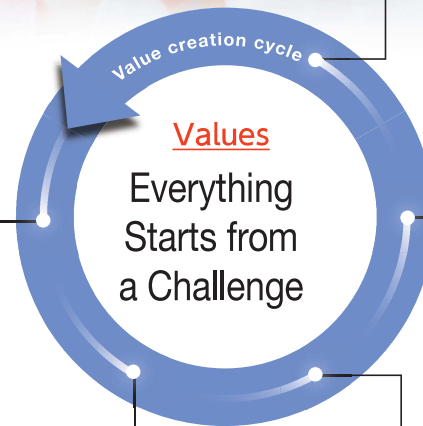


Value creation process

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

Inputs Sources of value creation

Natural capital	130,330 gigajoules of energy consumed annually by Noritz Corporation 28,934 tons of materials used annually by Noritz Corporation (of which metals totaled 27,650 tons)
Human capital	5,934 employees in the Noritz Group 41.4% of all employees working outside Japan
Intellectual capital	- Combustion control, heat exchange, and fluid control technologies 505 R&D personnel group-wide
Social and relationship capital	- Operations in 18 countries and areas - Almost 5.06 million registered customer accounts in Japan - Wide-reaching customer service network
Manufactured capital	8 factories in Japan and 7 overseas - Pressing, die casting, resin molding, welding, and pipe production technologies
Financial capital	- Consolidated net assets of ¥145,029 million - Consolidated equity ratio of 59.0%



Process Business activities



Mission The Simple Comforts of Life

Outcomes Value offered to people and communities worldwide

Products and services that help communities live more comfortably and contribute to the planet		
Sustainability	Well-being	Care
Facilitating a healthy relationship between people and the planet	Adding value to user-friendly baths and kitchen appliances	Offering support for people and diversity

Outputs Targeted results of business activities (V-Plan 26)

Financial targets	Net sales	¥210 billion
	Return on equity (ROE)	6%+
Environmental targets	CO ₂ emissions from the Group's products in Japan*	20% reduction
	CO ₂ emissions from the Group's operations in Japan*	40% reduction
	Number of the Group's products recycled in Japan	150,000

Vision

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

*Compared with the amount of CO₂ emissions in 2018

Materiality Key issues

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

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

Noritz's technological capabilities and environmental commitment

What are the strengths Noritz has refined in a changing era?

As energy transition progresses, housing equipment is required not only to be environmentally friendly but also to offer safety, reliability, and the flexibility to adapt to future changes. Leveraging the technology and business foundations Noritz has cultivated over many years as a water heater manufacturer, we have been working to create products and systems that do not depend on a single energy source. It is these accumulated strengths that enable us to offer the option of hybrid water heaters.

Combustion, heat exchange, and fluid control

Through the development and manufacturing of gas water heaters, Noritz has refined its core technologies over many years, such as combustion, heat exchange, and fluid control. These technologies, which have delivered the stable hot water temperature control, high safety, and durability required of housing equipment, serve as a vital foundation for our hybrid water heaters.

System integration capabilities

To make a hybrid water heater system viable, it is essential not only to optimize the performance of the gas water heaters, hot water storage unit, and heat pump individually, but also to have the capabilities to control and design the entire system optimally. Noritz designs products on the premise of seamless coordination between these units, honing the system integration capabilities needed to derive optimal solutions by combining different energy sources.

Environmental performance

Amid the ongoing progress toward decarbonization, there is a strong demand for housing equipment to reduce its environmental impact. Noritz has been dedicated not only to improving energy-saving performance, but also to developing environmentally friendly technologies, including the use of natural refrigerants. Our technology choices, made with a focus on medium- to long-term regulatory trends and societal demands, allow us to create products with mitigated future risks.

Installation and services

To ensure the purchase and use of our products with peace of mind, it is essential to have a system that provides customers with comprehensive support including installation and after-sales service. Noritz has a nationwide network for installation, high-quality customer call centers, and after-sales service centers. This business foundation serves as a vital pillar in establishing new systems, such as hybrid water heaters, as a standard within society.

