

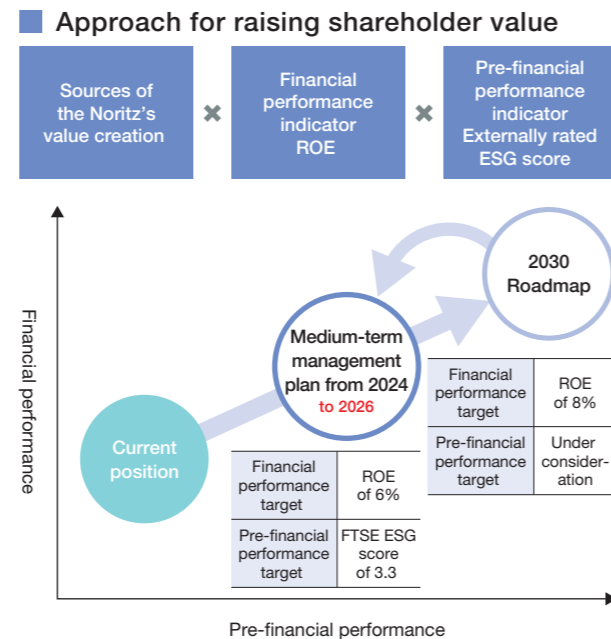
# New medium-term management plan from 2024 to 2026

## Aiming to achieve ROE of 6% and an FTSE ESG score of 3.3

In tandem with its review of material issues, Noritz formulated its new medium-term management plan by backcasting from the goals envisioned in its 2030 Roadmap, and in consideration of the Group's recent performance, public expectations, and global trends. Under the new plan, the Company will aim to raise its value by improving its financial performance as well as its pre-financial performance, which could affect financial results in the future. Accordingly, management has specified return on equity (ROE) as its financial performance indicator

and set a target of 6% by the final year of the plan in 2026. As an indicator of pre-financial performance, it designated the ESG score issued by the FTSE Russell and set a target of 3.3. Furthermore, to achieve the goals of the new 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.

Global trends and operating environment	
<b>[Government-related]</b>	<b>[Economic]</b>
<ul style="list-style-type: none"> <li>Geopolitical risks                             <ul style="list-style-type: none"> <li>Tension between the US and China regarding Taiwan</li> <li>Risks associated with sourcing parts and materials</li> </ul> </li> <li>Environmental regulations                             <ul style="list-style-type: none"> <li>Regulations for phasing out fossil fuels and shifting to a low-carbon economy</li> <li>Subsidies awarded based on government policies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Market demand and growth                             <ul style="list-style-type: none"> <li>Economic slowdown and real estate market collapse in China</li> <li>Growing production capacity for eco-friendly products</li> </ul> </li> <li>Material and service costs                             <ul style="list-style-type: none"> <li>Constantly rising prices of materials and logistics</li> <li>Bottlenecks and related problems in supply chains</li> </ul> </li> </ul>
<b>[Socio-economic]</b>	<b>[Technology-related]</b>
<ul style="list-style-type: none"> <li>Consumer needs                             <ul style="list-style-type: none"> <li>Need for eco-friendly and solution-driven products in Japan</li> <li>Consumer preference for domestic brands in their respective countries</li> </ul> </li> <li>Population decline in Japan                             <ul style="list-style-type: none"> <li>Rising personnel costs due to labor shortages</li> <li>Falling demand for bathroom and kitchen fixtures</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Renewable energy technologies                             <ul style="list-style-type: none"> <li>Demand for energy-saving heat pumps</li> <li>Accelerating pace of technological change</li> </ul> </li> <li>Widespread adoption of AI                             <ul style="list-style-type: none"> <li>Variation in service quality</li> </ul> </li> </ul>



## Results and targets of the previous and new medium-term management plans

	Financial results for previous plan's final year in fiscal 2023	Financial targets (set in December 2023) for the new plan's final year in fiscal 2026	Difference between the results and targets	Percentage difference between the results and targets
Net sales	¥201.8 billion	¥230.0 billion	+ ¥28.1 billion	+ 13.9%
In Japan	¥131.3 billion	¥145.0 billion	+ ¥13.6 billion	+ 10.4%
Outside Japan	¥70.5 billion	¥85.0 billion	+ ¥14.4 billion	+ 20.5%
Operating income (loss)	¥3.8 billion	¥9.0 billion	+ ¥5.1 billion	+ 135.8%
In Japan	¥0.3 billion	¥3.5 billion	+ ¥3.1 billion	+ 1,066.6%
Outside Japan	¥3.5 billion	¥5.5 billion	+ ¥1.9 billion	+ 57.1%
Ordinary income	¥1.2 billion	No target set	No target set	No target set
Net income attributable to shareholders of parent company	¥0.8 billion	No target set	No target set	No target set

## Three key strategies

### Key strategy 1

#### Shift to a more profitable business portfolio

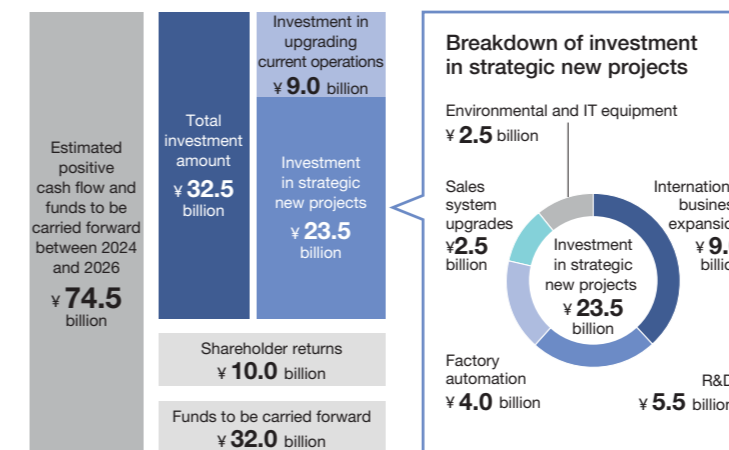
Noritz devises strategies for each business in the Group's portfolio based on assessments of their profitability and potential market growth. Accordingly, it will restructure the mainstay residential-use water heater business in Japan, and cultivate new markets internationally to reduce the risk of overdependence on the Chinese market.

