

Rinnai



CSR Report

2015

Corporate
Social
Responsibility

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Supplemental Data:

1. Oguchi Factory	7. Rinnai Precision Co., Ltd.
2. Seto Factory	8. RT Engineering Co., Ltd.
3. Asahi Factory	9. Japan Ceramics Co., Ltd.
4. Yanagisawa Manufacturing Co., Ltd.	10. Noto Tech Co., Ltd.
5. Rinnai Technica Co., Ltd.	11. Techno Parts Co., Ltd.
6. RB Controls Co., Ltd.	

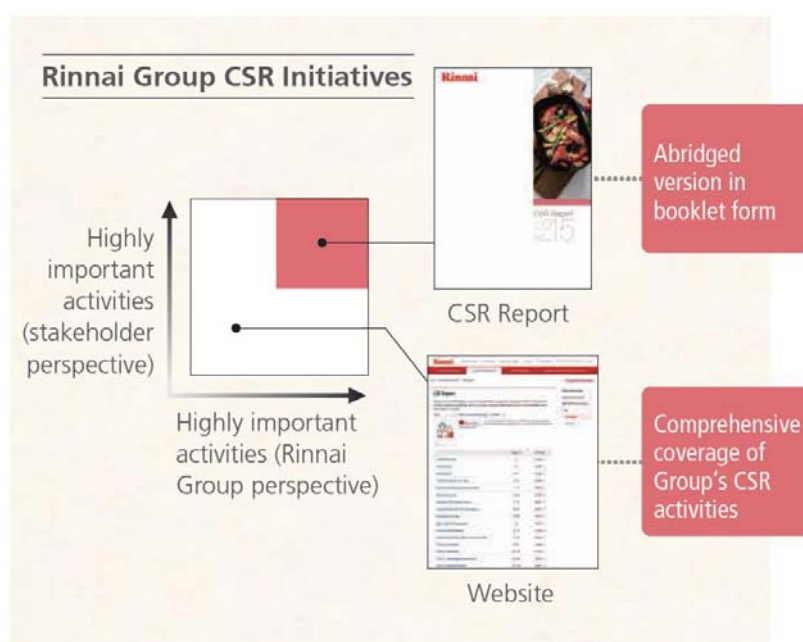
CSR Report 2015

Editorial Policy

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 to as many people as possible.

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.



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 2015—April 1, 2014, to March 31, 2015—but also touches upon measures implemented and recent activities undertaken prior to fiscal 2015 as well as future business direction, targets and plans.

Referenced Guidelines

Sustainability Reporting Guidelines (G4), the fourth and most recent generation of guidelines by the Global Reporting Initiative (GRI)

ISO 26000:2010

Environmental Reporting Guidelines (fiscal 2012), issued by Japan's Ministry of the Environment

Environmental Accounting Guidelines (fiscal 2005), issued by Japan's Ministry of the Environment

Publication Schedule

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Top Message

Message from the Chairman

Under the motto of “harmony, spirit, and sincerity,” Rinnai has continued utilizing heat to provide society with comfortable lifestyles since its foundation in 1920. Today, Rinnai is a comprehensive manufacturer of heat-energy appliances with operations in 16 nations worldwide, as well as Japan, and its commitment to society remains unchanged.

We are currently stepping up various initiatives with top priority on the tenet that “Quality is our destiny.” In addition to product development and manufacturing, we are targeting quality improvements across all aspects of our operations, including distribution, customer relations, and after-sales service, and we are redoubling our efforts in this regard.

Overseas, we offer products that are matched to local customs, cultures, and needs, while maintaining our commitment to delivering quality that our customers demand at home. Accordingly, we work hard to localize our various overseas operations. This includes a policy in principle of appointing people from local countries and communities to top positions in our overseas group companies.

Meanwhile, we are focusing on efforts to protect the global environment. As a comprehensive manufacturer of heat-energy appliances, the Rinnai Group is aware of the huge role it must play in saving energy and helping combat global warming. For this reason, we emphasize development and proliferation of highly efficient heat and energy products that are friendly to the environment.

In the context of Japan’s low-birthrate, aging society, as well, we recognize that we are expected to provide safer and more comfortable lifestyles to people of all generations. Going forward, we will prioritize heat and energy products that are safe, reliable, comfortable, and environmentally friendly in order to benefit society.



Susumu Naito,
Chairman

Message from the President

With priority on providing top-level “heat and lifestyles,” we will help realize safe, secure, comfortable, and healthy lifestyles, as well as an environmentally friendly society.

Offering hybrid water heaters with heating systems and other highly efficient products with low environmental impact

The fiscal year ended March 31, 2015 was the final year of the Rinnai Group’s medium-term business plan, entitled Jump Up 2014. During the year, we enjoyed good performances in overseas markets despite a recoil in Japan following a rush in demand ahead of the consumption tax hike. Helped also by the consolidation of Rinnai Indonesia, we achieved our fifth consecutive year-on-year increase in consolidated net sales, which totaled ¥295.0 billion, up 2.8%. However, operating income declined 9.5%, to ¥30.7 billion, due to lower earnings in Japan and Australia, which normally are highly profitable regions for the Group. Nevertheless, we maintained a high operating margin of 10.4%.

As a comprehensive manufacturer of heat-energy appliances, we are constantly proposing comfortable, safe, secure, and environmentally friendly lifestyles. We believe our business activities in themselves can make a contribution to society.

For example, we are working to develop and proliferate products that generate low carbon dioxide emissions and have minimal environmental impact. These include *ECO ONE*, our hybrid water heater with heating system that uses a combination of *Eco Jozu* high-efficiency water heater and heat pump technologies. In the past year, we did not sell as many of these products as predicted, due to the impact of the consumption tax hike. Going forward, however, we will strongly emphasize the superiority and significance of such products to society and work hard to ensure their widespread popularity.

In April 2015, we launched the third-generation *ECO ONE*, featuring world-leading levels of energy efficiency. I believe that this product, which is highly efficient and saves energy, will help reduce carbon dioxide emissions in homes, where we have seen little progress to date. In addition to these initiatives, we are stepping up our responses to the emergence of “smart houses” and home energy management systems (HEMS) in our pursuit of unrivalled “heat and lifestyles.”

Since last year, we have also focused our efforts on “temperature seamlessness.” Around 17,000 people die in Japan each year due to sudden temperature changes in bathrooms. By promoting the spread of bathroom heater/dryers, we believe we can reduce such bathroom-related incidents.



Hiroyasu Naito, President



Quality is our destiny Constant pursuit of quality improvements

“Quality is our destiny” is the basic tenet guiding Rinnai’s activities. Both at home and abroad, we are stepping up initiatives aimed at improving quality. We share various data about product defects, claims, and the like across the entire Group in order to solve problems in a system that transcends departments. Our overseas operations also hold vibrant information exchanges with each other related to product manufacturing, with the aim of incorporating successful cases into their activities. In these and other ways, we strive every day to make qualitative improvements.

With respect to safety-related initiatives, we conduct product inspections via our “Maintenance and Inspection System of Long-Term Use Products.” Under this system, we as the manufacturer take the initiative to inspect products intended for long-term use. There are various challenges involved in setting up the system and identifying products to inspect, but we will strive to ensure the safety of all consumers.

In 2012, a defect was uncovered in some of our dishwasher/dryer models, and in 2014 a defect was found in some bathroom-installed fan-forced gas water heaters made by Gastar Co., Ltd. and sold by Rinnai Corporation. We have been working on a Groupwide basis to undertake inspection, repair, and parts replacement of the defective models. These events caused a major inconvenience to customers, for which we sincerely apologize. We will continue devoting our utmost efforts until the last machine is fixed.

Workplaces that motivate women to excel**Localizing overseas bases and improving workplace safety awareness**

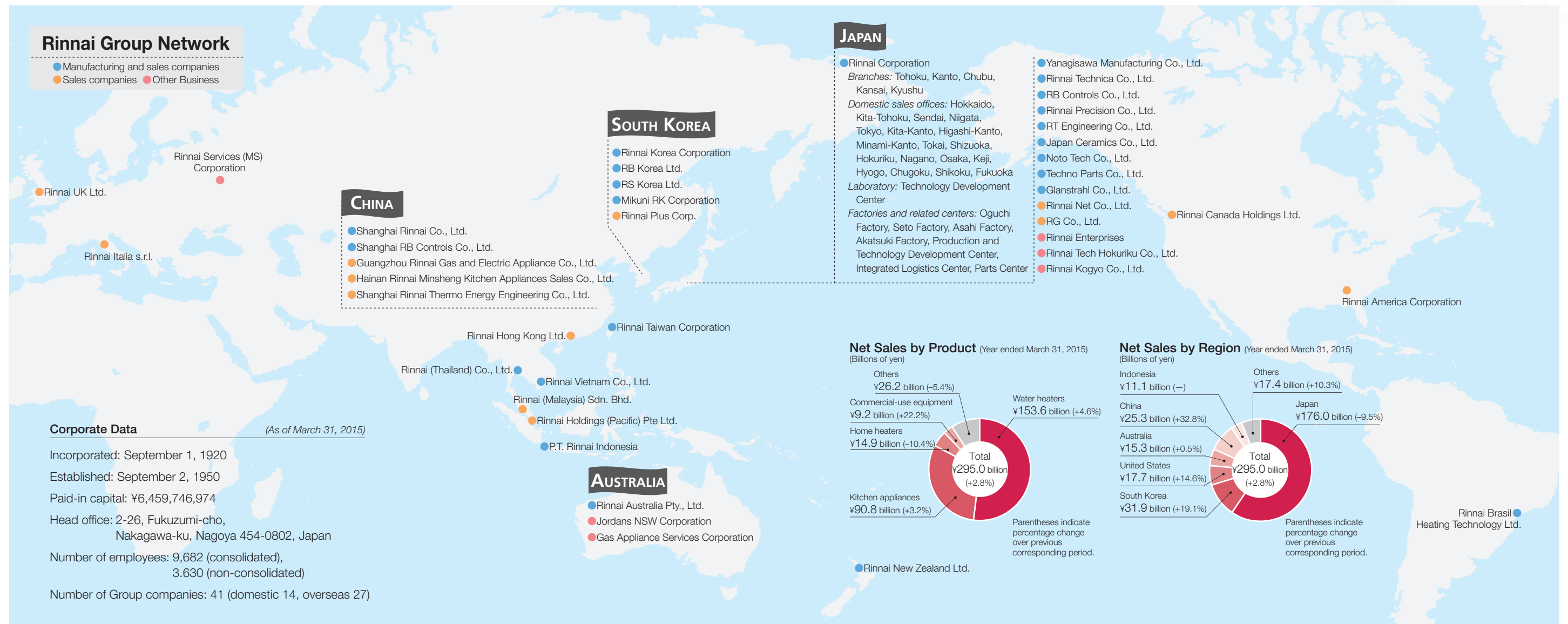
For some time, the Rinnai Group has worked to create workplace environments that help female employees excel. As a result, the number of female employees taking advantage of our various systems has increased, and we have received acknowledgement and commendations from external parties. In addition to maternity leave, we offer shortened workweeks to facilitate child-rearing, and some departments are offering work-at-home arrangements on a trial basis. Going forward, we will strive to create workplaces that enable all employees to work according to their individual lifestyles.

On the global scene, meanwhile, we will endeavor to improve awareness about worker safety at our bases in emerging nations. In addition to assigning local people to management positions at overseas subsidiaries, the Rinnai Group has a fundamental policy of recruiting local staff at each operation and advancing business according to local market conditions. We also place high priority on raising worker safety awareness to the same level as in Japan.

With respect to social contribution activities, each of our operations pursues initiatives that match local circumstances. This year, we will continue making donations to the Nakagawa Canal Restoration and Culture/Artistic Activity Assistance Project (ARToC10), headed by the Nagoya Urban Institute of the Nagoya Urban Development Public Corporation. The Nakagawa Canal was once a flourishing shipping route connecting Nagoya Port to the center of Nagoya City. The aim of the redevelopment project is to reproduce Nakagawa Canal as an epicenter for citizen interaction and artistic activities, and numerous art-related events have been held as part of the project.

Guided by its commitment to “heat and lifestyles,” the Rinnai Group will continue striving to realize a society that is safe, secure, comfortable, healthy, and environmentally friendly, both in Japan and overseas.

Rinnai Group



Water Heaters and Heating Systems

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



Water heaters, water heater with heating units, hybrid water heater with 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 cookers, built-in hobs (stovetops), dishwashers, rice cookers, built-in ranges, range hoods, and others

Home Heaters

Seeking to create comfortable living spaces offering total relaxation and peace of mind, Rinnai develops a wide array of home heaters.



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

Commercial-Use Equipment

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



Others



ほやい 乾太くん

Clothes dryers, infrared burners and components

Corporate Mission and Vision

Fundamental Concepts

Quality is our destiny

Company Motto



和

Harmony:
Develop personal character of the highest caliber

氣

Spirit:
Base your efforts on a consistent philosophy

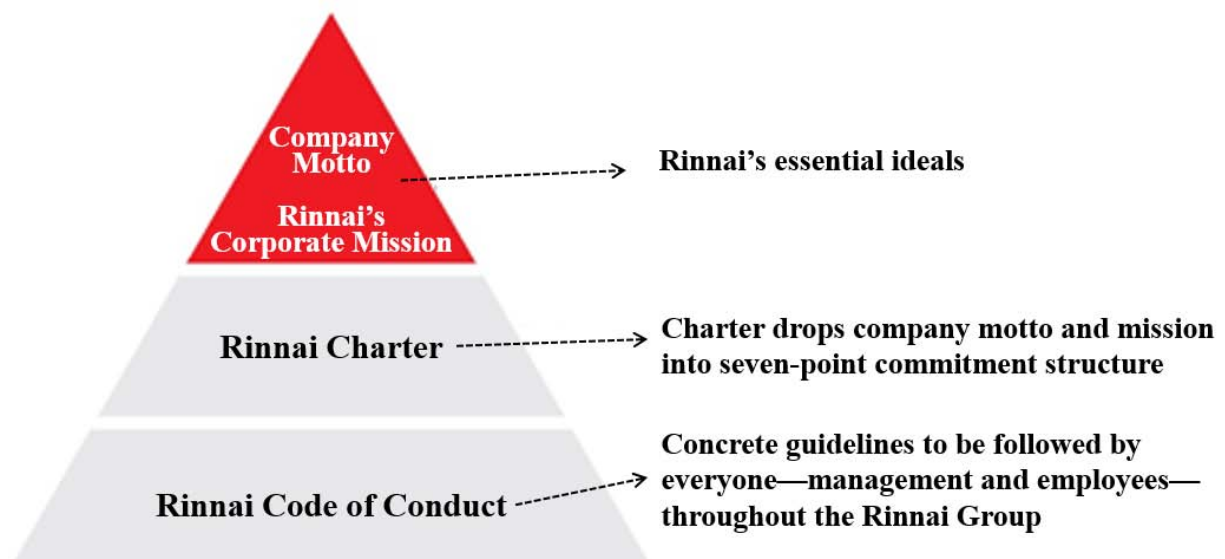
真

Sincerity:
Know the fundamentals and consider issues with precision and clarity

Rinnai's Corporate Mission

Rinnai utilizes heating to provide society with a comfortable way of life.

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 <i>monozukuri</i> (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.

The Birth of Rinnai

Rinnai uses reliable technologies to create "heat and lifestyles" while embracing the spirit of its foundation

One November day in 1918, Hidejiro Naito stood mesmerized in front of a shop making *imagawayaki*, a traditional Japanese bun usually filled with adzuki bean paste. He was intrigued by the blue flame that came from the imported oil-burning cooking stove used to cook the *imagawayaki*. Keen to try his hand at making a similar stove, Hidejiro convinced the shop owner to part with the stove. Using it as a model, Hidejiro subsequently developed a petroleum-fuelled stove, heralding the origin of the business we know today.

Two years later, in 1920, Hidejiro left his job at Nagoya Gas (currently Toho Gas Co., Ltd.). Together with Kanekichi Hayashi, a childhood friend who lived in the same dormitory, they established Rinnai & Co., the forerunner of today's Rinnai Corporation. The company name was coined from characters in the two men's last names ("Rin" is another way of reading "Hayashi," and "Nai" comes from "Naito").

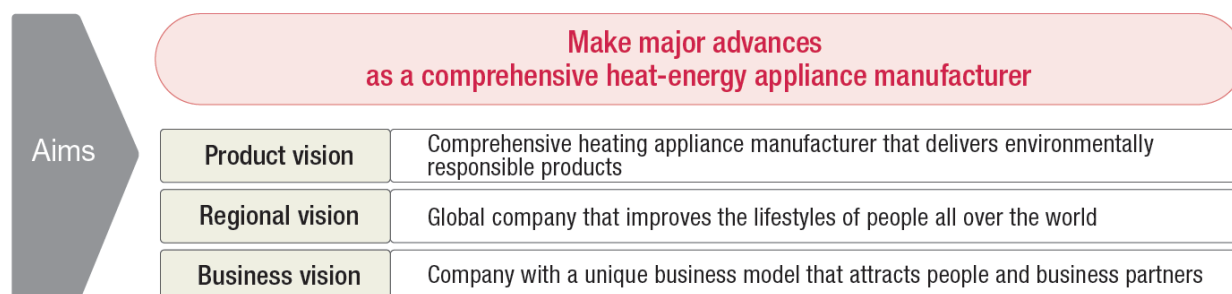
Thus began nearly a century of developing the latest heat-energy appliances. Over the years, Rinnai's products slowly transformed Japanese lifestyles as the nation continued on its path to modernization. From its origins through to the present day, Rinnai has been guided by its Corporate Mission, which is "to use heat to provide society with comfortable lifestyles." The ethos of contributing to society—evident in the early catalog for Rinnai's original, petroleum-fuelled stove—has endured unchanged through to the present day.

Today, Rinnai's vision hinges on the three themes of "heat and lifestyles," "quality," and "contributing to local communities." As a comprehensive manufacturer of heat-energy appliances, Rinnai contributes to people's lifestyles around the world and to the global environment. Despite all the changes to society and products that have taken place, Hidejiro's pioneering spirit remains as unshakeable today as it was then.



Medium-Term Business Plan, “Evolution and Succession 2017”

Our Vision



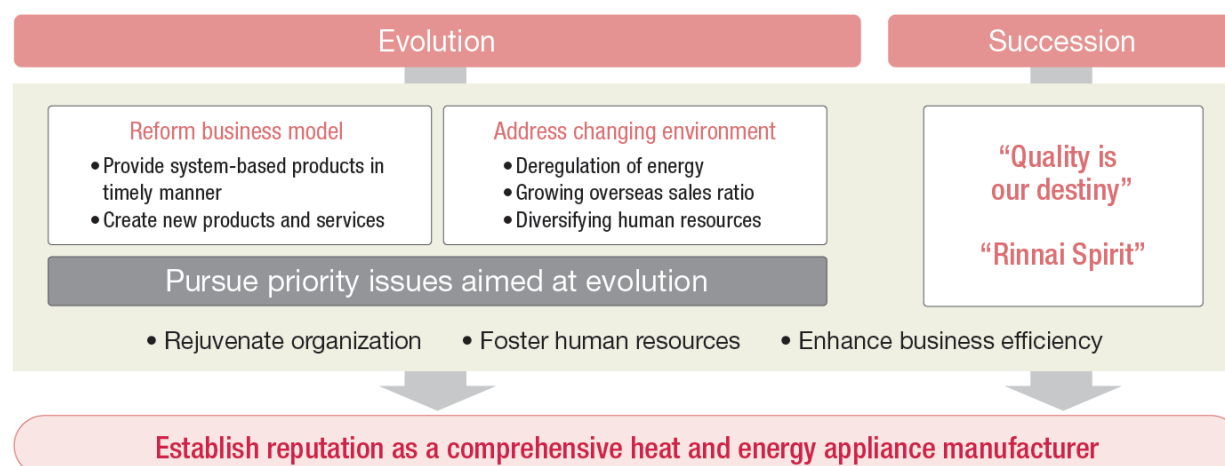
Outlook of Business Environment

	Japan	Overseas (advanced nations)	Overseas (emerging nations)
Back-ground	<ul style="list-style-type: none"> Electricity and gas deregulation Ministry of Environment energy policies (zero-energy house, etc.) 	<ul style="list-style-type: none"> Energy diversification Stronger environmental regulations 	<ul style="list-style-type: none"> Electricity shortages; proliferation of gas Emphasis on environmental protection
	<ul style="list-style-type: none"> Falling birthrate, ageing population (Declining workforce; diversifying human resources) 	<ul style="list-style-type: none"> Rising awareness about environment, energy efficiency, and safety 	<ul style="list-style-type: none"> Rising living standards Growing number of middle-income earners

Confronting major unprecedented changes over the next three years (2015–2017)

**Create new products and services that will transform our business.
Rinnai will continue using heat to benefit society.**

Overview of “Evolution and Succession 2017” (2015~2017)



Four Business Models

Domestic Business Model

ECO ONE



Leveraging our *ECO ONE* hybrid water heater with heating system to rebuild our business model for system-based products

Production system

New wing of Akatsuki Factory to be completed within three years
Fiscal 2018 (March 2018): Annual production of *ECO ONE* to surpass 30,000 units (Targeting 100,000 units in fiscal 2021)

By strengthening the development, production, and sales processes, we will make *ECO ONE* the pillar of domestic business growth.

Framework construction to expedite advancement of domestic business model

Manufacturing

Build streamlined production framework for system-based products, centered on *ECO ONE*



New wing at Akatsuki Factory



ECO ONE



Bathroom heater/dryer

Product development

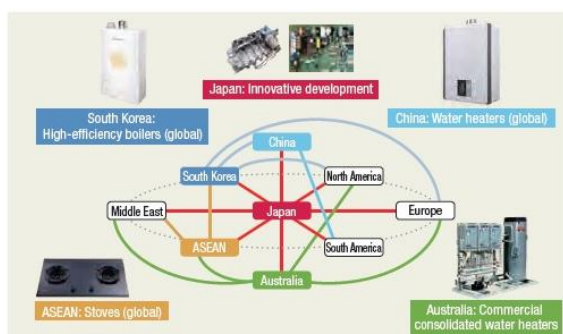
- Strengthen production technology development system

Sales/marketing

- Expand floor space of sales bases
- Strengthen service and distribution system

Overseas Business Model

Rinnai's global technology network

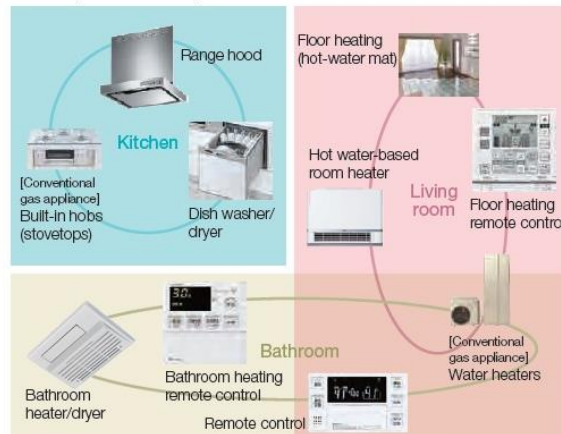


Synergistic benefits of linking respective Group strengths. Transition from local congregations to technology alliance-based model.

Overseas network model for design development and production technologies, from Japan-focused technical assistance to technological support in which each overseas base takes advantage of Rinnai's strengths

Gas Appliance Peripherals Business Model (Japan)

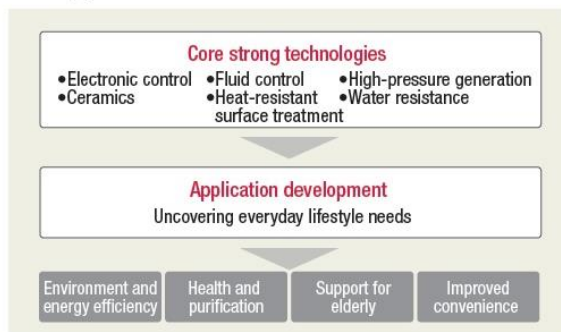
Protect the competitiveness of our gas appliance peripherals through efficient production in Japan



Expand sales of peripherals (apart from gas appliances) to build a reputation as a comprehensive heat-energy appliance manufacturer

New Domains Business Model

Expanding new businesses in genres different from heat appliances



Apply core technologies amassed in gas appliance production. Deploy strengths in product manufacturing to benefit people's lives.

Consolidated Targets (Fiscal 2018, ending March 31, 2018)





Net sales	¥350.0 billion
Operating income	¥39.0 billion
Operating margin	11.1%

Rinnai Group CSR

Approach to CSR

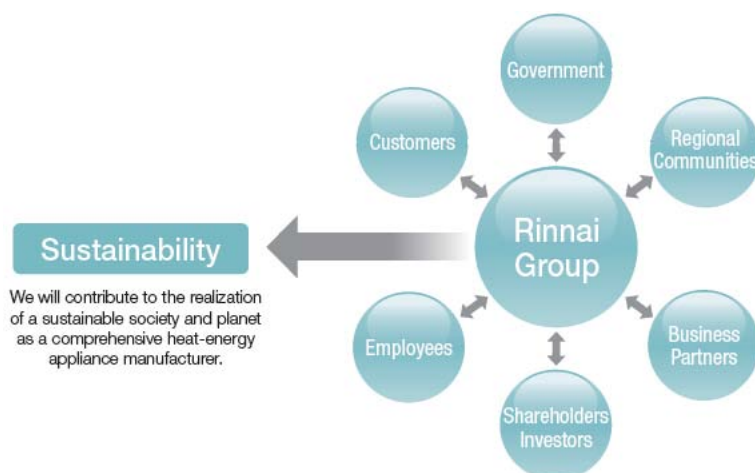
Rinnai's corporate mission hinges on the use of heat to provide society with comfortable lifestyles. This perspective infuses efforts on a groupwide basis to provide heat-energy appliances with excellent features that stress safety and peace of mind, comfort and the environment, and thereby contributes 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 	<p>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.</p>
Heat and Lifestyles 	<p>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.</p>
Quality 	<p>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.</p>
Contributing to Local Communities 	<p>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.</p>

Returning Added Value to All Stakeholders

Together with stakeholders, we will strive for continuous growth by returning the economic value obtained through Rinnai's business activities to stakeholders, thus fostering sustained mutual advancement.



Environmental Policy

Rinnai's environmental initiatives are underpinned by the "Basic Philosophy on the Environment," "Environmental Slogan," and "Basic Environmental Activities" ("7 E Strategic Initiatives" set out below. Our efforts extend beyond the development of environmentally responsible products that reduce energy consumption when in use and initiatives aimed at reducing greenhouse gases.

We recognize how our diverse activities—including the development, procurement, production, sale, and disposal of products—are inextricably linked to the global environment. Accordingly, all Group employees engage in environmental initiatives across all business domains.

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



International Assessment of CSR Performance

Rinnai has been selected for inclusion in the FTSE4Good Global Index, a worldwide socially responsible investment (SRI) index, for ten consecutive years since 2004.



The Rinnai Group's Value Chains and Their Impacts on Society

Social Impacts and Activities of the Rinnai Group

Recognizing that our activities have a variety of impacts on society, we pursue a range of measures to fulfill our social responsibilities in every area in which we do business.

Rinnai Group Value Chain	Input	Main Concerns	Main Activities of the Rinnai Group
	▼		
	Output		
Development & Design	Input Iron, copper, stainless steel, brass, aluminum, plastics, rubber, electricity, gas, fuel, water, paper, etc.	<ul style="list-style-type: none"> - Depletion of resources - Climate change - Atmospheric pollution - Design quality 	<ul style="list-style-type: none"> - Development of energy-saving water and space heating products, which account for over half the energy consumed in the home - Development of green products using combustion and control technologies to reduce environmental impact on the output side - Activities to improve design quality and eliminate defects - Factory floor quality improvement and evaluation testing in accordance with strict standards covering all kinds of scenarios
	▼		
	Output CO ₂ , NO _x , solid waste, wastewater, etc.		
Procurement	Input Diesel fuel/gasoline, electricity, gas, water, etc.	<ul style="list-style-type: none"> - Resource depletion - Climate change - Atmospheric pollution - Water pollution - Soil pollution - Hazardous chemicals - Conflict minerals - Stable procurement - Quality of procured parts 	<ul style="list-style-type: none"> - Pursuit of improvements with suppliers to improve flow of goods from parts procurement to manufacture and distribution - Collection and management of information on control of hazardous chemicals in collaboration with suppliers and group companies - Improvement of quality through support of onsite improvements by suppliers
	▼		
	Output CO ₂ , NO _x , solid waste, wastewater, etc.		
Production	Input Iron, copper, stainless steel, brass, aluminum, plastics, rubber, electricity, gas, fuel, water, paper, etc.	<ul style="list-style-type: none"> - Resource depletion - Climate change - Atmospheric pollution - Water pollution - Soil pollution - Hazardous chemicals - Noise - Manufacturing quality 	<ul style="list-style-type: none"> - Improvement of productivity and reduction of energy consumption by streamlining manufacturing - Improvement of quality through in-group production and integrated production of key safety components (for controlling gas, water, electronics, etc.) - Improvement of quality through in-house production of key production facilities, dies, and information systems - Activities to improve quality on the factory floor
	▼		
	Output CO ₂ , NO _x , solid waste, wastewater, etc.		

