

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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Noritz Corporation

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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 2025



NORITZ CORP.

Mission

The Simple Comforts of Life

We want to popularize soaking in the bath at home.

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.

Soaking in a bath was a source of joy for him back then, and over time, it became indispensable for people everywhere in Japan. Our goal for 2030 is to spread this joy.

We are determined to go from being the company that provides water heaters to the company that provides “the simple comforts of life.”
Noritz is spreading the simple comforts of daily 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.



At a glance

—Noritz by the numbers—

Business

Founded

1951

Share of Japan's
water heater market

About **40%**

Global expansion

17 countries and areas

Customer (user) relationships

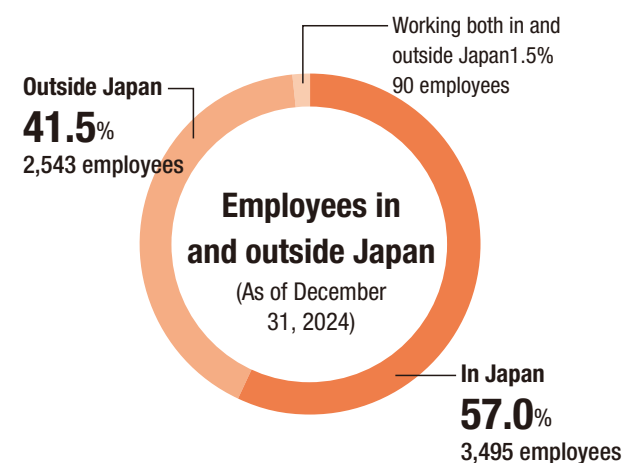
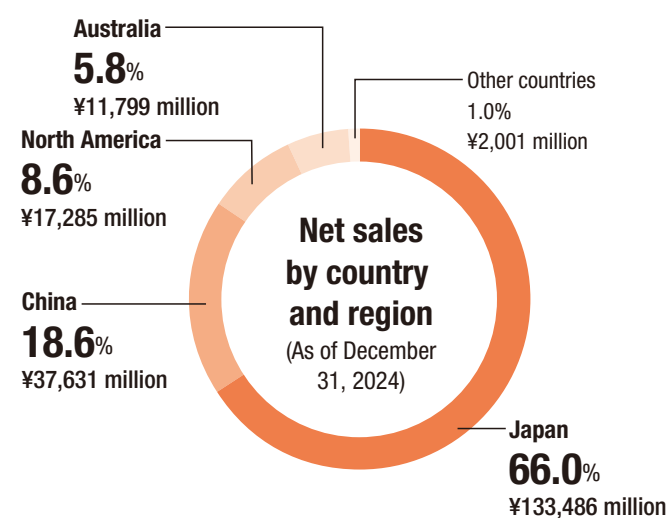
4.75 million
(in Japan)

Net assets

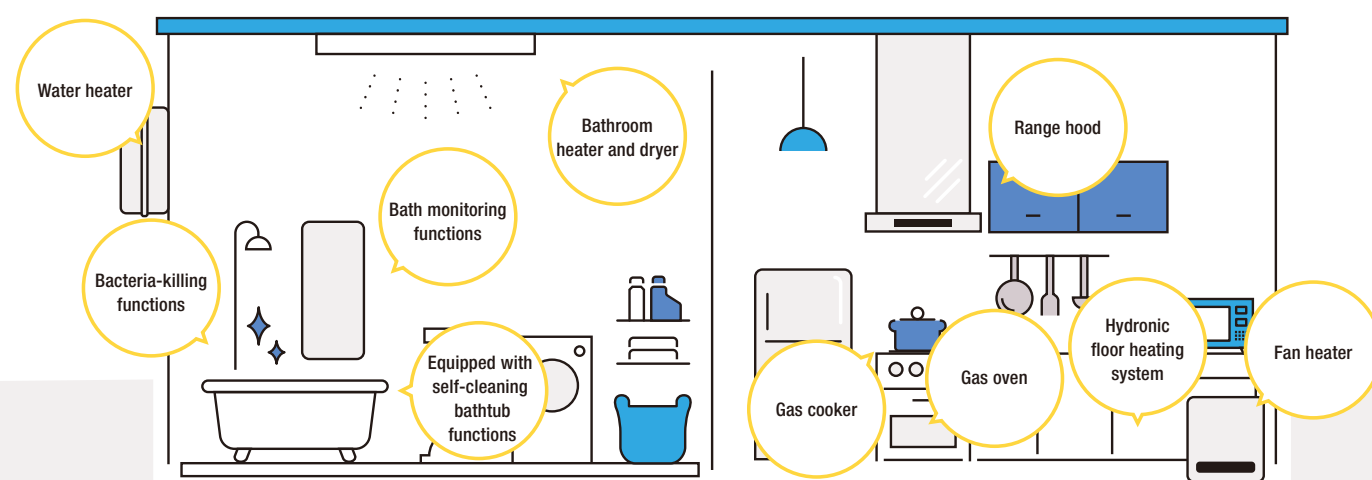
¥136,939 million
(consolidated)

Manufacturing companies

7 in Japan
6 overseas



Noritz's household products



Our core technologies

Combustion control technology

Combustion methods compatible with the regulations and decarbonization of each country

Heat exchange technology

Heat-recovery heat exchangers that recycle exhaust heat

Fluid control technology

Technology that controls fluids such as water, gas, and air

High added-value technology lineup

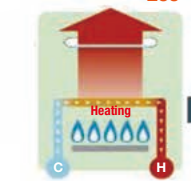
Low NOx and
premixed burners



Heat-recovery heat exchangers

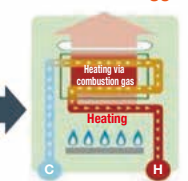
Thermal efficiency Approx. 80% → Approx. 95%

Exhaust air: About 200°C



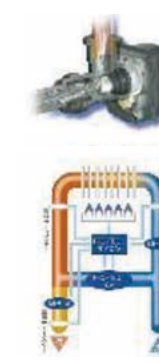
Conventional type

Exhaust air: About 50°C



Heat-recovery type

PRO-TEC Mecha



New functions

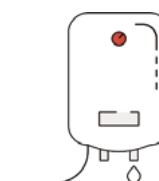


Aqua Ozone ozonated
water disinfection unit



Hiito human thermal
model technology

Residential-use water heaters and
HVAC business



Water heaters, hydronic heating systems, gas fan heaters, gas cogeneration systems, water storage tanks for fuel cells, solar water heaters

Kitchen appliance business



Built-in gas cookers, countertop gas cookers, range hoods, built-in combination microwave ovens

Non-residential business



Commercial-use water heaters, thermal solutions, filtration devices, industrial-use solar power generation systems, repair and maintenance

Places that use Noritz's products



Message from the President



Satoshi Haramaki

President and CEO
Noritz Corporation

For Noritz, the challenge is not only to continue supplying hot water, an indispensable form of infrastructure, but also to create new indispensable products for tomorrow.

Noritz's indispensable strength since 1951

Founded in 1951, Noritz originated in the founder's belief that "quality baths bring joy to people." Based on his unforgettable experience of feeling soothed in mind and body by taking a bath after rigorous training sessions during his time at a naval academy, he launched Noritz with the intention of improving the lives of the Japanese people through bathing. With our original approach, Noritz has been rolling out innovative products and services that enrich lives, based on this intention of bringing comfort to people, for 74 years since then. Each time we do, we enhance Japan's bathing culture and make the products and services we provide indispensable.

Noritz's strength is not only our technological capabilities, represented by combustion control, heat exchange, and fluid control technologies, but also our wide variety of products and our high market share in the industry. We also have a solid pipeline with regular clients we have been working with since our founding, the product quality to deliver safety and comfort to our customers, and a service network that can support everything from installation to periodic inspections and emergency responses such as repairs.

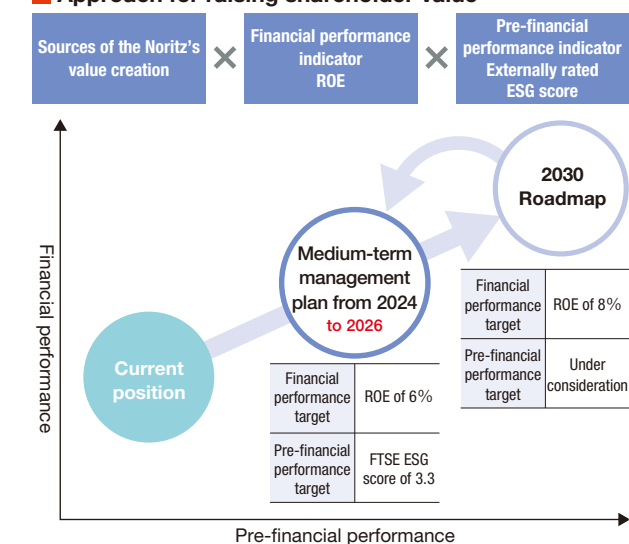
And now, the strengths Noritz has cultivated over many years are opening up new fields as technologies that can be applied as the solutions needed by society for achieving carbon neutrality, such as reducing energy in industry. Furthermore, many countries and areas around the world need Noritz's technologies. We are developing products and services to suit the demands and social conditions of each country, and continuing the challenge of making Noritz as indispensable as possible to the people of the world and their future.

Launching the medium-term management plan from 2024 to 2026

To achieve our 2030 Roadmap, we began from fiscal 2024 with the launch of the medium-term management plan spanning through 2026. In this plan, we determine our value creation process and envision the Noritz Group working 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. Over the course of its history, the Noritz Group has created value through products that respond to social issues, which have arisen due to changes in global trends, and energy diversification. Going forward, in the value creation process, our goal is to achieve outcomes centered on three keywords: sustainability, well-being, and care.

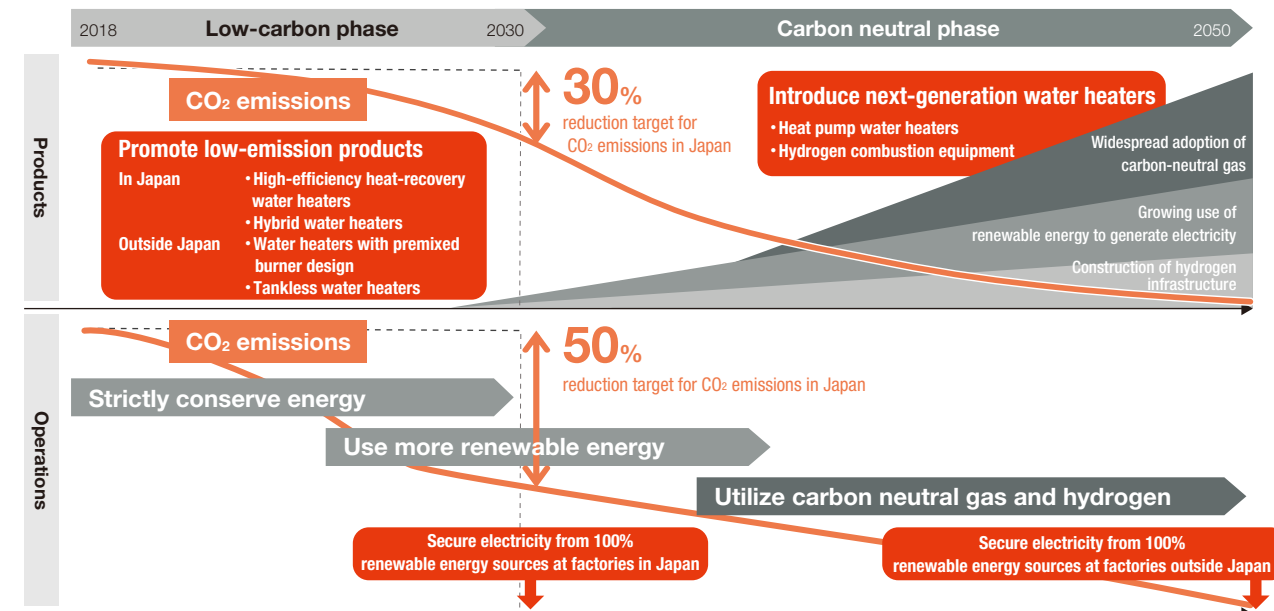
Moreover, under the medium-term management plan, we will address various sustainability-related matters, including

■ Approach for raising shareholder value



Message from the President

■ Path towards net-zero CO₂ emissions



our material issues, while recognizing public demands and expectations as business opportunities. Furthermore, in accordance with said plan, 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. We will also strive to better our pre-financial performance, which would not be reflected immediately in the financial statements, but could, given time, affect future results posted in them. In addition to net sales and operating income, designated return on equity (ROE) is also a key financial performance indicator. Rather than taking a qualitative approach, we will use a quantitative measurement of the results of our environmental, social, and governance (ESG) initiatives, specifically the ESG score issued by the FTSE Blossom Japan Index, as a pre-financial indicator and as our goal.

