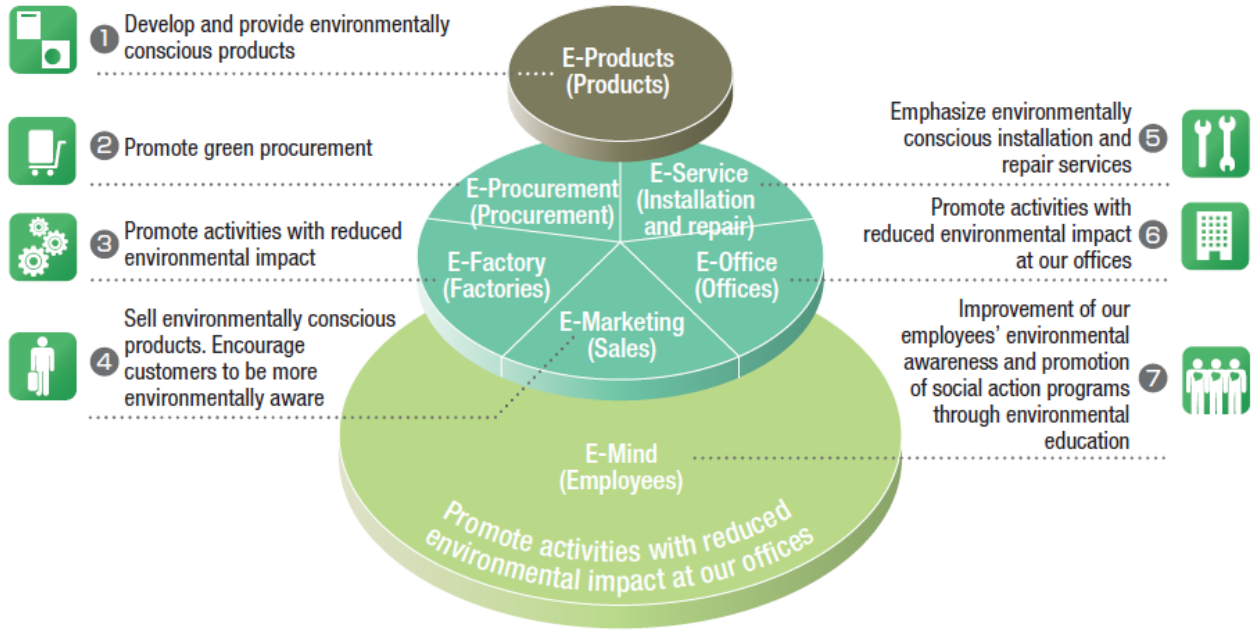
6. **Raise environmental awareness among employees and work with communities to contribute to society.**
   We will raise environmental awareness among all employees through environment-themed training, and we will promote activities undertaken jointly with regional communities and other groups to achieve public good. This perspective is called e-mind.

7. **Disclose information to employees and the communities in which we work.**
   We will disclose environment-related information, such as policies and strategies, to keep employees and society at large in the loop about our perspectives and actions on environmental issues.

Basic Environmental Activity

"7E" Strategic Initiatives: Green Activities Involving All Employees in All Business Areas

Based on our goal to achieve a sustainable operation, we have been promoting the "7E" Strategic Initiatives. The employees with a high sense of environmental awareness create environmentally conscious products at green factories to provide these products to customers with our confidence. As a *monozukuri*-driven company, we pay considerable care to the entire lifecycle of our products—from product development to procurement of materials and components and on through production and then sales, use and disposal. Our consideration goes to each element including "procurement" of materials and components, "factories" as the base of our *monozukuri*, "sales" of our products, "services" related to the products used by our customers, "offices", where administration activities take place and "employee", the foundation of our activities.



7E Strategic Initiatives

Environmental Management System

Rinnai maintains an environmental management system based on ISO 14001. We effectively utilize this management system and constantly strive to promote environment management practices aimed at environmentally conscious *monozukuri* and to raise environmental performance. Our goal is to contribute to the formation of a society capable of sustainable development.

Basic Philosophy on the Environment

To underpin the systematic and continuous development of environment-oriented activities in line with our stated basic environmental policy, we encourage all members of the Rinnai Group to embrace efforts to acquire and maintain ISO14001 certification. In fiscal 2013, we obtained ISO 14001 certification at two sales divisions in Japan (Tohoku Branch and Shikoku Branch) and at one overseas company (Rinnai New Zealand). To further expand our environmental protection activities, we will continue to promote introduction of environmental management systems to our domestic sales operations and overseas Group companies.

Domestic Offices		Overseas Office
		
Tohoku Branch	Shikoku sales office	Rinnai New Zealand Ltd.

Certification acquisition status

[ISO 14001: 2004] Environmental management system certification acquisition status

Location		Certified year/month
Rinnai	Research and Development Headquarters	October 1997
	Production Engineering Division	October 1997
	Oguchi Factory	October 1997
	Seto Factory	December 2000
	Environment Division	December 2000
	Aichi Factory	November 2003
	Asahi Factory	November 2003
	Quality Assurance Headquarters	November 2003
	Head Office	December 2008
	Kansai Branch	May 2010
	Logistic Control Office	May 2010
	Kanto Branch	May 2011
	Chugoku sales office	May 2011
	Parts Center	May 2011

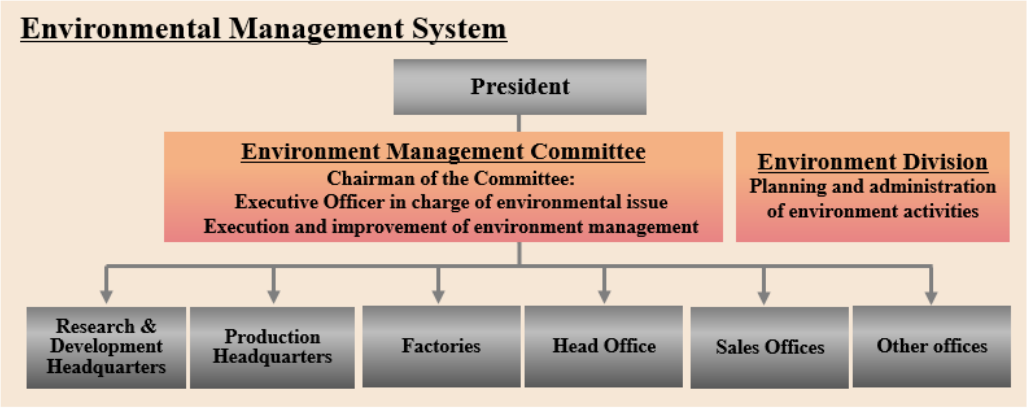
	Kyushu Branch	April 2012
	Hokkaido sales office	April 2012
	Niigata sales office	April 2012
	Tohoku Branch	May 2013
	Shikoku sales office	May 2013
Domestic Group Company	Rinnai Technica Co., Ltd.	December 2003
	Yanagisawa Manufacturing Co., Ltd.	June 2004
	Rinnai Precision Co., Ltd.	December 2005
	Japan Ceramics Co., Ltd.	January 2006
	RT Engineering Co., Ltd.	March 2006
	RB Controls Co., Ltd.	March 2006
	Noto Tech Co., Ltd.	January 2007
Overseas Group Company	Rinnai Korea Corporation	July1997
	RB Korea Ltd.	October 2006
	Shanghai Rinnai Co., Ltd.	December 2008
	Rinnai Brasil Heating Technology Ltd.	June 2011
	Rinnai New Zealand Ltd.	July 2013

Environment Management System "Eco Action21"

Location Name		Certified year/month
Domestic Group Company	Techno Parts Co., Ltd.	August 2011

Environmental Activities Structure

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



Environment Management Activities

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

Review meeting by executives (left) and liaison group meeting

Environmental Audits

External Audits

The ISO 14011 Certification Division undergoes a routine audit, once a year, by an external screening/registration body to verify that the environmental management system is being properly applied. The routine audit in fiscal 2013 did not turn up any major non- conformances.

External audits: from the left, Technology Development Center (two photos), Yanagisawa Manufacturing Co., Ltd., and RT Engineering Co., Ltd.

Internal Audits

As part of internal audits, Auditing team, comprising impartial internal auditors chosen from within the Corporation who have no direct connection to the division under audit, assess conformity to the established environmental management system and review division activities. Auditors visit worksites of divisions tapped for an audit and perform detailed inspections. Direct contact between auditors and divisions facilitates greater understanding of division activities and auditor concerns. Internal audits in fiscal 2013 found no major non-conformances. There were 12 opportunities for improvement and 42 observations. We swiftly addressed these areas to ensure that they would not develop into problems later on.

Internal audits: from the left, Oguchi Factory (two photos), and RT Engineering Co., Ltd.

Environmental Training

Raising each employee's environmental awareness is important for promoting environmental activities. To provide as many employees as possible with opportunities to raise their environmental awareness, we plan and offer training programs for developing and fostering human resources who will actually engage in environmental activities, as well as new employee training and rank-specific training programs.

Education System

Environmental training for environmental examiner
Brushing up education for chief environmental auditor
Environmental training for environmental internal auditor
Environmental training for Trainees from Overseas Group Companies
Training in biodiversity and how it relates to Rinnai
Environmental training for new employees

Environmental training for new employees (Rinnai Precision Co., Ltd.)

General environmental training for employees handling food (Asahi Factory)

General environmental training (Rinnai New Zealand Ltd.)

Internal Auditor Training

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

Internal audit workshops (left) and seminar on ISO 14001 standards

Number of participants (employees)

Internal audit workshops (in-house instructor)	61
Seminars on ISO 14001 standards (external instructor)	32

Environmental Training for Trainees from Overseas Group Companies

A range of materials are used for training on topics such as approaches to the environment and basics of environmentally friendly *monozukuri*. Trainees are also given onsite training on methods of production with environmentally friendly facilities and methods of improvement based on case examples. We strive to improve the environmental awareness level of the entire Rinnai Group.

Trainees attend a lecture on our environmental initiatives

Explanation of wastewater treatment facilities

Trainees receive explanations on our water recycling system

Training in Biodiversity and How It Relates to Rinnai

In addition to our own business activities, we also use large quantities of resources and energy when our products are used and disposed of by our customers. We have always emitted greenhouse gases such as CO_2, too, and other substances that impact on the environment.
We organize training in biodiversity for environmental members of staff, so that they recognize how biodiversity relates to our business activities and can focus on stepping up preservation initiatives.

Frequency: Four times a year

Enhancing Global Environment Management: Creating an environmental management system with our business partners

Reinforcement of Chemical Management

All over the world, governments are implementing tougher restrictions on chemicals, and manufacturers are increasingly required to monitor their use of chemicals used during production processes and the chemical content in finished products. Chemical substances are known to present certain risks, depending on the correlation between the amount of exposure and the harm they could inflict. It is important to identify such information.

In Europe, especially, manufacturers must adhere to strict regulations, such as the Reduction of Hazardous Substances (RoHS) Directive and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). As a collection of companies, the Rinnai Group must assume a unified approach in managing information on the chemicals contained in its products. We must properly address laws and regulations at home and abroad and respond accurately to requests from customers on the chemicals found in our products. Chemical substances are a critical key component of quality control. They are unseen yet require monitoring. To ensure that use of chemical substances that could harm the human body or the environment is minimized in the entire life cycle of products, members of the Chemical Management Project promote activities to establish and further strengthen the platform for chemical management.

* RoHS Directive: "DIRECTIVE 2002/95/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment" Since July 1, 2006, the EU market has been restricting the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and Polybrominated diphenyl ethers (PBDE) in electrical and electronic equipment.

* The Registration, Evaluation, Authorization and Restriction of Chemicals (REACH): It is a new regulation on chemical substances in EU that mandates registration, evaluation and authorization of chemical substances manufactured in or imported to EU.

Rinnai's Procurement Management Standards

E-Procurement Standard [Ver.3] (left) and Policy on Chemical Substance Management [Ver.3]

We establish data management systems in order to gather, register and share data relating to chemicals contained in our products, and make every effort to appropriately submit and provide data. We are also reviewing our practices in accordance with the EU REACH Directive and various other regulations, and continue to provide practical training for members of staff, including regular domestic and overseas workshops, and sharing information throughout the group.

Practical training (Shanghai Rinnai Co.,

Support to Establish Environment Management System

To promote environmentally conscious *monozukuri* working with our business partners, we encourage our business partners to obtain certifications for environment management system including ISO14001, Eco Action 21 and KES.

Environmental Action Plan and Results

Fiscal 2013 (Year ended March 31, 2013) Environmental Action Plan and Results

This section outlines targets and results for key activities in fiscal 2013 - environmental management and the 7Es (E-Products, E-Procurement, E-Factory, E-Marketing, E-Service, E-Office and E-Mind) - and assesses progress towards the relevant targets.

*Progress rating ○: Achieved △: Not achieved ×: Not implemented

Activity	Fiscal 2013 Target	Fiscal 2013 Achievement	Progress
Environmental management system	• Obtain ISO 14001 certification at one branch, one sales office and one overseas facility	• Obtained ISO 14001 certification at three facilities - two domestic (Tohoku Branch, Shikoku Sales Office) and Rinnai New Zealand	○

E-Products

Activity	Fiscal 2013 Target	Fiscal 2013 Achievement	Progress
Prevent global warming	• Continue to develop low-NOx hot-water systems	• Developed low-NOx hot-water units - *Eco-Jozu* hot-water units - *Eco-Jozu* bathtub filling units - *Heat source for Eco-Jozu* hot-water/heating system	○
Saving and recycling resources	• Continue to carry out product assessments	• Carried out product assessments (Coverage: All new products)	○
	• Develop lightweight products	• Developed lightweight products - Heat source for *Eco-Jozu* hot-water/heating system - *Eco-Jozu* bathtub filling units - Bathroom heater/dryer/clothes dryer - Built-in gas stove for the ASEAN market	○

E-Procurement

Activity	Fiscal 2013 Target	Fiscal 2013 Achievement	Progress
Green procurement	• Achieve 100% green supplier rate across major suppliers	• Green supplier rate: 98.5% (one company outstanding)	△
	• Develop green products	• Procured and used materials in accordance with E-Procurement Standards	○
	• Implement green procurement management	• Laid foundations for chemical management and reinforced cooperation with suppliers	

E-Marketing, E-Service

Activity	Fiscal 2013 Target	Fiscal 2013 Achievement	Progress
Increasing sales of high-efficiency products	• Reduce CO2 emissions from high-efficiency hot-water units by at least 49,000 tons/year	• Cut CO_2 emissions from high-efficiency hot water units by 36,000 t-CO_2/year	△
Providing information on environmentally conscious products	• Showcase and raise awareness of products at exhibitions	• Showcased and raised awareness of products at exhibitions	○
	• Produce and distribute catalogs, flyers and pamphlets	• Produced and distributed catalogs, flyers and pamphlets	

E-Mind, Other

Activity	Fiscal 2013 Target	Fiscal 2013 Achievement	Progress
Disclosing environmental information	• Publish CSR Report for fiscal 2013	• Published CSR Report for fiscal 2013 (September)	○
	• Disclose environmental information on website	• Disclosed environmental information on website (September)	
Environmental education and awareness	• Promote educational activities in line with companywide and site-specific plans for fiscal 2013	• Provided environmental training for new employees, training for internal auditors, etc. • Improved understanding of how our operations affect biodiversity, through environmental education, events, etc.	○

E-Factory

Activity	Fiscal 2013 Target	Fiscal 2013 Achievement	Progress
Prevent global warming	• CO2 emission factor*1 Reduce by 3% or more compared to fiscal 2010	• CO2 emission factor Reduced by 7.6% compared to fiscal 2010	△
Reduce waste	•Maintain zero emissions: (Resource recycling rate of 99.5% or higher)	• Waste emission factor: Reduced by 9.3% compared to fiscal 2011	○
	•Waste emission factor*2: Reduce by 2% or more compared to fiscal 2011	• Waste emission factor: Reduced by 9.3% compared to fiscal 2011	
Reduce hazardous chemical substances	• Hazardous chemical usage factor*3: Reduce by 2% or more compared to fiscal 2011	• Hazardous chemical usage factor: Reduced by 3.2% compared to fiscal 2011	○
Reducing water consumption	• Water consumption factor*4: Reduce by 2% or more compared to fiscal 2011	• Water consumption factor: Reduced by 15.8% compared to fiscal 2011	○

*1: CO2 emission factor = Total CO2 emissions (tons/year) / net sales (¥100 million)
*2: Waste emission factor = Total waste produced (tons) / net sales (¥100 million)
*3: Hazardous chemical usage factor = Total PRTR hazardous chemicals used (tons) / net sales (¥100 million)
Hazardous chemicals = Class 1 Designated Substances as specified under the PRTR Law
*4: Water consumption factor = Total water consumed (m3) / net sales (¥100 million)

E-Office

Activity	Fiscal 2013 Target	Fiscal 2013 Achievement	Progress
Green purchasing	• Maintain a green purchasing rate of 90.5% or higher for office supplies and equipment	• Green purchasing rate: Achieved rate of 90.5% or higher (Monetary basis) *Including newly added items	○

Fiscal 2014 (Year ending March 31, 2014) Environmental Action Plan

In fiscal 2014, we are aiming to take our 7E activities to the next level, develop environmental management systems and improve our environmental performance, on both a divisional and groupwide basis.