Logistics	Input Diesel fuel/gasoline, electricity, gas, water, etc.	<ul style="list-style-type: none"> - Resource depletion - Climate change - Atmospheric pollution - Noise - Misdeliveries 	<ul style="list-style-type: none"> - Improvement of fuel efficiency by shortening transportation distances (e.g., by changing routes and consolidating distribution centers) and encouraging eco-driving - Adoption of packing that is easier to unload and move - Improvement of logistics quality by in-sourcing logistics functions
	▼		
	Output CO ₂ , NO _x , wastewater, etc.		
Sale & Installation	Input Diesel fuel/gasoline, electricity, gas, water, paper, etc.	<ul style="list-style-type: none"> - Resource depletion - Climate change - Installation quality 	<ul style="list-style-type: none"> - Development of energy-saving water and space heating products, which account for over half the energy consumed in the home - Improvement of fuel efficiency by encouraging eco-driving of company vehicles, etc. - Popularization of products contributing to safety and security in the home (e.g. cooking stoves and bathroom heater/dryers fitted with safety sensors) - Training and instruction to improve quality of installation work
	▼		
	Output CO ₂ , NO _x , solid waste, wastewater, etc.		
Product Use and After-sales Service	Input Electricity, gas, water, paper, etc.	<ul style="list-style-type: none"> - Resource depletion - Climate change - Equipment failures - Incomplete combustion - Residential fires - Bathroom accidents 	<ul style="list-style-type: none"> - Proposal of sustainable, comfortable, green lifestyles through use of energy-saving products - Provision of reminders and information to help avoid accidents caused by misuse or careless use of products - Provision of information to reduce accidents in the home
	▼		
	Output CO ₂ , NO _x , wastewater, solid waste, etc.		
Disposal	Input Diesel fuel/gasoline, electricity, gas, water, etc.	<ul style="list-style-type: none"> - Resource depletion - Climate change - Water pollution - Soil pollution 	<ul style="list-style-type: none"> - Application of Design for the Environment, e.g., to make products easy to disassemble, in accordance with product assessment standards - Reduction of waste emissions and maintenance of zero emissions (zero waste disposal by landfill)
	▼		
	Output Solid waste, CO ₂ , NO _x , wastewater, etc.		

The value chain is the chain of business activities and processes undertaken by a company to generate and deliver value (products and services) to the customer.

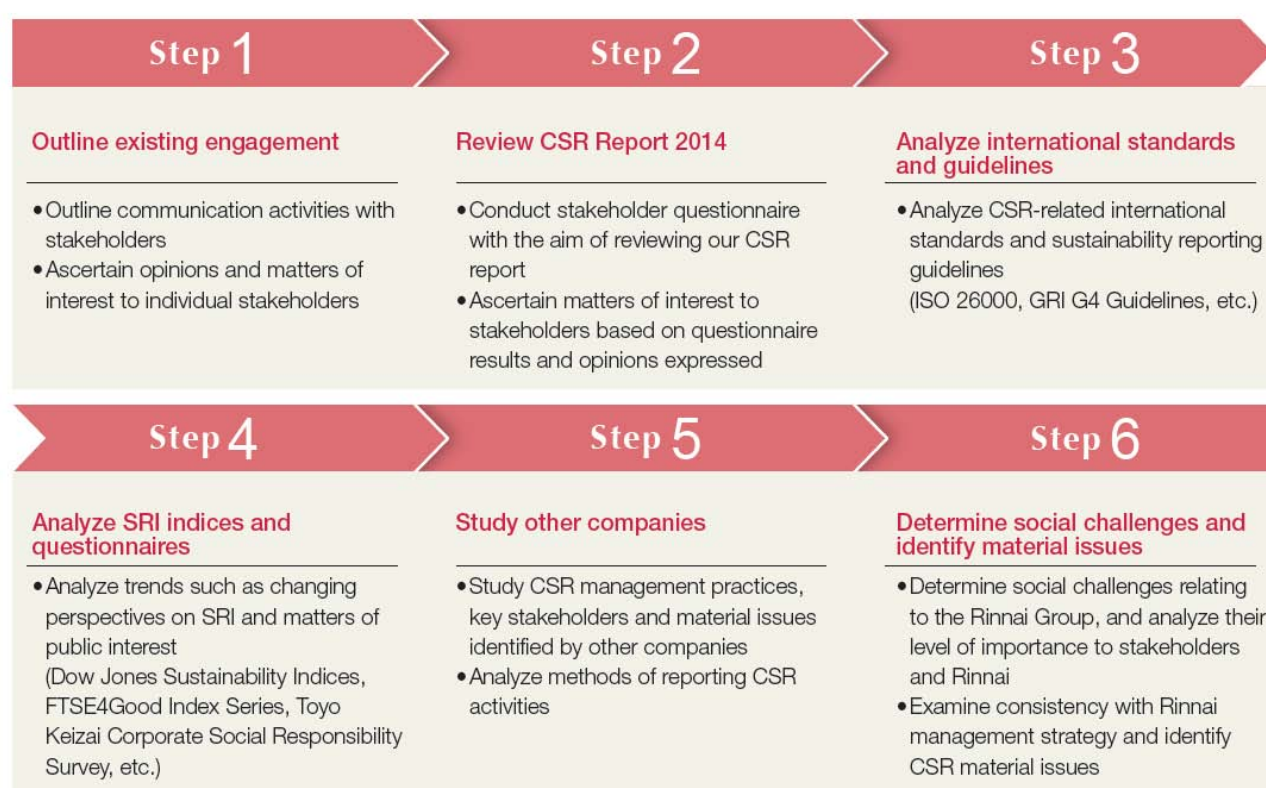
Identifying CSR Material Issues

Process of Identifying CSR Material Issues

We actively take on board the opinions and expectations of various different stakeholders and incorporate them into our CSR activities, in the interests of the continued development of both the Rinnai Group and all of its stakeholders. As well as enhancing our corporate value, we believe that ongoing activities such as these help our stakeholders to grow and contribute to the creation of a more sustainable society.

We make every effort to identify social challenges relating to the Rinnai Group, through day-to-day communication activities with stakeholders coupled with study and analysis of applicable guidelines and SRI indices. We also identify CSR material issues in relation to our management strategies, revolving primarily around corporate planning divisions.

Identification Process



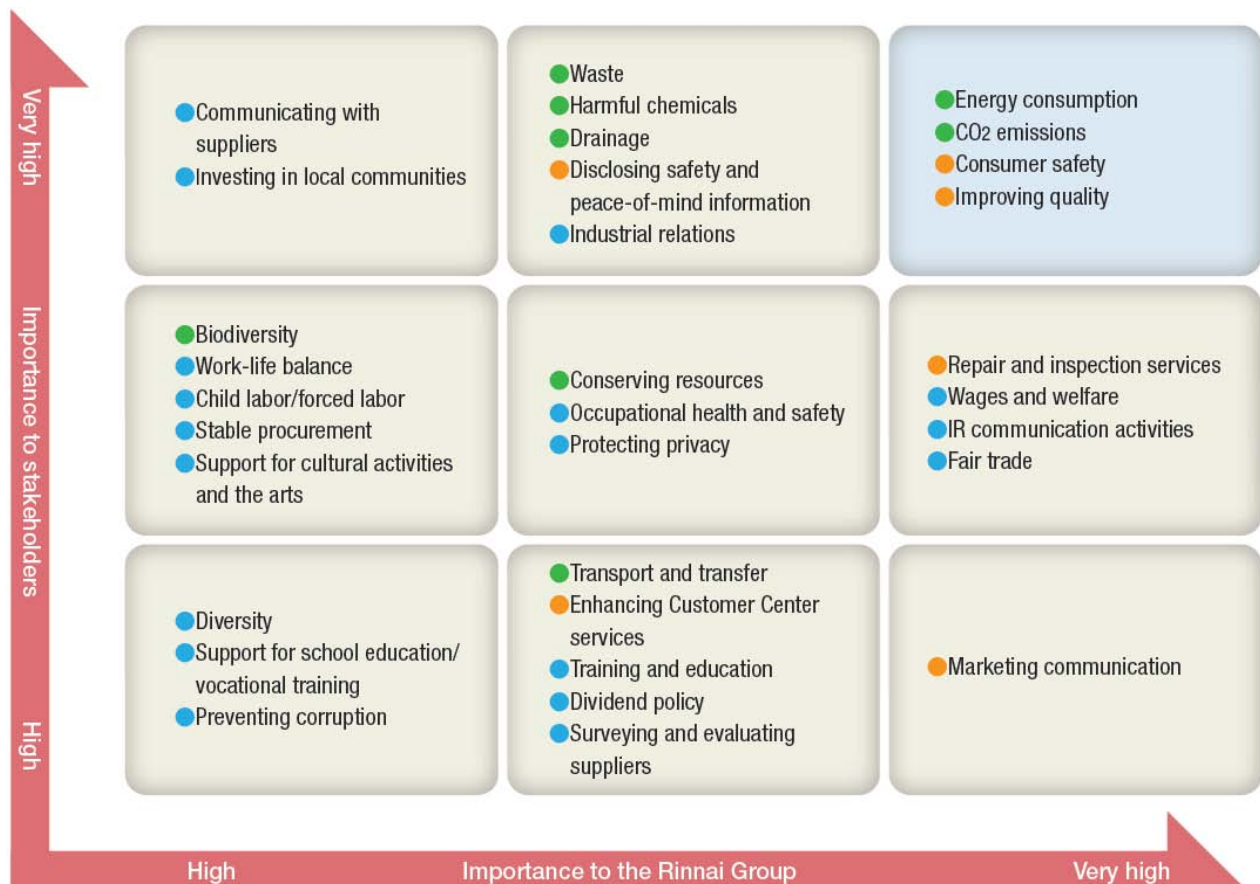
Determining and Identifying CSR Material Issues

We have determined social challenges relating to the Rinnai Group, analyzed their level of importance to stakeholders and the Group, and identified CSR material issues.

As well as being matters of interest to stakeholders, these are high-impact issues that are also positioned as top priorities within the Rinnai Group's management strategy.

Classification of CSR issues

● Environmental issues ● Customer issues ● Other issues



* We have identified issues that are thought to be particularly important at the current time.

* We intend to review identified issues as necessary in line with changes in society.

Focus of initiatives

Environmental initiatives

CSR Material Issues

- Energy consumption
- CO₂ emissions

Roughly half of all energy consumed by Japanese households is used for hot water and heating. Reducing energy consumption and CO₂ emissions in the hot water and heating sector is therefore a top priority.

Target Area and Stakeholders

Target area: Global (Main focus of initiatives: Japan)

Target stakeholders: All

Details of Initiatives

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

Initiatives Delivering Safety and Peace of Mind

CSR Material Issues

- Consumer safety
- Improving quality

Reducing kitchen-fires and fatal bathroom accidents is naturally an important priority alongside eliminating accidents resulting from product defects.

Target Area and Stakeholders

Target area: Japan

Target stakeholders: Customers

Details of Initiatives

We are working towards achieving “zero defects” by eliminating defects at every stage of the product lifecycle—from development, production, and sale through to obsolescence—and pursue a range of activities to publicize information and raise awareness of preventing accidents in the home.

Environmental Initiatives

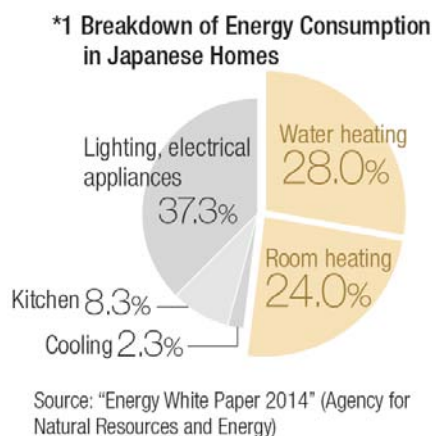
Targeting Proliferation of *ECO ONE*, which Dramatically Reduces Carbon Dioxide Emitted from Homes

Rinnai's *ECO ONE* hybrid water heater with heating system received a major energy efficiency award in 2013 in recognition of its exceptional environmental performance. Through *ECO ONE*, which dramatically reduces carbon dioxide emitted from homes, we are working together with customers to reduce environmental impacts. In this section, we introduce environmental initiatives in our core business through the voices of people involved in *ECO ONE*'s design, installation, and sales—and are thus key to its proliferation.

138% Primary Energy Efficiency: Overwhelming Lead over Other Companies

In the average home, water heating and room heating account for more than half of energy consumed^{*1}. Finding ways to reduce carbon dioxide emitted from homes, therefore, will play a major role in preventing global warming. Committed to the proliferation of *ECO ONE*, which greatly reduces energy consumption and carbon dioxide emissions, we made various improvements to our lineup with the launch of the third-generation *ECO ONE*^{*2}.

According to Mr. Toshihiro Tokoro of Rinnai's Research & Development Headquarters, "With the third generation, we sought to improve environmental performance and resolve issues related to installation." We have raised the primary energy efficiency^{*3} from 129% for existing models to 138%, the highest in the industry.

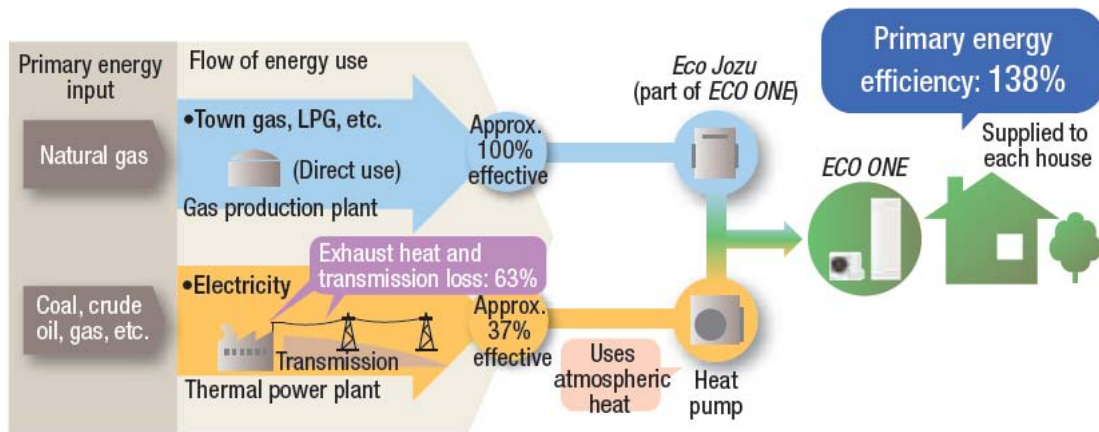


*2 *ECO ONE*'s evolution

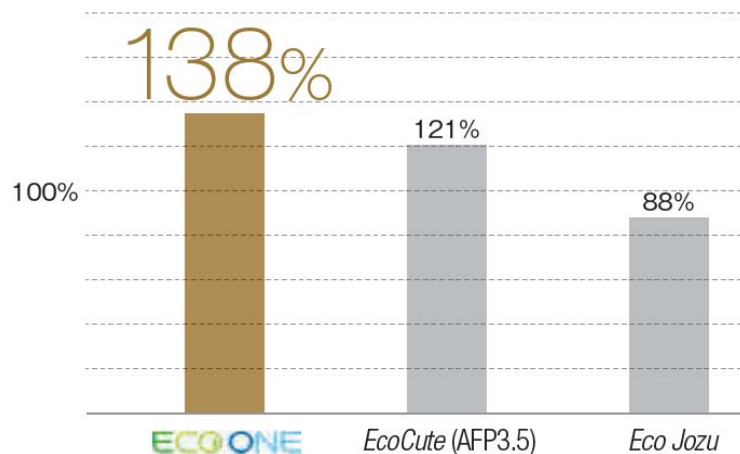


*3 What is Primary Energy Efficiency?

“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.



Comparison of Primary Energy Efficiency, by Equipment Type



- Ratio when used to deliver hot water (excludes room heating)
- Compiled by Rinnai based on decision criteria of residential business owners (6 regions) of the Institute for Building Environment and Energy Conservation (IBEC) As of March 2015

One more environmental performance feature

Employs R32 Next-Generation Coolant

The third-generation ECO ONE uses R32, a chlorofluorocarbon alternative, as the coolant for its heat pump. Containing zero ozone layer destruction substances, R32 has a global warming potential (GWP) of around one-third compared with conventional R410A coolant.

Global warming potential (GWP): Indicator used to compare magnitude of greenhouse effect of different substances. Represents a relative value when 100 years of carbon dioxide emission is standardized as one unit. Greenhouse effect increases in proportion to the GWP figure.

Making installation easier

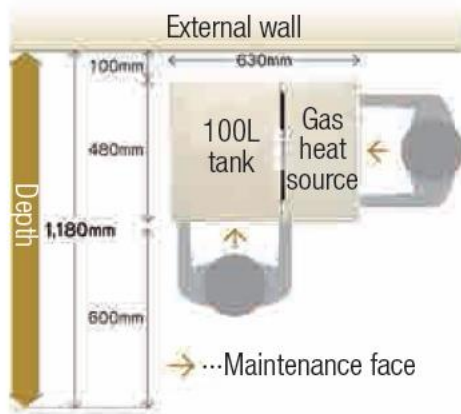
Using Feedback from the Front Lines to Make Improvements

According to Mr. Tokoro, “This time, our top priority for improvement was to make installation easier.” Practically all home equipment, including water heaters, comes in containers selected by the contractor or builder. The issue of installation difficulty gets avoided, no matter how good the environmental performance is. “So we incorporated feedback from the installation front lines into our product development,” says Mr. Tokoro.

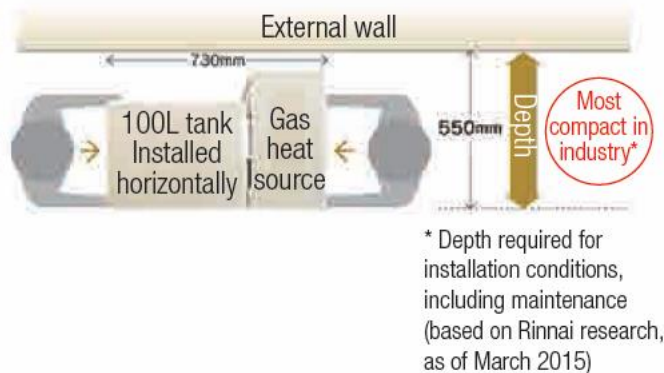
The main modification resulted from a reassessment of product configuration. We changed the configuration so the main components—tank, gas water heater, and heat pump—could be arranged according to installation site area and layout. This has enabled set-up in small and narrow spaces where installation was previously impossible. It can even be installed in locations with cramped access points. In addition, test operation of ECO ONE, which previous required manual procedures, can now be done with a single switch. In these and other ways, we have addressed any foreseeable issues as far as possible.



▼ Normal installation



▼ Installation in small space



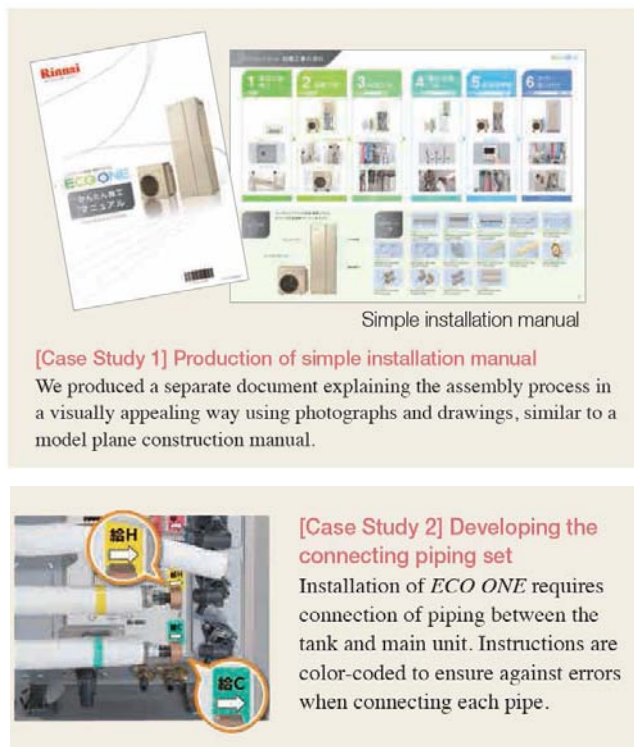
Can be arranged according to site conditions (smallest space width in industry)

Dispelling the “difficulty” myth!

Reducing Installation Errors through Direct Visual Understanding

“ECO ONE is a hybrid system that uses a mixture of gas for energy and atmospheric heat for the heat pump. So it is easy to assume that arranging and installing the systems components would be difficult. The key was how to resolve this issue.” These are the words of Mr. Atsushi Goto, from the Installation Management Group, Marketing & Sales Headquarters. So we simplified the installation manual and color-coded the pipe connection points.

Before launching ECO ONE, we held a seminar to which installation technicians from our nine sales bases around Japan were invited. Says Mr. Goto, “We pointed out caution points and other matters pertaining to installation, familiarized everyone with the product, and otherwise sought to make installation easier. The number of phone inquiries from technicians since the seminar has since declined.”



Atsushi Goto
Installation Management
Group, Marketing &
Sales Headquarters



Embracing the Trend for Energy Efficiency in the Home

In Japan, there is a progressive movement to force residential structures to conform to energy efficiency standards for buildings by 2020. When building a new house, owners are encouraged to install energy-saving equipment and appliances, such as high-efficiency water heaters, in addition to effective thermal insulation. Going forward, we predict that the introduction of energy efficient equipment via contractors and builders will gain renewed momentum.

According to Mr. Kiyoshi Shibata, from Rinnai’s Marketing & Sales Headquarters, “ECO ONE contributes to savings in water and heating, which account for around half of energy consumption in the home. I believe it will become a key supporting factor in saving energy at home.”

Full liberalization of Japan’s electric power sector will start in 2016, followed by the gas sector in 2017. In this context, competition in the household energy market will intensify, while prices will diversify and barriers between energy sources will disappear. ECO ONE can demonstrate a strong advantage in utility cost savings. What will ECO ONE’s ideal positioning be in light of these trends?

“In addition to energy efficiency in water heating, we want to elevate ECO ONE’s profile as a room heating system, including floor heating,” says Mr. Tokoro. Adds Mr. Shibata, “Rinnai’s mission is to use heat to provide comfortable lifestyles. We want to spread the popularity of hot-water-based heating, which uses heat from hot water to warm up rooms in a body-friendly manner.” Similarly, we want to promote ECO ONE as a room heating system. To achieve this, we need to upgrade the terminal devices so that hot water is used for floor heating, room heating/drying, and the like. At the same time, we need to convey the advantages of hot-water-based heating to the broader public.

“For those who feel the need to save energy and reduce utility costs, continuous austerity is no longer necessary. *ECO ONE* allows you effortlessly save energy and lower utility costs, giving you access to comfortable room warming without a big hit on your utility bills. I want to broadly emphasize these appealing factors,” says Mr. Shibata.



Kiyoshi Shibata
Marketing &
Sales Headquarters



Customer feedback

My ECO ONE Experience

Can be installed in narrow spaces.

Relieves my family from cold hands and feet and dry skin, making life more comfortable.

Ms. F, a customer in Aichi Prefecture

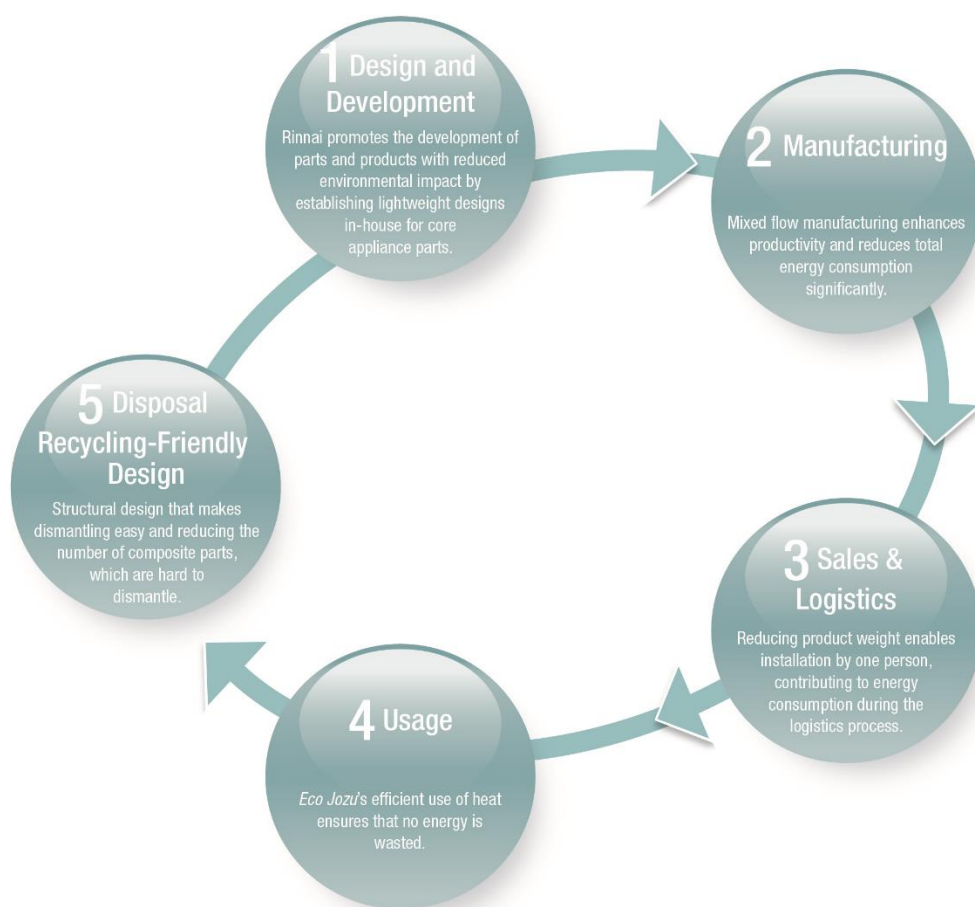
I was initially concerned that our new house was so cramped, but then I was relieved that ECO ONE could be installed in narrow spaces. The floor heating in the living room keeps my feet nice and warm, and my wife, who is sensitive to the cold, says life is more comfortable now. My daughter is also happy because, unlike air conditioning, there is no direct air flow, which keeps her skin and throat from drying out. The hot-water-based bathroom heater/dryer also plays a big role. Now, we can wash our clothes without worrying about the weather.



High-Efficiency *Eco Jozu* Water Heaters Reflect Rinnai's Environmental Commitment

Contributing to the global environmental issues through our products attracting consumers

Guided by its basic philosophy on the environment, the Rinnai Group engages in environmentally friendly activities across all business areas to help create a sustainable society and a sustainable planet. Here, we use the example of our high-efficiency *Eco Jozu* water heaters to introduce some of the special initiatives we deploy to reduce the environmental impact of our core business activities.



Emphasis on Simplicity of Individual Parts Leads to Creation Industry's Lightest Water Heater^{*1}

Customer support for our *Eco Jozu* offerings, with their excellent environmental performance, is necessary for *Eco Jozu's* proliferation, as is support from salespeople and installation providers. These products represent an amalgamation of core Rinnai technologies related to heat, including combustion, heat exchange, electronic control, and fluid control of gas and water. While maintaining *Eco Jozu's* highest levels of thermal efficiency—95% and 92% for water heating and bath-filling, respectively—Rinnai's pursued the smallest and lightest parts possible. This reduced the water heater's weight from 31.0kg to 27.5kg, making it the lightest in the industry.



Development of the new E Series of *Eco Jozu* offerings began with the re-verification of all parts used to date, covering around 1,200 items. We then undertook extensive reengineering of individual parts, down to the smallest screw, while also considering ease of assembly at the time of manufacture. Opinions from multiple departments were reflected in the final design.



Yasutaka Ueda, Team Leader,
Water Heating Appliance Design
Office, Development Headquarters

Development of the combustion element, which forms the heart of a water heater, involved decisions on individual parts centered on the burner. Elimination of a single burner part may reduce overall weight by 13g, but the improvement would spread to other sections, including the combustion chamber and heat exchanger, resulting in better design and overall benefits. When combined, the tiniest of improvements in the environmental performance of each individual part had an enormous effect (conservation of resources) on the product as a whole.



Combustion burner test

Careful consideration was also given to the disposal stage of the product lifecycle. Rinnai adopted a recycling-friendly design, which included using lighter raw materials, a structural design that makes dismantling easy, and reduction in the number of composite parts that are difficult to dismantle.

* *Eco Jozu* RUF-E24 (as of March 2014)



Takuji Koshiro, Team Leader,
Combustion Technology
Development Office, Development
Headquarters

Production Design Contributes to Higher Productivity and Lower Total Energy Consumption

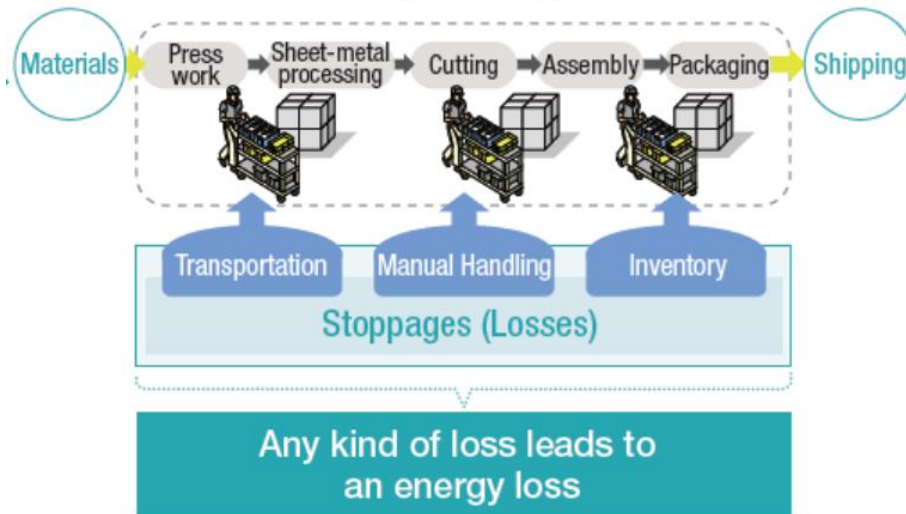
Rinnai pursues in-house development and production to ensure that new core components are manufactured using optimal processing technologies and maintain the highest levels of quality. We adopt an integrated production (mixed flow) system that encompasses all processes, from press work to assembly and packaging. Based on the concept that any loss leads to energy loss, we make improvements on a daily basis to minimize stoppages (losses) in transportation, manual handling, and inventory.