We will achieve these goals and raise shareholder value by working on the three key strategies in the plan: 1) shifting to a more profitable business portfolio, 2) strategically increasing investment and allocating capital, and 3) making progress in sustainability management. In shifting to a more profitable business portfolio, Noritz will restructure the mainstay residential-use water heaters and HVAC business in Japan, and aim to cultivate new markets internationally with the goal of reducing the risk of overdependence on the Chinese market. In strategically increasing investment and allocating capital, based on a business model that is supported by the demand for equipment replacement, we are investing in IoT in order to strengthen relations with customers and

investing in digital transformation such as automation of the production process in order to reduce cost prices and address labor shortages. For the capital for this, we plan to use operating cashflow and the net cash generated from proceeds from sales of cross-shareholdings. In making progress in sustainability management, we will redefine the six material issues and work to achieve them. In particular, the Noritz Group bears a great social responsibility in its efforts to achieve carbon neutrality. The CO₂ emissions of the entire Group account for about 1.4% of Japan's CO₂ emissions. Of that, about 96% are emissions from the usage of our products, while our other business activities make up about 4%. To achieve net-zero greenhouse gas emissions, we have set 2030 targets of reducing CO₂ emissions from products usage by 30% and CO₂ emissions from the Group's operations in Japan by 50%. We are working to increase the proportion of sales of low-emission products in Japan to 50% in 2026 and 90% in 2030 to achieve these goals.

Looking back on year one of the medium-term management plan and ahead to 2025 and beyond

In 2024, the first year of the plan, performance was good in the non-residential products and kitchen appliance businesses in Japan, which by and large progressed

according to plan, but Noritz felt the effects of the sluggish Chinese market, which makes up a large proportion of the Company's overseas business. As a result, consolidated operating income was ¥2.3 billion, a large decline in profits from the previous year. These changes in global trends in 2024, which were greater than anticipated, meant that the Company was unable to show financial performance results immediately. However, we are certainly seeing the first signs of the pre-financial performance, which will become our future financial performance, in the expanding market of low-emission products, commencement of demonstration tests both in Japan and overseas of the 100% hydrogen-fueled water heater announced in 2023, and the introduction and full-scale deployment of a production operation management system that aims for the realization of smart factories.

In 2025, Noritz will continue to forge ahead with the key strategies of the medium-term management plan. As the market for business in Japan is shrinking, we will continue to provide new value with products and services for achieving carbon neutrality and resolving social issues, while bearing in mind that the demand is unknown. Internationally, in light of slumping market conditions in China, we are intensifying our efforts at growth in North America and the development of new business in Southeast Asia.

On the other hand, because both future demand in domestic business and the outlook for a Chinese economic turnaround in international business are unclear, we have revised our net sales and operating income targets for 2026. However, we are also maintaining a target financial performance indicator ROE in excess of 6% (exceeding the cost of capital) because we are still aware that we must make efficient use of the funds entrusted to us by the shareholders.

Human capital is the key driver in realizing the 2030 Roadmap

I believe that human capital is the key driver to achieve not only the medium-term management plan but also the 2030 Roadmap. That is why, since the plan was launched, we have reformed our corporate culture based on our newly-defined value statement "Everything starts from a challenge." Noritz has been growing steadily since its founding, but the speed of change over the past 10 years and for the next 10 years is completely different, and we expect the operating environment to change enormously. Amid this kind of change, the methods we employed in the past to deliver results are unlikely to apply anymore. This especially is the reason we have included in our value statement the belief that "challenges" are necessary. To impart this management intention to the employees, since the previous

medium-term management plan, the directors have started visiting workplaces nationwide to engage in discussions and motivational meetings with employees and management.

For the previous plan, we implemented under theme of policy deployment, basing it on the idea that the policies formulated at each workplace would only produce results when executed. For the current plan, we hold candid discussions about the company's management philosophy of Mission, Vision, and Values with employees to increase engagement.

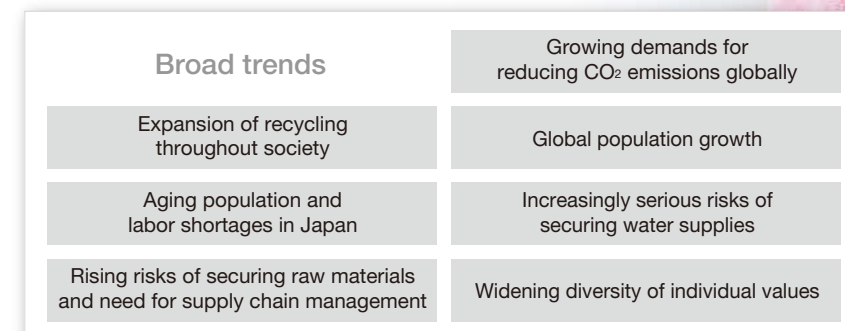
By doing this, we create a work environment in which any employee can make a suggestion for workplace improvement or new business, and at the same time, we are working to realize human capital initiatives that increase happiness and pride in working at Noritz and make it more rewarding.

Such initiatives can even encourage employees to voluntarily suggest new business propositions. I believe that planning new business is an extremely effective way for personnel to develop their careers. Learning with books or through lectures is beneficial to individual growth, but employees must actively think for themselves if they want to make what they've learned their own. Of course, there are some new business suggestions that have not taken off, but in the full-scale launch of the thermal solutions business, which uses exhaust heat from factories as well as natural energy, new employee-led challenges are steadily starting to bear fruit. This transitional period, in which people's values are changing significantly and new technology and solutions are needed, calls for a mindset that actively engages in the challenge of not only pursuing financial performance indicators, such as net sales and operating income, but also considers how to create and develop pre-financial performance that will eventually result in financial performance.

Going forward, Noritz's goal is to keep fearlessly taking on new challenges, based on the value statement "Everything starts from a challenge" shared by all employees. Furthermore, as an infrastructure company providing the hot water that is essential for the activities of people and communities, we aim to become indispensable to the world by achieving widespread penetration not only in ordinary households, but in a variety of countries, areas, and industries as well. We will continue to grow as a company that brings warmth to people and communities, so please keep your eyes on us to see what our next challenge will be.

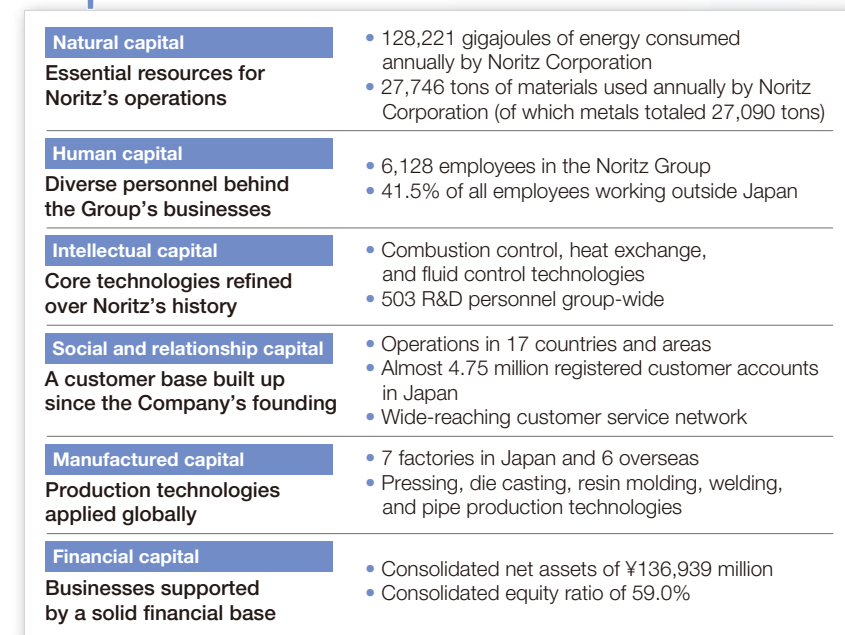
Value Creation

How Noritz creates value



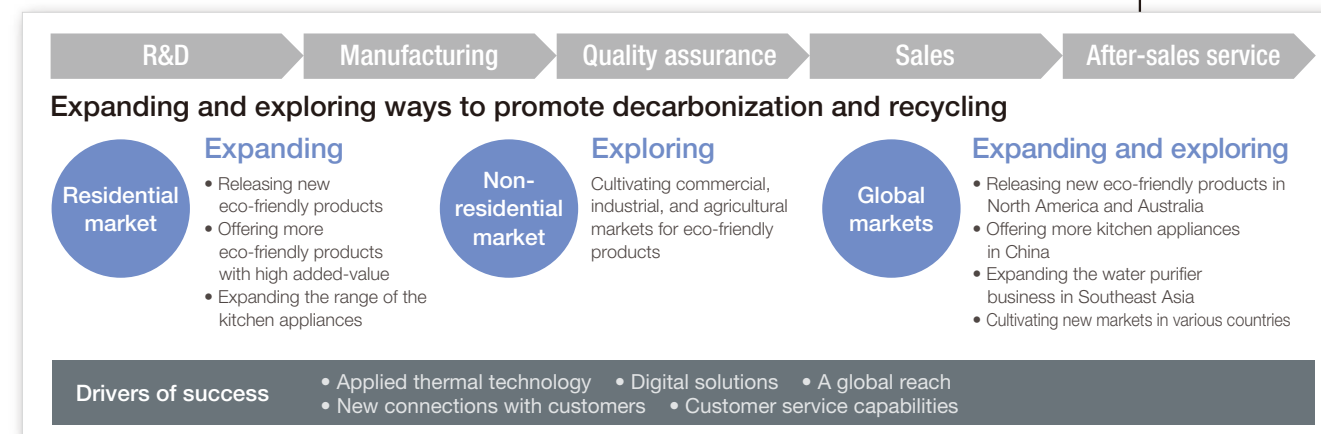
Inputs

Sources of value creation



Process

Business activities



Corporate governance and strategies

Board of Directors

- Improve efficacy
- Ensure independence and objectivity

Enterprise risk management

- Manage important risks
- Improve internal controls

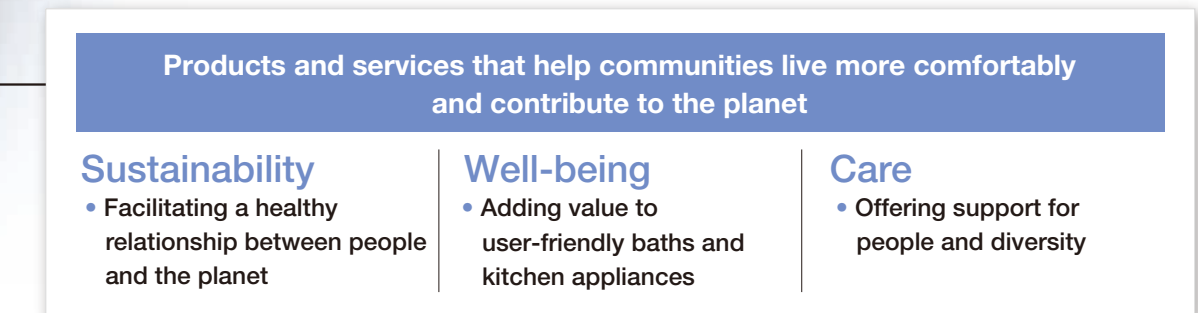
Financial strategies

- Increase return on capital
- Strategically allocate cash flows

Mission The Simple Comforts of Life

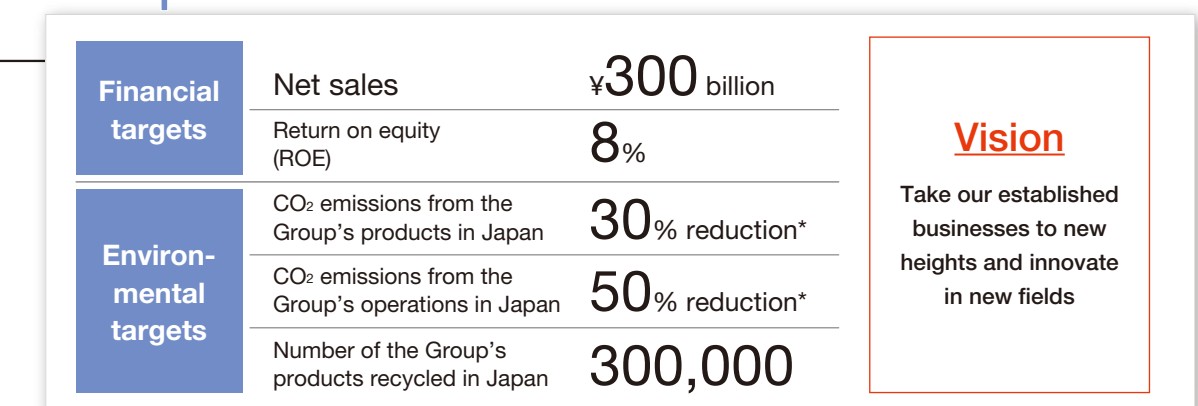
Outcomes

Value offered to people and communities worldwide



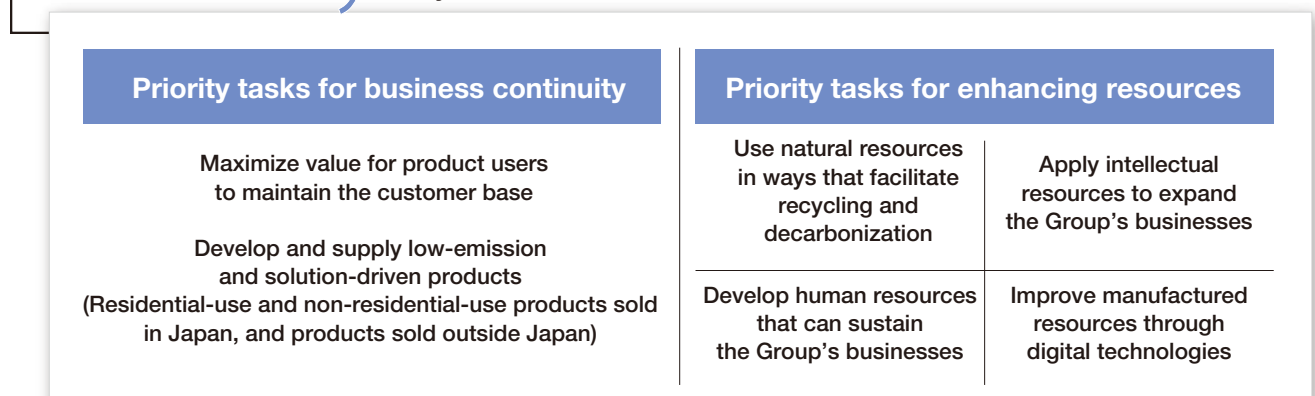
Outputs

Targeted results of business activities by 2030

*Compared with the amount of CO₂ emissions in 2018

Materiality

Key issues



Value Creation

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.

