

Working to achieve net-zero CO₂ emissions

To contribute to the planet and the communities it serves, Noritz is developing products that save energy and use renewables as part of efforts to achieve carbon neutrality by 2050.



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This report was compiled in line with the *Guidance for Collaborative Value Creation* issued by Japan's Ministry of Economy, Trade and Industry, which aims to have companies and investors engage with each other to jointly create value.



As a signatory to the United Nations Global Compact since 2012, Noritz Corporation has committed to the compact's ten principles in four areas, and works to contribute to the sustainability of society on that basis.

NORITZ REPORT 2024



Noritz's Business and Philosophy



Regardless of how energy sources change, the Noritz Group will supply indispensable products while expanding its lineup beyond water heaters.



Sustainability Well-Being Care

Since it was founded in 1951, Noritz has strived to enhance Japan's bathing culture and improve people's lives based on the belief of its founder, Toshiro Ota, that "quality baths bring joy to people." The Company expanded its business beyond Japan in the 1990s, bringing more comfort and convenience to consumers by supplying products and services tailored to each country's market and culture.

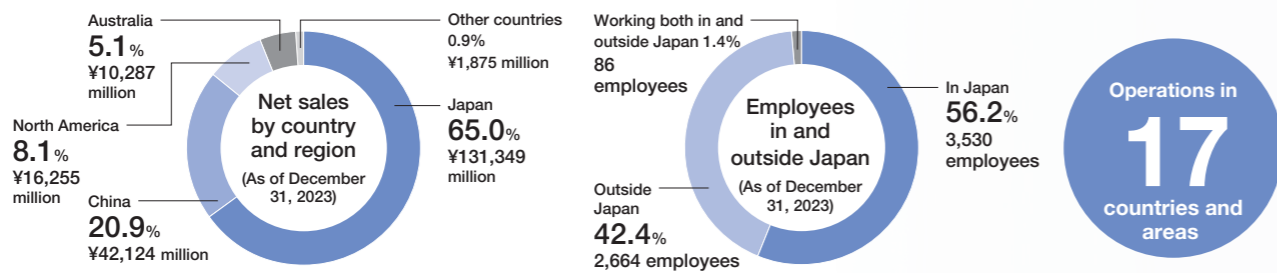
To provide products and services that help communities live more comfortably and contribute to the planet, Noritz will continue offering satisfaction to people around the world through its business activities while tackling environmental issues.

About NORITZ



Supplying indispensable products for people's lives and communities

The Noritz Group mainly sells water heaters, kitchen appliances, and heating ventilation and air conditioning systems to the residential housing market as well as to commercial, industrial, and agricultural markets. Having proactively expanded its operations worldwide, the Group is supplying indispensable products to countries in Asia, North America, Europe, and Oceania.



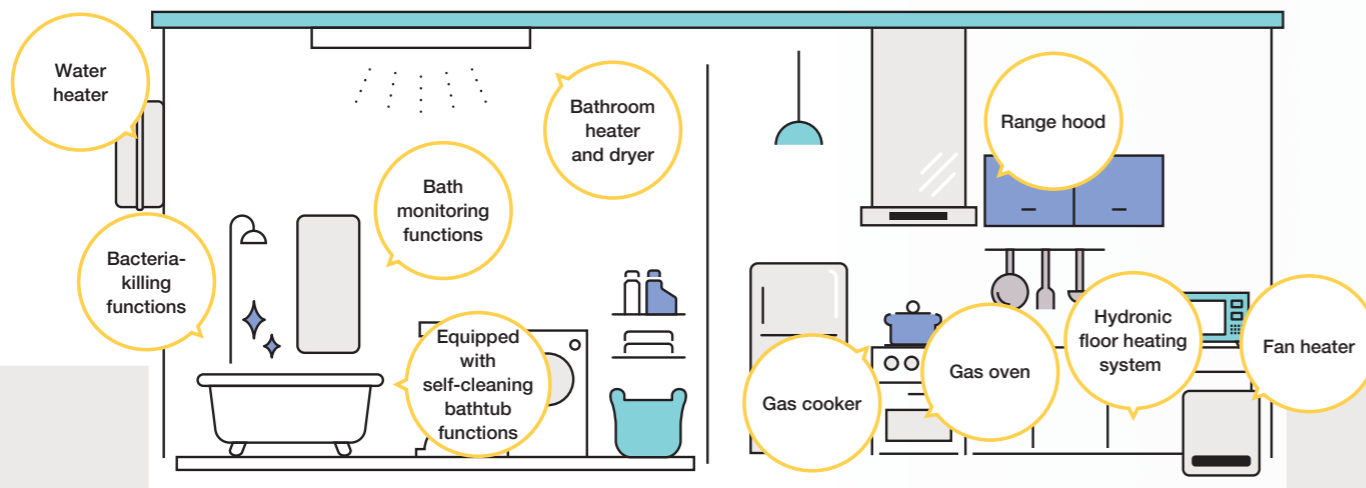
Main manufacturing companies



- Japan
- Noritz Corporation: Akashi Main Factory (Hyogo Prefecture)
 - Harman Co., Ltd. (Osaka Prefecture)
 - RB Corporation (Ibaraki Prefecture)

- China
- Noritz (Shanghai) Home Appliance Co., Ltd. (Shanghai)
 - Sakura Bath and Kitchen Products (China) Co., Ltd. (Jiangsu)
 - Sakura Shunde Co., Ltd. (Guangdong)
- North America
- PB Heat, LLC (Pennsylvania)
- Australia
- Dux Manufacturing Limited (New South Wales)

In the Home Noritz's household products



In the Community Places that use Noritz's products



The Noritz Group's Mission, Vision, and Values

A determination to keep evolving

Renewing the Group's management philosophy with an eye toward 2030

To meet public demands and expectations amid constant changes in its operating environment, the Noritz Group created a new value statement and a vision statement oriented towards 2030 based on its mission to provide "the simple comforts of life" through its products. On the momentum of this renewed management philosophy, the Group as a whole will keep taking on challenges, do what it can now for the future, and continue bringing comfort to people around the world.



Mission

The Simple Comforts of Life

Vision

Take Our Established Businesses to New Heights

We will deliver our products through different energy sources while enhancing quality and efficiency and minimizing our environmental impact.

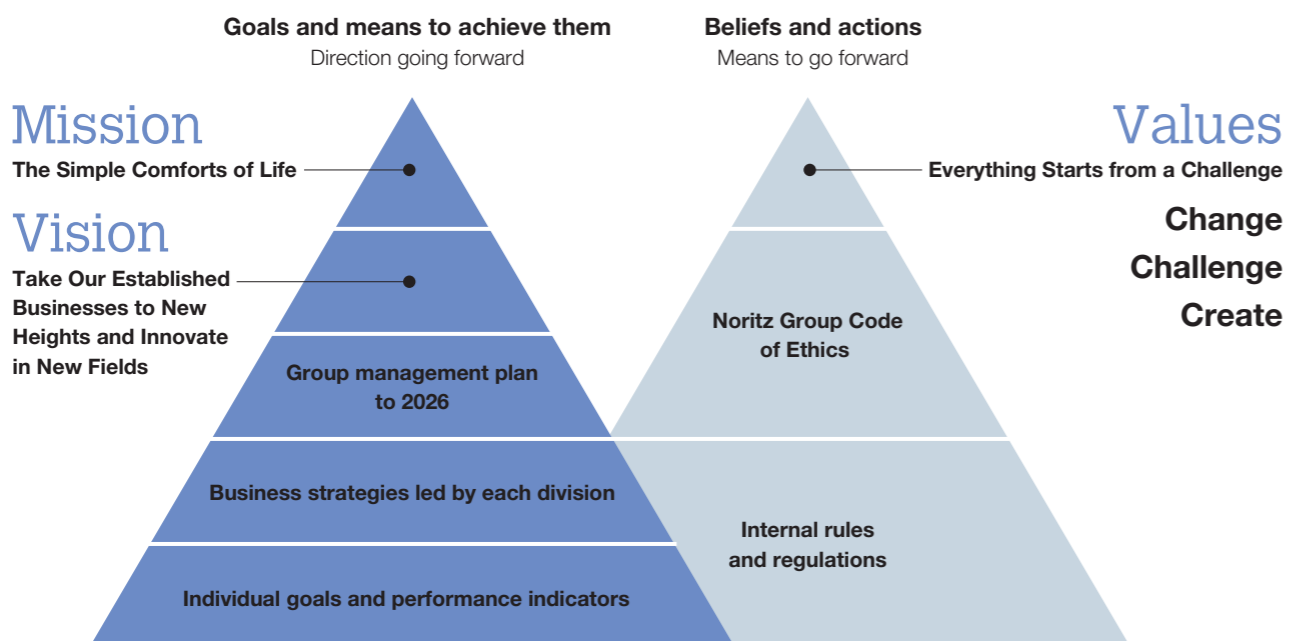
Innovate in new fields

We will endeavor to develop products that bring greater comfort to everyday activities that involve hot water, making these innovations accessible around the world.

Values

Everything Starts from a Challenge

- Change** Always strive for a higher level and initiate change.
- Challenge** Lead by action, move forward with determination, and foster trust in the team.
- Create** Take on challenges, fulfill our purpose, and create new value as we envision the future.



We will strive to achieve our 2030 Roadmap and our mission of providing the simple comforts of life.

Satoshi Haramaki

President and CEO
Noritz Corporation

Looking back on our previous medium-term management plan

Reaffirming the Group's social responsibility to ensure an uninterrupted supply of residential products

Our previous three-year medium-term management plan concluded in December 2023. Under the plan, management worked to reinforce the Noritz Group's businesses while simultaneously exploring ways to position the Group for the future, particularly by creating new businesses. To achieve these objectives, we pursued the basic policies of maintaining the sustainability of group-wide operations by structuring the Group to be more profitable, developing innovative ways to maintain customer loyalty with a future-oriented approach, and fostering an organizational culture that takes on challenges, which better enables the Group to execute the first two policies.

Over the three years of the plan, the Group's operating environment changed dramatically, especially in 2021, the plan's first year, when the global COVID-19 pandemic seriously disrupted supply chains. We had to suspend product manufacturing for some time due to difficulties in procuring

parts, causing major inconveniences for many of our clients and customers. By giving top priority to reorganizing our supply chain, we were able to resume production in March 2022, but product demand remained low in the following year. Consequently, consolidated operating income in 2023 came in at ¥3.8 billion, below our original target.

Nevertheless, having experienced production delays following the supply chain disruptions, and having witnessed product distribution channels break down due to the pandemic over those years, we gained a new appreciation for how our businesses play a major role in handling equipment and appliances that are essential for people's daily lives, particularly their baths and mealtimes. This made us strengthen our commitment to the Group's social responsibility to ensure an uninterrupted supply of residential water heaters and kitchen appliances to its customers in Japan and around the world.

Setting new goals along with a new vision for the future

Taking the beliefs and ideas of the Company's founder to a new stage

While aiming to realize our 2030 Roadmap, we renewed our management philosophy based on the Group's mission of providing "the simple comforts of life," including the creation of a new vision statement: Continue supplying products that are indispensable for people today and create new products that will be indispensable for people tomorrow.

Noritz was founded on the firm belief of its founder, Toshiro Ota, that "quality baths bring joy to people." This was based on his experience of feeling soothed by taking even just a short bath after rigorous training sessions during his time at a naval academy. A bath was a source of joy for him back then, and over time, it became indispensable for people everywhere in Japan. While baths are installed in all Japanese

homes today and are essential for a wide range of consumers, we aim to continue offering the joy of bathing by exploring all-new possibilities extending beyond our business domains and regions.

Along with our new vision statement, we also created a new value statement: Everything starts from a challenge. By accepting challenges as part of their own work, each member of the Noritz Group can play a role in bringing deep satisfaction to customers with indispensable products that are not limited to our current businesses. All employees will need to take on challenges in order to help the Group grow and improve its financial and pre-financial performance by carrying out the measures set in our new medium-term management plan.

Message from the President

Our approach to creating value

Expanding business activities with solutions for society while providing the simple comforts of life

In its process of creating value, the Noritz Group works to fulfill its mission of providing the simple comforts of life through its products. Specifically, we define the value that the Group provides as products and services that help communities live more comfortably and contribute to the planet.

From this perspective, we have specified sustainability, well-being, and care as three guiding themes. Starting with sustainability, to help the world become carbon neutral, the Group is working as a whole to protect the environment, reduce energy consumption, and save resources through its residential- and non-residential-use products, while responding to all kinds of energy-related issues. For us, well-being means continuing to provide satisfying products to customers around the world. Looking ahead, we intend to spark innovations and devise solutions related to healthcare, lifestyles, and culture to help people live healthier and happier lives. Finally, care is about understanding, relating to, and interacting with our customers in order to provide safe products that help them lead more comfortable lives. Indeed, the mutual trust and attachment we build with our customers through products and service is a source of the Group's value creation.

This report will explain how the Noritz Group intends to realize its 2030 Roadmap. We have specified new material issues to address in order to produce desired outcomes (pages

17 and 18), and aligned them with strategies in our new medium-term management plan. Through these initiatives, we hope to broaden the scope of our business activities by devising solutions needed by society today while continuing to provide the simple comforts of life through our products.

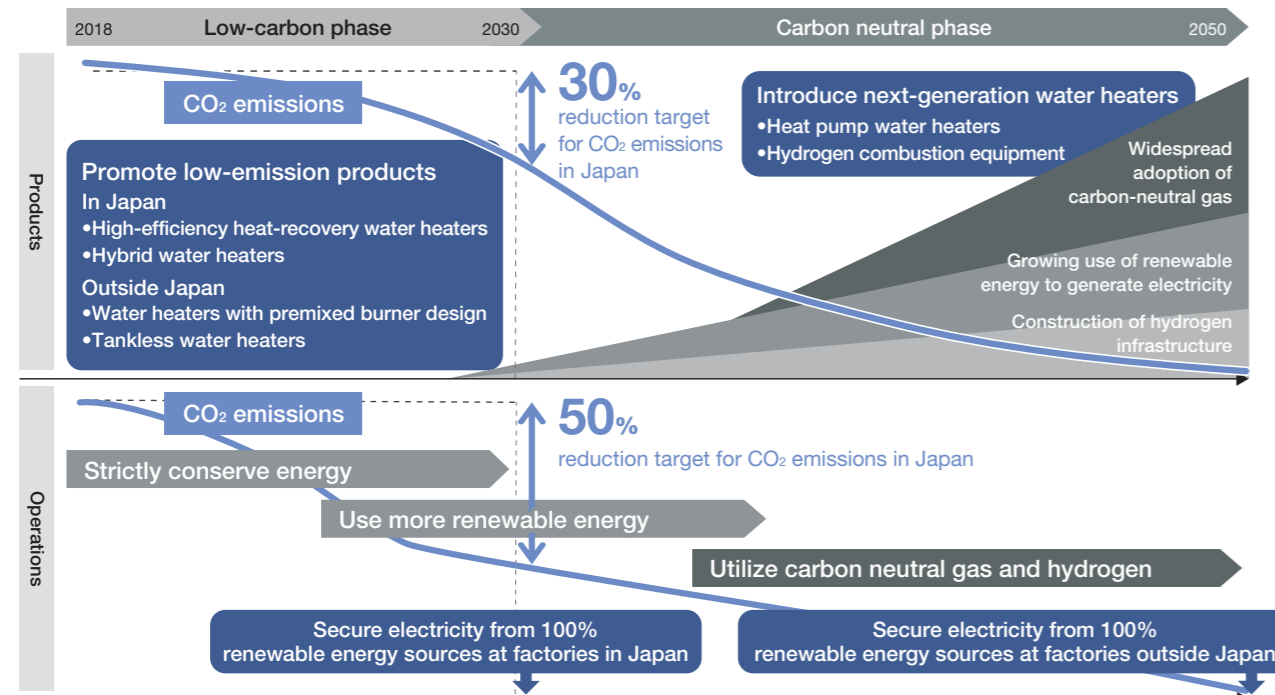
Value provided and outcomes



New strategies for innovations

Stepping up R&D to tackle environmental and social issues

Path towards net-zero CO₂ emissions



After thoroughly examining the Group's operating environment to identify material issues, we focused on the environment since our products emit CO₂ at the usage stage. To help the Japanese government achieve its target of net-zero greenhouse gas emissions by 2050, we have set 2030 targets of reducing CO₂ emissions from products usage by 30% and from the Group's operations in Japan by 50%. Positioning these targets as milestones, the Noritz Group will aim to achieve net-zero CO₂ emissions from products and all business sites worldwide by 2050.