HPHB R290 hybrid water heater with a natural refrigerant, leveraging our strengths

The environment surrounding residential-use water heaters is reaching a significant turning point, driven by the progress of decarbonization, volatile energy prices, etc. Under these circumstances, we are pursuing the choice of a hybrid water heater utilizing R290, a natural refrigerant, from the perspective of how to combine multiple energy sources to derive an optimal solution. Since we launched the first hybrid water heater in 2013, we have continued to improve the product. In November 2025, we launched our latest model HPHB R290. It is gathering significant interest in the market. In the following Special Feature, our persons in charge of planning and development discuss the objectives and background of our new product, designed in anticipation of the changing competitive landscape in the water heater sector.



Special Feature

The game-changing possibilities brought by the “natural refrigerant hybrid water heater”



General Manager of the Heat Pump Products Development Department,
Environmental Product Development Department,
Research & Development Headquarters

Yoshinori Iwahashi

Hot Water Products Planning Group,
Marketing Department, Domestic Business
Headquarters

Ikki Jinno

Opening up a new market for water heaters after more than a decade of trial and error

Iwahashi Being given the opportunity to introduce the “natural refrigerant hybrid water heater” in the Noritz Report is very meaningful for me as a developer. The entire development team believes this is a revolutionary product that has the potential to become a game-changer for water heaters.

Jinno Looking back over the past decade or more, I can't help but reflect on how much has changed. We started developing the concept for the new “HPHB R290” product in 2022. I have been responsible for product planning, and Mr. Iwahashi has played the role of team leader.

Iwahashi At the time, hybrid water heaters already existed as a product domain. However, they had not yet attracted the attention of the market. Not only were they not attracting much attention in the industry, but there wasn't even much interest at Noritz, and we really struggled to communicate their value to people.

Jinno Ever since we overcame that adversity and Noritz took the bold decision to make a large investment in natural refrigerant hybrid water heaters, there has been huge excitement at Noritz, including among the sales teams. I also get the sense that this new product is one that has given hope to our younger employees, who will be responsible for our Company's future.

Iwahashi Thinking back, it was in 2021 when I felt the tide had changed. The Japanese government declared that it would aim to achieve carbon neutrality by 2050 and realize a

decarbonized society. For me, this was when the game really started to change. From then on, there were major developments in the legal system, and GWP (Global Warming Potential) started to become a priority in the residential domain. This was what led to a major change in the value customers demanded from residential-use water heaters. At this point, Noritz designated natural refrigerant hybrid water heaters as a core commercial product in our development plans to follow the national government's roadmap.

Jinno Recently, the number of units sold has surpassed anything that would have been conceivable a few years ago. People not just at Noritz but also at the sales companies clearly have a different view of the product now. A few years ago, both the planning and the development teams would work steadily on the product, doing what we could within our limited budgets. In contrast, Noritz has now made large investments in the new product in terms of both facilities and promotion, and we are putting a lot of our resources on the line. I'm happy to say that the product has been very well received by our clients.

Iwahashi It was approximately 13 years ago that Noritz released our first-generation natural refrigerant hybrid water heater, in 2013. As I explained earlier, there was a period of around 10 years when the product didn't sell well, and this made us feel small as developers.

Jinno At the time, the CO₂ heat pump water heater (registered trademark: Eco-Cute) was in its heyday. I



remember there being very few companies who would handle hybrid water heaters.

Iwahashi Despite this situation, after the first generation was launched, we worked steadily to add improvements and carry out model changes. The accumulation of these efforts has now become a huge asset and source of competitive advantage for us. At Noritz, the natural refrigerant hybrid water heater has been positioned as a core product that we will build upon towards 2050.

Jinno The product is now being used proactively not just by gas companies but also by electricity businesses. It genuinely feels that the world has changed. We placed a huge burden on the development team members when carrying out the recent major product change.

Iwahashi I could speak all day about the hard work that went into developing the HPHB R290 Series. However, if I were to summarize, I would describe it as an effort that involved innovating all aspects of the product without being bound by the technology that was already being used for

existing hybrid water heaters. For example, when controlling the hot water supply temperature, we did not simply use the controls that were already being used for hot water tanks. Instead, we developed the product by adapting newly used components to the control methods used for gas water heaters. Still, hot water tanks have their own unique conditions and challenges that differ to gas water heaters, and we faced a huge range of challenges during the development process. Despite this, we received invaluable advice from technicians with detailed knowledge of gas water heater specifications. The recent product is not something that was created only by the members of the hybrid water heater development team. We were only able to achieve the results thanks to the help of people across numerous involved departments.