Activity	Basic Action Plan	Fiscal 2014 Target
Environmental management system	• Establish a groupwide environmental management system and improve environmental performance through coordinated activities	• Obtain ISO 14001 certification at one sales office

E-Products

Activity	Basic Action Plan	Fiscal 2014 Target
Prevent global warming	• Develop high-efficiency appliances designed to save energy during usage, reduce standby power consumption, and continue to develop leading energy-saving products	• Develop high-efficiency appliances - *Eco-Jozu* bathtub filling units - *Eco-Jozu* hot-water units (commercial) • Reduce standby power - Fan-forced heaters
Prevent air pollution	• Develop low NOx products for the domestic and overseas markets	• Develop low NOx *Eco-Jozu* hot-water units
Saving and recycling resources	• Save resources by developing products and components that are smaller and lighter, and continue to develop resource-saving products	• Carry out product assessments (on all new products) • Develop lightweight *Eco-Jozu* products - *Eco-Jozu* bathtub filling units • Develop water-saving products - Dishwashers

E-Procurement

Activity	Basic Action Plan	Fiscal 2014 Target
Green procurement	• Work with suppliers and group companies to promote procurement of environmentally friendly materials and parts (saving resources, saving energy, recycling, etc.)	• Develop green products - Encourage use of materials in accordance with E-Procurement Standards • Green procurement management - Maintain and reinforce management of hazardous chemicals

E-Marketing, E-Service

Activity	Basic Action Plan	Fiscal 2014 Target
Increasing sales of high-efficiency products	• Increase sales of high-efficiency products	• Reduce CO2 emissions from hot-water units used by customers
	• Hot-water units (hybrid hot-water/heating system, *Eco-Jozu*, etc.)	• Reduce by 52,000 tons/year
Providing information on environmentally conscious products	• Provide information on environmentally conscious products through exhibitions, catalogs, fliers, pamphlets, etc.	• Showcase products and raise awareness at exhibitions in Japan and overseas • Produce and distribute catalogs, flyers and pamphlets

E-Mind, Other

Activity	Basic Action Plan	Fiscal 2014 Target
Disclosing environmental information	• Disclose information on environmental activities and products via CSR Report, website, etc.	• Publish CSR Report 2013 • Disclose environmental information on website.
Environmental education and awareness	• Actively engage in environmental education and awareness activities aimed at employees, and continue to improve environmental awareness	• Promote educational activities in line with companywide and site-specific plans for fiscal 2014

E-Factory

Activity	Basic Action Plan	Fiscal 2014 Target
Prevent global warming	• Reduce CO2 emission factor*1: 5% or more compared to fiscal 2010 level by fiscal 2015	• CO2 emission factor: Reduce by 4% or more compared to fiscal 2010
Reduce waste	• Maintain zero emissions: (Resource recycling rate of 99.5% or higher)	• Maintain and improve zero emissions record
	•Reduce waste emission factor*2: 4% or more compared to fiscal 2011 levels by fiscal 2015	• Waste emission factor: Reduce by 3% or more compared to fiscal 2011
Reduce hazardous chemical substances	• Reduce hazardous chemical usage factor*3: 4% or more compared to fiscal 2011 levels by fiscal 2015	• Hazardous chemical usage factor: Reduce by 3% or more compared to fiscal 2011
Reducing water consumption	• Reduce water consumption factor*4: 4% or more compared to fiscal 2011 levels by fiscal 2015	•Water consumption factor: Reduce by 3% or more compared to fiscal 2011

*1: CO2 emission factor = Total CO2 emissions (tons/year) / net sales (¥100 million)
*2: Waste emission factor = Total waste produced (tons) / net sales (¥100 million)
*3: Hazardous chemical usage factor = Total PRTR hazardous chemicals used (tons) / net sales (¥100 million)
(Hazardous chemicals = Class 1 Designated Substances as specified under the PRTR Law)
*4: Water consumption factor = Total water consumed (m3) / net sales (¥100 million)

E-Office

Activity	Basic Action Plan	Fiscal 2014 Target
Green purchasing	• Achieve a green purchasing rate of 91% or higher for office supplies and equipment by fiscal 2015 *Including newly added items	• Achieve a green purchasing rate of 91% or higher, including newly added items (Monetary basis)

Environmental Accounting

To realize continuous growth while promoting environmental management, we must accurately quantify the cost of environmental protection and the results achieved. We must also ensure that our approaches are effective through appropriate allocation of management resources. We utilize guidelines set by Japan's Ministry of the Environment as the tools in executing these tasks.

Scope of accounting: Rinnai Corporation
Period of accounting: April 1, 2012 to March 31, 2013

Cost of Environmental Protection

(Unit: Ten thousand yen)

Breakdown of Costs for Environmental Protection		Key Activities	Costs
In the scope of operations	Pollution prevention	Mainly efforts to prevent air and water pollution	2,647
	Environmental protection	Mainly efforts to save energy	4,858
	Resource recycling	Recycling as well as treatment and disposal of industrial waste	2,992
Upstream/downstream		Collection/recycling and volume/weight reduction of materials such as product packaging	2,344
Management activities		Mainly monitoring and surveillance of environmental impact	9,553
Research and development		R&D on environmentally conscious products addressing energy- and resource-saving features and reduction and/or elimination of hazardous chemical substances	153,158
Community efforts		Mainly community activities and beautification/greening at places of business and surrounding areas	237
Total			175,789

(Unit: Ten thousand yen)

	Item		Content	Environmental Impact Reduction
Environmental Protection Effect	On-site results		Saving energy reduced greenhouse gases	320 t CO_2/year
	Upstream/downstream results	Environmental impact reduction through use of products	Reduction of NOx with products with low NOx emissions	129 t/year
			High-efficiency products reduced CO_2	70,806 t CO_2/year

(Unit: Ten thousand yen)

Economic Effects Accompanying Environmental Protection Measures	Item	Economic Effect
	Costs cut through energy-savings and waste reduction	1,517

About Environmental Protection Costs

- R&D costs are associated with the development of environment-related, leading-edge technologies and products for the heat-energy appliance market as well as products that, based on Rinnai's standards, mark an improvement over existing products.
- Costs covering other applications, which include non-environment-oriented activities, are apportioned according to internal rules.
- The calculations above exclude depreciation and amortization expense.

About Success of Environmental Protection Efforts

- The success of environmental protection efforts through energy-saving efforts and waste reduction is not a change in overall volume but rather the assumed effect achieved through associated activities.
- The success of environmental protection efforts through the use of products with the capacity to reduce environmental impact is not an industry result but rather a year-on-year comparison based on Rinnai's sales of such products. We determined these estimates based on annual volume over normal usage.

Economic Effect

- The economic effects achieved through energy-savings and waste reduction are not increases or decreases in overall costs but rather an effective amount regarded for its economic benefit through the associated activities.
- Deemed effects, such as avoiding risks and enhanced product sales, fall outside the scope of economic effects because the standard for evaluation is too vague.
- External economic effects, derived mainly through products that reduce environmental impact, also fall outside the scope of economic effects because the results are too difficult to pinpoint.

Developing Environmentally Conscious Products

We promote research of technologies and development of products that help our customers to lead comfortable lifestyles based on the principles of environmentally friendly design, including preventing global warming and recycling resources.

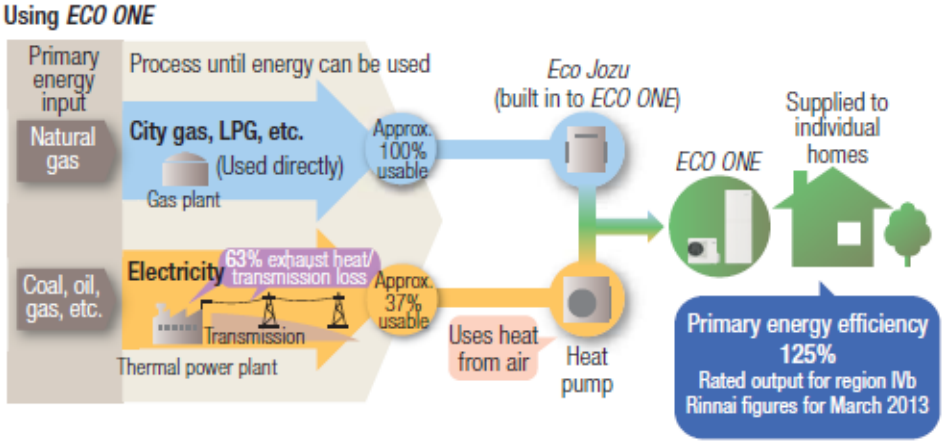
Increasing Usage of *ECO ONE* Hybrid Hot-Water/Heating Systems

It has already been seven years since we began developing the *ECO ONE* hybrid hot-water/heating system, combining "*Eco Jozu*" high-efficiency gas hot-water units with heat pump technology, which uses air as a heat source. With the 2012 model, we have increased primary energy efficiency from 112%, for the initial model, to a world-leading 125%*[1]. For further household energy savings, we are also working on other variations to cater to detached homes, communal living, commercial use and various other installation requirements.

*1 Having calculated primary energy consumption, using a dedicated program for determining homes' energy saving performance (devised by the Building Research Institute, in conjunction with the National Institute for Land and Infrastructure Management), the results indicated that *ECO ONE* has the highest hot-water primary energy efficiency of all electric, gas and oil-powered hot-water units available in Japan.

Column: What is Primary Energy Efficiency?

"Primary energy" refers to any form of energy in its naturally occurring state, including coal, oil and natural gas. We have long since used primary energy by turning it into formats that are easier to use, such as electricity, city gas or propane. In the case of hot-water units, electricity or gas is converted into heat energy to produce hot water. The "primary energy efficiency of a hot-water unit" refers to the volume of hot water produced equivalent to the amount of primary energy input. In terms of saving energy, products are better if they have higher primary energy efficiency.



Comment from Developer

Enabling people to comfortably save energy in line with their own lifestyle

When developing *ECO ONE*, we were determined to improve units' energy saving performance whilst at the same time ensuring comfort and usability across a wide range of scenarios. We incorporated innovations that would enable users to effortlessly save energy, including an automatic mode that optimizes hot water depending on usage and an ECO notification feature to raise levels of eco awareness. We are committed to making our products even more environmentally friendly in the future by increasing primary energy efficiency even further and simplifying structures in order to reduce materials.

Hideaki Ogawa

Manager, Engineering Development Division, Research & Development Headquarters

Using *ECO ONE* in an Eco-Friendly Manner : Remote control settings

(1) Automatic mode
By studying usage patterns, *ECO ONE* can supply just the right amount of hot water, with no waste.

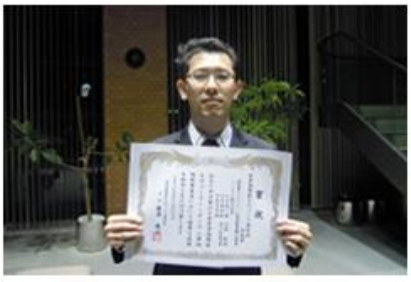
(2) Energy check
ECO ONE shows how effective it is while performing, so that you can reduce energy consumption to just the right level.

(3) Eco notification
ECO ONE provides energy saving advice depending on your usage.

Resource Recycling Manufacturing Council Chairman's Award

At the IMS 2012 Resource Recycling Manufacturing Symposium[*2], organized by the Nagoya Industries Promotion Corporation amongst others, we were presented with the Resource Recycling Manufacturing Council Chairman's Award for developing our hybrid hot-water/heating system ECO ONE. Having previously been recognized for environmental improvements to our hollow baking furnaces, this is the second time that we have won this award.

(*2) IMS 2012 Resource Recycling Manufacturing Symposium: Event intended to showcase research aimed at recycling resources, reducing environmental impact and minimizing global warming from the standpoint of manufacturing, and recognizes outstanding achievements, focusing particularly on companies in the Chubu region



Rinnai presentation at symposium (left) and Junichi Ogawa, Manager Engineering Development Division, Research & Development Headquarters

Energy and Resource Saving Initiatives

Kitchen

Gas Stoves for the ASEAN Market

Saving Energy
- Fitted with large burners suitable for wok cooking
  Increases thermal efficiency from 42% to 46.5% (LPG model)

Saving Resources
- Eco design with lighter components
  Stove burners approximately 1 kg lighter (74% reduction compared to standard Rinnai product)
- Components made from at least 90% recyclable materials
- Increased component durability due to specifications that prevent spillages from getting inside the stove (shield structure)

Safety/Convenience
- Features a sliding adjustment mechanism, making it easier to adjust flames (and preventing unintentional ignition)
- Battery ignition to enable usage during power failures

Made in Japan

(*1) ASEAN: Association of Southeast Asian Nations. A high percentage of people in the ASEAN region and other Asian countries cook Chinese-style dishes over a high heat, meaning that they require stoves with high-powered burners.

Rinnai Korea Built-in Gas Stove

Saving energy
-Thermal efficiency 46% => 52%
*LPG model

Saving resources
-Stove burners: Weight reduced by approx. 250g
(14% reduction compared to standard Rinnai product)
-Increased component durability thanks to Shield structure

Safety/convenience
- “Heat-blocking structure” prevents top plate from becoming too hot

Made in Korea

Metal Top Series Built-in Gas Stove/ Tabletop Stove

Saving resources
- Eco-friendly design with fewer components
- Increased component durability thanks to Shield structure

Comfort/convenience
- Integrated top plate and burner rings to reduce burnt-on by spillages and make cleaning easier

Made in Japan

Hot Water

Heat Source for Gas Hot-Water/Heating Systems (RUFH- EM2402 Series)

Saving energy
- Uses exhaust heat to achieve thermal efficiency of approximately 95% (hot water)/ 89% (heating)
- Reduced power consumption of 2.4W or less on standby

Saving resources
Approximately 2 kg lighter (4.2% reduction compared to standard Rinnai product)

Features

Equipped with three functions:

Hot water + Bath heater + Heating

Made in Japan

RUFH0EM2402AFF2-1

RUX-E1610G Series Dedicated Gas Hot-Water Units

Saving energy
- Thermal efficiency: 90% (hot-water)
- Standby power: Reduced to 1.1W or less
- Compatible with "power-saving display" mode of remote controls, to reduce power consumption by lowering brightness on the display screen

Features

Dedicated hot-water unit

Made in Japan

RUX-E1610G

We have been developing a range of *Eco Jozu* high-efficiency hot-water units since 2009, to cater to detached homes, communal living, commercial use and various other installation requirements. We are also working on other variations.

Remote Control

MBC-220 Series Dedicated Hot-Water Unit Remote Controls

Saving energy
- Equipped with "power-saving display" mode, to reduce power consumption by approximately 45%[*2], by lowering the brightness on the screen and buttons

Saving water
- Equipped with "Eco signal" mode, to identify the optimum volume of hot water and help save water more effectively

Visualizing information/eco-friendliness
- Enables users to reduce optimum energy consumption while appreciating the unit's effectiveness
- Equipped with "ENE LIVE" mode, to enable users to check water usage and energy consumption in real time, and "ECO GUIDE" mode, to indicate progress towards energy-saving targets

(*2) Power consumption for the top screen, based on RUFH-E2402AW2-6 and MBC-220V (60Hz) set to "ON"
A power-measuring unit (RECU-200) is required to display power usage. Sold separately.

For Kitchen (MC-220VC)

For bathroom (BC-220VC)

“Eco signal” mode

“ENE LIVE” mode for Kitchen
to enable users to check water usage

Air Conditioning

Bathroom Heater/Dryer with “Splash Mist Sauna” Setting[*3]

Saving Energy
Reduces CO_2 emissions by approximately 60 kg/year if used in eco dry mode[*3] (32% reduction compared to standard Rinnai product)

Saving Resources
- Reduces water consumption by around 9 m^3/year on mist setting (50% reduction compared to standard Rinnai product)
- Improved, lightweight mist unit
  single-room ventilation : weight reduced by approx. 4kg (25% reduction compared to standard Rinnai product)
  2/3-room ventilation: weight reduced by approx. 2kg (15% reduction compared to standard Rinnai product)

Comfort/convenience
- Equipped with mist sauna mode to warm your body to the core
- Reduced strain on the body when bathing, thanks to quick and effective heating of cold bathrooms (prevents heat shock)
- Drying mode capable of quickly drying out bathrooms after bathing, to prevent mold and make cleaning easier
- Enables clothes to be dried in the bathroom, without worrying about dust, pollen or other airborne pollutants (PM2.5, etc.)