Going forward, we will contribute to people's lives by providing hot water through our business activities.

How Noritz has changed

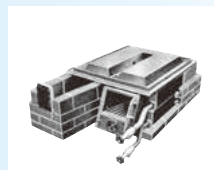
1950s-60s

From coal to gas and oil

Began to popularize water heaters in ordinary households. In a period of high economic growth, bathrooms were even installed in apartment complexes.

- 1966** Released a gas cooker with a user-friendly piezoelectric igniter **An industry first**
- 1968** Sales launch of gas bath heaters with a "gas cutoff" safety device to prevent heating an empty tub

1951



Powered by **wood or coal**

Released the Noritz Bath Types A and B

Until the 1950s, energy sources were generally firewood and coal. In the postwar period, Noritz developed its Noritz Bath Types A and B with tiles that could efficiently retain heat, allowing users to efficiently heat a bath using a small amount of fuel.

1961



Powered by **gas**

Released the GS gas water heater, the industry's first made of aluminum

In the 1960s, Japanese homes switched to using gas as an energy source. Noritz launched its highly efficient and smartly designed GS model of water heaters made of aluminum instead of copper, which was commonly used for gas heaters at that time.

1970s-1990s

Diversifying energy sources

Progress in fully-automated bathtub water heaters accelerated at an unprecedented pace. A boom in multi-function showers arrived. The era of comfortable bathing.

- 1970** Released the Magicon gas heater controller with a switch for igniting and extinguishing the pilot burner from inside the bathroom **An industry first**
- 1982** Released the Yu-Core GT gas water heater equipped with an automatic bath water reheating function
- 1993** Released the environmentally-friendly Low NOx burner
- 1997** Released the Osoji Yokuso automatic self-cleaning bathtub **An industry first**
- 1997** Debut of "voice remote controller," which notifies users when the bath is ready through voice and melody

1977



Powered by **gas and electricity**

Released the Yu-Bic gas water heater, the industry's first with a water tank for instantly supplying hot water

Noritz was the first in the industry to equip a gas water heater with an electrical power source, allowing the compact yet powerful system to stably heat water and be turned on remotely inside the home.

1983



Powered by **gas**

Released the GRQ-1600A fully automatic gas bathwater heater

Noritz released its first fully automatic gas bathwater heater, greatly improving convenience for users by allowing them to fill the bathtub with just a press of a button.

2000s

Responding to calls for addressing global warming

Providing added value by developing products in response to energy saving measures as well as energy diversification

- 2002** Commenced operations in North America
Established Noritz America Corporation in California
- 2004** Established Noritz Hong Kong Co., Ltd. and Noritz (Shanghai) Home Appliance Co., Ltd.
- 2014** Commenced operations in Australia
Established Noritz Australia Pty. Ltd. in New South Wales
Made Dux Manufacturing Limited a subsidiary
- 2024** Launched the medium-term management plan from 2024 to 2026
- 2014** Released a gas cooker with multiple burners, allowing users to stew, steam, and grill various dishes **An industry first**
- 2017** Released high-efficiency gas water heaters equipped with bath monitoring and bacteria killing functions **An industry first**
- 2023** Released the Aqua Ozone water disinfectant treatment system for helping users keep bathtubs clean
- Released the Hiito human thermal model bathtub designed to help users relax before bed
- 2024** Released the Shaan bathroom heater and dryer with bathroom cleaning function
- Heat pump water heaters for residential-use with CO₂, a natural refrigerant

2002



Powered by **gas**

Released the Eco-Jozu high-efficiency heat-recovery water heater

Noritz developed an innovative gas water heater that could efficiently heat water by reusing exhaust heat. Its superior energy-saving performance was good for the environment and helped users save on costs.

2010



Powered by **gas and solar energy**

Released an integrated heating and solar panel system with space heating capabilities

This system integrated a solar panel system made up of a water storage tank and heating equipment with a high-efficiency Eco-Jozu model water heater. In addition to water, the system enabled floors to be heated by solar power.

2013



Powered by **gas and electricity**

Released a hybrid water heating system

This hybrid system used both gas and electricity to heat water, and was the industry's only one to use propane (R290), a natural refrigerant that is better for the environment. It also came with smart controls for heating water at times optimally suited to users' lifestyles.

2023



Powered by **hydrogen**

Developed a 100% hydrogen-fueled water heater

Noritz succeeded in developing a water heater that uses 100% hydrogen as fuel. As the world aims to achieve carbon neutrality, hydrogen is a promising energy source because it emits no CO₂ when burned. By designing this heater to attain the maximum capacity of currently available household water heaters, Noritz intends to offer products with the same level of convenience while also ensuring safety.

2030

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

Value Creation

Special
Feature

Let's use unused heat effectively! Full-scale launch of new business to tackle energy issues

A solutions-based business model that applies Noritz's core technologies

Noritz's new businesses are rushing to support Japan's transition to carbon neutrality by effectively utilizing the unused heat that lies untapped in society and the natural world. The core technologies Noritz has cultivated over many years, for society and for the future—the new ground we are opening up is drawing intense attention.

Takeshi Komiyama

Manager, Thermal Solutions Business Planning Group,
Business Development Department/
Non-Residential Promotion Department

Ryosuke Umakoshi

Manager, Thermal Solutions Design and Development
Group, Business Development Department/
Non-Residential Promotion Department

Using unused heat effectively with Noritz's core technologies to contribute to Japan's transition to carbon neutrality

Komiyama We started exploring new businesses that would lead to solutions to the challenges our society faces through Noritz's technologies in 2021. Mr. Umakoshi and I belonged to the Corporate Planning Division at the time, and we teamed up to approach a variety of industries and research institutions and repeatedly test our hypotheses without being bound by the existing businesses. Then in January 2025, we launched the full-scale thermal solutions business.

Umakoshi We saw the potential in the fact that about 60% of Japan's primary energy sources, such as oil, coal, and natural gas, is emitted as unused heat. Furthermore, there was plenty of unused natural energy, such as sunlight, vaporization heat, and underground hydrothermal heat, all around us. Our goal was to effectively use this unused heat as energy through the core technologies—combustion control, heat exchange, and fluid control—that Noritz has cultivated over many years of developing water heaters.



Komiyama Effectively using the energy that we have been wasting until now, instead of consuming new resources—that is the ultimate solution to saving energy, protecting the environment, and reducing costs all in one go. A major factor in the lack of progress so far in effectively using unused heat is that, in the manufacturing industry, for example, the manufacturing machinery and the plumbing and configuration are different in each factory, so it has been difficult to create a system that can be generalized. The unstable quantity of exhaust heat and the impurities in the water and gases emitted are also challenging issues.

Umakoshi It is Noritz's technological capabilities that led to the solution to all of them. In addition to these three core technologies—efficient low-NOx combustion of energy (combustion control), allowing only heat to move between substances (heat exchange), and constantly emitting a certain amount (fluid control)—we combined stabilizing the unstable amount of exhaust heat with a backup heat source (system control) and removing impurities (filtration technology) to succeed in producing clean and stable energy.

Komiyama We also brought in both internal and external experts, and together we designed a thermal solutions system tailored to the site from zero and launched an integrated organizational structure from production to installation, maintenance and management. There are some leading companies in this field, but we are proud that only Noritz has the on-site capabilities to be able to provide support, from zero to design and from assembly to after-sales services, rather than a ready-made package. Noritz's core technologies, acquired over the course of 74 years, are widely applicable in the field of heat and can contribute to society. These convictions and responses have become clear among us in the process of launching the new thermal solutions system.

A hybrid planning & design business model whose greatest value will be our technological capabilities

Komiyama In the medium-term management plan launched in 2024 and spanning through 2026, Noritz has resolved to shift to a more profitable business portfolio. As the thermal solutions business gets rolling, it is leading the way in taking on the non-residential business, one of the pillars of the plan.

Umakoshi Unlike the mass production and mass marketing business model, which requires vast resources, Noritz's technological and design capabilities and our knowledge provide value. One year prior to the full-scale launch of this business, we have conducted approximately ten proof-of-concept tests, both large and small, in the manufacturing industry and other facilities, overcome the technological challenges in running the system, and established design and operational know-how.

Komiyama Since launching the business, we have had many inquiries, mainly from the manufacturing industry, and we are keenly aware of the expectations for our system. And when we actually go to a customer's site and introduce the system, they are very often surprised by how much energy has been wasted as unused heat. We would also like to enter the market in the upper stream of the value chain, such as development projects for new factories.

Umakoshi In 2025, the first fiscal year of the business, we will be providing solutions in every direction, including factories, plant facilities, agricultural facilities, and fish farms, accumulating knowledge and achievements as we go along. From this we plan to build basic units to suit business conditions and industries, which will speed up the introduction of said solutions and improve work efficiency. Our goal is a new business structure for Noritz that fuses planning with engineering (design).

Komiyama Furthermore, Noritz's thermal solutions system creates shared value (CSV*), meaning it not only has financial benefits, such as reducing energy costs, but also brings value, in

the form of pre-financial aspects such as environmental, social, and governance (ESG), to the companies that introduce it, and this is an advantage. The technologies we have been steadily cultivating for so many years through our water heaters are linked to the sustainability of society. This is a big discovery even for us, employees who are working to reform our corporate culture, and we strongly hope that it will lead to new things to be proud and happy about at Noritz.

Umakoshi Right now, this is our chance. With this business, we want to prove that we will see the changes in global trends and operating environment, such as population decline and zero emissions, as opportunities and change the future envisioned by each employee.

Komiyama Noritz was originally started by embarking on the challenge of enriching people's lives. We went back to those roots, presenting "Everything starts from a challenge" as our value statement in 2024. We will use the technologies that Noritz has cultivated for society and the future. This is the big step that we will be taking.

* An abbreviation of "Creating Shared Value." This concept, proposed by Harvard University Professor Michael Porter, refers to the idea that companies create both social value (solutions to social issues and contributions to society) and economic value and profits



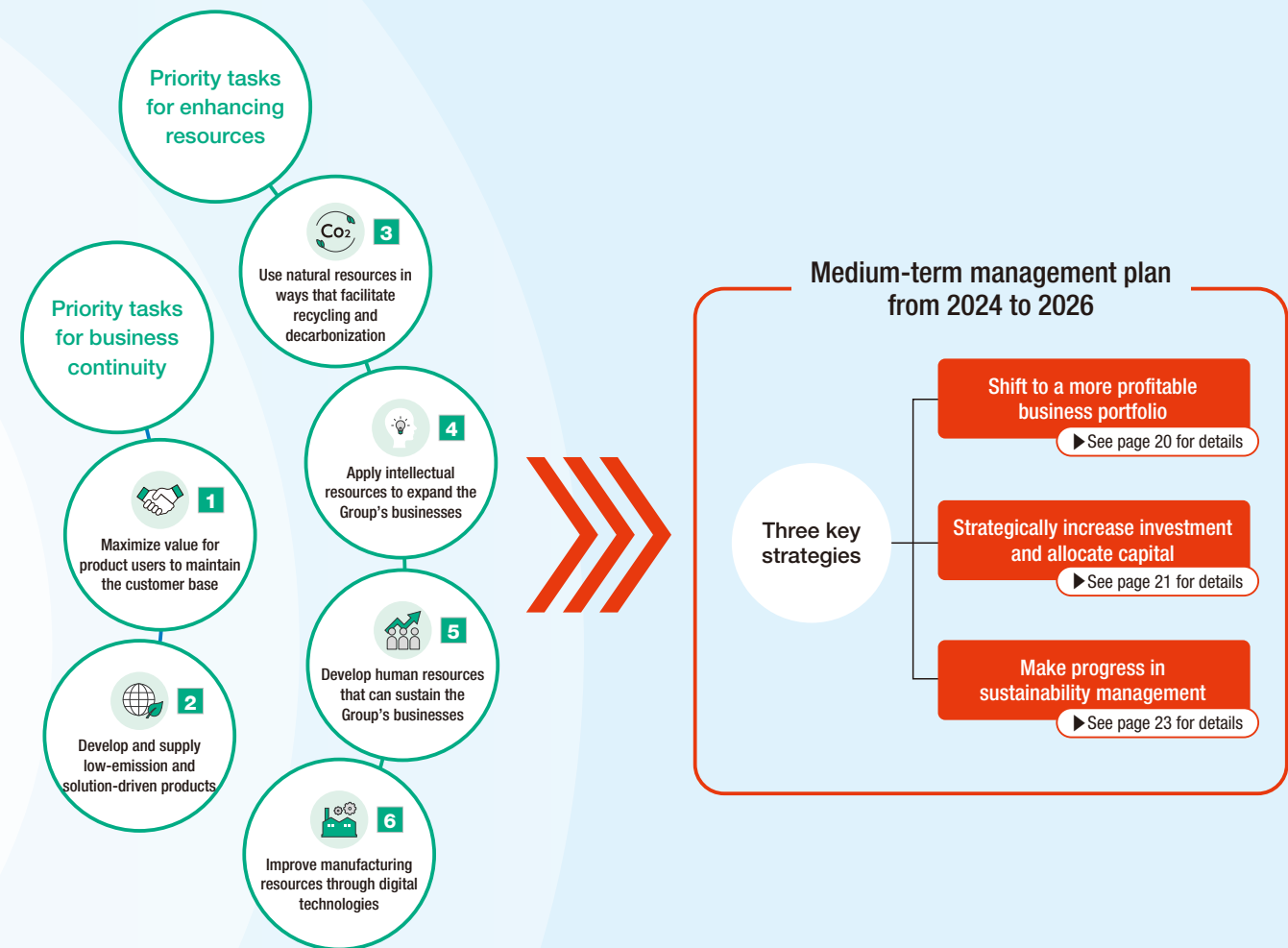
Value Creation

Approaches and Material Issues for the 2030 Vision

In response to increasingly diverse requests and expectations from its stakeholders, the Noritz Group has determined the material issues. In 2024, we defined the outcomes and considered the issues that should be addressed in order to achieve the 2030 vision. The Group then examined both the impact that it would directly incur from changes in global trends and the operating environment, along with any alterations that may occur in its internal environment, and finally specified six material issues that could potentially improve its financial performance.