Jinno The key point of the recently developed product is R290 (propane). While we knew this was a refrigerant that is difficult to handle, we were also certain that this was our one and only option when considering the global environment and the customer's perspective. The conventional wisdom in the industry had been to use fluorocarbon refrigerants. The management's determination not to choose this option made it possible for us to realize the natural refrigerant hybrid water heater.

When we consider the role played by the "All Noritz" network, we undoubtedly benefited from the strengths of our assets in installation and after-sales services, and of course the knowhow accumulated from developing, manufacturing, and selling gas water heaters since 1951. Our clients, installers, and after-sales service providers all gave development inputs to the new product, and we can confidently declare that this product is one that combines our total resources across the whole value chain.

from installers who fit the equipment. The smaller and lighter heat pump unit reduces their work burden. What's more, even with large volume tanks, a unique feature of Noritz's products is that the gas water heater, the hot water tank, and the heat pump unit can be installed individually. Sites where units need to be replaced require flexibility, and this design makes it possible to come up with solutions.

Iwahashi Another important technical point is that our competitors' hybrid water heaters make it necessary to properly collect the refrigerant when the unit is being replaced, similar to an air conditioning unit. This results in additional work and costs. Many gas companies are unable to collect the refrigerant because they are unable to install air conditioning units. Previously, this would have meant that when a gas company visits a site to replace the water heater, an air conditioning company would also need to be called separately just to collect the refrigerant, in the case it was another company's hybrid water heater that needed to be replaced. This was very troublesome. In contrast, the natural refrigerant hybrid water heater uses an environmentally-friendly natural refrigerant, which means it is not necessary to

collect the refrigerant when units are replaced. This feature has been described as a great convenience by installers. As a result, gas companies' sales representatives have actively recommended that their customers use Noritz's natural refrigerant hybrid water heater.

Jinno We should also point out that Noritz's natural refrigerant hybrid water heater can be used in combination with ordinary Eco-Jozu gas water heaters.

Iwahashi That's right. At customers' homes where a gas water heater is already installed, a hybrid water heater can be installed by adding a hot water tank and heat pump unit later. Currently, Noritz's product is the only one that makes this

possible. This was only made possible by the fact that Noritz possesses combustion technology cultivated through our gas water heater business, in addition to advanced technologies that maintain stable water temperatures.

Jinno Another feature we mustn't forget is the product's outstanding energy-saving performance. Demonstration testing in private homes showed that after introducing the natural refrigerant hybrid water heater in November 2025, gas consumption decreased significantly in December. Pleasing our customers while producing such excellent results makes us truly happy as members of the product planning team.

Pursuing product development from the long-term perspective of 2050

Jinno As the industry focuses its attention on R290, which is used for the natural refrigerant hybrid water heater, it seems likely that our competitors will release similar products.

Iwahashi There is a strong possibility. However, it is not that simple to establish the technology that is needed to create a natural refrigerant hybrid water heater product. Noritz has been able to overcome numerous challenges in linking different systems for the product only because it has developed the heat pump unit in-house from its inaugural model. It would be no easy task to try to establish this technology from scratch.

Jinno The important thing is to tackle challenges ahead of the times. This is the real game-changer. The truth is we still have work to do when it comes to the number of units we have been selling recently, but I would encourage the sales teams to actively propose the product to customers with confidence and pride.

Iwahashi The impression I get is that the natural refrigerant hybrid water heater is steadily becoming a product that our customers choose. Looking ahead, I have a strong desire to develop even better products.

Jinno We can also see this new product as a symbol of our "V-Plan 26" medium-term management plan.

Iwahashi That's absolutely right. We have proposed expanding the heat pumps business as a measure for transforming our business portfolio. It was a major achievement that last year in addition to existing standard models, we were able to launch sales of a plug-in heat pump unit that requires no specialist electrical work to be carried out. Because sales only recently started, we have yet to see results as figures, but we plan is to have the natural refrigerant hybrid water heater contribute to the "V-Plan 26" concept.

Jinno I feel certain that when momentum starts to build behind the new product's sales, it will lead to a transformation, both in the medium-term during V-Plan 26 and in the residential energy field in the future.