As the world makes progress toward carbon neutrality, our biggest concern for the Group is how fuel sources will change in the future. This is difficult to predict at present and we expect this uncertainty to continue for some time. Nevertheless, Noritz successfully adapted to energy diversification over its history, shifting from coal to gas and

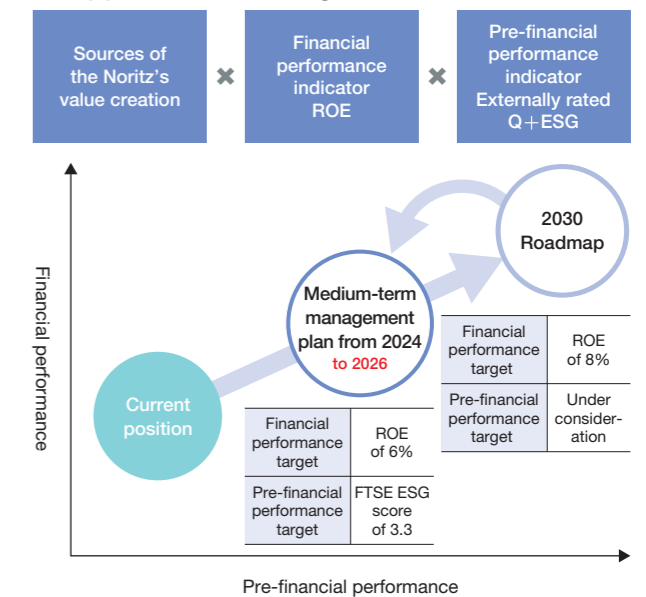
Measures for improving both financial and pre-financial performance

To achieve our 2030 Roadmap, we began 2024 with the launch of a new medium-term management plan spanning through 2026. Under the plan, we will address various sustainability-related matters, especially those related to material issues, while recognizing public demands and expectations as business opportunities. Furthermore, we will take steps to improve the Company's financial performance, as reflected in net sales, operating income, and other key items in the financial statements, and pre-financial performance, which could affect results posted in the financial statements in the future. Instead of net sales or operating income, we have designated return on equity (ROE) as our key financial performance indicator. As a pre-financial indicator, rather than taking a qualitative approach, we will use a quantitative measurement of environmental, social, and governance (ESG) performance, specifically the ESG score issued by the FTSE Blossom Japan Index. By improving both financial and pre-financial performance, we intend to raise the Company's shareholder value going forward.

electricity, and will continue to evolve as a manufacturer capable of using practically any kind of clean energy, including carbon neutral gas, renewable energy, and hydrogen. In December 2023, Noritz developed a residential-use water heater that uses 100% hydrogen as fuel, which emits no CO₂ when burned. While hydrogen cannot replace municipal gas in Japan at this point in time, demand will likely rise in the future, so we will continue developing hydrogen-fueled water heaters with the goal of releasing products internationally from 2025.

At the same time, Noritz will continue designing and developing high-value-added products in response to consumer needs, building on the success of its new gas water heaters and built-in gas cookers released in 2023, which attracted attention in the Japanese market for their advanced capabilities and user-friendly functions.

Approach for raising shareholder value



Fostering workplaces that can take on challenges

Human resources are the biggest key for success

Enhancing the capabilities of our human resources will be vital for realizing our 2030 Roadmap and driving the Group's growth going forward. All employees must move in the same direction if they are to maximize their collective capabilities. For that purpose, since my appointment as president, I have placed importance on creating opportunities for all employees to fully understand our management policies, and fostering a corporate culture that encourages them to take on challenges. During the three years of our previous medium-term management plan, I sent five directors to about 300 workplaces across Japan to determine whether the activities of employees were closely aligned with our management policies. Consequently, a process for devising ways to carry out the

policies has taken root in each workplace. Nevertheless, I believe our ability to carry them out still has room for improvement. In other words, we must focus more on the "do, check, and act" stages of the PDCA cycle during the period of our new medium-term management plan. The "plan" stage of the cycle is important, but no matter how good a plan is, it will never materialize unless it is properly executed. Therefore, I encourage employees to build up their accomplishments by taking the initiative, even for small challenges. The accumulation of such accomplishments will lead to bigger challenges ahead along the path of our 2030 Roadmap.

Value Creation

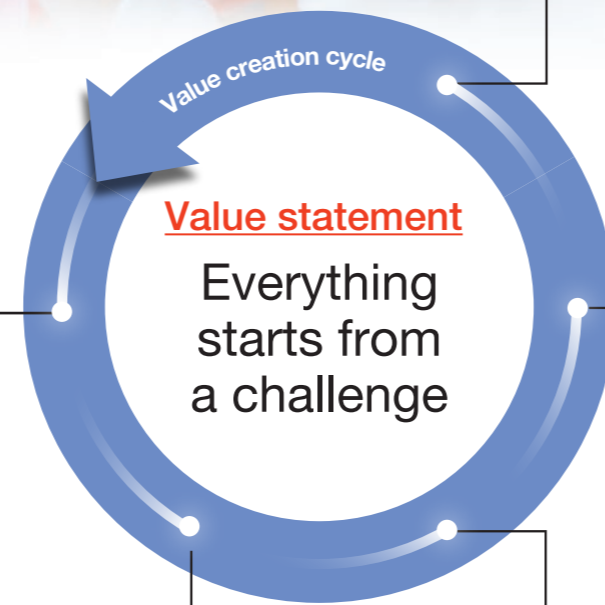
How Noritz creates value



| Broad trends | Growing demands for reducing CO ₂ emissions globally |
|---|---|
| Expansion of recycling throughout society | Global population growth |
| Aging population and labor shortages in Japan | Increasingly serious risks of securing water supplies |
| Rising risks of securing raw materials and need for supply chain management | Widening diversity of individual values |

Inputs Sources of value creation

| | |
|---|--|
| Natural capital Essential resources for Noritz's operations | <ul style="list-style-type: none"> • 147,485 gigajoules of energy consumed annually by Noritz Corporation • 28,703 tons of materials used annually by Noritz Corporation (of which metals totaled 28,131 tons) |
| Human capital Diverse personnel behind the Group's businesses | <ul style="list-style-type: none"> • 6,280 employees in the Noritz Group • 43% of all employees working outside Japan |
| Intellectual capital Core technologies refined over Noritz's history | <ul style="list-style-type: none"> • Combustion control, heat exchange, and fluid control technologies • 481 R&D personnel group-wide |
| Social and relationship capital A customer base built up since the Company's founding | <ul style="list-style-type: none"> • Operations in 17 countries and areas • Almost 4.57 million registered customer accounts in Japan • Wide-reaching customer service network |
| Manufactured capital Production technologies applied globally | <ul style="list-style-type: none"> • 7 factories in Japan and 6 overseas • Pressing, die casting, resin molding, welding, and pipe production technologies |
| Financial capital Businesses supported by a solid financial base | <ul style="list-style-type: none"> • Consolidated net assets of ¥126,667 million • Consolidated equity ratio of 58.7% |



Mission The Simple Comforts of Life

Outcomes Value offered to people and communities worldwide

Products and services that help communities live more comfortably and contribute to the planet

Sustainability

- Facilitating a healthy relationship between people and the planet

Well-being

- Adding value to user-friendly baths and kitchen appliances

Care

- Offering support for people and diversity

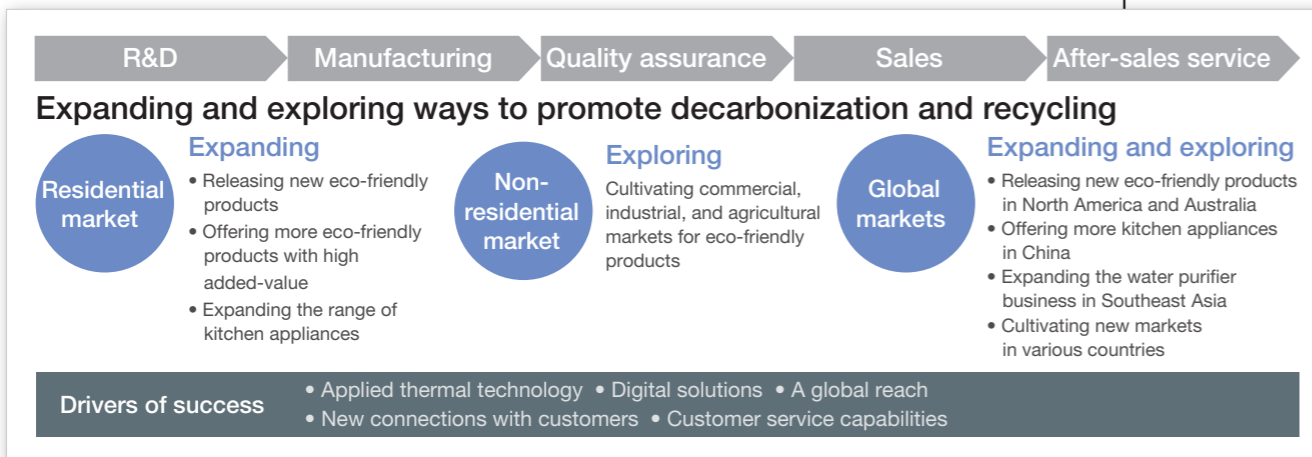
Outputs Targeted results of business activities by 2030

| | | |
|------------------------------|--|----------------|
| Financial targets | Net sales | ¥300 billion |
| | Return on equity | 8% |
| Environmental targets | CO ₂ emissions from the Group's products in Japan | 30% reduction* |
| | CO ₂ emissions from the Group's operations in Japan | 50% reduction* |
| | Number of the Group's products recycled in Japan | 300,000 |

Vision
Take Our Established Businesses to New Heights and Innovate in New Fields

* Compared with the amount of CO₂ emissions in 2018

Process Business activities



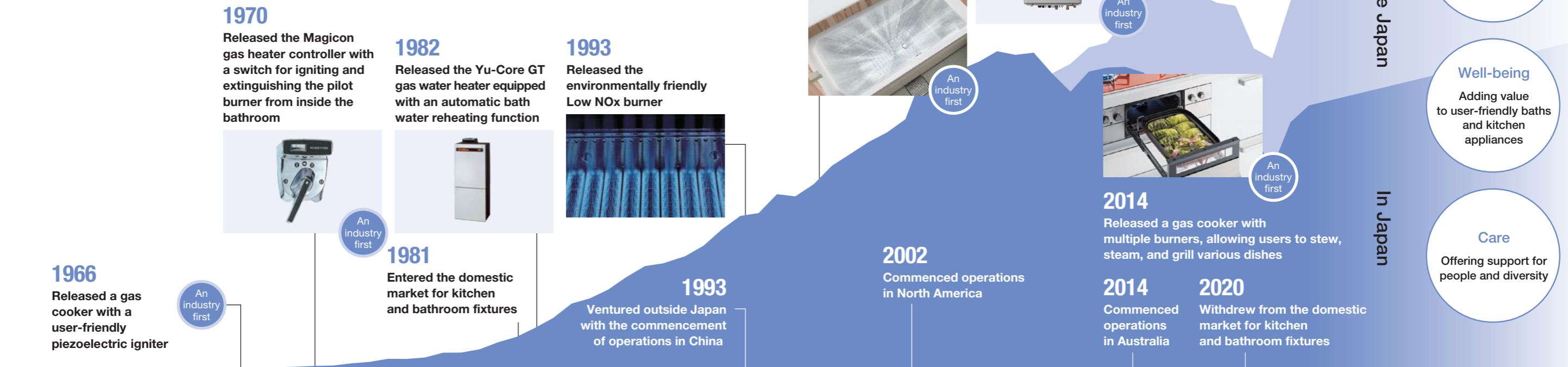
Materiality Key issues

| Priority tasks for business continuity | Priority tasks for enhancing resources | |
|---|--|--|
| <p>Maximize value for product users to maintain the customer base</p> <p>Develop and supply low-emission and solution-driven products (Residential-use and non-residential-use products sold in Japan, and products sold outside Japan)</p> | <p>Use natural resources in ways that facilitate recycling and decarbonization</p> | <p>Apply intellectual resources to expand the Group's businesses</p> |
| | <p>Develop human resources that can sustain the Group's businesses</p> | <p>Improve manufacturing resources through digital technologies</p> |

| | | | |
|--|--|--|--|
| Corporate governance and strategies | <p>Board of Directors</p> <ul style="list-style-type: none"> • Improve efficacy • Ensure independence and objectivity | <p>Enterprise risk management</p> <ul style="list-style-type: none"> • Manage important risks • Improve internal controls | <p>Financial strategies</p> <ul style="list-style-type: none"> • Increase return on capital • Strategically allocate cash flows |
|--|--|--|--|

Noritz has been releasing innovative products since its founding

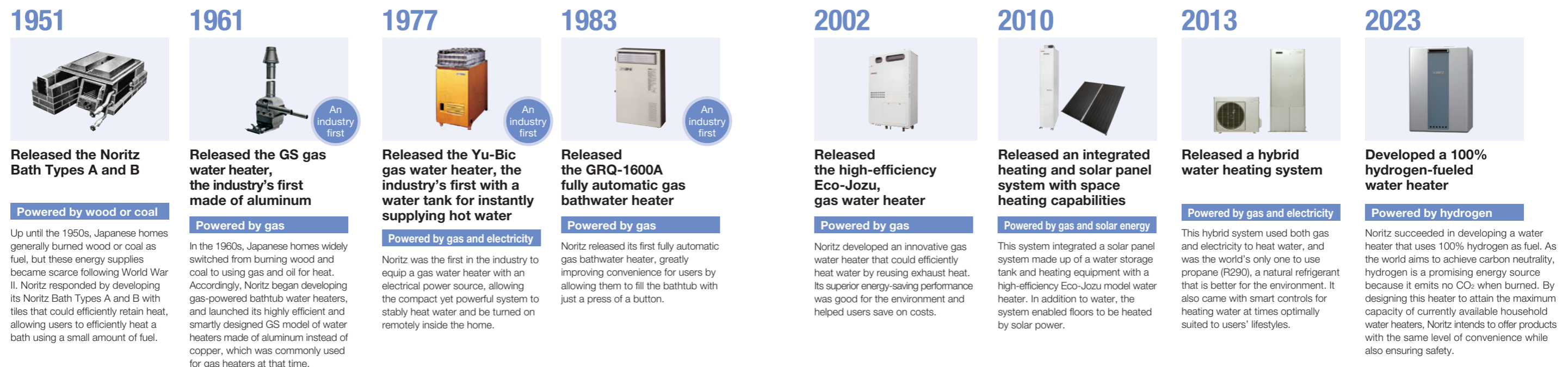
By developing products in response to changing societal trends and energy diversification, Noritz has continued to offer value to consumers while growing in step with society over its history.



