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

Noritz’s indispensable strength since 1951

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

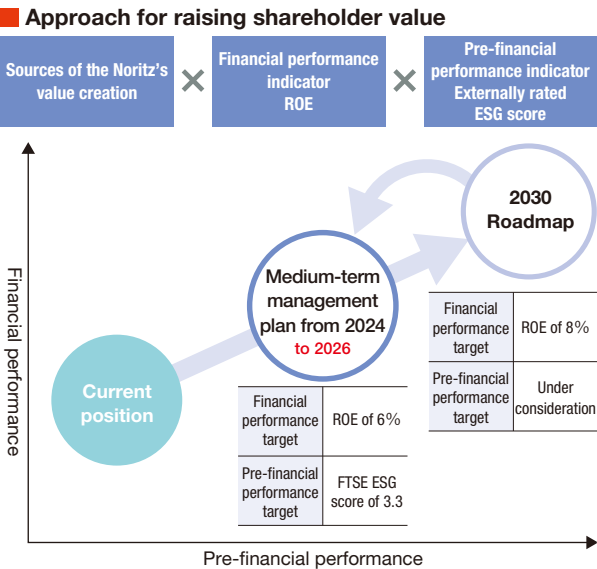
Noritz’s strength is not only our technological capabilities, represented by combustion control, heat exchange, and fluid control technologies, but also our wide variety of products and our high market share in the industry. We also have a solid pipeline with regular clients we have been working with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

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

Launching the medium-term management plan from 2024 to 2026

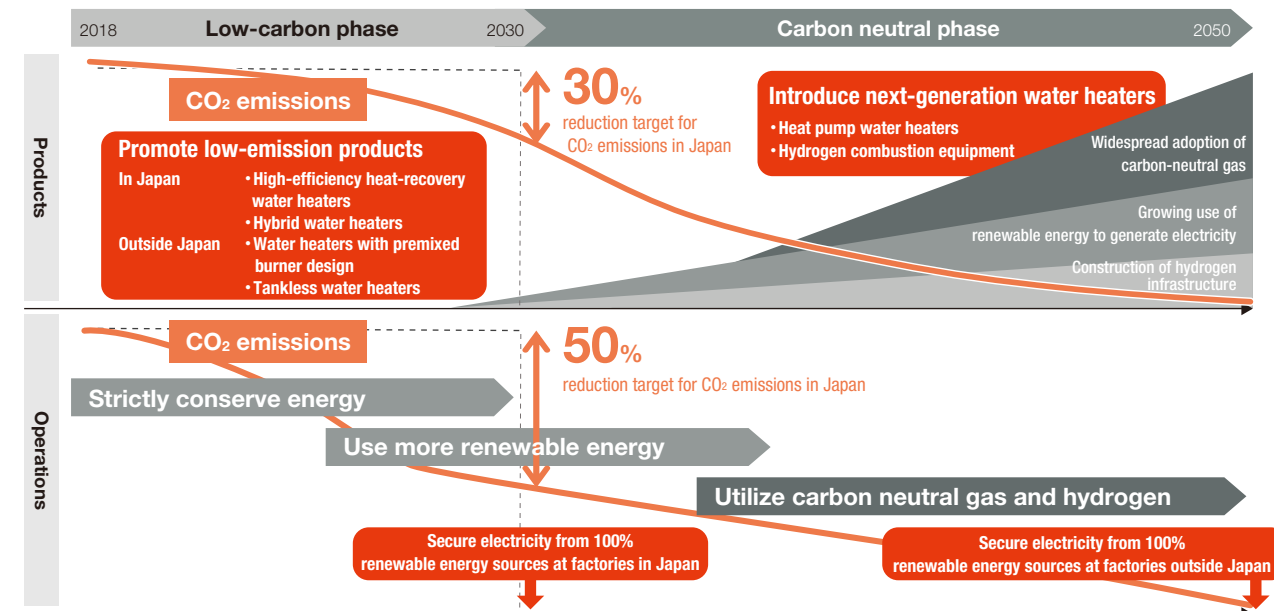
To achieve our 2030 Roadmap, we began from fiscal 2024 with the launch of the medium-term management plan spanning through 2026. In this plan, we determine our value creation process and envision the Noritz Group working to fulfill its mission of providing the simple comforts of life through its products. Specifically, we define the value that the Group provides as products and services that help communities live more comfortably and contribute to the planet. Over the course of its history, the Noritz Group has created value through products that respond to social issues, which have arisen due to changes in global trends, and energy diversification. Going forward, in the value creation process, our goal is to achieve outcomes centered on three keywords: sustainability, well-being, and care.

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



Message from the President

■ Path towards net-zero CO₂ emissions



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

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

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

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

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

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

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

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

Human capital is the key driver in realizing the 2030 Roadmap

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

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

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

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

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

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