### Key strategy 2

#### Strategically increase investment and allocate capital

##### 1 Invest in growth

Between 2024 and 2026, Noritz plans to invest a total of ¥32.5 billion—about one and a half times the investment amount during the previous three-year plan (excluding investment in M&A)—primarily for capital investment. Aiming for sustainable growth going forward, Noritz has earmarked ¥23.5 billion for strategic new projects in growth businesses, which will include converting production facilities to smart factories and constructing new factories outside Japan.



##### 2 Capital allocation

###### 1) Increase shareholder returns

Noritz will raise its targeted dividend on equity ratio from 2.0% to 2.5%, and will aim for this ratio or a consolidated dividend payout ratio of 50%, whichever is higher. It will also consider flexibly executing share buybacks.

###### 2) Reduce cross-shareholdings

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

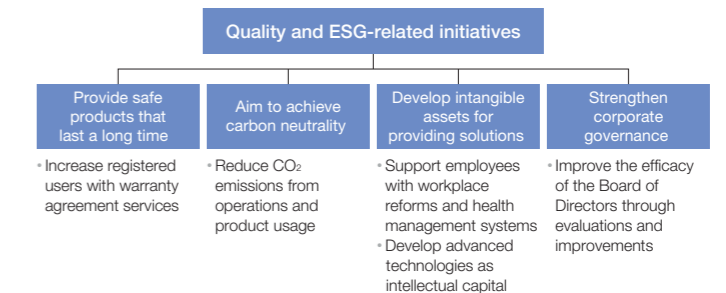
###### 3) Cancel shares

Noritz will reduce the number of its shares outstanding by 5% by 2026.

### Key strategy 3

#### Make progress in sustainability management

The Noritz Group has taken steps to position quality and ESG as the foundation of its sustainability management. Under the new medium-term management plan, the Group will recognize quality and ESG as components of its pre-financial performance as it strives to make further progress in sustainability management (see pages 25 to 26).



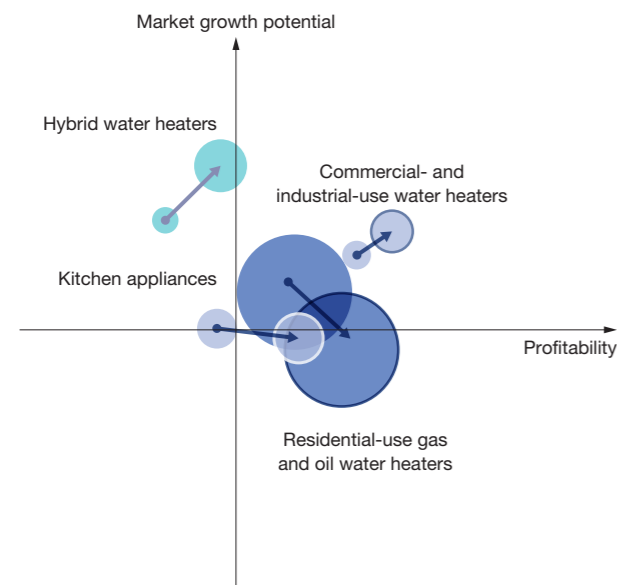
# New medium-term management plan from 2024 to 2026

## Strategies 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.

### Key strategy 1 Direction of the business portfolio from 2023 to 2026



### Key strategy 2 Strategic investment

Material issues 1, 2, 3, 4, and 6

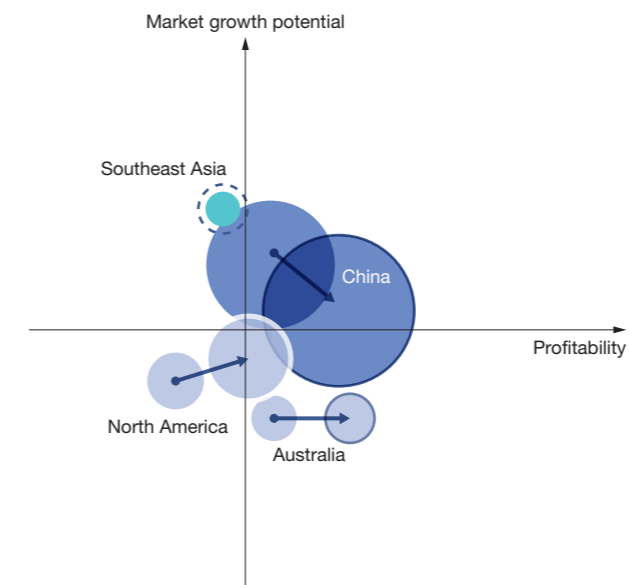
Purpose	Investment amount	Objective
R&D	¥5.5 billion	Expand lineups of value-added products by developing low-emission products that contribute to decarbonization and solution-driven products that help enhance users' quality of life.
Factory automation	¥4.0 billion	Automate production lines with a view 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.