From coal to oil
Supplying water heaters powered by gas or oil

Diversifying energy sources
Applying the latest technologies to offer more convenient products

Responding to calls for addressing global warming
Offering value-added products with improved environmental functions along with safety and comfort



Special Feature

Noritz develops a 100% hydrogen-fueled water heater for residential use

—Accelerating efforts to achieve net-zero CO₂ emissions by 2050—

Since its founding, Noritz has strived to ensure a stable supply of safe and dependable water heaters in step with advancements in energy infrastructure. Today, Noritz is developing next-generation water heaters that can contribute to achieving net-zero greenhouse gas emissions by 2050 while maintaining high quality and convenience for users.

1 Leveraging our technological expertise to ensure a stable supply of safe and dependable water heaters in the future

As countries around the world aim to decarbonize, hydrogen has attracted international attention in recent years as a next-generation clean energy source because it emits no CO₂ when burned. While the combustion of hydrogen gas is clean, it has very different properties than the natural gas conventionally supplied by municipal gas utilities, particularly its higher flame speed and ignitability, as well as its invisibility. Hydrogen's higher flame speed can cause a reverse flow back into the fuel supply line, a phenomenon called flashback. This not only damages equipment, but can also cause a fire in the worst-case scenario. Hydrogen gas also ignites very easily even if only a small amount of air is mixed in. Therefore, the amount of gas in the burner must be limited as much as possible. Furthermore, the flame is

invisible to the naked eye, so it must be handled much more carefully than conventionally used gas. Given these properties, the main difficulties for product developers are devising ways to prevent flashback and reduce emissions of nitrogen oxides (NOx), which cause air pollution.

Gakuto Horai
Components Technology
Research Department
Noritz Corporation

When developing our new hydrogen-fueled water heater, we deployed a method called premixed combustion. This method emits comparatively less NOx, but due to its structure, it is prone to flashback. Therefore, to design a burner that can prevent this from happening, we carried out a vast number of combustion tests and used simulation software to conduct fluid analyses. As a result, we succeeded in developing a 100% hydrogen-fueled water heater that can prevent flashback and limit NOx emissions at levels comparable with conventional gas water heaters.

This success was possible because of Noritz's expertise in premixed hydrogen gas and combustion technologies, which have been handed down since its founding.

During the development process, there were many times when I felt anxious about handling hydrogen flames because they are invisible. Nevertheless, all members of my development team worked closely together and supported each other. As a result, we were able to develop a water heater fueled entirely by hydrogen, which had been very difficult in the past. This was my first time since joining the Company to experience such a breakthrough with this energy source.

Since its founding, Noritz continued to supply water heaters even when energy sources changed from firewood and coal to gas, while staying true to the belief of its founder, Toshiro Ota, that "quality baths bring joy to people." Today, too, we pay close attention to ensuring high quality and convenience for users when developing our products. Many kinds of energy will be used in the future as the world decarbonizes, and Noritz will develop its products for whatever energy sources are adopted.

2 Preparing for the adoption of hydrogen-fueled water heaters

With the growing frequency of extreme weather disasters around the world, international efforts for combatting global warming and climate change are more urgent than ever. As many countries take steps toward carbon neutrality, the use of green hydrogen as a non-carbon fuel is drawing serious attention.

In Japan, the government is targeting a 46% reduction in greenhouse gas emissions by 2030 (compared with the level in 2013), and aims to achieve net-zero emissions by 2050. Green hydrogen is still mainly used as an industrial gas, however, due to issues surrounding supply, costs, and infrastructure. In the country's water heater industry, we expect green hydrogen to be first adopted by factories and public facilities connected to dedicated pipelines. Now that Noritz has developed a 100% hydrogen-fueled water heater, we are confident that it will help commercial and industrial facilities decarbonize in the future.

For these new water heaters to be widely adopted in the residential sector, hydrogen infrastructure must be designed and installed. Therefore, municipalities and companies planning to make effective use of hydrogen energy will need to jointly conduct demonstration tests in advance to confirm the safety and durability of infrastructure while refining compatible products.

The construction of hydrogen infrastructure has progressed more rapidly in Australia and certain European

Technology for safely burning hydrogen

Safety is ensured by a flame trap in the hydrogen burner

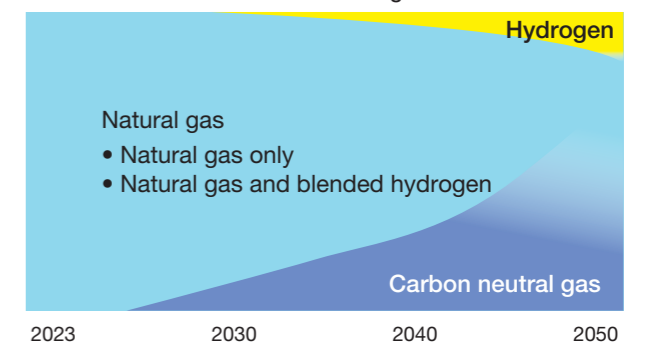
Compatible with different infrastructures

The unit can switch from burning gas to hydrogen with the replacement of a single component

Same convenience as today's models

The unit can heat small or large quantities of water with the same level of user-friendliness as currently available gas water heaters

Envisioned shift to carbon neutral gas



countries than in Japan, so Noritz will look to launch its hydrogen-fueled water heaters in those markets first. Nevertheless, as a company with a 40% share of Japan's water heater market, Noritz will work to pave the way for the adoption of this new energy source as soon as possible with a view to helping the country achieve its goal of net-zero emissions.

Koji Kinoshita
Corporate Planning Division
Noritz Corporation

Specifying new material issues

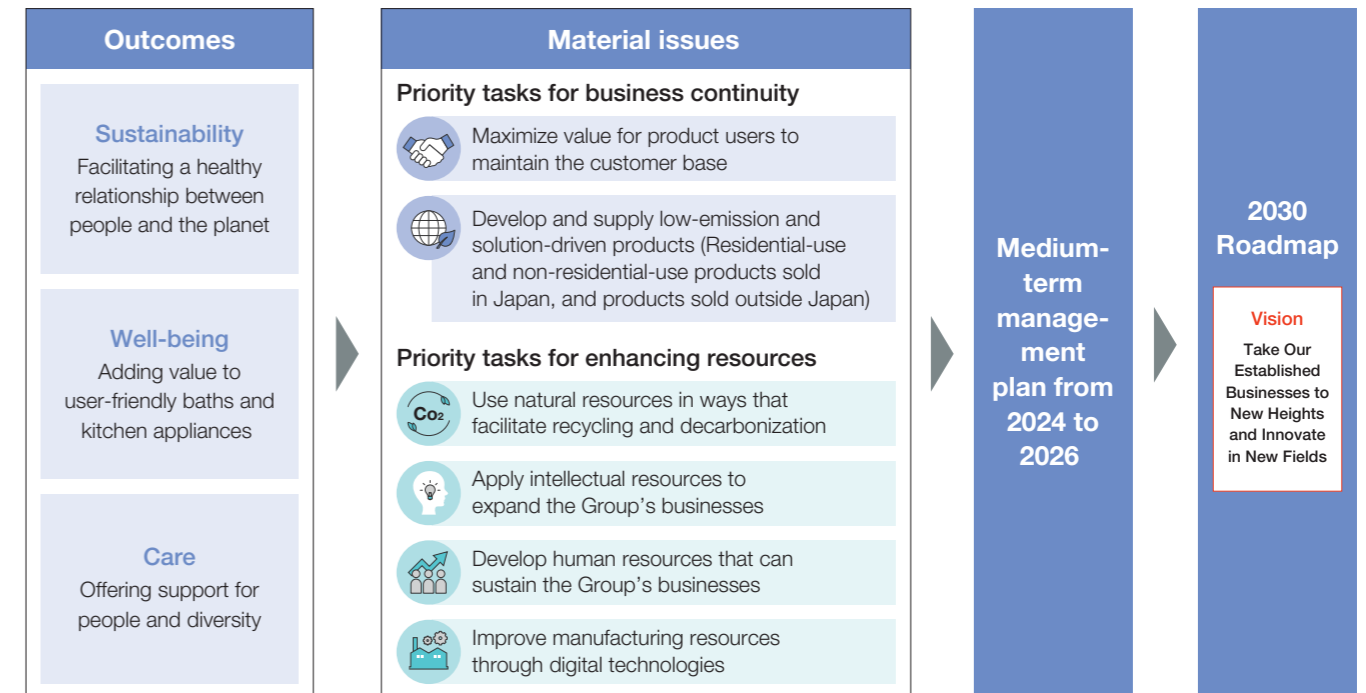
■ Reviewing and redefining the Group's material issues

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 CO₂ 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"> Outcomes that could materialize and issues that Noritz should address were examined. Priority tasks for business continuity and for enhancing resources were determined. Six material issues were specified. | <ul style="list-style-type: none"> 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. Initiatives, key performance indicators (KPIs), and targets were specified from the standpoint of risks and opportunities for the Noritz Group. | <ul style="list-style-type: none"> Deliberations were held by senior managers and the Sustainability Committee, executive meetings, and outside director meetings. Final considerations and decisions on the validity of the material issues were completed. |

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

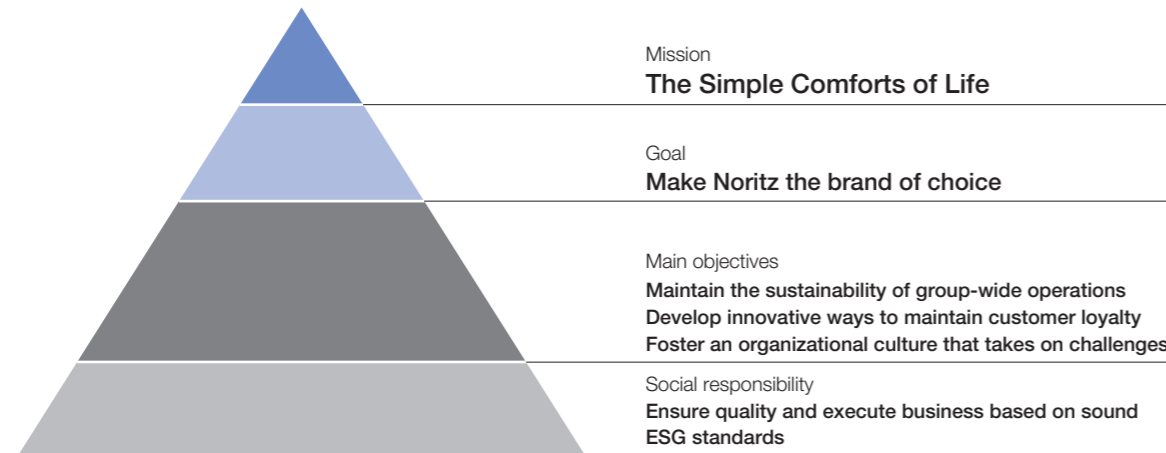


■ Initiatives and performance indicators for material issues

| 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"> 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. Newly developed products and services can provide value to consumers and contribute to reducing carbon emissions. | <ul style="list-style-type: none"> Improve relations with customers Standardize high-efficiency water heaters (low-emission products) and high-performance gas cookers (solution-driven products) Upgrade non-residential equipment to low-emission products Establish a non-residential thermal solutions business Expand markets for low-emission products in countries of operations Deploy technologies and launch products in new countries | <ul style="list-style-type: none"> Cumulative number of registered customer accounts in Japan Proportion of high-efficiency water heater sales in Japan Proportion of high-performance products sales in Japan CO₂ emissions from product usage in Japan compared with 2018 Amount of CO₂ emissions reduced in Japan (compared with 2018) by replacing boilers with high-efficiency water heaters Amount of CO₂ emissions reduced outside Japan (compared with 2018) by replacing storage-type water heaters with tankless water heaters | <ul style="list-style-type: none"> 6 million 50% 37% 20% reduction 330 thousand tons of CO₂ 6,000 thousand tons of CO₂ | <ul style="list-style-type: none"> Approx. 4.57 million 40% 31% 25% reduction 270 thousand tons of CO₂ 3,950 thousand tons of CO₂ | <ul style="list-style-type: none"> 9 million 90% 40% 30% reduction 400 thousand tons of CO₂ 7,500 thousand tons of CO₂ | |
| | | | | | | | <ul style="list-style-type: none"> 1 Maximize value for product users to maintain the customer base 2 Develop and supply low-emission and solution-driven products <ul style="list-style-type: none"> 2-1 Residential-use products sold in Japan 2-2 Non-residential-use products sold in Japan 2-3 Products sold outside Japan |
| | | | | | | | <ul style="list-style-type: none"> 3 Use natural resources in ways that facilitate recycling and decarbonization 4 Apply intellectual resources to expand the Group's businesses 5 Develop human resources that can sustain the Group's businesses 6 Improve manufacturing resources through digital technologies |
| Priority tasks for enhancing resources | <ul style="list-style-type: none"> A sustainable business model can be established through efforts to reduce the environmental impacts of the Company and society. Technological capabilities can be leveraged to secure competitive advantages. Products can be differentiated from those of competitors. Collective capabilities can be maximized by enabling diverse employees to apply their skills. Encouraging individuals to draw on their strengths can lead to innovations. The use of digital technologies can increase productivity. | <ul style="list-style-type: none"> Reduce CO₂ emissions from operations Make advances in the recycling business Develop technical solutions for decarbonization and wellness-related issues, and apply them worldwide Improve management quality to enhance the corporate brand Implement programs to enhance employee wellbeing Promote diversity and inclusion Introduce digital applications, automation, modular design, and other innovations to manufacturing operations | <ul style="list-style-type: none"> Secure 100% of electricity from renewable energy sources Number of products recycled Number of newly developed technologies related to decarbonization or wellness-related issues Score from the Nikkei Research Brand Strategy Survey Employee engagement score Proportion of automated production to total production at the Akashi Main Factory | <ul style="list-style-type: none"> Achieve target at the Akashi Main Factory 150,000 5 585 70 70% of gas water heater production | <ul style="list-style-type: none"> — 70,000 — 572 68 — | <ul style="list-style-type: none"> Reduce the Akashi Main Factory's CO₂ emissions by 50% compared with 2018 300,000 5 (either patented or sources of a new business model) 600 73 Realize smart factories by digitalizing factory operations and deploying AI and IoT | |

Looking back on the medium-term management plan spanning from 2021 to 2023

Components of the medium-term management plan from 2021 to 2023



During the three-year period of the Group's medium-term management plan from 2021 to 2023, the global economy was seriously impacted by supply chain disruptions and soaring prices of energy and commodities following the COVID-19 pandemic. In Japan, demand for the Group's products declined sharply by 2023, reflecting an imbalance in supply and demand as consumers held back from purchases and inventories accumulated. Outside Japan, the Group's product sales were negatively impacted by stagnant housing markets, particularly in China and North America.

In response to these conditions, the Group promoted high-value-added products in Japan while reducing cost prices. Although it raised product prices twice in an effort to boost profits, earnings fell year on year as a result of steeply rising

raw material costs. Outside Japan, net sales increased on the back of business growth in China and the depreciation of the Japanese yen, but profits declined slightly.

Overall, Noritz posted consolidated net sales of ¥201.8 billion in fiscal 2023, beating the target it set when the plan commenced in fiscal 2021. On the other hand, consolidated operating income amounted to ¥3.8 billion, well below the initial target of ¥8.0 billion, largely due to the negative factors described above.

Despite mixed financial results, however, the Group made steady progress during the course of the plan by creating new technologies and businesses, significantly reducing the rate of product defects, improving human resources systems, and establishing training programs for young employees.

