

# Specifying new material issues

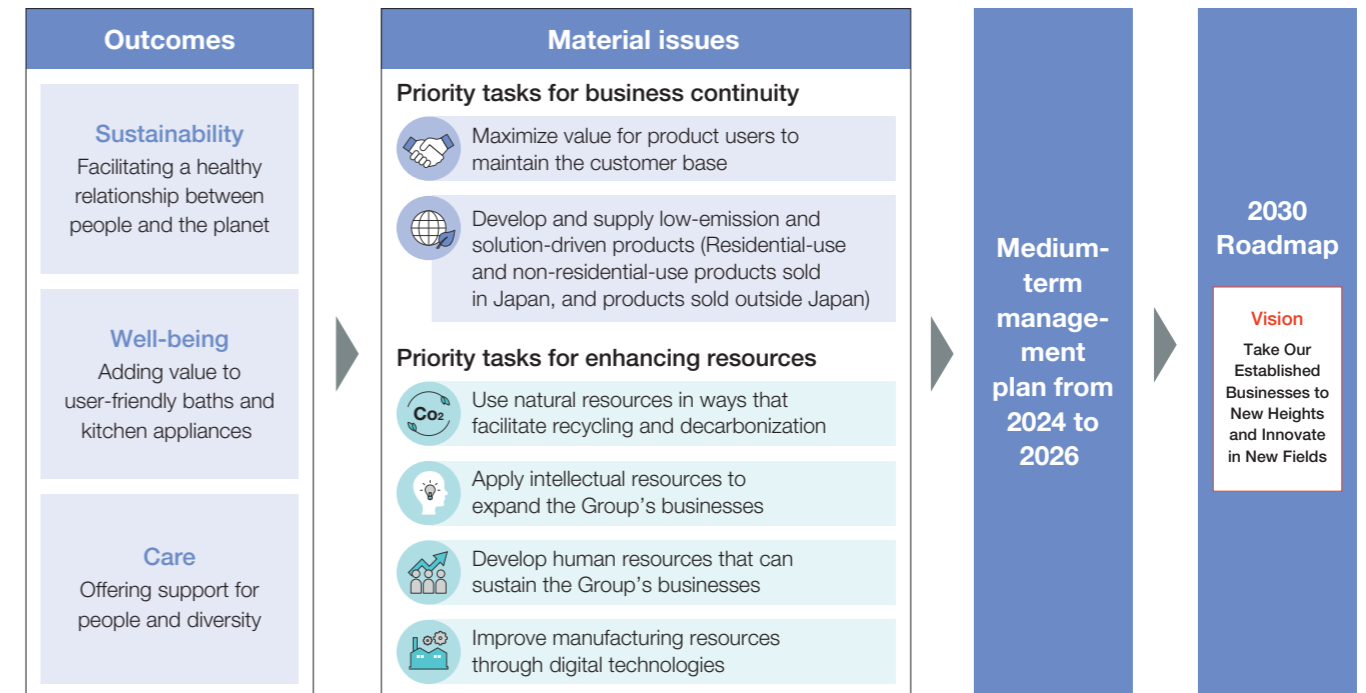
## ■ Reviewing and redefining the Group's material issues

In response to increasingly diverse requests and expectations from its stakeholders, the Noritz Group assessed and clarified the impact of its business activities on society and integrated material issues in its management objectives in 2015. Then in 2020, it created a long-term social and environmental vision extending up to 2030, and revised its material issues up to 2023. In 2022, the Group updated its goals to align with the Japanese government's more ambitious targets for reducing CO<sub>2</sub> emissions. Most recently, the Group specified six material issues that could potentially affect its financial performance after examining the impact of changes in its operating environment as well as its own organizations.

## ■ Process of revising the material issues

Step 1: Identifying issues	Step 2: Verifying relevance and specifying initiatives and KPIs	Step 3: Deliberations and final decisions by management
<ul style="list-style-type: none"> <li>Outcomes that could materialize and issues that Noritz should address were examined.</li> <li>Priority tasks for business continuity and for enhancing resources were determined.</li> <li>Six material issues were specified.</li> </ul>	<ul style="list-style-type: none"> <li>The relevance of the issues were verified with a third-party organization in consideration of related global trends, including the UN Sustainable Development Goals and the Sustainable Accounting Standard Board.</li> <li>Initiatives, key performance indicators (KPIs), and targets were specified from the standpoint of risks and opportunities for the Noritz Group.</li> </ul>	<ul style="list-style-type: none"> <li>Deliberations were held by senior managers and the Sustainability Committee, executive meetings, and outside director meetings.</li> <li>Final considerations and decisions on the validity of the material issues were completed.</li> </ul>