Iwahashi When you think from the long-term perspective of 2050, in the context of the major theme of achieving carbon neutrality and balancing the demand and supply of electricity, we will need to have demand

response (controlling electricity demand and supply adjustments). The natural refrigerant hybrid water heater is highly compatible with demand response systems because it uses both gas and electricity to create hot water. From a technological perspective, it is important to pursue the best mix of energy. I want to be able to deliver product development to society in ways that anticipate the social problems of the future.

Jinno From the perspective of the product planning team, it will be essential for us to seize market opportunities and adapt to energy transformations as we prepare for 2040 and 2050. Currently, gas and electricity are the main sources of power. However, it is clear that the time will come when we start to switch to new energy, such as hydrogen. Whatever source of energy becomes mainstream, Noritz's product planning team believes it is our mission to plan products that adapt to it.

Noritz already possesses a product lineup that is compatible with a wide range of energy types, including gas, oil, electricity, hybrid (gas and electricity), and solar water heaters. Put another way, we believe we are the only manufacturer who can continue to develop unchanging value to our customers, irrespective of the type of energy. As we move forward, we will use this strength to our advantage to increase our corporate value while addressing the needs of society.



Competitive advantages in energy savings and ease of installation, in addition to environmental performance

Jinno Mr. Iwahashi, from the development side what do you see as the main features of the natural refrigerant hybrid water heater?

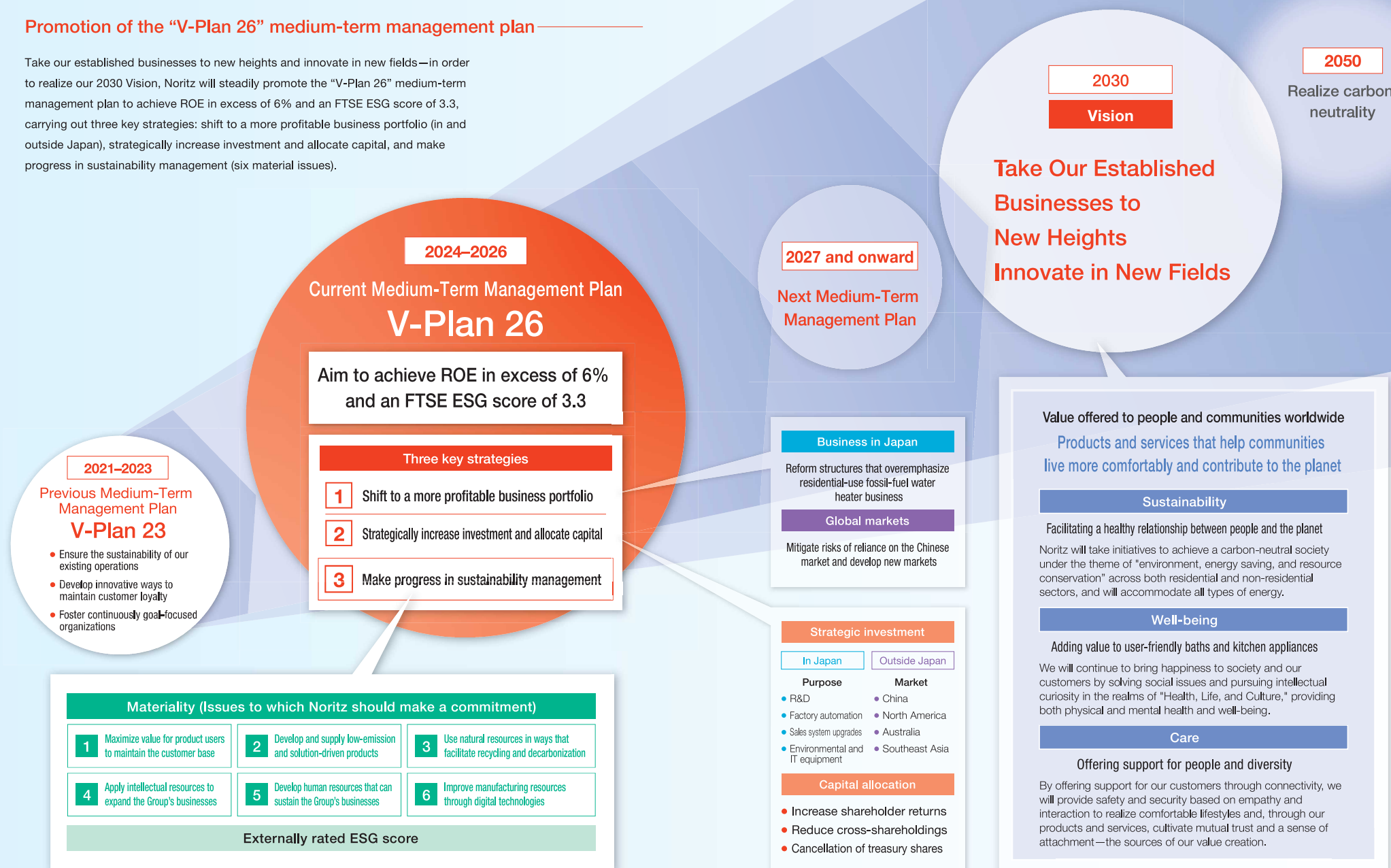
Iwahashi In addition to its strong environmental performance as a product that can contribute towards carbon neutrality, major features include the fact that it can contribute to energy savings based on its unique control technology, as well as the benefit that it can be installed in both detached homes and apartment buildings because we have achieved industry-leading reductions in weight and size. Moreover, as a winner of the 2025 GOOD DESIGN AWARD, we are confident that the HPHB R290 Series has an elegant design. In fact, three elements combine to make a single natural refrigerant hybrid water heater— the gas water heater, the hot water tank, and the heat pump unit— and all three were designed and manufactured by Noritz. This was what allowed us to come up with a consistent design.

