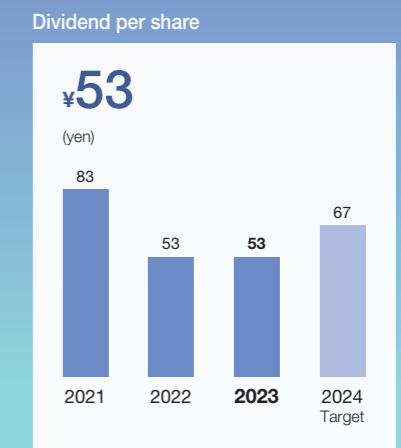
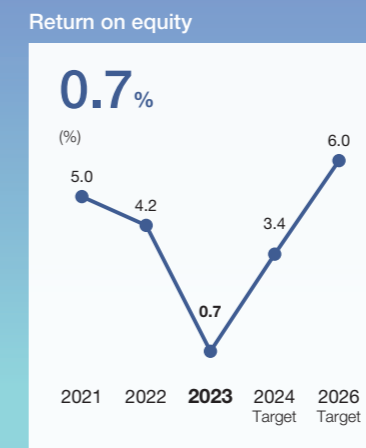
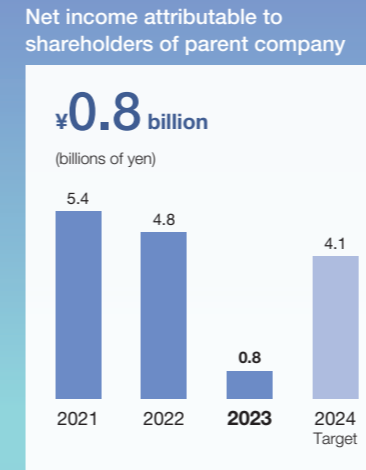
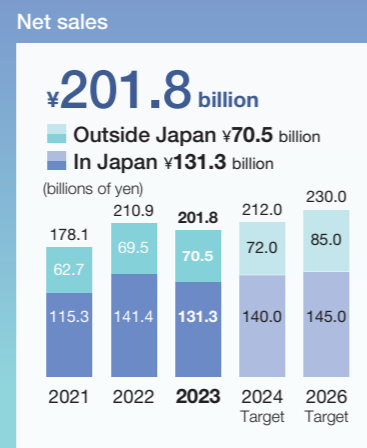




**Kazushi Hirooka**  
Director, Chief Financial Officer and Managing Executive Officer

# Financial Highlights Results, forecasts, and targets



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.

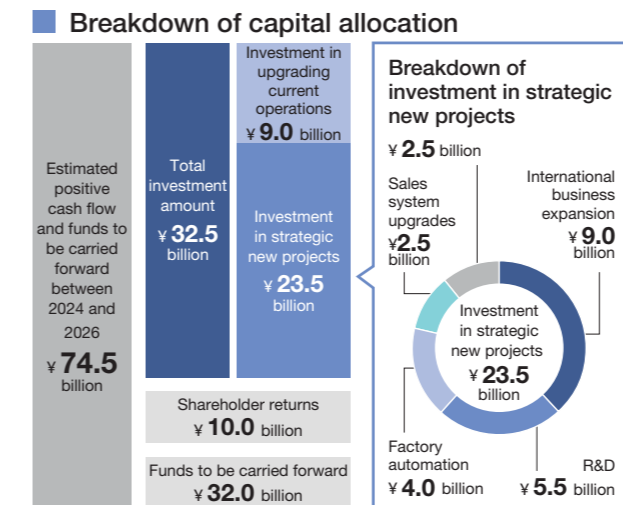
To boost earning power, we intend to build on our initiatives for raising profit margins under the previous medium-term management plan. Specifically, we will aim to increase the ratio of high-value-added products in our product mix, particularly low-emission and solution-driven products, and reduce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

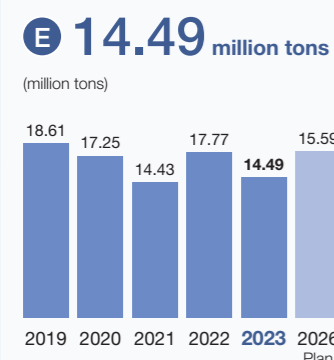
The Group's employees and organizations will be at the heart of these activities, so we will need to enhance our human resources development and corporate culture. Therefore, we intend to raise employee engagement by creating a workplace environment in which all diverse members can thrive, updating human 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.

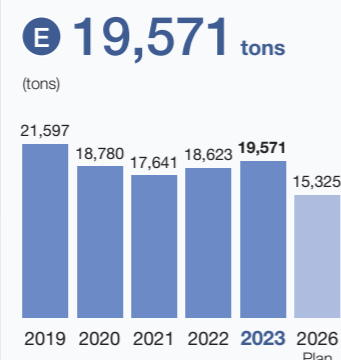


# Highlights of Pre-Financial Results

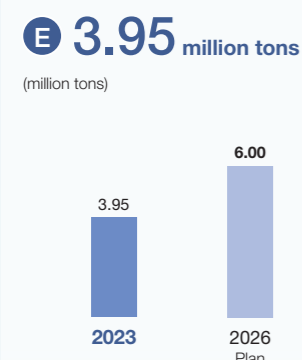
CO<sub>2</sub> emissions from usage of the Group's products in Japan



CO<sub>2</sub> emissions from the Group's operations in Japan<sup>1</sup>



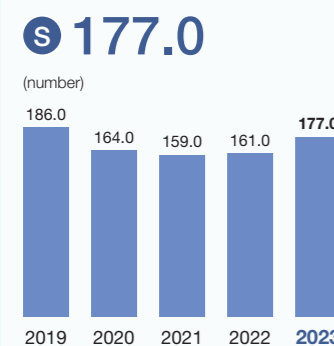
Amount of CO<sub>2</sub> reduced by the Group outside Japan



Ratio of female managers at Noritz Corporation



Number of employees with disabilities employed by the Group in Japan<sup>2</sup>



Ratio of employees with disabilities employed by the Group in Japan<sup>2</sup>



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.