2030 Vision

Take our established businesses to new heights and innovate in new fields



Initiatives and performance indicators for material issues

	Key issues	Opportunities	Main initiatives	KPIs	2030 Roadmap	medium-term management plan from 2024 to 2026: 2026 targets	2024 year-end results
Priority tasks for business continuity	1 Maximize value for product users to maintain the customer base	<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. 	<ul style="list-style-type: none"> Improve relations with customers 	<ul style="list-style-type: none"> Cumulative number of registered customer accounts in Japan 	<ul style="list-style-type: none"> 9 million 	<ul style="list-style-type: none"> 6 million 	<ul style="list-style-type: none"> 4.75 million
	2 Develop and supply low-emission and solution-driven products	<ul style="list-style-type: none"> Newly developed products and services can provide value to consumers and contribute to reducing carbon emissions. 	<ul style="list-style-type: none"> 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"> Proportion of high-efficiency water heater sales in Japan Proportion of high-performance products sales in Japan Amount of 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"> 90% 40% 30% reduction 400 thousand tons of CO₂ 7.50 million tons of CO₂ 	<ul style="list-style-type: none"> 50% 37% 20% reduction 330 thousand tons of CO₂ 4.00 million tons of CO₂* 	<ul style="list-style-type: none"> 43.1% 32.1% 30.3% reduction 279 thousand tons of CO₂ 3.392 million tons of CO₂
	2-1 Residential-use products sold in Japan						
	2-2 Non-residential-use products sold in Japan						
Priority tasks for enhancing resources	3 Use natural resources in ways that facilitate recycling and decarbonization	<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. 	<ul style="list-style-type: none"> Reduce CO₂ emissions from operations Make advances in the recycling business 	<ul style="list-style-type: none"> Secure 100% of electricity from renewable energy sources Number of products recycled 	<ul style="list-style-type: none"> Reduce business CO₂ emissions by 50% compared with 2018 Collect 300,000 units for recycling 	<ul style="list-style-type: none"> Achieve target at the Akashi Main Factory 150,000 	<ul style="list-style-type: none"> — 66,000
	4 Apply intellectual resources to expand the Group's businesses	<ul style="list-style-type: none"> Technological capabilities can be leveraged to secure competitive advantages. Products can be differentiated from those of competitors. 	<ul style="list-style-type: none"> Develop technical solutions for decarbonization and wellness-related issues, and apply them worldwide Improve management quality to enhance the corporate brand 	<ul style="list-style-type: none"> Number of newly developed technologies related to decarbonization or wellness-related issues Score from the Nikkei Research Brand Strategy Survey 	<ul style="list-style-type: none"> 5 (either patented or sources of a new business model) 600 	<ul style="list-style-type: none"> 5 585 	<ul style="list-style-type: none"> 0 580
	5 Develop human resources that can sustain the Group's businesses	<ul style="list-style-type: none"> Collective capabilities can be maximized by enabling diverse employees to apply their skills. Encouraging individuals to draw on their strengths can lead to innovations. 	<ul style="list-style-type: none"> Implement programs to enhance employee well-being Diversity and inclusion 	<ul style="list-style-type: none"> Employee engagement score 	<ul style="list-style-type: none"> 73 	<ul style="list-style-type: none"> 70 	<ul style="list-style-type: none"> 70
	6 Improve manufacturing resources through digital technologies	<ul style="list-style-type: none"> The use of digital technologies can increase productivity. 	<ul style="list-style-type: none"> Introduce digital applications, automation, modular design, and other innovations to manufacturing operations 	<ul style="list-style-type: none"> Proportion of automated production to total production at the Akashi Main Factory 	<ul style="list-style-type: none"> Realize smart factories by digitalizing factory operations and deploying AI and IoT 	<ul style="list-style-type: none"> 70% of gas water heater production 	<ul style="list-style-type: none"> —

* Revised from 6 million tons of CO₂ to 4 million tons of CO₂, in accordance with the revised results of international business

Value Creation

Message from the CFO

Never-ending growth investment for future sustainable growth

Looking back on the 2024 fiscal year

Results of the medium-term management plan's first fiscal year: increased domestic business earnings and decreased international business earnings

Noritz has formulated a medium-term management plan covering the three years from fiscal 2024 to fiscal 2026, and we are implementing initiatives to raise shareholder value. Under this plan, we will do so along the two axes of financial performance and pre-financial performance, which leads to future financial performance, and will measure financial performance by ROE and pre-financial performance by the FTSE ESG score*. Furthermore, with 1) shifting to a more profitable business portfolio, 2) strategically increasing investment and allocating capital, and 3) making progress in sustainability management as the key strategies, we are aiming for the respective targets of ROE in excess of 6%, an FTSE ESG score of at least 3.3%, and early improvements in PBR at the end of December 2026 in order to raise shareholder value in this way.



Eiichi Kishi

Managing Executive Officer,
Head of Corporate Planning Headquarters

The consolidated performance results as of December 31, 2024, the first fiscal year of the plan, were net sales of ¥202.204 billion and operating income of ¥2.395 billion. This was a decline, despite a slight increase in net sales. Within Japan, recovery of demand for residential-use water heaters is also delayed, and the residential-use water heaters and HVAC business declined. However, initiatives to reform our portfolio in order to break away from these sectors on which we have relied so heavily have paid off, and by growing our non-residential business and our kitchen appliance business, domestic business has increased overall. Internationally, on the other hand, other markets could not make up for the drop in sales due to the sluggish Chinese market, which makes up a particularly large proportion of our sales, so there was an overall decline in international business. In net income attributable to shareholders of parent company, we recorded a gain on sales (extraordinary income) of cross-shareholdings of three companies in accordance with the capital allocation policy of keeping cross-shareholdings to no more than 20% of net assets, growing profits enormously to ¥4.383 billion, an increase of 404.4% compared with the same period of the previous year.

As a result, ROE reached its 3.5% target value set at the start of the term. Furthermore, we obtained an FTSE ESG score of 3.3 for two years in a row thanks to our progress in sustainability management, including the fact that our efforts to achieve carbon neutrality, such as beginning demonstration tests both in Japan and overseas of the 100% hydrogen-fueled water heater, are going according to plan.

However, regarding the target values of the final fiscal year of the plan, taking into account the uncertainties in Chinese market conditions in particular, in addition to trends in the domestic demand for residential-use water heaters, net sales fell to ¥210.0 billion and operating income to ¥4.5 billion. We are still aiming for ROE in excess of 6%.

Growth investment and capital allocation

Planned strategic investment 1.5x more than in the previous plan.

Aiming to enhance capital efficiency with an awareness of shareholder returns

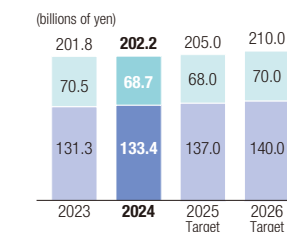
I think that, in order to tear down this kind of operating environment and increase profitability, the top priority is unceasing strategic investment.

Financial data

Net sales

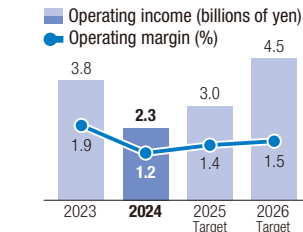
¥202.2 billion

Outside Japan ▼68.7 billion
In Japan ▼133.4 billion



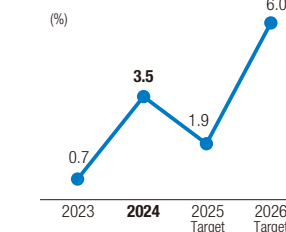
Operating income and margin

¥2.3 billion / 1.2%



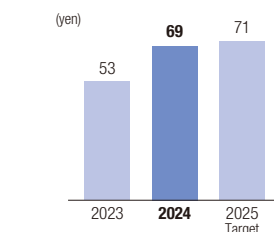
Return on equity (ROE)

3.5%



Dividend per share

¥69



In terms of strategic investment during the medium-term management plan, Noritz plans to invest a total of ¥32.5 billion, including growth investment of ¥23.5 billion in strategic new projects. This is about one and a half times the total investment amount during the previous three-year plan.

In 2024, we invested a total of ¥10.4 billion. The principal investments include capital investment in new products that will become the low-emission products for achieving carbon neutrality, digital technology- and IT-related investment to reform our sales model and create smart factories, and construction investment in an innovation center to enhance development capabilities in the Chinese market.

We also plan to invest a total of ¥11.0 billion in 2025 and will reliably be making strategic investments for the future growth described in the medium-term management plan.

To fund these strategic investments, we plan to use the cash generated from proceeds from sales of cross-shareholdings, in addition to that from our business activities, and will also increase capital efficiency while appropriately allocating cash flows. 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%.

I think shareholder returns are also important for enhancing capital efficiency. As for dividends, we are aiming for a consolidated dividend payout ratio of 50% or a dividend on equity (DOE) ratio of 2.5%, whichever is higher, and we will also flexibly execute share buybacks. In line with these objectives, in 2024 we implemented annual dividends of ¥69 (up 23% compared with the previous year) based on the DOE of 2.5%. For 2025, we anticipate that dividends will increase another ¥2 to ¥71 annually. In addition, Noritz will execute share buybacks up to a maximum of ¥2.0 billion in order to further enhance capital efficiency.

Objectives for 2025

Reforming organizational culture to achieve the medium-term management plan

In line with the lowered net sales and operating income targets for 2026, the final fiscal year of the plan, in 2025 we are aiming for revenue of ¥205.0 billion (up 1.4% compared with the previous year) and operating income of ¥3.0 billion (up 20.2% compared with the previous year).

In Japan, the residential-use water heaters and HVAC business is a mature market, but we see a society working towards carbon neutrality as a business opportunity and are boosting the earning power of low-emission products and solution-driven products. We will also bring in added value through advances in the recycling business. Overseas, assuming that the slump in Chinese market conditions continues, we are working to increasing sales through initiatives such as strengthening profitability by cutting fixed costs in China and promoting sales of the high-efficiency water heaters just launched in North America, and to improve business development in the new area of Southeast Asia.

To carry out these initiatives, I believe that we also need to proactively work on reforming our organizational culture. We therefore recognize that raising employee engagement by creating a workplace environment in which all diverse members can thrive and offering them reskilling, using digital applications such as factory automation, and improving our technological capabilities and management quality to enhance the corporate brand are key issues.

* Data for evaluating a company's ESG efforts, provided by FTSE Russell. Used to compute various indices, etc.

Pre-financial data

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

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

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

FY2024 results

13.58 million tons

(Previous FY 14.49 million tons CO₂)

FY2026 target

15.59 million tons

CO₂ emissions from the Group's operations in Japan¹

FY2024 results

19,260 tons

(Previous FY 19,571 tons CO₂)

FY2026 target

15,325 tons

Amount of CO₂ reduced by the Group outside Japan

FY2024 results

3.39 million tons

(Previous FY 3.95 million tons CO₂)

FY2026 target

4.00 million tons

Ratio of female managers at Noritz Corporation

FY2024 results

6.3%

(Previous FY 4.6%)

FY2026 target

8.0%

Number of employees with disabilities employed by the Group in Japan^{2,3,4}

FY2024 results

Overall number 175

(Previous FY 177)

Applied number 118

(Previous FY 117)

Ratio of employees with disabilities employed by the Group in Japan^{2,3,4}

FY2024 results

Overall ratio 3.91%

(Previous FY 3.82%)

Applied ratio 3.05%

(Previous FY 2.92%)

FY2026 target

Applied ratio 3.00%

1. The result for 2024 is currently being verified by a third-party organization, and was calculated using the method for calculating emissions from municipal gas consumption in fiscal 2023 because the method for fiscal 2024 has not been published at the time of preparing this report.
2. Figures are as of June 30 for each year.
3. The number of employees and the ratio of employees are calculated by counting people with severe disabilities as 2 people, and people with disabilities who work with short hours as 0.5 people.
4. The statutory employment rate is 2.5% from 2024 and 2.7% from 2026.