In production of *Eco Jozu*, changing the fastening method for a secondary heat exchanger (which effectively recovers heat from exhaust heat) from the conventional “welding method” to the “caulking method” has led to enhanced productivity. As a result, there has been a reduction of around 85% in CO₂ emissions generated during manufacturing.



Hidekatsu Naruse,
Production Design Section,
Product Engineering Development
Office, Production Engineering
Division

Rinnai's Environmentally Responsible Approach to Manufacturing

Example of CO₂ Emissions Reduction in the Manufacturing Process

CO₂ emissions reduced by changing the fastening method of the secondary heat exchanger

	Before Improvement	After Improvement
	 <p>Welded part</p>	 <p>Caulked machining part</p>
Fastening method	Welding	Caulking
Fastening energy	0.029kWh	0.004kWh
CO ₂ emissions	0.0110kg-CO ₂	0.0015kg-CO ₂

*CO₂ Emissions per unit: minus 0.0095kg-CO₂

Lighter Products Enhance Workability (Work Efficiency) and Reduces Energy Consumption in the Logistics Process

Reducing the weight of a water heater by 3.5kg compared with conventional models has made it easier to wall-mount the main body and reduce the load on external walls. A lighter product has also contributed to improved loading efficiency during the logistics process, resulting in a 10% reduction in energy consumption.

Marketing Mission is to Boost Sales of Environmentally Responsible Products

As a comprehensive manufacturer of heat-energy appliances, the Rinnai Group's mission is to foster the reduction of CO₂ emissions generated by households using the Group's products.

Our *Eco Jozu* water heaters boast high energy efficiency because they effectively use waste heat, which previously was allowed to dissipate, to heat water. As residential energy efficiency standards are successively introduced, more and more people are calling for energy-saving, eco-friendly initiatives for homes.

From the product perspective, Rinnai evokes the image of “water heaters” that heat the required amount of water at the required time. From the perspective of the customer who uses water heaters on a daily basis, however, Rinnai is a “faucet” rather than a water heater. To help customers understand the excellence of *Eco Jozu* water heaters, therefore, we devise and promote campaigns to publicize the properties of Rinnai products that are not outwardly evident, such as technological capabilities, durability (long life), and reliability (quality).

At the same time, we also support the manufacture of even better products based on feedback on issues that arise during installation, which only those on site at customers' places can provide.



Koichiro Miura,
Deputy General Manager,
Sales Promotion Office, Marketing &
Sales Headquarters

High-Efficiency *Eco Jozu* Water Heaters: Heats Water While Consuming Minimal Energy



Heat efficiency boosted from around 80% to 95%!



RUF-E2405AW Series

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.

Energy and Resource Saving Initiatives

Bath

“Eco One” Hybrid Water Heater with Heating Systems

Saving energy

- Achieves 138% primary energy efficiency when heating water, by boiling water within the most efficient temperature range (low temperatures), learning daily usage patterns and supplying the ideal amount of hot water with no waste
- Power-saving option to stop the heat pump from running and switch configuration to gas only at peak times

Made in Japan

ハイブリッド給湯・暖房システム
ECO ONE



ECO ONE

Hybrid water heater with heating system

Resource saving

- Approximately 20kg lighter (reduction of approximately 20% compared to standard Rinnai product)
- Miniaturized heat pump (reduction of approximately 25% compared to standard Rinnai product)

Environmental performance

- R32 used as refrigerant for heat pump (approximately one third the global warming potential of conventional refrigerant (R410A))

Remote control for added comfort and convenience

- Equipped with features to 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

Heat Source for Gas Water Heaters with Heating Systems

Saving energy

- Thermal efficiency
 - Water heating: 95%
 - Bath heating: 87%
- Standby power: 1.1W or less

Features

Equipped with three functions:
Hot water + Bath heater + Heating

Made in Japan

Environmental performance

- Low NOx emissions: 60ppm or less

Resource saving

- Approximately 3kg lighter (reduction of approximately 8% compared to standard Rinnai product)



RVD-E2405AW2 Series
Gas water heaters with
heating systems

Gas Water Heater with Bath-filling System

Saving energy

- Thermal efficiency
 - Water heating: 95%
 - Bath heating: 92%
- Standby power: 0.9W or less

Features

Equipped with two functions:
Hot water + Bath heater

Made in Japan

Environmental performance

- Low NOx emissions: 60ppm or less

Resource saving

- Approximately 3.5kg lighter (reduction of approximately 11% compared to standard Rinnai product)



RUF-E2405AW Series
Gas water heater with bath-
filling system

Dedicated Gas Water Heater

Saving energy

- Thermal efficiency
 - Water heating: 95%
- Standby power: 1.0W or less

Features

Equipped with one function:
Hot water
Dedicated water heater

Made in Japan

Environmental performance

- Low NOx emissions: 60ppm or less

Resource saving

- Approximately 2.5kg lighter (reduction of approximately 9% compared to standard Rinnai product)



RUX-E2403W Series
Dedicated gas water heater

Dedicated Gas Water Heater (for Commercial Use)

Saving energy

- Thermal efficiency
Water heating: 95%

Environmental performance

- Low NOx emissions: 60ppm or less

Resource saving

- Approximately 6kg lighter (reduction of approximately 9% compared to standard Rinnai product)

Features

Equipped with one function:
Hot water
Dedicated water heater

Made in Japan



RUXC-E5000MW Series
Dedicated gas water heater
(commercial-use)

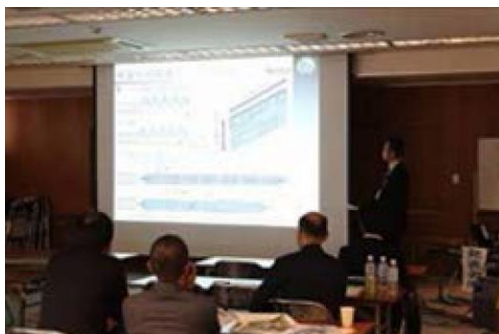
Topics Winner of the *Chunichi Shimbun* Award

We were winners of the *Chunichi Shimbun* Award at the IMS2014 Resource Recycling Manufacturing Symposium* for our development of an eco-friendly water heater with bath-filling system.

Outline of Award Winning Activity

We reexamined every one of the 1,200 or so parts used, all the way down to the smallest screw, to develop the industry's lightest water heater (as of March 2014).

*Organized mainly by the Nagoya Industries Promotion Corporation, the purpose of this event is to showcase research undertaken by manufacturers associated with the Chubu region to recycle resources, reduce the impact on the environment, and combat climate change, and to recognize examples of outstanding practice in these fields.



Presentation



After the ceremony



Parts used to make the eco-friendly water heater
with bath-filling system
(from our R-Quality catalog)

Bathroom TVs

Saving energy (15 inches)

- Annual power consumption: 31kW/year (reduction of approximately 63% compared to standard Rinnai product)
- Energy efficiency standard achievement rate: 141%
- Standby power: 0.4W or less

Made in Japan



DS-1500HV(B)
15-inch bathroom TV

Saving energy (12 inches)

- Annual power consumption: 26kW/year (reduction of approximately 13% compared to standard Rinnai product)
- Energy efficiency standard achievement rate: 169%

Made in Japan



DS-1201HV(A)
12-inch bathroom TV

Living Room

Gas Fan Heaters

Saving energy

- Eco-mode function prevents a room from becoming too hot by sensing the room temperature and automatically lowering the temperature once the target temperature has been reached
- Reduces gas consumption by up to 11% compared to existing models (when running in eco-mode for approximately two and a half hours after reaching the target temperature)

Made in Japan



RC-N4001NP
Gas fan heaters

Resource saving

- Approximately 3kg lighter (reduction of approximately 22% compared to standard Rinnai product)
- 30mm narrower and 54mm lower profile (reduction of approximately 16% compared to standard Rinnai product)

* Based on comparison between the new RC-N4001NP and the previous RC-L4001NP

Fan-forced Gas Heater

Saving energy

- Standby power: Reduced 3W \Rightarrow 0.8W
- Eco-mode to prevent a room from becoming too warm
-

Made in Japan



RHF-1005FT
Fan-forced gas heaters

Kitchen

Tabletop Cookers

Saving energy

- Grill gas consumption reduced by approximately 13%

Resource saving

- Approximately 1.5kg lighter (reduction of approximately 18% compared to standard Rinnai product)

Made in Japan



RT6-4JT
Tabletop cookers

Dishwashers¹

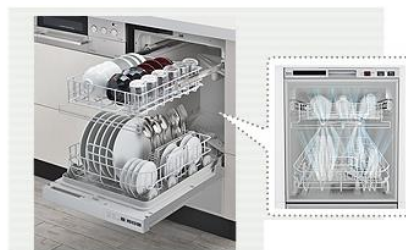
Water savings

- Equipped with a range of washing modes and two dedicated washing nozzle pumps (one top and one bottom) to strike a balance between cleaning performance and saving water
- Reduces water consumption by up to 53% in water-saving mode compared to existing models²

¹ Developed in conjunction with TOTO Ltd.

² Based on comparison between the new RKW-F402C and previous model operating in standard mode

Made in Japan



RKW-F402C
Dish washer and dryer

MY HOB Series of Built-in Gas Hobs for Overseas Markets

Resource saving

- Burners approximately 1kg lighter thanks to eco design using lighter parts (reduction of approximately 74% compared to standard Rinnai product)
- Unit specifications to enable optimization of different burner numbers and layouts, helping to reduce energy consumption during processing at the manufacturing stages and the amount of steel used (reduction of approximately 24t)

Made in Japan



RB-3311N-GBS
(30cm, 1-burner model)



RB-3312S-GBS
(30cm, 2-burner model)



RB-7312N-GBS
(77cm, 2-burner model)



RB-6323S-GBST
(60 cm, 3-burner model)



RB-6314S-GBS
(60 cm, 4-burner model)



RB-9314S-GBS
(90 cm, 4-burner model)



RB-6315S-GBS
(90 cm, 5-burner model)

Packing

We are increasing our use of easily recyclable cardboard and working to reduce the weight and volume of packaging used by expanding our use of returnable packaging and recycling packaging materials.

Example 1: Returnable Packaging

We use returnable packaging for selected water heaters. Integrating external packaging and padding material has reduced the number of parts and reduced the overall mass by approximately 50%. We were a prizewinner in the Large and Heavy Duty Equipment Packaging Category at the 2014 Japan Packaging Contest.

· Reduction in packaging materials: 2.5kg/unit (reduction of approximately 50% compared to standard Rinnai product)

Before



When in use (external packaging and padding materials)



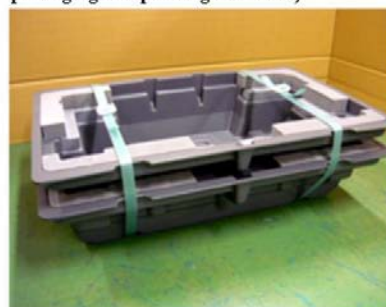
When being returned

After



Reduced number of parts and overall mass by approximately **50%**

When in use (integrated external packaging and padding materials)



Compact packaging when being returned, reduced in size by **50%**

Example 2: Built-in hob (tabletop)

We redesigned the packing layout to reduce the amount of cardboard used. By using fewer types of packaging, we have also made unboxing and assembly easier.

· Reduction in cardboard used: 1,830g/unit (reduction of approximately 20% compared to standard Rinnai product)

Before



After

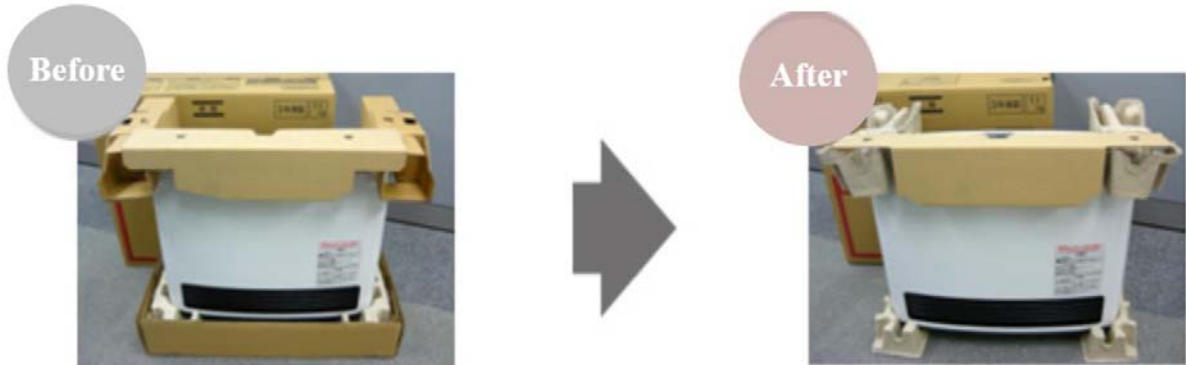


Packaging for fitted kitchen gas hob

Example 3: Fan heater

We reduced the amount of cardboard used by doing away with the bottom tray and using molded pulp for the top padding.

- Reduction in cardboard used: 370g/unit (reduction of approximately 20% compared to standard Rinnai product)



Fan heater packaging

Example 4: Gas stove (New Zealand)

Rinnai New Zealand has developed a new kind of packaging for gas stoves that can be used by customers and their families after delivery, rather than thrown away as in the past. The outer box containing the stove can be reassembled into a castle for kids to play in, and even features turrets and a functioning door. This design won third prize in the Graphic Category of New Zealand's Best Design Awards.



On show at an exhibition

Recycling

Product Recycling Initiatives

We design for the environment following our own product assessment regulations in order to increase our recycling rate.

Examples of Environmentally Conscious Design

- Reducing raw materials
- Selecting materials that are easy to recycle
- Structural design to make products easier to dismantle
- Using fewer composite parts that are hard to dismantle

Monitoring of Recycling of End-of-life Products

At least 80%-90% of the materials used to make gas appliances consist of recyclable materials such as iron and copper. Gas appliances that have reached the end of their useful lives are collected and disposed of through two channels: by local authorities in the case of appliances that require no installation work, and by contractors in the case of appliances that do require such work.

The Environmental and Recycling Action Committee formed by the Japan Industrial Association of Gas and Kerosene Appliances, of which we are a member, regularly surveys the state of disposal of end-of-life gas and oil appliances. In addition to using questionnaires, the committee conducts actual trials at recycling plants as necessary, and confirms and shares information on the state of disposal. Surveys in fiscal 2014 confirmed that end-of-life gas and oil appliances are being properly disposed of and that the recycling rate is being kept high. These findings are being put to use in the design and improvement of products.



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.

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.

Environmental Management System with Our Suppliers

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.30]

We establish data management systems in order to gather, register and share data related 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.



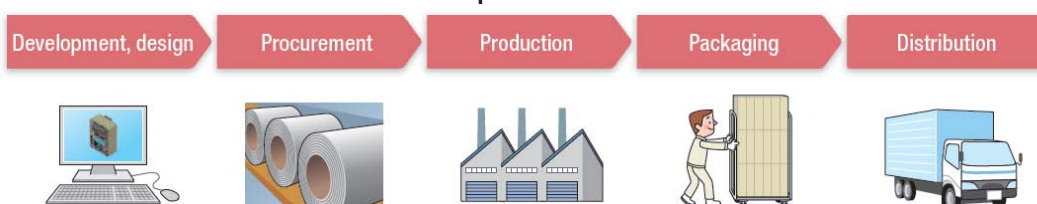
Practical training
(Shanghai Rinnai Co., Ltd.)

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.

Working as a Team with Suppliers to Improve the Environment

We are working with our suppliers to improve the flow of products and materials at every stage of our activities—from procurement through to production and distribution—so as to mitigate our impact on the environment.



【Example1】 Devising Environmentally Friendly Screws

Having taken a closer look at the tens of thousands of tiny screws we use at the factory every day, we worked with suppliers to devise screw specifications to suit heat-energy appliances. We started by examining the properties and qualities of each individual component. Through measures such as revising effective screw length, we managed to improve performance and reduce the weight of each screw. This in turn has helped to reduce time spent inserting screws and improved productivity (by reducing energy consumption).

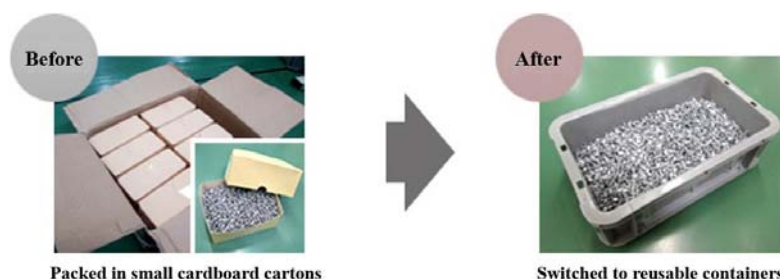
We have also revised our existing packing methods to make products easier to insert and remove. As well as reducing packaging materials, this has made it easier to sort and ship screws.

- Reduction in raw materials: Approx. 2t per year
- Reduction in CO₂ emissions: Approx. 2t CO₂ per year
- Reduction in packaging: Approx. 2t per year



Inserting screws

Revising packing methods



Packed in small cardboard cartons

Switched to reusable containers

【Example2】 Making the Packing Used in All Our Water Heaters Greener

Any wastage during manufacturing processes, whether in the form of wasted materials or wasted work, is bad both for the environment and productivity. We therefore thoroughly reviewed onsite management conditions, such as by making checks of areas where physical waste is kept

Focusing on how the packing used in all our water heaters is made, we worked with our suppliers, designers and, on occasion, the workers involved with each process, to reduce the considerable quantity of material that is lost during production. We improved not only individual processes but also the linkages between them, resulting in more efficient logistics as well as manufacturing. We also slashed the amount of waste produced by moving away from the conventional practice of packaging everything in plastic bags.

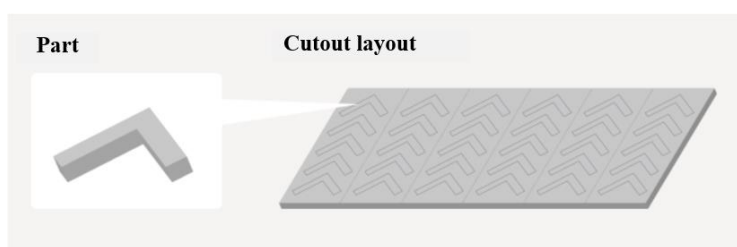
- Reduction in CO₂ emissions: approximately 2t-CO₂/year
- Reduction in waste emissions: approximately 7t/year



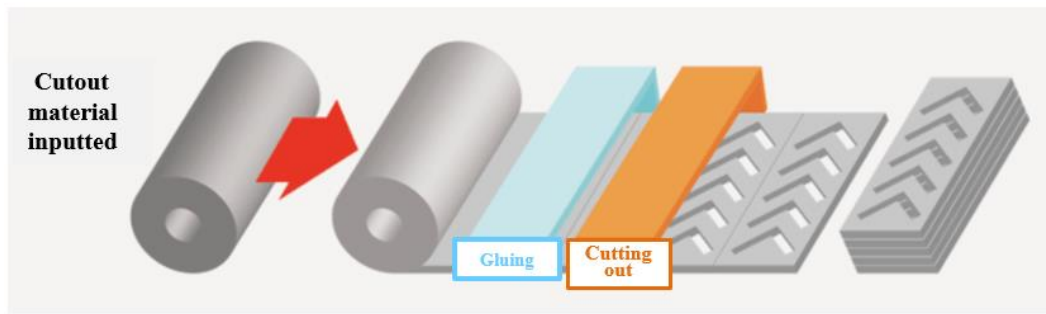
Discussion about improvement of available percentage of materials

[Green change 1] Cutout layout redesigned

The cutout layout was completely redesigned and multiple processes were integrated to minimize material waste. The result was a 30-point improvement in the material yield ratio.

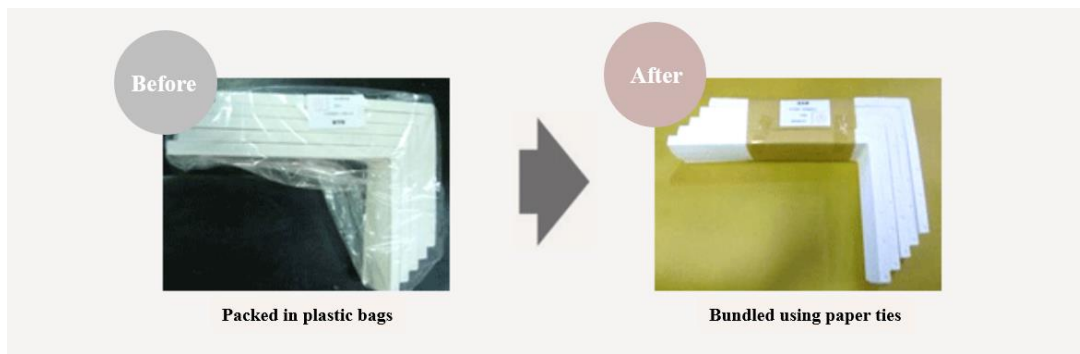


[Green change 2] Gluing and cutout lines integrated



[Green change 3] Packing method changed

We changed our packing method to reduce the amount of packaging waste produced. This has streamlined sorting and shipping work and so improved production efficiency.

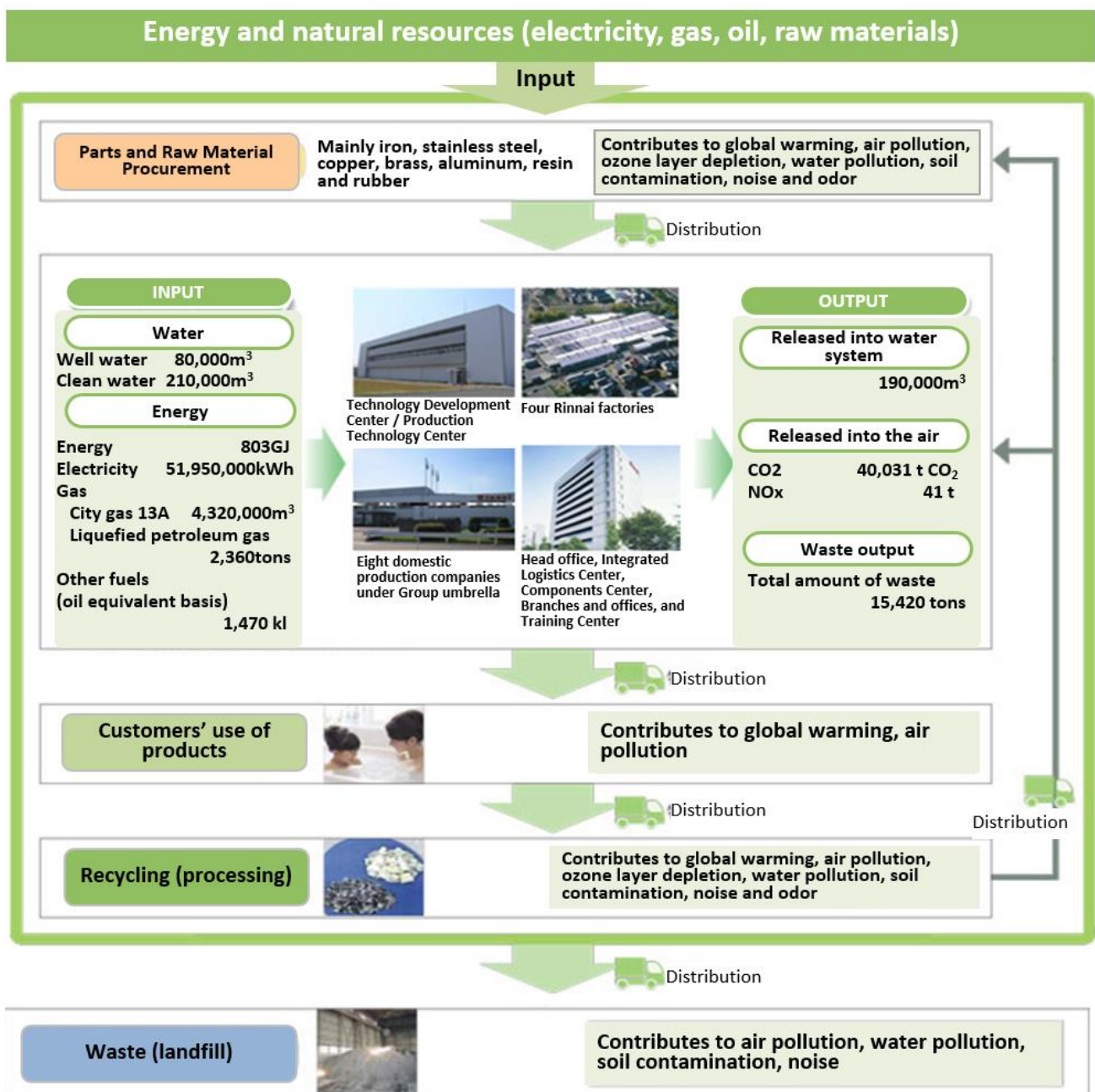


Environmentally Conscious *Monozukuri*

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 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.



- As we have been unable to gather sufficient performance data for some of our overseas facilities to date, we are planning to restructure our global information gathering framework, so that we can utilize information currently at our disposal to reduce environmental impact in the future. Input/output data does not include environmental impact at the logistics/sales, usage, procurement or disposal stages.
- CO₂ conversion factors used to calculate CO₂ emissions are based on Ministry of the Environment guidelines for the calculation of greenhouse gas emissions by business operators (July 2003). Figures for natural gas (13A) and methane however are based on those provided by the relevant supplier.
- Heat conversion factors are calculated based on standard heat values according to energy source, published by the Agency for Natural Resources and Energy (February 2002). Figures for natural gas (13A) and methane however are based on those provided by the relevant supplier. The figure used for electricity is 9.84MJ/KWh.

CO₂ conversion factors (kg CO₂/unit)

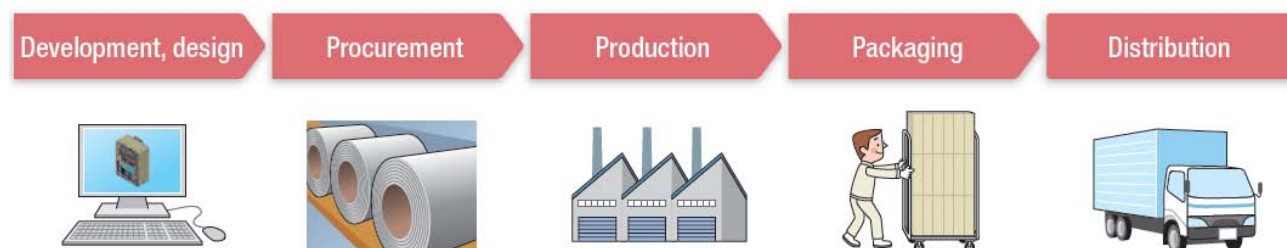
Electricity		0.378	kg-CO ₂ /kWh
Gas	13A	2.197	kg-CO ₂ /m ³
	LPG	3.000	kg-CO ₂ /kg
	Butane	3.000	kg-CO ₂ /kg
	Methane	2.020	kg-CO ₂ /m ³
Oil	Heavy oil	2.710	kg-CO ₂ /L
	Kerosene	2.489	kg-CO ₂ /L
	Light oil	2.619	kg-CO ₂ /L
	Gasoline	2.322	kg-CO ₂ /L

Heat conversion factors (MJ/unit)

Electricity		9.84	MJ/kWh
Gas	13A	46.10	MJ/m ³
	LPG	50.20	MJ/kg
	Butane	50.20	MJ/kg
	Methane	40.90	MJ/m ³
Oil	Heavy oil	39.10	MJ/L
	Kerosene	36.70	MJ/L
	Light oil	38.20	MJ/L
	Gasoline	34.60	MJ/L

Environmentally Friendly Product Manufacturing

Seeking to further enhance the flow of goods, from procurement of materials and parts to merchandising and distribution, we emphasize environmental improvements across the entire value chain. Below is an example of our efforts in this area.

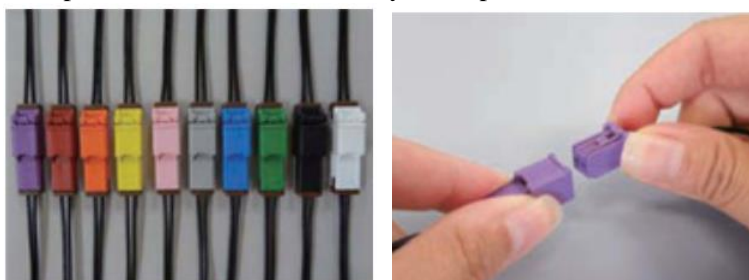


<Example>

Rinnai uses more than 17 million wire harnesses annually in its products, as well as connectors to link those harnesses. Here, we speak to the Rinnai person in charge of manufacturing wire harnesses and connectors, as well as to business partners.

Overview of Initiative

Increasing the color variation of connectors used to link harnesses enabled us to prevent connection errors that occurred in the past. Other initiatives, such as changing the coloring of connectors from painting to original-color dyeing, have greatly reduced environmental impacts and enhanced efficiency. We have also switched to low-waste packaging for materials and parts and worked in other ways to improve the entire flow, including distribution.