Made in Japan

With Mist Sauna
RBHM-C337K1P
RBHM-C337K2P
RBHM-C337K3P

Without Mist Sauna
RBH-C336K1P
RBH-C336K2P
RBH-C336K3P

[*3]Mist sauna: The unit produces tiny water droplets (water temperature: 40˚C), so small you can’t even see them, to envelope your whole body. This enables you to build up a sweat even at cold temperatures, and can have a positive effect on your skin and metabolism. Included with the RBHM Series
[*4]Eco dry mode: The unit dries with gentle cool breeze and then switches to dry mode.
Included with the RBHM-C337 Series and RBH-C336 Series

Air Conditioning

Fan-Forced Gas Heater

Saving energy
-Features "Eco mode" to control combustion in line with a set temperature and prevent the room from becoming too warm (a domestic first for a fan-forced gas heater)
-Standby power: Reduced from 7W to 0.8W
-Thermal efficiency: 82.4% => 82.5% (RHF-309FT)
82.2% => 82.5% (RHF-559FT)

Made in Japan

Safety
-Equipped with "flue blockage detection system," which uses micro pressure sensors to detect if the flue exit is covered with snow or has become blocked and automatically turns the heater off
-Included as a recommended product under the school facility recommended product scheme[*5]

(*5) Registration scheme for recommended products that meet required performance standards for safety, strength and quality control for use in school facilities, run by the Research Institute of Educational Facilities (registered product: RHF-559FT)

Hot-Water-Based Energy-Saving Floor Heating System

Saving energy
-Combined double-hybrid hot-water/heating system reduces CO_2 emissions when hot-water-based floor heating is in use by approximately 30%[*6] compared to standard Rinnai products
-50% more radiator pipes embedded in heat mats and improved insulation specifications for hot-water pipes (60% reduction in heat loss), effectively reducing uneven heat above the floor
Comfort/convenience
-Radiant heat warms your body to the core, with heat filling the entire room not just the surface of the floor
-Capable of quickly generating comforting warmth in any type of room, whether western, Japanese or double-height
(*6) 2012 study conducted by Rinnai

Made in Japan

Gas Floor heating


Three Advantages: radiance, conduction, and convection

Commercial Units

A Series Steam Ovens

Saving resources
- Approx. 3% lighter than standard Rinnai product
- Components made from at least 95% recyclable materials
Comfort/convenience
-Improved convenience thanks to 10.2-inch LCD touch panel display. Equipped with self-cleaning mode and audio instructions

Made in Korea

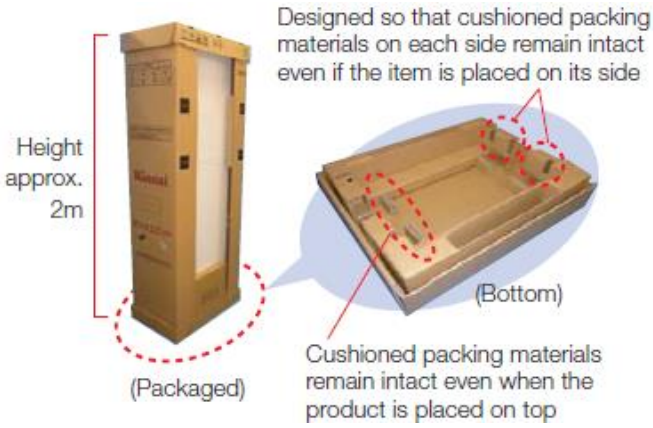
Packing

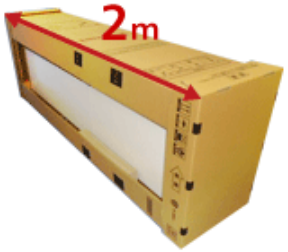
We promote packages which only use corrugated board to reduce the use of styrene foam and waste-related issues. In addition, we are also expanding our use of returnable packing to reuse packing materials and reduce the amount of packing used.

ECO ONE Presented with Large-Sized Equipment Packaging Award at Japan Packaging Contest 2012

We have been working on a packaging design that can accommodate tanks measuring approximately two meters high and weighing over 50 kilograms, made entirely from cardboard. It is just as strong as wood and other materials, and even enables items to be shipped on their side. It also considerably reduces labor as part of the packaging process.

Award

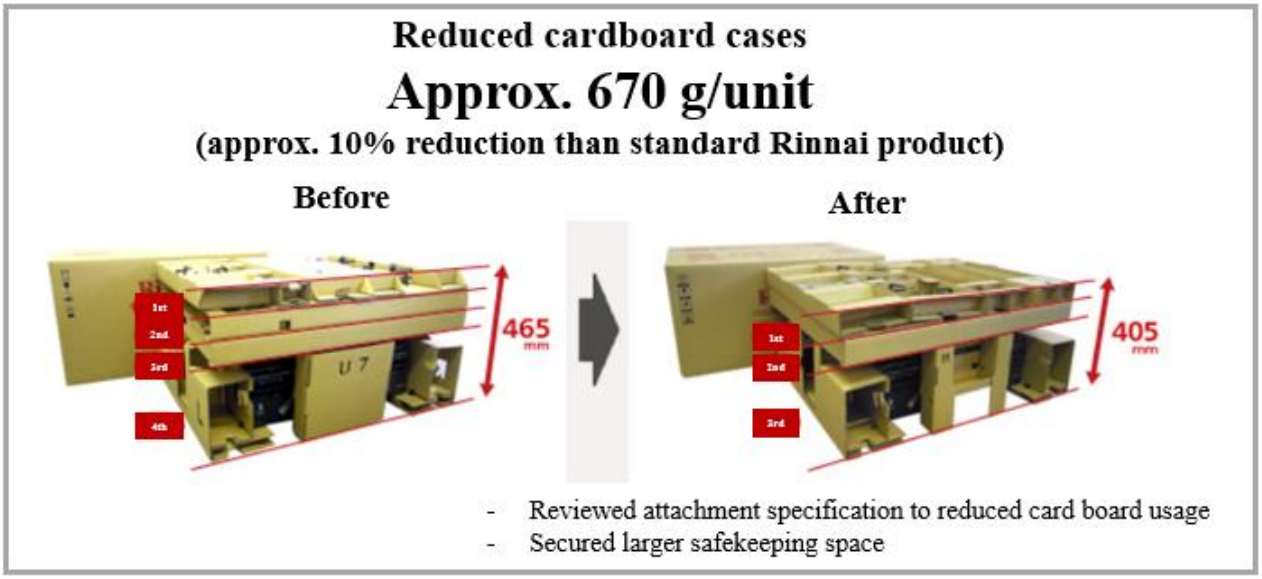




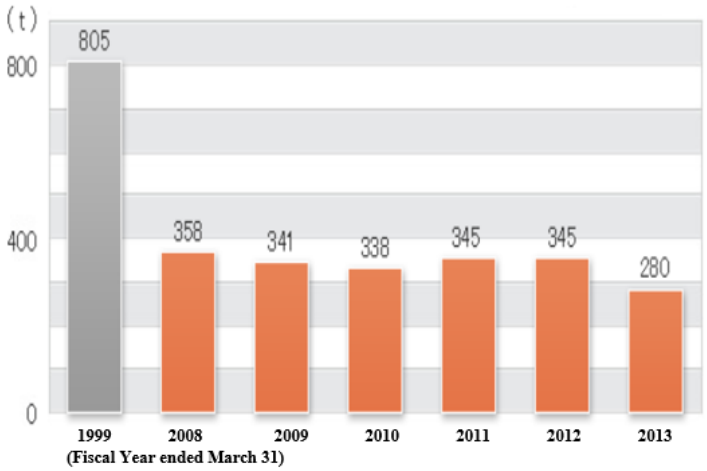
Item placed on its side for transportation

Gas Stove Packaging for Fitted Kitchens

We have reviewed packaging specifications for built-in gas stoves and significantly reduced the amount of cardboard that we use. Reducing the volume of packaging per unit has also helped to increase efficiency during transportation and storage.



Styrene Foam Use Trend (Volume)



Recycling

Recycling of Used Products

Recyclable materials such as iron and copper constitute roughly 80% to upward of 90% (by weight) of materials used for gas appliances. Used gas appliances that do not require installation work are collected and processed via local governments' routes. Those that do require installation work are collected and processed via companies that perform such work.

The Environmental and Recycling Committee of the Japan Industrial Association of Gas and Kerosene Appliances, of which Rinnai is a member, regularly conducts a questionnaire for finding how used gas and kerosene appliances are processed. Recycling demonstration tests at recycling plants and confirmations and information exchanges concerning processing are also undertaken as necessary. The survey of Rinnai in fiscal 2013 confirmed that used gas and kerosene appliances are processed appropriately and a high recycling rate is maintained. We also make use of the results of the survey for designing and improving our products.

Plant where recycling demonstration tests are conducted

Recycle Household Electrical Appliances

Japan’s Home Appliance Recycling Law went into effect April 2001 with the goals to reduce the amount of waste going to landfills and incinerators and to promote more effective use of resources. Since then, appliances that consumers no longer want to use have been recycled into new products. Rinnai now has two products-a unit-style air-conditioner and a clothes dryer-that can be redirected from the waste pile.

Unit-style air-conditioner

Clothes dryer

Rinnai Products Subject to the Home Appliance Recycling Law and Guideline Values

Product	Recycling Rate Statutory Guideline Value
Unit-style air-conditioner	70%
Clothes dryer	65%

Used Products Recycled into New Products at Rinnai

Product	Unit-style air-conditioner	Clothes dryer
Number of units brought to designated collection points	4,548 units	1,138 units
Number of units processed for recycling	4,621 units	1,139 units
Weight of units processed for recycling	189.9 tons	39.9 tons
Weight of recycled materials	178.4 tons	37.1 tons
Recycling rate	93%	93%

* Rinnai's bathroom and kitchen televisions are incorporated into the building architecture. Consequently, they fall outside the liquid-crystal television receiver category added to the national recycling law in April 2009.

Recycle Containers and Packaging

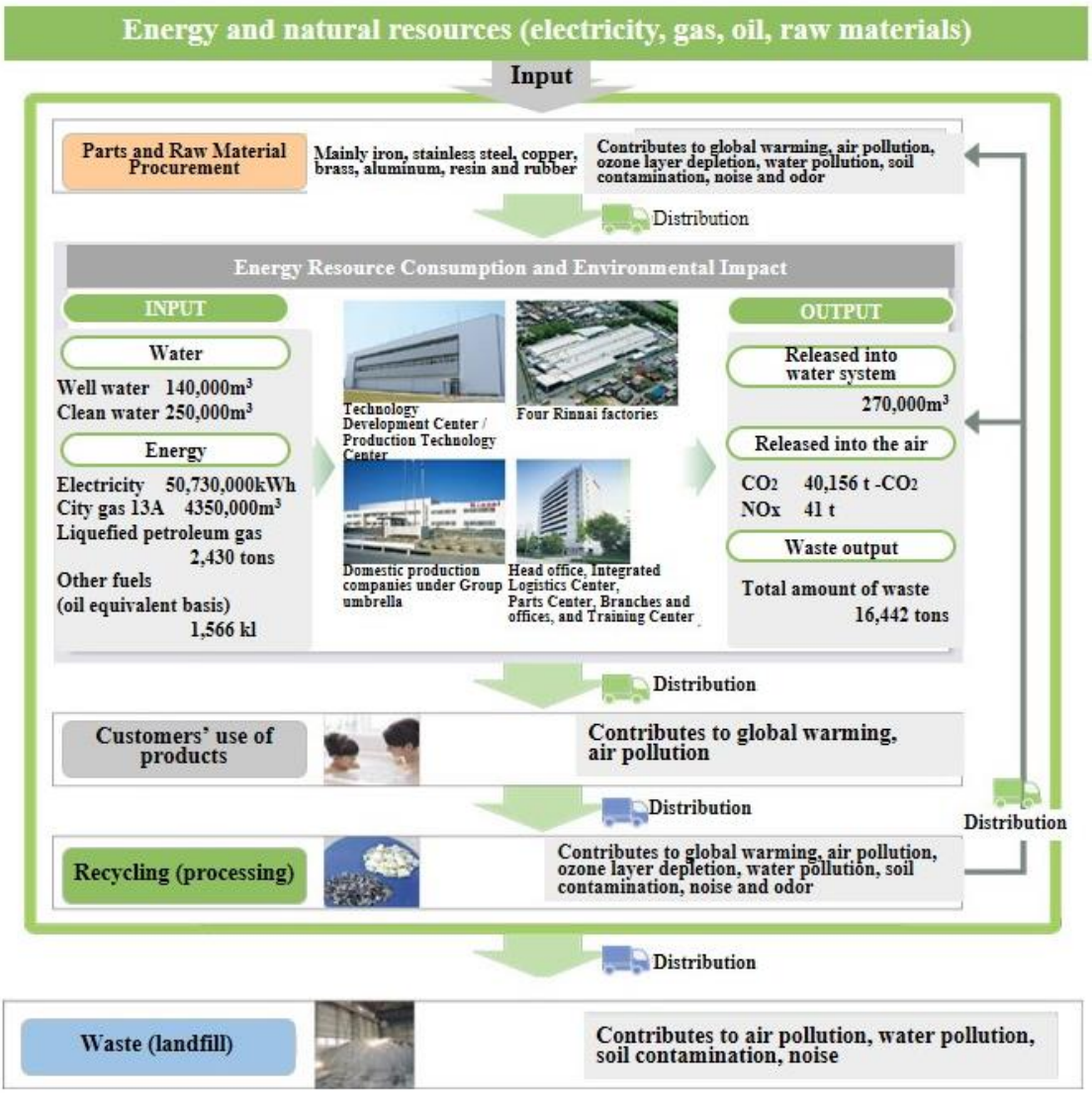
The Containers and Packaging Recycling Law obligates manufacturers and user businesses to recycle product containers and packaging discarded by households in an effort to make more effective use of resources. In accordance with the law, Rinnai has contracted a designated corporation that recycles containers and packaging on the Corporation's behalf.

Environmentally Conscious *Monozukuri*

Since its establishment, Rinnai has been accumulating its outstanding *monozukuri* technology and work methodology. By sharing and passing on this culture over generations, we have been realizing a wide range of technological innovation, to achieve the highest levels of environmental efficiency and recourse productivity, and to actively engage in environmentally friendly business activities.

Environmental Footprint in *Monozukuri*

We make every effort to quantify the Rinnai Group's environmental impact, as the first step in our environmental activities. Based on a clear awareness of our overall environmental impact, we are constantly thinking about what we as a group can do for the global environment and working to reduce environmental impact.



We are currently unable to gather sufficient performance data for some of our overseas facilities. We are therefore planning to restructure our overseas data-gathering framework, so that we can utilize information to reduce environmental impact in the future. Input/output data does not include environmental impact at the logistics/sales, usage, procurement or disposal stages.

Pursuing *Monozukuri* Innovation

Promoting environmental improvement activities through teamwork with business partners Focus on packing materials used for all hot-water units

Improvement Priorities
- Review cutting layout for packing materials and optimize material extraction
- Establish integrated line for glue application and cutting equipment
- Reduce shipping losses in order to cut energy consumption
- Switch to packing materials that are easy to remove and insert (packaging specifications)

In-house meeting to improve available percentage of materials

Environmental Effect	Reduction in waste: Approx. 7 tons/year	Reduction in CO_2 emissions: Approx. 2 tons/year

Comment from an Employee

Rigorously Monitoring Management on the Shop Floor

Scraps, process losses and other types of waste produced during the *monozukuri* process have a negative effect on both the environment and productivity. We therefore checked waste deposit sites and comprehensively reviewed management standards on the shop floor.

Satoshi Tsuge
Manager, Pre-Production Department, Seto Factory

Getting all Employees Involved in Environmental Improvements

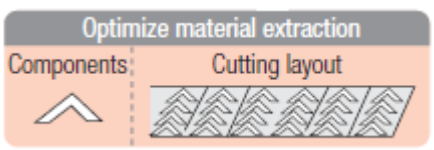
Focusing on the manufacturing process for packing materials used for all hot-water units, we worked with business partners, designers and numerous other concerned parties to reduce high levels of material loss during processes.

The key to making improvements was face-to-face communication. As well as improving individual processes, we looked at areas between processes, enabling us to improve efficiency at the logistics stages as well as during the production process. We also reviewed our existing packaging methods and focused on making tasks easier during subsequent processes, for instance by switching to packing materials that are easy to remove and insert.

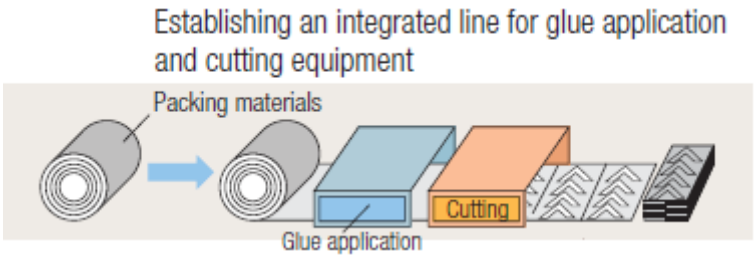
It feels really rewarding to see our ideas being put into practice. We will continue to save energy and resources, as one of our top priorities for the future, and are committed to resolving issues through *monozukuri*.

[Example 1]

Reviewing cutting layout



[Example 2]



[Example 3]

Efforts to Prevent Global Warming

Compliance with Energy-Saving Legislation

Rinnai is designated as a “specified business operator” under the revised Act on the Rational Use of Energy, which came into effect in April 2010. We have therefore established an energy management system headed by the executive officer in charge of environmental matters as our energy management control officer, and have set out energy management policies and targets in an effort to improve energy efficiency.

Promoting Energy-Saving Measures at Domestic Facilities

In addition to existing energy-saving activities, we have been working to comprehensively reduce waste since the Great East Japan Earthquake, in an effort to reduce power consumption as part of a power-saving campaign during the summer months.

Effects of summer power-saving activities at domestic facilities (June–Sept.)