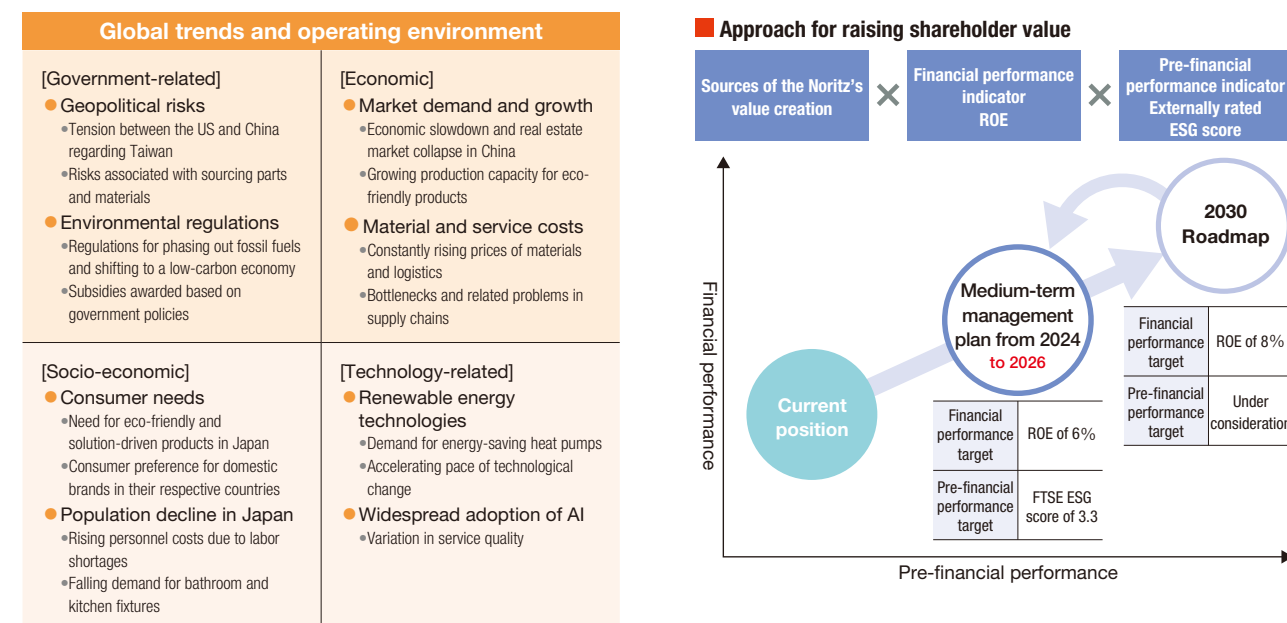
Medium-Term Management Plan

Overview and Progress of the medium-term management plan

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

Under the medium-term management plan covering the period from 2024 to 2026, which was formulated by backcasting from the goals envisioned in its 2030 Roadmap, Noritz aims to enhance corporate value along two axes: financial performance and pre-financial performance that leads to future financial performance. Noritz set return on equity (ROE) in excess of 6% as an indicator of financial performance and an FTSE ESG score of at least 3.3 as an indicator of pre-financial performance. To achieve these targets, Noritz is carrying out our priority strategies: shifting to a more profitable business portfolio, strategically increasing investment and allocating capital, and making progress in sustainability management.

In light of changes in global trends and the operating environment, Noritz revised the targets in the management plan to net sales of 210 billion yen and operating income of 4.5 billion yen.

**Medium-term management plan performance targets (revised)**

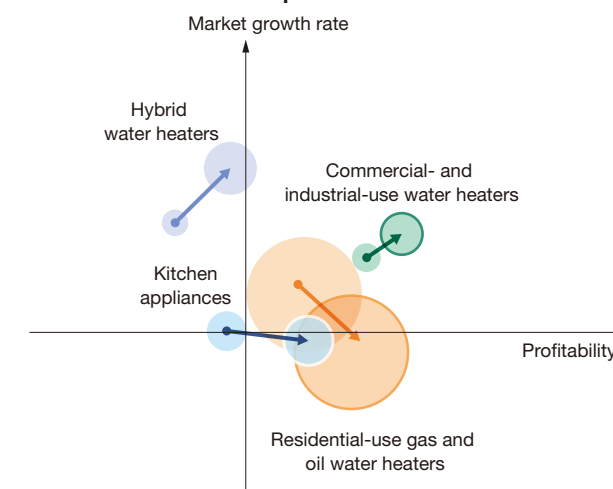
	Fiscal 2024 results	Medium-term management plan performance targets (before revision)	Medium-term management plan performance targets (revised)
Net sales	¥202.2 billion	¥230.0 billion	¥210.0 billion
In Japan	¥133.4 billion	¥145.0 billion	¥140.0 billion
Outside Japan	¥68.7 billion	¥85.0 billion	¥70.0 billion
Operating income	¥2.3 billion	¥9.0 billion	¥4.5 billion
In Japan	¥1.3 billion	¥3.5 billion	¥2.5 billion
Outside Japan	¥1.0 billion	¥5.5 billion	¥2.0 billion
Ordinary income	¥3.5 billion	—	—
Net income attributable to shareholders of parent company	¥4.3 billion	—	—
ROE	3.5%	6.0%	6.0%

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, in Japan, Noritz will restructure the mainstay residential-use water heater business and cultivate new markets internationally to reduce the risk of over-dependence on the Chinese market.

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.

Direction of the business portfolio from 2023 to 2026**Reform structures that overemphasize residential-use fossil-fuel water heater business****Water heater business**

- Promote carbon neutrality
- Increase unit profit by expanding wellness functions and customer care
- Reduce costs through smart production and automation driven by digital transformation (DX)

Kitchen appliance business

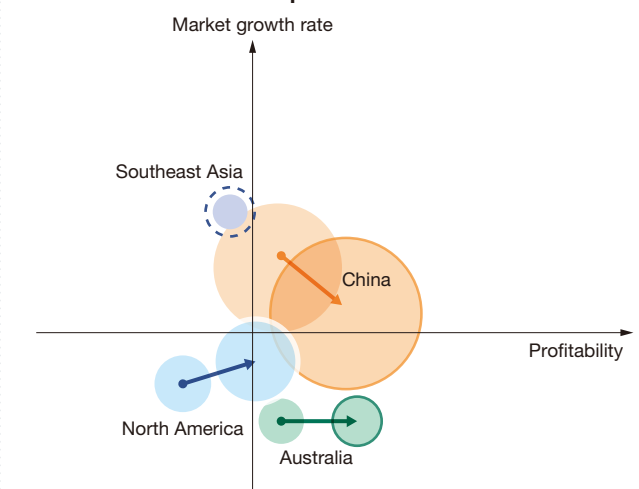
- Promote customer care including the use of apps and the enjoyment of cooking while expanding the mid-range product segment
- Secure profits by improving profit structures and increasing scale

Non-residential business

- Develop new markets in service-driven fields through the introduction of application-specific new products
- Cultivate production-driven markets and develop new business

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.

Direction of the business portfolio from 2023 to 2026**Mitigate risks of reliance on the Chinese market and develop new markets****China**

- Invest in strengthening production and development capabilities to achieve self-sustained growth (e.g. the innovation center in China)
- Make a full-scale entry into the kitchen appliance market and expand into regional cities

North America

- Contribute to carbon neutrality
- Expand the commercial water heater business (reinforce three-company collaboration)
- Promote higher efficiency in the heating system business

Australia

- Improve product quality and lower costs through capital investment
- Establish a head factory for storage-type water heaters
- Expand business in New Zealand

Medium-Term Management Plan

Progress of the medium-term management plan

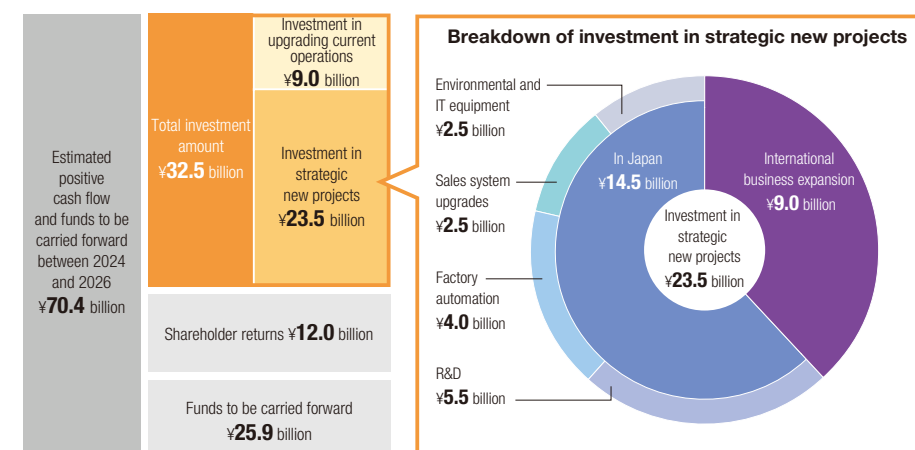
Key strategy 2 Strategically increase investment and allocate capital

1 Invest in growth

The performance plan was revised, but the total investment amount of 32.5 billion yen over three years remains unchanged from the initial plan and is primarily allocated for capital expenditure. Of this amount, 23.5 billion yen will be invested in production innovation to create smart factories and the construction of new facilities outside Japan with the objective of achieving sustainable growth through investment in strategic projects and growth businesses.

In 2024, approximately 10.4 billion yen in capital investment was made. Investment of 11.0 billion yen is planned for 2025.

Investment allocation



Strategic investment

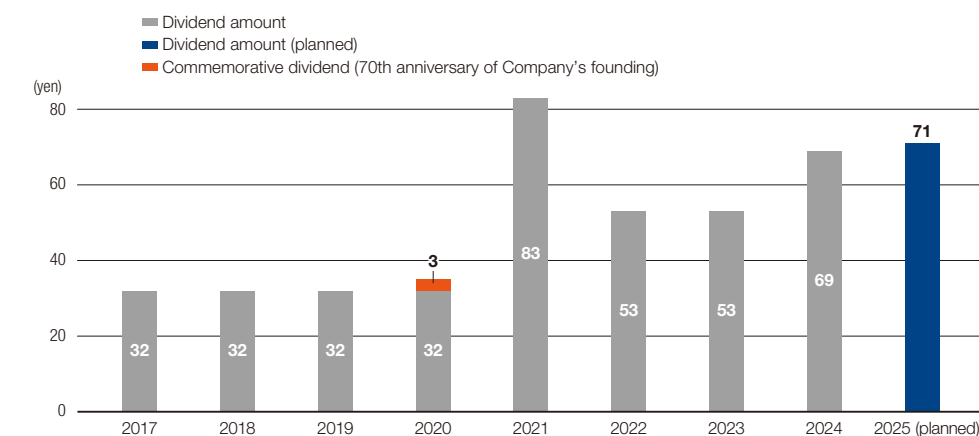
In Japan		
Material issues 1 2 3 4 6		
Purpose	Investment amount	Objective
R&D	¥5.5 billion	Expand lineups of value-added products by developing low-emission products that contribute to decarbonization and solution-driven products that help enhance users' quality of life.
Factory automation	¥4.0 billion	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.

Outside Japan		
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.
Southeast Asia		Invest in the development of water heaters and kitchen appliances that meet regional needs and create business in Southeast Asia.

2 Capital allocation

- Increase shareholder returns

The target is to achieve a consolidated dividend payout ratio of 50% or a consolidated dividend on equity (DOE) ratio of 2.5%, whichever is higher. In 2024, a dividend of 69 yen per share was paid, and for 2025, a dividend of 71 yen per share is planned. In addition, Noritz will execute share buybacks up to a maximum of 2.0 billion yen in 2025 in order to enhance capital efficiency and reinforce shareholder returns by improving capital structures.



- Reduce cross-shareholdings

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

In 2024, cross-shareholdings of three companies (with a market value of 2 billion yen as of the beginning of the period) were sold, but due to an increase of approximately 4.5 billion yen in the market value of remaining securities holdings as of the end of the period compared to the previous fiscal year-end, the net asset ratio of cross-shareholdings remain unchanged from the end of the previous fiscal year.

	As of December 31, 2023	As of December 31, 2024
Shares held (billion yen)	30.5	32.9 Increase of 4.5 billion yen
Net assets (billion yen)*	121.9	131.9
Net asset ratio (%)	25.0	25.0

*The amount of shareholders' equity after deducting non-controlling interests and other items is stated as total equity capital.

- Cancellation of treasury shares

By the end of 2026, Noritz will cancel its outstanding shares, retaining only 5%.

Medium-Term Management Plan

Progress of the medium-term management plan

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.