Financial results

| | Fiscal 2023 targets set when the plan commenced in February 2021 | Fiscal 2021 results | Fiscal 2022 results | Fiscal 2023 results |
|---|--|---------------------|---------------------|---------------------|
| Net sales | ¥192.0 billion | ¥178.1 billion | ¥210.9 billion | ¥201.8 billion |
| In Japan | ¥132.0 billion | ¥115.3 billion | ¥141.4 billion | ¥131.3 billion |
| Outside Japan | ¥60.0 billion | ¥62.7 billion | ¥69.5 billion | ¥70.5 billion |
| Operating income (loss) | ¥8.0 billion | ¥2.5 billion | ¥6.8 billion | ¥3.8 billion |
| In Japan | ¥6.0 billion | (¥0.1 billion) | ¥3.3 billion | ¥0.3 billion |
| Outside Japan | ¥2.0 billion | ¥2.6 billion | ¥3.5 billion | ¥3.5 billion |
| Ordinary income | No target set | ¥3.9 billion | ¥7.9 billion | ¥1.2 billion |
| Net income attributable to shareholders of parent company | No target set | ¥5.4 billion | ¥4.8 billion | ¥0.8 billion |

Note: Due to a slump in the Vietnamese market, Kangaroo International Joint Venture Company, of which Noritz acquired an equity stake in 2021, posted substantially lower financial results than expected at the time of the acquisition. Consequently, Noritz recorded an impairment of goodwill totaling ¥3.3 billion as an investment loss under the equity method in its fiscal 2023 financial statements.

Overview of the plan's main objectives and results

When the Group launched the medium-term management plan in 2021, its main objectives were to maintain the sustainability of group-wide operations, develop innovative ways to maintain customer loyalty, and foster an organizational culture that takes on challenges. Later, it added the new goals of building a stable supply chain in response to serious supply chain disruptions, and streamlining business activities by utilizing digital technologies in preparation for future-oriented reforms. The Group successfully restructured the supply chain, allowing production to return to normal in March 2022, and completed

the conceptual stage of streamlining business activities by progressively adopting digital technologies and prepared for future-oriented reforms. Various measures based on the plan's initial objectives made steady progress, including efforts to cultivate regional markets in China and market launches of products with new functions, such as baths that disinfect bathwater and help users relax before bed. Other measures made progress but had yet to produce results, so the Group will continue carrying them out under its new medium-term management plan.

| Objectives | Measures | Results | |
|---|--|---|---|
| Maintain the sustainability of group-wide operations | Shift to a high-earnings product portfolio in Japan | Expand lineups of high-value-added products | Noritz released products equipped with new technologies, including the <i>Aqua Ozone</i> water disinfectant treatment system, <i>Hiito</i> Human Thermal Model bathtub, and gas cookers with digital displays and timers (see page 28). It also deployed new marketing methods for incorporating logistics in sales operations, with a focus on eco-friendly products and consumer solutions. |
| | | Establish a new replacement sales model | Noritz established a residential customer-contact sales model by making effective use of product inspection alert functions. |
| | | Establish a new sales model for non-residential products | Noritz established a customer-contact sales model for commercial, industrial, and agricultural facilities requiring maintenance and inspections. |
| | | Reduce cost prices | Noritz began full-scale outsourcing to third-party logistics providers. The Group achieved its ¥3.0 billion cost reduction target by continuously reducing cost prices to offset steep increases in raw material prices. |
| | Continue expanding outside Japan | China: Execute measures for growth | Measures for cultivating regional markets and marketing high-value-added products, including water and space heating systems, resulted in profit growth. |
| | | North America: Leverage the capabilities of Noritz's three US-based subsidiaries to expand the water heater business | Sales of both commercial-use water heaters and heating products increased thanks to a larger number of major hardware stores selling the products, and to sales of commercial-use water heaters in rack systems, which reduces necessary installation work. |
| | | Australia: Expand the scope of operations | The mainstay storage-type water heater business expanded, and sales of the tankless (instantaneous) water heaters increased at major hardware stores. Sales increased following market entry into New Zealand. |
| | | New markets: Enter markets in Southeast Asia | Noritz acquired a 44% stake in Vietnam-based Kangaroo International Joint Venture Company, making it an equity affiliate, and made use of its new factory to supply water purifiers and home appliances to markets in Southeast Asia. |
| | Additional goal: Build a stable supply chain | Aiming to ensure business continuity, the Group secured multiple suppliers of parts and expanded inventories, thereby enabling dependable supplies. Products were developed without the use of specialized parts. Product designs were modified to eliminate the need for any high-risk procurement of parts. | |
| | Develop innovative ways to maintain customer loyalty | Create new technologies, business models, and businesses | Noritz concluded an agreement with Kobe University to conduct research projects in four areas, including new energy, with a view to developing products and advanced technologies. Noritz won its bid from Japan's New Energy and Industrial Technology Development Organization to help develop a hybrid water heating system. |
| Contribute to the environment | | Noritz developed hydrogen combustion technologies in response to the need for next-generation energy (see pages 15 to 16). | |
| Continually improve quality | | The Group significantly reduced the rate of defects for new mainstay products. | |
| Additional goal: Streamline business activities by utilizing digital technologies | | Product lifecycle management systems were put in place and linked to supply chain data and cost management systems. Production facilities and parts storage and logistics facilities were partially automated. | |
| Foster an organizational culture that takes on challenges | Motivate employees to improve their skills | Noritz reformed its human resources systems by adopting a performance management system and shifting to a job-based employment system. | |
| | Develop human resources that can produce solid results | Noritz created training programs for young employees. | |

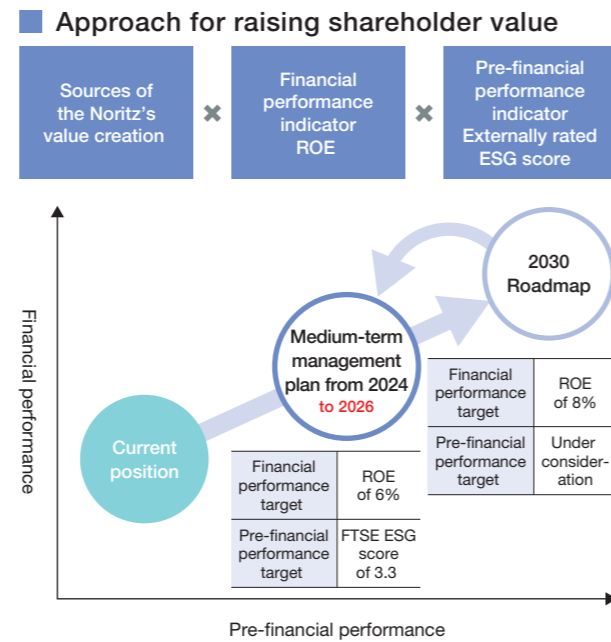
New medium-term management plan from 2024 to 2026

Aiming to achieve ROE of 6% and an FTSE ESG score of 3.3

In tandem with its review of material issues, Noritz formulated its new medium-term management plan by backcasting from the goals envisioned in its 2030 Roadmap, and in consideration of the Group's recent performance, public expectations, and global trends. Under the new plan, the Company will aim to raise its value by improving its financial performance as well as its pre-financial performance, which could affect financial results in the future. Accordingly, management has specified return on equity (ROE) as its financial performance indicator

and set a target of 6% by the final year of the plan in 2026. As an indicator of pre-financial performance, it designated the ESG score issued by the FTSE Russell and set a target of 3.3. Furthermore, to achieve the goals of the new plan, the Group will carry out three key strategies: shift to a more profitable business portfolio, strategically increase investment and allocate capital, and make progress in sustainability management.

| Global trends and operating environment | |
|---|---|
| [Government-related] | [Economic] |
| <ul style="list-style-type: none"> Geopolitical risks <ul style="list-style-type: none"> Tension between the US and China regarding Taiwan Risks associated with sourcing parts and materials Environmental regulations <ul style="list-style-type: none"> Regulations for phasing out fossil fuels and shifting to a low-carbon economy Subsidies awarded based on government policies | <ul style="list-style-type: none"> Market demand and growth <ul style="list-style-type: none"> Economic slowdown and real estate market collapse in China Growing production capacity for eco-friendly products Material and service costs <ul style="list-style-type: none"> Constantly rising prices of materials and logistics Bottlenecks and related problems in supply chains |
| [Socio-economic] | [Technology-related] |
| <ul style="list-style-type: none"> Consumer needs <ul style="list-style-type: none"> Need for eco-friendly and solution-driven products in Japan Consumer preference for domestic brands in their respective countries Population decline in Japan <ul style="list-style-type: none"> Rising personnel costs due to labor shortages Falling demand for bathroom and kitchen fixtures | <ul style="list-style-type: none"> Renewable energy technologies <ul style="list-style-type: none"> Demand for energy-saving heat pumps Accelerating pace of technological change Widespread adoption of AI <ul style="list-style-type: none"> Variation in service quality |



Results and targets of the previous and new medium-term management plans

| | Financial results for previous plan's final year in fiscal 2023 | Financial targets (set in December 2023) for the new plan's final year in fiscal 2026 | Difference between the results and targets | Percentage difference between the results and targets |
|---|---|---|--|---|
| Net sales | ¥201.8 billion | ¥230.0 billion | + ¥28.1 billion | + 13.9% |
| In Japan | ¥131.3 billion | ¥145.0 billion | + ¥13.6 billion | + 10.4% |
| Outside Japan | ¥70.5 billion | ¥85.0 billion | + ¥14.4 billion | + 20.5% |
| Operating income (loss) | ¥3.8 billion | ¥9.0 billion | + ¥5.1 billion | + 135.8% |
| In Japan | ¥0.3 billion | ¥3.5 billion | + ¥3.1 billion | + 1,066.6% |
| Outside Japan | ¥3.5 billion | ¥5.5 billion | + ¥1.9 billion | + 57.1% |
| Ordinary income | ¥1.2 billion | No target set | No target set | No target set |
| Net income attributable to shareholders of parent company | ¥0.8 billion | No target set | No target set | No target set |

Three key strategies

Key strategy 1

Shift to a more profitable business portfolio

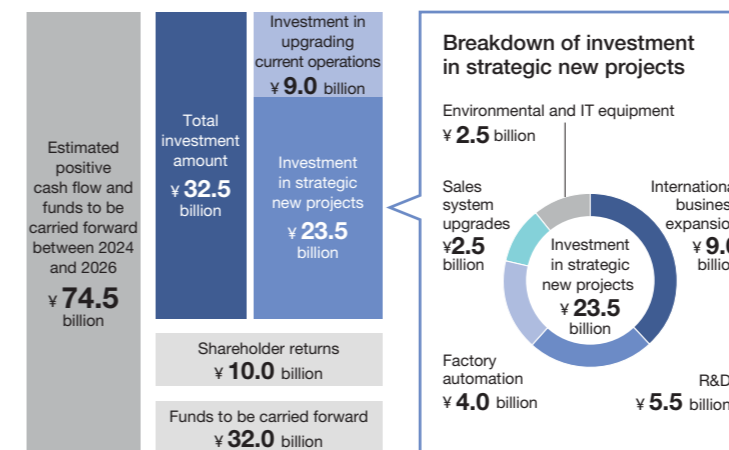
Noritz devises strategies for each business in the Group's portfolio based on assessments of their profitability and potential market growth. Accordingly, it will restructure the mainstay residential-use water heater business in Japan, and cultivate new markets internationally to reduce the risk of overdependence on the Chinese market.

Key strategy 2

Strategically increase investment and allocate capital

1 Invest in growth

Between 2024 and 2026, Noritz plans to invest a total of ¥32.5 billion—about one and a half times the investment amount during the previous three-year plan (excluding investment in M&A)—primarily for capital investment. Aiming for sustainable growth going forward, Noritz has earmarked ¥23.5 billion for strategic new projects in growth businesses, which will include converting production facilities to smart factories and constructing new factories outside Japan.



2 Capital allocation

1) Increase shareholder returns

Noritz will raise its targeted dividend on equity ratio from 2.0% to 2.5%, and will aim for this ratio or a consolidated dividend payout ratio of 50%, whichever is higher. It will also consider flexibly executing share buybacks.

2) Reduce cross-shareholdings

Noritz will reduce the value of cross-shareholdings from 25% of net assets reported in its balance sheets as of December 31, 2023, to 20% of net assets by December 31, 2026, and use the proceeds for growth investments.

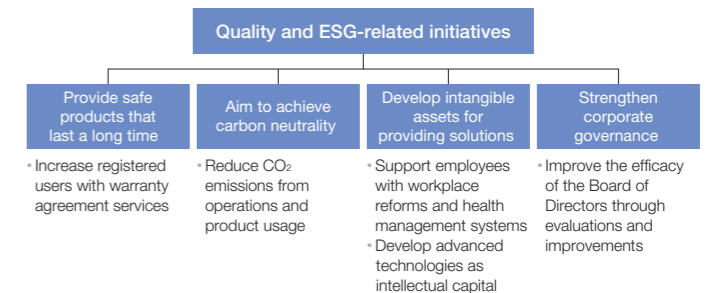
3) Cancel shares

Noritz will reduce the number of its shares outstanding by 5% by 2026.

Key strategy 3

Make progress in sustainability management

The Noritz Group has taken steps to position quality and ESG as the foundation of its sustainability management. Under the new medium-term management plan, the Group will recognize quality and ESG as components of its pre-financial performance as it strives to make further progress in sustainability management (see pages 25 to 26).



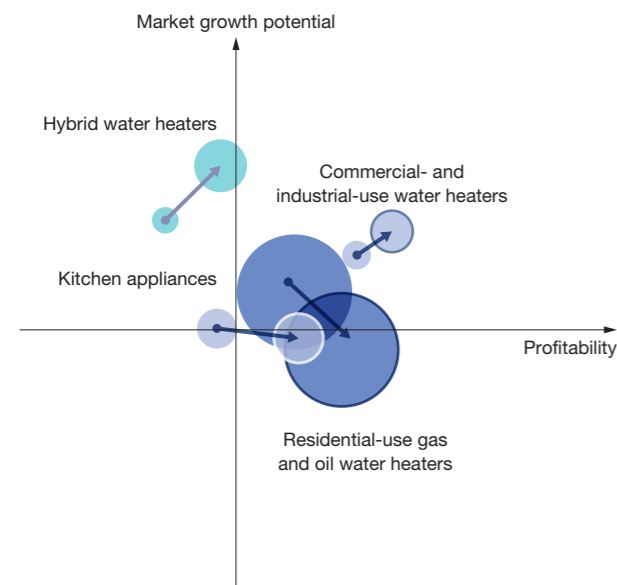
New medium-term management plan from 2024 to 2026

Strategies in Japan

Noritz has relied heavily on its gas and oil residential-use water heater business because it accounts for a high percentage of sales in Japan, but to improve the balance of its portfolio in light of future market growth potential, it will allocate more operational resources to growth businesses, particularly hybrid

and other low-emission water heaters, as well as commercial- and industrial-use water heaters. Furthermore, Noritz will promote solution-driven products while working to improve customer relations and expand the services it offers.