Power saved	1,290,000 kWh
Power-saving items	390
*Power saved equivalent to 15.8% of power consumption compared with the same period in 2010	

Power/Energy Saving Measures

Upgrades/new installations (investments)	Installing a solar power generation system, upgrading to high-efficiency lighting and air conditioning systems, upgrading to high-efficiency vending machines, etc.
Optimization (administration)	Reducing lighting, controlling temperature and limiting usage of air conditioning, introducing a voluntary ban on using elevators, configuring office equipment to turn off or switch to standby mode if left unused for prolonged periods, reducing usage of photocopiers (double-sided printing, using condensed printing settings), reducing usage of drinks machines, etc.
Optimization (manufacturing)	Optimizing set pressure and start & stop time on compressors, shortening of the operation time through improvement of the furnace use efficiency, reusing exhaust heat from boilers, etc.
Others	Introducing early-morning overtime scheme and reducing late-night overtime (no need for air conditioning in early morning), issuing peak alerts via power monitoring system, bringing forward and extending "Cool Biz" operations, eliminating air leaks, organizing "waste patrols" led by female employees, using green curtains and bamboo screens to reduce strain on air conditioning, etc.

Installing a solar power generation system (Tohoku Branch)
Power generated: 6,902 kWh
Reduction in CO_2 emissions: Approx. 3 tons (Sept-Mar)

Replacing fluorescent lighting and emergency lights in corridors with LED or HF fluorescent lights (Oguchi Factory, Head Office, etc.)

Listening to a lecture on energy-saving measures in an all employee meeting (Rinnai Technica)

Issuing peak alerts when power consumption reaches an upper limit (Production and Technology Development Center)

Raising awareness of energy saving measures (Rinnai Parts Center)

Clearly labelling switches for fluorescent lights (Rinnai Precision)

Energy-Saving Measures at Overseas Facilities

Reducing environmental impact by switching energy from steam to natural gas (Shanghai Rinnai Co., Ltd.)

We have changed the agent used in pre-coating treatment and reviewed the heat source that we use to enable low-temperature processing. Whereas we previously used “purchased steam” for heating purposes, it is not possible to purchase steam in specific volumes as and when needed. This resulted in wasted steam due to the periodic operation of pressure relief valves on days off or overnight when facilities weren’t in use. Now that we have switched heat sources to a Rinnai high-efficiency gas hot-water system and a solar water-heating system, we have eliminated heat loss and substantially reduced environmental impact across the board.

Reduction in CO_2 emissions	Approx. 240 tons/year
Reduction in water consumption	1,000 tons/year

Steam pipes running between facilities

High-efficiency gas hot-water system (combined)

Solar water-heating system

Initiatives at Rinnai Korea

We have reduced reactive power by installing harmonic control and power factor correction filters on terminals at each of our factories.

Reduction in CO_2 emissions	Approx. 830 tons/year

More and more people are coming to visit Rinnai Korea from Japan and other countries, as well as from companies and educational institutions. We use factory tours as an opportunity to tell people about our ongoing energy-saving activities, our commitment to quality and environmentally friendly manufacturing, and how the kitchen appliances and hot-water units we manufacture onsite work and benefit the environment.

Visitors participating in factory tours in FY2013	1,122

Visitors in a factory tour

Improving Logistics

Working with Logistics Partners

Responding to new requirements associated with the amended energy conservation law, which went into force in April 2006, Rinnai has promoted improvements based on a rationalization plan for energy used in logistics activities that was formulated from the perspective of an owner of goods. We properly monitor the status of energy used in procurement and product shipment activities, and work with our logistics partners to reduce the amount of energy consumed reviewing our operations from various viewpoints and ideas such as the loading efficiency.

Major Activities

- Review of product delivery routes
- Effective use of round-trip transportation services
- Expansion of consolidated transport between groups
- Increasing the number of stacks per palette

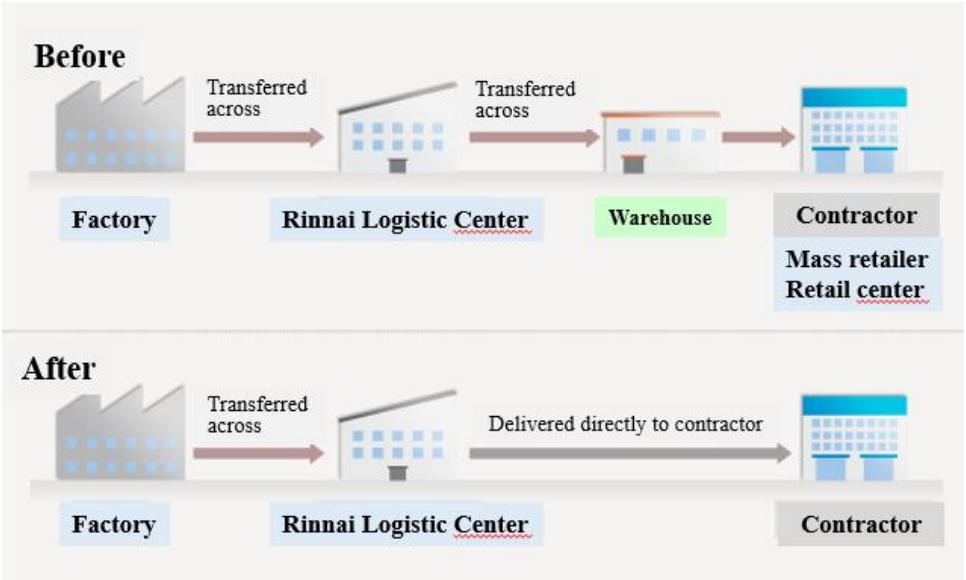
Examples of Logistics Improvement

Reducing energy consumption by changing transport routes

Having extensively reviewed our delivery systems, we have reduced intermediate storage and introduced a system that enables us to transport items directly from our Logistic Center to their destination.

Reduction in CO_2 emissions	Approx. 30 tons/year

Rinnai Logistic Center



Establishing a Same-Day (through) Shipping System

We have introduced a same-day shipping (through shipping) system[*1], whereby selected products delivered from factories are sorted and dispatched to the customer the same day. We have changed the system so that products for same-day shipping go straight from sorting to their shipping route, rather than being stored on shelves as is usually the case. This has enabled us to significantly reduce usage of transport machines to carry incoming or outgoing products.
(*1) Same-day shipping (through shipping): System of shipping without keeping stock

Reduction in CO_2 emissions	Approx. 20 tons/year

Shipping in progress

Efforts to Reduce Waste

We make every effort to reduce waste generated as a result of our business activities (including recycling waste into usable resources).

Reduced Waste Output and Zero Emissions

We strive to maintain zero emissions*1 and reduce waste output.
*1 Definition of zero emissions: More than 99.5% of waste is recycled (including heat recovery)

Efforts to Curb Generation of Waste
- Don't buy something that will end up as garbage: abolition of the excessive packing in cooperation with clients
- Return reusable items to respective point of purchase: usage of returnable materials for transportation in cooperation with clients
- Reuse: improvement of reuse ratio of residual chemicals
- Don't make waste: improvement of available percentage of materials
- Recycle/ reduce volume: improvement of fractionation method, transaction with superior waste disposers

Initiatives at Domestic Facilities

Reducing Glaze Sludge (Oguchi Factory)

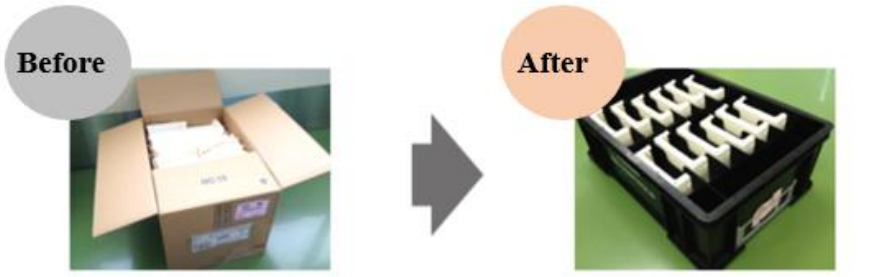
Rather than disposing of the glazing agents used in our hollow baking processes, we have made a specially designed scraper to collect glaze inside the glazing machine, so that it can be recovered and reused. Improvements such as this have enabled us to reduce volumes of glaze sludge.

Reduction in waste	Approx. 2 tons/year

Reducing cardboard usage (RB Controls)

By switching packaging from cardboard to returnable containers when receiving electronic unit cases for hot-water units from suppliers, we have eliminated the need for large cardboard cartons that become waste after usage.

Reduction in waste	Approx. 2 tons/year



Packed in large cardboard cartons　　Switched to reusable containers

Industrial Waste Disposal

We rigorously screen waste disposal contractors before signing contracts, including checking business conditions and making onsite visits. To ensure that waste is being disposed of properly, we send representatives to visit contractors every year, to carry out visual confirmation and exchange information on matters such as types of waste, waste manifest management for disposal methods and conditions, and standards of waste disposal. In fiscal 2013, we confirmed that 65 contractors were conducting waste management in an appropriate manner.

Visiting disposal sites
(RT Engineering)

Polychlorinated Biphenyl Waste Management

Polychlorinated biphenyls (PCB) are used for purposes such as insulating oils and are subject to the Act on Special Measures concerning Promotion of Proper Treatment of PBC Wastes, which requires companies to reinforce storage and safely dispose of PCB by the end of March 2027. Although we are continuing with measures aimed at disposing of PCB as soon as possible, in the meantime, we are taking steps to prevent leaks in the event of equipment failure during storage, keeping PCB under lock-and-key to prevent loss or damage, and monitoring equipment using nameplates, until disposal of PCB can be completed.
We are also taking measures to ensure that scrap appliances found to contain trace elements of PCB are adequately stored and appropriately disposed of at facilities certified by the Minister for the Environment from fiscal 2011 onwards.

Storing waste with trace elements
of PCB (Noto Tech)

*Disposal of waste containing high levels of PCB, stored at Rinnai and RT Engineering, was completed in March 2009

Initiatives at Overseas Facilities

Rinnai New Zealand

We are working to reduce waste on the manufacturing shop floor, following the example of recycling and other activities at domestic facilities in Japan.

Thorough separation of waste for recycling

Recycling of waste wood

Rinnai Brasil Heating Technology

We use PET resin recycled from used plastic bottles as an insulating material in the solar panels that we manufacture onsite, in an effort to effectively reuse resources.

Plastic bottles

Reusing PET resin

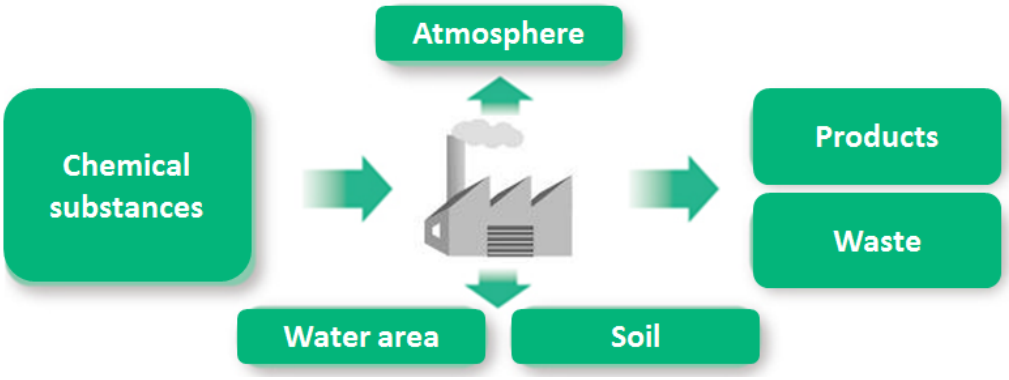
Chemical Substances

Failure to conduct proper management of certain chemical substances could lead to environmental pollution. Accumulation of such substances over a long period may also affect the health of people and the ecosystem. To minimize the impact of such substances on the environment, we take measures for reducing or eliminating use of harmful chemical substances in our production processes, such as reviews of materials containing certain substances and improvement of processing facilities.

Management of usage amount of chemical substances

At each production site, we check and manage the amounts handled, released, and transferred of the 462 Class 1 chemical substances designated under the PRTR law, for which 500 kg or more is handled each year.

Flows of release and transfer of chemical substances (PRTR substances)



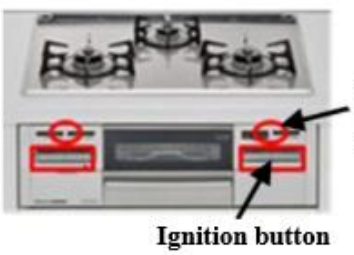
Example of reduction in Chemicals

Paint-free initiatives

We use colored resin (metallic finish) for external parts on our gas stoves, including flame adjustment knobs and ignition buttons, so that they don't need to be painted.

Reduction of paint use	approx. 18 tons/year -> Zero
Reduction in thinner use	approx. 15 tons/year -> Zero

Tabletop stove



Built-in gas stove

Components

Efforts to Prevent Pollution

Preparing for Emergencies

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


Emergency response drill

Environment-Focused Equipment Inspection

To prevent accidents that would impact the environment, we identify equipment with the potential to adversely affect the environment and run concerted environment-focused inspections on these pieces of equipment on an annual basis.

Equipment inspection

Utilization of Water

Consideration for Water

Recognizing water as our valuable resource, we strive to reduce the consumption of both clean water and well water. We also manage the water we discharge to ensure that it will not have an impact on the environment.

Reusing Test Water (Technology Development Center)

We use a lot of water for various performance tests on our hot-water units during the development stages. Switching to a mechanism that enables us to recycle test water can make a big difference in terms of saving water, providing that it doesn't affect the test results. We have therefore carried out improvements to water circuits used in wind-resistance test equipment*1, particularly for outdoor hot-water units, in order to establish a mechanism that will enable us to recycle water.

Reduction in water consumption	Approx. 1,000m^3/year

* We conduct wind-resistance tests to assess the safety of products installed in outdoor locations exposed to wind and rain, to ensure that wind cannot penetrate inside the unit.

Wind-resistance testing equipment (exterior)

Heat source for gas hot-water unit/heating system

Initiatives at Overseas Facilities

Effectively reusing rainwater (Rinnai Australia)
We effectively reuse rainwater for purposes such as watering plants and flowers, and flushing toilets.

Rainwater tank

Water-saving efforts (Rinnai Indonesia)
We have installed water-saving faucets at wash stations. We have switched to water-saving push faucets, to make it easier to turn taps on and off.

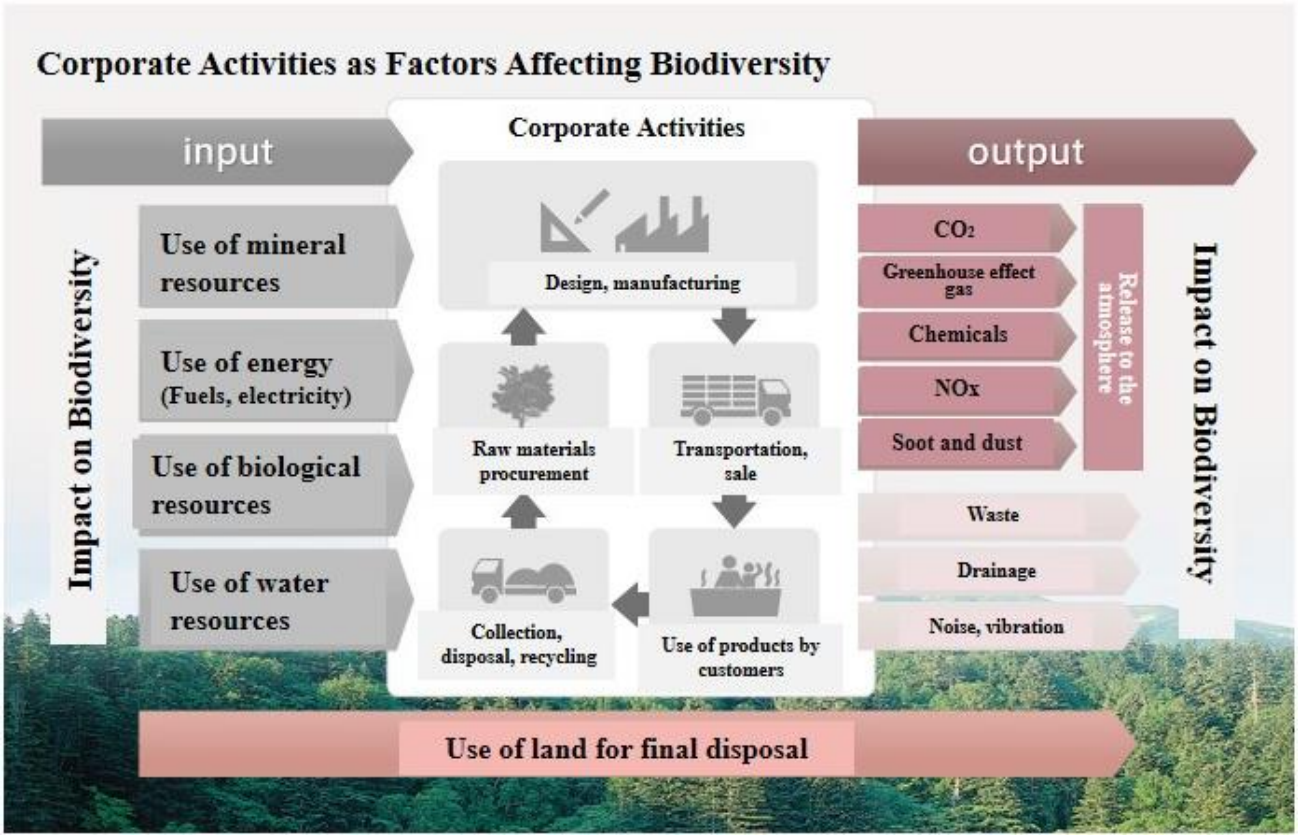
Before After

Wash station

Protecting Biodiversity

As one of the cornerstones of sustainability, protecting biodiversity is one of humanity's most urgent priorities. The natural environment and ecosystems are susceptible to impact as a result of the location of our facilities, the procurement of resources for our business activities, and the emission of environmentally hazardous substances into the atmosphere, soil and water. As a company, we recognize that our business activities are inextricably linked to biodiversity, and that we need to think about ways to sustainably access the benefits that ecosystems provide.