Relevant Sustainable Development Goals for the Noritz Group



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 →P.25

Environment

Aim to achieve carbon neutrality



Material issue
2-1 Develop and supply low-emission and solution-driven residential-use products sold in Japan →P.26

Material issue
2-2 Develop and supply low-emission and solution-driven non-residential-use products sold in Japan →P.27

Material issue
2-3 Develop and supply low-emission and solution-driven products sold outside Japan →P.28

Material issue
3 Use natural resources in ways that facilitate recycling and decarbonization →P.29

Society

Develop intangible assets for providing solutions



Material issue
4 Apply intellectual resources to expand the Group's businesses →P.30

Material issue
5 Develop human resources that can sustain the Group's businesses →P.31

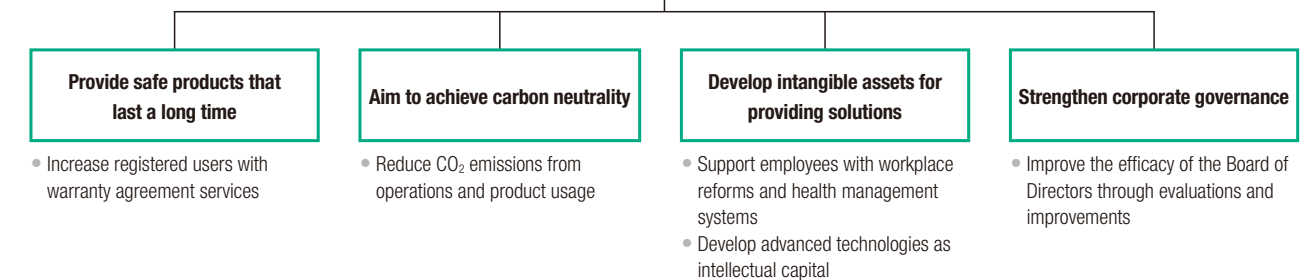
Material issue
6 Improve manufacturing resources through digital technologies →P.33

Governance

Strengthen corporate governance

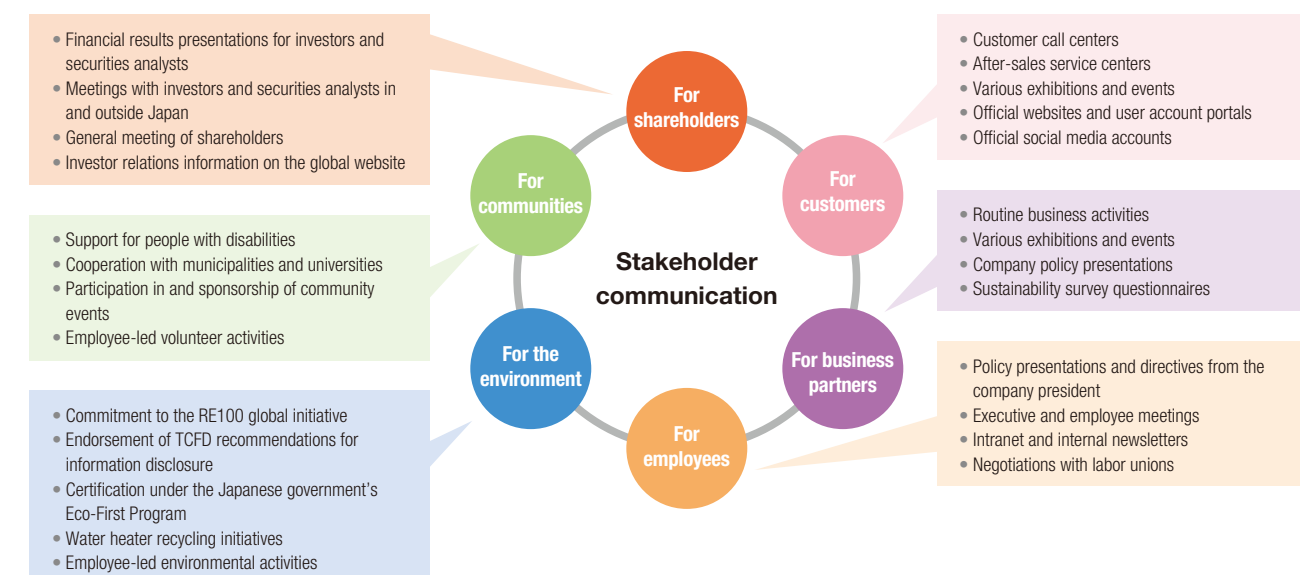
● Improve the efficacy of the Board of Directors through evaluations and improvements →P.34

Quality and ESG-related initiatives



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

FTSE Blossom Japan Index

The FTSE Blossom Japan Index is an index that evaluates and selects Japanese companies based on the excellence of their ESG practices. Noritz has been included in the index since 2023.



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index is an index designed to measure the performance of Japanese companies with relatively high ESG ratings in individual sectors. Noritz has been included in the index since 2022.

Please visit Noritz's website for more information on its material issues, quality, and ESG initiatives (Japanese only).
<https://www.noritz.co.jp/company/csr/>



Medium-Term Management Plan

Sustainability management under the medium-term management plan

Material issues

Material issue



1

Maximize value for product users to maintain the customer base

Advancements in internet and IoT technologies have made it easier to provide information to our customers. By facilitating interaction between Noritz and customers, Noritz supports safe, secure, and comfortable lifestyles.

■ Introduction of N2C inquiry system deepens connections with customers

The Noritz Contact Center receives approximately 1 million inquiries and repair requests from customers each year. By introducing the new N2C (Noritz to customer) system in place of our earlier database, Noritz has achieved consolidation and automation of information necessary for responding to customer inquiries.

The Noritz Group currently uses multiple systems for inspections, repairs, and so on, but seeks to mitigate various risks by consolidating these systems.

In the future, Noritz will seek to develop next-generation services based on a company-wide shared database.

2024 result and 2026 target

Total number of registered customer accounts
4.75 million → 6 million



An N2C system screen

■ Yu-Pay, a long-term water heater use service

Noritz launched the "Yu-Pay" long-term water heater use service, which offers environmentally-friendly water heaters with minimal initial costs and comprehensive after-sales support covered by use fees only. By paying monthly usage fee, customers can use a water heater for up to 20 years.

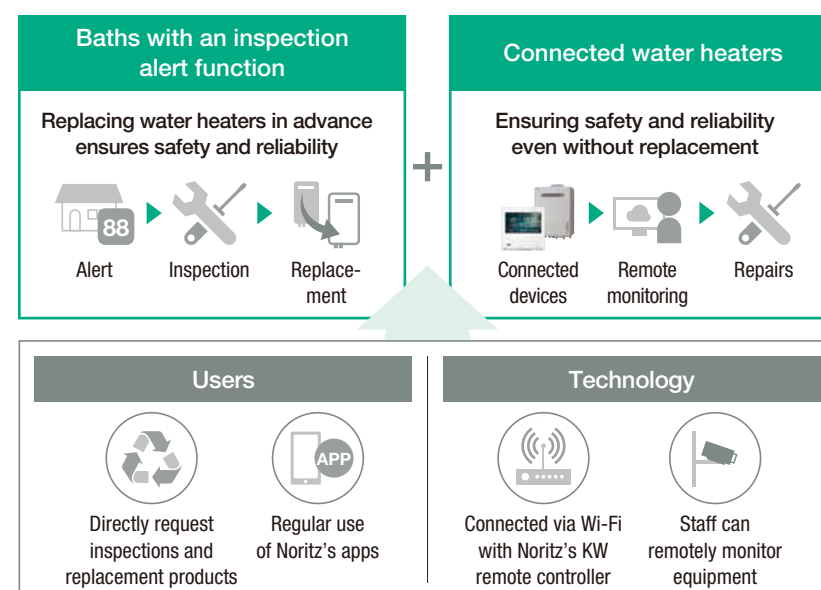
In addition, by utilizing IoT technology, Noritz monitors equipment malfunctions, and at the end of the contract, the equipment is recycled, making this an environmentally-conscious service.



■ 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.



Material issue



2-1

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

Annual CO₂ emissions from products manufactured by the Noritz Group and operations account for about 1.4% of Japan's total CO₂ emissions. Working to reduce these emissions is a part of the Company's social responsibility, and it is also seen as an opportunity to create new value.

As responses to environmental issues become increasingly important including the government's declaration that it will achieve carbon neutrality by 2050, the Noritz Group recognizes that as a company that handles water heaters and kitchen appliances that emit CO₂, reducing CO₂ emissions is

2024 result and 2026 target

Reduction of CO₂ emissions from product usage in Japan compared with 2018:
30.3% → 20%
Sales of high-efficiency water heaters to total water heater sales in Japan:
43.1% → 50%

its greatest issue. Recognizing this trend as an opportunity, Noritz is accelerating its efforts to develop and market low-emission products and use a wider range of energy sources to help achieve a sustainable society while also providing the means for people to live more comfortable lives.



*1 Preliminary data of Japan's greenhouse gas emissions in 2023 provided by the Greenhouse Gas Inventory Office, National Institute for Environmental Studies

■ Expand heat pump water heaters

Heat pump water heater was launched under the Noritz brand in June 2024. Noritz is committed to expanding and improving the lineup of high-efficiency water heaters so that it can continue providing hot water, a form of household infrastructure, to customers even in the carbon-neutral society to be achieved by 2050.



Offering helpful and useful solutions for people's everyday lives

■ "Shaan" bathroom heater and dryer with bathroom cleaning function reduces daily bath cleaning time and effort

Noritz innovates new technologies and creates products and services with them, aiming to create a society where people can lead enriched lives while contributing to the earth.

In September 2024, Noritz launched "Shaan," a bathroom heater and dryer with a bathroom cleaning function that utilizes the Aqua Ozone ozonated water disinfection unit. Starting with this product, which reduces the burdens of daily bath cleaning with just the press of a button, Noritz is promoting a new habit of leaving bathroom cleaning to machines.



2024 result and 2026 target

Sales of high-performance products to total product sales in Japan
32.1% → 37%

Medium-Term Management Plan

Sustainability management under the medium-term management plan

Material issues

Material issue



2-2

Develop and supply low-emission and solution-driven non-residential-use products sold 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.

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.

2024 result and 2026 target

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

279 thousand tons of CO₂ →
330 thousand tons of CO₂

■ Industry's first indoor high-efficiency heat-recovery water heaters for commercial-use launched

Previously, there was no lineup of commercial indoor high-efficiency heat-recovery water heaters for small commercial establishments such as restaurants located in cold regions where outdoor installation of water heaters is not possible, making it impossible for such businesses to install environmentally-friendly water heaters. Noritz recently launched the industry's first indoor high-efficiency heat-recovery water heaters suitable for commercial-use in Japan (excluding hood-installed types), enabling the advancement of carbon neutrality even in indoor commercial facilities.

Noritz is promoting the use of high-efficiency water heaters with thermal efficiency of 95% as replacements for boilers used by industrial facilities, which consume relatively large amounts of gas to heat water, contributing to Japan's transition to a low-carbon economy through reductions in CO₂ emissions.



■ In the thermal solutions business, Noritz is meeting customer needs while solving social issues

In its thermal solutions business, Noritz provides decarbonization and energy-saving value by effectively utilizing unused heat through systems such as waste heat recovery units and heating and cooling systems for aquaponics* (circular agriculture). Noritz combines its core technologies with its ability to plan and design to create these systems and provide them to a wide range of customers.

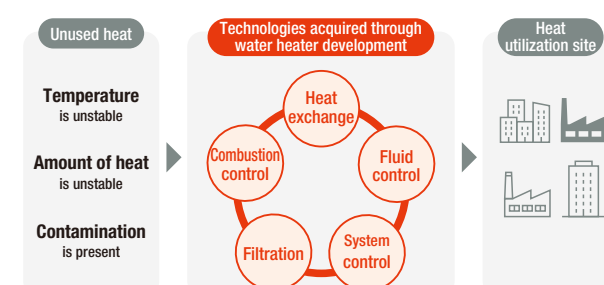
For example, waste heat recovery systems recover heat that would normally be discharged as condensate and by appropriately controlling temperature, amount of heat, and contamination using Noritz's core technologies, water can be preheated.

In addition, heating and cooling systems for aquaponics remove impurities and foreign material, which can impede heat exchangers, providing systems that enable high-

efficiency heat exchange.

Noritz will continue creating solutions that meet customer needs while solving social issues.

* The term "aquaponics" is derived from "aquaculture" and "hydroponics." Aquaponics is a production method that combines traditional aquaculture with hydroponic crop cultivation to grow fish and vegetables together in the same system.



Material issue



2-3

Develop and supply low-emission and solution-driven products sold 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.

2024 result and 2026 target

Amount of CO₂ emissions reduced outside Japan (compared with 2018) by switching from existing water heater equipment to Noritz Group products

3,392 thousand tons of CO₂ →
4,000 thousand tons of CO₂

■ Completion of the first total redesign in four years of environmentally-friendly, high-efficiency water heaters in North America

As environmental regulations concerning water heaters are tightened in North America and the shift to higher efficiency accelerates, Noritz launched a new high-efficiency water heater in November 2024. This marks the third generation of high-efficiency models for North America, following the first generation in 2017 and the second generation in 2020. This is the first total redesign

in four years. In North America, which has strict environmental and efficiency regulations, Noritz is creating and providing high-efficiency water heaters as a foundation for achieving carbon neutrality.



EZ PRO high-efficiency water heater (third generation)

■ Launch of heat pump water heaters in North America, Australia & China

Noritz is expanding its lineup of heat pump water heaters in Japan and similarly overseas as a part of its efforts to achieve carbon neutrality.

Noritz sells household heat pump water heaters under the "ECOTOUGH" brand in North America and the "ecosmart" brand in Australia. Noritz also launched heat pump water heaters in China in 2024, and these products have been well received in all regions.

The Noritz Group is undertaking initiatives to achieve a carbon-neutral society and will accommodate all types of energy.



Heat pump water heaters launched in North America, Australia, and China

■ Contribution to on-site efficiency with a commercial rack system in North America

In North America, Noritz offers a commercial assembled tankless rack system that is easy to assemble and can significantly reduce on-site labor. The system can be delivered with products pre-assembled into racks tailored to the available space and required capacity for each site, enabling quick and efficient installation. This product has earned high praise from customers involved in commercial facilities.

