

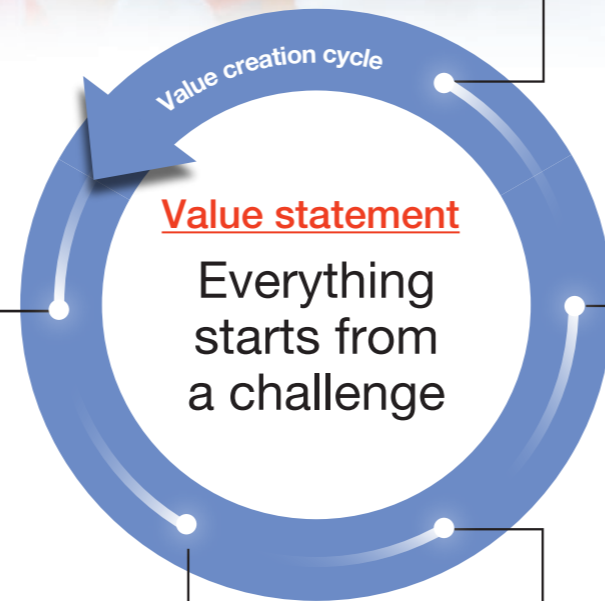
How Noritz creates value



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

Inputs Sources of value creation

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



Mission The Simple Comforts of Life

Outcomes Value offered to people and communities worldwide

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

Sustainability

- Facilitating a healthy relationship between people and the planet

Well-being

- Adding value to user-friendly baths and kitchen appliances

Care

- Offering support for people and diversity

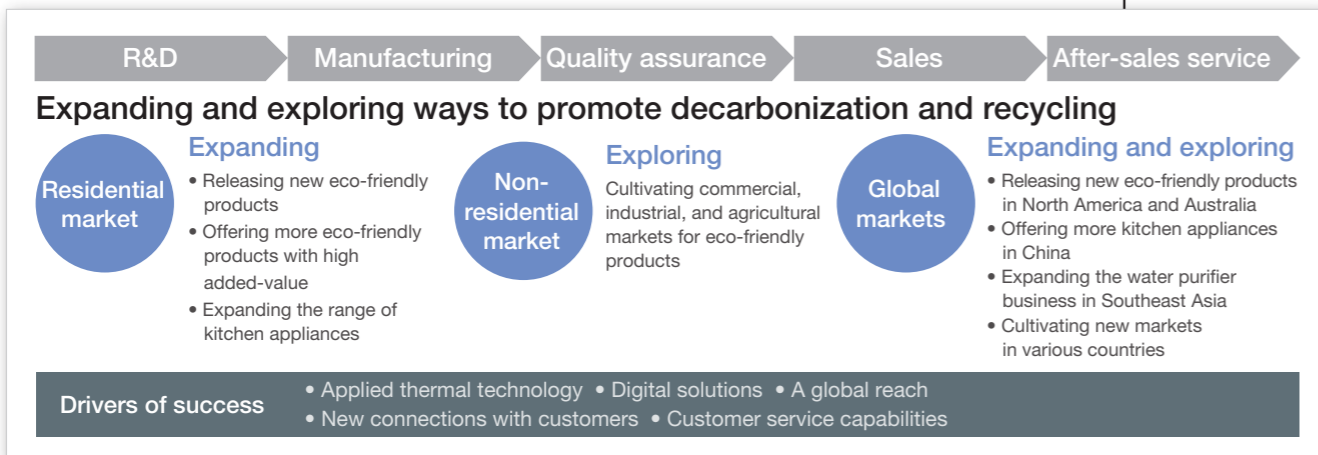
Outputs Targeted results of business activities by 2030