We organize internal seminars to raise employee awareness of the relationship between our business activities and biodiversity. We also promote activities that help to preserve biodiversity, by reducing environmental impact for instance.



Status of Legal Compliance

Naturally, we comply with laws and regulations, but we seek to do better than the minimum required and have set our own benchmarks as targets to achieve. We also perform checks, mainly daily monitoring, routine evaluations and environmental audits, and strive to reduce the release of hazardous chemicals and other pollutants into the air and local water systems. We reinforce equipment operation and maintenance practices and take preemptive action if facility status looks as though it may exceed the level we deem permissible. If we can meet our own tough standards, we will surely meet the levels required by government.


Measurement of soot and smoke (left), and water quality

Environmental Rounds of Production Sites

We routinely perform environmental audits of production sites of domestic Group companies through site visits. Audits include confirmation of management status of facilities, waste, hazardous substances, and other aspects, and status of compliance with laws and regulations. We also check activities for reducing environmental burden and provide instructions and support as necessary, in an effort to standardize and improve environmental protection efforts at each production site.

Status of Compliance with Laws and Regulations

In fiscal 2013, ended March 31, 2013, there were no violations of environment-related laws such as pollution control laws.

Major related laws

Air pollution	Air Pollution Control Act
Water pollution	Water Pollution Control Act, Sewerage Act
Land subsidence	Industrial Water Act
Noise and bad odors	Noise Regulation Act, Vibration Regulation Act, Offensive Odor Control Act
Hazardous substances	Poisonous and Deleterious Substances Control Act
Employee safety	Industrial Safety and Health Act (Ordinance on Prevention of Hazards due to Specified Chemical Substances, Ordinance on Prevention of Organic Solvent Poisoning)
	Fire Service Act (Articles concerning hazardous materials)
Prevention of global warming	Law Concerning the Promotion of the Measures to Cope with Global Warming
	Act on the Rational Use of Energy
Waste	Waste Management and Public Cleansing Act
Ecosystem	Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof, Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes

Environment Education and Promotion of Awareness

Activities during Environment Month

We set every June as “Environment Month” to increase awareness of the environment for each employee and implement and enhance various environmental protection and conservation activities at the factories and offices.

Rinnai Group Environment Awards Programs

Seeking to invigorate employees’ environmental activities and promote access to excellent approaches within the Group, we established “Environment Awards Programs”, effective from fiscal 2011. These awards programs recognize activities undertaken by domestic companies under the Rinnai umbrella to protect the environment and conserve resources over a one year period. The third award ceremony took place as part of our “Company-wide QC Circle Competition.” For fiscal 2013, awards were presented in recognition of outstanding achievements in four categories; product development, manufacturing, management and outside contribution.

Award ceremony, and panel display showing outstanding achievements

Recipients of Environment Awards in fiscal 2013

Product development	Development of hybrid hot-water/heating system
Manufacturing	Introduction of side plate servo press on hot-water units
Management	Establishment of a solar power generation system in the event of a power failure
Outside contribution	Appearance on an energy-saving awareness show
Other awards	8

Other Factory Visit

We visit other companies’ factories to learn about their advanced environment-conscious measures.

Showroom (left) and Q&A session

Walking Festival

In May, an event for learning about biodiversity protection with families was planned and held as part of the Walking Festival (at a 10,000-step course in Higashiyama and the Higashiyama Zoo and Botanical Gardens) organized by the Rinnai Employees' Association.

Number of participants	1,460



Employees walking through the green woodlands with their families

Encouragement of Eco-Friendly Commuting

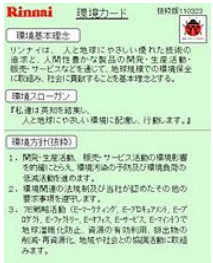
At our Technology Development Center, we designate "No Car Days" and encourage employees to commute in an eco-friendly manner, in an effort to reduce CO_2 emissions and noise from commuting by car, and to minimize the effects of traffic jams. As well as reducing environmental impact, steps such as commuting by public transport or bicycle instead of by car also help to keep employees healthy by providing moderate exercise.

CO_2 emission reduction result	approx. 1 t-CO2/year

Bicycle parking area for employees

Environment Policy Card

We distribute an "Environment Card" that lists selected Environmental Policy to employees to promote their awareness toward environment conservation activities. Employees fill in "My Environment Challenge Declaration" on the reverse side of their card, to raise levels of environmental awareness in the workplace and at home too.



Environment Card

Issuance of Environment Company News

We periodically issue “Environment Company News” to share internal environmental measures and introduce domestic and international trends on environment activities. This is to promote the communication among employees and encourage them to be more environment-conscious.

Rinnai Group
“Environment Company News”

“Safe and Eco-Friendly Drive Seminar”

For the prevention of car accidents and global warming, we invited a guest instructor and held a “Safe and Eco-Friendly Drive Seminar” for employees in sales and management divisions who use a company car. It is on the guidance and explanation on “the basics of traffic safety” and “actual training of eco-friendly training” and 41 employees attended the seminar.

Attendees	41/year

Safe and Eco-Friendly Drive Seminar (left) and
“idling stop” display at Branch office

Green purchasing

For the purchase of office supplies and office automation equipment, we encourage employees to give priority to purchasing environment-friendly products that are qualified under the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities.
* “Green procurement” and “Green purchasing”: “Green procurement” is to acquire goods directly related to our production activity, and “Green purchasing” means purchase of office-related supplies and facilities.

Visiting Local Dealers with a Vehicle Dedicated for Holding Training Sessions (Rinnai Brasil Heating Technology Ltd.)

In Brazil, demand for durable, weatherproof, high-efficiency hot water units has been growing each year. Rinnai Brasil, which locally manufactures and sells high-efficiency hot water units, solar hot water panels, and other products, visits dealers in each area using a vehicle equipped with actual devices and enabling training sessions. The sessions are aimed at allowing dealers in each area to perform sales activities and installation work with proper understanding of installation, construction, and maintenance methods. Manuals are used for providing dealers with explanations about products. Dealers also learn how to operate and handle hot water units by using the actual unit mounted on the vehicle.

Vehicle dedicated for training

Hot water unit

Overseas Exhibitions

Large Booth at the International Food Industry Exhibition, Seoul
Rinnai Korea Corporation

We exhibited a range of commercial products manufactured and sold in Korea, including steam ovens, dishwashers and rice cookers, in an effort to showcase their performance in terms of environmental friendliness, convenience and safety.

International Food Industry Exhibition

Exhibiting at Malaysia's Largest Home Decor and Design Exhibition (HOMEDEC)
Rinnai Rinnai (Malaysia)

We showed visitors how well our kitchen appliances and other products perform, in terms of environmental friendliness, convenience and safety. During the exhibition, our kitchen appliances won a "Good Design Award".

Rinnai booth at HOMEDEC (left) and employees from Rinnai (Malaysia)

Air-Conditioning, Heating, and Refrigeration Institute (AHRI) in Chicago
Rinnai America

We exhibited at the Air-Conditioning, Heating, and Refrigeration Institute (AHRI), the largest trade fair for hot-water units in the US, and showed visitors how well our products perform, in terms of environmental friendliness, convenience and safety.

Rinnai booth at AHRI

Chronology of Environmental Activities at Rinnai

1993	March	Drafted Environmental Preservation Action Plan; established Environment Committee
	December	Won prize at 4th Energy Conservation Vanguard 21 for gas-blast type high heat griller RGM-4, 6, 8.
1994	July	Market debut: low-NOx burner built-in hot-water unit (NOx at less than 60ppm)
1996	March	Won top prize at 1st Eco-Design Awards, sponsored by Tokyo Gas, Osaka Gas and Toho Gas for hot-water unit, fan heater and small hot-water heater.
1997	March	Won special prize at 2nd Eco Design Awards for tabletop cooking stove.
	June	Market debut: absorption-type gas air-conditioner (non-CFC)
	October	Oguchi site acquired ISO 14001 certification covering factory, Production Engineering Division and Research & Development Headquarters.
	December	Won prize at 8th Energy Conservation Vanguard 21 for tabletop oven RSBN-096.
1998	April	Won grand prize for gas clothes dryer and special awards for small hot-water heater and for absorption-type gas air-condition at 3rd Eco-Design Awards.
	September	Market debut: fan heater with air-purifier that traps dust and removes odors.
	October	Market debut: *Yukko V* Series, featuring no styrene packing, low stand-by power consumption and low NOx emissions.
1999	April	Oguchi Factory (approved facility under revised Energy Conservation Law) registered as type 2 designated energy management factory.
	July	Established Environment Division.
	September	Market debut: Ecomax burner and Eco burner-equipped gas cooking stove.
	October	Market debut: condensing hot-water unit boasting 95% heat efficiency and NOx emissions under 30ppm.
2000	February	Won Minister of Economy, Trade and Industry award for condensing hot-water unit at ministry's 10th Energy Conservation Awards.
	May	Drafted Rinnai Environmental Action Principles.
	August	Published inaugural issue of Environmental Report.
2001	January	Won Chunichi Newspaper Prize portion of Chunichi Industrial Technology Awards for condensing hot-water unit.
	June	Won Technology Grand Award from Japan Gas Association for condensing hot-water unit.
2003	June	Won Technology Award from Japan Gas Association for condensing hot-water unit.
	October	Won Electric Equipment Packaging Category Award in Good Packaging division at 2003 Japan Packaging Contest for built-in 75cm-wide glass-top gas cooking stove.
2004	October	Won Logistics Prize at Japan Packaging Contest 2004 for bathroom heater/dryer.
2005	June	Won Technology Grand Award from Japan Gas Association for development of latent heat recovery high-efficiency hot water/heating unit.
	September	Got involved in Team Minus 6%, a national movement to prevent global warming.
2006	October	Won Electric Equipment Packaging Category Award in Good Packaging division at Japan Packaging Contest 2006 for gas fan heater.
2008	September	Gas tankless water heater sold in the United States captured 2008 Super Nova Star Award (Stars of Energy Efficiency) in the United States from the Alliance to Save Energy.
	October	Won Electric Equipment Packaging Category Award in Good Packaging division at Japan Packaging Contest 2008 for gas fan heater.
2009	February	Market debut: Eco-Jozu condensing hot-water/heating unit RVD-E Series.

2010	January	Market debut: Eco-Jozu condensing combi boiler RUF-E Series boasting bathwater heating efficiency rate of 92%.
	February	Won silver at Aichi Environment Awards, sponsored by Aichi Prefecture, for global promotion of high-efficiency combustion appliances and systems, including latent heat recovery hot-water units.
	April	Market debut: high-efficiency Hybrid Hot-Water Unit ECO ONE.
	December	Market debut: light-weight and compact Eco-Jozu hot-water unit "RUX-E Series" (Hot-water unit exclusive use).
2011	January	Market debut: *Eco-Jozu* hot-water/heating unit RUFH-E2402 Series.
	April	Market debut: hybrid hot-water/heating system ECO ONE for colder regions.
	May	Won Technology Grand Award from Japan Gas Association for development of gas hot-water system SOLAMO to use solar heat.
	June	Won Aichi Invention Award, sponsored from Aichi Invention Association, for development of low-NOx burners for household gas hot-water units.
2012	April	Market debut: new hybrid hot-water/heating system ECO ONE which contributes to energy saving at home (achieved 125% primary energy efficiency of a hot-water unit)
	June	Won Technology Award from Japan Gas Association for "*kaecco*" *Eco-Jozu* combi boiler designed for existing apartments (put in existing PS). Won Aichi Invention Encouragement Award, sponsored from Aichi Invention Association, for *A-Style* Gas fan heaters.
	September	Market debut: hybrid hot-water/heating system *ECO ONE* for Honshu colder regions. Market debut: hybrid hot-water/heating system *ECO ONE* for Hokkaido region.
	October	Won Large and Heavy Good Packaging Prize of Japan Packaging Contest 2012 for *ECO ONE*.
2013	June	Won Technology Award from Japan Gas Association for "*Jikabi-No-Takumi*" new gas rice cooker, and new *Delicia* built-in stove. Won Aichi Invention Encouragement Award, from Aichi Invention Association, for Dishwasher with baking soda wash mode.

Major Award Winning History

Rinnai received following awards from April 1, 2012 to June 30, 2013.

Rinnai Corporation		
2012	June	Technology Award 2012 from Japan Gas Association
		Aichi Invention Encouragement Award 2012 from Aichi Invention Association
	October	Large and Heavy Good Packaging Prize of Japan Packaging Contest 2012
	November	Good Design Award 2012
		Grand Quality Prize of Gas Appliance Quality Contest 2012
	December	Chairman Award of the 17th Resource Circulation *Monozukuri* Symposium
2013	June	Technology Award of The Japan Gas Association 2013
		Aichi Invention Award 2013 from Aichi Invention Association

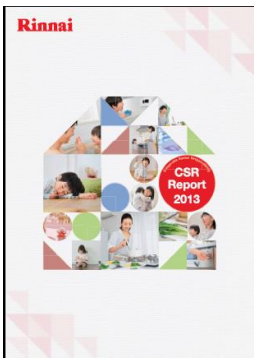
Rinnai Technica Co., Ltd.		
2012	June	Governor award at the conference for employment promotion of people with disabilities in Shizuoka Prefecture

RB Controls Co., Ltd.		
2013	March	Employee-friendly workplace award in Kanazawa-shi, Ishikawa Prefecture
		Award as a superior enterprise in work-life balance from Governor of Ishikawa Prefecture

Rinnai Korea Corporation		
2012	April	Korea Management Association Consultants Inc. (KMAC): Superior call center in Korea
	September	Korean Industry Customer Satisfaction Index Survey (KCSI) by KMAC No. 1 at home-use boiler section
	October	Brand Survey by Korean Standard Association: Korea Service Quality Index No.1 at home-use boiler A/S section
	November	Brand Survey by Korean Standard Association: Superior enterprise with quality competitiveness
	December	Brand Survey by KMAC: Company which a customer recommends most No. 1 at home-use boiler section
2013	February	Pinup Design Award from Korean Industrial Designer Association
		Brand Survey by KMAC: Korea's most admired company No.1 at home-use boiler A/S section
	March	Brand Survey by KMAC: Korea Brand Power Index No.1 at gas range section
	April	Brand Survey by KMAC: Superior call center in Korea
	June	Brand Survey by Korean Standard Association: Korea Service Quality Index No.1 at home-use boiler A/S section

Rinnai New Zealand Ltd.		
2012	October	Bronze prize at product section, Good Design Award

CSR Report



Rinnai puts out a CSR Report to convey to stakeholders management's approach to CSR, to describe the activities undertaken groupwide, and to encourage a deeper understanding of the Group's operations.
CSR Report 2013 puts a spotlight on CSR activities carried out through the execution of core operations and aims to promote greater awareness of the Group's perspective on CSR to as many people as possible.

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 2013—April 1, 2012, to March 31, 2013—but also touches upon measures implemented and recent activities undertaken prior to fiscal 2013 as well as future business direction, targets and plans.