Key strategy 1 Direction of the business portfolio from 2023 to 2026



Key strategy 2 Strategic investment

Material issues 1, 2, 3, 4, and 6

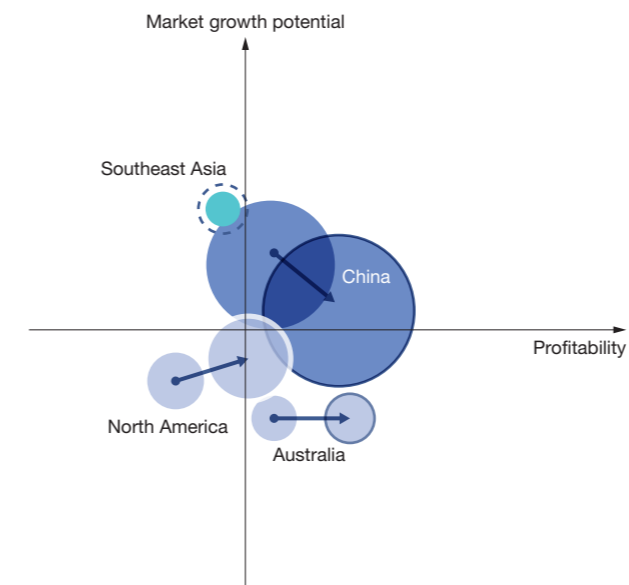
| Purpose | Investment amount | Objective |
|--------------------------------|-------------------|--|
| R&D | ¥5.5 billion | Expand lineups of value-added products by developing low-emission products that contribute to decarbonization and solution-driven products that help enhance users' quality of life. |
| Factory automation | ¥4.0 billion | Automate production lines with a view to creating smart factories. |
| Sales system upgrades | ¥2.5 billion | Rebuild service platforms and adopt digital technologies and IoT to strengthen relations with customers. |
| Environmental and IT equipment | ¥2.5 billion | Install equipment needed for obtaining electricity entirely from renewable sources, and IT-related equipment for facilitating digitalization. |

Strategies outside Japan

Noritz has positioned its international business as the Group's growth driver. In consideration of future market growth potential, however, it recognizes the serious risk of overdependence on China, which accounts for a high proportion of international sales. Therefore, to alleviate this risk, Noritz will reorganize its

business portfolio, shifting operational resources to other markets—particularly North America but also Australia and Southeast Asia—while maintaining growth in China. In this way, it aims to stabilize earnings and expand its business internationally.

Key strategy 1 Direction of the business portfolio from 2023 to 2026



Key strategy 2 Strategic investment

Material issue 2

| Market | Investment amount | Objective |
|-----------------|-------------------|--|
| China | ¥9.0 billion | Construct an innovation center, enable subsidiaries to grow independently by improving their production and development capabilities, and establish a value chain entirely based in China. |
| North America | | Newly release tankless water heaters with a premixed burner design to promote sales of low-emission tankless models and expand the market for these products. |
| Australia | | Improve product quality and lower cost prices through capital investment, and establish a head factory for storage-type water heaters. |
| Other countries | | Invest in new product development and expand businesses in various countries. |

Initiatives for providing value

Sustainability

Material issue 2

[Residential-use gas and hybrid water heaters]

- Contribute to decarbonization by promoting wider adoption of hybrid and low-emission gas heaters

[Non-residential products]

- Facilitate the shift from commercial- and industrial-use boilers to instantaneous gas water heating systems that emit less CO₂

[All product markets and business regions]

- Practice sustainable procurement
- Acquire new technologies that facilitate decarbonization

Well-being

Material issues 2 and 6

[Non-residential products]

- Apply core technologies to develop added-value products tailored to specific needs in commercial and industrial markets

[All product markets and business regions]

- Market products that offer solutions for consumers
- Create partnerships with universities and governments to jointly develop solution-driven technologies

Care

Material issue 1

[Residential-use water heaters]

- Utilize inspection alert functions of water heaters to promote inspections and replacement products

[All product markets and business regions]

- Provide safe products that last a long time
- Design services for maintaining customer relations

Initiatives for providing value

Sustainability

Material issue 2

- Contribute to decarbonization by promoting the switchover from storage-type water heaters to tankless water heaters
- Help reduce CO₂ emissions in the future by preparing for new market releases of tankless, heat pump-equipped, and hydrogen-fueled water heaters

Well-being

Material issue 2

[China and North America]

- Develop and promote solution-driven products such as water heaters equipped with recirculation pumps and heating systems

[China]

- Collaborate with Noritz (China) Co., Ltd., and Sakura Bath and Kitchen Products (China) Co., Ltd., to expand the kitchen appliance business

[China and other countries]

- Apply water purification and sterilization technologies to cultivate new markets

Care

Material issue 1

- Continue increasing the number of maintenance agreements
- Support after-sales and installation services through effective use of apps and social media
- Promote remote monitoring agreements to maintain orders for water heaters

New medium-term management plan from 2024 to 2026

Key strategy 3

Make progress in sustainability management

In addition to the sustainable growth of the Noritz Group, advances in society as a whole will be needed to realize the Group's mission. From this perspective, the Group engages with its stakeholders to clarify their expectations and requests. When considering how to respond and what measures to take, management incorporates quality and environmental, social, and governance (ESG) issues in Noritz's pre-financial performance with a view to providing more value to stakeholders.



Linking material issues to quality and ESG initiatives

Quality

Provide safe products that last a long time

- Material issue 1 Maximize value for product users to maintain the customer base

Environment

Aim to achieve carbon neutrality

- Material issue 2 -1 Develop and supply low-emission and solution-driven residential-use products sold in Japan
- Material issue 2 -2 Develop and supply low-emission and solution-driven non-residential-use products sold in Japan
- Material issue 2 -3 Develop and supply low-emission and solution-driven products sold outside Japan
- Material issue 3 Use natural resources in ways that facilitate recycling and decarbonization

Society

Develop intangible assets for providing solutions

- Material issue 4 Apply intellectual resources to expand the Group's businesses
- Material issue 5 Develop human resources that can sustain the Group's businesses
- Material issue 6 Improve manufacturing resources through digital technologies

Governance

Strengthen corporate governance

- Improve the efficacy of the Board of Directors through evaluations and improvements

Please visit Noritz's website for more information on its material issues, quality, and ESG initiatives (Japanese language only).



Stakeholder communication

The Noritz Group proactively discloses information and communicates with its stakeholders to confirm their requests and expectations for the Group and to enhance stakeholder engagement.



External evaluations



FTSE Blossom Japan Index

The FTSE Blossom Japan Index includes Japanese companies that have been highly evaluated for ESG practices. Noritz has been included in the index since 2023.



FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index is designed to measure the performance of Japanese companies that have been highly evaluated for ESG practices by industry sector. Noritz has been included in the index since 2022.



CDP

Noritz received a score of A- for climate change leadership for the second consecutive year in 2023 from the CDP, an NPO that runs a global disclosure system for managing environmental impacts.

Sustainability management under the new plan

Material issues

Material issue 1

Maximize value for product users to maintain the customer base

The Noritz Group has been facilitating interaction with customers to offer them safe and convenient products by utilizing the internet and the latest internet-of-things (IoT) technologies, which make it easier to provide precise information to product users.

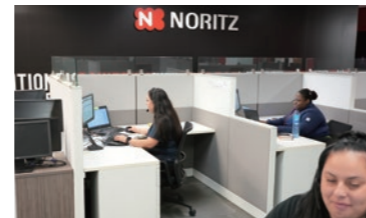
2023 result and 2026 target

Total number of registered customer accounts
From 4.57 million to **6 million**

Maintaining interactive customer relationships to continue offering value

Noritz recognizes that maintaining relationships with customers after they purchase products is essential for continuing to offer them value. Therefore, it operates contact centers, membership websites, and a service featuring reminders and tips for more comfortable bathing through its smartphone app (called Ofuro no Jikan). By integrating IoT in remote controller, Noritz has added value to its bath products, such as enabling remote operations and notifications from outside the home, as well as notifications of optimal bathing times for ensuring a good night's sleep (available in *Hiito* bath models). It has also created new

services for providing useful information, including cold weather alerts and tips for more convenient product usage. Looking ahead, Noritz plans to continue enhancing these services and expand its services outside Japan through apps, social media, and multilingual contact centers.

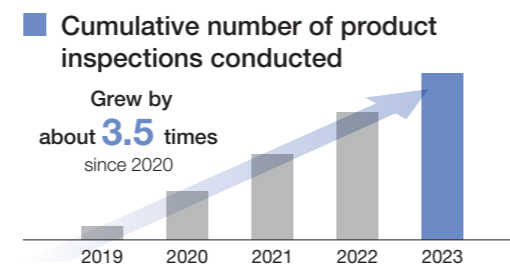
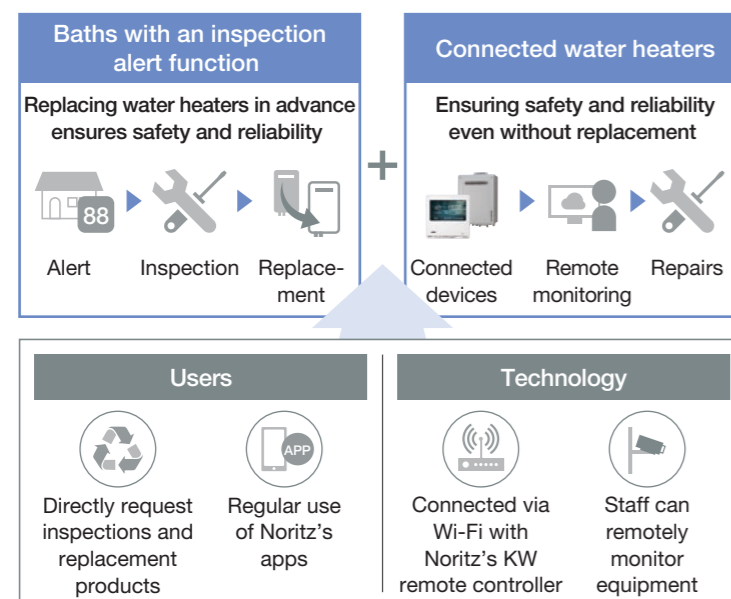


Noritz's contact center in the United States

Ensuring safe and dependable products by connecting with users

Noritz has equipped almost all of its water heaters with an inspection alert function as a means to prevent accidents and breakdowns after many years of use. Specifically, the code number "88" is displayed by its remote controller after 10 years of usage. The inspections provide opportunities to check the condition of the equipment and offer replacement models before the water heaters wear out, thereby ensuring safety and reliability for users. By deploying IoT to connect with customers,

Noritz plans to provide services for even safer product usage in the future. For its commercial-use water heaters, the Noritz Group concludes maintenance contracts with its customers in Japan and other countries, allowing it to conduct periodic inspections at their facilities and help prevent downtime from product breakdowns.



* According to results of a customer satisfaction survey conducted by Noritz in 2023

Material issue 2-1

Develop and supply low-emission and solution-driven residential-use products in Japan

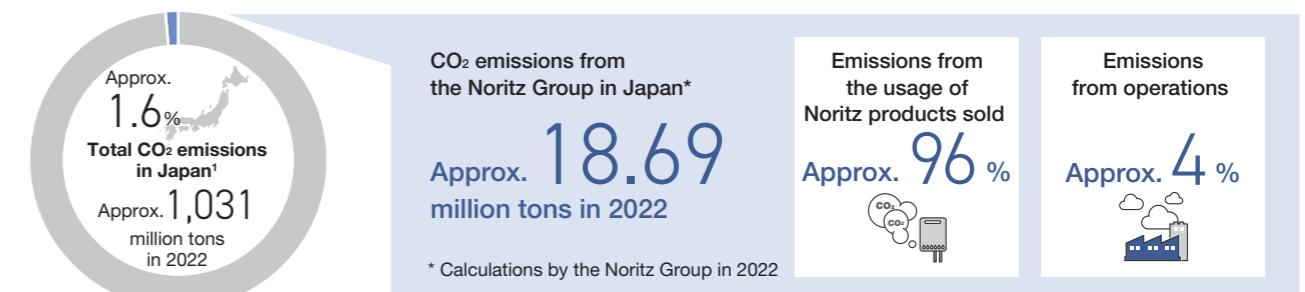
Annual CO₂ emissions from the Noritz Group's products (at the usage stage) and operations in Japan account for about 1.6% of the country's total CO₂ emissions. Therefore, the Group recognizes that it has a responsibility to the country to reduce these emissions going forward.

2023 result and 2026 target

Reduction of CO₂ emissions from product usage in Japan compared with 2018
From 25% to **20%**
Sales of high-efficiency water heaters to total water heater sales in Japan
From 40% to **50%**

As a group of companies that deals in gas water heaters and kitchen appliances that emit CO₂, the Noritz Group understands the growing importance of reducing CO₂ emissions, especially now that Japan has announced its goal of becoming carbon neutral by 2050 amid rising environmental awareness. Recognizing this as an opportunity, Noritz is accelerating its

efforts to develop and market products that emit less CO₂ and use a wider range of energy sources to help achieve the 2050 goal and contribute to a more sustainable planet.



Notes: 1. Preliminary data of Japan's greenhouse gas emissions in 2022 provided by the Greenhouse Gas Inventory Office, National Institute for Environmental Studies

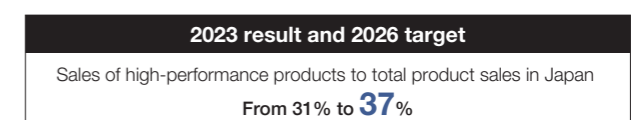
Standardizing low-emission products and developing next-generation water heaters

In Japan, existing infrastructure is expected to be used during the country's transition to a low-carbon economy. Against this backdrop, Noritz will continue working to reduce CO₂ emissions by developing and marketing low-emission products, such as heat-recovery and hybrid water heating systems, while promoting the replacement of conventional products with more efficient models. Aiming to achieve net-zero emissions, Noritz has been utilizing carbon neutral gases promoted by gas utilities, and successfully developed a hydrogen-

fueled water heater that emits no CO₂. Before releasing this new water heater to the market, Noritz will conduct demonstration tests in Japan in preparation for next-generation infrastructure, and tailor it to infrastructure needs and regulations in various countries. At the same time, the Company will carry out technical development of heat pump and renewable energy applications.



Offering helpful and useful solutions for people's everyday lives



Developing products that bring more comfort and convenience to consumers

In Japan, consumers often express a desire for cleaner bathwater and for a more comfortable sleep. In response to these everyday needs, Noritz developed bath water heaters equipped with two new technologies: *Aqua Ozone*, the industry's first bathwater disinfectant system that uses ozonated water, and *Hiito*, a bathtub designed to help users relax before bed. Moreover, in response to consumers who want cooking to be more convenient, Noritz developed a built-in gas cooker equipped with digital timers and displays, which make it easier for users to monitor cooking temperatures in real time. By promoting these new products, Noritz hopes to offer helpful and useful solutions for people's everyday lives.



Noritz's new built-in gas cooker on display in a new product presentation

Sustainability management under the new plan

Material issues

Material issue 2-2

Develop and supply low-emission and solution-driven non-residential-use products in Japan

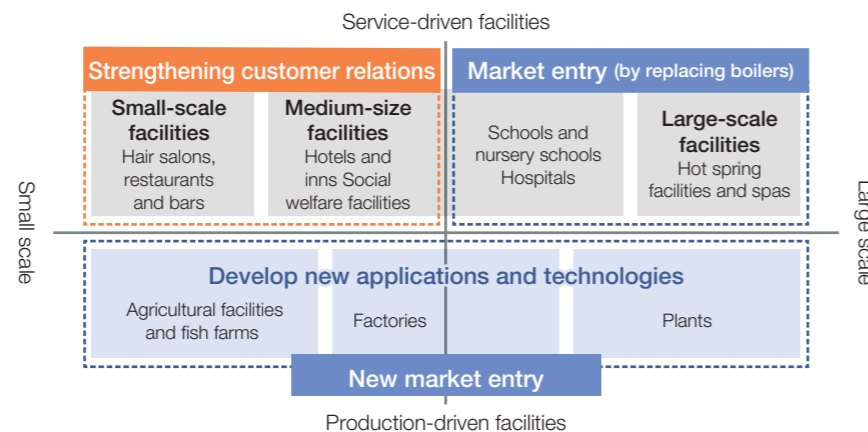
Progress in reducing CO₂ emissions from non-residential-use products has been slow compared with residential-use products in Japan because many facilities, such as spas and hospitals, use boilers that have high environmental impacts. In this context, Noritz is applying its core technologies to expand its lineups of low-emission products and help reduce CO₂ emissions in the commercial, industrial, and agricultural sectors.