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

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

* Compared with the amount of CO₂ emissions in 2018

Process Business activities



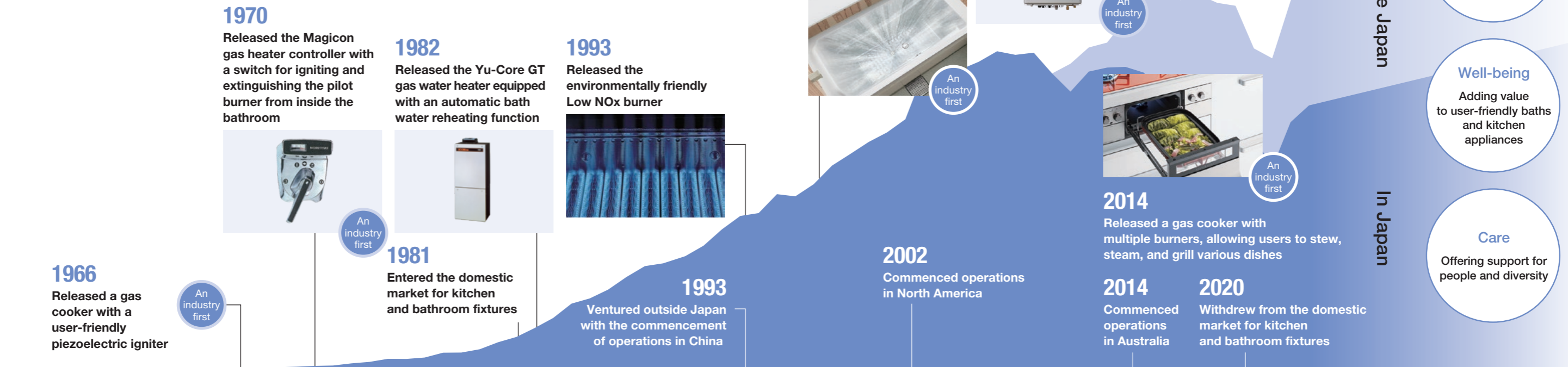
Materiality Key issues

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

Corporate governance and strategies	Board of Directors	<ul style="list-style-type: none"> Improve efficacy Ensure independence and objectivity 	Enterprise risk management	<ul style="list-style-type: none"> Manage important risks Improve internal controls 	Financial strategies	<ul style="list-style-type: none"> Increase return on capital Strategically allocate cash flows
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Noritz has been releasing innovative products since its founding

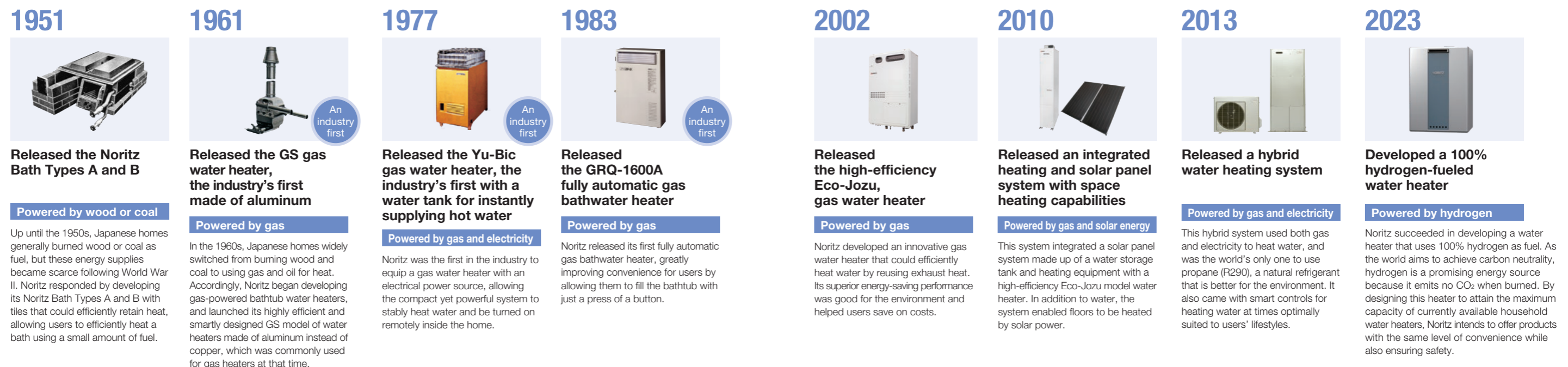
By developing products in response to changing societal trends and energy diversification, Noritz has continued to offer value to consumers while growing in step with society over its history.



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

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

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



Special Feature

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

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

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

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

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

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

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

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

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

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



- Technology for safely burning hydrogen**
Safety is ensured by a flame trap in the hydrogen burner
- Compatible with different infrastructures**
The unit can switch from burning gas to hydrogen with the replacement of a single component
- Same convenience as today's models**
The unit can heat small or large quantities of water with the same level of user-friendliness as currently available gas water heaters

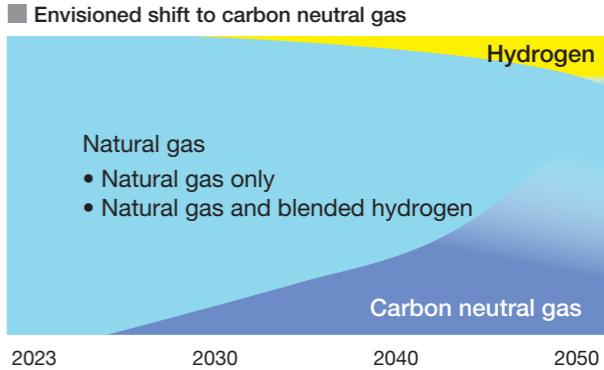
2 Preparing for the adoption of hydrogen-fueled water heaters

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

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

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

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



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

Koji Kinoshita
Corporate Planning Division
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