Jinno Among these features, ease of installation might not be something that the average customer easily understands, but the product has received high praise

Path toward Achieving the 2030 Vision

Promotion of the “V-Plan 26” medium-term management plan

Take our established businesses to new heights and innovate in new fields—in order to realize our 2030 Vision, Noritz will steadily promote the “V-Plan 26” medium-term management plan to achieve ROE in excess of 6% and an FTSE ESG score of 3.3, carrying out three key strategies: shift to a more profitable business portfolio (in and outside Japan), strategically increase investment and allocate capital, and make progress in sustainability management (six material issues).



Financial Strategy - Message from the CFO



Managing Executive Officer,
Head of Corporate Planning
Headquarters

Eiichi Kishi

Based on financial discipline, we will execute strategic growth investments while increasing capital efficiency, and realize improvements in our sustainable corporate value.

Looking back on 2025

In 2025, we made progress in improving profitability and building a platform for growth by executing innovation.

Noritz aims to increase corporate value by establishing sustainable corporate growth and realizing both financial performance and pre-financial performance (social value). We are currently implementing our medium-term management plan "V-Plan 26" covering the three years from fiscal 2024 through to fiscal 2026. The fiscal year 2026 will be the final year of the plan.

We have designated the three-year period of this medium-term management plan as a phase of "starting to execute innovation", and we have set out the following three key strategies: 1) shift to a more profitable business portfolio, 2) strategically increase investment and allocate capital, and 3) make progress in sustainability management. We have set targets for the fiscal year ending December 31, 2026 of ROE in excess of 6%, a FTSE ESG score of at least 3.3, and early improvements in P/B ratio.

In terms of our consolidated performance in 2025, which was the second fiscal year of the medium-term management plan, we recorded net sales of ¥202.049

billion (down 0.1% YoY) and operating income of ¥4.3 billion (up 79.5% YoY). Despite the slight decrease in revenue, we achieved a large increase in operating income.

In Japan, despite the impact of soaring raw materials prices and exchange rate impacts, we successfully increased both revenue and income as a result of the price revisions we carried out at the start of the year in addition to increased sales of low-emission products and high added value products, as well as an improved COGS ratio.

Outside Japan, we recorded decreased revenue but increased income overall. In China, sales decreased as a result of the ongoing sluggish market, but thoroughly controlling expenses to match the level of sales allowed us to increase income. In North America, we achieved strong sales of residential tankless water heaters, such as high-efficiency water heaters, as well as commercial equipment and kitchen appliances, and this helped us to achieve a profit. In Australia, we recorded strong sales of tankless water heaters and heat pump water heaters, and our business is continuing to grow. In Southeast Asia, we developed our first water purifier under the Noritz brand, and we worked to develop new business areas, for example by launching sales in Thailand.