Joint development of next-generation connectors in 10 colors (left) and assembling connectors

Main environmental benefits: Discarded waste: Down 21 tons/year
Water use: Down 19,000 liters/year

Making Next-Generation Connectors

In this initiative, we emphasized “total optimization” rather than “partial optimization” by working in alliance with all related companies and individuals in making improvements. Having identified the needs of people on the ground, we scrutinized the entire flow, from materials to distribution, and conceived various techniques that would lead to environmental improvement and better efficiency. Then, we communicated with business partners, including makers of connectors, harnesses, electric cable, and the like, enabling us to bring together their opinions with those of our manufacturing and design departments. The outcome was better connectors for the next generation.

I believe such environmental initiatives across the value chain will lead to more sustainable growth of the Company in the future.



Satoru Tsuge, Seto Factory

Together, we created connectors not available elsewhere that match Rinnai's specifications in terms of the environment, quality, productivity, and the like.

There were many factors that would not have come to mind if acted alone, so as a manufacturer we made new discoveries that changed our perspective. We hope to continue making connectors that "connect people."



Ayako Ota (left) and Asuka
Matsumoto, Molex Japan Co., Ltd.,
Business partner

Efforts to Prevent Global Warming

Promoting Energy Saving Measures at Domestic Facilities

As a “specified business operator” under the revised Act Concerning the Rational Use of Energy, we are pursuing energy efficiency improvements in line with an established energy management policy and targets.

Carrying on from last year, we pursued power-saving activities at all our operations with a focus on reducing electricity consumption. Use of lighting, air conditioning, and other power-consuming devices was also further rationalized. As a result, 1.49 million kWh of power was saved in the summer.

Results of Activities

Upgrades/new installations (investments)	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 times on compressors, improving furnace efficiency in order to reduce operating times, 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”, using green curtains and bamboo screens to reduce strain on air conditioning, etc.

Summer Power Savings

Fiscal year	2012 (Apr. 2011-Mar. 2012)	2013 (Apr. 2012-Mar. 2013)	2014 (Apr. 2013-Mar. 2014)	2015 (Apr. 2014-Mar. 2015)
Power saved (10,000kWh)	42	129	135	149
Power-saving activities	228	390	399	424
Power saving rate (%)	6.6	15.8	16.4	18.1

*Summer power-saving period: June to September (July to September in fiscal 2011 only)

*Power saving rate: power saved relative to total power consumption during the same period in fiscal 2010



Summer power saving poster



Energy-saving enhancements made to melting and casting furnaces (Rinnai Precision)



Cafeteria lighting converted to LED (RT Engineering)



Green curtains of cherry tomato plants
(Japan Ceramics)



Environmental patrols to eliminate air leaks (Yanagisawa Manufacturing)



Karakuri kaizen innovations to perform work without using energy
(Oguchi Factory)

Promoting Energy Saving Measures at Overseas Facilities

【Example 1】 Installation of Hot Water Circulation System Built in-House

Developing water heaters requires heavy use of energy to test their performance. As long as this does not affect the test results, therefore, switching to systems that make more effective use of energy during testing can lead to major energy savings.

When it expanded its employee changing rooms, Rinnai Brasil Heating Technology also built its own hot water circulation system to supply hot water generated during durability testing of water heaters to the showers. Recycling thermal energy in this way has enabled energy consumption to be cut despite the increase in the number of showers.

- Reduction in electricity consumption: approximately 30,000kWh/year
- Reduction in gas consumption: approximately 3,000m³/year
- Reduction in CO₂ emissions: approximately 18t-CO₂/year



Shower cubicles in the new changing room



Rinnai Brasil



REU-1602 FEH water heater (left) and REU-2402 FEH water heater

【Example 2】 Use of Natural Energy Sources

Shanghai Rinnai has installed solar panels on the roof of its factory to make effective use of energy. The water heated by heat collecting panels is supplied to the employee showers, while the electricity generated is used to power lighting indoors.

- Reduction in electricity consumption: approximately 4,500kWh/year
- Reduction in gas consumption: approximately 6,000m³/year
- Reduction in CO₂ emissions: approximately 15t-CO₂/year

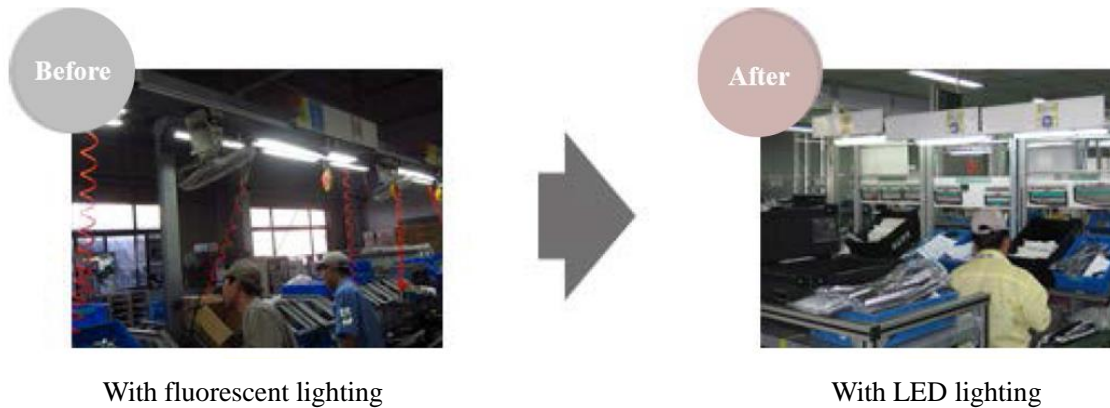


Solar panels

【Example 3】 LED Lighting Conversion

On the assembly line at Shanghai Rinnai, the fluorescent lighting used to date was converted to LED. This has improved workspace illumination, enhanced the working environment, and reduced energy consumption.

- Reduction in electricity consumption: approximately 90,000kWh/year
- Reduction in CO₂ emissions: approximately 34t-CO₂/year



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 [waste reduction activities]

- 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

Action at Plants and Offices

【Example 1】Action to Cut Food Waste

Various activities are being pursued to cut emissions of food waste (kitchen refuse) from employee cafeterias.

- Setting and posting of monthly targets for cutting food waste
- Designation of certain days as “no food waste days” when no waste should be produced
- Surveying of food wastage at lunchtimes and revision of number of meals prepared daily
- Discontinuation of preparation of additional meals
- Use of photos instead of actual samples to illustrate items on menu

Before



Actual sample menu

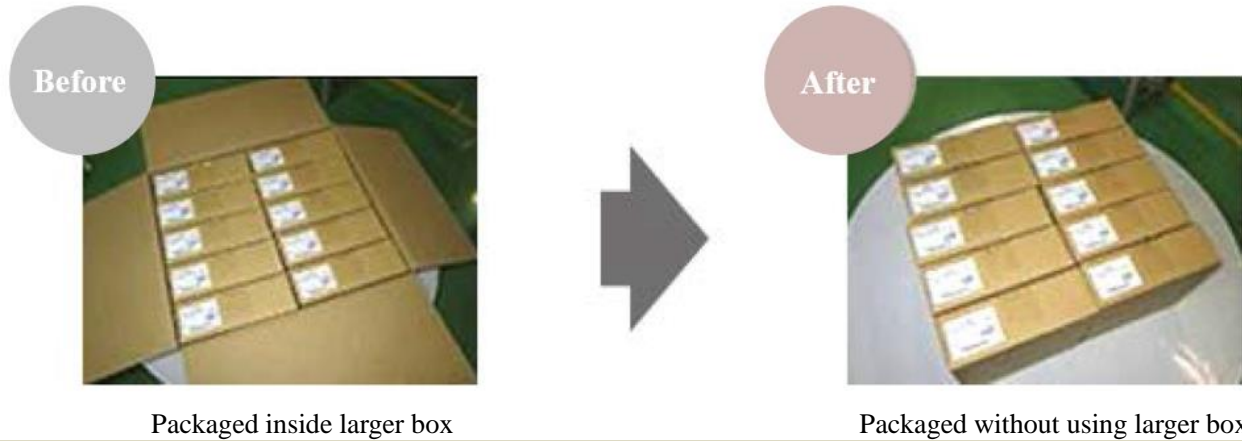
After



Photos used to illustrate menu

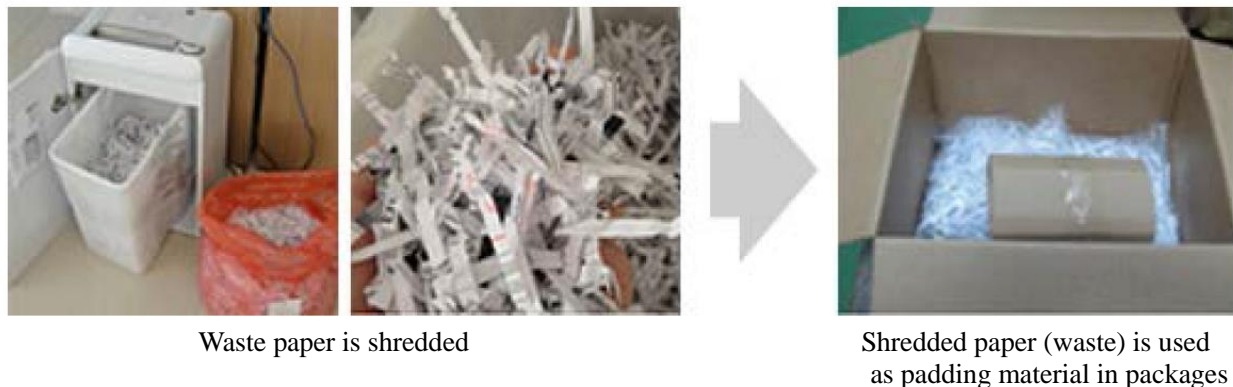
【Example 2】 Cardboard Consumption Reduced by Eliminating Use of Large Boxes (at Parts Center)

Cardboard consumption has been reduced by 3 tons/year by eliminating the practice of packing boxes inside larger boxes.



【Example 3】 Recycling of Shredder Dust

Emissions of waste paper are reduced by recycling used paper (shredded dust) into padding material for packaging service parts at our plants and offices.



Improvement of Production Process Yields

We are working to increase effective utilization of pressed parts (materials) by a number of strategies in order to reduce the impact on the environment. These include:

- Modification of pressing processes and die constructions to enable stable production of quality products
- Use of computer-aided engineering (CAE) to minimize scrap emissions and trim the dimensions of materials used

Improvement of Recycling Quality

We are working to raise the “quality” of our recycling in order to make more effective use of waste as fuel and other resources. We are doing this in several ways, including by revisiting how materials are sorted and collected, and by shifting from thermal recycling to material recycling.

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 2015, we confirmed that 56 contractors were conducting waste management in an appropriate manner.



Visiting disposal sites

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.

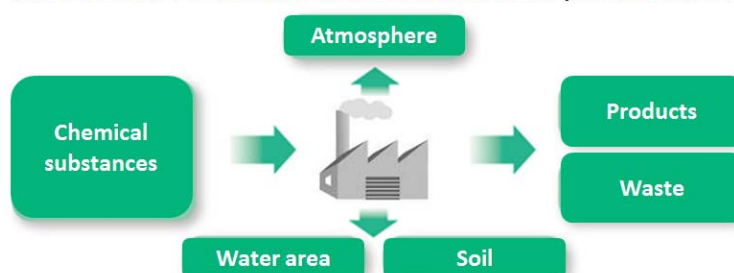
Chemical Substances

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)



Making Paint Processes Environmentally Friendlier

To comply with the Water Pollution Control Act, we have reviewed our selection of chemicals and switched to using ones that contain no hazardous substances. This has also led to a reduced risk of soil pollution in the event of a leak.

Chemical Management with Business Partners

See page 37 “Reinforcement of Chemical Management”.

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. We make every effort to preempt and prevent serious accidents that could impact on the environment, through measures such as inspecting individual items of equipment, checking that measuring instruments are functioning correctly, and running emergency simulations.



Equipment inspection

Protecting Water Resources

We recognize that water resources are an important resource, and are taking steps to reduce use of utility water and groundwater. We routinely take active steps to save and recycle water, and also strive to manage wastewater so that emissions do not harm the environment.

Initiatives at Domestic Facilities

[Example 1] Use of Shower Testing Water (RB Controls)

The shower tests performed to assess the safety, performance, and quality of products consume large quantities of hot water. By recycling this water and modifying our systems to permit remote-controlled checks as well, we have succeeded in reducing the amounts of energy and water that have to be used for these tests.

- Reduction in water consumption: approximately 1,100m³/year
- Reduction in gas consumption: approximately 1,500m³/year
- Reduction in CO₂ emissions: approximately 9.5t-CO₂/year



[Example 2] Modification of Paint Processes to Protect the Environment (Yanagisawa Manufacturing)

By making its paint processes more environmentally friendly, Yanagisawa Manufacturing has cut its water consumption and reduced the amount of chemicals used to treat wastewater. Changes it has made include:

- Modification of water feed to the pretreatment process
- Installation of system to circulate and filter almost all the chemical solution in tanks
- Regular checks for leaks from pumps and in-house repair
- Reduction in water consumption: approximately 1,900m³/year
- Reduction in waste emissions: approximately 13t/year



Wastewater treatment facilities

Initiatives at Overseas Facilities

[Example 3] Initiatives at Shanghai Rinnai Co., Ltd.

We have established a water recirculation system for hot water supply testing, using an onsite reservoir that was previously unused. The system is designed so that used water is stored temporarily in the reservoir (storage tank), before being passed through a chiller, filtration and ultraviolet sterilization. The water is then sent back via a recirculation pump, to be reused as test water.



Making effective use of the reservoir



Chiller (cooling tower)



Filtration system

[Example 4] Action at Rinnai Taiwan

Rinnai Taiwan decontaminates and recycles the water used for testing on its assembly lines. It has also rerouted pipework. Together these measures have resulted in an approximately 3,300m³ reduction in water consumption.

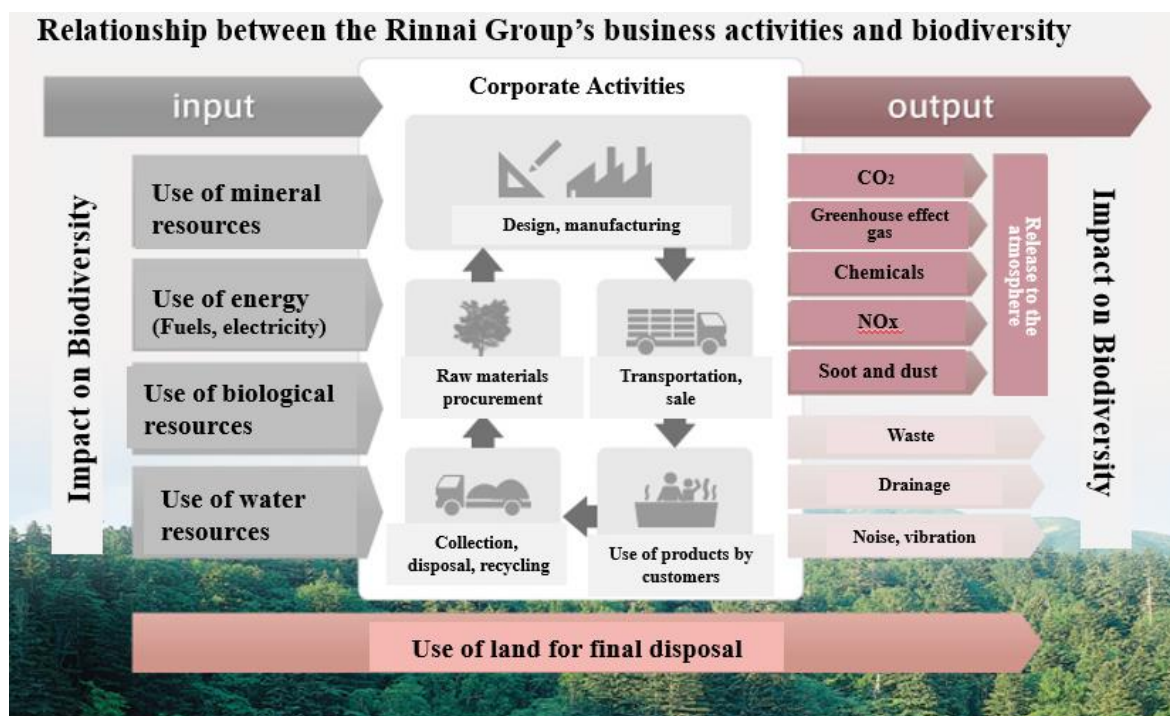
**Wastewater Quality Management**

To ensure that the water treated at wastewater plants causes no harm to rivers, it is constantly monitored before discharge to ensure that its pH is kept to within even stricter limits than required by law.

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.



From the left, measurement of soot and smoke, water quality, and odor measurement

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.



Verifying checklists during a visit

Status of Compliance with Laws and Regulations

There were no violations of pollution control or other environmental legislation in fiscal 2015.

Measures to Improve Logistics

The Company promote its energy-use rationalization plan as a specified shipper under the revised Rationalization in Energy Use Law. We appropriately administrate and review the energy use status concerning product logistics, in cooperate with logistics partners. From multilateral viewpoints, we implement measures for logistic efficiency to reduce energy use.

Measures to Reduce Shipping Amount

We consolidated our logistics bases into two in Aichi, where our main 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 CO₂ Emission

Fiscal year ended March 31	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Shipping volume (ton x km)	6,519	6,483	6,333	6,687	6,587	6,836	6,763
CO ₂ emission volume (TCO ₂)	10,013	9,901	9,837	10,238	10,440	10,967	10,756

Initiatives Being Pursued

- Review and adjustment of product delivery routes
- Effective use of round-trip shipments
- Expansion of consolidated shipments within the Rinnai Group
- Increase in stacking per pallet
- Encouragement of eco-driving



[Example 1] Streamlining of Logistics in the Chubu Region

A survey was made of the number of delivery journeys made per day, delivery routes (distances), loads carried (load efficiency), and other factors in order to optimize the number of journeys made, routes used, and so on. This has made it possible to increase the volume of deliveries made without increasing the number of journeys required.

- Reduction of CO₂ emissions: approximately 40t-CO₂/year



RB Controls, logistics center

[Example 2] Measures for Work Efficiency**Use of QR code**

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.

**Reduction of misshipments by improving delivery invoices**

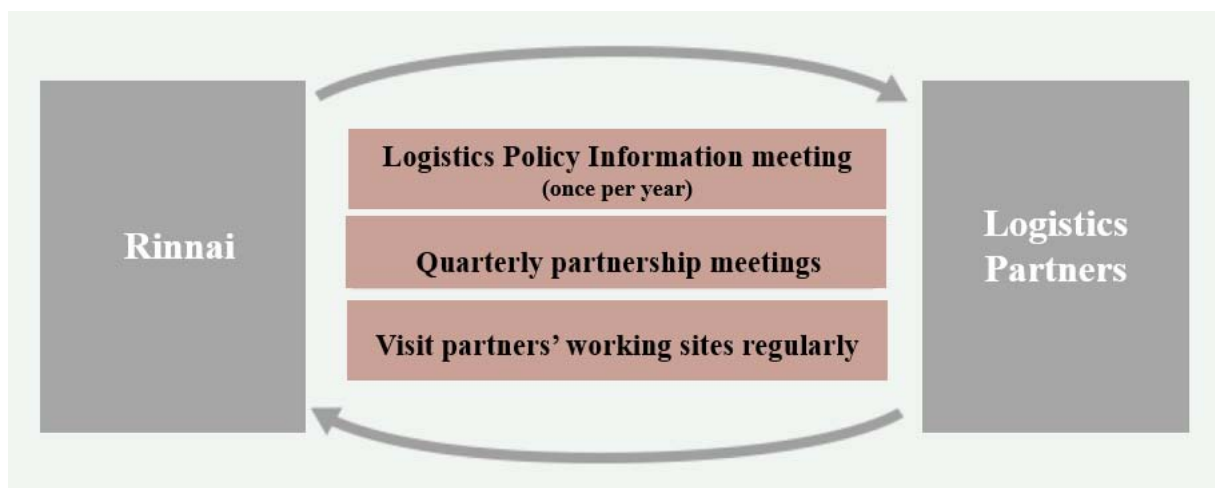
Responding to feedback from our logistics partners, in fiscal 2011 we made it possible for the delivery names and addresses in delivery invoices to be printed in *kanji* (previously they had to be printed in *katakana*). We also made it possible for shipping labels to be printed in *kanji*. This has made them more legible, thus making it easier for our partners to check shipments. The result has been a fall in misdeliveries caused by misreadings.

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 the Company and logistics department. In addition, we arrange quarterly partnership meetings to reduce environmental impact in relation to the transportation and storage of products, and to improve the quality. We also visit partners' working sites regularly to share issues with them and help them make improvements.



Environmental Initiatives through Sales Activities

Developing Environmentally Conscious Products

As a comprehensive manufacturer of heat-energy appliances, the Company is aware of the corporate mission to familiarize environmentally conscious products with consumers, and to contribute to the reduction of CO₂ emission in household energy consumption.

Safe, Eco Friendly Driving Initiatives

We have introduced a system to enable quantification and integrated management of driving performance at our facilities centered on sales offices, and are working to make all of our employees more aware of safe, eco-friendly driving practices. The system is designed so that an email is automatically sent to the relevant manager whenever an employee drives too fast, accelerates rapidly or brakes suddenly. Compared to previously, this reduced CO₂ emissions by approximately 5% year-on-year in fiscal 2014. As well as improving fuel efficiency, the system is helping to reduce traffic accidents and violations on public roads. We intend to roll out similar initiatives companywide in the future.



Company vehicles (Chubu Branch)

Driving Seminars

We brought in an outside instructor to give a “Safe and Eco Friendly Driving Seminar”. Designed to help prevent traffic accidents and reduce global warming, the seminar was aimed primarily at employees in sales and management divisions who use company vehicles. A total of 32 employees attended the seminar, which included guidance and explanations on matters such as basic traffic safety and practical techniques for eco friendly driving.



Safe and Eco-Friendly Drive Seminar (left) and “idling stop” display at Chugoku Sales Office

Environment Education and Promotion of Awareness for Employees

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 sixth award ceremony took place as part of our “Company-wide QC Circle Competition.” 101 activities were entered for awards in fiscal 2015, sorted into categories including manufacturing, management, sales and social contribution. Awards were then given to the 14 best examples.



Award ceremony (left), and panel display showing outstanding achievements

Rinnai Group Environmental Grand Prize Results for Fiscal 2015

Main Awards	Recipient	Aim of Activities
Manufacturing design, and production technology design		
Environmental Grand Prize	Oguhi Factory	Reduction of materials used to make new tabletop cooker model (RT64JH)
Award for Outstanding Environmental Achievement	Production Engineering Division	Production design of hybrid water heater with heating system tank unit
Environmental Award	Research & Development Headquarters	Development of valve suitable for flat-faced cooking stoves
Manufacturing and logistics		
Environmental Grand Prize	Seto Factory	Improvement of cable harness specifications
Award for Outstanding Environmental Achievement	Seto Factory	“Operation 1020” to reduce latent-heat heat exchange drying time
Environmental Award	Oguhi Factory	Improvement of productivity through energy-free <i>karakuri kaizen</i> innovations
Administration and sales		

Environmental Grand Prize	Oguhi Factory	Enhanced monitoring through energy consumption visualization
Award for Outstanding Environmental Achievement	Oguhi Factory	Waste reduction by reduction of cafeteria food wastage
Environmental Award	Seto Factory	Alteration of preset temperatures achieved by upgrading air-conditioning system
Overseas facilities		
Environmental Grand Prize	Rinnai Brasil Heating Technology Ltd.	First water heater collection and recycling system to be introduced by a Brazilian water heater distributor/manufacturer
Award for Outstanding Environmental Achievement	Rinnai New Zealand Ltd.	Reuse of cardboard boxes (as children's playthings)
Environmental Award	Rinnai Brasil Heating Technology Ltd.	Sale of hot water circulation system using liquid-liquid heat exchanger
Outside activities		
Award for Outstanding Environmental Achievement	RB Controls Co., Ltd.	Participation in the "Cleanup Campaign in Uchinada"
Award for Outstanding Environmental Achievement	Marketing & Sales Headquarters	Participation in the "Iwanuma City Recovery Support Volunteer Tree Planting Event"

Eco-Business Pioneer Tours

We host business networking events for learning about good environmental practice at other companies (held about once per year).



Encouraging Eco Friendly Commuting

We designate "No Car Days" at our Technology Development Center and encourage employees to commute in an eco friendly manner, in an effort to reduce CO₂ 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, or car pooling with colleagues, also help to keep employees healthy by providing moderate exercise.

- Reduction in CO₂ emissions: Approx. 1t CO₂/year

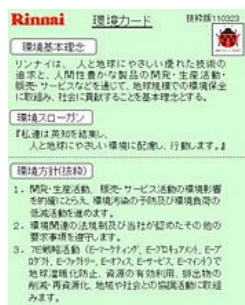


Bike racks
at the Technology Development Center

Fully Inclusive Environmental Activities

Issuing Environment Cards

We issue all employees with an “Environment Card” that lists selected environmental policies, to encourage them to act in a more environmentally conscious manner on a day-to-day basis. 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. Individual facilities also implement a range of innovative schemes to raise awareness of the environment and related costs, including issuing cards that outline environmental costs at a glance.



Environment Card Employees carry their Environment Card at all times Cards outlining environmental costs

Encouragement of Eco-Communting

We publish a regular in-house environmental newsletter to keep our employees around the world up to date with the Group's own environmental activities and environmental trends elsewhere in Japan and other countries. Published since 1999 as a means of raising environmental knowledge and awareness and encouraging communication on the subject among employees, this newsletter recently underwent a partial design and content makeover, and was renamed *Eco no Coe*.

Sample pages from *Eco no Coe* (The new name was selected from a total of 200 suggestions put forward by employees.)



**Eco no Coe* literally means “the Coe of Eco,” and the name was chosen for several reasons.

1) “Coe” signifies several things in Japanese:

- 声 (*koe*) for the “voice” of communication
- 肥え (*koe*) for the “fertilizing” of the environment
- 超え (*koe*) for the “transcending” of the status quo

2) The title also works as a clever anagram (and in Japanese it is actually a palindrome).

3) We want it to become an environmental newsletter that reflects everyone's “voice.”

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.

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.

ISO 14001 Certification

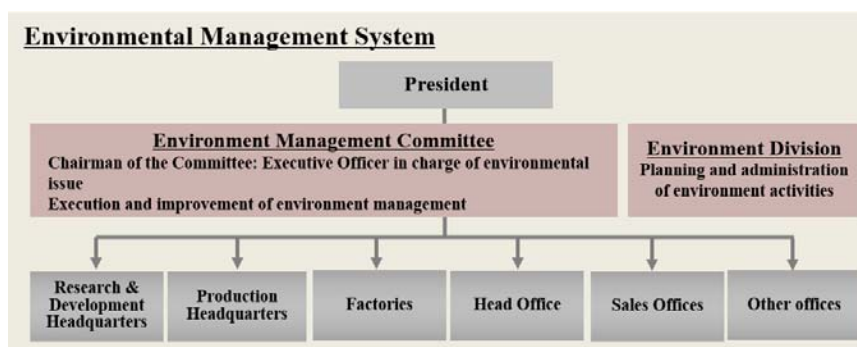
To underpin the systematic and continuous development of environment-oriented activities in line with our stated basic environmental policy, we encourage all members of the Rinnai Group to embrace efforts to acquire and maintain ISO14001 certification.



Hokkaido Sales Office

Promotional Framework for Environmental Activities

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.



Environmental Management Committee (left) and a divisional liaison group

External and Internal Environmental 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 2015 did not turn up any major non-conformances.



External 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 2015 found no major non-conformances. There were 4 opportunities for improvement and 45 observations. We swiftly addressed these areas to ensure that they would not develop into problems later on.



Internal audits

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	Environmental training for person in charge of environmental issues
Brushing up education for chief environmental auditor	
Environmental training for environmental internal auditor	Biodiversity training
Environmental training for trainees from overseas group companies	Environmental training for new employees

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	40 participants
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Internal Auditor Training

Environmental Training for Trainees from Overseas Group Companies

We provide training based on a range of manuals, covering basic subjects such as attitudes towards the environment and approaches to environmentally friendly manufacturing. We also provide training in production methods using environmentally friendly facilities, and on methods of improving operations based on actual examples, in an effort to improve levels of environmental awareness throughout the Rinnai Group.



Trainees attend a lecture on our environmental initiatives



Explanation of wastewater treatment facilities



Trainees receive explanations on our water recycling system

Seminar on Saving Energy and Technology for Maintenance Staff

We organized a seminar on saving energy and steam technology for facility maintenance staff at our factories and other facilities. A total of 12 members of staff took part.



Seminar on saving energy and spray nozzle technology

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 CO₂, too, and other substances that impact on the environment.

We published a series of special features on the theme of biodiversity and how it relates to our own environmental activities in the in-house environmental publication that we distribute regularly to employees. The aim was to raise levels of awareness so that employees appreciate how biodiversity affects them.