## Strategies 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.

### Key strategy 1 Direction of the business portfolio from 2023 to 2026



### Key strategy 2 Strategic investment

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.
Other countries		Invest in new product development and expand businesses in various countries.

### Initiatives for providing value

#### Sustainability

Material issue 2

##### [Residential-use gas and hybrid water heaters]

- Contribute to decarbonization by promoting wider adoption of hybrid and low-emission gas heaters

##### [Non-residential products]

- Facilitate the shift from commercial- and industrial-use boilers to instantaneous gas water heating systems that emit less CO<sub>2</sub>

##### [All product markets and business regions]

- Practice sustainable procurement
- Acquire new technologies that facilitate decarbonization

#### Well-being

Material issues 2 and 6

##### [Non-residential products]

- Apply core technologies to develop added-value products tailored to specific needs in commercial and industrial markets

##### [All product markets and business regions]

- Market products that offer solutions for consumers
- Create partnerships with universities and governments to jointly develop solution-driven technologies

#### Care

Material issue 1

##### [Residential-use water heaters]

- Utilize inspection alert functions of water heaters to promote inspections and replacement products

##### [All product markets and business regions]

- Provide safe products that last a long time
- Design services for maintaining customer relations

### Initiatives for providing value

#### Sustainability

Material issue 2

- Contribute to decarbonization by promoting the switchover from storage-type water heaters to tankless water heaters
- Help reduce CO<sub>2</sub> emissions in the future by preparing for new market releases of tankless, heat pump-equipped, and hydrogen-fueled water heaters

#### Well-being

Material issue 2

##### [China and North America]

- Develop and promote solution-driven products such as water heaters equipped with recirculation pumps and heating systems

##### [China]

- Collaborate with Noritz (China) Co., Ltd., and Sakura Bath and Kitchen Products (China) Co., Ltd., to expand the kitchen appliance business

##### [China and other countries]

- Apply water purification and sterilization technologies to cultivate new markets

#### Care

Material issue 1

- Continue increasing the number of maintenance agreements
- Support after-sales and installation services through effective use of apps and social media
- Promote remote monitoring agreements to maintain orders for water heaters

# New medium-term management plan from 2024 to 2026

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.



### 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

## Environment

Aim to achieve carbon neutrality

- Material issue 2 -1 Develop and supply low-emission and solution-driven residential-use products sold in Japan
- Material issue 2 -2 Develop and supply low-emission and solution-driven non-residential-use products sold in Japan
- Material issue 2 -3 Develop and supply low-emission and solution-driven products sold outside Japan
- Material issue 3 Use natural resources in ways that facilitate recycling and decarbonization

## Society

Develop intangible assets for providing solutions

- Material issue 4 Apply intellectual resources to expand the Group's businesses
- Material issue 5 Develop human resources that can sustain the Group's businesses
- Material issue 6 Improve manufacturing resources through digital technologies

## Governance

Strengthen corporate governance

- Improve the efficacy of the Board of Directors through evaluations and improvements

Please visit Noritz's website for more information on its material issues, quality, and ESG initiatives (Japanese language only).



### 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

The FTSE Blossom Japan Index includes Japanese companies that have been highly evaluated for ESG practices. Noritz has been included in the index since 2023.



#### FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index is designed to measure the performance of Japanese companies that have been highly evaluated for ESG practices by industry sector. Noritz has been included in the index since 2022.



#### CDP

Noritz received a score of A- for climate change leadership for the second consecutive year in 2023 from the CDP, an NPO that runs a global disclosure system for managing environmental impacts.

# Sustainability management under the new plan

## Material issues

### Material issue 1

Maximize value for product users to maintain the customer base

The Noritz Group has been facilitating interaction with customers to offer them safe and convenient products by utilizing the internet and the latest internet-of-things (IoT) technologies, which make it easier to provide precise information to product users.

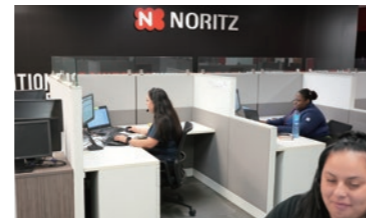
#### 2023 result and 2026 target

Total number of registered customer accounts  
From 4.57 million to **6 million**

### Maintaining interactive customer relationships to continue offering value

Noritz recognizes that maintaining relationships with customers after they purchase products is essential for continuing to offer them value. Therefore, it operates contact centers, membership websites, and a service featuring reminders and tips for more comfortable bathing through its smartphone app (called Ofuro no Jikan). By integrating IoT in remote controller, Noritz has added value to its bath products, such as enabling remote operations and notifications from outside the home, as well as notifications of optimal bathing times for ensuring a good night's sleep (available in *Hiito* bath models). It has also created new

services for providing useful information, including cold weather alerts and tips for more convenient product usage. Looking ahead, Noritz plans to continue enhancing these services and expand its services outside Japan through apps, social media, and multilingual contact centers.



