

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

Satoshi Haramaki

President and CEO
Noritz Corporation

Looking back on our previous medium-term management plan

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

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

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

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

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

Setting new goals along with a new vision for the future

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

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

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

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

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

Message from the President

Our approach to creating value

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

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

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

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

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

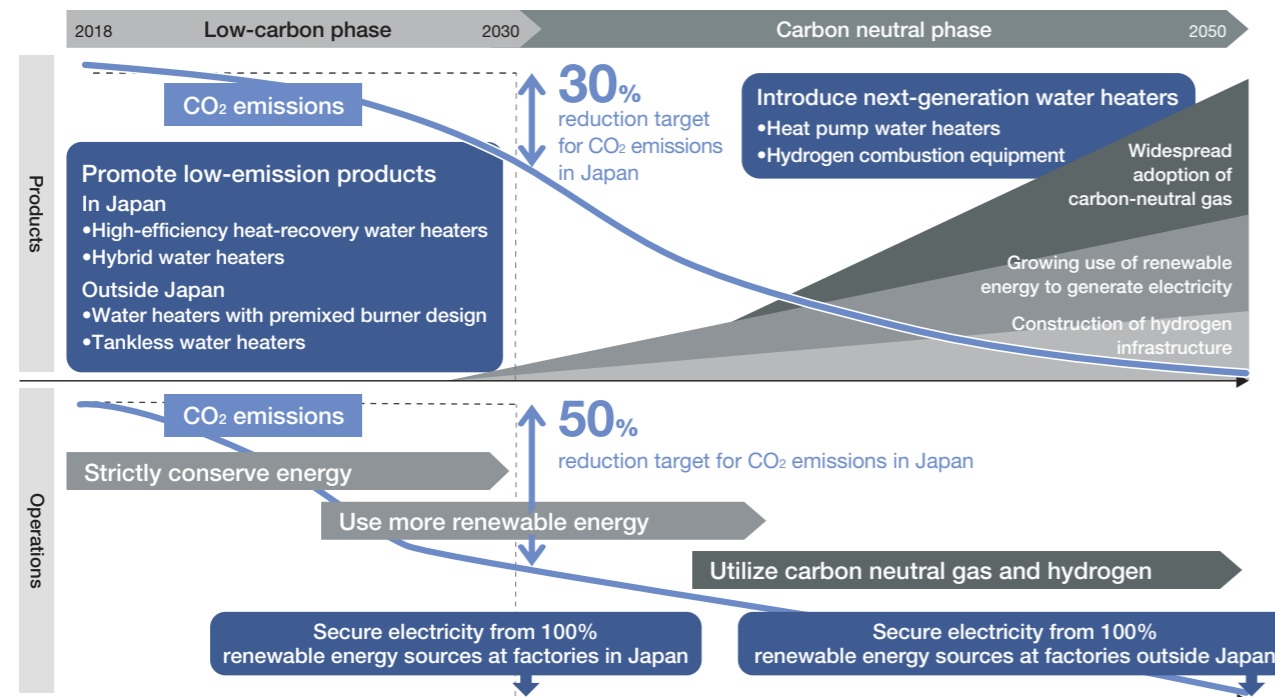
Value provided and outcomes



New strategies for innovations

Stepping up R&D to tackle environmental and social issues

Path towards net-zero CO₂ emissions



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

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

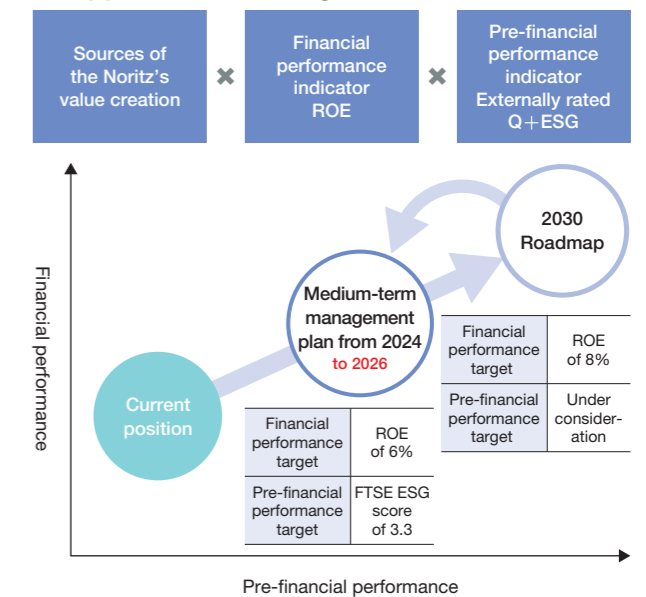
electricity, and will continue to evolve as a manufacturer capable of using practically any kind of clean energy, including carbon neutral gas, renewable energy, and hydrogen. In December 2023, Noritz developed a residential-use water heater that uses 100% hydrogen as fuel, which emits no CO₂ when burned.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

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

Measures for improving both financial and pre-financial performance

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

Approach for raising shareholder value



Fostering workplaces that can take on challenges

Human resources are the biggest key for success

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

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