Referenced Guidelines

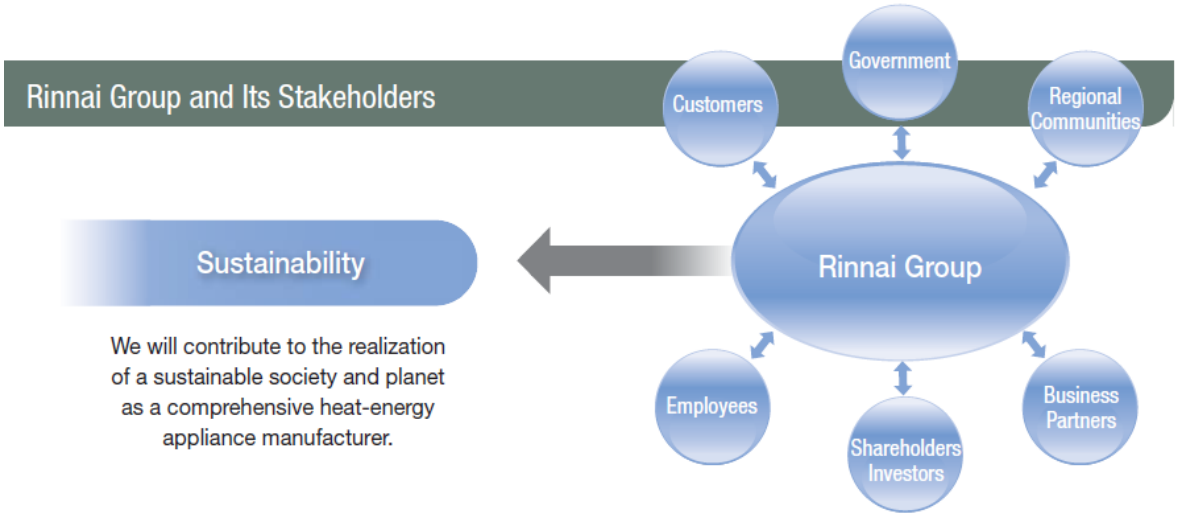
Sustainability Reporting Guidelines (G3.1), the third and most recent generation of guidelines by the Global Reporting Initiative (GRI)
ISO 26000:2010
Environmental Reporting Guidelines (fiscal 2007), issued by Japan's Ministry of the Environment
Environmental Accounting Guidelines (fiscal 2005), issued by Japan's Ministry of the Environment

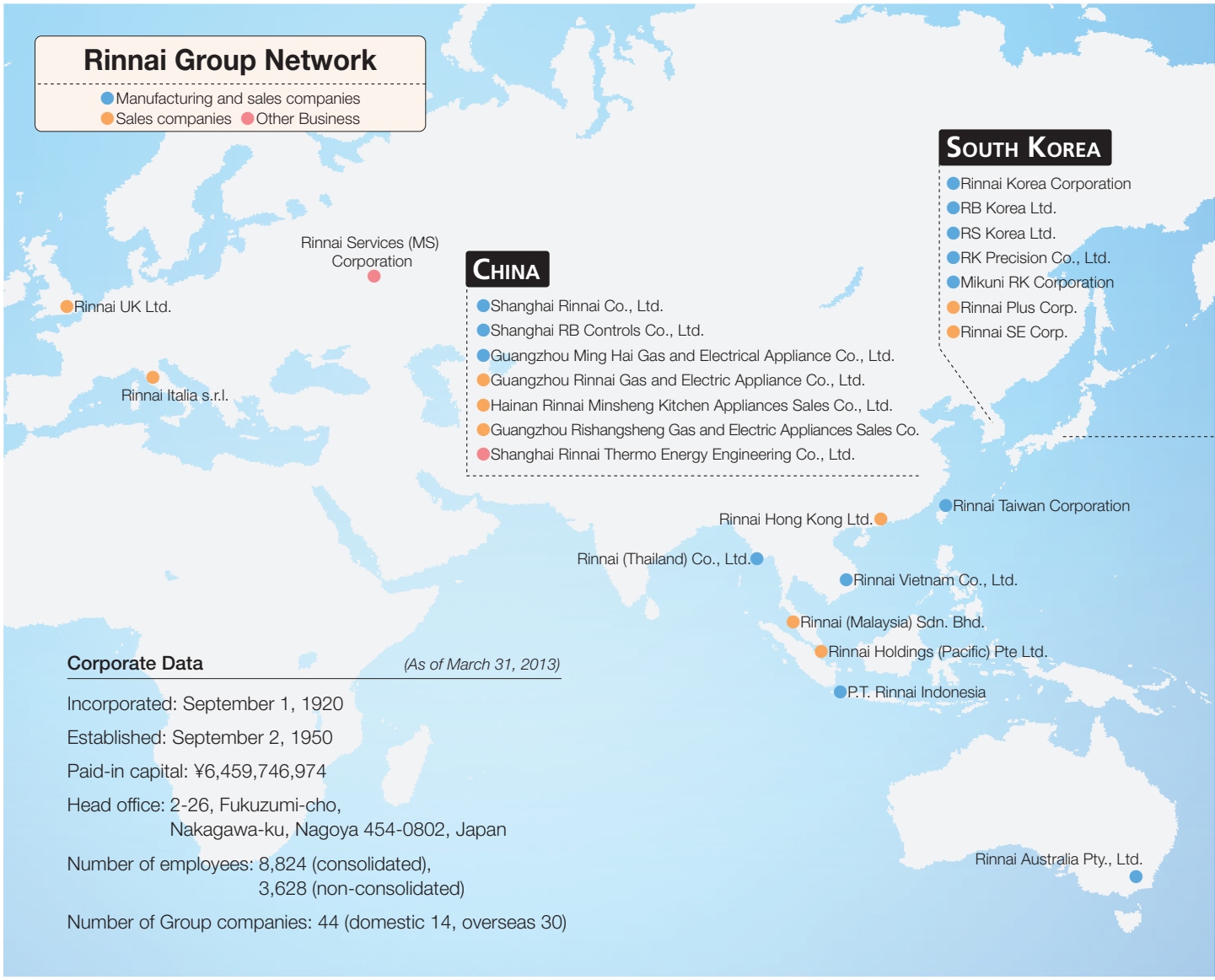
Publication Schedule

October 2013 (Japanese version), previous: September 2012, next: August 2014 (planned)

Rinnai's Activities

To provide an overview of our CSR activities in an easy-to-understand way, we produce an abridged version of our CSR Report in booklet form. Information not contained in the booklet—such as case studies, specific details, and related data—is posted on the website.





Corporate Data *(As of March 31, 2013)*

Incorporated: September 1, 1920

Established: September 2, 1950

Paid-in capital: ¥6,459,746,974

Head office: 2-26, Fukuzumi-cho,
Nakagawa-ku, Nagoya 454-0802, Japan

Number of employees: 8,824 (consolidated),
3,628 (non-consolidated)

Number of Group companies: 44 (domestic 14, overseas 30)

Hot-Water Units and Heating Systems

With superior energy efficiency, Rinnai's hot-water units and heating systems meet the needs of people for more sophisticated, comfortable living, offering such functions as floor heating and bathroom heating.

Hot-water units, hot-water/heating units, Hybrid hot-water and heating system, bathroom heater/dryer, mist sauna, floor heating systems, and others

Kitchen Appliances

Rinnai continues to improve the safety and convenience of its stoves, which now have temperature sensors fitted to all burners. We are also creating new products with exceptional designs to meet the needs of the times.

Tabletop stoves, built-in stoves, dishwashers, rice cookers, built-in ranges, range hoods, and others

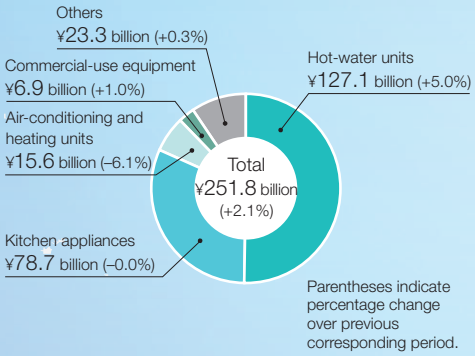
JAPAN

- Rinnai Corporation
  Branches: Tohoku, Kanto, Chubu, Kansai, Kyushu
  Domestic sales offices: Hokkaido, Sendai, Niigata, Tokyo, Kita-Kanto, Higashi-Kanto, Minami-Kanto, Nagoya, Shizuoka, Hokuriku, Nagano, Osaka, Keji, Hyogo, Chugoku, Shikoku, Fukuoka
  Laboratory: Technology Development Center
  Factories and related centers: Oguchi Factory, Seto Factory, Asahi Factory, Akatsuki Factory, Production and Technology Development Center, Integrated Logistics Center, Parts Center
- Yanagisawa Manufacturing Co., Ltd.
- Rinnai Technica Co., Ltd.
- RB Controls Co., Ltd.
- Rinnai Precision Co., Ltd.
- RT Engineering Co., Ltd.
- Japan Ceramics Co., Ltd.
- Noto Tech Co., Ltd.
- Techno Parts Co., Ltd.
- Glanstrahl Co., Ltd.
- Rinnai Net Co., Ltd.
- RG Co., Ltd.
- Rinnai Enterprises
- Rinnai Tech Hokuriku Co., Ltd.
- Rinnai Kogyo Co., Ltd.

- Rinnai Canada Holdings Ltd.
- Rinnai America Corporation
- Rinnai Brasil Heating Technology Ltd.
- Rinnai New Zealand Ltd.
- HJ Cooper Limited

Net Sales by Product (Year ended March 31, 2013)

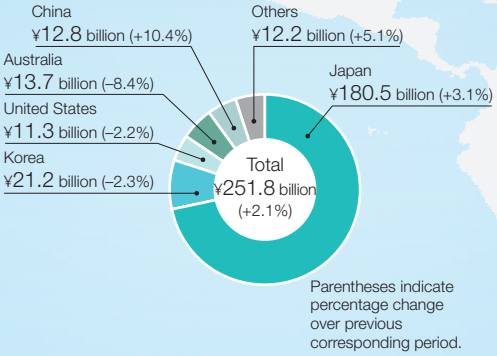
(Billions of yen)



Parentheses indicate percentage change over previous corresponding period.

Net Sales by Region (Year ended March 31, 2013)

(Billions of yen)



Parentheses indicate percentage change over previous corresponding period.

Air-Conditioning and Heating Units

Seeking to create comfortable living spaces offering total relaxation and peace of mind, Rinnai develops a wide array of air-conditioning and heating units.

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

Commercial-Use Equipment

Commercial-use stoves, ranges, rice cookers, industrial ceramics machines, steam oven, and others

Others

乾太くん（ほやい）

Clothes dryers, infrared burners and components

Oguchi Factory

Location	Kaechi, Oguchi-cho, Niwa-gun, Aichi
Number of employees	847 (as of March 31, 2013)
Business	Manufacture of gas equipment
Commenced operations:	1964
Acquisition of ISO14001 certification:	October 1997

Major production items

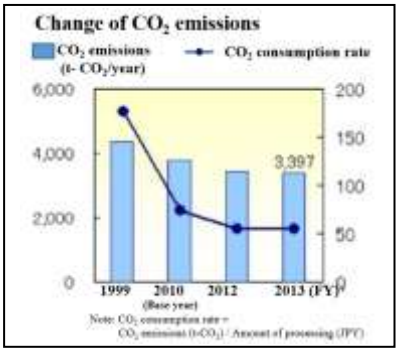
Gas tabletop stoves

Gas built-in stoves

Built-in ranges

Dishwashers and others

Data on Environmental Load by Site



Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
457.2	71.5	6.0	30.8

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
3,397	2.7

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
5,213.2	0.0	0.0	5,213.2	100.0

Substances subject to the PRTR law

(Unit: kg)

Number	Class I designated chemical substance name	Amount of emission/discharge				Amount of transfer	
		a. Emissions into the air	b. Discharge into public waters	c. Discharge into the soil at the relevant office (except d.)	d. Landfill at the relevant office	a. Transfer to sewers	b. Transfer outside the relevant office (except a.)
53	Ethylbenzene	1,200.0	0.0	0.0	0.0	0.0	0.2
80	Xylene	1,700.0	0.0	0.0	0.0	0.1	190.0
296	1,2,4-trimethylbenzene	130	0.0	0.0	0.0	0.0	390.0
300	Toluene	1,200.0	0.0	0.0	0.0	0.0	63.0
309	Nickel compounds	0.0	0.0	0.0	0.0	1.9	140.0
405	Boron compounds	0.0	0.0	0.0	0.0	2.2	550.0

Air

Equipment	Substance	Regulation value*1			Actual value*2
		National	Prefectural	Voluntary	
Baking furnace	Soot and dust	0.25	0.25	0.16	0.002
	NOx	180	180	150	66.5
Boiler	Soot and dust	0.10	0.30	0.08	0.011
	NOx	150	150	96	63.0

*1 Units of regulation values
Soot and dust: g/m^3N
NOx: ppm

*2 Actual values for NOx and soot/dust indicate the maximum measurements versus the regulation values for the relevant type of equipment.

Water discharge

Substance	Regulation value			Actual value		
	National	Municipal	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	431.0	7.0	151.0
pH	5.7 - 8.7	5.7 - 8.7	5.8 - 8.7	7.4	6.6	7.2
BOD	300	300	240	120.0	17.0	84.8
SS	300	300	240	91.0	23.0	60.4
n-Hex mineral oil	5	5	4	< 1	< 1	< 1
n-Hex vegetable oil	30	30	24	6.0	3.0	4.5
Copper	3	3	2.4	0.20	0.02	0.07
Zinc	2	2	1.6	0.20	0.03	0.10
Soluble iron	10	10	8	0.30	0.03	0.17
Soluble manganese	10	10	8	0.55	0.01	0.07
Nitrogen	150	150	120	40.0	9.2	27.2
Phosphorus	20	20	16	6.4	1.6	3.7
Iodine consumption	220	220	176	29.0	4.5	13.8

■ The unit of the amount of discharge is m^3/day
■ The values are expressed in mg/L except for pH
■ Water discharge standard: Sewer discharge standard
* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

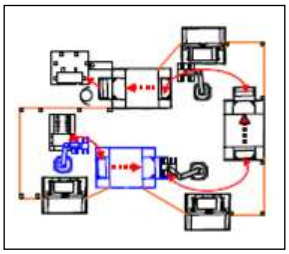
Environmental Initiatives

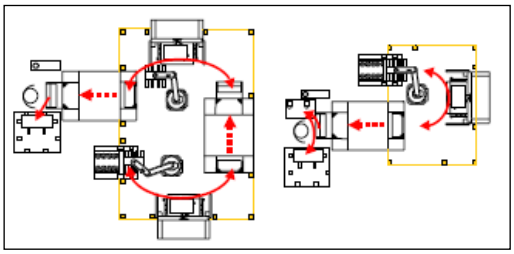
Energy saving efforts

Having previously performed two-color and one-color printing via three processes on separate pieces of equipment, we have managed to streamline production and reduce energy consumption across all equipment by reviewing operations, including the layout of our printing line.

Reduction in CO_2 emissions: Approx. 28 tons/year
Reduction in power consumption: 74,000 kWh/year


Printing line


[Before]
Two-color and one-color printing via three processes


[After]
Two-color printing via two processes and one-color printing via a separate line, thereby saving energy

Resource saving efforts

We reuse packing materials used when shipping top panels for stoves.

Reduction in waste: Approx. 180 kg/year


Panel ready for shipping


Gas stove (after assembly)

Seto Factory

Location	Anada-cho, Seto-shi, Aichi
Number of employees	809 (as of March 31, 2013)
Business	Manufacture of gas equipment
Commenced operations	1979
Acquisition of ISO14001 certification	December 2000

Major production items

Hybrid hot-water/heating system

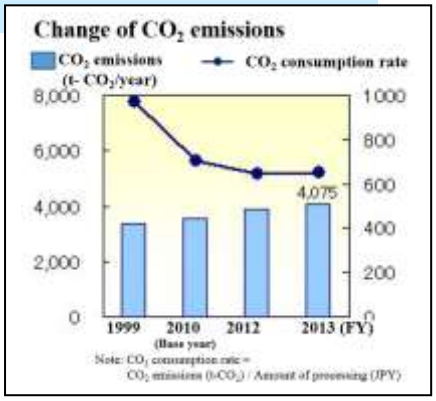
Gas Hot- water and heating source


Gas hot-water units

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
654.4	66.5	31.6	17.2



Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
4,075	3.2

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
2,358.9	0.0	0.0	2,358.9	100.0

Substances subject to the PRTR law

(Unit: kg)

Number	Class I designated chemical substance name	Amount of emission/discharge				Amount of transfer	
		a. Emissions into the air	b. Discharge into public waters	c. Discharge into the soil at the relevant office (except d.)	d. Landfill at the relevant office	a. Transfer to sewers	b. Transfer outside the relevant office (except a.)
53	Ethylbenzene	840.0	0.8	0.0	0.0	0.0	330.0
80	Xylene	1,200.0	0.8	0.0	0.0	0.0	300.0
87	Chromium and chromium (III) compounds	0.0	0.0	0.0	0.0	0.0	0.0
300	Toluene	720.0	0.0	0.0	0.0	0.0	380.0
308	Nickel	0.0	0.0	0.0	0.0	0.0	0.0

Air

Equipment	Substance	Regulation value*1			Actual value*2
		National	Prefectural	Voluntary	
Boiler	Soot and dust	0.10	0.30	0.05	<0.02
	NOx	150	150	79	24.5

*1 Units of regulation values
Soot and dust: g/m^3N
NOx: ppm
*2 Actual values for NOx and soot/dust indicate the maximum measurements versus the regulation values for the relevant type of equipment.

Water discharge

Substance	Regulation value			Actual value		
	National	Prefectural	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	61	23	40
pH	5.8 - 8.6	5.8 - 8.6	6.0 - 8.4	8.0	7.3	7.6
BOD	160 (120)	25 (20)	20	1.7	< 0.5	0.9
COD	160 (120)	25 (20)	20	5.2	0.6	1.9
SS	200 (150)	30 (20)	20	1.2	< 1	0.3
n-Hex mineral oil	5	2	1.6	1.2	< 0.5	0.1
n-Hex vegetable oil	30	10	8	< 0.5	< 0.5	< 0.5
Copper	3	1	0.5	0.20	0.01	0.05
Zinc	2	2	1	0.33	N.D.	0.05
Soluble iron	10	10	2.5	0.1	N.D.	N.D.
Soluble manganese	10	10	2.5	N.D.	N.D.	N.D.
Nitrogen	120 (60)	120 (60)	30	27.0	0.2	3.5
Phosphorus	16 (8)	16 (8)	4	2.8	0.01	0.3

- The unit of the amount of discharge is m^3/day
- The values are expressed in mg/L except for pH
- Water discharge standard: River effluent standard

* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* COD: Chemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

Environmental Initiatives

Energy saving efforts

We have developed our own “air leak measurement jigs,” which are capable of measuring air leaks on individual pieces of equipment, in an effort to eliminate wasted energy. As well as effectively reusing off-cut materials to make the jigs, this has also enabled us to quantitatively monitor leaks for each piece of equipment and component, so that we can improve our conservation activities.