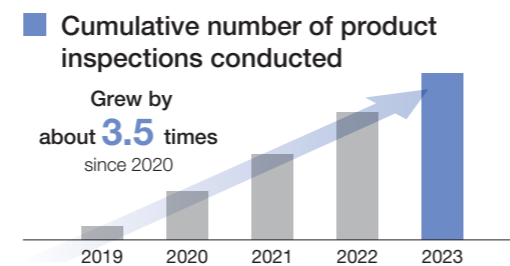
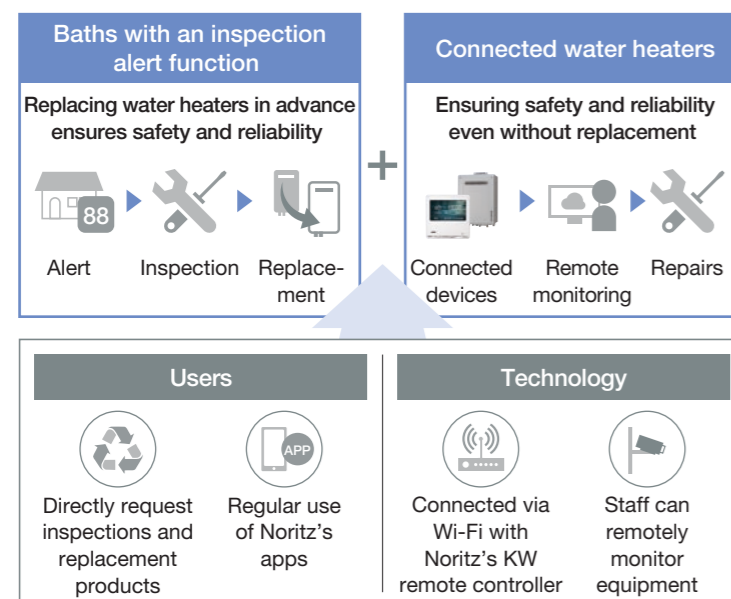
Noritz's contact center in the United States

### 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.



\* According to results of a customer satisfaction survey conducted by Noritz in 2023

### Material issue 2-1

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

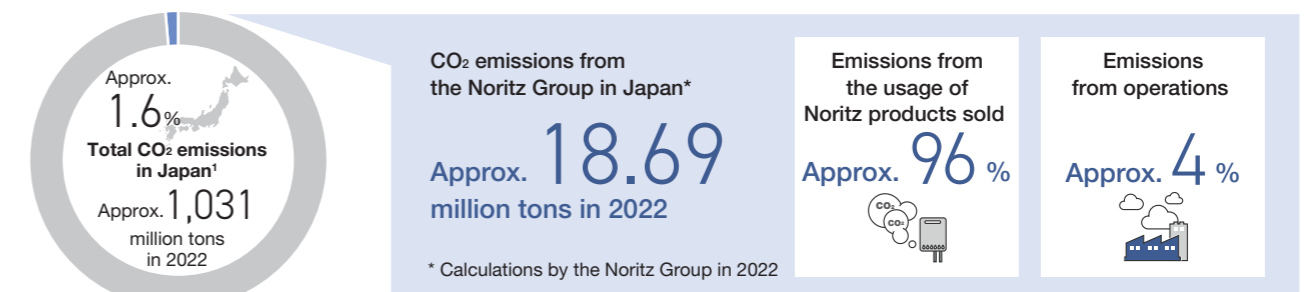
Annual CO<sub>2</sub> emissions from the Noritz Group's products (at the usage stage) and operations in Japan account for about 1.6% of the country's total CO<sub>2</sub> emissions. Therefore, the Group recognizes that it has a responsibility to the country to reduce these emissions going forward.

#### 2023 result and 2026 target

Reduction of CO<sub>2</sub> emissions from product usage in Japan compared with 2018  
From 25% to **20%**  
Sales of high-efficiency water heaters to total water heater sales in Japan  
From 40% to **50%**

As a group of companies that deals in gas water heaters and kitchen appliances that emit CO<sub>2</sub>, the Noritz Group understands the growing importance of reducing CO<sub>2</sub> emissions, especially now that Japan has announced its goal of becoming carbon neutral by 2050 amid rising environmental awareness. Recognizing this as an opportunity, Noritz is accelerating its

efforts to develop and market products that emit less CO<sub>2</sub> and use a wider range of energy sources to help achieve the 2050 goal and contribute to a more sustainable planet.



Notes: 1. Preliminary data of Japan's greenhouse gas emissions in 2022 provided by the Greenhouse Gas Inventory Office, National Institute for Environmental Studies

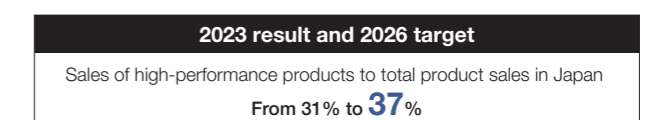
### Standardizing low-emission products and developing next-generation water heaters

In Japan, existing infrastructure is expected to be used during the country's transition to a low-carbon economy. Against this backdrop, Noritz will continue working to reduce CO<sub>2</sub> emissions by developing and marketing low-emission products, such as heat-recovery and hybrid water heating systems, while promoting the replacement of conventional products with more efficient models. Aiming to achieve net-zero emissions, Noritz has been utilizing carbon neutral gases promoted by gas utilities, and successfully developed a hydrogen-

fueled water heater that emits no CO<sub>2</sub>. Before releasing this new water heater to the market, Noritz will conduct demonstration tests in Japan in preparation for next-generation infrastructure, and tailor it to infrastructure needs and regulations in various countries. At the same time, the Company will carry out technical development of heat pump and renewable energy applications.



### Offering helpful and useful solutions for people's everyday lives



### Developing products that bring more comfort and convenience to consumers

In Japan, consumers often express a desire for cleaner bathwater and for a more comfortable sleep. In response to these everyday needs, Noritz developed bath water heaters equipped with two new technologies: *Aqua Ozone*, the industry's first bathwater disinfectant system that uses ozonated water, and *Hiito*, a bathtub designed to help users relax before bed. Moreover, in response to consumers who want cooking to be more convenient, Noritz developed a built-in gas cooker equipped with digital timers and displays, which make it easier for users to monitor cooking temperatures in real time. By promoting these new products, Noritz hopes to offer helpful and useful solutions for people's everyday lives.