2023 result and 2026 target

Amount of CO₂ emissions reduced in Japan (compared with 2018) by replacing boilers with high-efficiency water heaters
270 thousand tons to 330 thousand tons of CO₂

In Japan's non-residential sector, the Noritz Group targets service-driven facilities, such as hotels, as well as production-driven facilities like farms and factories. To expand business going forward, the Group will continue providing unique value-added products and services to small and medium-size commercial facilities while leveraging its competitive advantages to offer optimal solutions to a broader range of facilities. In this way, the Group intends to provide essential products and services that help users reduce CO₂ emissions and improve operational efficiency.

Projected business expansion



Supplying low-emission products that can heat water up to 84°C with thermal efficiency of 95%

While conventional industrial-use gas water heaters can heat water up to 80°C, food processing plants in Japan must clean and sterilize equipment at higher temperatures to comply with HACCP-based standards¹ for disinfectants. In response to this need, Noritz developed a gas water heater capable of heating water up to 84°C² by modifying various components and improving safety devices. It also achieved thermal efficiency of 95% by reusing exhaust heat, enabling the unit to heat water with less gas. Noritz is promoting this highly efficient water heater as a replacement for boilers used

by industrial facilities, which consume a relatively large amount of gas to heat water. Since these products emit less CO₂, they can contribute to Japan's transition to a low-carbon economy.

Notes:

- HACCP (Hazard Analysis and Critical Control Point) is a safety management system for food manufacturers.
- Depending on piping systems, the water temperature output may be less than 80°C.

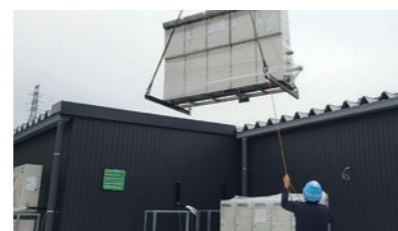


Designing water heating systems to help solve labor shortages

Japan's shrinking working-age population has caused a serious labor shortage in the construction industry. In response to this issue, Noritz has been supplying pre-assembled commercial- and industrial-use water heating systems. By combining multiple water heaters into a single unit and delivering them directly to construction sites, Noritz has greatly reduced the amount of installation work, which saves on labor. This also results in less industrial waste and ensures consistent installation quality, making it easier for construction firms to ensure safety and reliability. On the momentum of this successful

initiative, Noritz intends to explore more solutions through its products and services in the future.

A pre-assembled water heating system delivered to a construction site



Material issue 2-3

Develop and supply low-emission and solution-driven products outside Japan

Amid growing interest in decarbonization initiatives around the world, the Noritz Group is working to help reduce CO₂ emissions by applying its extensive technological expertise in high-efficiency gas water heaters.

2023 result and 2026 target

Amount of CO₂ emissions reduced outside Japan (compared with 2018) by replacing storage-type water heaters with high-efficiency tankless water heaters
From 3,950 thousand tons to 6,000 thousand tons of CO₂

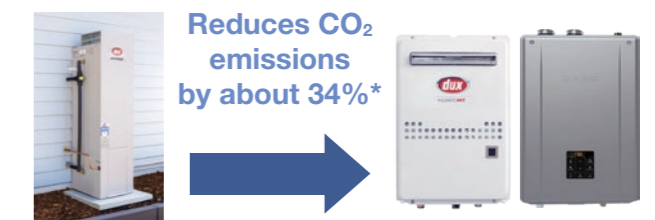
The Noritz Group is committed to helping the world achieve net-zero emissions. Toward this end, the Group calculated the amount of CO₂ emissions that it reduced outside Japan in 2023 by replacing storage-type water heaters with tankless

water heaters, and set a target to reduce this amount by 2026.

Promoting tankless water heaters in North America and Australia with an improved and wider product lineup

While tank-equipped storage-type water heaters are most common in the North American and Australian markets, the Noritz Group is working to boost the market share of tankless (instantaneous) water heaters by promoting their exceptional energy savings and environmental benefits. Group companies have been marketing these products by highlighting the ease with which they can replace storage-type models. Indicating the success of these efforts, the percentage of tankless water heaters has risen substantially in North America. Building on this success, the Group is working to improve its lineup of low-emission and solution-driven products.

Promoting the switchover to tankless water heaters



* If a storage-type water heater is replaced by a tankless water heater with a premixed burner design

Contributing to the government-backed switchover from coal to gas by boosting production capacity in China

China has been switching from coal to gas in an effort to decarbonize. Against this backdrop, Noritz's subsidiaries in China have been contributing to the environment by replacing water heating equipment with gas water heaters and boilers that offer excellent environmental performance and convenience.

To contribute to the switchover to gas, Noritz will expand production facilities to boost overall capacity to about one million gas water heaters annually.

Water heaters designed for China's switchover to gas



Facilitating collaboration with subsidiaries to independently develop and manufacture products tailored for the Chinese market

To help its subsidiaries in China grow independently, Noritz has begun constructing an innovation center in the country. Scheduled to open in early 2026, the center will aim to independently develop products that meet and evolve with needs unique to the Chinese market.

In collaboration with its subsidiaries, Noritz (China) Co., Ltd., and Sakura Bath and Kitchen Products (China) Co., Ltd., Noritz will work to expand its kitchen appliance business and offer products that satisfy consumers in China.

In 2023, the Noritz Group applied technologies developed in Japan to release its Multi Grill brand of built-in gas cookers in China. Combining numerous functions in a single product, the gas cooker enables users to prepare sophisticated dishes in the home. While eating out is firmly rooted in Chinese culture, demand for food prepared at home has increased since the COVID-19 pandemic. In



Artist rendition of the new innovation center

New kitchen appliance presentations are distributed via social media

Sustainability management under the new plan

Material issues

Material issue 3

Use natural resources in ways that facilitate recycling and decarbonization

Vast amounts of energy are consumed to make products, and as production volume rises, energy consumption and CO₂ emissions also increase. Therefore, reducing CO₂ emissions while maintaining production capacity is a major challenge that requires manufacturers to conserve, recycle, and effectively use limited resources.

The Noritz Group carries out various initiatives for protecting the environment, such as installing machinery that emits no CO₂ at its production facilities. Group company S-CORE Hearts K.K. also recycles resources through its gas water heater recycling business with the goal of ensuring

sustainable operations. The Group is striving to achieve net-zero CO₂ emissions across all of its operations by 2050. Moreover, to help further progress in resource recycling through its products and businesses, Noritz is aiming for a 40% reduction in the waste it generates in Japan by 2030.

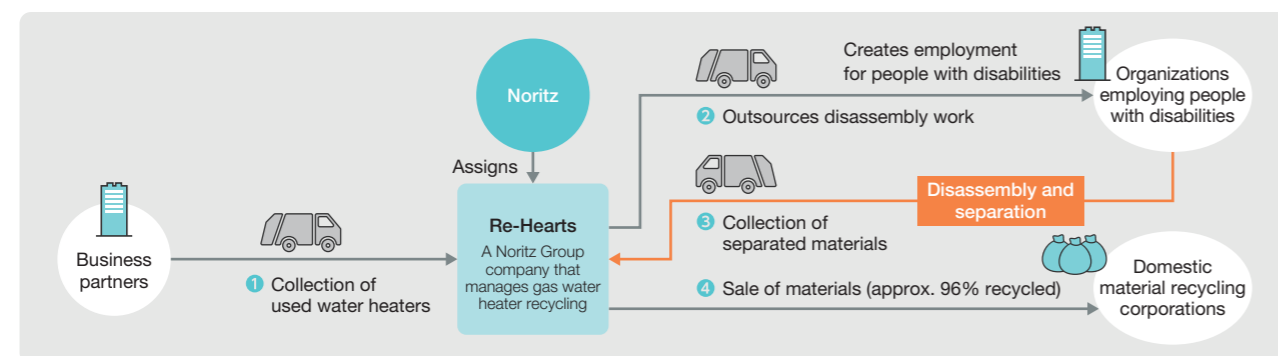
| 2023 result and 2026 target |
|---|
| Secure 100% of electricity from renewable energy sources at the Akashi Main Factory |
| Number of products recycled from 70 thousand to 150 thousand |

Securing electricity from renewables at the Akashi Main Factory while conserving energy at all workplaces



In 2020, Noritz became the first company in the gas and oil equipment industry to join the global initiative RE100. As a member, Noritz has committed to the RE100 goal of securing 100% of its electricity from renewable sources. It will work to achieve this at all factories in Japan by 2030 and all of the Group's factories outside Japan by 2050. As a step towards these goals, Noritz is preparing to supply electricity to the Akashi Main Factory, its largest production facility in Japan, entirely from renewable energy sources by 2026. At the same time, Noritz plans to install new equipment and facilities to conserve more energy, generate energy from renewables, optimize logistics, and reduce CO₂ emissions. It will promote these activities by sharing exemplary energy-saving initiatives across the Group via its intranet.

Noritz's original model for recycling water heaters and creating employment opportunities for people with disabilities



The Noritz Group is committed to building a circular economy that uses resources sustainably. From this perspective, Noritz set up a system for recycling gas water heaters in 2011. The operations are handled by Re-Hearts K.K., a subsidiary of Group company S-CORE Hearts K.K., which was established to provide employment opportunities to people with disabilities. Re-Hearts collects used water heaters from the Group's business partners and outsources the disassembly

and separation work to organizations that employ people with disabilities. By 2022, about half a million water heaters had been recycled since the system was set up, and another 70 thousand were recycled in 2023. Building on this momentum, the Group is working to expand the system going forward.



S-CORE Hearts' website (Japanese language only)

Material issue 4

Apply intellectual resources to expand the Group's businesses

For the Noritz Group, value creation is rooted in the technologies it has accumulated over many years, and the trust of its stakeholders is vital for growing sustainably in the future.

To create new businesses and respond to diverse consumer needs, Noritz recognizes that it must integrate new technologies in addition to its core technologies of combustion control, heat exchange, and fluid control. Therefore, the Company is

promoting open innovation while soliciting ideas from employees with a view to creating all-new value.

| 2023 result and 2026 target |
|--|
| Number of newly developed technologies related to decarbonization or wellness-related issues |
| 5 by 2026 |
| Nikkei Research Brand Strategy Survey score |
| From 572 to 585 |

Promoting open innovation to develop new technologies

Along with its core technologies of combustion control, heat exchange, and fluid control, the Noritz Group is deploying mechatronics and electronic control software to explore ways of limiting CO₂ emissions and enhancing people's health through bath products. At the same time, it is promoting open innovation to develop new technologies necessary for providing solutions and improve people's health and quality of life.

Since 2022, Noritz has been collaborating with Kobe University, the University of Hyogo, and a national project led

by the Japanese government to jointly research technologies related to decarbonization, wellness, digital transformation, and hygiene and disinfectants. Noritz is also developing a next-generation hybrid water heating system that recovers heat from inside the home, which can help reduce CO₂ emissions. This development project was selected for funding by the New Energy and Industrial Technology Development Organization, Japan's largest organization supporting R&D.

Presenting applied research at an academic conference

Researchers from Noritz gave a presentation on how body temperature changes in the bath affect sleep at an annual conference of the Japan Society of Physiological Anthropology held in 2023 at Kyushu University. This research was used to

develop monitoring functions for the Company's new *Hiito* bath unit.

A researcher from Noritz presenting at the conference




Development of Aqua Ozone technology

Through joint research with Kogakuin University, Noritz developed a bathwater disinfection unit that uses ozonated water to sterilize water pipes and related equipment. The device was used for the Company's GT-C72 series of gas water heaters, released in May 2023.

Noritz's ozonated water disinfection technology

Equipped with Kogakuin University's original technology for dissolving ozone in water

Aqua Ozone is the industry's first¹ ozonated bathwater disinfection unit capable of eliminating over 99% of bacteria² in water



- Among residential-use gas water heaters as of March 31, 2023
- According to tests conducted by the Hygiene & Microbiology Research Center, after ozonated water was added to a bacterial solution for a 10-second period, measurements of the remaining bacteria showed that over 99% of the bacteria had been eliminated. This result was obtained under laboratory conditions, and results for actual usage conditions could differ.

Continuing to earn the trust of stakeholders

To ensure that it continues to earn the trust of its stakeholders, the Noritz Group is working to enhance its corporate brand and raise the quality of its management, products, and services.



Sustainability management under the new plan

Material issues

Material issue 5

Develop human resources that can sustain the Group's businesses

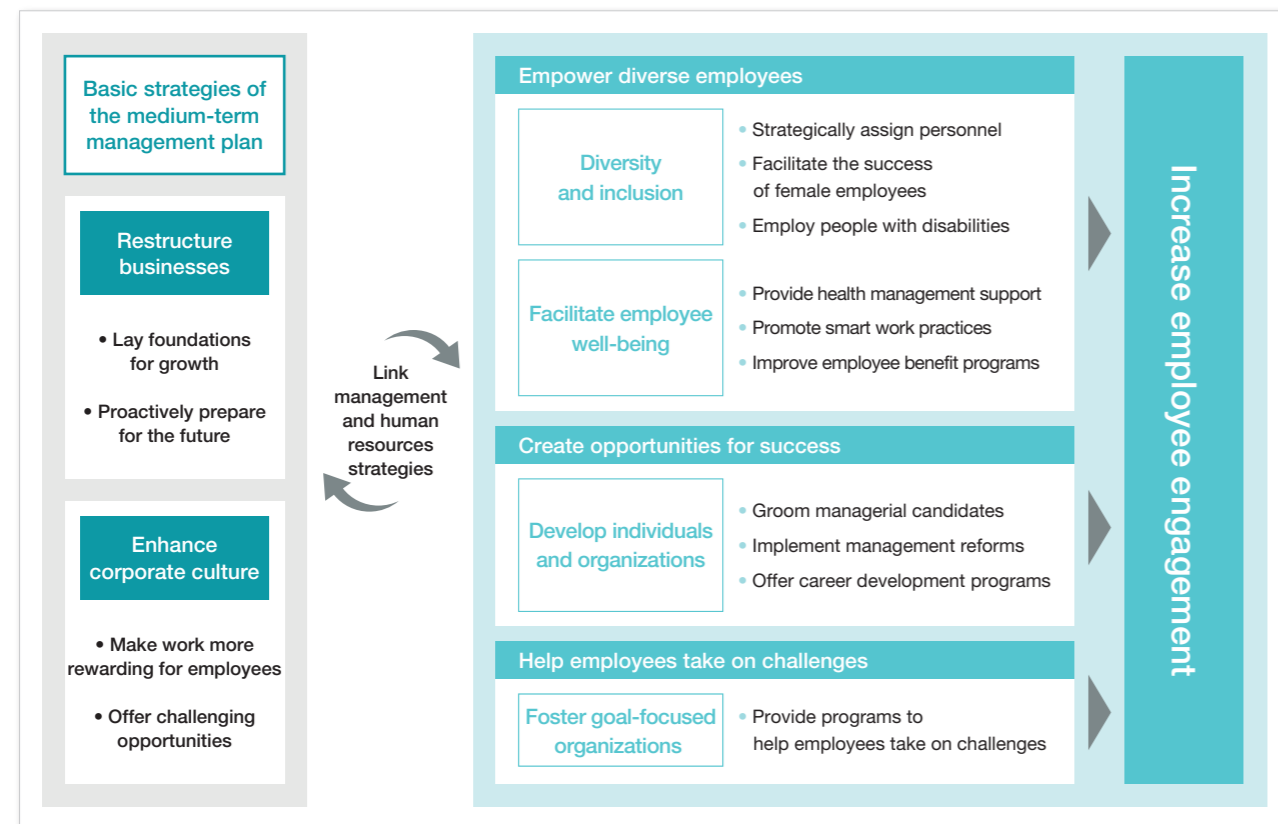
For the Noritz Group, human resources—its employees—is the most important form of capital for maximizing value for customers and helping realize a sustainable society.