In-house environmental publication called "Understanding Biodiversity"

[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
	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
	Rinnai Parts Center	May 2011
	Kyushu Branch	April 2012
	Hokkaido sales office	April 2012
	Niigata sales office	April 2012
	Tohoku Branch	May 2013
	Shikoku sales office	May 2013
	Higashikanto sales office	April 2014
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	July 1997
	RB Korea Ltd.	October 2006
	Shanghai Rinnai Co., Ltd.	December 2008
	Rinnai Brasil Heating Technology Ltd.	June 2011
	Rinnai New Zealand Ltd.	July 2013

Environment Management System "Eco Action21"

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

Fiscal 2015 Environmental Action Plan and Results

(Year ended March 31, 2015)

This section outlines targets and results for key activities in fiscal 2014 - 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 Δ: Not achieved ×: Not implemented

Scope : Rinnai corporation

E-Products			
Activity	Fiscal 2015 Targets	Fiscal 2015 Results	Progress
Preventing global warming	Develop high-efficiency equipment Reduce power consumption in standby mode • Gas water heaters	Developed high-efficiency equipment • Heat sources for gas water heaters with heating systems • Gas water heaters with bath-filling systems • Gas water heaters Reduced power consumption in standby mode • Heat sources for gas water heaters with heating systems • Gas water heaters with bath-filling systems	○
Preventing air pollution	Continue to develop low-NOx water heaters	Developed low-NOx water heaters • Heat sources for gas water heaters with heating systems • Gas water heaters with bath-filling systems • Gas water heaters	○
Saving and recycling resources	Continue to carry out product assessments Promote resource saving through lightweight development	Carried out product assessments Developed lightweight products • Tabletop cookers • Fan heaters • Heat sources for gas water heaters with heating systems • Gas water heaters with bath-filling systems • Gas water heaters Simplified packaging	○
E-Procurement			
Activity	Fiscal 2015 Targets	Fiscal 2015 Results	Progress
Green procurement	Develop green products Implement green procurement management	Procured and used materials in accordance with E-Procurement Standards Laid foundations for chemical management and reinforced cooperation with suppliers	○
E-Marketing, E-Service			
Activity	Fiscal 2015 Targets	Fiscal 2015 Results	Progress
Increasing sales of high-efficiency products	Reduce CO ₂ emissions from high efficiency products by at least 61,000 tons/year	Reduced CO ₂ emissions from water heaters when in use by customers by 51,000 tons/year	Δ
Providing information on environmentally conscious products	Provide information on environmentally conscious products • Showcase and raise awareness of products at exhibitions • Produce and distribute catalogs, flyers and pamphlets	Showcased and raised awareness of products at domestic and overseas exhibitions Produced and distributed catalogs, flyers and pamphlets	○

E-Mind			
Activity	Fiscal 2015 Targets	Fiscal 2015 Results	Progress
Disclosing environmental information	Publish CSR Report for fiscal 2015 Disclose environmental information on website	Published CSR Report for fiscal 2015 (October) Disclosed environmental information on website (October)	○
Environmental education and awareness	Promote educational activities in line with companywide and site-specific plans for fiscal 2015	Provided training for internal auditors, education on the links between biodiversity and business activities, etc.	○
E-Factory			
Activity	Fiscal 2015 Targets	Fiscal 2015 Results	Progress
Preventing global warming	CO ₂ emission factor ^{*1} : Reduce by 4% or more compared to fiscal 2010	Reduced by 13% compared to fiscal 2010	○
Reducing waste	Maintain zero emissions (Resource recycling rate of 99.5% or higher)	Maintained/improved zero emissions	○
	Waste emission factor ^{*2} : Reduce by 3% or more compared to fiscal 2011	Reduced by at least 18.3% compared to fiscal 2011	
	Water consumption factor ^{*3} : Reduce by 3% or more compared to fiscal 2011	Reduced by at least 38.9% compared to fiscal 2011	
Reducing hazardous chemical substances	Hazardous chemical usage factor ^{*4} : Reduce by 3% or more compared to fiscal 2011	Reduced by at least 27.6% compared to fiscal 2011	○
^{*1} : CO ₂ emission factor = Total CO ₂ emissions (tons/year) / net sales (¥100 million) ^{*2} : Waste emission factor = Total waste produced (tons) / net sales (¥100 million) ^{*3} : Water consumption factor = Total water consumed (m ³ /year) / net sales (¥100 million) ^{*4} : Hazardous chemical usage factor = Total PRTR hazardous chemicals used (tons/year) / net sales (¥100 million) Hazardous chemicals = Class 1 Designated Substances as specified under the PRTR Act			
E-Office			
Activity	Fiscal 2015 Targets	Fiscal 2015 Results	Progress
Green purchasing	Maintain a green purchasing rate of 91% or higher for office supplies and equipment	Green purchasing rate: Achieved rate of 93.9% (monetary basis)	○

Fiscal 2016 Environmental Action Plan

(Year ending March 31, 2016)

We will continue to push ahead with 7E activities in fiscal 2016, in an effort to improve environmental performance across all divisions and group companies.

Scope : Rinnai corporation

E-Products		
Activity	Basic Action Plan	Fiscal 2016 Targets
Preventing global warming	Continue to develop industry-leading energy saving products, focusing on activities such as developing high-efficiency equipment using condensing technology, rolling out hybrid water heaters with heating systems, and reducing power consumption when equipment is in standby mode or in use	Develop high-efficiency water heaters for the overseas market Reduce power consumption in standby mode • Water heaters with bath-filling system, FF heaters
Preventing air pollution	Develop low-NOx products for the domestic and overseas markets	Develop low-NOx <i>Eco-Jozu</i> water heaters
Saving and recycling resources	Develop smaller, lightweight products and components in order to save resources, and continue to develop products with an emphasis on resource recycling	Conduct product assessments (all new products) Develop lightweight products • Tabletop cookers • Fan heaters • Bathroom heaters • Water heaters with heating systems • Hybrid water heaters with heating systems Develop water-saving equipment • Dishwashers Simplify packaging
E-Procurement		
Activity	Basic Action Plan	Fiscal 2016 Targets
Procurement	Work with suppliers and group companies to promote procurement of environmentally conscious products (conserving resources, saving energy, recycling, etc.)	Develop green products • Promote use of materials compliant with E-Procurement Standards Implement green procurement management • Reinforce chemical management Look into measures aimed at ascertaining suppliers' CO ₂ emissions
E-Marketing, E-Service		
Activity	Basic Action Plan	Fiscal 2016 Targets
Increasing sales of high-efficiency products	Increase sales of high-efficiency products in order to reduce CO ₂ emissions from water heaters when in use by 465,000 tons from fiscal 2009 to fiscal 2018 *Water heaters = Hybrid water heaters with heating systems, <i>Eco-Jozu</i> , etc.	Reduce CO ₂ emissions from water heaters by 60,000 tons/year
Providing information on environmentally conscious products	Provide information on environmentally conscious products through exhibitions, catalogs, flyers, pamphlets, etc.	Showcase and raise awareness of products at domestic and overseas exhibitions Produce and distribute catalogs, flyers and pamphlets

E-Mind		
Activity	Basic Action Plan	Fiscal 2016 Targets
Disclosing environmental information	Disclose information on environmental activities and products via CSR Report, website, etc.	Publish CSR Report for fiscal 2016 Disclose environmental information via website
Environmental education and awareness	Actively organize environmental education and awareness activities for employees, and continue to raise levels of environmental awareness	Promote educational activities in line with companywide and site-specific plans
E-Factory		
Activity	Basic Action Plan	Fiscal 2016 Targets
Preventing global warming	CO ₂ emission factor ^{*1} : Reduce by 8% or more compared to fiscal 2010 by fiscal 2018	Reduce by 6% or more compared to fiscal 2010
Reducing waste	Maintain zero emissions (Resource recycling rate of 99.5% or higher)	Maintain/improve zero emissions
	Waste emission factor ^{*1} : Reduce by 7% or more compared to fiscal 2011 by fiscal 2018	Reduce by 5% or more compared to fiscal 2011
	Water consumption factor ^{*1} : Reduce by 7% or more compared to fiscal 2011 by fiscal 2018	Reduce by 5% or more compared to fiscal 2011
Reducing hazardous chemicals substances ^{*2}	Hazardous chemical usage factor ^{*1} : Reduce by 6% or more compared to fiscal 2011 by fiscal 2017	Reduce by 5% or more compared to fiscal 2011
*1: Emission/consumption/usage factor: Calculated on a weighted load basis (cumulative calculation), depending on the rate of achievement of factors determined for each facility		
*2: Hazardous chemicals = Class 1 Designated Substances as specified under the PRTR Act		
E-Office		
Activity	Basic Action Plan	Fiscal 2016 Targets
Green purchasing	Achieve a green purchasing rate of at least 91% by fiscal 2016 *Including newly added items	Achieve a green purchasing rate of at least 91%, including newly added items

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, 2014 to March 31, 2015

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	3,710
	Environmental protection	Mainly efforts to save energy	7,220
	Resource recycling	Recycling as well as treatment and disposal of industrial waste	3,329
Upstream/downstream		Collection/recycling and volume/weight reduction of materials such as product packaging	679
Management activities		Mainly monitoring and surveillance of environmental impact	8,790
Research and development		R&D on environmentally conscious products addressing energy- and resource-saving features and reduction and/or elimination of hazardous chemical substances	200,732
Community efforts		Mainly community activities and beautification/greening at places of business and surrounding areas	222
Total			224,682

(Unit: Ten thousand yen)

	Item		Content	Environmental Impact Reduction
Environmental Protection Effect	On-site results		Saving energy reduced greenhouse gases	347 t CO ₂ /year
	Upstream/downstream results	Environmental impact reduction through use of products	Reduction of NO _x with products with low NO _x emissions	82 t/year
			High-efficiency products reduced CO ₂	66,678 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	1,338

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.

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 water heater (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 water heater, 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
	October	Market debut: <i>Yukko V</i> Series, featuring no styrene packing, low stand-by power consumption and low NOx emissions
1999	July	Established Environment Division
	September	Market debut: Ecomax burner and Eco burner-equipped gas cooking stove
	October	Market debut: condensing water heater boasting 95% heat efficiency and NOx emissions under 30ppm
2000	February	Won Minister of Economy, Trade and Industry award for condensing water heater 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 water heater
	June	Won Technology Grand Award from Japan Gas Association for condensing water heater
2003	June	Won Technology Award from Japan Gas Association for condensing water heater
	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: <i>Eco-Jozu</i> condensing hot-water/heating unit RVD-E Series
2010	January	Market debut: <i>Eco-Jozu</i> 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 water heaters
	April	Market debut: <i>Eco One</i> hybrid water heater with heating systems
2011	January	Market debut: <i>Eco-Jozu</i> hot-water/heating unit RUFH-E2402 Series
	April	Market debut: <i>Eco One</i> hybrid water heater with heating systems 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 by Aichi Invention Association for development of low-NOx burners for household gas water heaters
	December	Won the Resource Recycling Manufacturing Research Group Chairman's Award at the IMS2011 16th Resource Recycling Manufacturing Symposium for energy saving measures concerning enamel combustion furnaces
2012	June	Won Technology Award from Japan Gas Association for “ <i>kaecco</i> ” <i>Eco-Jozu</i> combi boiler designed for existing apartments (put in existing PS) Won Aichi Invention Encouragement Award sponsored by Aichi Invention Association for <i>A-Style</i> Gas fan heaters
	October	Won Large and Heavy Good Packaging Prize of Japan Packaging Contest 2012 for <i>Eco One</i> hybrid water heater with heating systems
	December	Won the Resource Recycling Manufacturing Research Group Chairman's Award at the IMS2012 17th Resource Recycling Manufacturing Symposium for our development of home-use hybrid water heater with heating systems
2013	June	Won Technology Award from Japan Gas Association for “ <i>Jikabi-No-Takumi</i> ” new gas rice cooker, and new <i>Delicia</i> built-in stove Won Aichi Invention Encouragement Award sponsored by Aichi Invention Association for Dishwasher with baking soda wash mode
	December	Won the Chairman Award of Nagoya Industries Promotion Corporation at the IMS2013 18th Resource Recycling Manufacturing Symposium for improvement of logistic efficiency and reduction of waste disposal by reviewing of packing production process
2014	January	Won top energy conservation award at METI Award in the fiscal 2013 Energy Conservation Awards for <i>Eco One</i> hybrid water heater with heating systems
	June	Won Aichi Invention Award sponsored by Aichi Invention Association for development of fire power adjustments for gas stoves Won Technology Grand Award for <i>Jikabi-No-Takumi</i> gas rice cooker, and won Technology Award for Speedy <i>Kanta-Kun</i> gas cloth dryer from Japan Gas Association
	August	Won Large and Heavy Good Packaging Prize of Japan Packaging Contest 2014 for returnable package

	December	<p>Won 2014 Energy Saving and New Energy Grand Prize in Kitaguni (northern area in Japan) for <i>Eco One</i> hybrid water heater with heating systems for Hokkaido region</p> <p>Won the Chunichi Shimbun Award at the IMS2014 19th Resource Recycling Manufacturing Symposium for our development of an eco-friendly water heater with bath-filling system</p>
2015	April	Market debut: <i>Eco One</i> third generation hybrid water heater with heating systems
	June	<p>Won Technology Award from Japan Gas Association for gas cord cover</p> <p>Won Aichi Invention Award sponsored from Aichi Invention Association for two burners for stoves in a vertical double stages</p>

Initiatives Delivering Safety and Peace of Mind

Measures for Quality

Basic Stance on Quality

Rinnai is focused on manufacturing safe products that provide peace of mind for customers because we view gas appliances in the same way as airplanes. If a problem occurs with either, it could lead to a major accident. Heating appliances such as gas appliances have the capability of causing burns, carbon monoxide poisoning, a fire, explosion and more if there is even a slight defect or problem or if they are mishandled. In the worst case scenario, an accident may even lead to death. In the past tabletop stoves have been the cause of fires and more recently deaths caused by the rapid change in temperature (“heat shock”) in the bath tub have become a major problem. There is no way we can maintain sustained growth as a manufacturer unless we fulfill our basic mission as a manufacturer to deliver safe products that provide peace of mind for customers.

In order to not have any defective products go out into the world and prevent any accidents caused by our products, it is necessary for us to ensure our product’s safety and peace of mind from their creation, to their use and ultimate disposal. That is why we are moving forward with our own unique product manufacturing that focuses on safety and peace of mind while proactively teaching consumers how to use our products safely even after the products are in their hands.

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

Pursuit of “Zero Defects”

Our basic policy for manufacturing includes “in-house product design,” “in-house development and manufacturing of critical maintenance parts” and “in-house design of production equipment.” The most significant points are the in-house development and in-group production of core heat technologies and critical maintenance parts and the in-house design of production equipment. During the design phase, we not only ensure the safety and peace of mind of our products but also are able to quickly get down to the root cause of a defect or problem to fix it in the event a problem does occur. We are also making an effort to not produce any defects (zero defects) in all phases from manufacturing (development and production), to the sale, use and after-sales service for products and their ultimate disposal.

When we say quality, that doesn’t simply mean no defects or problems. We believe we can provide more comfortable lifestyles for our customers through heating appliances such as gas appliances and this is another facet of the quality we offer.

Voluntary Action Plan on Product Safety

In June 2007, we adopted a voluntary action plan on product safety along with a concrete strategy for putting this plan into effect, and the relevant divisions then set about implementing it. Progress was monitored, and compliance under the plan was completed in February 2008. The plan is currently overseen by the Quality Assurance Headquarters, which continues to verify implementation and ensure that the entire company is working day in and day out to achieve our quality objectives.

Product Development in Pursuit of Safety and Peace of Mind

There are a variety of dangerous events that can occur with gas appliances such as gas leaks, incomplete combustion, burns, fires, etc. The mission given to development divisions is how well they can eliminate the causes of these dangers and create a safe gas appliance. Up until now our appliances have been equipped with a number of different safety devices. Examples would be a flame-failure device and a temperature sensor for gas tabletop stoves to prevent fires when cooking tempura, and a CO sensor equipped to water heaters with special installation conditions.

Design divisions ensure from the design phase that safety is incorporated into the product by making sure the safety functions operate correctly in the use environment, the safety performance is maintained throughout the

life of the product, and the fail-safe features to safely stop the appliance in the event it not working correctly based on the concept of proactive prevention of unforeseen accidents so that the safety features are maintained from first use until the end of the products life. Design divisions also conduct various analysis using simulations and tests using strict evaluation standards and after the results are confirmed during a meeting the structure for moving on to the next set is established. This is the method currently being used to eliminate all defects that occur during the design phase. We are also actively sharing product development information and training employees on safe product development by holding quality meetings to never reproduce past defects again and holding study sessions to convey past know-how to the next generation of employees.

Manufacturing Technology which Assures High Quality

Rinnai's basic philosophy regarding production technology is to produce a sound product instantaneously after the fabrication phase. We utilize an in-house completion model to manufacture quality products.

Manufacturing divisions are involved from the product planning and design phases to utilize their wealth of know-how related to fabrication and manufacturing to ensure that development from our in-house technology and production equipment achieves the intended performance, the product is safe and provides peace of mind for customers and the product is designed to be easy to manufacture for employees. Production starts after production processes are carefully established and reviewed with development divisions. The production equipment is designed and manufactured within the company with the 5M in mind (Man, Machine, Material, Method and Measurement). We work to prevent defects that are caused by inadequate equipment. The manufacturing scene is currently putting effort into improvement activities such as QC and improvement proposals with the aim of creating a strong manufacturing scene. We aim to create a work environment than is better each day by finding excess and waste in manufacturing processes and solving them one by one through the continuation of steady efforts. We believe manufacturing starts with creating great people and we place a focus on developing talented individuals who can succeed the concepts, skills and technologies of our manufacturing process.

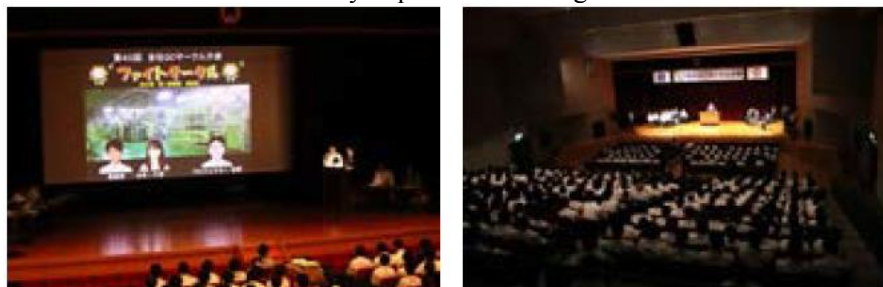
Meanwhile, manufacturing at overseas locations must take into account the local market in that country or region. Japan's level of quality is one of the highest in the world and is highly thought of abroad. For example, when the production of gas cocks at Rinnai Indonesia started, local staff visited Japan to thoroughly learn our philosophy behind manufacturing. They prepared the production line with Japanese staff members and launched their own production line in Indonesia. We will continue to build a high quality manufacturing system that is safe and provides peace of mind for our customers both in Japan and abroad based on our philosophy that "Quality is our destiny."

Making Improvements with Our Suppliers

See page 112 "Communication with Our Business Partners"

Invigorating Quality Improvement Activities

We operate a system of small-group quality control circles as a means of raising every single employee's problem-solving skills and stimulating groups as a whole. These are being actively promoted at group companies too, and a group-wide "QC Circle Convention" is held every September to recognize the best circles.



Company-wide QC circle conference

Consumer Safety

Making Possible Safe and Healthy Lifestyles

Tabletop With Si Temperature Sensors Prevent Fires

Tabletop gas stoves are the source of most fires that occur in the home, and it is said that in Japan many such fires are caused when using oil to deep fry the Japanese dish tempura. Kitchen fires caused by tempura oil sometimes spread to other rooms. They not only destroy precious assets, but in a worse-case scenario they can lead to fatalities.

To help prevent kitchen fires in Japan, it has been legally mandatory for all burners on gas tabletop stoves made after October 2008 to be fitted with safety sensors. These gas tabletop stoves with sensors are called “Si sensor stoves.”

As a manufacturer with a large share of the gas stove market, Rinnai believes it has fulfilled its responsibility by promoting the widespread adoption of such products that offer enhanced safety. Because of the long replacement cycle for gas stoves, many customers are unfamiliar with the safety provided by Si sensor stoves. To encourage customers to consider replacement, we provide information on the safety of Si sensor stoves through various means, including exhibitions, catalogs, and the Rinnai website.



Si sensor stove



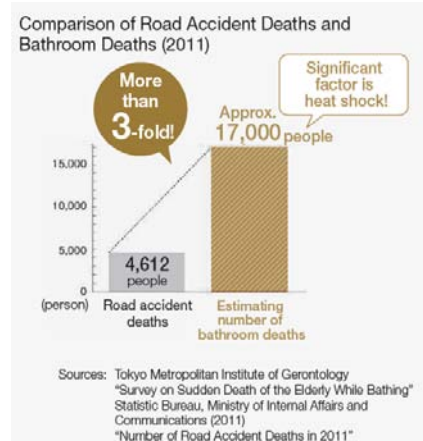
Information about Si Sensor on Gas Built-in Hob (stovetops) Catalog

Bathroom Heater/Dryers Create “Barrier Free Temperature” Environments

According to statistics, each year around 17,000 people die while taking a bath—more than three times the annual death toll from road accidents. The most common causes of bathroom deaths are strokes and heart attacks brought on by “heat shock.” With the elderly population accounting for a large number of such deaths, the prevention of such bathroom incidents will become a major issue in Japan, a country with an increasingly aging population.

It is said that eliminating sudden changes in temperature prevents “heat shock.” Bathroom heater/dryers that create a barrier-free environment by warming the bathroom in advance are expected to make a significant contribution to preventing bathroom deaths.

In light of this situation, Rinnai is promoting the proliferation of bathroom heater/dryers. Our “Bath *Hotto*” bathroom heater/dryer is a gas hot-water-type heater/dryer that features a rapid response time. When the heater/dryer is turned on before taking a bath, it takes 15 minutes for the bathroom temperature to reach 35 degrees. Another notable feature of this product is that it heats the entire body evenly from your head down to your toes.



We are committed to minimizing fatalities in the bathroom, and place a strong focus on raising consumer awareness of the dangers of the bathroom and publicizing how our bathroom heater/dryers can prevent these risks. We publish

Inquiry Response and Support System

CS Policy

In keeping with our corporate philosophy that “Quality is our destiny,” we aim to respond sincerely, promptly, and appropriately to customer requests and queries, and to provide reliable services that deliver satisfaction and peace of mind to the customer.

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.

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.



We strive to incorporate customer comments into our products and services on a daily basis

The Customer Center handles requests received from customers via our toll-free number, website and other channels. In fiscal 2015, we received approximately 880,000 calls from customers and around 4,300 comments via our website.

In fiscal 2015, we received the following scores based on customer questionnaires.

- Ease of contacting Customer Center via toll-free number 86.2 points
- Politeness of telephone operator 88.9 points
- Overall score 87.6 points

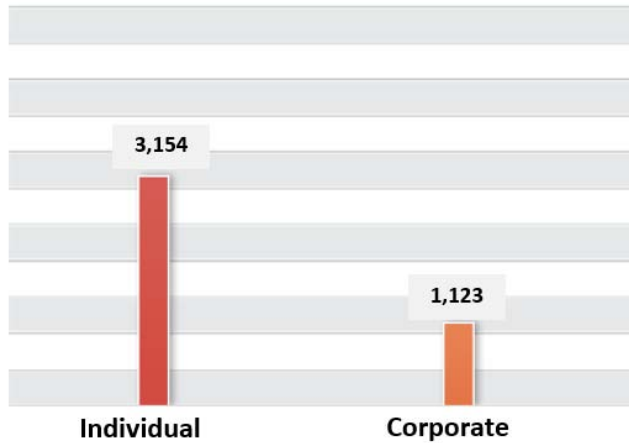
*We have revised the evaluation categories on questionnaire cards since last year.



Customer center

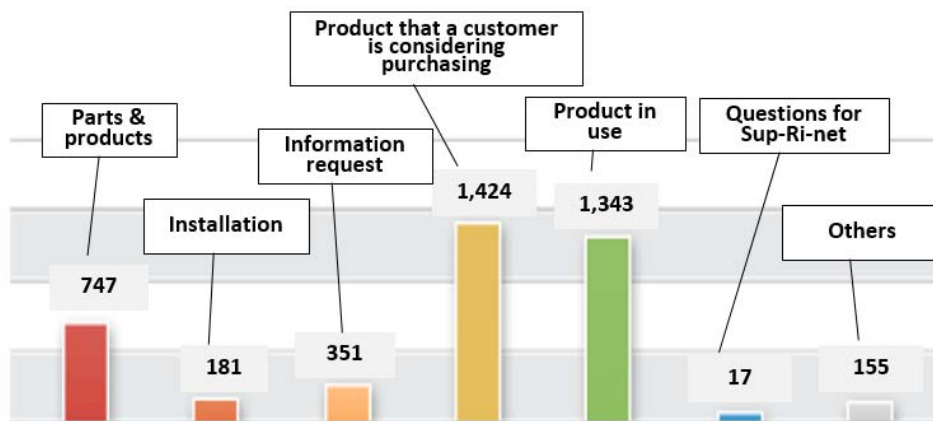
Our Customers' Comments (Customers' comments and inquiries through our website in fiscal 2015)

1. Number of inquiries by customer type



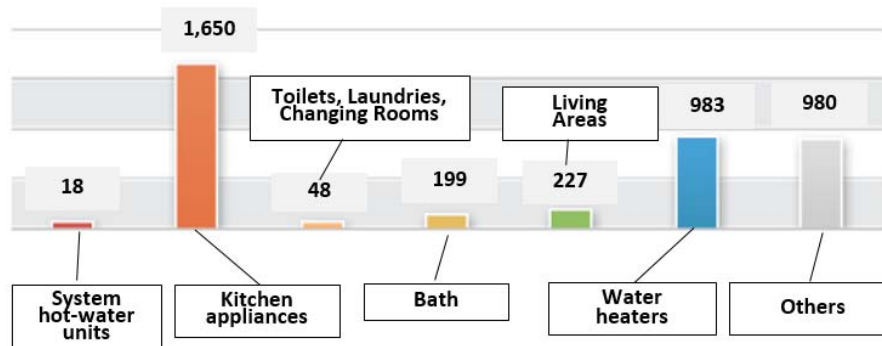
The breakdown of inquiries from customers is 74% from individuals and 26% from companies.

2. Number of inquiries by category



There are the three major topics: (1) Product in use: 34.5%, (2) Product that a customer is considering purchasing: 32.5%, (3) Parts & products: 18.1%

3. Number of inquiries by product



Many inquiries were kitchen appliances-related. : (1) Kitchen appliances: 40.2%, (2) Water heater and bath-related products: 23.9%

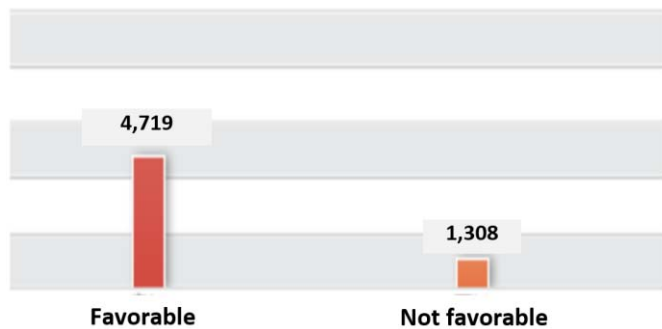
Enhancement of Online Support

Responding to customers who have told us that they want to be able to troubleshoot some issues for themselves, we have added a Frequently Asked Questions section to our website.



78.3% of users have expressed satisfaction with the content of our FAQs, and the number of visitors accessing the FAQs page is rising constantly. Content will continue to be frequently updated and expanded to further assist our customers.

Evaluation on our inquiry handling

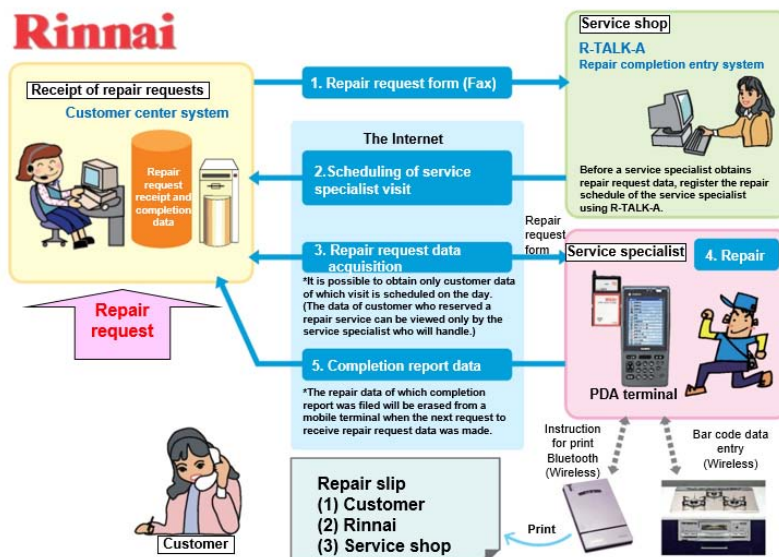


After-Sales Service

Our after-sales services are geared to delivering peace of mind to users and ensuring everyday comfort for all our customers.

Speeding Up After-Sales Service

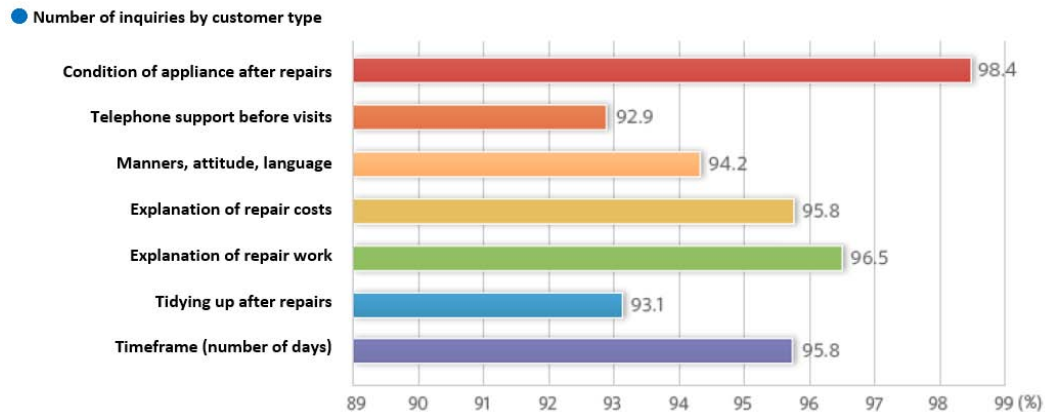
We have around 700 service engineers repairing products across Japan. To ensure minimum disruption to our users, customer service requests are confirmed via mobile terminal and we aim to complete inspections the same day or the day after a service request has been made.