Noritz's new built-in gas cooker on display in a new product presentation

# Sustainability management under the new plan

## Material issues

Material issue 2-2

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

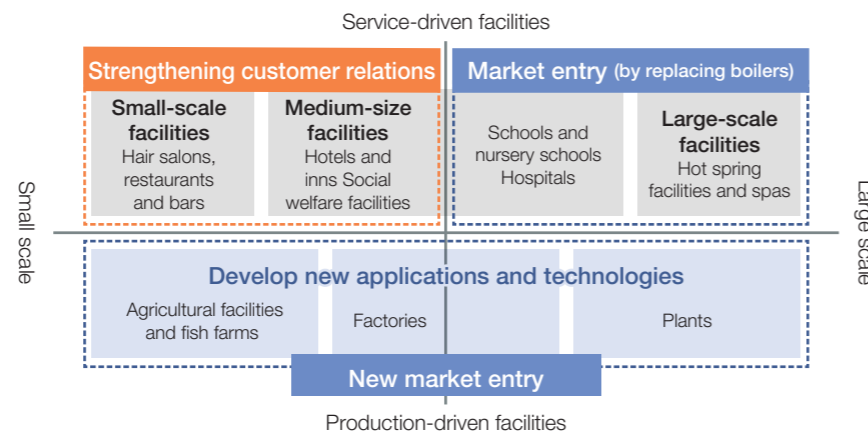
Progress in reducing CO<sub>2</sub> emissions from non-residential-use products has been slow compared with residential-use products in Japan because many facilities, such as spas and hospitals, use boilers that have high environmental impacts. In this context, Noritz is applying its core technologies to expand its lineups of low-emission products and help reduce CO<sub>2</sub> emissions in the commercial, industrial, and agricultural sectors.

2023 result and 2026 target

Amount of CO<sub>2</sub> emissions reduced in Japan (compared with 2018) by replacing boilers with high-efficiency water heaters  
**270 thousand tons to 330 thousand tons of CO<sub>2</sub>**

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 CO<sub>2</sub> emissions and improve operational efficiency.

Projected business expansion



### Supplying low-emission products that can heat water up to 84°C with thermal efficiency of 95%

While conventional industrial-use gas water heaters can heat water up to 80°C, food processing plants in Japan must clean and sterilize equipment at higher temperatures to comply with HACCP-based standards<sup>1</sup> for disinfectants. In response to this need, Noritz developed a gas water heater capable of heating water up to 84°C<sup>2</sup> by modifying various components and improving safety devices. It also achieved thermal efficiency of 95% by reusing exhaust heat, enabling the unit to heat water with less gas. Noritz is promoting this highly efficient water heater as a replacement for boilers used

by industrial facilities, which consume a relatively large amount of gas to heat water. Since these products emit less CO<sub>2</sub>, they can contribute to Japan's transition to a low-carbon economy.

Notes:

- HACCP (Hazard Analysis and Critical Control Point) is a safety management system for food manufacturers.
- Depending on piping systems, the water temperature output may be less than 80°C.



### Designing water heating systems to help solve labor shortages

Japan's shrinking working-age population has caused a serious labor shortage in the construction industry. In response to this issue, Noritz has been supplying pre-assembled commercial- and industrial-use water heating systems. By combining multiple water heaters into a single unit and delivering them directly to construction sites, Noritz has greatly reduced the amount of installation work, which saves on labor. This also results in less industrial waste and ensures consistent installation quality, making it easier for construction firms to ensure safety and reliability. On the momentum of this successful

initiative, Noritz intends to explore more solutions through its products and services in the future.

A pre-assembled water heating system delivered to a construction site



Material issue 2-3

### Develop and supply low-emission and solution-driven products outside Japan

Amid growing interest in decarbonization initiatives around the world, the Noritz Group is working to help reduce CO<sub>2</sub> emissions by applying its extensive technological expertise in high-efficiency gas water heaters.

2023 result and 2026 target

Amount of CO<sub>2</sub> emissions reduced outside Japan (compared with 2018) by replacing storage-type water heaters with high-efficiency tankless water heaters  
**From 3,950 thousand tons to 6,000 thousand tons of CO<sub>2</sub>**

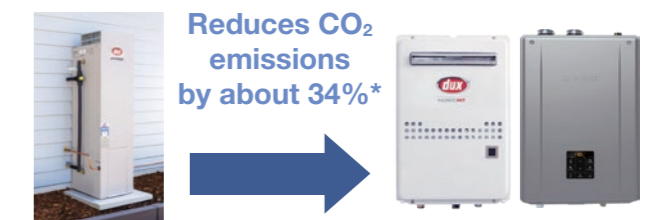
The Noritz Group is committed to helping the world achieve net-zero emissions. Toward this end, the Group calculated the amount of CO<sub>2</sub> emissions that it reduced outside Japan in 2023 by replacing storage-type water heaters with tankless

water heaters, and set a target to reduce this amount by 2026.

### Promoting tankless water heaters in North America and Australia with an improved and wider product lineup

While tank-equipped storage-type water heaters are most common in the North American and Australian markets, the Noritz Group is working to boost the market share of tankless (instantaneous) water heaters by promoting their exceptional energy savings and environmental benefits. Group companies have been marketing these products by highlighting the ease with which they can replace storage-type models. Indicating the success of these efforts, the percentage of tankless water heaters has risen substantially in North America. Building on this success, the Group is working to improve its lineup of low-emission and solution-driven products.