Noritz will continue creating solutions that solve customer problems.



Commercial assembled tankless rack system

Medium-Term Management Plan

Sustainability management under the medium-term management plan

Material issues

Material issue 3 Use natural resources in ways that facilitate recycling and decarbonization

Substantial energy is consumed in the manufacture of products. Maintaining and reducing CO₂ emissions even as production volume increases is a major issue. Noritz is working to effectively use limited resources through means such as conservation and resource recycling.

The Noritz Group is a member of RE100* and is working to source 100% of all electricity used at all business sites, including overseas group companies, from renewable energy by 2050. The Group is also promoting resource recycling through its water heater recycling business. The Group is taking action to achieve net-zero CO₂ emissions across all

of its business operations by 2050 and, to contribute to the realization of a circular economy through its products and businesses, seeks to cut the waste it generates in Japan by 40% (compared to 2018) by 2030.

* An international initiative that has set a target of sourcing 100% of energy consumed in business activities from renewable energy.

2024 result and 2026 target
Secure 100% of electricity from renewable energy sources at the Akashi Main Factory
Number of products recycled 66 thousand → 150 thousand

■ Noritz's certified as a Green Partner 2024 by the Forestry Agency in recognition of its forest carbon offset initiatives

Noritz is promoting forest carbon offsets for CO₂ emissions generated in the production of environmentally-friendly products such as hybrid water heating systems and the GT-C72 series of gas water heaters (excluding auto-type) as well as CO₂ emissions from energy consumption at facilities engaged in the water heater recycling business.

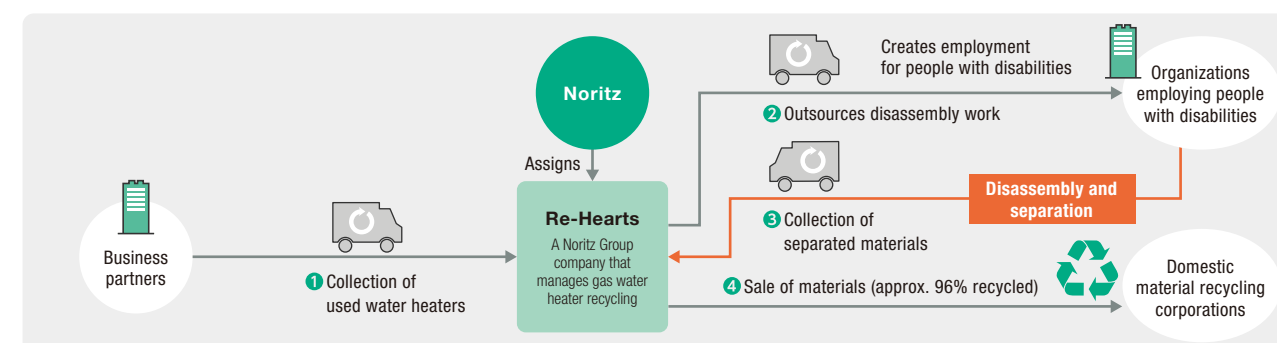
Noritz's forest carbon offset program in Hyogo Prefecture, which utilizes the J-Credit Scheme*, was recognized and Noritz was certified as a Green Partner 2024 by the Forestry

Agency. In the future, Noritz will continue its environmentally-conscious efforts in products and business activities, contributing to the development of a carbon-neutral society and biodiversity conservation.

* A scheme in which the Japanese government certifies, in the form of credits, the amount of CO₂ and other greenhouse gas emissions reduction and absorption achieved through the introduction of energy-saving equipment and forest management



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



The Noritz Group has conducted water heater recycling since 2011 to promote the sustainable use of resources and contribute to the development of a circular economy. Within this activity, Re-Hearts K.K., a group company of special subsidiary* S-CORE Hearts K.K., collects used water heaters from Group business partners and outsources disassembly and separation work to organizations that employ people with disabilities. In 2024, 66,000 water heaters were

recycled, and this initiative will be expanded further in the future.

* A company established for the purpose of promoting and stabilizing the employment of persons with disabilities.



S-CORE Hearts' website (Japanese 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 respond to diversifying needs and create new value, it is essential that Noritz integrates new technologies and ideas to supplement its core technologies of combustion control, heat

2024 result and 2026 target
Number of newly developed technologies related to decarbonization or wellness-related issues: 0 → 5
Nikkei Research Brand Strategy Survey score: 580 → 585

exchange, and fluid control. By promoting open innovation that transcends internal and external barriers, Noritz is creating additional value.

■ Demonstration experiment using hydrogen combustion technology

The Noritz Group is reinforcing its efforts for the social implementation of hydrogen energy. In Australia, Noritz began a demonstration experiment in December 2024 for a household water heater that runs on 100% hydrogen combustion in collaboration with ATCO Gas Australia Pty Ltd, an energy infrastructure company based in Western Australia.

In addition, in June 2024, Noritz signed an industry-government-academia partnership agreement with the City of Kobe and Kobe City College of Technology (KCCT) to conduct demonstration experiments using KCCT hydrogen combustion technology and foster the development of next-generation engineers.

With the aim of creating a carbon-neutral society by 2050, Noritz will accelerate technological innovation through open innovation and market introduction.



Partnership agreement with ATCO

■ Formulation of a global common brand logo for hydrogen water heaters

Noritz formulated a uniform brand logo for use with hydrogen water heaters in Japan and overseas. This unique brand logo is engraved on hydrogen water heaters, which can be difficult to distinguish from conventional water heaters. Through consistent use in Japan and overseas, Noritz will communicate to the world its sincere approach to addressing environmental issues.

Design Concept:

The icon, comprising two spheres modeled after the structure of a hydrogen molecule, is composed of blue and green colors representing earth as seen from outer space and expressing the sustainable and circular potential of these products. In response to the soft impression created by the icon, the typography curves the horizontal bars of the H to represent the connection of a rich global environment to the future.



■ "+ do (Plus do)" contributes to the joint creation of an enriching future

The "+ do (Plus do)" built-in gas cooker, jointly developed with Tokyo Gas Co., Ltd. based on the concept of "enjoying cooking," was chosen for the JIDA Design Museum Selection*. Through the creation of this type of pre-financial performance, Noritz will continue to provide the simple comforts of life.

* This award program, operated by the Japan Industrial Design Association (JIDA), selects, collects, and preserves outstanding industrial designs with "aim to create a future that is rich in spirit" as its theme with the objective of contributing to the advancement of Japanese culture by passing these designs on to future generations.



The "+ do (Plus do)" built-in gas cooker

Medium-Term Management Plan

Sustainability management under the medium-term management 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.

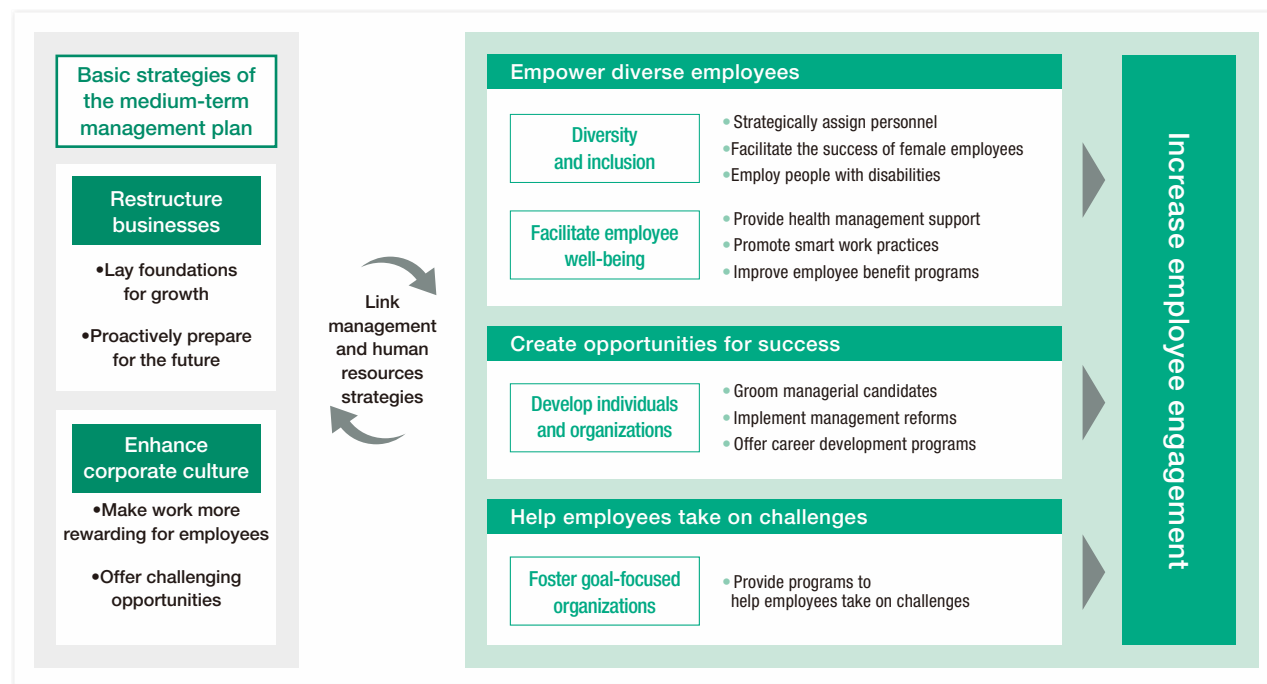
Noritz recognizes the risks of employee turnover and labor shortages in Japan as the country's population continues to decline. Therefore, the Company is taking various steps to increase employee engagement under the medium-term

management plan from 2024 to 2026, placing importance on empowering its diverse employees, creating opportunities for success, and helping employees take on challenges.

2024 result and 2026 target

Employee engagement score

70 → 70



Promoting diversity and inclusion

Noritz actively promotes the employment empowerment of diverse talent, including women, seniors, persons with disabilities, and foreign nationals, and secures and utilizes the human resources necessary for the business portfolio and implements a range of initiatives to help each individual fully demonstrate their capabilities. Noritz revised its employment regulations to allow employees raising children to utilize both the short working hours for child care program and the flextime program at the same time, facilitating more flexible work styles. Other initiatives include the use of the Childcare Support Mirai Concierge, a company-led childcare matching service, support for male employees taking childcare leave, and the introduction of a unique Point-based Incentive System that uses an internal points program to promote employee wellness. Through these efforts, Noritz seeks to create a workplace environment where each employee can thrive by demonstrating their strengths and individuality.



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

In April 2024, Noritz implemented the Hands-On Global Career Training Program as a part of its career education initiatives intended to help employees envision and actively pursue their medium- to long-term career goals.

Through online sessions with employees assigned overseas as well as group work and sessions with international students coming to Japan on government scholarships, the training program provided participants with the opportunity to recognize the importance not only of language proficiency, but also communication skills that respect diversity as well as adaptability and a willingness to take on challenges.

Noritz will continue holding various trainings that support employee career design.



An online session with overseas employees conducted as a part of global career training

Fostering goal-focused organizations

To embed the value statement “Everything starts from a challenge” as a part of the Noritz organizational culture, in 2024, a new evaluation framework that incorporates value-based criteria to assess individual employees was introduced. In addition, Noritz established the Values Awards Program, which recognizes outstanding challenges undertaken by individuals and teams through votes by all employees. In 2024, five teams made up of 41 individuals were selected for commendation under this program.

By focusing on the challenges undertaken by individuals and teams and recognizing their efforts, the objective is to foster a culture where challenges are continuously tackled throughout the organization.



Representatives of the five teams selected for recognition under the Values Award Program

Medium-Term Management Plan

Sustainability management under the medium-term management plan

Material issues

Material issue



6

Improve manufacturing resources through digital technologies

Using digital technologies to transform manufacturing facilities not only reduces costs, but also contributes to addressing social issues, such as the shrinking working age population and the growing need to achieve a work-life balance amidst increasingly diverse values.

To devise solutions to labor shortages and a better work-life balance for its factory workers, Noritz is utilizing robotics and AI to transform its production facilities into smart factories by 2030. Noritz is currently advancing manufacturing innovation through the introduction of robots and modular designs.

Achieving digital transformation (DX) in manufacturing will require that numerous employees possess the perspectives and skills needed to utilize data and digital technologies, and consequently, Noritz is placing strong emphasis on talent development.

2024 result and 2026 target

Proportion of automated production to total production at the Akashi Main Factory

70% of gas water heater production

Reforming manufacturing with the aim of developing smart factories

At its Akashi Main Factory, Noritz introduced an integrated manufacturing operation information management system and started full-scale operation in December 2024 to promote data-driven management with the objective of reducing costs. By centrally managing data that is dispersed across production sites, Noritz is advancing data-driven management that seamlessly connects the management level with on-site operations. In addition, Noritz is implementing DX in manufacturing operations to improve work efficiency, reduce costs, and enhance quality and productivity throughout the value chain while addressing challenges at manufacturing sites such as labor shortages and improving the work-life balance.



An automated inspection robot integrated with the manufacturing execution system

Demonstration experiment of a fault diagnosis support app using AI

Noritz conducted a proof of concept experiment to diagnose the causes of equipment failures using predictive AI and generative AI. The AI Failure Diagnosis Support App was developed using DataRobot's Enterprise AI Suite, reducing diagnosis times and providing high-quality services that

do not rely on the level of experience of service engineers. Going forward, Noritz will promote further enhancement of service quality with a view towards expanding the range of subject products and expanding overseas.