Evaluating Performance Based on Service Specialist Questionnaire Cards

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 16,000 customers who completed questionnaires in fiscal 2015 gave us an average score of over 95.2.



Supplies of Service Parts

As a rule, we keep gas appliance parts for 5 to 10 years (and in some cases for longer) after production ends. Being able to deliver these parts promptly when needed is essential to good after-sales service and ensuring that customers can get safe, pleasant, and long use out of their purchases.

At the Rinnai Parts Center that stores and supplies parts, the process of picking, packing, and sending out parts is heavily systematized due to the large numbers of parts handled. It is crucial that the right types and numbers of parts be supplied on time. Improvements in quality are pursued in a range of ways, including by ensuring that work is performed in accordance with standard operation manuals that document work and pamphlets that lay down basic rules on quality.

Inspection and Repair Services

Inspections Like a Yearly Medical Check-Up for Appliances

For a Long-Term Use Without Accidents

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.

In 2014, five years on from the introduction of the inspection system, we began putting in place an extended inspection framework in preparation for full-scale inspections in the near future.

Approach to Relations with Suppliers

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)

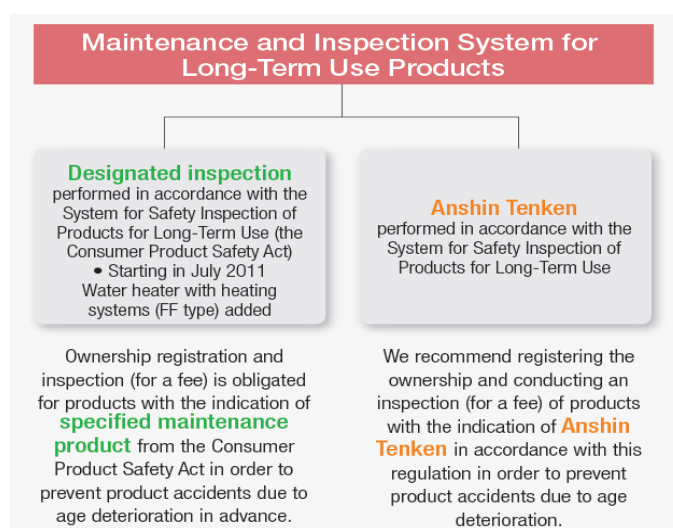
Efforts to Coordinate an Inspection System

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.

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	<p>When you receive a notice, please apply for an inspection. You can also request an inspection during the time of 1 and 2.</p>
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”.

Users are encouraged to have their equipment inspected during the two-year inspection period. If we do not receive a reply in response to the initial inspection notice, the user will be sent a repeat inspection notice by mail when there is one year remaining before the end of the inspection period, so that they can continue to use their equipment safely.

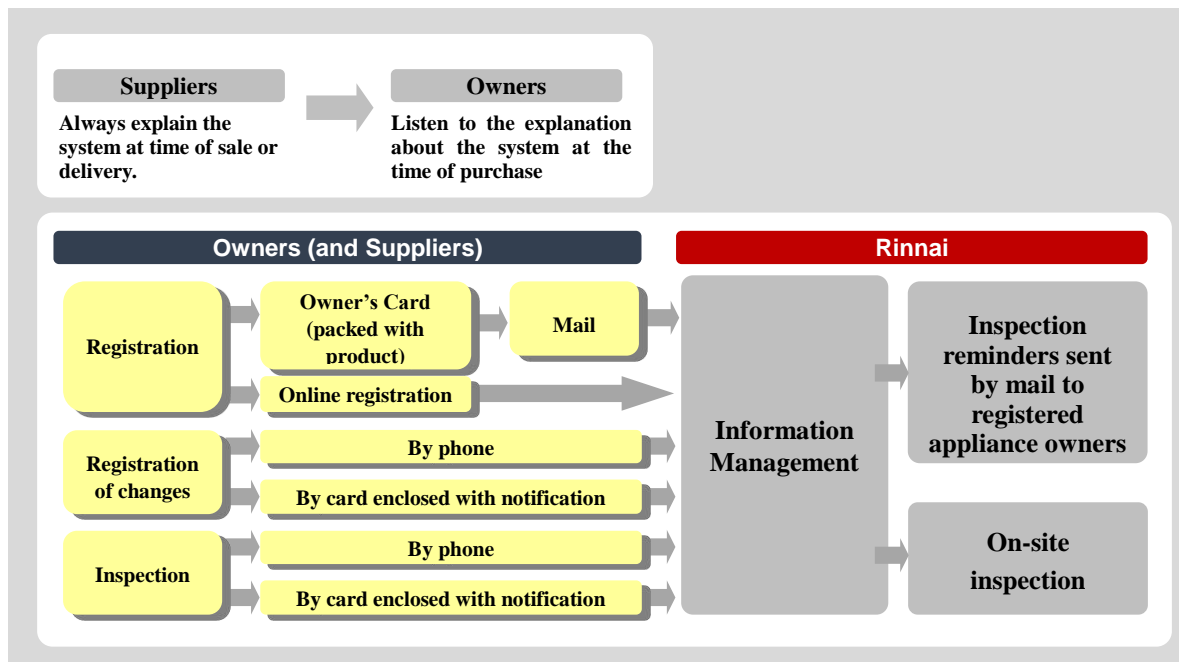
The period for legal inspection of commercial-use equipment produced in April 2009 started in October 2011, so we began sending notices on the inspection to applicable customers. About 70% of customers who responded to the notices applied for the inspection, suggesting their high interest in the inspection 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.

Maintenance and Inspection System of Long-Term Use Products

The Maintenance and Inspection System of Long-Term Use Products 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 Maintenance and Inspection System of Long-Term Use Products



Recommendation of Anshin Tenken (Safety Inspection)

In consideration of the Maintenance and Inspection System of Long-Term Use Products, we recommend Anshin Tenken (safety inspection) for products that fall outside the scope of the system.

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

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

Promotion of Owner 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.

Inspection Reminders Provided by Remote controls and Indicator Lamps

In November 2011, we posted information on our website about the inspection reminder function that some of our products* come with. This function reminds users of legally designated “specified maintenance products” that their products are due for inspection after the equivalent of 10 years of normal use, and users are alerted to this fact by their remote control, a blinking indicator on the product, or similar means. This function also serves to encourage unregistered users to register and request an inspection. This is just one example of our commitment to developing products that deliver peace of mind to the customer.

*Specified maintenance products other than water heaters for commercial use.

- In the case of registered users

The user is sent an inspection notice through the mail shortly before an inspection is due. (Inspection notices also contain details of how to cancel the inspection reminder function.)

- In the case of unregistered users

After the equivalent of 10 years of use, the inspection function notifies the user that an inspection is due. (If the user has applied to register as a user, he/she will be sent details of how to cancel the inspection reminder function through the mail.)

Free Inspection of Small Open-Type Water Heaters

Inspections are used as an opportunity to enhance customer support. When our engineers visit, for example, users are asked to fill in a questionnaire to help us constantly monitor customer opinion of our inspection services and identify areas for improvement.

Customer Trends in Response to Inspections

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.

Information on affected products and contact details for inquiries are provided on our website.

The screenshot shows a website interface for Rinnai products. At the top, it says '商品をご利用中のお客様へ' (To customers using the product). Below this, there are several sections:

- 商品に関する大切なお知らせ** (Important notices about the product): This section includes three boxes:
 - 製品を安全に正しくお使いいただくために (To use the product safely and correctly)
 - 長期間ご使用製品の保守点検制度のご案内 (Information about the maintenance and inspection system for long-term use products)
 - 小型湯沸器をお使いのお客様へ大切なお知らせ (Important notice for customers using small water heaters)
- お問い合わせ・サポート** (Inquiry/Support): This section includes two boxes:
 - 修理のご相談 (Consultation for repair): 0120-054-321
 - 保守点検・所有者登録のご相談 (Consultation for maintenance/inspection and owner registration): 0120-493-110
- 交換部品・周辺グッズのご購入** (Purchase of replacement parts and accessories): This section includes a box for 'R.STYLE' (リンナイの商品をずっとキレイに、もっと使いやすく) (Keep Rinnai products clean and use them more easily).

On the left side, there is a list of dates and corresponding notices:

- 2012年08月24日 ビルトイン食器洗い乾燥機の点検・修理作業の実施について (Regarding the inspection and repair work of built-in dishwashers)
- 2011年06月22日 バランス型ふるまの自主的な点検・部品交換作業の実施について (Regarding the inspection and replacement of parts for the Balance-type Furuma)
- 2011年02月03日 給湯暖房用熱源機の自主点検・修理作業の実施について (Regarding the inspection and repair work of the hot water/heating source unit)
- 2010年07月13日 ガス炊飯器無償部品交換のお知らせ機器の一部が壊損のおそれ 電子ジャー付ガス炊飯器『α (アルファ) かまど炊き』 (Notice of free replacement of parts for gas rice cookers. Some units may be damaged. Gas rice cooker with electronic jar 'α (Alpha) Kamado Cook').
- 2010年07月09日 電子ジャー付ガス炊飯器『αかまど炊き』をお使いのお客様へのお知らせ (Notice to customers using the gas rice cooker with electronic jar 'α Kamado Cook').

Communication with Our Stakeholders

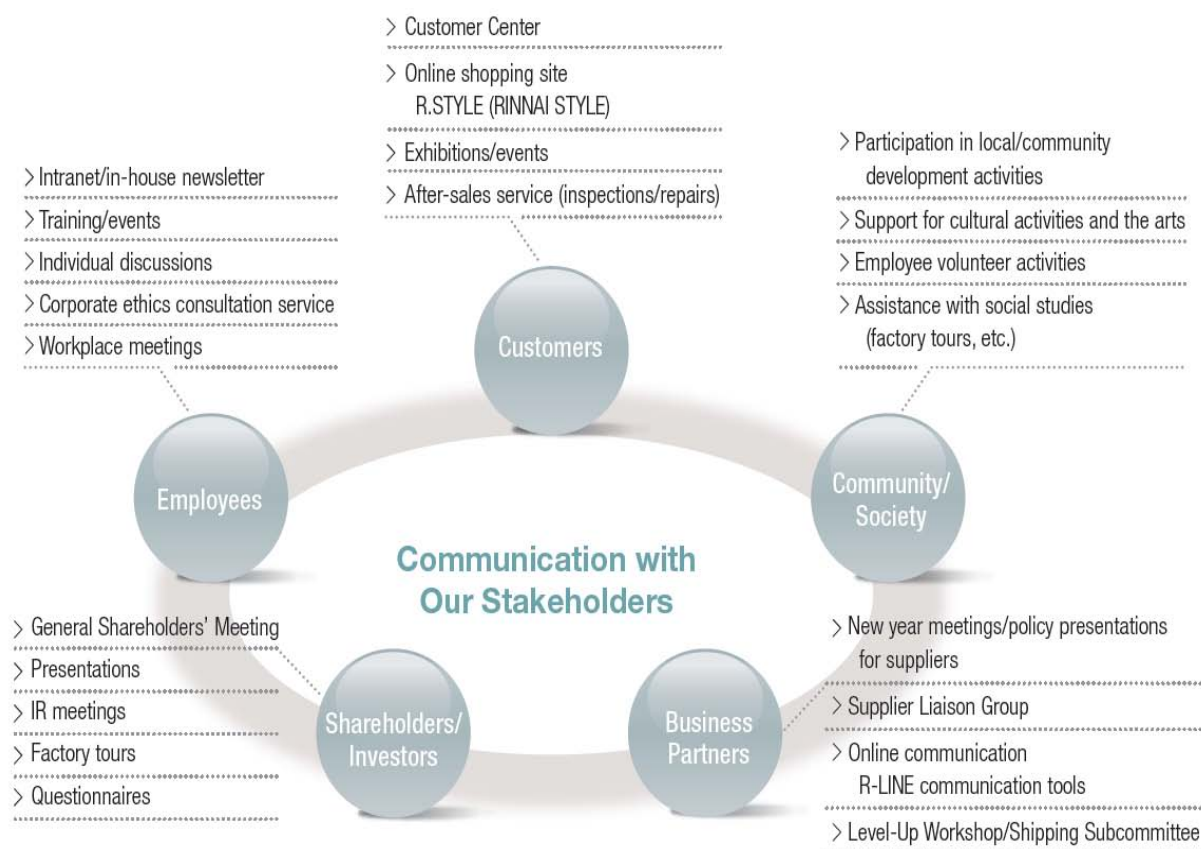
Two-Way Communication Initiatives

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

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

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

Communication with Our Stakeholders

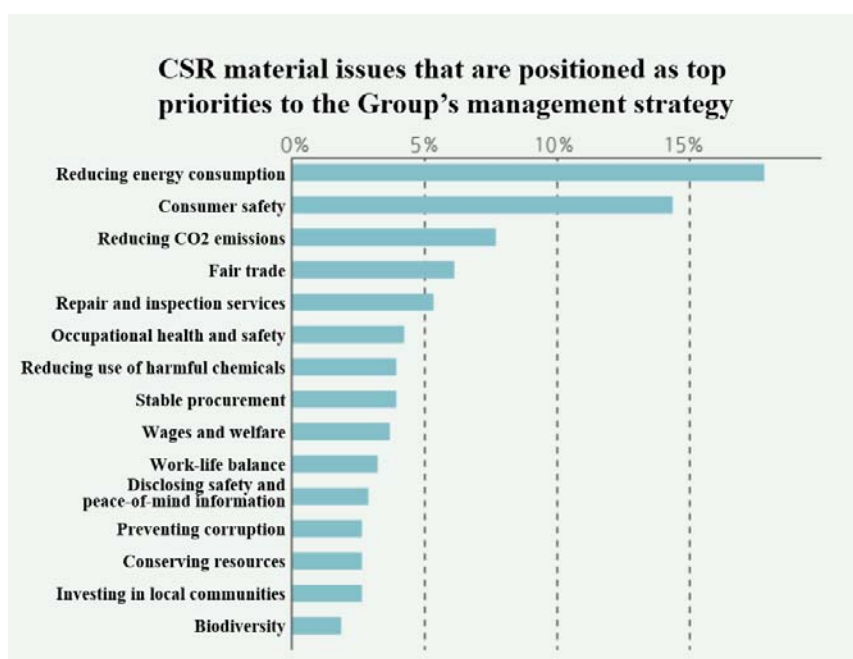
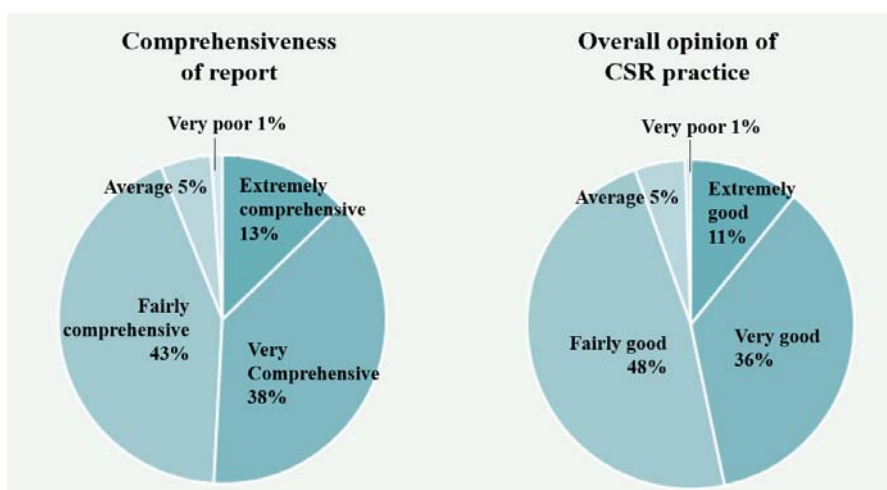


Stakeholder Engagement: Processes and Activities

Key Stakeholders	Means of Communication	Opinions and Issues Raised and Our Responses
Customers	<ul style="list-style-type: none"> - Customer visits - Customer Center (handling inquiries, arranging repairs) - Exhibitions and other events - New Year parties and policy briefings - Product seminars and training sessions - Questionnaires - “R.STYLE” online shopping site 	<ul style="list-style-type: none"> - We conscientiously answer a range of inquiries from customers concerning products and parts, and post frequently asked questions on our website. - Customers who have had repairs done are surveyed to gauge their satisfaction with elements of service such as “ease of getting through by phone” and - “politeness of operators.” Details of responses are then fed back to operators so that they can remedy unsatisfactory areas. - Respondents to a questionnaire survey of registered users indicated that they would prefer user registration to be handled by stores. In response, in July 2012 we revised our user registration procedure and made improvements by, e.g., providing better explanations and making it clearer to customers that they can request stores to do the registration paperwork for them. - As some people are unaware of Maintenance and Inspection System of Long-Life Products, we inform customers of this system when we have contact with them (e.g., when making repairs).
Employees	<ul style="list-style-type: none"> - Workplace meetings with union representatives - Employee satisfaction surveys - Workplace presentations on personnel system changes - Committees - Intranet and in-house newsletter - Training and related events - Individual discussions - Corporate ethics advisory service 	<ul style="list-style-type: none"> - We have established a number of programs to create a more pleasant working environment, including our Come-Back program, reduced working hours, and telecommuting arrangements, and we will continue to pursue improvements to the physical and psychological working environment. - Responding to requests from employees to be given feedback on their personnel evaluation results, we have introduced arrangements for one-to-one meetings with superiors and encourage headquarters to provide such feedback. - In response to requests to extend the reemployment period, we revised the program and increased the maximum age for reemployment in certain areas from 65 to 68 (for some employees). - We are committed to providing parental support and promoting women’s employment, and are enhancing our programs beyond statutory requirements.
Shareholders/ Investors	<ul style="list-style-type: none"> - General shareholders’ meetings - Results briefings - Investor relations meetings - Factory tours for institutional investors - Seminars for individual investors - Questionnaires 	<ul style="list-style-type: none"> - We carefully explain our “Evolution and Succession 2017” medium-term business plan at results briefings and individual IR meetings, and endeavor to improve understanding of the Group’s management policy and strategy. - We regularly organize facility and factory tours for institutional investors to give them a better understanding of our strengths and competitive advantages, and to outline our approach to manufacturing and technical capabilities. - We hold results briefings and individual IR meetings to answer inquiries and explain our underlying thinking on dividend policy.

Business Partners	<ul style="list-style-type: none"> - New Year meetings - Policy presentations for suppliers - Level-Up Workshops - Leadership Development Group - R-LINE* - R-TALK* - Supplier Liaison Group 	<ul style="list-style-type: none"> - We answer inquiries regarding current production levels and provide production data for individual products and details of future production plans via regular Supplier Liaison Group meetings. - Responding to requests from suppliers for advice on, e.g., improving quality and productivity, we organize Level-Up Workshops for major suppliers to provide them with guidance on making improvements in the workplace and help suppliers to make management improvements.
Communities/ Society	<ul style="list-style-type: none"> - Participation in grassroots/community development activities - Support for cultural activities and the arts - Employee volunteer activities - Support for extracurricular school activities (factory tours, etc.) 	<ul style="list-style-type: none"> - We are asked by people living near our plants and offices to assist with events and festivals aimed at enlivening their communities, and we actively assist and take part in such events as a member of these communities. - We assist in cultural and artistic events in the Nakagawa Canal area and other regions, and provide ongoing support for exchanges and creative activities at the grassroots level. - In response to requests for assistance with community learning and school education, we organize events such as seminars on the history of manufacturing at Rinnai and factory tours for schoolchildren.

*R-LINE and R-TALK are our online channels for sharing information and communicating with suppliers.



Selected Questionnaire Feedback

Q: What do you expect from the Rinnai Group in terms of energy?

- Energy is essential. The more you use, though, the greater is the impact on environment. I'd like Rinnai to pursue ever better efficiency and work to promote the spread of high-efficiency products.
- Energy- and resource-saving thermal energy services and equipment, reduction of the impact on this finite planet, development of a sustainably affluent society for future generations.
- I want Rinnai to take further action to cut CO2 emissions and play a major role as a provider of essential services other than electricity. Humans inevitably consume heat in their everyday lives, but resources are finite and we should try to have as little impact as possible on this planet that we live on.
- I think particular attention has to be paid to renewable energy sources too.

Q. General opinions and impressions

- I would like Rinnai to take conscientious action to put safety first. Saving energy is important, but I don't want people to lose sight of the importance of safety either.
- Rinnai has a potentially major contribution to make given its large share of the residential sector. Is it targeting investment in areas such as improving safety and energy efficiency? Please clearly indicate, in other words, that the company is committed to these areas.
- As Rinnai works with gas and fuels, safety should be a top priority.
- I hope Rinnai further enhances its contribution to local communities.
- I would like to see Rinnai providing assistance to developing countries as well as combating environmental issues.

Communication With Our Customers

Surveys of Customer Satisfaction and Improvement of Products and Services

Communication with our users allows us to monitor levels of satisfaction with our products and services, areas of dissatisfaction, and ways in which we can improve them.

As of the end of June 2015, we had received 6,000 reviews from users of our Cocotte and Cocotte Dutch Oven grill accessories for the DELICIA built-in hob launched in August 2014. Rated for satisfaction on a five-point scale, the Cocotte scored 4.38 and the Cocotte Dutch Oven 4.48.

In answer to the commonest request from reviewers of the Cocotte and Cocotte Dutch Oven, which was for more recipes, in September 2015 we launched the *Bon appétit!! 100 CUISINE* cookbook especially for the DELICIA grill. In this and other ways, we are responding to customer feedback to further improve satisfaction with our products and services.



DELICIA built-in hob



Bon appétit!! 100 CUISINE
cookbook

Taking Advantage of the Internet to Enhance Customer Support

We supply care products and user replaceable parts via our *R.STYLE* online shopping site to help our customers get the most out of their purchases for as long as possible. The site started in October 2006 as online shopping site for the genuine exchangeable parts of Rinnai products. The range of offerings is being constantly expanded in response to direct customer feedback, and now includes cleaning and kitchen supplies that are highly compatible with our products and original products available only through *R.STYLE*.

In March 2013, the number of registered members exceeded 300,000, providing even more opportunities for contact with users of our products. To keep in touch with members' needs, we conduct online questionnaires and use the data obtained to design products that meet these needs and resolve issues that they raise. We will continue to expand direct contact with customers in our quest to deliver better service.



R.STYLE online shopping site

Using Online Customer Feedback Internally to Make Improvements

The extensive feedback provided by customers using the *R.STYLE* shopping site is shared between divisions via our internal *Sunflower Messenger* site so that it can be analyzed and addressed to enhance quality, expand service and support, and drive other improvements. As of the end of fiscal 2015, we have received a total of 40,901 comments to date.



Sunflower Messenger

Targeting Marketing at Younger Consumers

In December 2011 we launched the *HOWARO*, a tabletop gas stove designed especially in response to customer feedback and offered only online as part of our marketing activities targeted at younger consumers. Stoves of this kind normally come in somber colors such as black and gray that do not show the dirt. In contrast, the *HOWARO* comes in off-white with control knobs in an exciting range of edging colors for greater ease of coordination with kitchen color schemes.

In the April 2015, we launched the third-generation *HOWARO*, which was remodeled to further reflect customer wishes based on feedback from an online questionnaire of over 1,200 buyers.



Providing Useful Everyday Information via Social Media

In May 2014 we launched “*Goto-kun’s Daily Recipes*,” a recipe site for smartphones to help people decide what to cook. The site provides a daily selection of seasonal recipes, along with detailed instructions and lots of photos, to assist people struggling to decide what to cook on any given day.

We also launched an official *R.STYLE* Facebook page in June 2014. The aim is to create more points of contact with new customers, by providing useful everyday information in areas such as cleaning and storage, as well as the aforementioned daily recipes.



Goto-kun’s Daily Recipe site, and
Rinnai Style Face Book site (right).

Communication With Our Employees

Basic Policy

We are working to develop a cheerful and satisfying work culture that motivates employees and helps them maximize their potential, and a workplace environment that keeps employees safe and healthy.

We offer both personnel system support and various health and family-friendly fringe benefits to motivate employees and provide them with greater job satisfaction. We also strive to create a homely atmosphere and to improve and maintain a safe and healthy workplace so that every single employee can get the most out of his or her abilities.

We believe that motivation, job satisfaction, and space for growth hold the keys to employees' development and maximization of their potential. To further raise employee satisfaction, therefore, we are pursuing action in the following four areas.

- (1) Provision of opportunities for personal growth (level-specific training, specialist training, practical on-the-job training, optimal placement, rotation)
- (2) Fair and acceptable assessment and remuneration (performance evaluation, face-to-face interview system, improvement of salaries and allowances)
- (3) Development of a homely working environment (improvement of company buildings and environment, regular events, support for club activities, inter-division collaboration)
- (4) Fringe benefit support including family-friendly benefits (optional fringe benefits, health support, company pension, events arranged with employees' union)

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.



<Major Rank-specific Training Programs in Fiscal 2016>

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	129 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)	84 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)	122 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	49 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.

From Our Employees Seconded Overseas (1)

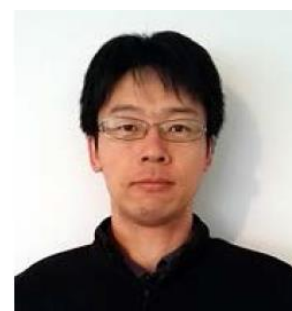
I was seconded from Research and Development Headquarters to Rinnai America two and a half years ago. At Rinnai America, I mainly provide support for new product development, standards and certification, and technical matters. Having been involved in developing products for the U.S. market when I was at Research and Development Headquarters, the opportunity to see at firsthand how our products are received in the U.S. has taught me a lot that is extremely useful to our development activities. In language, culture, ways of thinking, and many other respects, there are of course considerable differences between Japan and the U.S., and I have had my difficulties during my time here. What my experience has shown me, though, is just how much can be achieved by making the effort to communicate properly by carefully understanding the other person and making your point firmly and clearly. The very act of trying to understand the other person opens up new perspectives for you as well. I feel that in order for us to continue to evolve as a global enterprise, we need to further strengthen collaboration between our operations in Japan and overseas and to aim higher, working as a team. My aim is to do my best to make my own small contribution to this process.



Yoshio Goto
Rinnai America Corporation

From Our Employees Seconded Overseas (2)

I have been on loan to Rinnai New Zealand from the Production Engineering Division for around seven months now. Here I am involved in making factory floor improvements utilizing the experience in equipment and jig design that I gained in the departments I worked at before my secondment. I also deal daily with inquiries from a number of departments in Japan, including Overseas Business Headquarters, our development and environmental departments, and plants, as well as the Production Engineering Division. Many of these concern matters that I had not previously been aware of, making every day a learning experience. Dealing with them can often be a struggle due to a variety of factors, including differences in culture and lifestyle, different approaches to work, and difficulty getting ideas across properly due to language problems, but my colleagues in both Japan and New Zealand are always tremendously supportive and I am managing to get things done. So that I can do my job better though, I want to learn more about the culture and lifestyle here and improve my English ability in everyday life, and to strengthen mutual understanding and work more closely with my New Zealand colleagues.



Yusuke Mizuguchi
Rinnai New Zealand

From Our Employees Seconded Overseas (3)

I was assigned to the United Kingdom from the Overseas Business Headquarters, where I was involved in product planning and providing management support for our European subsidiaries. I am currently responsible for management and product collaboration with Japan and also for marketing operations.

I work with my superiors and coworkers to plan and execute sales promotions, and it is enormously rewarding seeing these activities bear fruit. When I have the chance, I like to travel in the U.K. and to neighboring countries, which gives me a valuable opportunity to experience Europe's rich and varied heritages and cultures.

Looking ahead, I think we need to deepen our understanding of markets and customers in not only the U.K. but the whole of Europe if we are to expand our user base in the region. Working with all my colleagues in the U.K., I aim to push ahead with activities to enable us to plan and market products tailored to market needs.



Yuji Omoto
Rinnai UK Ltd.

Succession of *Monozukuri*, the Spirit of Manufacturing

Training at Production Technology 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 Production Technology Center

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 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, and sales training at the nationwide sales offices 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 2015 >

Program and measure	Content	Number of users	
		Fiscal 2015	Fiscal 2014
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.	81	58
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	68	54
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.	0	1
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.	2	1
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	

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 2015>

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)	1,870
Walking Festival (Higashiyama Zoo)	1,560
Kanto Festival (Kasai Rinkai Park)	166
Nationwide BBQ event, in Hokkaido, Tohoku, Niigata, Hokuiku, Shizuoka, Chugoku, Shikoku, and Kyushu	585



Chubu Sports Festival



Nationwide BBQ event (Kyushu)

31st 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 “endangered wildlife,” participants enjoyed environmental quizzes and games while walking the 10,000-step (approx. 4.1 km) course. A total of 1,640 employees and family members participated in the 30th annual event.



Training Seminar by Age	Number of participants
Personality design seminar	100
Life design seminar	38
Self-realization seminar	50
New employee communication seminar	107



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.

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.

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.

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.

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 25 skilled mid-career employees every year.

Support for More Active Roles for Female Employees

(1) Current status of positions held by female employees

Ideas and comments from women are absolutely crucial to our products, particularly as they use so many of our products on a daily basis. We have female employees playing key roles and demonstrating their individual abilities across a wide range of areas, especially in product planning and design departments, sales planning and promotion departments, fixed customer sales departments and production departments. The percentage of women in generalist positions (core jobs) is also increasing every year, with the number of women in executive positions also rising gradually. As of July 2015, the company had four female managers and 67 female employees in managerial positions (2.8% of all generalist positions).