Regarding our performance targets for the final fiscal year of "V-Plan 26", taking into account trends in demand for

residential-use water heaters in Japan as well as the uncertainties in Chinese market conditions, we have decided to set targets of ¥210.0 billion in net sales and ¥4.5 billion in operating income. We aim to ensure our performance targets for 2026 are met, while also continuing to target the management indices set out at the start of the plan— ROE in excess of 6%, and a FTSE ESG score of at least 3.3.

Creating corporate value through growth investments and capital efficiency improvements

Aiming to increase sustainable corporate value by achieving both growth investments and improved capital efficiency, based on financial discipline

Against a backdrop of progress in energy transition and changes to market structures, a major turning point is approaching in terms of the business environment surrounding Noritz. Under this environment, rather than seeking to grow as an extension of our existing business, we will need to execute innovation that entails financial discipline.

Noritz places the establishment of the following positive cycle at the heart of our management— increase our earning power, invest the funds generated strategically, and link to future growth. Increasing ROE means increasing the quality of management through improvements to earning power and capital efficiency. What's more, steadily executing growth investments and showing the results to the market will lead to improvements in our P/E ratio, and consequently our P/B ratio.

As set out in the plan, we plan to make a total of ¥32.5 billion in strategic investments, composed of ¥23.5 billion of investment in strategic new projects and ¥9.0 billion investment in upgrading current operations. Accordingly, we are executing growth investments at a level that is approximately 1.5 times the size of our investment in a normal year. During the V-Plan 26 period, we will establish an ongoing positive cycle of growth by steadily creating returns on our investments in strategic projects and using this to fund further strategic investments targeting the next medium-term management plan.

As part of efforts to improve our capital efficiency, we are actively selling cross-shareholdings under a policy of reducing cross-shareholdings to less than 20% of net assets. We anticipate ¥8.6 billion in net income attributable to shareholders of parent company, including the sale of the cross-shareholdings. We also anticipate achieving ROE in excess of 6%, which is a financial target under V-Plan 26. Furthermore, our basic policy on shareholder returns is to pay a consolidated dividend payout ratio of 50%, and we plan to implement annual dividends of ¥94.

As an additional shareholder return measure, Noritz plans to execute share buybacks in fiscal 2026 up to a maximum of 1.0 billion yen. By the end of 2026, Noritz will cancel our outstanding shares, retaining only 5%. Moving forward, we will continue to work on improving the P/B

ratio through improvements to corporate value by implementing management with an awareness of capital costs and our share price.

V-Plan 26 is an important milestone on the path towards 2030. We aim to achieve both short-term performance and medium- to long-term growth, while pursuing thoroughly disciplined investment allocation and building a financial platform that gains the trust of the markets.

Towards 2026

Aiming for sustainable growth and higher corporate value by increasing the sophistication of our management platform in order to raise our powers of execution under V-Plan 26

In fiscal 2026, the final year of the "V-Plan 26" medium-term management plan, Noritz plans to achieve net sales of ¥210.0 billion (up 4.0% YoY) and operating income of ¥4.5 billion (up 5.0% YoY).

By business, in Japan we anticipate net sales of ¥140.0 billion and operating income of ¥2.2 billion, whereas in the business outside Japan, we anticipate net sales of ¥70.0 billion and operating income of ¥2.3 billion.

In Japan, we see growth opportunities in the structural changes to society as it moves towards carbon neutrality, particularly in the residential-use water heaters domain, which is a mature market. In addition to promoting sales of high added value products (low-emission products and social solutions-driven products) through our communication strategy, we will strengthen business platforms that generate stable income by building competitive cost structures.

In the international business, we aim for sustainable growth and increased earning power by executing strategies tailored to regional characteristics. In China, we will expand business and optimize costs; and in North America, we will optimize our channel mix and increase sales of commercial equipment, while adapting to energy shifts. In Southeast Asia, we will expand the development of water purifiers and electric water heaters and promote COGS improvements; whereas in Australia, we will reinforce our business platform by increasing the profitability of existing business, optimizing our product lineup, and increasing the efficiency of supply chains.

As we work steadily towards achieving V-Plan 26, Noritz will promote corporate innovation alongside efforts to execute our business strategy. At each level— organizations, human resources, work processes, and governance—we will increase the sophistication of our management platforms and build systems that allow us to adapt promptly and flexibly to changes in our environment. This is what will ensure that we realize the growth strategies and profit targets set out under "V-Plan 26".

In addition to increasing our sustainable corporate value, these measures will help us to uphold the trust that has been placed in us by our stakeholders