## ■ Aiming to offer products and services that help communities live more comfortably and contribute to the planet



## ■ Initiatives and performance indicators for material issues

Key issue	Opportunities	Main initiatives	KPIs and targets of the new medium-term management plan		2023 results	2030 targets	
			KPIs	2026 targets			
Priority tasks for business continuity	<ul style="list-style-type: none"> <li>The customer base can be reinforced by offering services that meet needs for safety and comfort, and a new business model and revenue base can be created by enhancing product maintenance services.</li> <li>Newly developed products and services can provide value to consumers and contribute to reducing carbon emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Improve relations with customers</li> <li>Standardize high-efficiency water heaters (low-emission products) and high-performance gas cookers (solution-driven products)</li> <li>Upgrade non-residential equipment to low-emission products</li> <li>Establish a non-residential thermal solutions business</li> <li>Expand markets for low-emission products in countries of operations</li> <li>Deploy technologies and launch products in new countries</li> </ul>	<ul style="list-style-type: none"> <li>Cumulative number of registered customer accounts in Japan</li> <li>Proportion of high-efficiency water heater sales in Japan</li> <li>Proportion of high-performance products sales in Japan</li> <li>CO<sub>2</sub> emissions from product usage in Japan compared with 2018</li> <li>Amount of CO<sub>2</sub> emissions reduced in Japan (compared with 2018) by replacing boilers with high-efficiency water heaters</li> <li>Amount of CO<sub>2</sub> emissions reduced outside Japan (compared with 2018) by replacing storage-type water heaters with tankless water heaters</li> <li>Secure 100% of electricity from renewable energy sources</li> <li>Number of products recycled</li> </ul>	6 million 50% 37% 20% reduction 330 thousand tons of CO <sub>2</sub> 6,000 thousand tons of CO <sub>2</sub> Achieve target at the Akashi Main Factory 150,000	Approx. 4.57 million 40% 31% 25% reduction 270 thousand tons of CO <sub>2</sub> 3,950 thousand tons of CO <sub>2</sub> — 70,000	9 million 90% 40% 30% reduction 400 thousand tons of CO <sub>2</sub> 7,500 thousand tons of CO <sub>2</sub> Reduce the Akashi Main Factory's CO <sub>2</sub> emissions by 50% compared with 2018 300,000	
							<ul style="list-style-type: none"> <li>1 Maximize value for product users to maintain the customer base</li> </ul>
							<ul style="list-style-type: none"> <li>2 Develop and supply low-emission and solution-driven products                             <ul style="list-style-type: none"> <li>2-1 Residential-use products sold in Japan</li> <li>2-2 Non-residential-use products sold in Japan</li> <li>2-3 Products sold outside Japan</li> </ul> </li> </ul>
Priority tasks for enhancing resources	<ul style="list-style-type: none"> <li>A sustainable business model can be established through efforts to reduce the environmental impacts of the Company and society.</li> <li>Technological capabilities can be leveraged to secure competitive advantages.</li> <li>Products can be differentiated from those of competitors.</li> <li>Collective capabilities can be maximized by enabling diverse employees to apply their skills.</li> <li>Encouraging individuals to draw on their strengths can lead to innovations.</li> <li>The use of digital technologies can increase productivity.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions from operations</li> <li>Make advances in the recycling business</li> <li>Develop technical solutions for decarbonization and wellness-related issues, and apply them worldwide</li> <li>Improve management quality to enhance the corporate brand</li> <li>Implement programs to enhance employee wellbeing</li> <li>Promote diversity and inclusion</li> <li>Introduce digital applications, automation, modular design, and other innovations to manufacturing operations</li> </ul>	<ul style="list-style-type: none"> <li>Number of newly developed technologies related to decarbonization or wellness-related issues</li> <li>Score from the Nikkei Research Brand Strategy Survey</li> <li>Employee engagement score</li> <li>Proportion of automated production to total production at the Akashi Main Factory</li> </ul>	5 585 70 70% of gas water heater production	— 572 68 —	5 (either patented or sources of a new business model) 600 73 Realize smart factories by digitalizing factory operations and deploying AI and IoT	
							<ul style="list-style-type: none"> <li>3 Use natural resources in ways that facilitate recycling and decarbonization</li> </ul>
							<ul style="list-style-type: none"> <li>4 Apply intellectual resources to expand the Group's businesses</li> </ul>
							<ul style="list-style-type: none"> <li>5 Develop human resources that can sustain the Group's businesses</li> </ul>
<ul style="list-style-type: none"> <li>6 Improve manufacturing resources through digital technologies</li> </ul>							