Promoting the switchover to tankless water heaters



\* If a storage-type water heater is replaced by a tankless water heater with a premixed burner design

### Contributing to the government-backed switchover from coal to gas by boosting production capacity in China

China has been switching from coal to gas in an effort to decarbonize. Against this backdrop, Noritz's subsidiaries in China have been contributing to the environment by replacing water heating equipment with gas water heaters and boilers that offer excellent environmental performance and convenience.

To contribute to the switchover to gas, Noritz will expand production facilities to boost overall capacity to about one million gas water heaters annually.

Water heaters designed for China's switchover to gas



### Facilitating collaboration with subsidiaries to independently develop and manufacture products tailored for the Chinese market

To help its subsidiaries in China grow independently, Noritz has begun constructing an innovation center in the country. Scheduled to open in early 2026, the center will aim to independently develop products that meet and evolve with needs unique to the Chinese market.

collaboration with its subsidiaries, Noritz (China) Co., Ltd., and Sakura Bath and Kitchen Products (China) Co., Ltd., Noritz will work to expand its kitchen appliance business and offer products that satisfy consumers in China.

In 2023, the Noritz Group applied technologies developed in Japan to release its Multi Grill brand of built-in gas cookers in China. Combining numerous functions in a single product, the gas cooker enables users to prepare sophisticated dishes in the home. While eating out is firmly rooted in Chinese culture, demand for food prepared at home has increased since the COVID-19 pandemic. In



Artist rendition of the new innovation center

New kitchen appliance presentations are distributed via social media

# Sustainability management under the new plan

## Material issues

### Material issue 3

## Use natural resources in ways that facilitate recycling and decarbonization

Vast amounts of energy are consumed to make products, and as production volume rises, energy consumption and CO<sub>2</sub> emissions also increase. Therefore, reducing CO<sub>2</sub> emissions while maintaining production capacity is a major challenge that requires manufacturers to conserve, recycle, and effectively use limited resources.

The Noritz Group carries out various initiatives for protecting the environment, such as installing machinery that emits no CO<sub>2</sub> at its production facilities. Group company S-CORE Hearts K.K. also recycles resources through its gas water heater recycling business with the goal of ensuring

sustainable operations. The Group is striving to achieve net-zero CO<sub>2</sub> emissions across all of its operations by 2050. Moreover, to help further progress in resource recycling through its products and businesses, Noritz is aiming for a 40% reduction in the waste it generates in Japan by 2030.

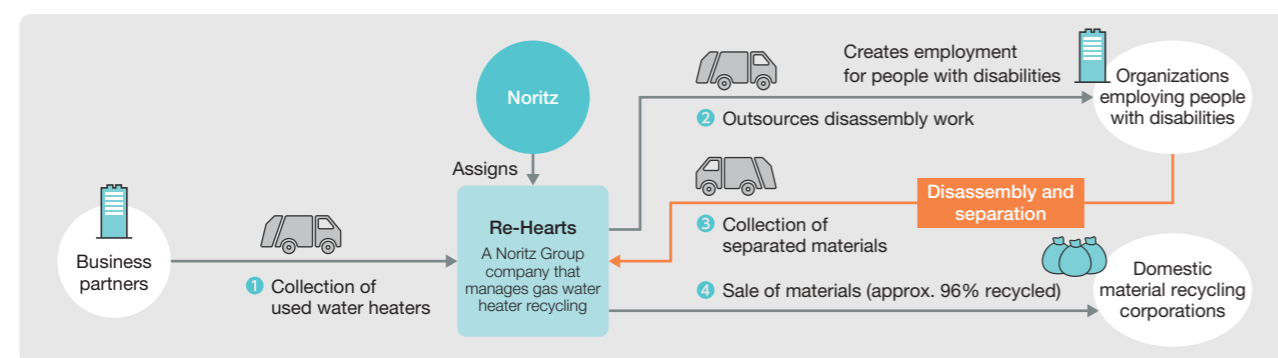
2023 result and 2026 target
Secure 100% of electricity from renewable energy sources at the Akashi Main Factory
Number of products recycled from 70 thousand to <b>150 thousand</b>

### Securing electricity from renewables at the Akashi Main Factory while conserving energy at all workplaces



In 2020, Noritz became the first company in the gas and oil equipment industry to join the global initiative RE100. As a member, Noritz has committed to the RE100 goal of securing 100% of its electricity from renewable sources. It will work to achieve this at all factories in Japan by 2030 and all of the Group's factories outside Japan by 2050. As a step towards these goals, Noritz is preparing to supply electricity to the Akashi Main Factory, its largest production facility in Japan, entirely from renewable energy sources by 2026. At the same time, Noritz plans to install new equipment and facilities to conserve more energy, generate energy from renewables, optimize logistics, and reduce CO<sub>2</sub> emissions. It will promote these activities by sharing exemplary energy-saving initiatives across the Group via its intranet.

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



The Noritz Group is committed to building a circular economy that uses resources sustainably. From this perspective, Noritz set up a system for recycling gas water heaters in 2011. The operations are handled by Re-Hearts K.K., a subsidiary of Group company S-CORE Hearts K.K., which was established to provide employment opportunities to people with disabilities. Re-Hearts collects used water heaters from the Group's business partners and outsources the disassembly

and separation work to organizations that employ people with disabilities. By 2022, about half a million water heaters had been recycled since the system was set up, and another 70 thousand were recycled in 2023. Building on this momentum, the Group is working to expand the system going forward.