Promoting talent development as a DX certified business

As a DX certified company accredited by the Ministry of Economy, Trade and Industry, Noritz seeks to implement data-driven management through the reconstruction of manufacturing systems and development of new sales models that focus on strengthening customer connections. Noritz also emphasizes cultivating internal talent to drive DX including the launch of a special-purpose community site intended to develop talent who can use AI, and commenced information sharing.

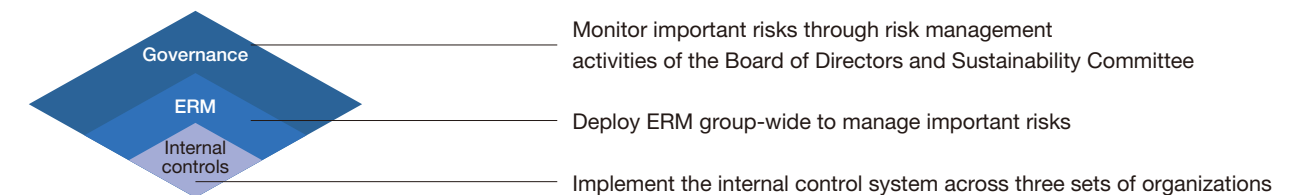


Corporate Governance

Approach to corporate governance

To advance sustainability management with the objective of carrying out the medium-term management plan and to address risks associated with materiality-related initiatives, Noritz established an integrated system in which the governance structure (the Board of Directors and Sustainability Committee) works in conjunction

with enterprise risk management (ERM) to monitor risk response status. In addition, to ensure that ERM functions effectively, Noritz implemented the internal control system across three sets of organizations, thereby operating governance, ERM, and internal control as a management framework.

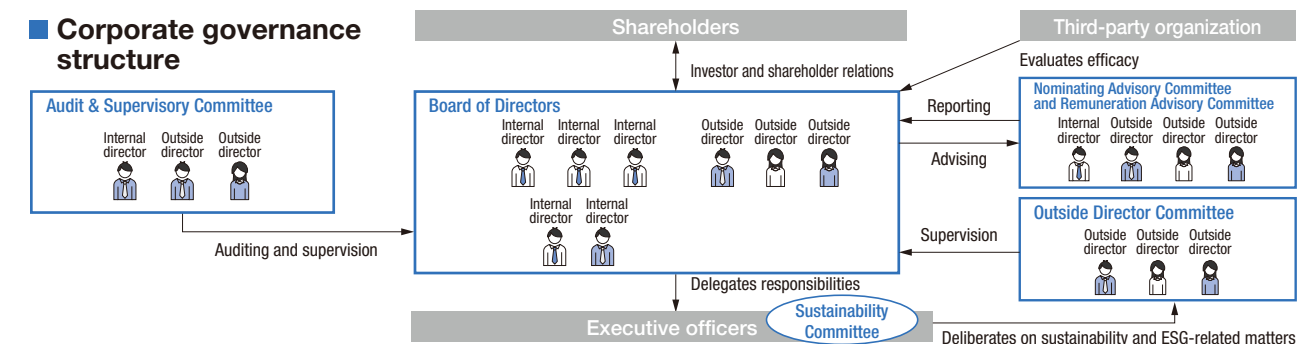


Corporate governance system

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 2023, a number of issues to address were specified for improving the Board's effectiveness in 2024.

To address the issue of establishing a structured agenda and increasing opportunities to discuss management issues that require more time, Noritz incorporated medium- to long-term topics such as DX-related matters and human resource strategies into the annual schedule of the Board of Directors.

In addition, to address the issue of conducting appropriate reviews and progress monitoring of important past decisions, Noritz conducted monitoring based on reports from the relevant departments, with a particular focus on investor relations and shareholder relations and risk management, and discusses the progress, environmental changes, and future challenges. Furthermore, Noritz discussed ERM and addressed the issue of implementing integrated risk management across the entire Noritz Group by adding the perspective of managing strategic risks and conducting discussions on company-wide critical risks.

Issues being addressed in 2025 to improve the Board's effectiveness

- (1) Increase opportunities for more intensive discussions on ESG-related management issues
- (2) Continuously monitor the details of decisions made by resolution of the Board of Directors

Medium-Term Management Plan

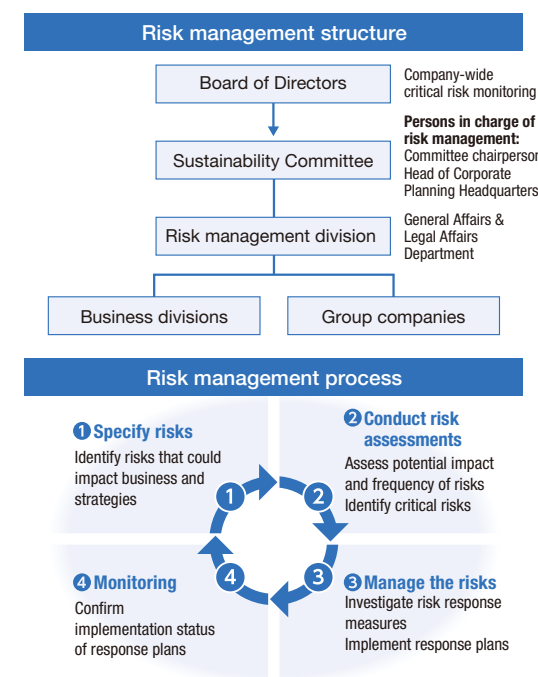
Sustainability management under the medium-term management plan

Corporate Governance

Promotion of ERM

Promoting integrated risk management throughout the Group with a unified concept

The Noritz Group undertakes enterprise risk management (ERM) measures with the aim of ensuring sustainable business operations. Noritz has deployed strategic risk management throughout the Group that goes beyond conventional business risk management, which focuses on crisis preparedness, and integrated it with management strategies to support continuity and the development of business activities. Also, Noritz identified and assessed business risks that may affect business activities in each value chain and strategic risks that may hinder the achievement of key initiatives in the medium-term management plan. Noritz implemented measures to prevent the occurrence of risks that would have substantial impact on business activities and minimize business interruption time in the event of occurrence of a risk, thereby promoting the creation of a framework for rapid recovery including business continuity planning (BCP). Noritz also examined the presence of risks that could impact medium- to long-term strategic priorities and established a new ERM framework that can identify critical risks with impacts on business activities as a whole. Based on the risks identified by individual departments, the Board of Directors determines company-wide critical risks according to their frequency and potential impact, and risk response monitoring is conducted twice annually at meetings of the Sustainability Committee, which meets twice a year, and the Board of Directors with the participation of outside directors.



Strengthening internal controls

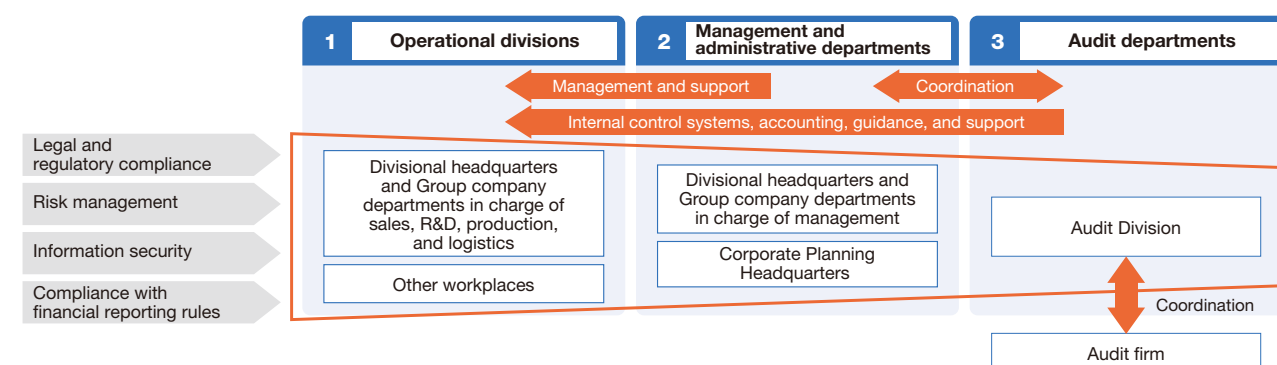
An internal control system bolstered by three sets of organizations

The Group has worked to strengthen its internal control system across three sets of organizations: operational divisions, management and administrative departments, and audit departments. To ensure that audit departments can conduct independent assessments of internal controls, the Group established a set of guidelines as evaluation criteria and conducted annual assessments of the internal controls that pertain to each management and administrative department. As a result, the effectiveness of internal control functions has been further enhanced across all three sets of

organizations under the system.

In addition, to strengthen overseas governance, the Group conducts individual governance meetings with overseas Group companies. These discussions provide opportunities to examine and discuss each company's risks and concerns, thereby enhancing group-wide collaboration and fostering a shared awareness of governance. In the future, the Group will continue to hold these meetings each year to further reinforce governance structures throughout the entire Group.

Executing internal controls across three sets of organizations



Compliance initiatives

Noritz conducts compliance training for employees to enhance their knowledge and awareness of compliance. In addition to compliance training programs for new employees and management, Noritz also provides legal training relevant to each department (such as training on the Act against Unjustifiable Premiums and Misleading Representations and the Antimonopoly Act). For overseas Group companies, Noritz carries out initiatives to raise awareness of anti-corruption measures based on items of the Noritz Group Code of Ethics, including fair and equitable transactions and transparent business activities, while ensuring compliance with each country's anti-corruption laws. May and September are designated as Compliance Months, during which the entire Noritz Group engages in compliance promotion activities and creates opportunities at each workplace to discuss compliance-related topics.



Compliance training for new employees

Message from an outside director

Promoting the medium-term management plan including sustainability management and striving to continue providing non-financial information

"Some think that natural capital refers to nature itself, but the addition of the word 'capital' adds a deeper meaning. The term 'capital' refers to something that contributes to the creation of wealth and gives rise to rights over that wealth. Therefore, human capital refers to the accumulation of knowledge, skills, and personal attributes that generate economic value, while social capital refers to networks and relationships from which individuals and society derive benefit." (Colin Mayer, *Capitalism and Crises: How to Fix Them*)

The year 2025 may be a year of turbulence for companies pursuing sustainability-oriented management, comparable to pouring boiling water and cold water into a bathtub at the same time. The development of systems for the disclosure and assurance of sustainability information is steadily progressing, but on the other hand, the possible withdrawal of the U.S. from the Paris Agreement under a second Trump administration could undermine these efforts. In a shrewd move, six major U.S. banks have withdrawn from the Net-Zero Banking Alliance (NZBA), an international coalition that seeks to achieve net-zero CO₂ emissions by 2050.

In light of the circumstances, what stance should Noritz adopt? As a water heater manufacturer whose domestic Group companies account for 1.4% of Japan's total CO₂ emissions and as the industry's first ECO FIRST company, Noritz is confident that it must remain on the side that guides the current. This commitment is clear in Noritz's medium-term management plan from 2024 to 2026.

Furthermore, to achieve the goals of the 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. Specifically, for the third strategy, the Group is promoting reductions in CO₂ emissions (natural capital), reinforcement of connections with customers (social and relationship capital), achieving employee well-being (human capital), and development of technologies that solve social issues (intellectual and manufactured capital).

As an outside director and as a certified public accountant, I believe that these forms of capital (or as long as we refer to them as capital) must meaningfully contribute to the creation of value for the Group. It is precisely this that the executive officers consistently advocate as the "transformation of pre-financial performance into financial performance."

Going forward, in my position as an Audit & Supervisory Committee member seated at the end of Noritz's Board of Directors, I will strive to fulfill my auditing and supervisory responsibilities to provide investors with appropriate financial information, which goes without saying, along with meaningful pre-financial information.

Yasuhiro Tani

Outside director and member of the Audit & Supervisory Committee



Company Overview

■ **Company details** (as of December 31, 2024)

Name	Noritz Corporation
Founded	March 1951
Headquarters address	Head office address: Eiko Building, 93 Edomachi, Chuo-ku, Kobe, Hyogo, Japan Tokyo head office address: 19th Floor, Shinjuku Sumitomo Building, 2-6-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
Paid-in capital	¥20,167 million
President and CEO	Satoshi Haramaki
Number of employees	2,038; 6,128 including Group companies

■ **Board of Directors** (as of March 31, 2025)

President and CEO	Satoshi Haramaki
Director and Senior Managing Executive Officer	Masayuki Takenaka
Director and Senior Managing Executive Officer	Atsushi Yoshimoto
Director and Managing Executive Officer	Hiddenari Ikeda
Outside director	Izumi Noda
Director and member of the Audit & Supervisory Committee	Naoki Hirano
Outside director and member of the Audit & Supervisory Committee	Yasuhiro Tani
Outside director and member of the Audit & Supervisory Committee	Mina Ito

About this report

Scope of contents

Period covered by this report	January 1 to December 31, 2024 (some information is as of March 31, 2025)
Companies covered by this report	Noritz Corporation and its Group companies inside and outside of Japan
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 July 2024 (following the publication of the original Japanese version in May 2024)
Next scheduled publication	Noritz plans to publish its next annual report in English in July 2026 (following the scheduled publication of the original Japanese version in May 2026)

Message from the report production team

This report is the 11th 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, 2025, 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.