Noritz recognizes the risks of employee turnover and labor shortages in Japan as the country's population continues to decline. Therefore, the Company is taking various steps to increase employee engagement under its new medium-term

management plan, placing importance on empowering its diverse employees, creating opportunities for success, and helping employees take on challenges.

2023 result and 2026 target

Employee engagement score
From 68 to **70**



Promoting diversity and inclusion

As Japan's workforce shrinks in line with its declining population, companies must draw on the skills of diverse human resources in order to grow sustainably in the future. From this perspective, Noritz has been improving workplace conditions and offering programs and support to employees so they can make the most of their individual skills.

To help women thrive in the workplace, Noritz is assisting female employees with their career aspirations by proactively creating opportunities to participate in training programs as well as conferences and seminars. It also provides online career

coaching and one-on-one meetings with mentors from outside the Company to help female employees independently choose their career paths.



An organization has been set up for female employees who are raising children



Enhancing employee well-being

While aiming for sustainable growth, Noritz promotes health management in the workplace to help employees maintain good physical and mental health, which is essential for them to maximize their potential. It is carrying out various initiatives for ensuring good health, such as providing stress assessments as a proactive measure for preventing potential mental health

problems, as well as information and tools for improving fitness and preventing lifestyle diseases. The Company has also adopted a tool for measuring employee work engagement in real time as a means to help them perform at their best on the job.



Noritz Pledge on Health and Wellness

As it aims to realize its mission of providing "The Simple Comforts of Life," the Noritz Group will work to ensure the good health and well-being of every employee

This mission expresses the Group's sincere commitment to society, and the Group recognizes that to provide the simple comforts of life, all of its employees must also be healthy and satisfied with their jobs.

For Noritz, health is not simply a matter of being free of illness, but has a broader meaning encompassing physical, mental, and social well-being and contentment. From this standpoint, Noritz will work together with its health insurance association and labor union to provide comprehensive systems for supporting employees so that they can maintain their health and well-being, and work with enthusiasm and passion. In that way, Noritz will maintain its commitment to making positive contributions to people and their communities going forward.

Developing individuals and organizations

Noritz has created a program for grooming its next generation of managers based on succession plans, and is building a pool of skilled employees by carefully selecting employees for training programs and transferring and promoting personnel who desire challenging assignments. In response to people's diversifying career aspirations, Noritz is assisting employees with career counseling while motivating them through its job performance management system and one-on-one mentorship program. Through such management reforms, the Company is creating opportunities for employees to pursue the careers they aspire to while offering systems for them to achieve success.



Employees participating in a manufacturing seminar

Fostering goal-focused organizations

To carry out its new medium-term management plan, the Noritz Group renewed its corporate philosophy with the value statement, "Everything starts from a challenge." In a variety of activities for promoting and practicing the philosophy, the Group is encouraging all employees to take the initiative without being afraid of failure or risks. For this purpose, motivational meetings for employees and management are being held along with workshops on challenges in every workplace. The Group is also introducing systems and programs for commending employees who pursue such aspirations.



A motivational meeting for employees and management

Sustainability management under the new plan

Material issues

Corporate Governance

Material issue 6

Improve manufacturing resources through digital technologies

Noritz recognizes that applying digital technologies at manufacturing facilities will not only reduce costs, but also improve work-life balance for employees, which has become more important in Japan amid changing social values and the country's shrinking working-age population.

2026 target
Proportion of automated production to total production at the Akashi Main Factory
70% of gas water heater production

To devise solutions to labor shortages and better work-life balance for its factory workers, Noritz is making use of robotics and AI to transform its production facilities into smart factories by 2030. Its production reforms are now underway, beginning with the installation of robots and adoption of modular designs.

To digitally transform its production facilities, the Company is training large numbers of employees to equip them with the skills and knowledge needed for applying data and digital technologies.

Moving ahead with innovative production reforms

Noritz's gas water heaters vary depending on how and where they will be used, so various models are manufactured on the same production lines. Since these products have complex designs and their components differ depending on the model, many manufacturing processes must be performed manually and cannot simply be automated. Given these circumstances, Noritz has started on its transition to smart factories by adopting modular designs for parts and components, and developing robotic technologies that suit its production lines. At the same time, it is working to reduce costs, make work easier for employees, integrate automated production and data analysis with sales data, and improve efficiency, quality, and productivity across the entire value chain.

Digitally transforming product lifecycle management (PLM)



The PLM generates bills of process (BOPs) to determine manufacturing processes for specific products, and manufacturing and engineering bill of materials (MBOMs and EBOMs) to specify parts required for products. It also includes a manufacturing execution system (MES) to assist operators and collect data on production-related results.



A robot developed for a production line

Training employees needed for a digital transformation

To digitally transform its operations, Noritz will need personnel who can use AI and analyze, apply, and develop the data it collects. Therefore, the Company has been assigning and training such employees through various activities, including a new program for re-skilling employees in the workplace. It also launched its first AI training program in 2023, giving seven employees an opportunity to try improving operations through the use of AI. A variety of other training programs have also been initiated since 2024.



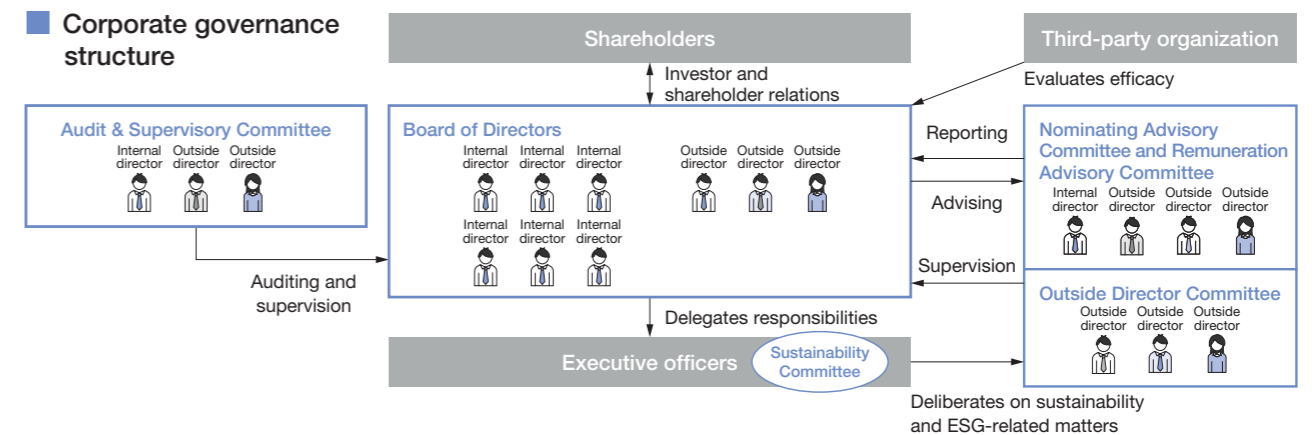
A presentation on accomplishments in the AI training program

Corporate governance system

Assigning responsibilities to speed up decision-making and strengthen supervision

Noritz has established an Audit & Supervisory Committee for the purpose of effectively balancing management execution and supervision. Furthermore, although it is not mandatory in Japan, the Company has voluntarily established a Nominating Advisory Committee, Remuneration Advisory Committee, and Outside Officer Committee to strengthen its corporate

governance system and the supervisory role of outside directors. The Nominating Advisory Committee and Remuneration Advisory Committee provide pertinent advice and guidance to the Board of Directors, and a majority of their members are outside directors. The Outside Officer Committee is comprised exclusively of outside directors.



Enhancing the effectiveness of the Board of Directors

Making improvements based on evaluation results

Noritz has been assessing the effectiveness of its Board of Directors since 2017, and began having the results evaluated and analyzed by a third-party organization in 2021. Based on the evaluation results for 2022, a number of issues to address were specified for improving the Board's effectiveness in 2023.

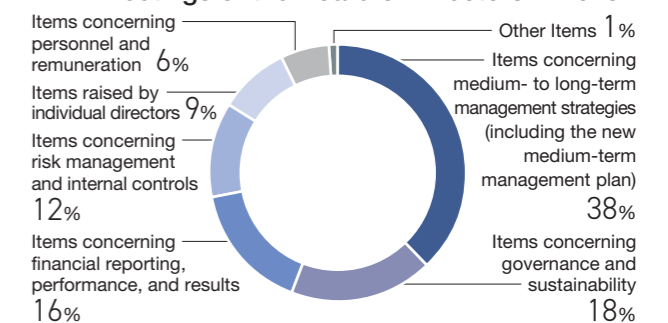
One issue was to increase opportunities for discussing medium- to long-term management strategies. Accordingly, this topic was included in the Board's agenda throughout 2023 along with deliberations on the new medium-term management plan. Consequently, discussions of medium- to long-term management strategies accounted for almost 40% of time spent in meetings of the Board. Another matter to address was to more effectively monitor the Board. Therefore, regular meetings of outside officers were organized to give outside directors a more constructive role.

Finally, the Company's advisory bodies recommended measures for strengthening the Board's independence and objectivity. Specifically, the Nominating Advisory Committee gave advice on how to effectively select director candidates,

and the Remuneration Advisory Committee recommended the adoption of a medium-term incentive stock plan with performance share units.

In 2024, the Company will continue to enhance the effectiveness of its Board of Directors by taking necessary steps to address issues identified in the evaluation results for 2023.

Breakdown of time devoted to agenda items in meetings of the Board of Directors in 2023



Issues being addressed in 2024 to improve the Board's effectiveness

- (1) Systematically plan agenda items and increase opportunities to discuss management issues to which more time should be devoted
- (2) Monitor the Board by reviewing important decisions it made in the past and verifying what progress has been made
- (3) Deliberate on enterprise risk management and manage risks on a group-wide basis

Sustainability management under the new plan

Corporate governance

Strengthening internal controls

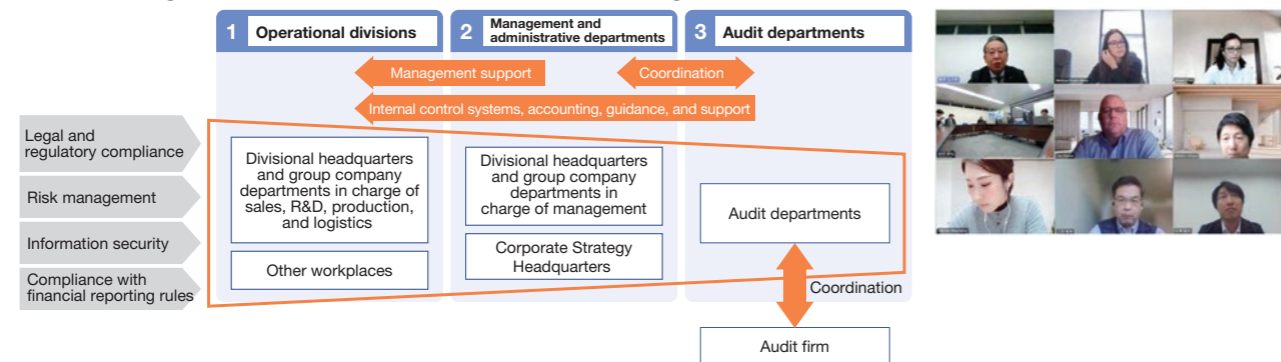
An internal control system bolstered by three sets of organizations

The Noritz Group works to strengthen its internal control system across three sets of organizations: operational divisions, management and administrative departments, and audit departments. The Group initiated an annual assessment of internal controls based on new evaluation standards to ensure that its audit departments can assess internal controls independently. Based on the results, internal controls have been made more effective across all three sets of organizations under the system. Noritz updated its guidebook on group-wide management standards, first issued in 2018, to include necessary internal control guidelines related to IT, information security, and personnel, in addition to financial and legal

compliance issues. Revisions were also made for group companies outside Japan based on new laws and regulations in their respective countries, and explained to relevant personnel in video conferences.

Aiming to strengthen corporate governance outside Japan, the Group began holding meetings at each subsidiary to discuss governance-related risks and concerns. These discussions provided opportunities to spread awareness of corporate governance and deepen relationships throughout the Group. The meetings will be held annually going forward as a means to enhance the Group's corporate governance system.

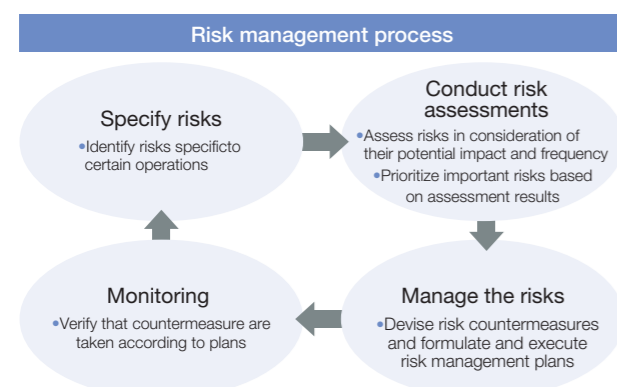
Executing internal controls across three sets of organizations



Enterprise risk management

Promoting a unified approach to managing risks throughout the Group

The Noritz Group is implementing enterprise risk management (ERM) in order to ensure sustainable operations. Noritz's Board of Directors has specified a unified group-wide approach to ERM and integrated it with its management strategies. On this basis, the entire Group manages risks not only to prepare for the types of crises that have occurred in the past, but also to ensure business continuity and expansion going forward.



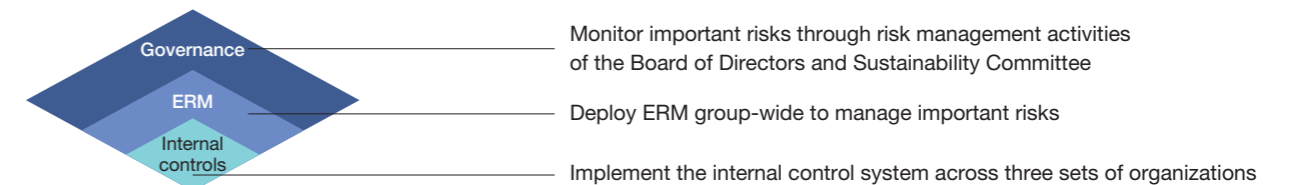
Based on its risk management process and the result of quantifying the potential impact of risks in 2023, the Group recognized a suspension of production and business activities as a risk that could seriously impact its performance, and, therefore, specified and evaluated related risks that could impact operations in each value chain. To prevent such serious risks from materializing and to limit the duration of any suspension of operations, the Group will create business continuity plans and systems for resuming operations as quickly as possible. By focusing on risk management scenarios in this way, the Group refined its risk management system, enabling it to more effectively identify serious risks that could impact its operations as a whole.

Integrating important group-wide risks, governance, ERM, and internal controls

| | |
|--------------------------------------|--|
| Important risks for the Noritz Group | 1. Supply chain disruptions 2. IT and information security breaches 3. Product defects |
| | 4. Difficulties in securing human resources 5. Incompatibility with product standards outside Japan 6. Problems resulting from hazardous substances 7. Difficulties in launching products in new countries |


The Group's risk management process begins with the identification of risks specific to each operational division. The Board of Directors then determines which of these risks could have a serious impact on the Group as a whole. These risks are monitored by the Sustainability Committee, which meets twice annually, the Board of Directors, and by outside directors. As risks associated with changes in the Group's operating environment become increasingly serious, such as declining

product demand in Japan and growing calls for decarbonization, new business initiatives are increasingly needed. In this context, important risks for the Noritz Group include potential difficulties in releasing products in new markets, which ties into its management strategies and material issues. To address these risks, the Group is setting up a risk management system integrated with its governance system, ERM, and internal controls.