S-CORE Hearts' website (Japanese language 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 create new businesses and respond to diverse consumer needs, Noritz recognizes that it must integrate new technologies in addition to its core technologies of combustion control, heat exchange, and fluid control. Therefore, the Company is

promoting open innovation while soliciting ideas from employees with a view to creating all-new value.

2023 result and 2026 target
Number of newly developed technologies related to decarbonization or wellness-related issues
<b>5</b> by 2026
Nikkei Research Brand Strategy Survey score
From 572 to <b>585</b>

### Promoting open innovation to develop new technologies

Along with its core technologies of combustion control, heat exchange, and fluid control, the Noritz Group is deploying mechatronics and electronic control software to explore ways of limiting CO<sub>2</sub> emissions and enhancing people's health through bath products. At the same time, it is promoting open innovation to develop new technologies necessary for providing solutions and improve people's health and quality of life.

Since 2022, Noritz has been collaborating with Kobe University, the University of Hyogo, and a national project led

by the Japanese government to jointly research technologies related to decarbonization, wellness, digital transformation, and hygiene and disinfectants. Noritz is also developing a next-generation hybrid water heating system that recovers heat from inside the home, which can help reduce CO<sub>2</sub> emissions. This development project was selected for funding by the New Energy and Industrial Technology Development Organization, Japan's largest organization supporting R&D.

### Presenting applied research at an academic conference

Researchers from Noritz gave a presentation on how body temperature changes in the bath affect sleep at an annual conference of the Japan Society of Physiological Anthropology held in 2023 at Kyushu University. This research was used to

develop monitoring functions for the Company's new *Hiito* bath unit.

A researcher from Noritz presenting at the conference




### Development of Aqua Ozone technology

Through joint research with Kogakuin University, Noritz developed a bathwater disinfection unit that uses ozonated water to sterilize water pipes and related equipment. The device was used for the Company's GT-C72 series of gas water heaters, released in May 2023.

**Noritz's ozonated water disinfection technology**

Equipped with Kogakuin University's original technology for dissolving ozone in water

**Aqua Ozone is the industry's first<sup>1</sup> ozonated bathwater disinfection unit capable of eliminating over 99% of bacteria<sup>2</sup> in water**



- Among residential-use gas water heaters as of March 31, 2023
- According to tests conducted by the Hygiene & Microbiology Research Center, after ozonated water was added to a bacterial solution for a 10-second period, measurements of the remaining bacteria showed that over 99% of the bacteria had been eliminated. This result was obtained under laboratory conditions, and results for actual usage conditions could differ.

### Continuing to earn the trust of stakeholders

To ensure that it continues to earn the trust of its stakeholders, the Noritz Group is working to enhance its corporate brand and raise the quality of its management, products, and services.



# Sustainability management under the new plan

## Material issues

Material issue 5

### Develop human resources that can sustain the Group's businesses

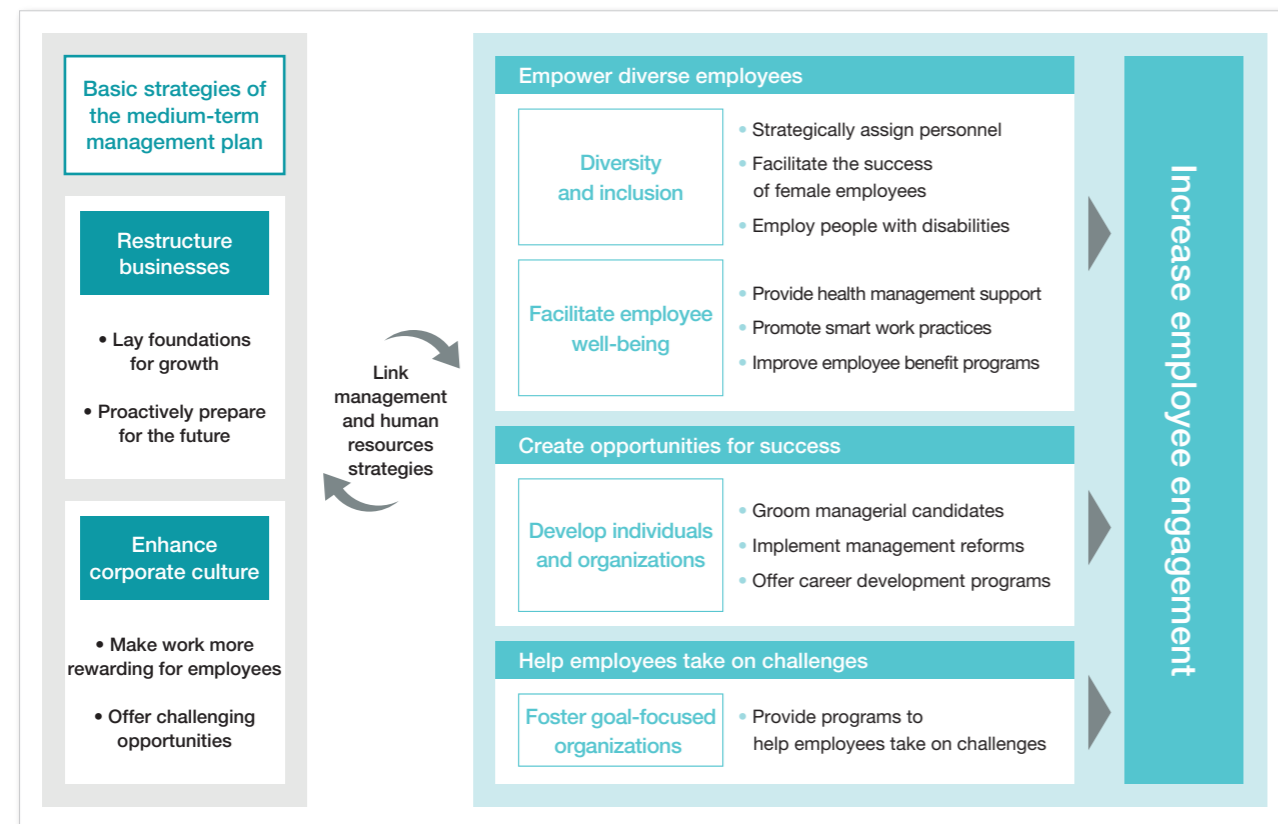
For the Noritz Group, human resources—its employees—is the most important form of capital for maximizing value for customers and helping realize a sustainable society.