Reduction in CO_2 emissions: Approx. 18 tons/year

Air leak measurement jig　Leak detected　No leak detected

Communication with local communities

We run apprentice schemes lasting roughly one month, to provide local senior high school students with work experience and to assist in their social studies. We also organize factory tours for local elementary school students, and explain how the water heaters in each of their homes actually work.

Learning the basics of manufacturing and about our commitment to quality and the environment　Explaining how water heaters work

Asahi Factory

Location	Nishiyama-cho, Owariasahi-shi, Aichi
Number of employees	270 (as March 31, 2013)
Business	Manufacture of gas equipment
Production started	1960
Acquisition of ISO14001 certification	November 2003

Major production items

Gas fan heaters

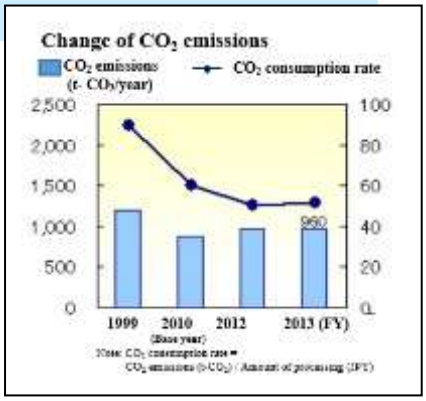
Gas clothes dryers

Bathroom heaters/dryers

Gas fan-forced heaters

Infrared heaters and others

Data on Environmental Load by Site



Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
144.9	18.0	2.3	4.3

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
960	0.8

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
535.0	0.0	0.0	535.0	100.0

Substances subject to the PRTR law

(Unit: kg)

Number	Class I designated chemical substance name	Amount of emission/discharge				Amount of transfer	
		a. Emissions into the air	b. Discharge into public waters	c. Discharge into the soil at the relevant office (except d.)	d. Landfill at the relevant office	a. Transfer to sewers	b. Transfer outside the relevant office (except a.)
53	Ethylbenzene	760.0	0.0	0.0	0.0	6.0	1,260.0
80	Xylene	1,430.0	0.0	0.0	0.0	6.0	1,330.0
296	1,2,4-trimethylbenzene	200.0	0.0	0.0	0.0	6.0	280.0
300	Toluene	3,030.0	0.0	0.0	0.0	6.0	5,260.0

Air

Equipment	Substance	Regulation value*1			Actual value*2
		National	Prefectural	Voluntary	
Drying furnaces	Soot and dust	0.2	–	0.108	0.036
	NOx	230	–	200	39.5

*1 Units of regulation values
Soot and dust: g/m^3N
NOx: ppm

*2 Actual values for NOx and soot/dust indicate the maximum measurements versus the regulation values for the relevant type of equipment.

Water discharge

Substance	Regulation value			Actual value		
	National	Municipal	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	50.0	13.0	30.3
pH	5.7 - 8.7	5.7 - 8.7	5.9 - 8.5	7.3	6.9	7.1
BOD	300	300	210	190.0	75.0	113.4
SS	300	300	210	105.0	22.0	46.3
n-Hex mineral oil	5	5	3.5	1.7	< 0.5	0.32
n-Hex vegetable oil	30	30	21	15.3	2.5	6.8
Copper	3	3	2.1	N.D.	N.D.	N.D.
Zinc	2	2	1.4	0.62	0.15	0.34
Soluble iron	10	10	7	0.40	0.10	0.23
Soluble manganese	10	10	7	N.D.	N.D.	N.D.
Nitrogen	240	240	168	49.0	29.0	38.3
Phosphorus	32	32	22.4	4.6	2.6	3.4
Iodine consumption	220	220	154	130.0	19.0	58.3

- The unit of the amount of discharge is m^3/day
- The values are expressed in mg/L except for pH
- Water discharge standard: Sewer discharge standard

* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

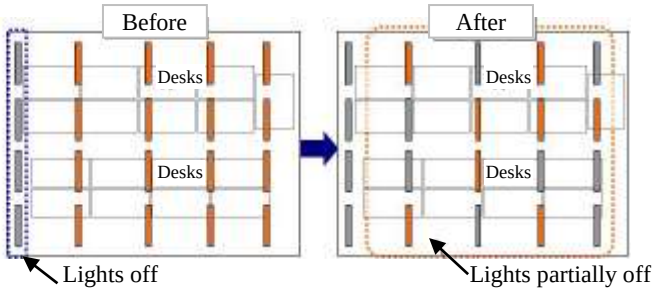
Environmental Initiatives

Energy saving efforts

As part of building renovation work, we have installed more durable exterior walls and fitted insulation panels on interior walls. This has enabled us to save energy from our air conditioning systems, by preventing the walls from becoming too hot during the summer months. (Photo: exterior walls)

We have installed pull switches (cords) on fluorescent lighting, to enable lights to be partially switched off depending on day-to-day attendance, and are working to raise awareness of power saving.

Lights partially switched off



Communication with local communities

We organize factory tours for local elementary school students, as part of their social studies. We explain to them how the fan heaters they use on a daily basis actually work, and show them products being assembled on the shop floor.

Explaining how fan heaters work

Students being shown round individual production lines

Rinnai Parts Center *1(former Aichi Factory)

Location	Sumiike-cho, Nakagawa-ku, Nagoya-shi, Aichi
Number of employees	189 (as of March 31, 2013)
Business	Manufacture of gas equipment
Commenced operations	1955
Acquisition of ISO14001 certification	November 2003

Major production items

Bathroom remote controls

Kitchen remote controls

*1 In May 2013, Rinnai transferred kitchen appliance production base to Oguchi Factory (Niwa-gun, Aichi) from Aichi Factory, and the former Parts Center (Hirokawa-cho, Nakagawa-ku, Nagoya) functions --- storage and shipping for replacement parts--- was transferred to the Aichi Factory. As part of this move, the former Aichi Factory was renamed the Rinnai Parts Center as of July 1, 2013. This 2013 Site Report therefore contains environmental data of the former Aichi Factory (actual results of fiscal 2013, ended March 31, 2013).

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
56.5	4.2	1.2	2.4

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
316	0.3

Discharge of waste

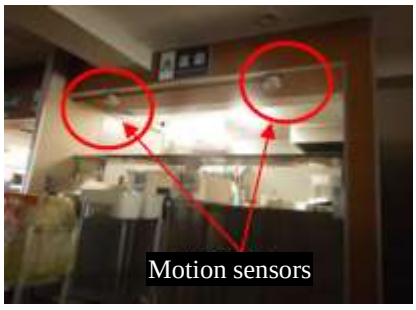
Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
106.9	0.0	0.0	106.9	100.0

Environmental Initiatives

Conserving water

We have reduced water consumption by fitting motion sensors over plate return points in our staff canteen, so that water only comes out to wash plates when required. We try to conserve water as precisely as possible, ensuring that no more water comes out of the tap than is strictly necessary at each washing station (e.g. we use less water for the edges of plates, which tend to be less dirty).

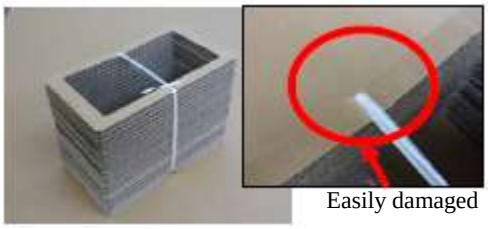
Reduction in water consumption: 865m^3/year



Resource saving efforts

We have changed the way we package individual parts, and make every effort to reduce our defect rate and minimize the volume of waste that we generate.

Switching packaging materials from plastic straps to returnable boxes



[Before] Items bound in plastic straps for delivery

[After] Items loaded into returnable boxes for delivery (photo from front)

Switching packaging specifications for instruction manuals, from paper packaging to returnable bags

[Before] Paper packaging

[After] Manuals delivered in returnable bags

Communication with local communities

We organize regular factory tours for employees' families, giving them the opportunity to see inside the workplace and understand the sort of work that we do.

We also organize factory tours for local elementary school students, as part of their social studies, and show them the process through which gas stoves are actually made. (Number of students: 41/year)

Employees' families on a factory tour

Elementary school students on a factory tour

Our employees regularly take part in cleanup activities along commuting routes and in the area surrounding the factory.

Cleanup activities along commuting routes

Cleanup activities in the area surrounding the factory

Yanagisawa Manufacturing Co., Ltd.

Location	Yanagi-machi, Kadoma-shi, Osaka
Number of employees	381 (as March 31, 2013)
Business	Manufacture of gas equipment
Commenced operations	1936
Acquisition of ISO14001 certification	June 2004

Major production items

Commercial kitchen units

Commercial high-speed ovens

Gas rice cookers

Floor heating systems (hot-water mat)

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
199.5	36.6	1.0	11.0

Emissions into the air

CO_2 emissions(t-CO_2)	NOx emissions(t)
1,588	1.3

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
571.8	0.0	0.0	571.8	100.0

Air

Equipment	Substance	Regulation value*1			Actual value*2
		National	Prefectural	Voluntary	
Boiler	Soot and dust	0.15	0.10	0.10	0.003
	NOx	150	150	150	42
Drying furnaces	Soot and dust	0.15	0.10	0.1	0.0022

*1 Units of regulation values
Soot and dust: g/m^3N
NOx: ppm

*2 Actual values for NOx and soot/dust indicate the maximum measurements versus the regulation values for the relevant type of equipment.

Water discharge

Substance	Regulation value			Actual value		
	National	Municipal	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	56.0	44.8	50.4
pH	5.0 - 9.0	5.0 - 9.0	5.9 - 8.5	8.5	7.0	7.5
BOD	600	600	300	73.0	10.0	33.9
SS	600	600	300	28.0	2.0	9.3
n-Hex mineral oil	5	5	5	1.8	1.0	1.3
n-Hex vegetable oil	30	30	24	19.8	1.6	8.0
Copper	3	3	3	<0.1	<0.1	<0.1
Zinc	2	2	2	0.84	0.06	0.24
Soluble iron	10	10	3	<0.1	<0.1	<0.1
Soluble manganese	10	10	10	<0.1	<0.1	<0.1
Nitrogen	240	240	120	20	18	19
Phosphorus	32	32	30	33*	0.1	7.8
Iodine consumption	220	220	110	2.0	<0.1	1.5

■ The unit of the amount of discharge is m^3/day
■ The values are expressed in mg/L except for pH
■ Water discharge standard: Sewer discharge standard
* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)

*Wastewater quality tests indicated that Phosphorus levels were higher than self-imposed standards (agreed with Kadoma City). We therefore identified the source and took countermeasures. The results of subsequent analysis indicated that water quality was within safe range under the self-imposed standards.

Environmental Initiatives

Energy saving efforts

Upgrading to energy-saving air conditioning systems

As part of improvements to the air conditioning systems in our press building, we have replaced our existing oil-powered heaters with gas heat pump (GHP) air conditioning systems, which reduce energy consumption during the winter months.

Reduction in CO_2 emissions: Approx. 61 tons/year

[Before]

[After] GHP

Air conditioning outlets

Saving energy via two-tiered roofing

As part of improvements to the roof of our premises, we created a space above the existing roof and fitted boards with a heat shield coating to produce a two-tiered structure. This has made insulation more effective and enabled us to reduce energy consumption from air conditioning systems, by preventing ceilings from becoming too hot during the summer months.

Boards with a heat shied coating installed on the roof

Communication with local communities

Our employees regularly take part in cleanup activities along commuting routes and in the area surrounding the factory.

Employee cleanup operations

Cleanup activities along commuting routes

Rinnai Technica Co., Ltd.

Location	Sakagawa, Kakegawa-shi, Shizuoka
Number of employees	499 (as of March 31, 2013)
Business	Manufacture of gas equipment
Commenced operations	1910
Acquisition of ISO14001 certification	December 2003

Major production items:

Gas hot-water units

Gas instant-heating hot-water heaters

Gas hot-water units for overseas market

Heat exchanger and others

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
265.2	362.0	25.1

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
2,150	1.9

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
928.0	0.9	0.3	926.8	99.9

Water discharge

Substance	Regulation value			Actual value		
	National	Prefectural	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	94	15	46.2
pH	5.8 - 8.6	–	6.3 - 8.1	7.8	7.3	7.6
BOD	160 (120)	25 (20)	20 (15)	5.2	0.6	2.4
COD	160 (120)	–	20 (15)	5.7	2.7	4.2
SS	200 (150)	50 (40)	30 (20)	–	< 2.0	–

■ The unit of the amount of discharge is m^3/day
■ The values are expressed in mg/L except for pH
■ Water discharge standard: River effluent standard
* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* COD: Chemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

Environmental Initiatives

Energy saving efforts

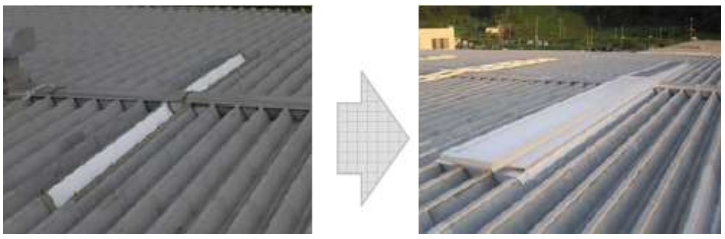
As well as upgrading to an energy saving air compressor, we have revised the layout of our facilities to suit operations on the shop floor and have successfully reduced energy consumption. This has also helped to minimize noise levels.

Reduction in power consumption:	108,612 kWh/year
Reduction in CO_2 emissions:	Approx. 4.5 tons/year

Air compressor

We have carried out improvements to the building's roof, to let in sufficient light to the factory as a whole. As well as improving daylight penetration, so that we no longer need to use lighting along corridors in the day, this has also enhanced insulation and enabled us to reduce overall energy consumption. The multilayer polycarbonate we have used as a roof covering will also help to resolve previous issues such as increased temperatures in certain areas and glare from the sun.

Reduction in power consumption:	Approx. 2,800 kWh/year
Reduction in CO_2 emissions:	Approx. 1 ton/year



[Before] Previous skylights

[After] Multilayer polycarbonate skylights to let more light in

[Before] [After]
Sufficient light coming into factory

Communication with local communities

Participating in tree-planting event

26 employees took part in a tree-planting event organized in the grounds of a local hospital, under the banner "Saving Lives: Planting Trees of Hope."*1

*1 "Saving Lives: Planting Trees of Hope" tree-planting event: A total of around 3,300 people attended the event from the village of Kawauchi (Fukushima prefecture), including residents from the cities of Kakegawa and Fukuroi, and planted 23,000 saplings from 27 different species, including Japanese red oak and Japanese blue oak, on a sloped area covering approximately 7,500m2.

Planting saplings

Beautification and cleanup activities

Having signed up to an “Improvement and Cleanup Campaign,” six of our employees took part in activities to mark the 25th anniversary of Kakegawa Station on the Tokaido Shinkansen (bullet train) line, which first opened on March 13, 1988. A large number of people turned out for the event, and got straight to work cleaning the station’s historic monuments and walls, and picking up litter around the station, whilst also reflecting on the last quarter of a century and looking ahead to the future.

Cleaning the station walls

Picking up litter around the station

RB Controls Co., Ltd.

Location	Head office: Kannondo-machi, Kanazawa-shi, Ishikawa Kanaiwa Factory: Kanaiwa Higashi, Kanazawa-shi, Ishikawa Tsurugi Factory: Oyanagi-machi, Hakusan-shi, Ishikawa
Number of employees	622 (as of March 31, 2013)
Business	Manufacture of gas equipment components
Commenced operations	1971
Acquisition of ISO14001 certification	March 2006


Head office


Kanaiwa Factory


Tsurugi Factory

Major production items


Electronic control units


High voltage units


Bathroom waterproof TV


Bathroom LED lights

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
491.0	2.3	237.0	24.3

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
2,679	2.4

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
334.6	16.1	4.0	314.5	94.0

Substances subject to the PRTR law

Kanaiwa Factory

(Unit: kg)

Number	Class I designated chemical substance name	Amount of emission/discharge				Amount of transfer	
		a. Emissions into the air	b. Discharge into public waters	c. Discharge into the soil at the relevant office (except d.)	d. Landfill at the relevant office	a. Transfer to sewers	b. Transfer outside the relevant office (except a.)
31	Antimony and its compounds	0.0	0.0	0.0	0.0	0.0	1,800.0
186	Methylene dichloride	0.0	0.0	0.0	0.0	0.0	1,900.0
265	Tetrahydromethylphthalic anhydride	0.0	0.0	0.0	0.0	0.0	12,000.0
448	Methylenebis (4,1-phenylene) diisocyanate	0.0	0.0	0.0	0.0	0.0	3,700.0

Substances subject to the PRTR law

Tsurugi Factory

(Unit: kg)

Number	Class I designated chemical substance name	Amount of emission/discharge				Amount of transfer	
		a. Emissions into the air	b. Discharge into public waters	c. Discharge into the soil at the relevant office (except d.)	d. Landfill at the relevant office	a. Transfer to sewers	b. Transfer outside the relevant office (except a.)
186	Methylene dichloride	0.0	0.0	0.0	0.0	0.0	2,200.0
448	Methylenebis (4,1-phenylene) diisocyanate	0.0	0.0	0.0	0.0	0.0	2,200.0
460	Tritolyl phosphate	0.0	0.0	0.0	0.0	0.0	54,000.0

Environmental Initiatives

Environmentally friendly product development (bathroom LED lighting)

In the wall lighting market, within which we have a 90% share of system bath lighting, we have successfully developed an integrated LED product combining both light source and power supply. The design focuses particularly on waterproofing, in order to overcome issues with LED lighting such as vulnerability to moisture and short-circuiting. In fact the product in question won a Good Design Award in 2013.