(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>

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)
Reemployment system (Come Back Program)	A program that enables former employees to return to work as a full-time employee
Childcare leave and Family care long leave	Programs to support employees to raise children
Shortened work hour system	A program to support employees to raise children and care their family members
Work from home program	A program to support employees to raise children, care their family members and recover from diseases

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 166 employees working under this program. We offer one-year contracts until the age of 65, with a choice of three options, enabling employees to work full time, alternate days or reduced hours. We also have a system in place to extend employment to the age of 68 in the case of employees with outstanding specialist skills or abilities, to fit in with a wide range of individual lifestyles.

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

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 1.72%. 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 2015, 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. We recorded a total of 26 on-the-job accidents (three fewer than in the previous year). [Divisional breakdown: 21 accidents in production divisions, three accidents in sales and marketing divisions, two accidents in research and development divisions]

In response, under the improvement plan for fiscal 2016, we will comprehensively review what protective gear and tools to wear/use 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 safety 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 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, given that they spend more time driving than other employees. Depending on the details, we have introduced a safe driving "eco drive" promotion system at selected facilities, to monitor data on driving practices on a daily basis. For new employees, as well as raising awareness of safe driving, we implement training program such as driving, risk prediction using moving image, traffic law education, quality test, in cooperation with an outside driving school.



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 (25 clubs including soccer, baseball, golf, cycling, table tennis, bowling, and distance running) to promote employees' health.

Expanding Health Promotion Activities

We have established a Health Support Office and organize employee health promotion activities overseen by specialist health nurses. We offer health guidance and consultations for individual employees and run health seminars, to provide information on subjects such as preventing lifestyle-related diseases.

We also organize mental health seminars and run a support program to help employees who have been on long-term leave to return to work. We provide rehabilitative work-based support so that employees can return to the workplace as smoothly as possible.

To prevent those working long hours from experiencing health problems, we set out standards that go beyond legally required standards, and also arrange consultations with health nurses and industrial physicians.

In our employee cafeteria meanwhile, we work with nutritionists to provide menu options that are designed to keep our employees healthy.



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 2015, we organized four 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 an advanced practical seminar for managers. A total of 242 employees attended 13 seminars in total.

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

Self care	New employees		All employees	
	Basic program		Basic program	Applied program
Line care	Managerial supervisor			
	Basic program	Applied program	Advanced program	Listener program
Internal care	Industrial doctors, public health nurse, health supervisors, labor managers			
External care	Mental health counseling service (telephone/face-to-face)			

External Acclaim and Recognition

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

Rinnai was certified as a “company promoting women’s activities”, as part of a scheme operated by the City of Nagoya (Aichi prefecture) in fiscal 2014. Certification is granted to companies that are making a concerted effort to ensure that women can play an active role, with commendations presented to companies engaging in particularly outstanding initiatives. We have been certified in recognition of three key initiatives aimed at expanding frameworks, assigning duties and changing attitudes, to support female employees so that they can play a greater role in the workplace.



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

In March 2014, Rinnai was registered by Aichi Prefectural Government as a “family friendly company”, based on our commitment to ensuring that employees can strike a balance between their work and private lives. Aichi Prefectural Government has created this registration scheme in order to encourage companies to focus more on work-life balance, and to promote initiatives on a broader scale.



Certified as “General Business Owner Meeting Standards”

In May 2014, Rinnai was certified by the Aichi Labour Bureau of the Ministry of Health, Labour and Welfare as a “general business owner meeting standards” in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, and was awarded the “Kurumin” next generation certification mark. This serves as recognition of our efforts to formulate and implement action plans based on targets such as employing specialist health nurses, securing childcare leave for male employees, and encouraging employees to take annual paid leave.



Certified as “Parent-Friendly Company”

In fiscal 2015, we were recognized as a parent-friendly company under Nagoya’s parent-friendly company accreditation scheme. The purpose of such schemes is to certify or recognize companies that are working to create parent-friendly environments. At Rinnai, we are developing a range of programs to facilitate work-life balance, including telecommuting arrangements and our “Come-Back” reemployment program.



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 2013 (At March 31, 2013)	Fiscal 2014 (At March 31, 2014)	Fiscal 2015 (At March 31, 2015)
Rinnai Corporation	Male	2,517	2,534	2,536
	Female	1,111	1,095	1,094
Domestic Group Companies	Male	1,099	1,108	1,107
	Female	582	567	567
Overseas Group Companies	Male	2,361	2,969	3,032
	Female	1,154	1,320	1,346
Total		8,824	9,593	9,682

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

		Fiscal 2013 (At March 31, 2013)	Fiscal 2014 (At March 31, 2014)	Fiscal 2015 (At March 31, 2015)	Composition
Japan	Male	3,616	3,642	3,643	-
	Female	1,693	1,662	1,661	-
	Sub-total	5,309	5,304	5,304	54.8%
Asia excluding Japan	Male	1,923	2,511	2,549	-
	Female	957	1,124	1,141	-
	Sub-total	2,880	3,635	3,690	38.1%
North America, and Europe	Male	74	92	106	-
	Female	35	41	43	-
	Sub-total	109	133	149	1.5%
Other (Oceania, South-America)	Male	364	366	377	-
	Female	162	155	162	-
	Sub-total	526	521	539	5.6%
Total		8,824	9,593	9,682	100%

Number of employees (non-consolidated)

		Fiscal 2013 (At March 31, 2013)	Fiscal 2014 (At March 31, 2014)	Fiscal 2015 (At March 31, 2015)
Newly recruited employees	Male	102	92	73
	Female	61	49	39
Mid-career recruitment	Male	15	6	7
	Female	13	13	6
Average working years		13.7	14.0	14.2
Average age (years old)		35.3	35.8	36.0
Separation rate (%)		2.0	2.3	2.4
Paid leave utilization ratio (%)		36.2	36.8	41.6
Employment rate of persons with disabilities (%)		1.71	1.74	1.72
Number of employees who used childcare leave		42	58	81
Number of employees who used shortened work hours		57	54	68
Number of employees who used the work-from-home program		1	1	2
Number of on-the-job accidents		36	29	26

Communication with Our Shareholders and Investors

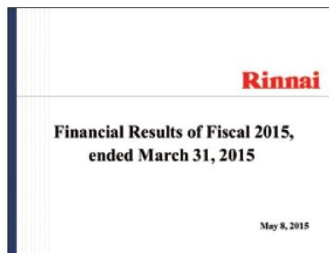
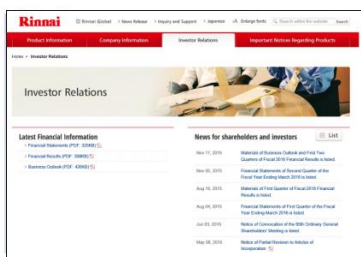
Policy on Information Disclosure

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 is disclosed quickly and fairly, we provide information via channels such as results briefings for analysts and institutional investors (twice a year), biannual shareholder reports, press releases and presentation materials 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 65th term at the Meitetsu New Grand Hotel in Nakamura-ku, Nagoya, on June 26, 2015. To encourage more shareholders to get involved in discussions and attend meetings, we send out notices to convene earlier than the legally required date. We also make every effort to communicate the company's current situation to shareholders in a straight-forward manner, through business reports featuring movies, images and slides for instance.

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.



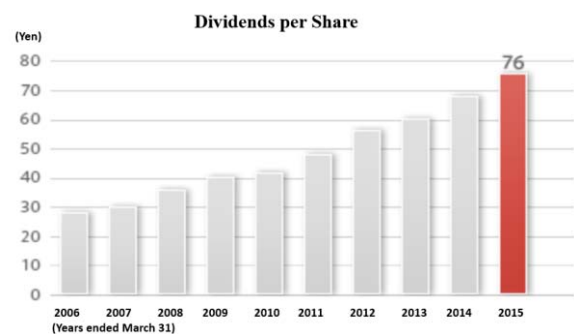
Seminar for individual investors

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 2015 was ¥76 per share, up ¥8 per share from fiscal 2014. This marked the 13rd consecutive year of higher dividends.



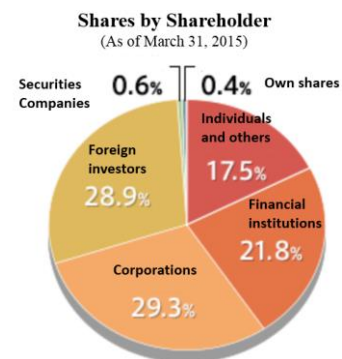
Share Information (As of March 31, 2015)

Number of authorized shares: 200,000,000 shares

Number of outstanding shares: 52,216,463

(Including treasury stock)

Number of shareholders: 4,542



International Assessment of CSR Performance

Rinnai has been selected for inclusion in the FTSE4Good Global Index, a worldwide socially responsible investment (SRI) index, for eleven consecutive years since 2004.



Communication with Business Partners

Rinnai Group Purchasing Policy

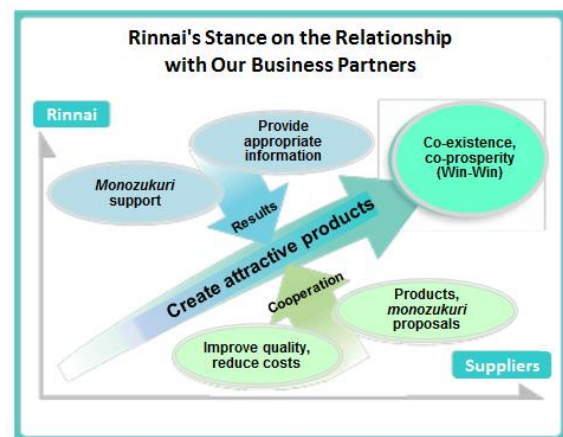
To grow along with our suppliers, we emphasize transactions based on a fair and impartial assessment and selection process and respect for laws and regulations and corporate principles, in accordance with the Rinnai Group Purchasing Policy.

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.

We are similarly committed to using online resources to effectively coordinate information with as many suppliers as possible, using an interactive information-sharing tool called R-LINE.

We are also working to strengthen supply chain management through R-LINE in areas other than quality information and stable procurement, in line with the Reduction of Hazardous Substances (RoHS) Directive and other environmental legislation. This has facilitated the provision of information and enabled us to disclose information to our customers more immediately.



Policy information meetings

Improvement Activities with Our Business Partners

We organize Level-Up Workshop events 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.

Communication with Logistics Partners

We hold a logistics policy information meeting to help service providers gain deeper insight into the logistics policy, targets and measures of the Company and logistics department. In addition, we arrange partnership meetings to reduce environmental impact in relation to the transportation and storage of products, and to improve the quality. We also visit partners' working sites regularly to share issues with them and help them make improvements.

Forklift Contest

We stage a regular forklift contest for employees of our group companies and logistics partners. The aim of the contest is to make the workplace safer and more secure by driving home the basic rules on forklift truck operation and raising handling skills. The fifth forklift contest was held at our Integrated Logistics Center in May 2015, and a total of 26 competitors took part: 14 from the Rinnai Group and 12 from our logistics partners.



Forklift contest

Communication 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.

Support for the Restoration of the Nakagawa Canal

Headquartered in Nagoya's Nakagawa Ward since our foundation in 1920, we are committed to contributing to society and giving back to the local community that has watched over us and helped to grow over our 95-year history. Our head office is located near the Nakagawa Canal, and we are donating ¥10 million every year for 10 years (¥100 million in total) to the Nakagawa Canal Restoration and Cultural/Artistic Assistance Project (known for short as "Nakagawa Canal ARToC10") set up in fiscal 2012 to restore the canal and surrounding area. The aim of the program is to revive the district and make it a cultural and artistic hot spot by turning the canal into a venue for modern contemporary art.

Now in its third year, the project has drawn steadily growing awareness among local residents and artists and triggered interest in the Nakagawa Canal. In November 2014, a Nakagawa Canal ARToC10 art event was held at our former parts center located near the canal. This heavily attended event featured violin performances by local Suzuki method students and contemporary dance by the locally born dancer Nobuyoshi Asai.



View north from Nagara-bashi Bridge on the Nakagawa Canal



Suzuki method violinists perform at ARToC10



Performance of contemporary dance by Nobuyoshi Asai

3.1-mile Walk (to Raise Funds for Alzheimer's Patients)

Employees at Rinnai America Corporation took part in an Alzheimer's Association walk held on October 4, 2014, to foster awareness and understanding of Alzheimer's disease and raise funds for support and research on the disease. This event is held in 600 locations annually across the United States.



Gas Ranges for the Habitat for Humanity Project

Every year since 2009, Rinnai Korea Corporation has been donating gas ranges for families moving into homes built by Habitat for Humanity in South Korea. This is a project that tackles housing issues by building homes and helping people become independent in around 80 countries around the world. In 2014, Rinnai Korea supplied 46 gas ranges in regions including Seoul and Gunsan.



Visit to Independent Living Center

Employees from Rinnai Brazil Heating Technology Co., Ltd. visited a center run by the Independent Living Support Association in the city of Mogi das Cruzes in São Paulo, Brazil, and presented 600 Easter chocolates to the children with disabilities who use the facility. In addition, they visited Pro+Vida, a welfare facility for the elderly, which is also one of their activities as a member of local community.



Walk to Raise Funds for Cancer Charity

Employees from Rinnai UK Ltd. organized a charity walk along the 7.5-mile (12-kilometer) Sandstone Trail to support the John Holt Cancer Support Foundation. This raised £782.80 in online donations from 33 individuals and groups, and this was donated to the charity to support cancer patients and their families. Employees from Rinnai America Corporation took part in the Alzheimer's Association Walk, held to raise awareness and understanding of Alzheimer's and raise funds for support and research on the disease.



Donation of Water Heaters to the Wounded Warrior Project

Rinnai America Corporation donated hybrid tank and tankless water heaters to homeowners receiving support through the Wounded Warrior Project, which provides homes to ailing and injured military veterans and their families.



Food Drive for the Real Life Center

Employees at Rinnai America Corporation collected over 15 kinds of foodstuffs to donate to the Real Life Center.



Communicating with Schoolchildren

Exhibitor at Eco Product

We have exhibited at Eco Products since 2013. Organized by Nikkei Inc. and the Japan Environmental Management Association for Industry, this exhibition is distinguished by the many educational school tours it attracts, as well as business people and ordinary members of the public like other such events. Our booth at Eco Products 2014 drew large numbers of school kids, giving them a great opportunity to learn more out about our energy-saving, environmentally friendly products and environmental activities.



Vocational Training for College Students

Rinnai (Thailand) Co., Ltd. provided vocational training in plant safety and risk management to two college students. The purpose of this program is to contribute to the development of safety risk managers, as all production plants in Thailand are required by law to have permanent professional safety risk managers.



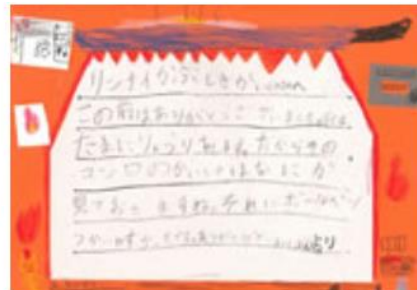
Tour of Oguchi Plant by the Nakagawa Manufacturing Bus Tour

Twenty-five first- through ninth-graders visited our Oguchi Plant (the main factory where we manufacture kitchen appliances) on the Nakagawa Manufacturing Bus Tour organized by the Nakagawa Ward authorities in Nagoya. We also actively welcome local schoolchildren on other tours of our plants, which we seek to use as a platform for extracurricular learning about manufacturing by introducing our production facilities and explaining about our products and how they are assembled.



Community Expedition to the Kansai Training Center

Second-graders at the Enami Elementary School in Joto-ku, Osaka, formed a “community expedition party” to visit the nearby Kansai Training Center as part of their extracurricular activities. There they explored the product showcase and toured other parts of the center. Some days later we received a warm message of thanks from the children.



Communication with International Students

In July 2015, two Indonesian students studying in Japan visited our head office showroom and the Nagoya Training Center to gather material for one of a series of videos made by international students at universities in the Tokai region and hosted by the Center for International Cultural Exchange of Technology. With video camera in hand, the students report on various aspects of Japan from their perspectives as international students, and the results are broadcast to the rest of the world via social media such as Facebook. At the Nagoya Training Center, the two students discovered what it is like to cook with our built-in hobs and sampled Japanese culinary culture.



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 2015

Major financial contributions and sponsorships

- * Chubu High-tech Center (CHC)
- * Nagoya Urban Development Public Corporation (support for restoration project on the Nakagawa Canal)
- * Japan Virtuoso Symphony Orchestra Concert
- * 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)
- * Jazz for Kids in Nakagawa
- * *Haruhime Dochu* (Spring Queen Parade) at Nagoya Castle Culture Forum
- * New York City Opera Orchestra Concert in Japan
- * Performance of contemporary dance by Nobuyoshi Asai in France

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.



Once a month, employees at Yanagisawa Manufacturing Co., Ltd. clean up litter along the commuting route between Kadomashi Station and its head office.



Japan Ceramics Co., Ltd. organizes cleanup activities around the plant's parking areas.



At RB Controls Co., Ltd., 76 employees took part in a "clean beach" event to remove litter from bathing beaches in Uchinada, Ishikawa Prefecture.

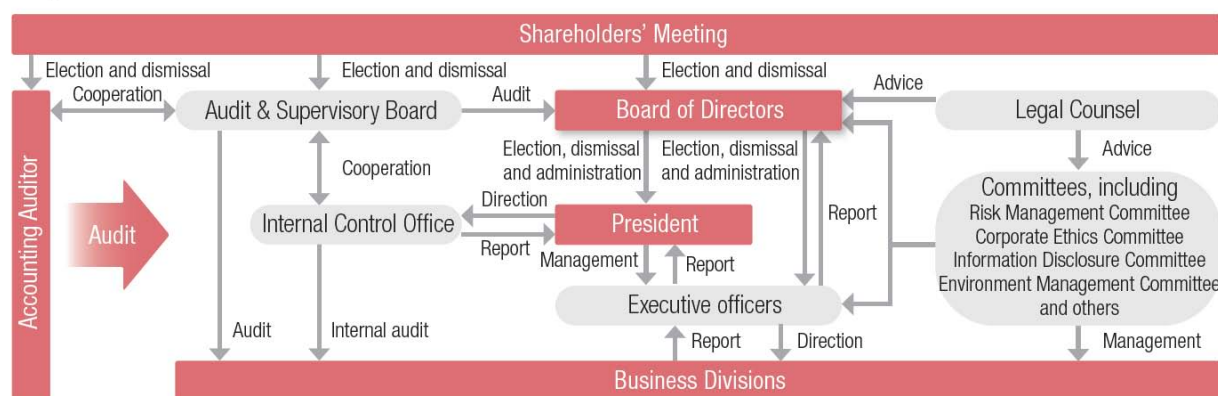
Management System

Corporate Governance

Basic Policy

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.

Corporate Governance Structure



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 seven members (including one outside director) 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.

Executive Structure

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

Structure for Monitoring Management Performance

Audit & Supervisory Board has four Board Members, two of whom are outside members. Audit & Supervisory Board Members 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, Deloitte Touche Tohmatsu LLC undertakes accounting audits and verifies the soundness of accounting-oriented internal controls from a third-party perspective.

Reason for Choice of Current Corporate Governance Structure

The company has one outside member on the Board of Directors and two outside members on the Audit and Supervisory Board. We consider neutral and objective monitoring of management by outside parties to be an important element of good corporate governance, and believe that outside directors and auditors fulfill this role and ensure that management monitoring by outside parties functions properly.

Development and Strengthening of Internal Controls

Internal controls are developed in accordance with our “Basic Policy on Development of Internal Control System,” which was adopted by the Board of Directors to ensure that business is executed appropriately and efficiently. The state of implementation is confirmed by means including risk management and internal audits, and the content of the basic policy is revised regularly every year.

To maintain compliance with internal control reporting requirements under the Financial Instruments and Exchange Act, the Internal Control Office (an independent division) assesses the effectiveness of development and functioning of controls to ensure the reliability of financial reports.

Director and Auditor Compensation

The maximum amounts of compensation paid to directors and auditors and other related matters are determined by resolutions of general meetings of shareholders. Our internal regulations provide for basic matters concerning directors’ compensation, including method of determination, revisions, and reductions, and the amounts paid are determined in accordance with these provisions by resolution of the Board of Directors in the case of directors’ compensation, and through deliberations by the auditors in the case of auditors’ compensation. At Rinnai, directors are paid a fixed amount commensurate with their assigned duties. (We did have a retirement benefit system for directors, but this was terminated at the general meeting of shareholders held on June 27, 2008.)

Any directors or auditors who receive total consolidated compensation of ¥100 million or more are listed individually in the financial statements. Note that the details of compensation paid to directors of the company in fiscal 2014 are for compensation paid to the seven internal directors, and compensation in that year came to ¥376 million. (This figure does not include salaries paid to directors who serve concurrently as employees.)

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.

Risk Management

Risk Management Policy

As social structures become more complex, the risks faced by companies are becoming more diverse. As the Rinnai Group continues to expand its business globally within this environment, we are committed to risk management in order to ensure stable business activities that sustain the trust of customers and society as a whole.

Risk Management Promotion System

A “Risk Management Committee” made up mainly of executive officers and divisional heads and chaired by the president meets regularly to identify key risks with the potential to impact on our survival, credibility, business activities, and assets. It also determines the divisions with primary responsibility for each risk, develops mechanisms to prevent them from materializing, rapidly resolves crises, minimizes any damage that may occur as a result, and prevents recurrences. The committee works with all divisions and group companies to head off risks and enhance risk response capabilities.

Identified Risks (Examples)

- Risk of non-compliance or management in violation of applicable legislation, etc.
- Risk of destruction or damage to factories, buildings or production facilities due to a disaster or accident
- Risk of suspension or delays with raw material procurement activities
- Risks relating to the environment
- Risk of bodily injury
- Risks relating to information leaks
- Risk of damage to mission-critical systems
- Risk relating to social media
- Risks relating to infection from new strains of influenza, norovirus, etc.

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 one of our 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 Nankai Trough.

Stable Procurement

See page 112 “Measures for Risk Management and Stable Procurement”.

Information Securities Measures

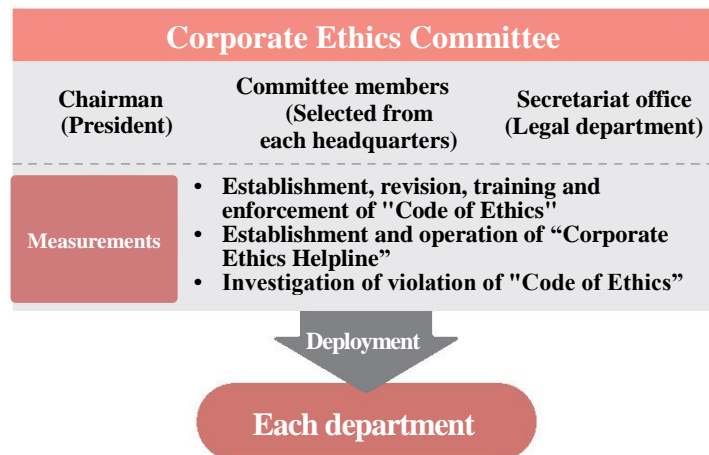
While society becomes more demanding toward company's security reinforcement issues, our Group as a whole promotes the adequate management of security systems by strengthening the awareness for proper information handling through the establishment of the rules for confidential information management 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 and spam countermeasures.

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 behavioral 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 18 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 at P.T. Rinnai Indonesia (left)
and Rinnai Brasil Heating Technology Ltd. (right)



Compliance Promotion Activities

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 2015, a total of 246 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 256 employees attending sessions in fiscal 2015.

We also provide compliance-related information to employees at group companies in Japan via other channels, including the Group’s intranet, which we use to publish information on topics such as legal revisions and articles explaining law that applies to our operations.



Legal education

Fiscal 2015, Actual of number of training attendants

Name of course	Number of attendants
Legal education	246 people
Ethic education by layer	256 people

Confirmation and Modification of Compliance Activities

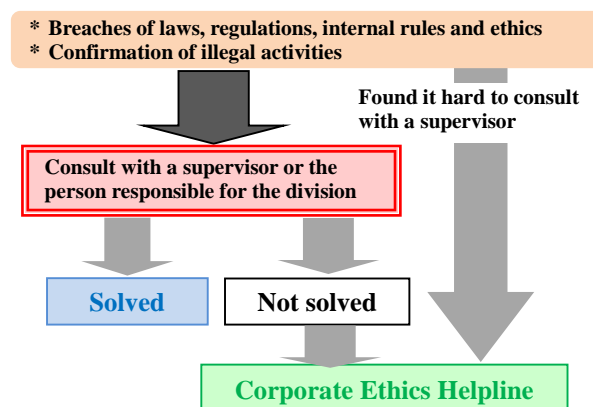
Every year, we conduct employee questionnaires to ascertain how deeply ingrained our Corporate Philosophy has become. In fiscal 2015, breaking down the penetration rate for each component of our corporate philosophy, we found that 99.5% of respondents were familiar with the corporate motto and 99.2% 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 2015, the helpline received seven 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 and 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 2015.

Compliance Violations

There were no serious compliance violations in fiscal 2015.

Major Award Winning History

Rinnai received following awards from April 2014 to September 2015.

Rinnai Corporation		
2014	June	Aichi Invention Award 2014 from Aichi Invention Association
		Technology Grand Award 2014 from The Japan Gas Association
		Commendation from the Commissioner of the Fire and Disaster Management Agency for Oguchi Factory as a superior facility which handles hazardous materials
	August	Large and Heavy Good Packaging Prize of Japan Packaging Contest 2014
	October	Good Design Award 2014
	November	Best Practice Award 2014 and Special Award “Ohoshi” from the CRM Association Japan
		Energy Saving and New Energy Grand Prize in Kitaguni (northern area in Japan) Grand Award 2014, Development and Manufacturing section, from METI Hokkaido
2015	June	The Japan Gas Association Technology Award 2015 from The Japan Gas Association
		Aichi Invention Award 2015 from Aichi Invention Association

RB Controls Co., Ltd.		
2014	November	Superior Company as a Work and Life Balance Award from Hakusan City, Ishikawa Prefecture

Rinnai Korea Corporation		
2014	April	Brand Survey by KMAC: Korea Brand Power Index No.1 at gas range section
	December	Brand Survey by KMAC: Company which a customer recommends most No. 1 at residential boiler section
2015	February	Brand Survey by KMAC: Korea's Most Admired Companies No. 1 at residential boiler section
		Brand Survey by KMAC: Korea Brand Power Index No.1 at gas range section

P.T. Rinnai Indonesia		
2014	September	Platinum Award in the tabletop cooker category of the 2014 Indonesia Best Brand Awards
2015	September	Platinum Award in the tabletop cooker category of the 2015 Indonesia Best Brand Awards

Rinnai New Zealand Ltd.		
2015	March	Product of the Year Award from the Master Plumbers Society of New Zealand

Brivis Climate Systems Pty Ltd		
2015	June	Australian Good Design Award at Hardware and Building category

Oguchi Factory

Location	Kaechi, Oguchi-cho, Niwa-gun, Aichi
Number of employees	826 (as of March 31, 2015)
Business	Manufacture of gas equipment
Land area	48,352 m ²
Total floor space	37,093 m ²
Commenced operations:	1964
Acquisition of ISO14001 certification:	October 1997



Major production items



Gas tabletop cookers



Gas built-in hobs (stovetops)



Built-in ranges



Dishwashers and others

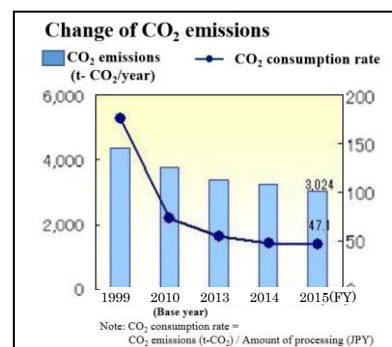
Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m ³)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
420.6	60.9	5.2	30.4

Emissions into the air

CO ₂ emissions (t-CO ₂)	NO _x emissions (t)
3,024	2.6



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 (%)
46,997.0	0.0	0.0	46,997.0	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.)
80	Xylene	1,000.0	0.0	0.0	0.0	0.1	29.0
296	1,2,4-trimethylbenzene	1,000.0	0.0	0.0	0.0	0.0	0.0
300	Toluene	900.0	0.0	0.0	0.0	0.0	170.0
309	Nickel compounds	0.0	0.0	0.0	0.0	1.9	56.0
405	Boron compounds	0.0	0.0	0.0	0.0	2.2	230.0

*The Class I Designated Chemical Substance regulated by Pollutant Release and Transfer Register (PRTR) Law.

Air

Equipment	Substance	Regulation value			Actual value
		National	Prefectural	Voluntary	
Baking furnace	Soot and dust	0.25	0.25	0.16	0.001
	NOx	180	180	150	83.8
Boiler	Soot and dust	0.10	0.30	0.08	0.003
	NOx	150	150	96	64.7

■ Units of regulation values
Soot and dust: g/m³N
NOx: ppm

■ 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	—	—	—	363	1	99
pH	5.7 - 8.7	5.7 - 8.7	5.8 - 8.7	7.3	6.9	7.1
BOD	300	300	240	190	36	71.2
SS	300	300	240	100.0	19.0	52.2
n-Hex mineral oil	5	5	4	< 0.5	< 0.5	< 0.5
n-Hex vegetable oil	30	30	24	8.8	3.2	5.5
Copper	3	3	2.4	0.06	0.00	0.04
Zinc	2	2	1.6	1.30	0.10	0.24
Soluble iron	10	10	8	0.10	0.00	0.10
Soluble manganese	10	10	8	N.D	N.D	N.D
Nitrogen	150	150	120	48.0	15	28.3
Phosphorus	20	20	16	5.4	2.1	3.5
Iodine consumption	220	220	176	19.0	4.6	9.2

■ The unit of the amount of discharge is m³/day

■ The values are expressed in mg/L except for pH

■ Water discharge standard:

* pH: Sewer discharge standard
Concentration of hydrogen ions

* BOD: Biochemical oxygen demand

* SS: Concentration of aqueous suspended solids

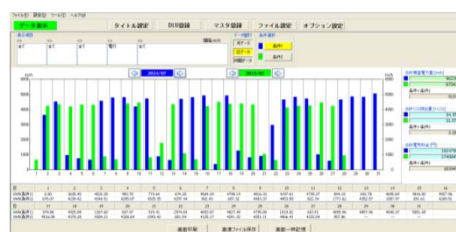
* N.D.: Equal to or less than the minimum determination limit (undetectable)

* Values in parentheses are daily mean values.