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 its new medium-term

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

2023 result and 2026 target

Employee engagement score  
From 68 to **70**



### Promoting diversity and inclusion

As Japan's workforce shrinks in line with its declining population, companies must draw on the skills of diverse human resources in order to grow sustainably in the future. From this perspective, Noritz has been improving workplace conditions and offering programs and support to employees so they can make the most of their individual skills.

To help women thrive in the workplace, Noritz is assisting female employees with their career aspirations by proactively creating opportunities to participate in training programs as well as conferences and seminars. It also provides online career

coaching and one-on-one meetings with mentors from outside the Company to help female employees independently choose their career paths.



An organization has been set up for female employees who are raising children



### 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

Noritz has created a program for grooming its next generation of managers based on succession plans, and is building a pool of skilled employees by carefully selecting employees for training programs and transferring and promoting personnel who desire challenging assignments. In response to people's diversifying career aspirations, Noritz is assisting employees with career counseling while motivating them through its job performance management system and one-on-one mentorship program. Through such management reforms, the Company is creating opportunities for employees to pursue the careers they aspire to while offering systems for them to achieve success.



Employees participating in a manufacturing seminar

### Fostering goal-focused organizations

To carry out its new medium-term management plan, the Noritz Group renewed its corporate philosophy with the value statement, "Everything starts from a challenge." In a variety of activities for promoting and practicing the philosophy, the Group is encouraging all employees to take the initiative without being afraid of failure or risks. For this purpose, motivational meetings for employees and management are being held along with workshops on challenges in every workplace. The Group is also introducing systems and programs for commending employees who pursue such aspirations.



A motivational meeting for employees and management

# Sustainability management under the Material issues

**Material issue 6** **Improve manufacturing resources through digital technologies**

Noritz recognizes that applying digital technologies at manufacturing facilities will not only reduce costs, but also improve work-life balance for employees, which has become more important in Japan amid changing social values and the country’s shrinking working-age population.

**2026 target**  
 Proportion of automated production to total production at the Akashi Main Factory  
**70%** of gas water heater production

To devise solutions to labor shortages and better work-life balance for its factory workers, Noritz is making use of robotics and AI to transform its production facilities into smart factories by 2030. Its production reforms are now underway, beginning with the installation of robots and adoption of modular designs.

To digitally transform its production facilities, the Company is training large numbers of employees to equip them with the skills and knowledge needed for applying data and digital technologies.

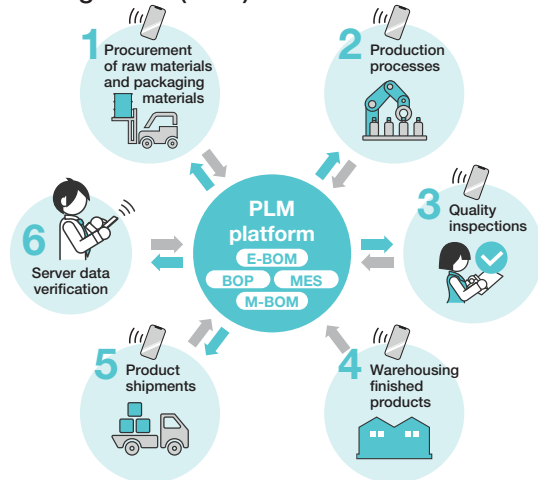
## Moving ahead with innovative production reforms

Noritz’s gas water heaters vary depending on how and where they will be used, so various models are manufactured on the same production lines. Since these products have complex designs and their components differ depending on the model, many manufacturing processes must be performed manually and cannot simply be automated. Given these circumstances, Noritz has started on its transition to smart factories by adopting modular designs for parts and components, and developing robotic technologies that suit its production lines. At the same time, it is working to reduce costs, make work easier for employees, integrate automated production and data analysis with sales data, and improve efficiency, quality, and productivity across the entire value chain.



A robot developed for a production line

## Digitally transforming product lifecycle management (PLM)



The PLM generates bills of process (BOPs) to determine manufacturing processes for specific products, and manufacturing and engineering bill of materials (MBOMs and EBOMs) to specify parts required for products. It also includes a manufacturing execution system (MES) to assist operators and collect data on production-related results.

## Training employees needed for a digital transformation

To digitally transform its operations, Noritz will need personnel who can use AI and analyze, apply, and develop the data it collects. Therefore, the Company has been assigning and training such employees through various activities, including a new program for re-skilling employees in the workplace. It also launched its first AI training program in 2023, giving seven employees an opportunity to try improving operations through the use of AI. A variety of other training programs have also been initiated since 2024.



A presentation on accomplishments in the AI training program