Reduction in CO_2 emissions per light: Approx. 135 kg/10 years[*1]

[*1] Reduction based on the assumption that bathroom lighting is used for two hours a day over the course of ten years

Bathroom LED wall lights

Energy and resource saving efforts

Reusing test water

To assess the safety and performance of our products, we run shower tests that require lots of hot water. By recycling hot water once it has been used, we have managed to reduce both energy and water consumption as part of shower testing.

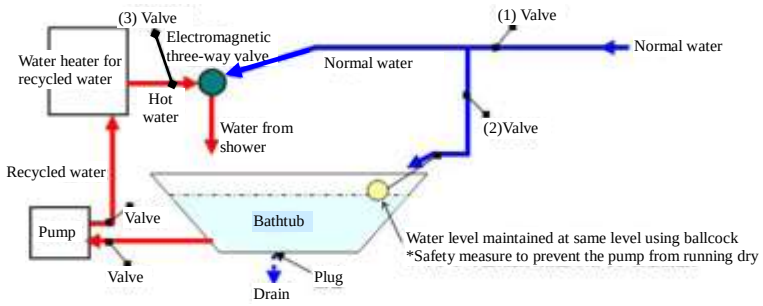
Reduction in CO_2 emissions: Approx. 8 tons/year[*2]

Reduction in water consumption: Approx. 3,700 m^3/year

Reduction in gas consumption: Approx. 3,800 m^3/year

[*2] Based on the assumption that a shower is used 60 times a year

[Shower testing]



[Environmentally friendly shower test recycling system]

Communication with local communities

Exchange onsite at the factory

Our 3rd RB Controls Culture Festival was attended by a total of 270 people, including employees, their families and local residents. We put on exhibitions featuring company products and groups within the company, and organized electronics classes, to give everyone an interesting insight into manufacturing.

Company product exhibition

Children having a go at soldering during an electronics class

Rinnai Precision Co., Ltd.

Location	Head office and Komaki Factory: Shimobata, Oaza Honjo, Komaki-shi, Aichi Kani Factory: Himegaoka, Kani-shi, Gifu
Number of employees	587 (as of the end of March 2013)
Business	Manufacture of gas equipment components
Commenced operations	1979
Acquisition of ISO14001 certification	December 2005


Head office and Komaki Factory


Kani Factory

Major production items:


Gas cock parts


Gas valve parts


Gas control units


Solenoid water valve and others

Data on Environmental Load by Site (Total amounts of Head office, Komaki Factory and Kani Factory)

Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
1,244.9	113.5	167.0	76.5

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
7,876	6.3

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
1,838.5	1.5	1.7	1,835.3	99.8

Water discharge

Head office, Komaki Factory

Substance	Regulation value			Actual value		
	National	Prefectural	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	32	5	25
pH	5.8 - 8.6	–	6.0 - 8.4	8	6.8	7.5
BOD	160 (120)	25 (20)	25 (20)	–	–	13.0
COD	160 (120)	25 (20)	25 (20)	18.0	4.4	12.0
SS	200 (150)	–	25 (20)	–	–	< 1

■ The unit of the amount of discharge is m^3/day
■ The values are expressed in mg/L except for pH
■ Water discharge standard: River effluent standard
* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* COD: Chemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

Kani Factory

Substance	Regulation value			Actual value		
	National	Written agreement	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	23	11	15.0
pH	5.8 - 8.6	5.8 - 8.6	5.8 - 8.6	7.1	6.0	6.5
BOD	160 (120)	15	15	5.3	1.0	2.5
COD	160 (120)	30	30	–	–	1.9
SS	200 (150)	30	30	2.0	1.0	1.2

- The unit of the amount of discharge is m^3/day
- The values are expressed in mg/L except for pH
- Water discharge standard: River effluent standard

* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* COD: Chemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

Environmental Initiatives

Energy saving efforts

Reducing energy consumption by reusing cooling water

Washing the gas valves used in tabletop gas stoves requires large volumes of cooling water, all of which is supplied to washing equipment via pumps.

Although we were planning to install new pumps, to provide fixed quantities of cooling water for our new washing equipment for cutting, we have switched to a system that enables us to supply cooling water to several pieces of equipment via our existing pumps, thereby reducing energy consumption.

Reduction in power consumption:	45,000 kWh/year
Reduction in CO_2 emissions:	Approx. 17 tons/year


New washing equipment for cutting


Gas valves

Raising awareness of power saving by introducing an electronic attendance system

Having introduced an ID card-based attendance management system, we are now able to visualize and automatically monitor the times when employees leave work. This has enabled us to improve operating efficiency and has also helped to save power.

Reduction in power consumption:	9,140 kWh
Reduction in CO_2 emissions:	Approx. 3 tons/year


Attendance management screen (tablet)


Checking automatically aggregated figures on the intranet

Switching to energy saving lights

We have replaced 514 lights at our Head Office and Komaki Factory with energy saving alternatives, reducing power consumption by an annual total of 24,360 kWh.

Resource saving efforts

We have installed a semi-dry processing unit, to mix tiny quantities of oil into the air for application. As a result, we have reduced the volume of oil and washing fluid (wastewater) that we used previously.

RT Engineering Co., Ltd.

Location	Kamiike-cho, Toyota-shi, Aichi
Number of employees	187 (as of March 31, 2013)
Business	Manufacture of gas equipment and components
Commenced operations	1950
Acquisition of ISO14001 certification	March 2006

Major production items

Copper pipe/press components

Grill components and others

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	City gas (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
198.9	15.3	3.3	18.9

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
1,146	1.0

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
753.0	0.8	0.0	752.2	99.9

Water discharge

Substance	Regulation value			Actual value		
	National	Municipal	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	27.5	20	22.5
pH	5.0 - 9.0	5.7 - 8.7	5.7 - 8.7	7.2	6.3	6.8
BOD	600	300	300	2.8	0.8	1.4
SS	600	300	300	12	< 1	–
n-Hex mineral oil	5	5	5	0.5	< 0.5	–
Nitrogen	240	150	150	10.0	1.9	6.0
Phosphorus	32	20	14	0.04	0.01	0.02

- The unit of the amount of discharge is m^3/day
- The values are expressed in mg/L except for pH
- Water discharge standard: Sewer discharge standard

* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

Environmental Initiatives

Energy and resource saving efforts

Developing a boiler heat recovery system

As part of the coating preparation process, we use a boiler to heat steam to around 140˚C. To make the most of this steam once it has been heated, we have installed a water recovery tank and developed a system whereby steam collected in the tank (as drain water) is sent back to the boiler to be heated again. This heat recovery system has enabled us to reduce heating times in the boiler and helped to reduce energy consumption.

Reduction in gas consumption:	1,735m^3/year
Reduction in CO_2 emissions:	Approx. 4 tons/year

Communication with local communities

We organize factory tours for local junior high school students, as part of their social studies. As well as explaining the role of pipe components in gas equipment, we also show students actual components being processed.


Explaining how pipes are processed


Students on a factory tour
(Number of students: 64/year)

Our employees carry out regular cleanup activities along commuting routes and in the area surrounding the factory. (Number of participants: 12/year)


Cleanup activities along commuting routes


Cleanup activities in the surrounding area

Japan Ceramics Co., Ltd.

Location	Himegaoka, Kani-shi, Gifu
Number of employees	92 (as of March 31, 2013)
Business	Manufacture of gas equipment components
Commenced operations	1981
Acquisition of ISO14001 certification	January 2006

Major production items

Ceramic plates for burners

Industrial burners

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
134.1	521.0	4.1

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
2,080	1.9

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
274.5	100.3	0.0	174.2	63.4

Substances subject to the PRTR law

(Unit: kg)

Number	Class I designated chemical substance name	Amount of emission/discharge				Amount of transfer	
		a. Emissions into the air	b. Discharge into public waters	c. Discharge into the soil at the relevant office (except d.)	d. Landfill at the relevant office	a. Transfer to sewers	b. Transfer outside the relevant office (except a.)
53	Ethylbenzene	3,000.0	0.0	0.0	0.0	0.0	780.0
80	Xylene	3,600.0	0.0	0.0	0.0	0.0	730.0
300	Toluene	14,000.0	1.0	0.0	0.0	0.0	1,800.0
412	Manganese and its compounds	0.0	0.0	0.0	0.0	0.0	2,400.0

Air

Equipment	Substance	Regulation value*1			Actual value*2
		National	Prefectural	Voluntary	
Baking furnace	Soot and dust	0.2	0.125	0.125	0.009
	NOx	400	90	90	26
	SOx	0.49	0.25	0.25	< 0.01

*1 Units of regulation values
Soot and dust: g/m^3N
NOx: ppm
Sox: m^3N/h

*2 Actual values for NOx, Sox, and soot/dust indicate the maximum measurements versus the regulation values for the relevant type of equipment.

Water discharge

Substance	Regulation value			Actual value		
	National	Written agreement	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	5.9	4.6	5.4
pH	5.8 - 8.6	5.8 - 8.6	5.8 - 8.6	7.3	6.6	7.0
BOD	160 (120)	15 (10)	15	5.8	0.8	3.4
COD	160 (120)	–	30	–	–	3.5
SS	200 (150)	30 (25)	30	12.0	4.0	6.3

- The unit of the amount of discharge is m^3/day
- The values are expressed in mg/L except for pH
- Water discharge standard: River effluent standard

* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* COD: Chemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

Environmental Initiatives

Energy saving efforts

Green curtain initiative

We create “green curtains” every year. Specifically, we plant bitter gourds and other climbing plants to create natural curtains that block out sunlight and keep the inside of buildings cool.[*1] The fruit that is harvested is distributed to employees and their family members to enhance social exchanges. To help these plants grow, we use ceramic balls we developed and other materials to improve the drainage.

[Seedlings] Bitter gourds, small tomatoes, and winged beans

[*1] Plants suck up water from their roots and release it from their leaves in the form of vapor. This is called transpiration. We feel cooler near plants because this vapor draws in the surrounding heat.

Bitter gourd (at an early stage of growth)

A green curtain made of bitter gourds

Small tomato (at an early stage of growth)

A green curtain made of small tomatoes

Developing environmental awareness

Product workshops

We hold 17 product workshops a year, where in-house lecturers discuss the environmental thinking and the basics about environmentally friendly products (such as the combustion mechanism) (e.g., "Why are *Eco-Jozu* and other products environmentally friendly, and what is behind them?"). A total of 396 people participated in these.


A workshop on the basics of combustion equipment

Communication with local communities

We participate in local cleanup activities along the Kani River. Our staff members regularly conduct cleanup activities along commuting routes and the area surrounding the factory. (A total of 44 staff members have participated in these activities.)


Cleanup activities along the Kani River


Cleanup activities along commuting routes

Noto Tech Co., Ltd.

Location	Nakanoto-machi, Kashima-gun, Ishikawa
Number of employees	203 (as of March 31, 2013)
Business	Manufacture of gas equipment components
Commenced operations	1990
Acquisition of ISO14001 certification	January 2007

Major production items


Enamel components


Gloss enamel


Resin components


Rice cooker

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
240.8	1,026.0	116.0

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
4,318	3.9

Discharge of waste

Amount of waste generated (t)	Amount of waste into landfill (t)	Amount of intermediate processing of waste (t)	Amount of recycled waste (t)	Recycling percentage (%)
2,521.9	336.8	7.8	2,177.8	86.4

Substances subject to the PRTR law

(Unit: kg)

Number	Class I designated chemical substance name	Amount of emission/discharge				Amount of transfer	
		a. Emissions into the air	b. Discharge into public waters	c. Discharge into the soil at the relevant office (except d.)	d. Landfill at the relevant office	a. Transfer to sewers	b. Transfer outside the relevant office (except a.)
31	Antimony and its compounds	0.0	0.0	0.0	0.0	0.0	200.0
71	Ferric chloride	0.0	0.0	0.0	0.0	0.0	0.0
80	Xylene	5.9	0.0	0.0	0.0	0.0	0.0
265	Tetrahydromethylphthalic anhydride	0.0	0.0	0.0	0.0	0.0	0.0
296	1,2,4-trimethylbenzene	6.8	0.0	0.0	0.0	0.0	0.0
309	Nickel compounds	0.0	39.0	0.0	0.0	0.0	680.0
405	Boron compounds	0.0	340.0	0.0	0.0	0.0	4,000.0

Air

Equipment	Substance	Regulation value*1			Actual value*2
		National	Prefectural	Voluntary	
Baking furnace	Soot and dust	0.25	0.25	0.22	0.004
	NOx	180	180	160	34

*1 Units of regulation values
Soot and dust: g/m^3N
NOx: ppm

*2 Actual values for NOx and soot/dust indicate the maximum measurements versus the regulation values for the relevant type of equipment.

Water discharge

Substance	Regulation value			Actual value		
	National	Prefectural	Voluntary	Maximum	Minimum	Mean
Amount of discharge	–	–	–	150.0	70.0	113
pH	5.8 - 8.6	5.8 - 8.6	6.0 - 8.2	7.5	7.1	7.3
BOD	160 (120)	80 (60)	40 (30)	47.0*	7.0	29.5
COD	160 (120)	–	140 (100)	70.0	15.0	46.0
SS	200 (150)	30 (20)	20	5.0	2.0	3.5

* Wastewater quality tests indicated that BOD levels were higher than self-imposed standards (agreed with Hakui City). We therefore identified the source and took countermeasures. The results of subsequent analysis indicated that water quality was within safe range under the self-imposed standards.

- The unit of the amount of discharge is m^3/day
- The values are expressed in mg/L except for pH
- Water discharge standard: River effluent standard

* pH: Concentration of hydrogen ions
* BOD: Biochemical oxygen demand
* COD: Chemical oxygen demand
* SS: Concentration of aqueous suspended solids
* N.D.: Equal to or less than the minimum determination limit (undetectable)
* Values in parentheses are daily mean values.

Environmental Initiatives

Resource-saving efforts

We are working to improve the recycling quality of the waste we generate. We have changed the method of treating the waste lubricant for our pressing machines, which used to be treated as industrial waste, and now recycle it into a valuable substance.

Pollution-prevention efforts

Emergency drills

We conduct emergency drills so people know what to do in case of an accident. We are reviewing the manuals that stipulate response procedures. In order to minimize environmental risks, we conduct equipment inspections and take other preventive measures.


An emergency drill

Communication with local communities

We organize factory tours for local high school students. We also offer 10-day work experience programs in which participants learn the basics of manufacturing as well as about how we continually pursue quality and environmental friendliness.

Hands-on training

A tour of the process for manufacturing the components for gas stoves

Techno Parts Co., Ltd.

Location	Head office: Fukuzumi-cho, Nakagawa-ku, Nagoya-shi, Aichi Ichinomiya Office: Nishiougaido Aza Toukouji, Ichinomiya-shi, Aichi Sango Office: Tsunoda, Sango-cho, Owariasahi-shi, Aichi Ida Office: Ida-cho, Owariasahi-shi, Aichi Komaki Office: Oaza Mitsubuchi, Komaki-shi, Aichi
Number of employees	461 (as of the end of March 2013)
Business	Assembly and processing of components of heat-energy appliance
Acquisition of Eco Action 21	July 2011
Major production items	Components of gas equipment and home electric appliances


Ichinomiya Office


Sango Office


Ida Office


Komaki Office

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m^3)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
82.0	5.6	0.9	0.0

Emissions into the air

CO_2 emissions (t-CO_2)	NOx emissions (t)
436	0.3

Discharge of waste

Amount of waste generated (t)
89.6

Environmental Initiatives

Energy-saving efforts

Growing green curtains

As an energy-saving measure in the summer, we grow “green curtains,” which absorb carbon dioxide during plant photosynthesis, shield the strong sunlight from coming into the office, and reduce the load on air conditioners. [Seedling] Bitter gourds


A green curtain


The bitter gourds that are harvested are distributed to employees.

Installation of motion sensors

Motion sensors have been installed in lavatories to prevent the lights from staying on when people forget to turn them off.

A motion sensor

A switch

Resource-saving efforts

We use rainwater to water our plants and flowers, as well as in our cleanup activities in an effort to use water more effectively.

Equipped with a rainwater tank

We separate out used office paper and recycle it into valuable materials.