Message from an outside director

We will continue discussing how to respond to the needs of stakeholders while aiming to expand the Group's businesses.



Yasuhiro Tani
Outside director and member of the Audit & Supervisory Committee

Since my appointment as an outside director and member of the Audit & Supervisory Committee, I have helped monitor and advise management from an independent standpoint, drawing on my experience as a certified public accountant, tax attorney, and securities analyst.

As part of these duties, I participated in meetings with institutional investors in April 2023, and they were particularly interested in the Company's price-to-book ratio. In response, I initiated a discussion by the Board to start formulating a management policy aimed at improving this ratio during the period of our medium-term management plan.

Besides such financial matters, we must address major issues on the ESG front. Most important among them is reducing GHG emissions. By 2030, Noritz must achieve its targets of reducing CO₂ emissions from products at the usage stage by 30%, and from manufacturing operations by 50% (compared with levels in 2018). These are challenging targets, but achieving them will be essential for the Company to respond to today's expectations and reflect its position in the industry. Turning to corporate governance, after updating its internal control standards for the first time in 16 years, Noritz has adopted enterprise risk management. The Board will need to make steady progress toward establishing

a robust and flexible system in order to enhance the Group's sustainability going forward.

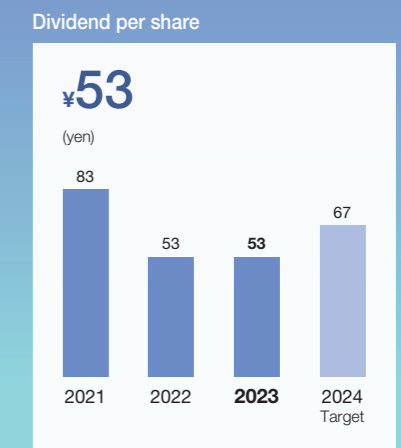
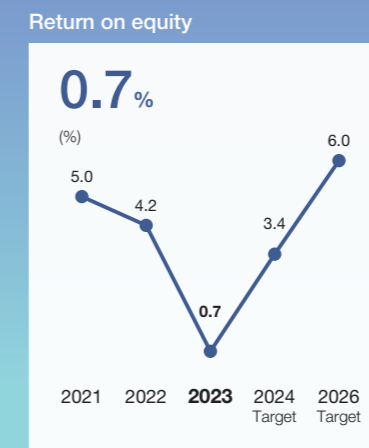
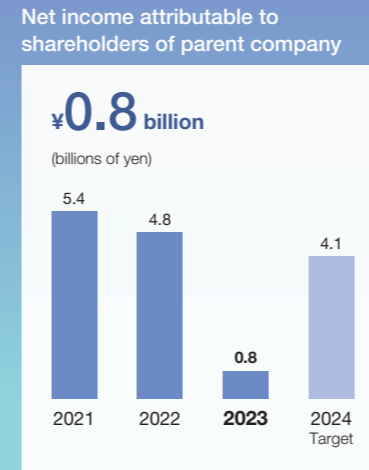
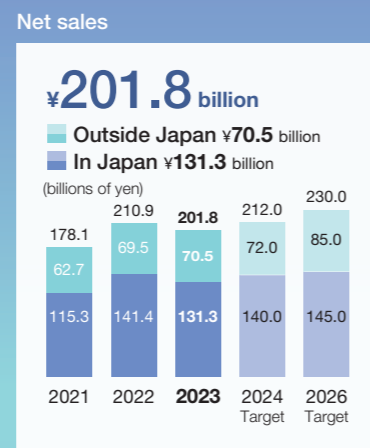
For the Group to expand its business in the future, it must focus more than ever on growth markets around the world and augment its global strategies accordingly. In that process, the quality of audits conducted at subsidiaries in various countries should be steadily improved, regardless of differences in language, business practices, and legal systems. Therefore, when executing the audit plans of our internal audit departments, I believe a great deal of progress can be made by co-sourcing with locally based auditing firms and submitting reports to the Board of Directors.

Our new medium-term management plan commenced in 2024, and to successfully carry it out, we will need to confirm that everything is proceeding on schedule. If anything is delayed, we must determine the reasons why and promptly take countermeasures. In the evaluation of the Board's effectiveness, I proposed placing more importance on reviewing and monitoring the results of decisions previously made by the Board while respecting rules concerning management responsibilities. I expect the Board to reach a consensus on this and takes steps to realize it.

Financial Highlights Results, forecasts, and targets



Kazushi Hirooka
Director, Chief Financial Officer and Managing Executive Officer



Message from the CFO

Investing in growth businesses and reinforcing the financial base to boost earning power

Overview of the previous medium-term management plan

Management strategies steadily executed while responding to dramatic changes in the operating environment

Under our previous medium-term management plan, we had targeted operating income of ¥8.0 billion and return on equity (ROE) of 5% by the plan's final fiscal year in fiscal 2023, ended December 31. We were unable to achieve these targets, however, due to a variety of factors during the three years of the plan.

In fiscal 2021, the plan's first year, we worked to substantially cut fixed costs by introducing a voluntary retirement program and other measures after withdrawing from the domestic market for kitchen and bathroom fixtures during the previous year. As a result, the Company's financial performance exceeded targets in the first half of the year. From September, however, we had to slow down production due to supply chain disruptions caused by the global COVID-19 pandemic. Consequently, operating income came in at ¥2.5 billion in fiscal 2021, just 50% of our target for the year.

In fiscal 2022, we gave top priority to overcoming this crisis by adjusting procurement conditions, modifying product designs, and securing alternative sources of parts. Thanks to these efforts, we brought production capacity back to normal from March and received steady orders for products on the back of pent-up market demand. As a result, operating income got back on track, reaching ¥6.8 billion.

In fiscal 2023, although the Group's business expanded internationally, sales fell in Japan due to sluggish demand and excess inventories following the rise in orders during the previous year. Consequently, operating income totaled ¥3.8 billion, well below our target. Given this result, we will need to boost earning power more than ever, which means increasing operating income and optimizing the capital structure. As the executive officer responsible for the Company's financial performance, I intend to

lead these efforts in order to increase ROE.

During the three years of the plan, we increased product prices twice in response to steeply rising prices of raw materials and energy, and successfully completed a number of strategic initiatives for improving the Group's business. They included integrating digital technologies in manufacturing processes, introducing services for eliminating customer waiting times, and increasing the ratio of high-value-added products in the product mix to contribute to the environment and provide solutions to consumers.

With a view to increasing the Company's stock price, we will work to improve its financial performance, of course, while also recognizing the importance of enhancing its pre-financial performance. From this perspective, we regard sustainability-related issues, such as addressing environmental problems and promoting diversity and respect for human rights, not only as risks but also as opportunities.

In consideration of these factors, we formulated our new medium-term management plan spanning from 2024 to 2026 with an emphasis on boosting earning power, laying foundations for sustainable growth, and improving management capabilities. We will start by reorganizing the Group's business portfolio to strategically clarify and position each of its businesses in Japan —namely the residential water heater and kitchen appliance businesses and the non-residential products business—as well as its businesses in China, North America, and Australia.

Investment allocation

Planning to invest ¥23.5 billion in strategic new projects

During the three years of the new plan, we plan to invest ¥23.5 billion in strategic new projects. This will include ¥5.5 billion for developing low-emission and solutions-driven products, ¥4.0 billion

for automating production and developing smart factories, and ¥2.5 billion for upgrading sales systems by rebuilding service platforms and adopting IoT platforms. We have also earmarked ¥9.0 billion for capital investment outside Japan, including the construction of an innovation center in China.

To fund these growth investments, we plan to use net cash generated from operating activities as well as proceeds from sales of cross-shareholdings. Our goal is to limit the value of cross-shareholdings to no more than 20% of net assets in order to increase the return on capital. As part of our growth strategy, we will explore possibilities for large-scale investments in mergers and acquisitions, and consider procuring funds from external sources if the Company's funds are insufficient while maintaining a capital adequacy ratio of at least 50%.

Compared with the previous medium-term management plan, we intend to increase shareholder returns by aiming for a consolidated dividend payout ratio of 50% or a dividend on equity ratio of 2.5%, whichever is higher. Over the three years of the new plan, our goal is to return a total of ¥10.0 billion to shareholders.

In addition, we plan to carry forward ¥32.0 billion to provide working capital for maintaining stable operations and additional capital for handling any emergency situation that might arise.

Financial policies from fiscal 2024

Effectively allocating capital with a focus on increasing the Company's share price

By 2026, we are targeting net sales of ¥230.0 billion, operating income of ¥9.0 billion, and ROE of 6%. To achieve these targets, we will work to boost earning power, lay foundations for sustainable growth, and improve management capabilities under the new medium-term management plan.

To boost earning power, we intend to build on our initiatives for raising profit margins under the previous medium-term management plan. Specifically, we will aim to increase the ratio of high-value-added products in our product mix, particularly low-emission and solution-driven products, and reduce cost prices by automating production with digital technologies.

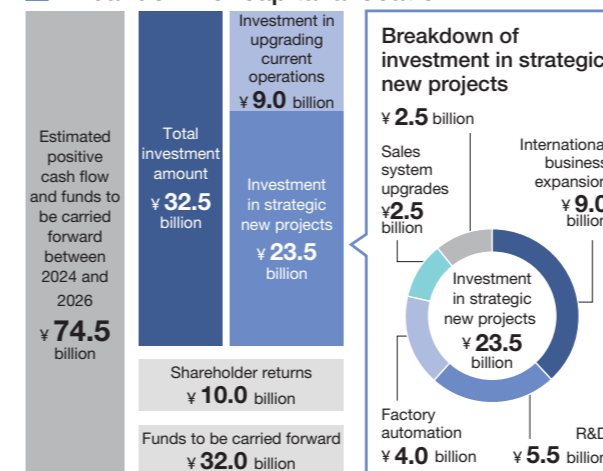
To lay foundations for sustainable growth, the Company will proactively invest in the domestic non-residential products business, which we have designated as a growth business, and in the Group's businesses in North America and Southeast Asia, which we regard as growth markets, with the goal of expanding these businesses going forward. Furthermore, the Company will look to acquire decarbonization technologies and accelerate progress in product recycling, especially for water heaters.

Finally, to improve management capabilities, we will work to enhance the Board of Directors' decision-making capabilities and supervision role, and to raise its efficacy. At the same time, we will place importance on comprehensive risk management, especially when targeting new markets and developing new products and businesses as part of the reorganization of the Group's business portfolio under the new medium-term management plan.

The Group's employees and organizations will be at the heart of these activities, so we will need to enhance our human resources development and corporate culture. Therefore, we intend to raise employee engagement by creating a workplace environment in which all diverse members can thrive, updating human resources systems to allow employees to pursue individual career paths, assigning and promoting employees in consideration of their aspirations, and equipping them with the skills needed to work globally and use digital technologies.

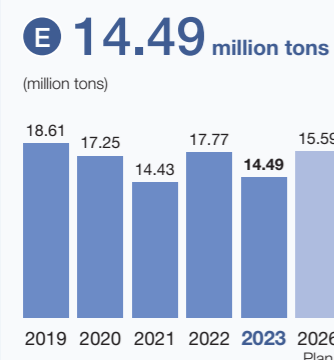
By carrying out all of the measures above, we will strive to improve the Company's price-to-book ratio and ensure that its share price continues to rise while effectively allocating capital.

Breakdown of capital allocation

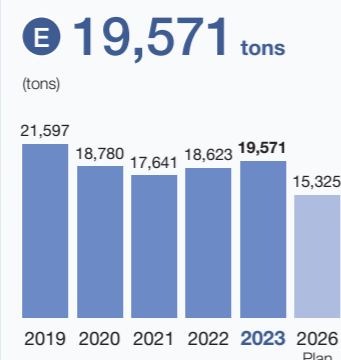


Highlights of Pre-Financial Results

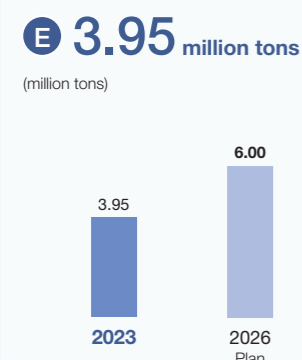
CO₂ emissions from usage of the Group's products in Japan



CO₂ emissions from the Group's operations in Japan¹



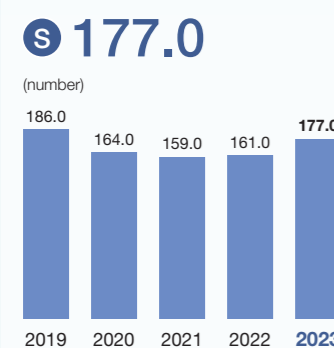
Amount of CO₂ reduced by the Group outside Japan



Ratio of female managers at Noritz Corporation



Number of employees with disabilities employed by the Group in Japan²



Ratio of employees with disabilities employed by the Group in Japan²



Notes: 1. The result for 2023 was verified by a third-party organization, and was calculated using the method for calculating emissions from municipal gas consumption in fiscal 2022 because the method for fiscal 2023 had not been published at the time of preparing this report.

2. Figures are as of June 30 for each year.

Information about sustainability is available on Noritz's website (Japanese language only)

<https://www.noritz.co.jp/company/csr/>



Company Overview

Company Details (as of December 31, 2023)

| | |
|----------------------|--|
| Name | Noritz Corporation |
| Founded | March 1951 |
| Headquarters Address | Eiko Building, 93 Edo-machi, Chuo-ku, Kobe, Hyogo, Japan |
| Paid-in Capital | ¥20,167 million |
| President and CEO | Satoshi Haramaki |
| Number of Employees | 2,083; 6,280 including group companies |

Board of Directors (as of March 31, 2024)

| | |
|--|-------------------|
| President and CEO | Satoshi Haramaki |
| Director and Senior Managing Executive Officer | Masamine Hirokawa |
| Director and Senior Managing Executive Officer | Masayuki Takenaka |
| Director and Managing Executive Officer | Kazushi Hirooka |
| Director and Managing Executive Officer | Hidehari Ikeda |
| Outside director | Hirokazu Onoe |
| Director and member of the Audit & Supervisory Committee | Naoki Hirano |
| Outside director and member of the Audit & Supervisory Committee | Yasuko Masaki |
| Outside director and member of the Audit & Supervisory Committee | Yasuhiro Tani |

About this Report

Scope of contents

| | |
|---|--|
| Period covered by this report | January 1 to December 31, 2023 (some information is as of March 31, 2024) |
| Companies covered by this report | Noritz Corporation and its group companies worldwide |
| Guidelines used for compiling this report | IIRC International Integrated Reporting Framework, United Nations Sustainable Development Goals, ISO 26000 international standards, GRI Sustainability Reporting Guideline, SASB Standards, United Nations Global Compact Principles, Charter of Corporate Behavior issued by the Japan Business Federation, and Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry |
| Previously published report | The previous version of this report was published in June 2023 (following the publication of the original Japanese version in March 2023) |
| Next scheduled publication | Noritz plans to publish its next annual report in English in August 2025 (following the scheduled publication of the original Japanese version in June 2025) |

Message from the report production team

This report is the 10th annual report published by Noritz Corporation since its initial report in 2015. The report has been compiled as a source of information for the Company's growing number of investors about consolidated financial results and targets as well as the Noritz Group's approach to creating value. Additional information is also available on Noritz's official website.

Disclaimer

This report contains statements regarding plans, strategies, and other activities of Noritz Corporation or the Noritz Group. Those statements that are not historical facts as of March 31, 2024, are forward-looking statements, and, therefore, are subject to risks and uncertainties. Future outcomes and financial results may differ greatly from those forward-looking statements due to various factors.