Environmental Initiatives

Energy saving initiatives

A system to visualize the use of energy was introduced to enhance our level of monitoring and to reduce wasted energy.



System screen
which visualizes the use of energy

Resource saving initiatives

The plate thickness of the environmentally-friendly tabletop gas stove has been made thinner and lighter weight. Its configuration makes automation easier and our expert use of screw tightening and other technologies has led to shorter assembly lead times.

Amount of resources saved: Approx. 1.5 kg/unit
(Approx. 18% reduction compared to our previous product)



Tabletop cookers (RT64JT)

Seto Factory

Location	Anada-cho, Seto-shi, Aichi
Number of employees	747 (as of March 31, 2015)
Business	Manufacture of gas equipment
Land area	42,649 m ²
Total floor space	27,351 m ²
Commenced operations	1979
Acquisition of ISO14001 certification	December 2000



Major production items

ハイブリッド給湯器 エコワン
ECO ONE



Hybrid water heater with heating system

ECO ONE



Heating source for gas water heater



Gas water heaters and others

Data on Environmental Load by Site

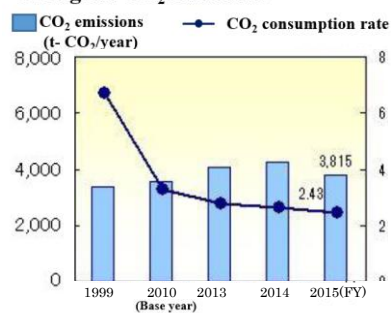
Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m ³)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
667.4	53.3	26.7	15.6

Emissions into the air

CO ₂ emissions (t-CO ₂)	NOx emissions (t)
3,815	3.4

Change of CO₂ emissions



Note: CO₂ consumption rate = CO₂ emissions (t-CO₂) / Amount of processing (JPY)

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 (%)
2,188.7	0.0	0.0	2,188.7	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	1,100.0	0.0	0.0	0.0	0.0	100.0
80	Xylene	1,400.0	1.6	0.0	0.0	0.0	100.0
87	Chromium and chromium (III) compounds	0.0	0.0	0.0	0.0	0.0	0.0
308	Nickel	0.0	0.0	0.0	0.0	0.0	0.0

*The Class I Designated Chemical Substance regulated by Pollutant Release and Transfer Register (PRTR) Law.

Air

Equipment	Substance	Regulation value* ₁			Actual value* ₂
		National	Prefectural	Voluntary	
Boiler	Soot and dust	0.10	0.30	0.05	0.002
	NOx	150	150	79	28.7

*1 Units of regulation values

Soot and dust: g/m³N

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	—	—	—	116	10	47.6
pH	5.8 - 8.6	5.8 - 8.6	6.0 - 8.4	7.9	6.9	7.3
BOD	160 (120)	25 (20)	20	3.1	< 0.5	0.9
COD	160 (120)	25 (20)	20	4.6	0.5	2.2
SS	200 (150)	30 (20)	20	4.0	< 1	0.3
n-Hex mineral oil	5	2	1.6	< 0.5	< 0.5	< 0.5
n-Hex vegetable oil	30	10	8	< 0.5	< 0.5	< 0.5
Copper	3	1	0.5	0.04	0.01	0.02
Zinc	2	2	1	0.4	N.D.	0.1
Soluble iron	10	10	2.5	0.1	N.D.	0.0
Soluble manganese	10	10	2.5	N.D.	N.D.	N.D.
Nitrogen	120 (60)	120 (60)	30	7.8	0.4	2.6
Phosphorus	16 (8)	16 (8)	4	0.66	0.01	0.12

- The unit of the amount of discharge is m³/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 initiatives

We strive to thoroughly eliminate waste by daily improvement efforts in the workplace and by strengthening energy saving.

<Promote further energy savings through better productivity>

In the water heater assembly and inspection process, we focused on the drying process with its long cycle time. After an examination and analysis of quality, the environment, cost, etc. from a variety of perspectives, we were able to optimize the shape of the parts which reduced the drying time (reduced the amount of energy consumed).



Reduction in CO₂ emissions: Approx. 46 tons-CO₂/year

<Promoted energy savings through various efforts to update air conditioning systems>

We updated our air conditioning systems to an energy efficient type and revised the temperatures our heating and cold water were set at to conserve energy. We also worked to reduce energy consumed in the workplace by optimizing the layout.

Reduction in CO₂ emissions: Approx. 63 tons-CO₂/year

* Includes the benefits of updating the air conditioning system

Resource saving initiatives

We increased the color variations of connectors used in wire harnesses to prevent incorrect connections. We also changed from dyeing the connectors the correct color to pre-colored connectors which significantly reduced our environmental impact and streamlined the process. We changed our materials and parts packaging to make it less wasteful along with improvements to the entire production flow including our distribution network.

Reduction in discharge of waste emissions: Approx. 21 tons /year

Reduction in water consumptions: Approx. 19,000 liters/year



Ten different colored connectors

Communicating with local communities

We organize factory tours for local elementary school students and explain to them how the water heaters they use at home work.



Explaining how water heaters work

Asahi Factory

Location	Nishiyama-cho, Owariasahi-shi, Aichi
Number of employees	251 (as March 31, 2015)
Business	Manufacture of gas equipment
Land area	17,772 m ²
Total floor space	7,619 m ²
Production started	1960
Acquisition of ISO14001 certification	November 2003



Major production items



Gas fan heaters


 Gas clothes
dryers

 Bathroom
heaters/dryers

 Fan-forced
gas heaters

 Infrared heaters
and others

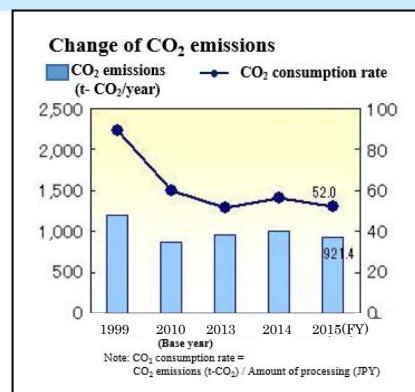
Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	City gas (13A) (10,000 m ³)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
139.4	17.1	2.4	4.2

Emissions into the air

CO ₂ emissions (t-CO ₂)	NOx emissions (t)
921.4	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 (%)
517.7	0.0	0.0	517.7	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	600.0	0.0	0.0	0.0	6.0	1,000.0
80	Xylene	1,200.0	0.0	0.0	0.0	6.0	1,100.0
296	1,2,4-trimethylbenzene	100.0	0.0	0.0	0.0	6.0	240.0
300	Toluene	1,400.0	0.0	0.0	0.0	6.0	4,200.0

*The Class I Designated Chemical Substance regulated by Pollutant Release and Transfer Register (PRTR) Law.

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	29.3

- Units of regulation values
Soot and dust: g/m³N
NOx: ppm
- 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	—	—	—	64	15	39.1
pH	5.7 - 8.7	5.7 - 8.7	5.9 - 8.5	7.5	7.0	7.2
BOD	300	300	210	190	50	88
SS	300	300	210	81.0	19.0	47.4
n-Hex mineral oil	5	5	3.5	1.4	< 0.5	0.8
n-Hex vegetable oil	30	30	21	4.8	0.7	2.3
Copper	3	3	2.1	N.D.	N.D.	N.D.
Zinc	2	2	1.4	0.5	0.1	0.3
Soluble iron	10	10	7	0.4	0.1	0.3
Soluble manganese	10	10	7	N.D.	N.D.	N.D.
Nitrogen	240	240	168	53.0	33.0	43.6
Phosphorus	32	32	22.4	5.9	3.0	4.2
Iodine consumption	220	220	154	32.0	10.0	19.3

- The unit of the amount of discharge is m³/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 initiatives

We performed various improvements including updating our air compressor which is one of the core equipment in our plant.

Ex.) Energy saving including improvements to the operation and control of cooling towers and dryers

Reduction in electricity consumptions: Approx. 44,000kWh /year

Reduction in CO₂ emissions: Approx. 17 tons-CO₂/year

Reduction in water consumptions: Approx. 125 m³/year

Waste initiatives

We are actively involved in improving the quality of our recycling.

- Introducing a material recycling system whereby we separate and recover polypropylene (PP) contained in waste plastic, and then reuse it as a raw material
- Using waste oil as a valuable resource, etc.



Separating and recovering materials

Communicating 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

Yanagisawa Manufacturing Co., Ltd.

Location	Yanagi-machi, Kadoma-shi, Osaka
Number of employees	320 (as March 31, 2015)
Business	Manufacture of gas equipment
Land area	20,098 m ²
Total floor space	19,314 m ²
Commenced operations	1936
Acquisition of ISO14001 certification	June 2004



Major production items



Commercial-use
kitchen units



Commercial-use
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)
182.5	34.3	0.1	5.8

Emissions into the air

CO ₂ emissions(t-CO ₂)	NOx emissions(t)
1,458	1.2

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 (%)
597.7	0.0	0.0	597.7	100.0

Air

Equipment	Substance	Regulation value* ₁			Actual value* ₂
		National	Prefectural	Voluntary	
Boiler	Soot and dust	0.15	0.10	0.10	0.0028
	NOx	150	150	150	3
Drying furnaces	Soot and dust	0.15	0.10	0.10	0.0023

■ Units of regulation values

Soot and dust: g/m³N

NOx: ppm

■ 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	—	—	—	74	59	66
pH	5.0 - 9.0	5.0 - 9.0	5.9 - 8.5	8.1	7.0	7.6
BOD	600	600	300	53.0	8.9	30.9
SS	600	600	300	55.6	2.4	29.0
n-Hex mineral oil	5	5	5	3.2	1.0	2.1
n-Hex vegetable oil	30	30	24	20.9	3.1	24.0
Zinc	2	2	2	0.90	0.02	0.44
Phosphorus	32	32	30	28.1	0.2	14.1

■ The unit of the amount of discharge is m³/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

Environmental Initiatives

We carry out regular environmental patrols to eliminate air leaks.



Environmental patrols

Resource saving initiatives

We carry out environmental preservation activities as part of coating processes at the factory. As a result, we have managed to save a considerable amount of water and have reduced the volume of chemicals we use for wastewater treatment.

Example initiatives

- Changing water supply methods for pre-coating treatment processes (Addition of automatic control devices, etc.)
- Utilizing automated temperature control of chemicals in pre-coating treatment processes
- Installing recirculation and filtration systems which almost completely filters the entire amount of chemical liquid used in a tank
- Regularly checking for leaks from pumps, carrying out repairs in-house, etc.



Waste water processing facility



Water supply



Pre-coating treatment
(filtration system)



Monitoring water consumption
(water meter)

Reduction in in water consumption: Approx. 19,000m³/year
Reduction in in waste discharge: Approx. 13 tons/year

Communicating with local communities

Our employees regularly take part in cleanup activities along commuting routes and in the area surrounding the factory. Total participants to date: 13, every month



Employee cleanup operations



Cleanup activities along commuting routes



Rinnai Technica Co., Ltd.

Location	Sakagawa, Kakegawa-shi, Shizuoka
Number of employees	521 (as of March 31, 2015)
Business	Manufacture of gas equipment
Land area	41,239 m ²
Total floor space	10,775 m ²
Commenced operations	1970
Acquisition of ISO14001 certification	December 2003



Major production items:



Gas water heaters



Gas instant-heating hot-water heaters



Gas water heaters for overseas market

Data on Environmental Load by Site

Energy use

Electricity (10,000 kWh)	LP gas (t)	Other fuels (kl) (crude oil equivalent)
269.9	407.6	5.4

Emissions into the air

CO ₂ emissions (t-CO ₂)	NOx emissions (t)
2,274	2.2

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 (%)
948.3	0.9	0.0	947.4	99.9

Water discharge

Substance	Regulation value			Actual value		
	National	Prefectural	Voluntary	Maximum	Minimum	Mean
Amount of discharge	—	—	—	—	—	44.0
pH	5.8 - 8.6	—	6.3 - 8.1	7.6	7.3	7.5
BOD	160 (120)	25 (20)	20 (15)	15	0.7	5.6
COD	160 (120)	—	20 (15)	9.3	4.1	6.7
SS	200 (150)	50 (40)	30 (20)	6.0	< 2.0	2.4

- The unit of the amount of discharge is m³/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 initiatives

We are actively promoting a more environmentally-conscious and safe factory design in conjunction with establishing our new factory.

- Shortening the distance required to move items inside the factory (Reorganizing the layout of equipment and assembly line)
- Shortening the operating time of the compressor
- Proactively installing LED lighting
- Efficiently using air conditioning



Installing LED lighting

Reduction in power consumption: Approx. 64,000 kWh/year

Reduction in CO₂ emissions: Approx. 24 tons-CO₂/year

*Calculation of benefits by improving the compressor and installing LED lighting

Following on from Factory 2 the previous year, this year we applied heat shield coating to the roof of Factory 1. This has helped prevent temperatures inside the factory from rising due to the surface temperature of the roof during the summer, and has also helped reduce strain on air conditioning systems (= energy consumption).

Reduction in power consumption: Approx. 44,000 kWh/year

Reduction in CO₂ emissions: Approx. 17 tons-CO₂/year



Area of the roof coated (corrugated panels on Factory 1)

Communicating with local communities

We regularly pick up litter in the areas around Kakegawa Station and Kakegawa Castle, as part of the “Small Kindness” movement. Total participants to date: 40





Group photo of participants



Cleanup activities



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	658 (as of March 31, 2015)	
Business	Manufacture of gas equipment components	Head office
Land area	Head office:3,691 m ² , Kanaiwa:3,292 m ² , Tsurugi: 17,636 m ²	
Total floor space	Head office:2,892 m ² , Kanaiwa:5,809 m ² , Tsurugi: 10,495 m ²	
Commenced operations	1971	
Acquisition of ISO14001 certification	March 2006	

Major production items



Electronic control units



High voltage units



Bathroom waterproof TV



Bathroom LED lights
And others



Tsurugi Factory

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)
555.5	2.1	289.5	21.4

Emissions into the air

CO ₂ emissions (t-CO ₂)	NO _x emissions (t)
3,068	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 (%)
371.8	13.2	6.1	364.7	95.1

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	3,200
186	Methylene dichloride	0.0	0.0	0.0	0.0	0.0	2,200
265	Tetrahydromethylphthalic anhydride	0.0	0.0	0.0	0.0	0.0	23,000
448	Methylenebis (4,1-phenylene) diisocyanate	0.0	0.0	0.0	0.0	0.0	0.0
460	Tritolyl phosphate	0.0	0.0	0.0	0.0	0.0	2,800

*The Class I Designated Chemical Substance regulated by Pollutant Release and Transfer Register (PRTR) Law.

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	2,900
448	Methylenebis (4,1-phenylene) diisocyanate	0.0	0.0	0.0	0.0	0.0	0.0
460	Tritolyl phosphate	0.0	0.0	0.0	0.0	0.0	54,000

*The Class I Designated Chemical Substance regulated by Pollutant Release and Transfer Register (PRTR) Law.

Environmental Initiatives

Environmental awareness initiatives

We created our own unique environmental characters called the *Happies* to promote environmental efforts in the office by placing it as a marker around areas where we are trying to be more efficient to spread the word. We made panels which describe our excellent environmental efforts and each year at the cultural festival we display them to let participants know about our efforts.

(*) Origin of the *Happies*: Created from a combination of the company name ("RBC") and the image of a leaf, the *Happies* walk around to symbolize the gradual journey towards a more environmentally friendly future.



Increasing greenery in the workplace



Our own unique characters the *Happies*



Notice board

Energy/Resource saving initiatives

- Reuse of test water

We perform a shower test which requires a large amount of water (hot water) to assess the safety and performance quality of equipment. We recirculate the hot water used and were able to reduce the amount of energy and water required by the shower test by improving the system to support remote control operation confirmation.

Reduction in CO ₂ emissions:	Approx. 9.5 tons-CO ₂ /year
Reduction in gas consumptions:	Approx. 1,500 m ³ /year
Reduction in water consumptions:	Approx. 1,100 m ³ /year

Communicating with local communities

76 of our employees took part out of the total 500 participants in “Clean Beach Ishikawa”, an event organized by FM Ishikawa along the Kanaiwa coast in Kanazawa.



Cleanup activities

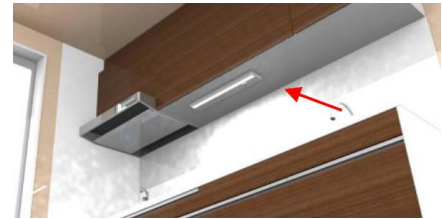


Collected litter

Environmentally friendly product development (system kitchen LED lighting)

We are working to develop and spread the use of various types of LED lighting that can be used around the kitchen.

- LED lighting that can be used under the shelf in system kitchens
- Offering the same amount of luminosity as an existing fluorescent light but at around a 60% reduction in power
- Working to make the shape as thin as possible and selecting a push switch type that is easy to operate even with wet hands



LED lighting under the shelf in a system kitchen

Reduction in CO₂ emissions: Approx. 42 kg-CO₂/unit

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	618 (as of the end of March 2015)
Business	Manufacture of gas equipment components
Land area	Head office and Komaki Factory: 20,303 m ² Kani Factory: 10,341 m ²
Total floor space	Head office and Komaki Factory: 20,202 m ² Kani Factory: 5,944 m ²
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)
1,333.0	131.1	74.1	85.1

Emissions into the air

CO ₂ emissions (t-CO ₂)	NO _x emissions (t)
8,337	6.6

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 (%)
1,740.2	2.8	1.0	1,736.4	99.8

Water discharge

Head office, Komaki Factory

Substance	Regulation value			Actual value		
	National	Prefectural	Voluntary	Maximum	Minimum	Mean
Amount of discharge	—	—	—	30	4	17
pH	5.8 - 8.6	—	6.0 - 8.4	7.5	6.9	7.2
BOD	160 (120)	25 (20)	25 (20)	—	—	3.0
COD	160 (120)	25 (20)	25 (20)	—	—	3.0
SS	200 (150)	—	25 (20)	—	—	4.0

- The unit of the amount of discharge is m³/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	—	—	—	25	3	14
pH	5.8 - 8.6	5.8 - 8.6	5.8 - 8.6	7.0	6.4	6.8
BOD	160 (120)	15	15	13.0	1.6	6.0
COD	160 (120)	30	30	—	—	13.0
SS	200 (150)	30	30	2.0	<1.0	0.6

- The unit of the amount of discharge is m³/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 initiatives

- Cast melting furnaces make up around 30% of the energy consumed at Rinnai Precision because of the gas consumed by the furnaces. Upon examining and analyzing the wasted energy, we discovered it tended to run empty because of a lack of materials.

Operational measures were implemented to prevent this waste of resources that led to a reduction in energy consumed. This also led to maintenance being performed on equipment that controlled the occurrence of oxidized material on the furnace walls, as an example.

Reduction in gas consumption: Approx. 40,000 m³/year
Reduction in CO₂ emissions: Approx. 93 tons-CO₂/year



Cast melting furnaces

- A switch was made from an existing volute pump for supplying coolant for the washer to a multi-stage pump. This satisfied the necessary water pressure and amount of water for the washer while reducing the amount of energy consumed.

We were also able to save space and ensure power thanks to the multi-stage pump.

Reduction in power consumption: Approx. 33,000 kWh/year
Reduction in CO₂ emissions: Approx. 12 tons-CO₂/year



Coolant pump

Resource saving initiatives

- Efforts to reuse unnecessary items

As one of our efforts to efficiently use resources, we don't demolish unneeded equipment and instead disassemble and selectively store reusable parts.

Furthermore, a database has been created so that anyone can use the equipment or when creating jigs.



Inventory management

Communicating with local communities

As the head of the environmental committee at the Kani Industrial Park Union, we have implemented various efforts.

- Walking around the environment at companies the association is responsible (10 companies/year)

- Holding environmental committees (twice a year)

- Participating in events to clean up the local area

- Holding environmental seminars, etc. (53 participating companies)

[Lecture topics] "Preventive environmental management based on lessons learnt from issues with wastewater treatment"



Environmental patrol

RT Engineering Co., Ltd.

Location	Kamiike-cho, Toyota-shi, Aichi
Number of employees	182 (as of March 31, 2015)
Business	Manufacture of gas equipment and components
Land area	12,199 m ²
Total floor space	7,026 m ²
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)
204.5	13.5	3.0	21.9

Emissions into the air

CO ₂ emissions (t-CO ₂)	NO _x emissions (t)
1,136	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 (%)
653.6	4.2	0.0	649.4	99.3

Water discharge

Substance	Regulation value			Actual value		
	National	Municipal	Voluntary	Maximum	Minimum	Mean
Amount of discharge	—	—	—	27.5	20	22.6
pH	5.0 - 9.0	5.7 - 8.7	5.7 - 8.0	7.9	6.6	7.1
BOD	600	300	150	13	0.5	2.7
SS	600	300	150	5	< 1.0	1.7
n-Hex mineral oil	5	5	2.5	3.6	< 0.5	0.76
Nitrogen	240	150	15	1.40	1.20	0.22
Phosphorus	32	20	10	0.24	0.03	0.09

- The unit of the amount of discharge is m³/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

Resource saving initiatives

We moved forward with maintenance efforts using pre-coating treatment equipment to save water and reduce the chemicals used.

- Reusing water in the final washing process (final wash) by changing the water supply method
- Adopting a wash nozzle that is able to spray less water in a wider area
- Properly managing water flow through water adjustment valves and flow meters

Reduction in water consumption: Approx. 500 ton/year

Reduction in waste emissions: Approx. 730 kg/year



Pre-coating treatment equipment

Energy saving initiatives

We have reduced energy consumption by upgrading from existing fluorescent lighting to LED lighting.

Reduction in power consumption: Approx. 800 kWh/year

Reduction in CO₂ emissions: Approx. 300 kg-CO₂/year



LED lighting (cafeteria)

Environmental awareness initiatives

To effectively carry out environmental activities, it is important to raise environmental awareness (improve eco-mindedness) on an individual level. That is why we provide environmentally themed education as part of training for new recruits and at other available opportunities.



Environmental training for new recruits

Communicating with local communities

Our employees carry out regular cleanup activities along commuting routes and in the area surrounding the factory. (Number of participants: 10/year)



Cleanup activities along commuting routes and the surrounding area

Japan Ceramics Co., Ltd.

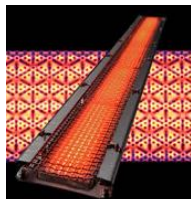
Location	Himegaoka, Kani-shi, Gifu
Number of employees	95 (as of March 31, 2015)
Business	Manufacture of gas equipment components
Land area	8,030 m ²
Total floor space	5,756 m ²
Commenced operations	1981
Acquisition of ISO14001 certification	January 2006



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)
148.6	521.6	3.2

Emissions into the air

CO ₂ emissions (t-CO ₂)	NOx emissions (t)
2,135	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 (%)
254.5	73.3	0.0	181.2	71.2

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	1,800.0	0.0	0.0	0.0	0.0	460.0
80	Xylene	2,600.0	0.0	0.0	0.0	0.0	540.0
300	Toluene	12,000.0	1.0	0.0	0.0	0.0	1,600.0
412	Manganese and its compounds	0.0	0.0	0.0	0.0	0.0	2,000.0

*The Class I Designated Chemical Substance regulated by Pollutant Release and Transfer Register (PRTR) Law.

Air

Equipment	Substance	Regulation value ^{s1}			Actual value ^{s2}
		National	Prefectural	Voluntary	
Baking furnace	Soot and dust	0.2	0.125	0.125	0.002
	NOx	400	90	90	8
	SOx	0.49	0.25	0.25	0.02

■ Units of regulation values
Soot and dust: g/m³N
NOx: ppm
Sox: m³N/h

■ 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	—	—	—	6.2	3.9	4.5
pH	5.8 - 8.6	5.8 - 8.6	5.8 - 8.6	7.6	6.8	7.2
BOD	160 (120)	15 (10)	15	57	0.9	14.1
COD	160 (120)	—	30	30	30	30.0
SS	200 (150)	30 (25)	30	21.0	1.0	8.4

- The unit of the amount of discharge is m³/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.

* When inspecting the water quality of waste water, it was discovered that the BOD value exceeded the voluntary standard value (Kani Industrial Park Union value). With the help of the company who detected the value, we were able to specify the cause and fix the problem. After implementing the fix, the water quality analysis results show that it is now within the standard values. Additionally, as the Kani Industrial Park reuses waste water, there is no runoff into nearby rivers.

Environmental Initiatives

Energy saving initiatives

-Green curtain initiative

We create “green curtains”*, planting bitter gourds and other climbing plants to create natural curtains that keep the inside of buildings cool. 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] Sweet potatoes, Cherry tomatoes, Bitter gourds

* 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.



Tending to a green curtain

Communicating 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 55 staff members have participated in these activities.)



Cleanup activities along the Kani River



Cleanup activities along commuting routes



We have also installed planters so that volunteers can grow plants onsite.



Installing planters

Noto Tech Co., Ltd.

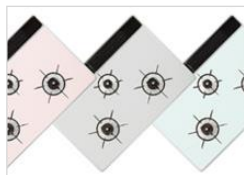
Location	Nakanoto-machi, Kashima-gun, Ishikawa
Number of employees	187 (as of March 31, 2015)
Business	Manufacture of gas equipment components
Land area	23,152 m ²
Total floor space	13,773 m ²
Commenced operations	1990
Acquisition of ISO14001 certification	January 2007



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)
243.9	950.7	48.1

Emissions into the air

CO ₂ emissions (t-CO ₂)	NO _x emissions (t)
3,899	3.5

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 (%)
2,413.6	414.6	0.0	1,999.0	82.8

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	0.0
71	Ferric chloride	0.0	0.0	0.0	0.0	0.0	0.0
309	Nickel compounds	0.0	8.0	0.0	0.0	0.0	930.0
405	Boron compounds	0.0	410.0	0.0	0.0	0.0	6,220.0

*The Class I Designated Chemical Substance regulated by Pollutant Release and Transfer Register (PRTR) Law.

Air

Equipment	Substance	Regulation value* ₁			Actual value* ₂
		National	Prefectural	Voluntary	
Baking furnace	Soot and dust	0.25	0.25	0.22	0.001
	NO _x	180	180	160	35

■ Units of regulation values
Soot and dust: g/m³N
NO_x: ppm

■ Actual values for NO_x 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	—	—	—	110.0	50.0	80.0
pH	5.8 - 8.6	5.8 - 8.6	6.0 - 8.2	7.2	7.0	7.2
BOD	160 (120)	80 (60)	36 (27)	32.0	3.0	10.0
COD	160 (120)	—	140 (100)	35.0	11.0	18.7
SS	200 (150)	120 (80)	36 (27)	6.0	2.0	3.2

- The unit of the amount of discharge is m³/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 initiatives

A high efficiency boiler was adopted to reduce energy use in conjunction with updating the equipment.

Reduction in CO₂ emissions: Approx. 60 tons-CO₂/year
(Switched the fuel from kerosene to gas)



Pollution prevention initiatives

-Emergency drills

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



Emergency drill

Communicating 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. Participants: 70







Providing an overview of the company



A tour of the manufacturing process for gas stove components

Techno Parts Co., Ltd.

Location	Head office: Fukuzumi-cho, Nakagawa-ku, Nagoya-shi, Aichi		
Ichinomiya Office: Nishiougaido Aza Toukouji, Ichinomiya-shi, Aichi Land area: 2,003 m ² , building floor space: 1,455 m ²		Ida Office: Ida-cho, Owariasahi-shi, Aichi Land area: 4,127 m ² , building floor space: 2,549 m ²	
			
Akatsuki Office: Akatsuki-cho, Seto-shi, Aichi Land area: 33,333 m ² , building floor space: 3,029 m ²		Komaki Office: Oaza Mitsubuchi, Komaki-shi, Aichi Land area: 2,611 m ² , building floor space: 1,776 m ²	
			
Number of employees	401 (as of the end of March 2015)		
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		

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)
54.5	3.8	1.0	0.0

Emissions into the air

CO ₂ emissions (t-CO ₂)	NOx emissions (t)
292	0.2

Discharge of waste

Amount of waste generated (t)
74.0

Environmental Initiatives

Energy saving initiatives

- Green curtain initiatives

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



Bitter gourds are harvested and distributed to employees



- Installing motion sensors

We have installed motion sensors in lavatories and changing rooms to prevent the lights from staying on when people forget to turn them off.



Motion sensor



Fluorescent light

Concern for the Water

Each office implements a variety of measures to save water.

- (1) Using rainwater to water our plants and flowers, as well as in our cleanup activities
- (2) Taking measures to prevent the leakage of water by replacing the float valve in toilet tanks
- (3) Installing sensors on faucets to prevent employees from forgetting to turn off the faucet (water)



1) Rainwater tanks



2) Replaced the toilet tank float valves



3) Saved water by installing sensors